The Payment Accounts Regulations 2015

Lead department	HM Treasury
Summary of measure	Introduced requirements on business to improve the transparency and comparability of fee information about payment accounts (including current accounts), facilitate the switching of payment accounts, and ensure access to a basic bank account.
Submission type	Post-implementation review (PIR)
Review date	By 18 September 2021
Department recommendation	Keep
RPC reference	RPC-HMT-5083(1)
Opinion type	Post-implementation review
Date of issue	12 July 2021

RPC opinion

Rating[1]	**RPC opinion**
Fit for purpose	The recommendation of the PIR to 'keep' the Regulations is broadly supported by the evidence and analysis presented. However, the PIR would benefit significantly from providing further details of how the unintended consequences identified and suggestions to reduce burdens on business will be taken forward at some future time, and from explaining further why they do not warrant amending the Regulations at this stage. The Department has provided a clear, transparent and proportionate review of the regulations. However, there are a number of areas, described below, where the PIR could be improved.

[1] The RPC opinion rating is based on whether the evidence in the PIR is sufficiently robust to support the departmental recommendation, as set out in the better regulation framework. The RPC rating will be fit for purpose or not fit for purpose.

RPC summary

Category	Quality	RPC comments
Recommendation	**Green**	The PIR notes that there have been some relatively minor unintended consequences and suggestions from stakeholders to reduce burdens on business. Some of these are being taken forward in further, associated reviews. On this basis, the RPC accepts that the broad recommendation of the PIR is supported by the evidence and analysis presented. However, the PIR would benefit significantly from providing further details of how these areas will be taken forward and from explaining further why they do not warrant amending the Regulations at this stage.
Monitoring and implementation	**Satisfactory**	The PIR provides a proportionate review of the impact of the regulations, addressing the key requirements for a ‘low to medium-impact’ measure in the RPC proportionality guidance. The PIR uses an appropriate level of evidence. The PIR would benefit from providing more details on the stakeholders consulted, including the breakdown between businesses and consumer representative bodies.
Evaluation	**Satisfactory**	The PIR transparently discusses the extent to which policy objectives have been achieved and the unintended effects of the regulations. The PIR would benefit from further discussion of the limited cost data and exploring differences with the assumptions in the IA. The PIR would also benefit significantly from setting out in more detail how some of the suggestions raised by stakeholders to reduce burdens will be taken forward.

Summary

The Payment Accounts Regulations 2015 (“the Regulations”) transposed into domestic law the EU Payment Accounts Directive 2014/92/EU. The Regulations sought to:

i) improve the transparency and comparability of fee information about payment accounts (including current accounts) by placing a requirement on businesses to provide customers with a pre-sale fee information document (FID) and an annual statement of fees (SoF);

ii) facilitating the switching of payment accounts; and ensuring access to a basic bank account by placing obligations on transferring and receiving service providers to provide a switching service between current accounts; and

iii) ensure access to a basic bank account by requiring the largest personal current account providers to offer basic bank accounts to customers who do not have a bank account, or who are not eligible for a bank’s standard current account.

The UK had already taken domestic action on most of these areas and the Regulations sought to align requirements with existing practice to minimise costs on business.

Recommendation

The recommendation of the PIR is to ‘keep’ the Regulations. The PIR provides good evidence that the objectives of the Regulations are still relevant. The PIR notes that there have been relatively minor unintended consequences, with suggestions from stakeholders on how reductions of burdens on business could be made, and that some of these are being taken forward in further, associated reviews, in particular by the Financial Conduct Authority. On this basis, the RPC accepts that the broad recommendation of the PIR is supported by the evidence and analysis presented with the consideration that the minor changes will be undertaken as part of a separate and forthcoming review by the FCA.

However, the PIR would benefit significantly from explaining further these do not warrant amending the Regulations at this stage and providing further details of how the comments from stakeholders, particularly around over-prescription and potential removal of requirements, will be taken forward.

The Department has provided a clear, transparent and proportionate review of the regulations. However, there are a number of areas, outlined below, where the PIR could be improved.

Monitoring and implementation

Proportionate

The RPC considers that the PIR is a proportionate review of the impact of the regulations. The original IA estimated an EANDCB of £10.86 million, which falls at the 'low to medium-impact' threshold in the RPC proportionality guidance.[2] The PIR addresses the main elements set out in the RPC guidance for a measure of this level of impact.

Range of evidence

The PIR uses an appropriate range of evidence. The department contacted over 30 industry stakeholders (covering the vast majority of the payment accounts market) as well as the designated comparison website provider *Money and Pensions Service* (MaPS) and *Pay.UK*, which operates the *Current Account Switching Service* (CASS). To encourage returns from stakeholders, HMT contacted non-respondents, specifically calling for returns from medium and small firms and for returns that included quantitative cost impacts. Despite this, the department received only five, mostly qualitative, responses, although this represented a significant proportion of the payment account market. The PIR would benefit from providing more details on the stakeholders consulted, including the breakdown between businesses and consumer representative bodies. The PIR could also report any differences between 'new' entrant banks, often operating online only, and the more traditional banks.

Evaluation

Policy objectives considered

The PIR considers whether each of the three main objectives of the Regulations have been achieved.

On the first, the PIR describes how qualitative evidence provided by stakeholders supports the view that providing consistent terminology and linked services have enabled customers to compare and track the fees charged. However, one of the respondents reported that the FID and SoF do not significantly aid comparability for their customers and believe that the terminology is not customer friendly. Given the low number of respondents, the PIR would benefit from exploring these comments further.

On the second objective, the department reports good feedback on CASS regarding the switching of accounts. As the UK had CASS in place prior to the Regulations, this success can be mostly attributed to existing UK policy, although it appears that the Regulations have not negatively affected this.

There is a similar picture for the third objective, where basic bank accounts were already being provided following an agreement between the banks and the government in 2014 but where the department reports that returns from stakeholders

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[2] https://www.gov.uk/government/publications/proportionality-in-regulatory-submissions-guidance (page 17)

were generally positive. The PIR notes that there is mandatory reporting to the FCA and the review would benefit from presenting data over time from this reporting.

The PIR would benefit from a discussion of any implications of money laundering concerns (for example, rules over opening new accounts) for the achievement of the policy objectives. The PIR could also discuss the usefulness of possible indicators of banking competitiveness, such as profit margins and measures of efficiency, in helping to understand the effectiveness of the measures.

Unintended effects

The PIR reports that the consequences of the Regulations have generally been as that identified in the original IA but notes some differences in cost and feedback from some stakeholders that some terminology is outdated or confusing to UK consumers. The PIR discusses the impact of the relatively low usage of the *MaPS* comparison website on costs and would benefit from discussing further its impact on the achievement of the policy objectives.

Original assumptions

The PIR helpfully reports the cost estimates and key assumptions from the original IA. The PIR provides a good comparison of outturn against IA assumptions for set-up and operational costs relating to a comparison website, using data from MaPS. However, the very large majority of the IA's net present value of -£95 million (benefits were non-monetised) comprised the cost of updating customer information documents relating to current accounts. The PIR explains that, due to the limited number and information in the survey returns, it is unable to make clear and overall comparisons with the IA. However, it reports that one large business estimated transition costs of over £10 million and £1.6 million annual costs, and a medium-sized business reporting £0.11 million annual costs. The PIR notes that these costs might have been borne by businesses regardless of the Regulations. The PIR would benefit significantly from exploring this area further, particularly as the IA assumed no significant on-going costs and a transition cost well below that reported by the large business.

The PIR would benefit from reviewing the applicability of the old regulations against an updated backdrop for current accounts that has developed since implementation. This would take account of the CMA's Open Banking initiative in opening flexibility of financial and banking data between banks and to third parties. This could shake-up retail banking and potentially result in a radical shift away from individuals' having one current account (and, therefore, where help is needed to switch between banks).

Improvements or alternatives considered

The PIR reports some concerns around the Regulations being overly prescriptive in the area of transparency and comparability of fee information (prescribing fonts and logo placements on documents) and with some of the terminology. Some stakeholders also suggested removing requirements to provide FIDs for accounts that are no longer on sale and to send an annual SoFs to customers who incurred no fees in the reporting year. The PIR also notes that there were different views on the range of banks that should be designated for the basic bank account requirement.

On terminology, the PIR helpfully notes that the FCA is required to review this by April 2022 and that the HMT will work closely with them to look at these issues. On basic bank accounts, the department will keep the list of designated firms under review and the PIR notes that other views on basic bank requirements were related to questions outside of these Regulations and will be picked up separately. The review would benefit from exploring the survey response that holding less information on customer checking for fraud on a basic bank account can place an added burden on firms. On over-prescription and potential removal of requirements, the PIR explains briefly why the department does not propose to adopt these suggestions at this stage but that it "*will continue to consider these questions*" (page 7). The PIR would benefit significantly from setting out how these issues will be taken forward. This could also address further how far customers value documents such as annual SoFs.

Clarity of impact on consumers

The PIR would benefit from an increase in focus on impacts on consumers, in particular presenting information from representative bodies on whether anticipated benefits have been realised.

Other comments

The PIR would benefit from explaining why "…*UK businesses are placed at a limited competitive disadvantage by the Regulations*." (page 7).

Regulatory Policy Committee

For further information, please contact regulatoryenquiries@rpc.gov.uk. Follow us on Twitter @RPC_Gov_UK, LinkedIn or consult our website www.gov.uk/rpc.