

SME banking behavioural undertakings 2002

CMA report on compliance
Banks' audits 2017

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1. Introduction

The behavioural undertakings

- 1.1 In 2002, following a Competition Commission investigation into banking services for small and medium-sized enterprises (SMEs), nine banks (two of which have since merged) agreed that, except in specific circumstances, they would no longer require an SME customer to open or maintain a business current account (BCA) to get a business loan. This practice is commonly known as ‘bundling’ and was prevented by **behavioural undertakings** given by the banks to the Secretary of State for Trade and Industry and the Chancellor of the Exchequer (the Undertakings).¹
- 1.2 The eight banks currently subject to the Undertakings are: AIB Group (UK) plc (known as First Trust Bank), Bank of Ireland, Barclays Bank plc (Barclays); Clydesdale Bank plc (Clydesdale); HSBC Bank plc (HSBC), Lloyds TSB Bank plc (now part of Lloyds Banking Group and known as Lloyds in this report), Northern Bank Limited (known as Danske Bank) and the Royal Bank of Scotland (RBS) which includes Ulster Bank Limited (Ulster Bank) in Northern Ireland (together referred to as ‘the banks’).
- 1.3 The bundling undertakings are set out in Clause 17 to 19 of the Undertakings. These prohibit the banks from compelling a customer to open or maintain a BCA as a condition of granting, maintaining or servicing a loan or deposit account. The banks may, however, offer incentives (e.g. lower charges or interest rates) to SMEs to open a BCA alongside their loan or deposit account, and they may offer integrated products (provided that the integrated products are also offered separately).²

The 2014 Agreement³

- 1.4 On 11 March 2014, the Office of Fair Trading (OFT) agreed a package of measures (known as the 2014 Agreement) with the banks to:
 - improve awareness of the Undertakings among Relevant Staff; and
 - assist the Competition and Markets Authority (CMA) in assessing overall levels of compliance with the Undertakings on an ongoing basis.

¹ [Behavioural undertakings](#)

² The Undertakings prohibit the tying of a BCA and a loan or deposit account, but do not prohibit the provision of integrated products (i.e. the sale of several products as one combined product).

³ See Annex 3 of this Report

- 1.5 As part of the 2014 Agreement, the banks agreed to undertake a detailed annual audit of their systems and procedures for ensuring compliance with the Undertakings.

CMA reports on compliance

- 1.6 Following the 2014 Agreement, the OFT and then the CMA worked with the banks to produce a set of high-level principles to guide the focus and manner of their internal auditors' inspections.
- 1.7 The CMA reviewed the banks' 2014 audit reports and reported on its findings in its report on compliance of 22 October 2014⁴.
- 1.8 During this review, the CMA concluded that HSBC and First Trust Bank had breached the Undertakings. On 21 October 2014, the CMA issued Directions⁵ to these two banks to improve compliance with the Undertakings.
- 1.9 Since 2015, the CMA has aligned the reporting period for annual audit reports to cover the period 1 July to 30 June. Banks are required to submit audit reports by the last working day of July. This current report sets out the results of the fourth round of audit reports which were submitted by the banks in July 2017, covering the period from 1 July 2016 - 30 June 2017.

⁴ [SME banking 2002 behavioural undertakings: reports on compliance](#)

⁵ See [CMA.GOV.UK for Directions given to HSBC and First Trust](#)

2. Summary of audit report findings

2.1 For the purposes of this 2016 - 2017 audit review the CMA has considered how well the banks have complied with the 2014 Agreement.

2.2 For each of the banks, the CMA has considered each section of the 2014 Agreement against the information provided by them as follows:

- procedures, practices and policies in place to promote compliance;
- training for Relevant Staff⁶ - the level of staff awareness and understanding of the Undertakings and any assessment of that training (by means of direct testing and/or mystery shopping) and any incidences of non-compliance with the Undertakings;
- loan application cases – banks’ reviews of their new loan applications and whether there have been any incidences of non-compliance; and,
- complaints data – banks’ reviews of SME banking-related customer complaints and whether there have been any incidences of non-compliance.

2.3 In the case of HSBC and First Trust, the CMA has also considered compliance with all the requirements of the Directions⁷ issued to these two banks.

2.4 The CMA confirms that, on the basis of the evidence provided, the banks have complied with the provisions of the 2014 Agreement and that HSBC and First Trust have complied with the Directions. There was no evidence of material breaches of the Undertakings provided, and consequently, no such breaches have been identified.

2.5 Annex 1 contains summaries of the banks’ audit reports and includes an outline of the CMA’s process of reviewing the banks’ audit reports.

2.6 Some banks have taken steps to improve their systems and procedures for ensuring compliance with their obligations under the Undertakings. However, we have had to engage in further discussions with all the banks to obtain clearer evidence on how they complied with the 2014 Agreement, the Undertakings, and the Directions where appropriate. In the next section of this

⁶ Relevant Staff are defined in the CMA’s 2014 Agreement as “Bank’s staff who are responsible for the marketing and sale of business loans and business deposit accounts”

⁷ [SME banking 2002 behavioural undertakings: directions to banks](#)

report we have described best practice adopted by some banks to ensure their compliance.

3. Best practice for ensuring compliance

Best practice

- 3.1 The CMA's best practice points contained in its two previous Reports on Compliance continue to be relevant to ensuring compliance with the Undertakings and form part of the Checklist for the Agreement (see Annex 2).
- 3.2 The CMA would like to see high standards maintained (or improvements made to meet those standards) in the three areas below:
- Guidance and education for credit-sanctioning staff which ensures that communications with frontline relationship managers and their SME customers are compliant with the Undertakings.
 - Revisions to the standard paperwork drawn up for loan applications which ensures that Relevant Staff consider the Undertakings when dealing with new-to-bank SME customers. This will also improve banks' ability to monitor compliance.
 - Changes to the categories used in the banks' internal complaints records to provide for better monitoring of compliance with the Undertakings.
- 3.3 In assessing the 2017 audit reports and having regard to the above points, the CMA has focused on the following three main areas when reviewing practice across the banks and looking at possible improvements and best practice:
- staff awareness and training;
 - reviews of credit application case files; and
 - reviews of complaints.

Staff Awareness and Training

Awareness and testing

- 3.4 The CMA expects each bank to continue to review and ensure compliance through its processes and procedures (and to update those processes and procedures where appropriate).
- 3.5 The CMA believes that ensuring a high level of staff awareness is key to complying with the Undertakings. Banks reported that during the 2016/17 reporting round, staff received training on the requirements of the Undertakings.

- 3.6 Training materials on the Undertakings should be reviewed on an on-going basis to ensure that they remain relevant and up to date.
- 3.7 Across the banks there are variations as to the level of formal training and the ways in which training is delivered to Relevant Staff. In addition, the frequency varies with some banks delivering annual training and others quarterly training. Some banks provide on-line training while others provide reading material or training packs and one bank provides annual training via a training presentation and staff question session.
- 3.8 The CMA notes that some banks already have in place systems to record the staff who have received training on the Undertakings or that staff have read and understood the training materials provided. The CMA encourages the remaining banks to introduce a similar system to record staff training centrally.
- 3.9 While Relevant Staff should receive training on the Undertakings, one bank has expanded its training to include staff in support roles with no direct contact with SME customers. Another bank has additionally incorporated training into its induction for new Relevant Staff to ensure that they understand the requirements of the Undertakings.
- 3.10 The CMA considers that banks should also test their Relevant Staff's understanding and awareness as part of their training programmes. A training programme should be provided to all Relevant Staff and assessed and evaluated for effectiveness and prevention of non-compliance. The CMA notes that several banks already formally assess and test their staff as part of their training programme and encourages the remaining banks to also have assessment as part of their staff training.
- 3.11 Where staff fail tests, interviews or a mystery shopping exercise on awareness of the Undertakings, some banks have provided staff members with further training or opportunities to repeat training and retake the training assessment. One bank ensures that staff who do not pass interviews will be marked for another interview in the next audit round and further training provided.
- 3.12 The banks should take their own commercial decisions on how best to comply with the Undertakings but the CMA considers that mystery shopping exercises are an effective and robust way of testing compliance and banks are encouraged to undertake such exercises as part of their compliance testing. In cases where it has been identified by the banks' audits that staff have failed tests or staff have given incorrect responses when interviewed by auditors, banks should provide staff with additional training or require the training to be repeated.

- 3.13 For reporting or explaining levels of compliance in audit reports, banks reported with terms such as, 'satisfactory', 'competently', 'sufficiently' or 'acceptable knowledge'. The CMA would like banks to offer quantitative evidence in future, for example providing results in figures of the total Relevant Staff population, the number of staff assessed, tested or interviewed and the threshold for each category.
- 3.14 In all cases, banks should confirm the methodology used for sampling, i.e. geographic location, teams and business areas.

Annual Reminders

- 3.15 An annual reminder is a specific written reminder communicated to Relevant Staff directing them to the subject matter of the Undertakings (and nothing else).
- 3.16 Once again, the CMA had to seek copies of annual reminders from some banks as they had not been provided initially. The CMA will expect to receive the annual reminder at the time when banks submit their audit reports. This applies to all the banks and to all future reporting rounds.
- 3.17 The annual reminder and any training materials provided to Relevant Staff annually should be provided in separate communications during the year in accordance with clause 2 of the 2014 Agreement.
- 3.18 The banks used different methods of providing the annual reminder to staff. This varied from emails directly to each Relevant Staff and confirmation from those individuals that they have read and understood the annual reminder communication, to putting the annual reminder onto the bank's intranet pages. Information on how annual reminders are provided to staff and details of any mechanisms in place for staff to confirm receipt and understanding of annual reminders should be included in the banks' audit reports.
- 3.19 In all cases where annual reminders are provided via email, the banks should review their staff distribution lists regularly to ensure that Relevant Staff lists are kept up to date.
- 3.20 The CMA would be interested to hear from banks on any new enhancements and improvements made to staff training to ensure compliance with the Undertakings.

Loan applications

- 3.21 In reviewing loan application and new BCA account cases, the sample sizes by banks used to identify any potential cases of bundling varied from 15 to

over 200 new cases. Banks adopted different methodologies for selecting cases for review. One bank selected a sample of 15 SME customers who had opened a BCA from three months before they had taken out a loan to one month after. Another bank reviewed all new bank connections in the reporting period 1 July 2016 – 30 June 2017. Other methods include sample testing of new bank connections.

- 3.22 The CMA expects banks to provide an explanation of how their methodology, including the selection of a sample size, generates robust, statistically significant and reliable results as well as any analysis of the figures that result.
- 3.23 The CMA encourages banks to review and maintain internal guidance and staff communication on loan applications used to promote compliance with the Undertakings. Banks reported that internal guidance, staff communications, facility letters and sanctioning documentation have been reviewed as part of banks' audits. An example of a planned improvement from one bank is to enhance its guidance on recording the conditions of loan approvals.
- 3.24 The CMA would be interested to hear from any banks on enhancements relating to the loan application process and procedures in ensuring compliance with the Undertakings.

Complaints

- 3.25 Banks adopted differing approaches to monitoring complaints for potential product bundling issues. One bank reviewed the full population of SME-related complaints to assess product bundling. Several banks used management information to extract relevant complaints from their complaints system and then reviewed a sample of complaints during the reporting period. Other banks used a specific category within their complaints system for complaints relating to bundling and developed a specific sub-category to capture any complaints relating to the Undertakings.
- 3.26 When categorising complaints, some banks used key words to search their systems and extract complaints. The type of key words used for searches included "Main", "Banking", "Switch" and "Transfer". There is a risk of omitting complaints relating to product bundling if the bank's existing key words do not capture certain product bundling complaints for the in-scope review. However, for the banks with a complaints category or code where the case handler can identify when a complaint relates to bundling, searching on key words is not needed for the process of identifying any complaints on product bundling.

- 3.27 Some banks now have a specific complaints category and an internal escalation process for aggregating related complaints. The CMA considers this to be best practice in capturing all complaints relating to product bundling.
- 3.28 The sample sizes used by banks for the review of complaints in some cases consisted the entire population of complaints. Some banks also reviewed appeals cases as part of their reviews of complaints to ensure compliance with the Undertakings.
- 3.29 The CMA expects banks to provide an explanation of the methodology on the sample size of the complaints along with the complaints data, findings and any analysis on the figures.

Next Steps

- 3.30 The CMA expects Banks to take note of the best practice points outlined in this document and, where they fall short of the best practice identified, to undertake improvements in their actions, monitoring and compliance procedures to align more closely with the CMA's description of best practice.
- 3.31 The CMA's Checklist (see Annex 2 of this Report) sets out the high-level principles of the Agreement and is used as a guide to facilitate monitoring of the Agreement. Banks should submit Audit Reports to the CMA on the last working day in July annually. Reports should cover the audit period of 1 July – 30 June.
- 3.32 In addition, the CMA expects Banks to report any non-compliance issues to the CMA and take remedial action as soon as they are identified and not wait until submission of the reports to inform the CMA of any such issues.

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Annex 1: Summary of audit report findings

CMA process for reviewing compliance

1. Banks are required to submit audit reports annually on the last working day in July. We review these reports in the light of the Undertakings, the 2014 Agreement and the Directions (where applicable). We identify any information of possible breaches or issues and follow these up with the banks.
2. Following this process, as part of this review we have:
 - sought further information and discussed with the banks issues reported in the audit reports
 - sought further information on proposed changes and improvements by some banks; and
 - requested additional reporting on changes and improvements to processes.
3. In the rest of this annex we set out summaries of the individual banks' responses.

HSBC

4. HSBC told us it continues to consistently adopt and apply CMA's best practices guidelines particularly in relation to its comprehensive staff training and awareness programmes and complaint monitoring.

Policies, practices and procedures

5. HSBC confirmed that it has taken steps to ensure its policies, practices and procedures comply with the 2014 Agreement and Directions.
6. HSBC reported that the following were reviewed and found to be compliant with the Undertakings:
 - All relevant internal documentation and relevant product documentation
 - Internal Product Information Guides for in-scope products
 - Procedures for the selling and opening of accounts
 - The credit scoring process

- The process for opening small business loans
- Online product information and web pages available to customers for in-scope products
- Corporate and commercial banking brochures in branches
- Responses to customers' questions on bundling and in-scope products in the Online Live Chat ('Ask Andrew') and Twitter
- The process for producing and approving the marketing material
- The governance of new and existing products, including the process to ensure all product reviews are updated periodically
- The completion of product reviews for all in-scope products
- A sample of product Terms and Conditions, fact sheets and product web pages for in-scope products.

Training and staff awareness

7. HSBC reported that, on 16 March 2017, the annual reminder of its obligations under the Undertakings was sent to all Relevant Staff in the form of a mandatory reading item and followed up with a direct email. HSBC submitted a copy to the CMA in accordance with section 2 of the 2014 Agreement.
8. HSBC listed its management action plan:
 - A 'Diary Watch card' is completed by HSBC team leaders and managers to assess the awareness of staff on a quarterly basis ensuring that staff are aware of the Undertakings. HSBC carried out a review of the template of the Diary Watch card to include more detail on the information required to be recorded following staff awareness reviews, including confirming the required number of staff and the names of the members of staff tested. The review process will be completed by February 2018 to confirm that they have been completed in accordance with requirements; and
 - A reminder will be issued by HSBC to all relevant teams highlighting the importance of completing staff awareness reviews quarterly and detailing the updated documentation standards when HSBC's revised 'Diary Watch' process is launched). This reminder was sent to staff on 24 October 2017 and reviewed by HSBC's internal audit.

9. HSBC confirmed that training has been delivered to all Relevant Staff during the 2016/2017 reporting period. [X] Relevant Staff in place as at June 2017 had completed the learning and passed the assessment while the remaining [X] of Relevant Staff [X] had not completed the assessment.
10. HSBC reported that a sample of [X] Relevant Staff was selected and interviewed by telephone to assess their understanding of the Undertakings: all showed a good awareness and understanding of the Undertakings.
11. The CMA followed up with HSBC on its staff training results. As at the end of October 2017, HSBC reported that [X] staff had not yet completed the training and assessments successfully ([X] of which were new starters and another [X] were just a month overdue). HSBC will be sending email reminders to the remaining staff reminding them that this training is overdue for completion and copying in line managers. Some of these staff may be on long leave of absence.
12. HSBC confirmed that [X] mystery shopping calls and visits were completed. The results of the mystery shopping exercise revealed that [X] of the responses received were not consistent with the Undertakings. All [X] were from staff in the customer contact centre. Specifically, [X] members of staff provided advice that a HSBC Business Current Account ('BCA') was required to obtain a HSBC Business Saving Account, and a further [X] provided the same advice and also stated that a HSBC BCA must be held to obtain a Small Business Loan. HSBC told us that all instances of incorrect advice being provided related to staff that are not directly responsible for opening accounts or issuing loans. Staff in contact centres will continue to receive the mandatory reading and scripts will be reviewed to provide further clarity around the Undertakings.

Loan application cases

13. HSBC reported that the following were reviewed and found to be compliant with the Undertakings:
 - its relevant functional instruction manuals, the branch procedures manual, the internal frontline intranet, and the credit and risk business Instruction Manual;
 - the procedures for selling and opening of accounts; and

- the credit scoring process was reviewed along with the manual underwriting of loans. HSBC reported that this review confirmed that whether or not a customer holds their current account with HSBC has no impact on the lending decision. No cases were identified where the referral or decision was impacted by whether a customer held a HSBC BCA.
14. HSBC reported that its review of the process for opening small business loans and a test of a random sample of [redacted] loan facility letters indicated that all loan conditions relating to current accounts are consistent with the Undertakings.
 15. HSBC reviewed a sample of [redacted] of its business current accounts opened in the same month or within one month of a small business loan being granted or business deposit account being opened. The sample was randomly selected. In all cases, no evidence was identified of customers being directly or indirectly required to open a HSBC BCA as a condition of the loan being granted.

Complaints data

16. HSBC confirmed it had not received any complaints relating to product bundling via HSBC's 'Confidential Line' escalation process.
17. HSBC established a dedicated 'Centre of Excellence' specialising in complaint investigation and resolution for SME customers.
18. Post-sale customer outcomes testing forms were reviewed to verify that external complaints potentially relating to bundling had been identified and actioned. Outcome testing is completed monthly on a sample of customers through a questionnaire which includes a specific bundling question for in-scope products. It was reported this testing did not identify any new customer complaints relating to product bundling.
19. The escalation processes for internal concerns or complaints through the HSBC Confidential Line were reviewed for cases relating to Corporate and Commercial Banking ('CMB') to identify potential breaches of the Undertakings. The review confirmed that between July 2016 and June 2017, no concerns or complaints were received through the HSBC Confidential Line relating to bundling of products or breaches of the Undertakings.
20. HSBC reviewed a sample of [redacted] complaints and any relevant lending appeals, filtered by relevant products and complaint categories, to identify any breaches of the Undertakings.

21. The sample was selected from a population of all complaints related to in-scope products after filtering to reflect the complaint categories relevant to the Undertakings. This resulted in [X] complaints related to loans and [X] complaints related to deposits, with the sample focused on those complaints leading to redress or where a bank error was identified. HSBC noted that complaints quoted related to products (rather than complaints about the Undertakings). It found no evidence of non-compliance with the Undertakings.

First Trust Bank

Policies, practices and procedures

22. First Trust Bank ('FTB') told us that its Group Internal Audit ('GIA') reviewed its policies and procedures to verify compliance with the Undertakings and confirmed it did not identify any breaches of the Undertakings.
23. GIA identified one issue relating to the lack of an effective governance structure to ensure compliance with the Undertakings.
24. The overall rating of GIA's report is Needs Improvement and the management awareness rating is Needs Improvement. It was reported that this is due to the lack of ownership of the process to ensure all relevant staff are appropriately trained.
25. FTB confirmed the completion of the following actions:
- FTB has defined and clearly documented the definition of 'Relevant Staff'. A list of staff and business areas has been created and retained centrally as of 29 October 2017. The list will be reviewed on an on-going basis. The update provided in October 2017 by FTB states that the definition of Relevant Staff has been reviewed and clearly documented.
 - FTB has reviewed the staff distribution mailing list used to communicate the Undertakings as of 29 October 2017. The update provided in October 2017 by FTB is that a full review of the distribution list and corresponding email addresses of all relevant areas has been completed. Confirmation was received from all respective areas on the accuracy of this information and a record will be retained and used for future mailings in relation to the Undertakings.
 - FTB has reviewed the first line assurance process and implemented new controls to ensure that Relevant Staff have completed the training within the appropriate timescales for the next annual attestation. The update

provided in October 2017 by FTB states that its controls have been reviewed and updated to include actions and controls relating to the annual first line assurance on the Undertakings. On a quarterly basis, the support team will receive confirmation of any new staff or staff who have returned to work after period of absence from the relevant areas.

Training and staff awareness

26. FTB issued its annual reminder on 7 March 2017 reminding staff of the bank's obligations under the Undertakings. All Relevant Staff were required to sign an annual declaration by 28 April 2017 to confirm that they have read the contents of the annual reminder, completed the online i-learn training course and read, understood and complied with the Undertakings. A copy of the annual reminder was submitted to the CMA in subsequent follow up correspondence.
27. In further discussions about compliance with the Directions, the CMA explained to FTB that its annual reminder and staff training (on the obligations in accordance with Clause 17 of the Undertakings) should be two distinct events during the year. In other words, there needs to be a separation in time of, say, 3-4 months between issuing the annual reminder and delivering staff training. FTB confirmed that action will be taken to ensure this will be the process going forward in the 2017/2018 training round. FTB agreed to dispatch its annual reminder and staff training at different times of the year, so the annual reminder for the next cycle will be issued during November 2017, and the training pack will be issued in March 2018.
28. GIA reported that, in 2017, FTB enhanced its training on the Undertakings by introducing an online i-learn training course and it reviewed the course to verify that it was fit for purpose and covered the Undertakings' requirements. No issues were identified.
29. GIA recommended that consideration should be given to the inclusion of the credit sanctioning team, credit control team and the customer complaints team for inclusion in the population of Relevant Staff. It was confirmed that staff in these business areas completed the training prior to 30 June 2017.
30. GIA also told us that there is no central mechanism for monitoring completion of the i-learn training. For example, a report is not generated from the i-learn training system to check that staff have completed the training in accordance with the signed annual declaration.

31. GIA reported that it is the responsibility of local management to ensure that these requirements are met by the Relevant Staff within their business area. These signed declarations are retained on file by local management.
32. GIA noted that Relevant Staff have not been appropriately defined and identified for inclusion in the annual reminder and staff training process. This has resulted in additional staff completing the training and the declaration. The team responsible for communication and training regarding the Undertakings had not defined Relevant Staff within their policies and procedures. The annual reminder issued by Business and Corporate Banking noted Relevant Staff are considered those who interact with FTB customers. As such, the annual reminder was sent to a population of general group e-mail addresses some of which were no longer in use.
33. Of the [X] Relevant Staff, as at 30 June 2017, [X] had not completed the i-learn training course. FTB reported that all Relevant Staff who had not completed the i-learn training course were contacted and instructed to complete the course. The bank confirmed that the remaining [X] Relevant Staff had completed the course by 13 July 2017. [X] out of the [X] Relevant Staff had signed the declaration before they had actually completed the i-learn training course. FTB reported they had, however, completed the training course before 30 June 2017. [X] staff had not signed the declaration but had completed the i-learn training course.
34. FTB reported that it has since updated procedures to ensure immediate follow up as soon as FTB's deadline for annual training is reached. A report will be generated on 1 May annually to highlight the remaining staff who need to complete the training. An email reminder will be forwarded to the individual and their line manager advising of the requirement to complete the training within a two-week timeframe.
35. GIA partnered with its Compliance colleagues to carry out staff awareness testing. A sample of [X] FTB Relevant Staff representing [X] from a total population of [X] Relevant Staff were interviewed.
36. GIA attended [X] of these interviews. It was noted that in [X] instances the staff members were unable to clearly articulate the Undertakings and their requirements. The [X] staff members have since retaken the i-learn training course before the end of the compliance period of 30 June 2017.

Loan application cases

37. GIA reported that it reviewed the first and second line assurance activities which provide monitoring of compliance with the Undertakings.
38. The first line business unit within FTB undertakes, on a quarterly basis, a review of a sample of [X] cases of new business loans / deposit accounts held with a Business Current Account (BCA) across all FTB. The objective of this first line assurance function is to verify compliance with the Undertakings by reviewing the sanction and facility letters and interviewing Relationship Managers. The results from the review are recorded and GIA reported that no issues were identified.
39. GIA reported that it reviewed the second line assurance activities to verify that, within their reviews there were checks to ensure compliance with the Undertakings. GIA reported no issues in respect of the second line assurance activities.

Complaints data

40. GIA reported that it had verified that there was a process in place for recording breaches of the Undertakings. FTB has systems in place for recording any non-compliance with the Undertakings. A unique flag is in place within the Complaints Management System for any complaints received relating to the Undertakings. GIA reviewed both systems and confirmed no instances of breaches of the Undertakings. GIA identified no issues in respect of the record keeping process.
41. FTB has a complaints category to record any complaints associated with breaches in the Undertakings. GIA obtained and reviewed the output from the FTB complaints management system independently for the period 1 July 2016 to 30 June 2017. GIA reported the following:
 - no complaints were received or categorised as a conditional account opening (complaints associated with breaches with the Undertakings) and
 - no complaints were received that contained the words 'bundling', 'working account' or 'working capital' in any of the complaint data fields on the system which may indicate breaches in the Undertakings. FTB's standard complaints appeals procedure covers bundling complaints and has its own category in which staff will record the respective complaint. Any complaints logged under this specific category are referred to Business and Corporate Banking team for review and approval.

Barclays Bank

Policies, practices and procedures

42. Barclays Internal Audit (BIA) reported that no instances of product bundling were identified through its reviews.
43. In this reporting round, Barclays carried out audits and reported separately on its Business Banking (BB) and Corporate Banking (CB) departments.
44. BIA reviewed relevant procedures, policies and guidance to ensure that they did not require or promote product bundling. In addition, BIA noted that staff were not incentivised to act in a way that is inconsistent with the requirements of the Undertakings.
45. BIA reviewed [redacted].
46. BIA reported that it reviewed [redacted] relevant product terms and conditions, [redacted] relevant BB website pages and [redacted]. No indication of product bundling was identified. BIA identified that the appointment confirmation email sent to potential new BB customers who were enquiring about a loan only, contained wording which may give customers the impression that they are also required to bring over their banking relationship to Barclays.
47. BIA said in its report that a control used to identify and address possible incidents of non-compliance of the Undertakings was found to be ineffective.
48. BIA advised Barclays on the following actions for improvements. Barclays actions in response to these recommendations are also set out below:
 - For BB and CB – Ineffective product bundling monitoring control (referred to above) – Barclays reviewed and completed amendments to its monitoring control during the audit. Barclays confirmed this action was completed on 3 August 2017.
 - BB only – Reminder to escalate Product Bundling Tagged Complaints Barclays confirmed that this action was completed 6 December 2017.
 - BB only – Review the appointment confirmation email template for lending only customers. Barclays confirmed this action was completed by 28 August 2017.

- BB only - Implementing a new email template to send to new customers to clarify that Business Accounts are not required in order to take out a loan. Barclays confirmed this action was completed on 30 November 2017.

Training and staff awareness

49. BIA reported that an Annual Reminder was provided to BB and CB staff as a stand-alone communication on 3 May 2017. A copy of the Annual Reminder was provided to the CMA with its Audit Report. BIA told us that the design of the enhanced annual training (which now includes a mandatory knowledge test at the end to confirm completion) will be rolled out to Relevant Staff and completed by December 2017 and meets the requirements of the Undertakings. Barclays provided confirmation, in January 2018, that enhanced training had been rolled out and completed by December 2017.
50. Barclays explained that because it will complete the roll out of its new training module to Relevant Staff by the end of 2017 BIA did not propose to undertake knowledge interviews to test the effectiveness of the revised training module. However, it was reported that Relevant Staff had undertaken the previous training module in Q3/Q4 2016. Their awareness of the Undertakings was reviewed by BIA through other validation processes, more specifically:
 - BIA reviewed credit files for sanctioned loan facilities and did not identify any instances of bundling;
 - BIA reviewed relevant procedures, policies and guidance and confirmed that these were compliant with the requirements of the Undertakings;
 - BIA confirmed that Barclays reviewed and approved new and amended products to ensure they were compliant with the Undertakings prior to them being made available; and
 - BIA confirmed that an Annual Reminder was provided to staff as a standalone communication.

Loan application cases

51. For BB, BIA confirmed that its review of a sample of [X] credit files for sanctioned loan facilities did not identify any instances of product bundling. Barclays' legal team reviews and approves new and amended products to ensure they are compliant with the Undertakings, prior to them being made available to SMEs.

52. For CB, BIA confirmed that it reviewed a sample of [X] sanctioned loan facilities for CB SMEs where a corresponding current account was also opened, from a population of about [X] new SME loan accounts opened in the period 1 July 2016 to 31 May 2017. It did not identify any instances of product bundling.
53. For both BB and CB, samples were selected in line with BIA sampling methodology, which is in accordance with the Institute of Internal Auditors (IIA) guidelines.

Complaints data

54. BIA reviewed the appropriateness of advice provided to BB colleagues by the Barclays Competition Legal Team on live transactions and complaints escalated to them. BIA found that the Barclays Competition Legal Team provided appropriate advice to BB colleagues in cases escalated to them and identified no instances of non-compliance in relation to product bundling.
55. BIA reviewed controls operated to identify and escalate complaints categorised as Products Bundling. BIA used Data Analytics to identify the population of BB complaints logged which could potentially relate to product bundling.
56. BIA identified [X] customer complaints categorised as product bundling of which [X] had not been escalated in error. BIA reported the control was not designed effectively to detect when complaints tagged as 'Product Bundling' are closed without escalation. BIA independently reviewed the [X] cases and concluded they did not relate to product bundling.
57. An audit issue has been raised around the control to identify product bundling complaints. BIA completed key word searches on a population of about [X] complaints and identified [X] complaints which included key words. BIA reviewed a sample of [X] of these complaints and did not identify any instances of product bundling.
58. In November 2016, Barclays implemented a new complaints management system which has an automatic function to escalate complaints marked as 'product bundling'.

Bank of Ireland

Policies, practices and procedures

59. Bank of Ireland's Group Internal Audit (GIA) reported that from its review it did not find any evidence to indicate product bundling nor any gaps with how the business promotes compliance with the Undertakings. GIA confirmed that controls are in place to carry out monitoring of compliance with the Undertakings.
60. GIA's review of the controls in place to carry out monitoring of compliance with the Undertakings highlighted some areas where the controls could be further strengthened.
61. GIA identified that Bank of Ireland's Product Bundling Monitoring Framework document does not clearly define roles and responsibilities for monitoring of product bundling. While GIA is satisfied that controls are being carried out by the appropriate staff, GIA recommended that the Product Bundling Monitoring Framework document should reflect this. GIA reported that Bank of Ireland updated its Product Bundling Monitoring Framework in November 2017.
62. The monthly monitoring control required a review of the full customer case file. The Framework document was updated to reflect this additional check.
63. GIA reported that Bank of Ireland updated its Framework document to specify how the business will ensure adequate branch coverage through the monthly monitoring. In addition, the framework document was updated to include the rationale for the monitoring sample sizes.
64. GIA reported that its review of customer files did not indicate any instances of product bundling, and recommended it would be good practice to review the full case file as part of Bank of Ireland's first line review.
65. GIA reviewed Bank of Ireland's 2017 'Guide to Business Banking' which is issued to all SME Customers and confirmed this was compliant with the Undertakings.

Training and staff awareness

66. Bank of Ireland provided its Annual Reminder to the CMA in subsequent follow up correspondence. GIA confirmed that the Annual Reminder was sent to staff on 21 February 2017.

67. Following feedback from the CMA regarding the timings for the Annual Reminder and training, Bank of Ireland revised its timeline for staff training on the Undertakings for 2017/18. This was to ensure that the Annual Reminder and staff training are two separate communications during the year.
68. GIA interviewed a sample of [X] staff involved in the sale or credit approval of SME products. The total population was 60 staff. Staff who were interviewed in 2016 and 2015 were removed from the population, leaving a population of 46. GIA tested 12 of the 46 population (26% coverage).
69. In interviews, each staff member was asked a series of questions designed to test knowledge of the Undertakings, to identify whether the member of staff ever felt pressure to conditionally sell SME products and to ensure that staff were aware of the escalation process if they identified another member of staff involved in bundling. From the responses provided by each staff member, GIA was satisfied that staff were aware of their obligations and there was no indication that bundling had taken place.

Loan application cases

70. Bank of Ireland GIA reviewed a sample of customer files and complaints material. GIA reported no indication of product bundling.
71. GIA reported that, on a monthly basis, management information is produced which identifies loan accounts opened in the month, as well as current accounts opened in the month following the opening of the loan facilities for the preceding three months. A sample of cases where the customer appears to have opened a current account within the period are then reviewed as part of the monthly monitoring.

Complaints data

72. GIA carried out a review of the complaints data for Business Current Accounts (BCAs) and loans from July 2016 to June 2017 to confirm if there were any instances of complaints related to product bundling. There were [X] complaints related to Business Lending and BCA, GIA reviewed each complaint to assess whether there had been any instances of product bundling but none were found.

Clydesdale Bank

73. Clydesdale reported that its 2017 Audit review concluded that no product bundling was identified.
74. Further, Clydesdale confirmed that recommendations to enhance work practices from Clydesdale's 2015 and 2016 audit reviews had been implemented and sustained.

Policies, practices and procedures

75. Clydesdale reported that it provides staff guidance in the form of a template called the 'Credit Memorandum'. This template assists relationship managers in recording new accounts transferred to the bank and the reasons for a customer choosing to hold their transactional current account or deposit account with the Bank. The audit confirmed that in all cases Clydesdale used the template to record customer information.
76. Clydesdale confirmed that through examination of its relevant website sections that no reference is made which required a customer to maintain a transactional business account or deposit account in order to access loan or savings products.
77. Clydesdale told us that loan product terms and conditions are communicated to customers via facility letters and/or loan agreements. As part of its detailed file testing, its completed loan documentation was examined to confirm that no covenant or condition was included requiring the transfer of a customer's transactional account to the Bank as a condition of providing a loan facility. Further, a review of the standard terms and conditions for each of the current suite of business savings products confirmed that no clauses exist which require the maintenance of transactional business account to access these products.

Training and staff awareness

78. Clydesdale confirmed that the Annual Reminder was sent via email to staff on 1 June 2017. A copy of the Annual Reminder was provided to the CMA with its Audit Report.
79. Clydesdale's quarterly Staff Training Certification was completed by all staff involved in dealing with business customers. Staff must sign the certification to confirm they have read and understood their responsibilities in relation to the Undertakings. This is triggered by an entry in the departmental Manager's Planning Diary.

80. Clydesdale rated its staff awareness to be satisfactory.
81. Clydesdale provided the following results from its Audit conducted staff awareness interviews:
- Interviews covered [X] of staff members with coverage of all areas responsible for business borrowing;
 - [X] of staff interviews conducted were deemed competent. The members of staff not deemed competent were less able to fully articulate their responsibilities in relation to the Undertakings. These staff members are not actively involved in the provision of borrowing facilities to business customers. Audit has reminded these individuals of their responsibilities; and
 - within the sample [X] of staff were unable to clearly outline information sources which help maintain their knowledge of the Undertakings.
82. Clydesdale told us that staff who did not pass the interviews, will be included in the 2018 review sample for staff interviews. Interview re-testing in 2017 for those staff who did not pass the interviews in the 2016 review found that they were fully competent.
- A total of [X] of interviewees expressed doubt regarding their completion of the quarterly training certificate, although they were aware of their obligations related to the Undertaking. Clydesdale reported that this finding was discussed and the following actions were proposed:
 - A review of the management planning diaries to identify areas of improvement;
 - Area Managers to be instructed to ensure that all staff dealing with business customers completed the July 2017 quarterly staff training certification in relation to the Undertakings; and
 - an assessment of whether the use of Clydesdale's online 'mylearning' platform for product bundling rules awareness is appropriate. Clydesdale explained this could reduce its reliance upon the management planning diaries and provide it with centralised reporting options.
83. Clydesdale confirmed that Management Planning Diaries have been updated and checked and no issues were identified. All commercial Area Managers have confirmed that their areas have completed the necessary training.

84. Clydesdale is currently considering whether product bundling obligations could be included as part of mandatory reading through its online 'mylearning' platform. Clydesdale is implementing additional testing by way of staff survey questions which could incorporate product bundling.

Loan application cases

85. Clydesdale reported that Audit adopted a sample-based approach involving the examination of [X] files. In addition, it examined [X] files previously reviewed by a first line of defence team with no identified instances where lending facilities included reference for the need to transfer transactional banking to Clydesdale.
86. Clydesdale also carried out quarterly reviews which involved a minimum sample of [X] new to bank customer files.

Complaints data

87. Clydesdale reported that there were no complaints in relation to the Undertakings.
88. Clydesdale confirmed it has an internal Quality Control process in place to review customer outcomes. It confirmed that the Complaints Handling System contains a specific complaint sub-category to capture any product bundling related complaints. Data analysis involving a key word search was carried out across the wider complaints database.

Danske Bank

Policies, practices and procedures

89. Danske Bank's Group Internal Audit (GIA) reported it reviewed:
- mechanisms in place to ensure compliance, whenever a new product is launched, or changes to existing products are implemented;
 - SME lending and deposit product terms and conditions against the relevant principles contained in the Undertakings; and
 - internal policies and procedures in relation to the relevant products, account opening and granting and pricing of credit facilities.
90. GIA concluded that its reviews did not indicate any non-compliance with the Undertakings.

91. GIA reviewed the content of business procedures and training to staff, the written annual reminders to all staff, training relating to 'Competition Law'; and general product terms and conditions on website. Danske reported that no non-compliance issues were identified.
92. GIA reported that it reviewed the monitoring and oversight framework to establish if adequate checks are in place to identify any potential breaches of the Undertakings.
93. GIA found that monitoring controls exist to ensure compliance and monitoring for this purpose is carried out by Business Credit Controlling function within the Credit Department. Monitoring controls were introduced following the GIA's recommendation in the 2014 review. GIA held discussions with Credit Controlling staff and it noted that they were not aware of any instances of non-compliance and sample testing of the reports noted no issues or breaches.

Training and staff awareness

94. GIA confirmed that the Annual Reminder was published through the planning diary on 6 April 2017, its Competition Law Guide is published on its Intranet and Anti-Competitive training is carried out on an annual basis. Danske provided a copy of the Annual Reminder to the CMA in subsequent follow up discussions.
95. GIA interviewed [X] about bundling and compliance was considered by GIA to be at an acceptable level. The Danske Bank UK 'Competition Law Guide' includes references to product bundling. This guide is available to staff via Danske Bank Intranet (portal). This is supported by general online training on anti-competitive behaviour. This is compulsory training for all staff on an annual basis. Testing was carried out to ensure all staff completed the training which was due by 23 May 2017. GIA confirmed that all staff confirmed they had completed the training.

Loan application cases

96. GIA reported that its file reviews did not identify any breaches of the Undertakings. It confirmed that it tested a sample of [X] new accounts that were open during the period.

Complaints data

97. Danske reported that no complaints relating to product bundling were identified.

98. GIA told us that it performed independent sample testing for non-compliance during the period. Management of Danske confirmed to GIA that they were not aware of any instances of non-compliance with the Undertakings during the period. Breaches of a legal and/or operational nature are reported through the bank's incident reporting procedure. Review of the incident database for the period did not reveal any instances of non-compliance.
99. Management of Danske advised GIA that the Bank had created a new complaints code to allow specific registration of non-compliance with the Undertakings. Danske confirmed that this complaints code was implemented in November 2017.

Lloyds Banking Group

Policies, practices and procedures

100. Lloyds' Group Internal Audit (GIA) confirmed that it had reviewed all relevant procedures, practices and policies and a sample of the Development Business Guides that Lloyds has in place above to promote compliance as part of the 2017 Audit and that the review complied with the Undertakings.
101. In addition, GIA reported that it takes further measures to promote compliance such as staff training and on-going monitoring of credit applications. These did not identify evidence of non-compliance during the reporting period.
102. GIA reviewed customer guidance and external communications including the Lloyds Business website and product documentation and did not identify evidence of non-compliance.
103. GIA confirmed that management is monitoring compliance through ongoing credit application reviews and monitoring completion of annual mandatory training. Lloyds performed word searches on [redacted] credit applications to identify conditions related to Business Current Accounts.

Training and staff awareness

104. GIA confirmed that an Annual Reminder was cascaded to Relevant Staff in 2017. It provided a copy of its Annual Reminder to the CMA with its Audit Report.

105. GIA reported that its Relevant Staff have completed the annual mandatory training and the completion rates of staff successfully passed the tests were [X] for SME business staff ('SME') and [X] for Retail Business Banking ('RBB') staff.
106. GIA reported that all [X] Relevant Staff ([X] of the total population) it interviewed were able to confirm that product bundling of current accounts with loan or deposit accounts is prohibited and that [X] of Relevant Staff remembered the Annual Reminder.
107. GIA confirmed that on-line based training, including an on-line test on the requirements of the Undertakings is provided to Relevant Staff annually.
108. GIA reported that from the training completion rates, [X] in SME [X] and [X] in RBB did not fully satisfy the test. For SME, failure reasons included staff sickness and a system error.
109. GIA explained that emails to relevant Heads of Functions are sent to follow up with individuals who have not completed training. Any individuals failing to complete all training within the given period were referred to management to consider further action.

Loan application cases

110. GIA reported that it carried out a review of all [X] matches and a detailed review of [X] credit applications did not identify evidence of non-compliance.

Complaints data

111. GIA identified no evidence of non-compliance issues in relation to the Undertakings through (a) complaints and (b) bank's monitoring of compliance. GIA found no internal complaints relating to non-compliance of the Undertakings.
112. GIA reported that it performed word searches on all [X] relevant complaints to identify those related to Switchers and the review of [X] matches together with [X] files (not identified through word searches) did not identify evidence of non-compliance. In addition, testing of [X] customer lending appeals cases did not identify evidence of non-compliance.
113. GIA concluded that it complies with the CMA best practice guidance, although it does not see the need to conduct a mystery shopping exercise and does not have a specific bundling complaints category for complaint

data. For both areas, GIA confirmed that controls are in place, which include the annual audit conducted by GIA, ongoing reviews of customer loan applications and complaints testing by control functions.

Royal Bank of Scotland

Policies, practices and procedures

114. RBS's Internal Audit (IA) reviewed the terms and conditions for deposit and lending products offered to SMEs and the policies and procedures for governing deposit and lending products offered to SMEs. IA confirmed that these promote compliance with the Undertakings.
115. IA reviewed product information on external websites, sales scripts and marketing materials. IA confirmed that product information on RBS' external websites and marketing materials do not contain any statements that are contrary to the Undertakings.
116. IA reported that RBS continue to perform annual compliance monitoring reviews via the First Line of Defence (FLOD) business control testing. FLOD Business Control teams performed their reviews and reported full compliance with the Undertakings.
117. IA reviewed the RBS' process for new product approval. IA confirmed that the Undertakings requirement has been incorporated as part of the Non-Personal product approval sign off process.

Training and staff awareness

118. IA confirmed that the Annual Reminder was published to its Relevant Staff on 21 March and 22 March 2017. RBS provided a copy of its Annual Reminder to the CMA with its Audit Report.
119. IA reported it reviewed communications provided to all 'Relevant Staff', RBS' intranet, and the accuracy and completeness of specific training materials.
120. IA also confirmed that the communications had appropriate content to promote staff awareness and compliance with the Undertakings as did the annual e-learning training module.
121. IA reviewed monitoring procedures to ensure completion of training by all Relevant Staff, its method of delivery and the frequency of the training, and staff awareness on the limitation on bundling by interviewing a representative sample of Relevant Staff.

122. Relevant Staff receive training on an annual basis via an e-learning training module specific to the Undertakings. This was rolled out in July 2016. IA determined that the overall training completion rate for the review period was [X] with [X] out of [X] staff completing the e-learning training module. The training was rolled out to a wider audience than just the Relevant Staff. However, it was unable to validate the completion rate for Relevant Staff alone.
123. IA said it considers there is some improvement required regarding the effective on-going monitoring to ensure Relevant Staff have completed and understood the e-learning training content.
124. RBS explained that it's e-learning module contains multiple choice questions to test the staff member's understanding of the requirements. Should the individual reply incorrectly they are pointed to the correct answers with explanations before they can continue. The module is mandatory for all RBS staff identified as required to take the module (this is a wider population than just the 'Relevant Staff' as defined in the Undertakings). However, there is no formal assessment with a pass mark built into the module.
125. The training is a mandatory interactive desktop based tool which all staff can access via the bank's HR intranet site and specifically via their personalised learning plan page. Data are collated on the rates of completion on a regular basis to ensure follow up steps are taken by the relevant RBS teams where a staff member has yet to complete the module.
126. In response to IA's view that improvement is required to the on-going monitoring of completion of the e-learning training content, RBS agreed to:
- further remind staff that the e-learning training is mandatory: RBS will include additional warnings in supporting communications starting with the e-learning being rolled out from Q3 2017. These will reiterate that the e-learning requirements are the same as those in place for standard e-learning module confirming individual and line manager responsibilities for completing the training. This action is now completed.
 - enforce the RBS policy frameworks that failure to complete the e-learning will impact adversely on performance ratings for staff and their line managers. This action has been completed.
 - Include a reference to the Annual staff reminder in communications accompanying the e-learning – the Annual Reminder is sent in March, and the Annual e-learning in July. This action has been completed.

127. RBS will arrange a process for escalating any non-completion of the training at the start of Q4. This process will include following up with the line managers for those that have not completed e-learning. This action has been completed.
128. Where new joiners had not undertaken the e-learning, this was followed up with their line manager. It was also confirmed that whilst their role does not involve the opening of loans or accounts, they have nonetheless completed and understood the content.
129. To ensure that all new joiners receive e-learning on the Undertakings without delay, the bank proposes to move from a line manager to a centralised responsibility. Subject to internal agreement, the proposal would be that all new joiners in the Bank in relevant teams will take the e-learning as part of mandatory new joiner training. This will be initially rolled out to the [X] team from September 2017. RBS intends that this will be rolled out in other teams in Q1 2018.
130. Although they did not demonstrate a lack of understanding of the Undertakings, [X] staff members did not recall receiving the Annual Reminder. RBS has re-sent the Annual Reminder to each of the [X] staff concerned.

Loan application cases

131. IA considered that the greatest risk of inappropriate product bundling occurring could be indicated by a high proportion of BCAs being opened within 31 days of a relevant loan or deposit product being operated. IA identified that [X] of deposit accounts and [X] of total loans granted in the relevant period were associated with a BCA opened within 31 days of the relevant product.
132. IA considers that this analysis does not indicate any evidence of bundling due to a low number of accounts being opened within a 31 day window of a facility being granted and is therefore unlikely to indicate potential bundling. IA did not perform any detailed reviews to further validate these results.

Complaints data

133. IA reported there were no non-compliance issues identified in relation to Undertakings from complaints and the Bank's compliance monitoring.
134. IA reviewed the complaints escalation process in place to ensure any complaints relating to the Undertakings were properly identified.

Complaints relating to the Undertakings are managed through a specific escalation process. We are told that all complaints are filtered through [REDACTED] codes and consolidated into the following management information:

- [REDACTED]
- [REDACTED]
- [REDACTED]

135. IA reviewed the complaints triggered by these causation codes and confirmed there was [REDACTED] complaint escalated during the reporting period. [REDACTED] complaint related to the [REDACTED], which upon investigation was found not to be a breach of the Undertakings.
136. IA reviewed remedial actions taken for both the sample of complaints and any associated issues logged in the Bank's issue management system.
137. Titles and the description of all [REDACTED] complaints were reviewed to establish whether the complaints might relate to bundling. Subsequently, [REDACTED] cases were selected for further detailed investigation. IA confirmed it did not identify any instances of non-compliance with the Undertakings.

Annex 2: Checklist for the 2014 Agreement

The contents of the annual audit reports should contain the following information:

1. Procedures, practices and policies in place to promote compliance.
2. Description of internal communications and staff training on compliance.
3. Description of external communications – e.g. customer guidance.
4. Description of any staff awareness training, frequency of provision and indication of to whom it is provided.
5. Processes and practices to monitor compliance (i.e. how is monitoring done and when).
6. List of non-compliance issues in relation to Undertakings identified through:
 - (a) complaints; and
 - (b) banks' monitoring of compliance.
7. Internal complaints escalation processes
8. Review of customer complaint or appeal records
9. Description of the remedial measures taken by banks to address any non-compliance issues
10. Review of any new products to confirm that they meet the relevant regulatory requirements

Annex 3: CMA's 2014 Agreement with the Banks

Agreement with respect to the limitation of bundling

1. That THE BANK⁸ will, with respect to clauses 17 to 19 of the behavioural undertakings given by the banks to the Secretary of State for Trade and Industry and Chancellor of the Exchequer on 31 October 2002 ('the Bundling Undertakings'):
 - (a) On an annual basis, conduct a review of [THE BANK'S] compliance with the Bundling Undertakings, specifically including the following issues:
 - (i) The policies, practices and procedures (including those related to training) which THE BANK has in place to secure compliance with the Bundling Undertakings.
 - (ii) The awareness of THE BANK'S staff who are responsible for the marketing and sale of business loans and business deposit accounts ('the Relevant Staff') with the obligations created by the Bundling Undertakings.⁹
 - (iii) Other evidence suggesting the presence or absence of actual or suspected non-compliance with the Bundling Undertakings (including customer complaint data or data available from internal escalation processes for internal concerns).

Such a review must be conducted, outside the area of the bank which is directly responsible for the provision of banking services to SMEs, by the internal audit function of THE BANK, in accordance with the Code of Professional Conduct¹⁰ of the Chartered Institute of Internal Auditors.¹¹

- (b) Provide a copy of such a review to the OFT/CMA with an annual statement of THE BANK'S compliance with the Bundling Undertakings which addresses the issues referred to in 1a. The first such statement will be provided by [THE BANK] to the OFT within 4 months of its announcement by the OFT

⁸ To add the identity of the relevant bank.

⁹ In undertaking such a review, an appropriate sample of staff should be assessed. Such a sample should be representative of staff at the various brands within THE BANK'S Group (where applicable), geographical locations and the range of sales/marketing channels available (e.g. in branch, online, by telephone).

¹⁰ <http://www.iaa.org.uk/members/member-benefits/code-of-professional-conduct/>

¹¹ In the event that the internal audit function of THE BANK is unable to conduct that review, the review must be conducted by an external auditor, independent from THE BANK.

2. That THE BANK, on an annual basis, provides to each of its Relevant Staff, a specific and direct written reminder (which covers no issues, other than the subject matter of the Bundling Undertakings) of:

(a) THE BANK'S obligations under the Bundling Undertakings.

(b) That THE BANK considers that any breach of those obligations is a serious matter, and that appropriate action will be taken in the event that a member of its staff fails to comply with them.

The first such reminder will be provided by [THE BANK] to the Relevant Staff within 1 month of its agreement of this proposal and its announcement by the OFT. A copy of such a reminder will be provided to the OFT/CMA within 10 working days following its provision to the Relevant Staff.

3. Terms used in this document are consistent with the definitions included in the Undertakings.