

NatWest Group plc

From: Colin Garland
Director, Markets

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NatWest's breaches of the Retail Banking Market Investigation Order 2017 in relation to the Monthly Maximum Charge, SME Lending and the Price and Eligibility tool

I am writing to you on behalf of the Competition and Markets Authority (CMA) concerning breaches by NatWest Group plc (NatWest) of Parts 7, 8 and 9 of the [Retail Banking Market Investigation Order 2017](#).

Part 7 of the Order requires all providers of personal current accounts (PCAs) in the UK to set a Monthly Maximum Charge (MMC) in relation to unarranged overdraft charges. Providers cannot charge customers more than the MMC in any given month. Providers must say what their MMC is each time they mention unarranged overdraft charges in product literature.

Part 8 of the Order requires providers of loans and overdrafts to SMEs to disclose the representative cost in EAR terms of their overdrafts and in APR terms for their loans. Because the rates actually offered by banks to customers are set on an individual basis, banks are required to disclose a Representative Rate publicly to facilitate comparisons. This allows SMEs to approach banks with the lowest advertised rates with an application.

Part 9 of the Order requires some providers, including brands in the NatWest Group, to offer a price and eligibility tool. This tool enables SMEs to obtain an indicative price quote and indication of their eligibility for unsecured loans and standard tariff unsecured business overdrafts to SMEs, for borrowing up to a value of £25,000.

The breaches

Part 7

NatWest breached Part 7 of the Order in three ways. NatWest sends letters to customers approaching their 18th birthdays (whose accounts do not attract

unarranged overdraft charges) explaining that when their accounts change to adult accounts they will be subject to those charges. These letters explain the charges and should therefore include the MMC.

For the first breach, the MMC was not disclosed by NatWest in letters sent by post between 16 June 2023 and 2 April 2024.

For the second breach, the MMC was incorrect in letters sent by email between 18 October 2023 and 2 April 2024. In total, around 58,000 letters did not provide the MMC correctly. NatWest first notified the CMA of these breaches on 11 April 2024.

For the third breach, NatWest provided an incorrect MMC in terms and conditions sent to new parties being added to existing Personal Current Accounts (e.g. a sole account becomes a joint account). The correct MMC was £18.80 but the terms and conditions stated it was £19.40. This lasted from 18 October 2023 to 4 June 2024. Around 46,800 accounts received terms and conditions showing the incorrect MMC. NatWest first notified the CMA of the breach on 29 May 2024.

Part 8

NatWest breached Part 8 through sending letters to SME customers which included an offer to renew an overdraft, but did not include the Representative (EAR) for that overdraft. The letter missing this information was sent to 66,765 SMEs between May 2021 and February 2024.

Part 9

NatWest breached Part 9 by failing to continuously offer the price and eligibility tool defined in the Order through:

- the online price tool for Ulster Bank's variable rate loans being offline.
- the eligibility tool for in scope NatWest Group brands across in scope products (overdrafts, small business loans, and variable rate loans) displaying an error and therefore being unusable.
- the price and eligibility tool being incapable of providing an indication of eligibility in certain circumstances.
- publishing an online price and eligibility tool for its Small Business Loan product failing to show the correct APR in some circumstances.

The longest breach was between at least 1 May 2023 until 5 July 2024 and affected around 200 SMEs per month.

The CMA's concerns

The requirement to provide the correct and complete information to customers on:

- the MMC,
- the Representative EAR, and
- on the likely price of a loan, and the likelihood of being eligible for it,

are important elements of our remedies to address the concerns found in the Retail Banking [Market Investigation](#). These measures, in combination with other remedies, are designed to make it easier for consumers and SMEs to choose the best current account or lending product for them.

The failure to disclose the MMC, or to disclose the correct MMC in letters to customers who were not previously subject to charges may have led them to misunderstand the maximum amount they could be charged in a month for using an unarranged overdraft. Some NatWest customers may have switched away from NatWest to another bank, thinking that another bank offered a better MMC, whereas they would not have done had they seen the MMC or the correct MMC.

The failure to disclose the Representative EAR to SME customers through renewal letters, and the failure to continuously offer the price and eligibility tool on its website, may have led to SME customers finding it more difficult to compare overdraft rates and to get the cheapest deal.

NatWest has taken action to put things right

I note that these breaches were self-reported by NatWest and that it has taken proactive steps to end the breaches and to prevent a recurrence. For Part 7 NatWest has:

- corrected each letter template and stopped sending the incorrect letters as soon as it found out about the breach.
- added the youth-to-adult migration communications to the list of documents checked for compliance with the MMC.
- carried out a review of its documentation, which has established that none suffer from similar failures.
- issued a note to staff across the departments who send communications with information on account charges and the MMC to remind them of their obligations under the Retail Banking Order.
- started investigating whether it can add a note on the Retail Banking Order requirements within its base process documentation.

For Parts 8 and 9 NatWest has:

- carried out an internal review of its processes and procedures for compliance with these Parts of the Order.
- introduced annual reminders to staff who work on compliance with Parts 8 and 9 of the Order.
- extended training which is currently focussed on staff working on compliance with Part 8 to staff who work on Part 9 of the Order.

CMA assessment and next steps

Given the action that is being taken by NatWest the CMA does not consider it appropriate to take further formal enforcement action in relation to these breaches at present. However, the CMA will consider such action in the event of any further failures. The CMA will monitor NatWest's future compliance closely.

The public version of this letter has been copied to the Financial Conduct Authority.

Yours sincerely

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