

REVIEW OF THE SME BANKING (BEHAVIOURAL) UNDERTAKINGS 2002

Final decision

1 December 2025

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The Competition and Markets Authority has excluded from this published version of the Final Decision information which it considers should be excluded having regard to the three considerations set out in section 244 of the Enterprise Act 2002 (specified information: considerations relevant to disclosure). The omissions are indicated by [✂].

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Summary

1. The Competition and Markets Authority (CMA) has conducted a review of four provisions¹ of the SME Banking (Behavioural) Undertakings 2002. These four provisions all fall under the heading 'Limitation on Bundling' and are described within this decision as the Limitation on Bundling provisions (LOBP).² The LOBP prevent the banks that gave the undertakings³ (the Bound Banks)⁴ from requiring, as a condition of granting a business loan or approving the opening of a business deposit account,⁵ that a small or medium-sized enterprise (SME)⁶ customer should open or maintain a business current account (BCA) with the Bound Bank.
2. In 2014, the CMA [reviewed](#) the SME Banking (Behavioural) Undertakings 2002 alongside its market investigation into [retail banking](#). As a result of that review, in 2016, the CMA decided to release all provisions in the SME Banking (Behavioural) Undertakings 2002 except the LOBP.
3. The purpose of this review was to consider whether, by reason of any change of circumstances, the LOBP are no longer appropriate and can be released or whether they need to be varied or superseded. The review has not considered the operation of the SME banking markets beyond this specific issue.
4. The CMA launched this review on 2 April 2025. In its published [launch decision document](#), the CMA outlined possible changes of circumstances in SME banking markets, which included:
 - (a) changes to the competitive landscape;
 - (b) changes in customer behaviour; and
 - (c) new regulatory developments.
5. Upon the launch of this review, the CMA consulted on the potential changes of circumstances. The consultation period closed on 7 May 2025. The CMA received ten responses from stakeholders representing Bound Banks, non-Bound Banks, financial industry bodies, and SMEs. In addition, the CMA engaged with a number of stakeholders representing non-Bound Banks, financial industry bodies, industry

¹ Set out in clauses 17 to 20.

² The CMA appointed a group of panel members to conduct this review.

³ Undertakings were originally given by AIB Group (UK) plc; Bank of Ireland; Barclays Bank plc (now Barclays plc); Clydesdale Bank plc (now t/a Virgin Money and part of Nationwide Building Society); HBOS plc and Lloyds TSB Bank plc (now Lloyds Bank plc, both now part of Lloyds Banking Group); HSBC Bank plc (now HSBC UK Bank plc); Northern Bank Ltd (t/a Danske Bank and part of Danske Bank Group); and the Royal Bank of Scotland Group plc (now NatWest Group plc). Following the acquisition of HBOS plc by Lloyds Banking Group, the Undertakings apply to eight banks.

⁴ Financial service providers other than the Bound Banks are referred to in this decision as the 'non-Bound Banks'.

⁵ Business deposit accounts allow SMEs to hold money on deposit, in exchange for which interest is received. Business deposit accounts are not designed to handle day-to-day operations but serve as a device for storage and savings.

⁶ This review defines an SME in the same way as the SME (Behavioural) Undertakings 2002: 'a business that, in respect of a given financial year applying to it, has annual sales revenues (exclusive of VAT and other turnover-related taxes) of no more than £25 million.'

participants, regulators, and SMEs, and also considered published reports relevant to the analysis.

6. On 13 August 2025, the CMA published its [Provisional Decision](#) that, by reason of changes of circumstances since the Bound Banks gave the LOBP as undertakings in 2002,⁷ the LOBP no longer remained appropriate. The CMA also gave formal notice of its intention to release the LOBP. The CMA consulted on the Provisional Decision and Notice of Intention to Release. The consultation period closed on 3 September 2025. The CMA received responses from thirteen stakeholders including Bound Banks, non-Bound banks and industry bodies. The CMA has considered these responses before taking this final decision.
7. This document sets out the CMA's final decision following its review of the LOBP, which is that, by reason of the following changes of circumstances since the Bound Banks gave the LOBP as undertakings in 2002, the LOBP are no longer appropriate and should be released:
 - (a) changes in the competitive landscape in relevant SME banking markets; and
 - (b) changes in customer behaviour, including in response to the entry of new providers and as a result of new technologies.
8. This document also contains the CMA's notice of release of the LOBP.

⁷ The changes of circumstances identified in the Provisional Decision were the same as those set out in paragraphs 7(a) and 7(b) of this Final Decision.

1. Introduction and background

Legal framework

- 1.1 The CMA has a statutory duty⁸ to keep under review undertakings and orders made under the Fair Trading Act 1973 (FTA) and the Enterprise Act 2002 (EA02).⁹ From time to time, the CMA shall consider whether, by reason of any change of circumstances, undertakings and orders are no longer appropriate and can be released or whether they need to be varied or superseded.¹⁰
- 1.2 [Remedies: Guidance on the CMA's approach to the variation and termination of merger, monopoly and market undertakings and orders \(CMA11\)](#) sets out the process that the CMA will typically follow.¹¹

The remedy

- 1.3 The LOBP form part of a wider set of transitional, behavioural, and switching undertakings (the SME Banking (Behavioural) Undertakings 2002) which were given by the Bound Banks¹² under section 88 of the FTA following the Competition Commission's (CC) 2002 market investigation into the *supply of banking services by clearing banks to small and medium sized enterprises*.¹³
- 1.4 In its market investigation, the CC concluded that a complex monopoly existed between several clearing banks and that there were a number of practices which operated, or could be expected to operate, against the public interest. The CC found the 'bundling' conduct, now prohibited under the LOBP, to be one of a number of practices that cumulatively adversely affected the level of choice of banking services available to SMEs in England, Wales, Scotland, and Northern Ireland.
- 1.5 The LOBP are set out in clauses 17 to 20 of the [Behavioural Undertakings](#). Clause 17(1) requires the Bound Banks to:
- 'not directly or indirectly require, agree (other than in respect of integrated products) or threaten to require, as a condition of the

⁸ See [CMA11](#), paragraph 2.2.

⁹ In the case of the [SME Banking Undertakings](#) which were given under section 88 FTA, this duty arises under Schedule 24 EA02, paragraph 16(3). This provides that the duty is exercisable in the same circumstances and on the same terms and conditions as it would have been exercisable under the FTA. The relevant provision of the FTA which explains how the duty was exercisable was section 88(4).

¹⁰ This is the test set out in section 84(4) FTA (see footnote 9 above for the relevance of this provision) and section 162(2) EA02.

¹¹ See [CMA11](#).

¹² See footnote 3.

¹³ Competition Commission (2002) [The supply of banking services by clearing banks to small and medium-sized enterprises: A report on the supply of banking services by clearing banks to small and medium-sized enterprises within the UK](#)

granting, maintaining or servicing of any business loan to, or the opening, maintaining or servicing of any business deposit account for, any SME that the SME should open or maintain any business current account with the Bank.’

- 1.6 This equates to a prohibition on the Bound Banks from requiring an SME customer to open or maintain a BCA as a condition of accessing a business loan or deposit account.¹⁴
- 1.7 The Bound Banks are, however, permitted to offer incentives (eg lower charges or interest rates) to SMEs to open a BCA alongside their loan or deposit account, and they can offer integrated products, provided that the integrated products are also offered separately.¹⁵

2014 Review of the Undertakings

- 1.8 The CMA reviewed the SME Banking (Behavioural) Undertakings 2002 in 2014 as part of the Retail Banking market investigation, and decided in 2016 to release all of the undertakings except for the LOBP.¹⁶
- 1.9 The CMA’s rationale for retaining the LOBP was that there remained ‘strong product linkages’ between BCAs and SME lending and that, together with the information asymmetries between SMEs’ BCA providers and other lending providers, this particularly favoured the longer-established banks. The CMA considered that the LOBP mitigated the adverse effects of these linkages.

Decision to undertake this review

- 1.10 Having considered the case for review in accordance with its published prioritisation principles and having concluded that there was a realistic prospect of finding changes of circumstances, the CMA commenced this review on 2 April 2025.

Steps we have taken to complete this review

- 1.11 The CMA published its decision to launch a review on 2 April 2025.¹⁷ The decision document outlined the reasons for the review, including possible changes of circumstances, and sought the views of a range of stakeholders including Bound

¹⁴ With limited exceptions set out in Clause 18(1) of the Undertakings.

¹⁵ Integrated products refers to the sale of several products as one combined product.

¹⁶ [2014 review of SME Banking Undertakings 2002: final decision](#).

¹⁷ See: [Decision to Launch a review of SME Banking Undertakings 2002](#) (2 April 2025).

Banks, non-Bound Banks, SMEs and SME representatives, and financial industry bodies. The CMA received ten submissions in response.¹⁸

- 1.12 The CMA published a Provisional Decision and Notice of Intention to Release the LOBP on 13 August 2025 and sought representations from interested stakeholders. The CMA received submissions in response from thirteen stakeholders including Bound Banks, non-Bound Banks, SME representatives, financial industry bodies and policy specialists.¹⁹
- 1.13 During the review we also received further written submissions from, and/or held meetings with, a number of stakeholders representing the Bound Banks, non-Bound Banks, SMEs, regulators, financial industry bodies and other industry participants. We have also considered several published reports in our analysis. These are referenced in the relevant sections of this document.

¹⁸ Responses to the launch consultation were published here: [Review of SME Banking Undertakings 2002](#).

¹⁹ Responses to the consultation on the Provisional Decision were published here: [Provisional decision: review of the SME Banking Undertakings 2002](#).

2. Our assessment

Introduction

- 2.1 In order to determine whether, by reason of any change of circumstances, the LOBP are no longer appropriate, we have considered the following potential changes of circumstances:
- (a) Changes in the competitive landscape in relevant SME banking markets;
 - (b) Changes in customer behaviour, including in response to the entry of new providers and as a result of new technologies; and
 - (c) Developments in the regulatory landscape for financial services that may be relevant to the remedy.
- 2.2 The LOBP prohibit the Bound Banks from requiring SME customers to open or maintain a BCA as a condition of obtaining a business loan or deposit account. As such, the LOBP prevent the Bound Banks from using such a requirement to leverage any market power they may hold in business loans and/or deposit accounts into BCAs by unduly influencing or restricting customers' choice of BCA provider. The LOBP therefore prevent the Bound Banks from adversely affecting competition on the merits in the supply of BCAs (directly) and potentially wider SME banking markets (indirectly)²⁰ through tying together the two different products. This means that, for harm to competition to occur in the absence of the LOBP, were one or more of the Bound Banks to engage in the conduct in question, the Bound Bank(s) would need to hold sufficient market power in business loans and/or deposit accounts.
- 2.3 Given this, we have focused our review on potential changes of circumstances that affect the following three product categories supplied to SMEs: business loans, deposit accounts, and BCAs. See Annex 1 for a further explanation of the product categories referred to in this review and how they relate to the product markets and geographic markets as defined in the 2002 and 2016 market investigations.
- 2.4 In this section, we set out our assessment of these potential changes of circumstances.

²⁰ We consider that indirect harm could occur if, by virtue of strengthening its position in the supply of BCAs (through implementing a requirement to open or maintain a BCA in order to obtain a loan/deposit account), the bank in question was able to strengthen its position in other SME banking products. This latter step could occur if BCAs functioned as important 'gateway' products giving the bank an advantage over its rivals in the provision of other products to its BCA customer base. We have not assessed this type of indirect harm separately, since it is predicated on the direct harm having occurred in the supply of BCAs.

Changes in the competitive landscape in relevant SME banking markets

- 2.5 In this section, we assess potential changes in the competitive landscape in relevant SME banking markets since 2002 with reference to:
- (a) shares of supply of the Bound Banks in loans and deposit accounts;
 - (b) impact of entry and expansion;
 - (c) barriers to entry and expansion; and
 - (d) strength of out-of-market constraints.²¹
- 2.6 We consider these potential changes individually and taken together.
- 2.7 For each of these potential changes, we set out a brief summary of the CC's key findings in the 2002 market investigation (against which we are comparing the change), followed by a summary of the evidence gathered in this review comprising stakeholder views and then our own research and analysis.

Shares of supply in loans and deposit accounts

- 2.8 The CC's 2002 market investigation found that there was a 'high level of concentration' in the SME general purpose business loans market²² and in the deposit account market by value of deposits (but not by number of accounts).²³
- 2.9 We have estimated UK-wide shares of supply in selected product categories; our analysis draws on data shared by the FCA.²⁴ While this data has several limitations for our purposes (see Annex 1 for an explanation of these limitations), we nevertheless consider that the shares of supply estimates we have calculated using the FCA's dataset are important for the purposes of assessing the extent to which any of the Bound Banks have sufficient market power to adversely affect competition in relevant SME markets.²⁵ We have interpreted the shares of supply estimates within the specific context of the related SME banking markets and

²¹ 'Out-of-market constraints' refers to the competitive constraints posed by providers whose products fall outside of the defined product markets but which may, at least for some customers, offer a substitute to the loan/deposit account products offered by the Bound Banks.

²² Based on market shares in each of three geographic markets (England & Wales, Scotland, and Northern Ireland) – see tables 3.42, 3.43 and 3.44, and paragraphs 3.301, 3.303 and 3.305, Competition Commission, 2002, The supply of banking services by clearing banks to small and medium-sized enterprises, Volume 2.

²³ Based on market shares in the UK – see table 3.46 and paragraph 3.311, Competition Commission, 2002, The supply of banking services by clearing banks to small and medium-sized enterprises, Volume 2.

²⁴ This data was originally collected by the FCA from banks and was shared using the FCA's statutory information-sharing powers.

²⁵ CC3: [Guidelines for market investigations](#), paragraph 101.

together with the broader evidence available concerning changes in the competitive landscape, as discussed further in the sections below.²⁶

2.10 The key findings for FY23²⁷ are as follows:

- (a) In SME business loans, among the six Bound Banks for which data is available:²⁸ (i) by value of loans, all six Bound Banks had individual UK shares of supply well below 25%; (ii) by number of loans, two Bound Banks had individual UK shares of supply in the range 30-40%, and four were below 5%. The combined UK share of supply of the largest four Bound Banks in the data sample was [60-70%] by value or [70-80%] by number.²⁹ These combined shares are around [10-20] (by value) and [10-20] (by number) percentage points lower than the combined shares, respectively, of the largest four Bound Banks (in England and Wales) in 2002.³⁰ Given major changes to market structure/ownership, a comparison with the shares of supply calculated in 2002 is not meaningful on an individual bank basis.³¹
- (b) In SME deposit accounts, among the six Bound Banks for which data is available,³² by both value and number of deposit accounts, one Bound Bank had a UK share of supply in the range 30-40%, and all others were well below 20%. Given the difference in data coverage (ie our present estimates include instant access savings accounts), we do not present a comparison to the 2002 findings.

2.11 We have also received evidence from stakeholders (including some more recent market shares estimates)³³ that is broadly consistent with the above analysis.³⁴

- (a) One of the Bound Banks submitted that, according to data from the MarketVue Business Banking survey by Savanta (Q3 2024), for SMEs with an annual revenue of less than £6.5 million, the 'four largest banks subject to the Undertakings' have a combined share of less than 65% of business loans;

²⁶ This broader evidence indicates a material increase in the diversity of providers, product offerings available to customers, and level of competition in the supply of SME business loans and deposit accounts.

²⁷ No data is available for later periods. The estimates for FY21 and FY22 are broadly similar to those for FY23. While this refers to financial years, the reported time periods may vary across banks according to their financial year.

²⁸ The data sample excludes two Bound Banks; however, we consider that each of these two banks are likely to have relatively small UK shares of supply.

²⁹ Our estimates are of a similar magnitude to the estimates submitted by two stakeholders (see paragraph 2.11).

³⁰ Competition Commission, 'The supply of banking services by clearing banks to small and medium-sized enterprises', Volume 2, Table 3.42.

³¹ Eg, this includes the fact that HBOS plc subsequently became part of what is now Lloyds Banking Group; TSB is no longer part of Lloyds; and the Royal Bank of Scotland Group plc merged with NatWest to become the NatWest Group plc.

³² See footnote 24.

³³ Which are not from the FCA or based on its data.

³⁴ No stakeholder submitted evidence relating specifically to shares of supply in deposit accounts.

- (b) Another Bound Bank submitted that it estimates challengers' share of SME lending balances has grown from 17% in 2020 to 25% in 2024;
- (c) A number of stakeholders referred to the British Business Bank (BBB)'s recently published finding that the share of total nominal gross bank lending to SMEs by the five largest banks³⁵ was 40% in 2024, with challenger and specialist banks' collective share of total gross lending exceeding that of the five largest banks for a fourth consecutive year.³⁶ We note that this statistic refers to a broader product category than general purpose business loans and likely under-estimates the Bound Banks' share in the latter; and
- (d) An organisation representing SMEs submitted that high-street banks remain the primary lenders in the SME market, although it did not provide a quantitative indication of shares of supply or cite any specific data source for this statement. We note that banks with a large-scale high-street presence include both Bound and some non-Bound Banks.

2.12 In response to the Provisional Decision, we received submissions from some stakeholders that agreed with the CMA's conclusion that competitive conditions have improved significantly. However, we also received submissions from an organisation representing the finance industry and two non-Bound Banks that the market remains highly concentrated, given the evidence presented above concerning the Bound Banks' collective share of supply in SME business loans and deposit accounts.

2.13 We consider that given the specific context of the SME banking sector – particularly that, historically, it has been subject to a very high combined share of supply by the largest four banks for a sustained period of time – in our view, a reduction of this magnitude, ie [10-20] percentage points, represents a material change in competitive conditions.

Impact of entry and expansion

2.14 The evidence we have seen suggests that there has been considerable entry and expansion into SME banking markets since 2002 (and particularly over the past decade or so), leading to a material increase in the diversity of providers and product offerings available to customers and in the level of competition in the SME business loans and deposit account markets.

Impact of entry and expansion on SME loans

2.15 In SME business loans:

³⁵ This refers to Barclays, HSBC, Lloyds, NatWest and Santander.

³⁶ BBB (2025) [Small Business Finance Markets 2024/2025](#), page 125 and figure B.92.

- (a) Two organisations representing the finance industry referred to the 40+ new banking licences that have been issued since 2013. One of these organisations stated that 36 of these licences were granted to SME lenders. In response to the Provisional Decision, one financial industry organisation noted that some 11 of the total 40+ banks granted licences have exited the market over this period.
- (b) One of the two organisations representing the finance industry also noted that there are now over 150 lenders to SMEs and said that debt finance provision is now more evenly spread across the UK and highly digitalised.
- (c) The FCA's Financial Services Consumer Panel described the lending landscape for small businesses as having 'changed radically since the financial crisis of 2008', noting the BBB's finding that 60% of total SME lending is supplied by challenger banks, non-banks, and others.³⁷
- (d) One non-Bound Bank commented that lending is now more competitive, assisted by the growth of brokers.
- (e) One Bound Bank noted that while challengers initially expanded in the unsecured market, they are expanding into more traditional secured lending. It also submitted that the latest Banking Service Quality data (which is published by the CMA as part of the Open Banking measures) shows Handelsbanken, Metro Bank, and Santander outperforming the Bound Banks.³⁸
- (f) Another Bound Bank noted that new entrants do not have to bear the legacy IT and infrastructure costs that impact more 'traditional providers'.³⁹
- (g) A third Bound Bank characterised SME lending as being now more commoditised than relationship-led, driven by the rise of online comparison tools and the use of brokers.

2.16 The key changes enabling entry and expansion were identified by stakeholders as:

- (a) Open Banking, which (inter alia) allows designated third-party financial services providers to be granted access to customers' transaction and

³⁷ The 60% figure covers a wider range of SME lending products than general purpose business loans, which is the focus of this review, and, hence, is not directly comparable with the figures reported at paragraph 2.10.

³⁸ For [SME overdraft and loan quality](#), the service quality indicators published in February 2025 show that Handelsbanken, Metro Bank, and Santander were the top three in the rankings, above the Bound Banks. For [SME overall service quality](#), Monzo, Starling Bank, Handelsbanken, Tide, Zempler Bank, and Metro Bank were the top seven in the rankings, above the Bound Banks.

³⁹ In the evidence we received, stakeholders referred variously to the 'big banks', 'incumbent banks', 'traditional banks' and 'established banks' while describing the competitive landscape. In this Final Decision document our approach has been to repeat the precise term used by each stakeholder, but we understood each stakeholder to be referring primarily to the Bound Banks when using these terms.

financial data, with the aim of reducing information asymmetries between providers and facilitating greater competition;⁴⁰

- (b) The 'Small and Medium Sized Business (Credit Information) Regulations 2015',⁴¹ which require designated banks to share information on their small and medium-sized business customers with designated credit reference agencies, which must then provide this information to finance providers upon request, with the aim of reducing information asymmetries between providers and facilitating a wider range of finance providers to offer credit to SMEs;
- (c) Regulatory changes enabling the granting of more banking licences;
- (d) Digital solutions that have enhanced the ability of lenders to conduct risk assessments and process loans;
- (e) Technological changes that have enabled SME customers to search for alternative suppliers more easily, as well as the increased availability of brokers, intermediaries, and aggregators/comparison tools; and
- (f) The establishment of the BBB (which one financial industry body told us has played a key role in catalysing the development and success of challenger banks).

- 2.17 Some stakeholders suggested that changes in the competitive landscape for SME loans have been driven, at least partly, by strategic decisions taken by the Bound Banks.
- 2.18 An organisation representing SMEs noted that the 'big banks' are often reluctant to lend out small sums (less than £10k) despite these typically being what small SMEs need. Similarly, one industry participant commented that the 'big banks' have retreated from many areas of SME lending – because they prefer larger and less risky clients – with challengers/alternatives coming in to replace them. This would suggest that the Bound Banks' reduced presence is at least partly a result of their own preferred strategy rather than competitive pressure.
- 2.19 The same industry participant noted that some of the 'big banks' are moving into a 'wholesale' role in the SME lending supply chain, providing commercial funding lines to newer providers to distribute at the retail level. Such a market trend, to the extent that it is happening, would imply that the Bound Banks' shares of supply and competitive position at the retail level might understate their market power in the supply chain as a whole (through their upstream role). However, the extent to

⁴⁰ [Open Banking](#) was initiated by the CMA in 2017 following the 2016 Retail Banking Market Investigation. It facilitates new ways for consumers and businesses to access a wide range of financial services, built on secure systems from regulated providers. In 2024, the CMA [determined](#) that the Open Banking Roadmap was complete.

⁴¹ See [The Small and Medium Sized Business \(Credit Information\) Regulations 2015](#). A study by Babina et al (2024) found that these regulations have boosted the probability of SMEs establishing new borrowing relationships by 25%. [Bank of England Staff Working Paper No. 1,059](#).

which such a trend is happening is not clear, and we did not receive any further evidence on this point.

Impact of entry and expansion on SME deposit accounts

2.20 In SME deposit accounts:

- (a) A Bound Bank and an industry body submitted that there has been a diversification of providers, with fintech firms and digital banks increasingly offering competitive deposit products.
- (b) Another Bound Bank submitted that savers can find competitive rates across all types of account and pointed to providers such as the Bank of London, Aldermore, Hampshire Trust Bank, and Reliance Bank as posing strong competition.
- (c) A non-Bound Bank stated that there is 'huge competition' for customers who are actually searching (but that not that many customers do search because they are time-poor).
- (d) An industry body noted that competition for business deposit accounts is not constrained by access to transactional or credit data, meaning there is less of an issue of information asymmetry between providers in deposit accounts as compared to loans.

2.21 In addition to considering the submissions we received following our launch consultation, we have reviewed several published reports relevant to this review.

2.22 We have already noted above that the BBB found in its 'Small Business Finance Markets 2024/25' report that the share of total nominal gross bank lending to SMEs by the five largest banks was 40% in 2024, with challenger and specialist banks' collective share of total gross lending exceeding that of the five largest banks for a fourth consecutive year. The BBB's report additionally found that new challenger banks have continued to emerge. It gives the example of Revolut (among others), which was granted a banking license in 2024 and has entered the BCA market (but has not yet confirmed if it plans to offer loans to SMEs).⁴²

2.23 The FCA's 2022 'Strategic Review of Retail Business Banking Models' identified two specific factors that have facilitated the recent expansion of some non-Bound Banks:

⁴² BBB (2025) [Small Business Finance Markets 2024/25](#), page 132.

- (a) Some challenger banks – notably Starling and Metro – benefitted from the timing of the Government’s Covid-19 loan schemes,⁴³ and Metro and TSB (to a lesser extent) also grew their SME lending businesses through these schemes.⁴⁴
 - (b) Challenger banks have reported making improvements to their lending processes to boost scale, such as automated decision-making and integrating third-party firms to make better lending decisions.⁴⁵
- 2.24 The FCA’s 2022 Strategic Review also found that for many microbusinesses, reputation and service quality, as well as online banking quality, were factors in switching to a digital bank, and part of the modest but positive rise in the market share of digital banks over the past two years.⁴⁶
- 2.25 The Federation of Small Businesses (FSB)’s 2022 ‘Credit Where Credit’s Due’ report stated that, ‘it looks likely that the small business financial market will continue to diversify’ as alternative lenders and challenger banks become more commonplace but noted that trust needs to be gained by these alternative providers.⁴⁷
- 2.26 A 2025 report by the FSB Northern Ireland found that, while a large majority of SMEs primarily continue to use ‘traditional’ banks, respondents to the research reported a decline in service quality; in this context, the report notes that challenger banks are successfully positioning themselves as ‘efficient’ and ‘customer-focused’ alternatives, with 22% of SMEs holding an account with an online challenger bank.⁴⁸
- 2.27 Related to the above points, in response to our Provisional Decision, an organisation representing SMEs submitted that over recent years, the Bound Banks have weakened the quality of customer service they provide to SMEs and, in particular, that they have reduced the level of tailored, face-to-face services previously provided to SMEs. The SME representative noted that this has occurred primarily through a high number of branch closures (with the new model of ‘banking hubs’ not effectively substituting for these) and poor support for the SME sector. The SME representative commented that the effect of this has been

⁴³ The report states that Starling and Metro had received sizeable grants from the Capability and Innovation Fund in 2019 to invest in SME banking capability. Starling was able to attract a large number of new micro-business customers in 2020 who were seeking to access the Bounce Back Loan Scheme, enabling it to use some of its deposit funding to finance the loans.

⁴⁴ FCA (2022) [Strategic Review of Retail Banking Business Models: Final Report 2022](#), paragraph 2.52.

⁴⁵ FCA (2022) [Strategic Review of Retail Banking Business Models: Final Report 2022](#), paragraph 2.53.

⁴⁶ FCA (2022) [Strategic Review of Retail Banking Business Models: Annexes to the Final Report 2022](#), Annex 5, paragraph 33.

⁴⁷ FSB (2022) [Policy Report | Credit Where Credit’s Due](#), page 17. It made this statement on the basis of earlier findings by the BBB that the primary reason for SMEs to choose a finance provider was whether it was a trusted brand (21%), followed by the lender being the most suitable or appropriate for the business’s needs (14%); whereas only 8% chose their lender based on a pre-existing relationship.

⁴⁸ FSB Northern Ireland (2025) [Banking on Small Business](#)

to reduce the main point of difference between the Bound Banks and challenger banks.

- 2.28 In response to our Provisional Decision, an organisation representing the finance industry and a non-Bound Bank submitted that, while there has been considerable entry and expansion from challengers in the start-up and microbusiness customer segment of the BCA market, competition remains weak in the established SME customer segment⁴⁹ of the BCA market.
- 2.29 We note that our assessment of the Bound Banks' market power is focused on the extent of their market power in loans and deposit account markets (as the 'tying' products), rather than the BCA market (as the 'tied' product), which these submissions focused on. This is because the potential harm to competition that could arise from the conduct prohibited by the LOBP relies on the bank in question holding sufficient market power in loans/deposit accounts, which it could leverage into the BCA market.
- 2.30 In light of the above, we consider that the entry and expansion into the SME banking markets has resulted in a material increase in the diversity of providers and product offerings available to SME customers and, in turn, has led to a reduction in the Bound Banks' market power in the SME business loans and deposit accounts markets. We have not received any evidence suggesting that competition in SME loans or deposit accounts may be significantly weaker for established SMEs than for start-ups and microbusinesses.

Barriers to entry and expansion

- 2.31 The CC's 2002 market investigation found that there were 'significant barriers to entry and expansion' in the market for general purpose business loans; however, it did 'not see such barriers applying to [the market for] ... deposits, as evidenced by the extent of entry and greater number of suppliers in these markets'.⁵⁰
- 2.32 We consider that the findings presented in the previous section on the extent and impact of actual entry and expansion directly evidence the reduction in barriers to entry and expansion. In this section, we look further at the nature and the extent of these barriers.
- 2.33 Consistent with the evidence on actual entry and expansion considered in the previous section, some stakeholders pointed to ways in which barriers to entry have reduced:

⁴⁹ By which they meant SMEs with between 5 and 10 FTEs.

⁵⁰ Competition Commission, 2002, The supply of banking services by clearing banks to small and medium-sized enterprises, Volume 2, paragraph 2.235.

- (a) One Bound Bank submitted that there are no barriers to new providers, as evidenced by the entry and expansion that has occurred. This bank did note that BCA providers (whether bound or non-bound) do benefit from having an established line of communication with their existing customers and potentially a good understanding of those customers' needs, but submitted that this does not prevent other providers offering them products or customers taking them up.
- (b) The same Bound Bank also described how technological changes have enabled larger scale entry at a much lower cost; for example, by improving access to customers' BCA and credit data for newer providers, and explained that new entrants do not have the legacy and IT infrastructure costs of the 'traditional providers'.
- (c) An industry participant told us that regulatory changes have resulted in more banking licenses being granted in recent years, and that regulatory sandboxes allow newer providers to experiment and prove their concepts.
- (d) A non-Bound Bank submitted that the start-up and micro-SME segment has changed a lot in the past decade, with 'neobanks' (which we understand to mean digital-only banks) having good success in winning market share with these new customers (but less success with the established SME segment). Given the high degree of churn among SMEs (ie the high proportion of start-ups/newer SMEs in the market),⁵¹ we consider that this suggests there is a route by which challengers can continue to expand in this segment of the market.
- (e) The same non-Bound Bank also mentioned that brokers are the main source of new lending business for challengers, showing the importance of this channel for enabling challengers to expand their market presence in loans.

2.34 However, other stakeholders submitted that barriers to expansion remain:

- (a) A non-Bound Bank and an industry participant mentioned that brand awareness continues to be higher for the 'established banks', which typically have far greater marketing resources available, and emphasised that it can be difficult for newer providers to reach the relevant decision-makers within SMEs (who are busy with the day-to-day operations of their business and tend to be risk-averse in trying a provider they have not previously used).

⁵¹ ONS data shows that, in 2023, 11% of all active businesses in the UK (the large majority of which are SMEs) were closed, and a further 11% were started. [Business demography, UK - Office for National Statistics](#)

- (b) An industry participant mentioned that regulation around risk ratings has made it more difficult and expensive for challenger banks.⁵²
- (c) The same non-Bound Bank as cited in paragraph 2.34(a) above also said that the ‘big banks’, by virtue of their size and ability to cross-subsidise across products, tend to be able to offer cheaper loans than challengers can.
- (d) In response to our Provisional Decision, two non-Bound Banks submitted that removing the LOBP could create further barriers for challenger banks to scale, including by limiting their access to customer deposits. We discuss this further at paragraphs 2.89 to 2.92 below.

2.35 In addition to considering the submissions we received throughout the review, we have reviewed several published reports relevant to this review.

2.36 The Bank of England’s 2020 ‘Open data for SME finance’ report describes how Open Banking allows data to move securely around the financial system in a standardised way through secure application programming interfaces (APIs).⁵³ This enables SMEs to share the transaction data in their bank accounts, which the report notes should make it easier for non-bank lenders to compete with incumbent banks. The 2016 Retail Banking market investigation, in respect of retail banking generally (including personal banking), also found that technological developments have enabled the development of alternative business models that do not rely on branches as a distribution channel, which has allowed the successful entry of digital-only banks,⁵⁴ as described earlier in this decision in the section ‘Impact of entry and expansion’.

2.37 However, the FCA’s 2022 ‘Strategic Review of Retail Business Banking Models’ found several difficulties facing new digital entrants, including that digital challengers do not yet have a fully developed lending business, so are not yet able to earn significant funding benefits from customer deposits (as is the case for the Bound Banks);⁵⁵ they need to achieve further economies of scale; and they must maintain service standards and provide adequate consumer protection as they continue to scale up.⁵⁶ This report further found that the four largest banks⁵⁷ retain advantages, which include a large and stable customer base built up over several generations, brand familiarity, large branch networks, and certain aspects of the regulatory framework that have tended to act in favour of incumbents.⁵⁸

⁵² In response to our Provisional Decision, an organisation representing the finance industry submitted that the challenges for small banks to scale remain significant and, in particular, the small bank sector is subject to higher and more costly capital requirements than the large bank sector.

⁵³ Bank of England (2020) [Open data for SME finance](#), page 10.

⁵⁴ See paragraph 120 of the Final Report.

⁵⁵ FCA (2022) [Strategic Review of Retail Banking Business Models: Final Report 2022](#), paragraph 2.25.

⁵⁶ FCA (2022) [Strategic Review of Retail Banking Business Models: Final Report 2022](#), paragraph 2.28.

⁵⁷ Barclays, HSBC, Lloyds, and NatWest

⁵⁸ FCA (2022) [Strategic Review of Retail Banking Business Models: Final Report 2022](#), paragraph 2.4.

- 2.38 A 2025 research report by the FSB Northern Ireland found that a branch network remains a significant priority for small business customers, with 70% of SME respondents considering a physical branch important to get assistance and reinforce trust, and 25% visiting a physical branch at least once a week.⁵⁹ This suggests that a substantial branch network remains an advantage for those banks that continue to operate them. However, the report also noted that, without improvements to service quality (including both in-person and online), more small businesses are likely to turn to online challenger banks.
- 2.39 As discussed at paragraphs 2.31 to 2.33 above, we consider that barriers to entry and expansion have reduced since the CC's 2002 market investigation, partly also driven by the reduction in the Bound Banks' branch networks⁶⁰ and face-to-face service quality, which contributed to successful entry and expansion of alternative, particularly digital-only, banks and weakened Bound Banks' position in the market.
- 2.40 Additionally – as discussed further below at paragraphs 2.51 to 2.61 below, and linked to some of the changes considered above (eg technological developments and open access to transactional and credit data) – we consider that customers' propensity to consider alternative providers (to the Bound Banks) and to switch providers in loans has increased compared to 2002. This represents one further way in which barriers to entry and expansion have reduced.

Strength of 'out-of-market' constraints

- 2.41 We have seen some evidence that suggests that out-of-market constraints in SME financing have also strengthened since 2002.⁶¹
- 2.42 Two Bound Banks and an industry participant noted the growth of alternative and non-bank lenders, mentioning entrants such as Funding Circle, ThinCats, and iwoca, and also firms such as SilverRock that provide financing to non-bank and specialist lenders and building societies, which in turn provide loans to SMEs.
- 2.43 The Bank of England's 2020 'Open data for SME finance' report found that 'Alternative lenders, including peer-to-peer models, have grown rapidly since 2012 to service unmet demand'.⁶²

⁵⁹ FSB Northern Ireland (2025) [Banking on Small Business](#)

⁶⁰ One Bound Bank submitted that there is no evidence to suggest that a branch network conveys an incumbency advantage. It referred to previous CMA decisions: (i) the CMA releasing the undertaking relating to branch networks its 2016 Review of the 2002 SME Banking Undertakings; and (ii) the CMA's 2016 Retail Banking Market Investigation, which concluded that access to a branch network was not a barrier to entry. In respect of (i), the reason for release was that the Bound Banks had fulfilled the terms of their undertaking, namely to undertake a feasibility study into the sharing of branch facilities (paragraph 4.24 of the Final Decision). In respect of (ii), the decision also describes that branches remain important for customer acquisition, in particular for BCAs (paragraph 9.291 of the Final Decision). This finding is consistent with the evidence we have received as set out in these paragraphs 2.36 to 2.40.

⁶¹ For deposit accounts, we did not receive any specific stakeholder evidence or find any published reports on out-of-market constraints.

⁶² Bank of England (2020) [Open data for SME finance](#), page 5.

- 2.44 However, an industry participant said that there is insufficient data on alternative providers to get a detailed picture of lending outside of the ‘traditional institutions’.

Conclusion on changes to the competitive landscape in relevant SME banking markets

- 2.45 We have found that there have been changes to the competitive landscape in the relevant SME banking markets since the Bound Banks gave the LOBP as undertakings in 2002 and since the CMA reviewed the LOBP in 2016, specifically changes with respect to the Bound Banks’ market power in the SME business loans and deposit account markets.
- 2.46 We have not taken shares of supply (whether individual or collective) into account in isolation, but rather in the round with the broader evidence available, including evidence on the barriers to entry and expansion, the impact of entry and expansion and the extent of the out-of-market constraints on the Bound Banks. Our assessment looked at both qualitative evidence from stakeholder submissions and published reports.
- 2.47 We consider that, on balance, the evidence assessed in the preceding sections indicates a material reduction in market concentration and a material increase in the number and diversity of providers and of product offerings available to customers, compared to the situation that prevailed when the remedy was put in place in 2002. This indicates increased competition in the supply of SME business loans and deposit accounts, driven by reduced barriers to entry and expansion.
- 2.48 While some incumbency advantages do continue to exist – in particular, the Bound Banks benefit from their pre-existing large customer base, stronger brand awareness, branch networks, and certain aspects of the regulatory framework – barriers to entry and expansion have reduced when compared to 2002. This is due to, for example, technological developments and open access to transactional and credit data, as well as the reduction in the Bound Banks’ branch networks and the quality of their face-to-face customer service, which has lessened the competitive advantage initially held by Bound Banks. This reduction in barriers to entry and expansion is evidenced directly by the substantial amount of actual entry that has taken place over this time, particularly since the CMA last reviewed the LOBP in 2016, resulting in a stronger competitive constraint on the Bound Banks.
- 2.49 In addition, there is some evidence that out-of-market constraints are now stronger than in 2002.

Changes in customer behaviour, including in response to the entry of new providers and as a result of new technologies

- 2.50 In this section, we consider potential changes to customer behaviour in relevant SME banking markets, and explain how they have been factored into our assessment.
- (a) First, we consider customer behaviour in the SME business loans and deposit accounts markets; specifically, customers' propensity (ie their willingness and ability) to consider alternative providers (to the Bound Banks) and to switch providers.
 - (b) Second, we consider customer behaviour in the BCAs market; specifically: (i) customers' propensity to consider alternative providers (to the Bound Banks) and to switch providers; and (ii) customers' propensity to multi-bank BCAs (ie to maintain two or more BCAs with different providers at the same time).

Customer behaviour in the SME business loans and deposit accounts markets

- 2.51 In general, weak customer responsiveness (eg low levels of shopping around and/or switching) can be a reason for weak competition in a market.⁶³ If SME banking customers had a weak propensity to consider alternative providers (to the Bound Banks) and to switch providers in loans and deposit accounts, this would imply that the Bound Banks hold greater market power over those customers in those markets (all else equal), which potentially could be leveraged into the supply of BCAs via the conduct currently prohibited by the LOBP.⁶⁴
- 2.52 The CC's 2002 market investigation found that 'limited switching is an inherent characteristic of SME banking services' and it specified that this finding related also to the market for general purpose business loans'.^{65,66} The CMA's 2016 Retail Banking market investigation similarly found 'low levels of searching amongst SMEs looking for lending' resulting from the relationship SMEs have with their main bank (in particular the information asymmetry between the SME's main bank and other providers), and the time and effort involved in applying and awaiting responses from other providers.⁶⁷ Neither the 2002 nor the 2016 market

⁶³ As set out in [CC3: Guidelines for market investigations](#) (paragraph 296), to drive effective competition, customers need to be both willing and able to access information about the various offers available in the market; assess these offers to identify the good or service that provides the best value for them; and act on this assessment by switching to purchasing the good or service from their preferred supplier.

⁶⁴ As set out in [CC3: Guidelines for market investigations](#) (paragraph 299), firms can enjoy some market power if customers cannot easily or effectively compare their products with others on offer, because of the difficulty or cost (including the opportunity cost of customers' time) of finding better deals.

⁶⁵ Competition Commission, 2002, The supply of banking services by clearing banks to small and medium-sized enterprises, Volume 2, paragraph 2.84.

⁶⁶ This is closely linked to the fact that the 2002 investigation also found that the large majority of SME customers taking out a loan did so with their existing BCA provider (paragraph 2.97) and, as noted in the next section, there was also low switching of BCA providers.

⁶⁷ CMA, 2016, Retail banking market investigation: Final report, paragraph 8.182.

investigations examined shopping around or switching in SME deposit accounts specifically.

- 2.53 On balance, the evidence available to us suggests that there has been an increase in customers' propensity (ie their willingness and ability) to consider alternative providers to the Bound Banks and to switch providers in loans, compared to 2002:
- (a) An industry body, an industry participant, and a Bound Bank referred to new technologies,⁶⁸ such as online eligibility tools and loan application apps, having made it significantly easier and quicker for SMEs to shop around and find alternative providers.
 - (b) The same industry participant noted that younger SMEs, in particular, are used to the idea of shopping for products online and more comfortable with switching, and that the proportion of SMEs who feel attached to a main bank continues to shrink over time.
 - (c) Another Bound Bank submitted that [REDACTED].
 - (d) The FSB Northern Ireland said many of its members (SMEs in Northern Ireland) are happy to research and shop around among different providers to secure the best value for the products and services they need, pointing to its recent finding that 44% of SMEs in Northern Ireland use multiple banking providers.
- 2.54 However, a non-Bound Bank told us that SME owners often seek finance far too late or when they are 'desperate', so they tend to take the easiest and quickest route, eg going to their existing main bank (or resorting to taking out a personal loan).
- 2.55 We reviewed several published research reports exploring SMEs' attitudes to and experiences of seeking finance:
- (a) The SME Finance Monitor 2024 found that, in FY24, 25% of SMEs with a funding need looked online, including 15% that looked online for possible finance providers, and that 71% of all SMEs agreed or strongly agreed with the statement 'I am confident I know where to get information about different types of finance and providers'.^{69,70} It also found that awareness of wider

⁶⁸ The Bound Bank described that such technologies have been facilitated by the introduction of The Small and Medium Sized Business (Credit Information) Regulation 2015 (CCDS), which has enabled non-BCA lenders to access business current account and credit data held by banks.

⁶⁹ The SME Finance Monitor is a survey, established in 2011, that regularly tracks SMEs' attitudes towards, need for, and experience of finance in the UK. The survey is run by an independent market research firm (BVA BDRC), and members of the survey's Steering Group include HMT, the Department for Business and Trade, business representative bodies, financial services representative bodies, and banks. [SME Finance Monitor - BVA BDRC](#)

⁷⁰ BVA BDRC (2025) [SME-FM-FULL-REPORT.pdf](#), pages 217 and 186.

forms of funding such as venture capital (56%), crowd funding (53%) and peer-to-peer lending (44%) has increased over time.⁷¹ However, it also found that among SMEs who had a funding need and took initial steps to address that need, 34% considered applying to their 'main bank' and 10% considered applying to another funding provider they were currently using, while 13% considered applying to a funding provider they were not currently using, only 7% considered using an online funding platform, and only 7% a broker.⁷²

- (b) The BBB's 'Business Finance Survey 2025' found that 38% of SMEs considered more than one provider, up slightly from 35% in 2016.⁷³ We note that this statistic is informative as to the Bound Banks' market power in loans only insofar as the single provider being considered is more likely than not to be one of the Bound Banks. Given we have found that the Bound Banks collectively comprise the majority of the supply of BCAs to SMEs, we consider this to be a reasonable inference.
- (c) The National Association of Commercial Finance Brokers (NACFB)'s 2024 survey found that brokers play an important role in diversifying SMEs' access to funding. It found that, on average, commercial lenders rely on brokers for 67% of SME finance transactions, and that 33% of lending deals intermediated by NACFB's members were facilitated by specialist lenders and 28% by challenger banks.⁷⁴
- (d) The BBB's 'Northern Ireland SME Access to Finance 2025' report found that entrepreneurs struggle to balance growing a business with time to raise finance, and that external financing options for sole traders can be limited due to eligibility issues.⁷⁵

2.56 In relation to customers' propensity to consider alternatives and switch providers in deposit accounts, the only evidence we have received is the view of one non-Bound Bank, which stated that, while there is 'huge competition' for customers, not many customers are searching (for alternative providers) because they are time-poor. However, we have not received other evidence indicating specific barriers to switching in deposit accounts.

2.57 In response to our Provisional Decision, an organisation representing the finance industry submitted that, in its view, there has not been a material change in

⁷¹ BVA BDRC (2025) [SME-FM-FULL-REPORT.pdf](#), page 376.

⁷² BVA BDRC (2025) [SME-FM-FULL-REPORT.pdf](#), page 219. Given that 57% of all SMEs surveyed who had a funding need and took initial steps to address that need considered making a loan application, this means that 60% of SMEs who considered making a loan application considered applying to their main bank, 18% considered applying to another provider they were currently using, 23% considered applying to a provider they were not currently using, and 12% considered applying to an online platform.

⁷³ BBB (2025) [ipsos-business-finance-survey-2024.pdf](#), page 17.

⁷⁴ NACFB (2025) [NACFB Members fuel 70% of UK's £38bn broker-led SME lending - NACFB](#)

⁷⁵ BBB (2025) [Northern Ireland SME Access to Finance Report](#), page 22.

customer behaviour in the loans market and there remain strong product linkages between BCAs and SME lending.

- 2.58 The CC's 2002 market investigation found that 69% of SMEs with a loan used their main bank.⁷⁶ While there are no directly comparable statistics available, we note that among those SMEs surveyed by the SME Finance Monitor who took initial steps to address their funding needs and considered applying for a loan in FY24, around half considered applying to providers or platforms that were not their main bank⁷⁷.
- 2.59 Product linkages between BCAs and SME lending would arise if an SME customer preferred to use (or defaulted to using) its existing BCA provider for a loan. However, in such cases, the conduct currently prohibited under the LOBP (requiring an SME customer seeking a loan to have a BCA) in itself could not affect the customer's choice of BCA provider. This is because the requirement to have a BCA can affect competition only for those customers that do not already hold a BCA with the bank in question (or those that would have otherwise switched away during the lifetime of the loan, absent the requirement).
- 2.60 In response to our Provisional Decision, an organisation representing SMEs submitted that the (re)introduction of the conduct prohibited under the LOBP would create additional complexity into the lending process for SME customers because they would have to conduct additional calculations to fully understand the long-term financial implications of various credit channels, potentially deterring businesses from pursuing credit altogether. The same organisation noted that the wider context is one in which many SMEs struggle with financial literacy and find borrowing money challenging.
- 2.61 We consider that the Bound Banks lack sufficient market power to exert adverse effects on competition were they to (re)introduce the conduct prohibited by the LOBP. If a Bound Bank were to decide to add significant complexity to its lending process by introducing a tying requirement, it would likely put itself at a competitive disadvantage compared to lenders not implementing such a requirement. In other words, ease of process from the customer's perspective is likely to be a material aspect of competition in the SME lending market.

Customer behaviour in the BCAs market

- 2.62 We considered evidence on customer behaviour in the BCAs market and have summarised this evidence below, relating to:

⁷⁶ Competition Commission, 2002, The supply of banking services by clearing banks to small and medium-sized enterprises, Volume 2, Table 3.16.

⁷⁷ See footnote 69.

- (a) customers' propensity to consider alternative providers (to the Bound Banks) and to switch providers in BCAs; and
- (b) customers' propensity to multi-bank BCAs.

Customers' propensity to consider alternative providers (to the Bound Banks) and to switch providers in BCAs

- 2.63 As noted above at paragraph 2.2, the LOBP prohibit the Bound Banks from requiring that customers open/maintain a BCA as a condition of accessing a loan or deposit account. As such, the LOBP prevent the Bound Banks from leveraging any market power they may hold in business loans and/or deposit accounts into BCAs by unduly influencing or restricting SME customers' choice of BCA provider.⁷⁸
- 2.64 Given this specific mechanism of harm, the extent of shopping around and switching in the 'tied' product (BCAs) has a very different implication for our assessment compared to shopping around/switching in the 'tying' products (loans/deposit accounts). A low propensity to shop around and switch BCA providers would *not* increase the Bound Banks' ability to harm competition for BCAs by requiring customers to open/maintain a BCA as a condition of accessing a loan or deposit account.⁷⁹ This is because, for a Bound Bank to be able to adversely affect competition for BCAs through such a requirement, that SME customer would need to be either:
- (a) Induced to switch their BCA to that Bound Bank from a competitor – in which case, a lower underlying propensity to switch (due to real or perceived switching costs)⁸⁰ would, all else equal, reduce the likelihood that the customer would indeed switch to the Bound Bank. In this scenario, the low propensity to switch would put the Bound Bank at greater risk of losing the customer's prospective loan (and BCA) business; or
 - (b) Prevented from switching their BCA from that Bound Bank to a competitor during the lifetime of the loan/deposit account – in which case, a lower underlying propensity to switch (due to real or perceived switching costs) would, all else equal, reduce the likelihood that the customer would have switched away from the Bound Bank, absent the requirement to open/maintain a BCA as a condition of accessing a business loan or deposit account. If, absent this requirement, the SME customer would not have

⁷⁸ As such, the LOBP prevent the Bound Banks from adversely affecting competition on the merits in the supply of BCAs (directly) and potentially wider SME banking markets (indirectly) through tying together the two different products.

⁷⁹ However, we consider that a low propensity to switch BCA providers could add to the bank's *incentive* to implement the currently prohibited conduct. This is because the gained/retained BCA customer would be 'stickier', thus the expected profit over time associated with that customer would be greater than had the customer been more likely to switch away (or switch away more quickly) once the term of the loan/deposit account ends.

⁸⁰ Such as time, hassle, and risk of business disruption.

switched their BCA away from the Bound Bank in any event, then such a requirement would not have an anti-competitive effect because it would make no difference to the SME customer's behaviour.

- 2.65 The CC's 2002 market investigation found that there was 'only a very limited degree of switching of main [business current] accounts by SMEs', with estimates of switching rates at that time at around 4% to 6% of customers a year.⁸¹ The CMA's 2016 Retail Banking market investigation similarly found that rates of BCA switching were low (around 4% per year in 2014).⁸²
- 2.66 The available evidence indicates that the process of BCA switching is now significantly quicker, easier, and lower risk than in 2002, due to the establishment of the Current Account Switching Service (CASS), technological developments, and Open Banking.⁸³ However, stakeholder views and evidence from published reports indicate that actual BCA switching rates have nevertheless remained low (at around 3% annually, they appear not to have materially changed since 2002).⁸⁴
- 2.67 While observed switching rates can be helpful in understanding customers' underlying propensity to switch, they do not measure it directly, since it is possible that low switching rates could indicate that customers are content with their existing provider (but would readily switch if they had good reason to). Furthermore, current switching rates – with the LOBP in place – do not necessarily indicate how customers might behave were the LOBP to be released.⁸⁵

Customers' propensity to multi-bank BCAs

- 2.68 We have considered SME customers' propensity to multi-bank BCAs because, if we were to find that such customers had a *high* propensity to multi-bank BCAs, this would imply (all else equal) a low ability of the Bound Banks to adversely affect competition if they were to engage in the conduct currently prohibited under the LOBP. This is because such SME customers would simply open a second (nominal) BCA to satisfy the requirement.⁸⁶ However, finding a *low* propensity to

⁸¹ Competition Commission, 2002, The supply of banking services by clearing banks to small and medium-sized enterprises, Volume 2, paragraph 2.75.

⁸² CMA, 2016, Retail banking market investigation: Final report, paragraphs 8.35 to 8.45.

⁸³ The Current Account Switching Service (CASS), administered by Pay.UK, was launched in 2013 and currently includes over 50 banks and building societies. It is designed to facilitate free and easy switching of current accounts between providers, and is backed by a switch guarantee, ensuring that all payments associated with an end user's old account will be switched to the new account and ready for use, with effect from a pre-agreed switch date, while the old account is closed on completion of the switch. [Current Account Switch Service - Pay.UK](#).

⁸⁴ FCA (2022) [Strategic Review of Retail Banking Business Models: Annexes to the Final Report 2022](#), Annex 5, paragraph 22. BVA BDRC (2025) [SME-FM-FULL-REPORT.pdf](#), page 51. See also FSB Northern Ireland (2025) [Banking on Small Business](#) report, which found that 68% of SME respondents were unlikely to switch their main bank, with over 10% deciding against switching due to the perceived time commitment and disruption.

⁸⁵ In other words, if Bound Banks did engage in the conduct currently prohibited by the LOBP, some customers might be induced to switch precisely because of the requirement to open a BCA in order to access a loan/deposit account.

⁸⁶ However, this reasoning holds only provided that the bank in question could not impose a requirement (eg under contractual terms) that the BCA be the only or main BCA held by that customer. If the bank were able to impose such a requirement, there could still be adverse effects on competition, since such a requirement would either prevent multi-

multi-bank BCAs would not, in itself, imply the reverse, ie that the Bound Banks could adversely affect competition absent the LOBP. This is because the Bound Banks face other constraints on their ability to do so (ie lack of harm does not depend on SME customers multi-banking BCAs) – see paragraphs 2.45 to 2.49 above where we concluded that there have been changes with respect to the Bound Banks’ market power in SME business loans and deposit accounts arising from changes to the competitive landscape.

- 2.69 The CC’s 2002 market investigation did not examine rates of multi-banking in BCAs. The CMA’s 2016 Retail Banking market investigation found that only around 4% of SMEs held more than one BCA.⁸⁷
- 2.70 The evidence available from stakeholders and published reports suggests that customers’ propensity to multi-bank BCAs may have increased to some extent, albeit from a low base, although the evidence is mixed.⁸⁸
- 2.71 In terms of context, we note that the fact that many banks charge fees for BCAs (commonly after the conclusion of an initial free banking period)⁸⁹ likely reduces customers’ incentive to maintain multiple BCAs, unless they have good reason to. At the same time, certain market developments may have made multi-banking easier.⁹⁰

Conclusion on changes in customer behaviour

- 2.72 We have found that customers’ propensity to consider alternative providers (to the Bound Banks) and to switch providers in business loans has increased, compared to the situation that prevailed when the remedy was put in place in 2002. We received only limited evidence in respect of deposit accounts with one non-Bound Bank stating that whilst there is ‘huge competition’ for customers, not many customers are searching for alternative providers. We did not receive any other evidence indicating specific barriers to switching in deposit accounts.
- 2.73 We did not find clear evidence of changes to customer behaviour in the BCAs market (whether shopping around and switching BCA providers, or multi-banking between BCA providers). However, for the reasons set out above, we consider that a low underlying propensity to switch BCAs would not increase the Bound Banks’ ability to adversely affect competition absent the LOBP; but also that this

banking in practice (in the case of exclusivity), or render it less beneficial from the point of view of the consumer and rival BCA provider (in the case of the BCA being the main/primary one).

⁸⁷ CMA, 2016, Retail banking market investigation: Final report, paragraph 8.36.

⁸⁸ FCA (2022) [Strategic Review of Retail Banking Business Models: Annexes to the Final Report 2022](#), Annex 5, paragraph 46.

⁸⁹ Price comparison websites show that many banks (though not all) charge around £5 per month for a BCA; see for example: [Best business bank accounts UK compared | Money Saving Expert](#)

⁹⁰ For example, one non-Bound Bank told us that CASS permits ‘partial switching’ whereby a customer does not need to close their existing BCA to open one at another provider, allowing them to trial the new provider as a secondary account.

does not necessarily indicate how customers might behave were the LOBP to be released (and therefore has not been relied upon for our assessment).

- 2.74 With respect to multi-banking BCAs, for the reasons set out above, we consider that a low propensity to multi-bank BCAs would not, in itself, imply that the Bound Banks could adversely affect competition absent the LOBP (in the presence of other constraints on their ability to do so).

Developments in the regulatory landscape for financial services

- 2.75 The FCA is the sectoral regulator for financial services firms in the UK. It also has concurrent competition law powers together with the CMA. Since the LOBP were put in place, a number of new regulatory requirements have been introduced, including those which the FCA monitors and enforces. We have considered whether these new regulatory requirements address the same concerns as the LOBP such that the LOBP are no longer necessary.

- 2.76 Developments in the regulatory landscape could impact our assessment in two ways:

- (a) In response to our consultation, some stakeholders submitted that the FCA's Consumer Duty, which came into force on 31 July 2023, represents a regulatory development that means that the LOBP are no longer necessary. We discuss this further below.
- (b) Regulatory developments may have affected the competitive landscape and/or customer behaviour. Of particular relevance are regulatory changes enabling the granting of more banking licences, the introduction of Open Banking, and the introduction of the Small and Medium Sized Business (Credit Information) Regulations 2015. We have addressed the impact of such developments in the changes in competitive landscape and customer behaviour sections above and do not repeat that evidence here.

The FCA's Consumer Duty

- 2.77 The FCA's Consumer Duty is an example of outcomes-based regulation. It creates a high-level requirement that 'a firm must act to deliver good outcomes for retail customers⁹¹ where the outcomes relate to (and require that):

- (a) products and services are designed to meet the needs, characteristics and objectives of consumers in a specified target market;

⁹¹ Principle 12. For more information about the Consumer Duty, see [PS22/9: A new Consumer Duty | FCA](#).

- (b) price and value: products and services provide fair value with a reasonable relationship between the price consumers pay and the benefit they receive;
- (c) consumer understanding: firms communicate in a way that supports consumer understanding, equipping them to make effective, timely and properly informed decisions; and
- (d) consumer support: firms provide support that meets consumers' needs throughout the product / service life.

2.78 In addition, the Consumer Duty requires that firms:

- (a) act in good faith towards retail customers;
- (b) avoid causing foreseeable harm to retail customers; and
- (c) enable and support retail customers to pursue their financial objectives.

2.79 The FCA describes the overall effect of the Consumer Duty as requiring firms to consider the needs, characteristics and objectives of their customers – including those with characteristics of vulnerability – and how they behave, at every stage of the customer journey.⁹² As well as acting to deliver good customer outcomes, the FCA further describes that firms will need to monitor and regularly review whether those outcomes are being met and take action where they are not.⁹³

Bound Banks

2.80 The four Bound Banks which responded to our launch consultation submitted that the FCA's Consumer Duty provides a high standard of consumer protection for SMEs, which renders the LOBP unnecessary:

- (a) One Bound Bank noted that the Consumer Duty stipulates that firms must ensure that options available are presented to consumers in a clear and fair way, and that their choice architecture is not designed to influence consumers to select a particular option that benefits the firm but may not deliver a good outcome for the consumer.
- (b) Another Bound Bank referred to scenarios in which the 'bundling' of products would be incompatible with the Consumer Duty, such as when customers are left in the position of paying for products or services (ie one of the 'bundled' products) that they do not want or need, which would contravene the banks' obligations to conduct price and fair value assessments.

⁹² Paragraph 1.9 of the [FG22/5: Final non-Handbook Guidance for firms on the Consumer Duty](#), dated July 2022

⁹³ See footnote 91.

- (c) A third Bound Bank submitted that the Consumer Duty applies to smaller SMEs, which are those that have the greatest need for protection.
- (d) A fourth Bound Bank submitted that, were a bank to design a lending or deposit product that forces a customer to also open a BCA (in the absence of a strong business or customer rationale, which would include those scenarios which are current exceptions from the requirements of the LOBP), this would be likely to cause 'foreseeable harm' and be in breach of the Consumer Duty.⁹⁴

- 2.81 In response to the Provisional Decision, one Bound Bank submitted that there remains a significant degree of overlap between the Consumer Duty and the LOBP. Another Bound Bank submitted that the Consumer Duty provides an equivalent degree of protection to the LOBP and that, although the Consumer Duty applies to a narrower subset of SMEs than the LOBP, the smaller SMEs to which the Consumer Duty applies make up a significant proportion of all SMEs and are the businesses which the LOBP were most concerned to protect.
- 2.82 A further Bound Bank submitted that in addition to the Consumer Duty, banks must also comply with other relevant regulation with the potential to protect SMEs such as FCA Principles of Business, PRIN 6, which requires firms to pay due regard to the interests of customers and treat them fairly. The same Bound Bank also submitted that prescription-based regulation is not inherently better than outcomes-based regulation because the latter prioritises what is right for customers over strict rule compliance.

Third parties

- 2.83 The FCA told us about the scope and application of the Consumer Duty; that it applies to firms conducting business with retail customers. For banking (ie BCAs and deposit taking), micro-enterprises – businesses employing fewer than 10 persons with turnover/annual balance sheet up to €2 million – are the only SMEs considered to be retail customers, and therefore in scope of the Consumer Duty. For consumer credit (ie loans), sole traders and partnerships borrowing up to £25,000 are the only SMEs considered to be retail customers. SMEs that are limited companies are not included.
- 2.84 Two other third parties (UK Finance and the FCA's Financial Services Consumer Panel) commented on the Consumer Duty in response to the launch consultation. UK Finance submitted that the Consumer Duty requires firms to act in good faith,

⁹⁴ The Bound Bank also submitted that, in addition to the Consumer Duty, regulated firms are subject to FCA conduct requirements under the FCA's 'Principles for Business' to treat customers fairly. These specifically require banks to act with integrity and clearly communicate with SMEs paying due regard to their information and business needs. The Bound Bank further submitted that it has internally defined a 'Purpose-Led Conduct Approach' to achieve good customer outcomes.

avoid causing foreseeable harm, and support customers in making informed decisions. In its view, the Consumer Duty had strengthened protections for SMEs and led to a ‘regulatory overlap’ with the LOBP.

- 2.85 The FCA’s Financial Services Consumer Panel highlighted the fact that business lending is generally only a regulated activity where both the loan is up to £25,000, and the borrower is either a sole trader or a ‘relevant recipient of credit’, and that consumer credit regulation does not currently apply to lending to limited companies, limited liability partnerships, and partnerships consisting of more than three persons. Furthermore, the Financial Services Consumer Panel told us that it believes:

‘[G]iven the recency of this change and until there is evidence of its effectiveness post implementation, the Panel believes it is too early to rely on the Duty effectively dealing with the same underlying problems that the Limitation on Bundling Provisions were designed to address.’

- 2.86 In response to our Provisional Decision, one organisation representing the finance industry commented that the limitation in scope of the Consumer Duty means that only the smallest SMEs would qualify for protection under it. This results in a ‘low eligibility’ for protection as those SMEs in the UK not covered (in effect larger SMEs) are those who still require protection on the basis that a substantial competition issue remains.

Conclusion on developments in the regulatory landscape

- 2.87 We have found that the Consumer Duty, which the FCA introduced in July 2023, does not provide an equivalent level of protection as the LOBP, which limits the weight we can place on this regulatory change. This is for two reasons:
- (a) The Consumer Duty applies only to a significantly narrower subset of SMEs, namely the smallest SMEs, although we acknowledge that they account for the majority of SMEs in the UK. For banking (BCAs and deposit taking), the Duty applies only to micro-enterprises.⁹⁵ For loans, it does not apply at all to limited companies but instead, only to sole traders and partnerships wishing to borrow up to £25,000. By contrast, the LOBP applies to all SMEs with annual sales revenue (excluding VAT and other turnover-related taxes) of up to £25 million.⁹⁶
 - (b) The Consumer Duty is focused on outcomes and does not prescribe specific actions firms must take to meet these outcomes. Although outcomes-based regulation could seek to address the conduct prohibited by the LOBP, we

⁹⁵ See paragraph 2.83 above for the meaning of ‘micro-enterprises’.

⁹⁶ Clause 3(1) of the SME Banking (Behavioural) Undertakings 2002.

consider that currently there remains a degree of uncertainty as to the extent to which it could provide an equivalent level of protection as the LOBP.⁹⁷

- 2.88 We have found that regulatory changes in the 23 years since the Bound Banks gave the LOBP as undertakings in 2002 – changes which have enabled the granting of more banking licences, the introduction of Open Banking, and the introduction of the Small and Medium Sized Business (Credit Information) Regulations 2015 – have had positive effects on the competitive landscape and customer behaviour in relevant SME banking markets. As noted, these are considered as part of our assessment of changes to the competitive landscape and customer behaviour.

Other points submitted in response to the Provisional Decision

- 2.89 In response to our Provisional Decision, six stakeholders submitted a set of distinct but related points, on the potential adverse effects on competition that could occur as a result of the removal of the LOBP and in response, the Bound Banks reinstating the tying of business loans/business deposit accounts with BCAs:
- (a) One organisation representing the finance industry submitted that, should the LOBP be removed, SMEs seeking fixed-term lending and deposit account facilities will no longer be able to access challenger banks and alternative BCA providers, such as e-money and payment institutions. Similarly, one non-Bound Bank that offers BCAs but not SME loans submitted that, were the Bound Banks to (re)introduce the conduct currently prohibited by the LOBP, this would exclude key competitors such as itself from competing for BCA business with customers requiring a loan.
 - (b) Two non-Bound Banks and the finance industry organisation also submitted that removing the LOBP would significantly reduce the Bound Banks' incentive to offer competitive pricing and service quality in BCAs.
 - (c) An organisation representing SMEs submitted that, currently, customers have independent choice over BCAs and loans/deposit account products, which allows them to realise the best value for each product available on the market, but removing the LOBP would eliminate this consumer choice and weaken market discipline, reducing incentives to provide competitive products.
 - (d) A non-Bound bank submitted that removal of the LOBP could negatively impact collaboration between different fintech challengers, limiting the availability of multi-party product offerings available to SMEs. It noted that the

⁹⁷ This is also the case for the FCA's Principles of Business.

UK SME lending market has grown to 150 – 300 lenders, most of which stand to be excluded if tying is reinstated.

- (e) Two non-Bound Banks submitted that removing the LOBP could create further barriers for challenger banks to scale, including by limiting their access to customer deposits.
- (f) One non-Bound Bank submitted that re-introducing tying practices could hinder the growth of broker-driven loans, which would negatively affect the growth of challenger and fintech SME lenders, thus limiting SME access to finance. This is because, as the non-Bound Bank submitted, the Bound Banks are reluctant to work with the broker channel and releasing the LOBP would enable the Bound Banks to increase the number of SME lending customers that they serve directly, in turn, limiting the number of customers using the broker channel.⁹⁸
- (g) Two non-Bound Banks also submitted broader concerns that the release of the LOBP would risk reversing the progress and would undermine substantial government interventions to create and sustain competition in SME banking markets.
- (h) One stakeholder submitted that while it did not dispute the CMA's analysis of how the market in general had changed, the CMA's analysis did not have regard to the market for the provision of payments and currency foreign exchange services. It said that if an SME is required to have a BCA with a particular bank, for instance by tying business loans/current accounts with a BCA, that could limit the SME's ability to get a good foreign exchange rate offered by some fintech payment service providers.

2.90 We note the possible adverse effects on competition, described above, that could potentially occur in the BCA market *if* one or more of the Bound Banks had the ability to harm competition by leveraging market power from loans/deposit accounts into BCAs. However, any such adverse effects are predicated on one or more of the Bound Banks having the ability⁹⁹ and incentive¹⁰⁰ to engage in the conduct in question. In our view, competitive constraints in loans and deposit accounts are such that we consider the Bound Banks lack sufficient market power in loans and deposit accounts (which means that they lack the ability) to give rise to adverse effects on competition in BCAs or indirectly in other SME retail banking

⁹⁸ This was, however, contradicted by one Bound Bank, which submitted that the broker channel has also become an important customer acquisition channel for larger banks, which would not be in a position to reduce their use of the broker channel.

⁹⁹ I.e., having sufficient market power in loans/deposit accounts, which they could leverage into the BCAs market.

¹⁰⁰ I.e., the bank's strategy to engage in tying business loans/deposit accounts with BCAs being more profitable than offering these products separately.

markets, such as currency and foreign exchange services, were they to (re)introduce the conduct prohibited by the LOBP.¹⁰¹

- 2.91 In the absence of such market power, we consider that a Bound Bank attempting to exert anti-competitive influence by requiring its loan/deposit account customers to open/maintain a BCA would put itself at a competitive disadvantage. This is because, in the presence of a wide range of sufficiently competitive alternative providers available to customers in the loans/deposit account markets, an SME customer that preferred not to have a BCA with that Bound Bank would be able to choose one of these alternative providers (and hence the Bound Bank would lose that potential customer's loan/deposit account business which it would have been able to win absent the requirement to also open/maintain a BCA).
- 2.92 Therefore, while the submissions above are informative to consider the possible effects that might arise should the Bound Banks have the ability and incentive to harm competition, they do not provide further evidence or change our view as to the Bound Banks' ability to do so in the first place.

Additional proposed measures

- 2.93 In response to our Provisional Decision, two stakeholders proposed additional regulatory protections, which the CMA should put in place instead of, or alongside, releasing the LOBP:
- (a) One organisation representing the finance industry opposed releasing the LOBP and proposed extending it to *all* banks operating in the UK.
 - (b) Another organisation specialising in policy research supported the release of the LOBP, but proposed that the CMA implement a number of new regulatory protections alongside release of the LOBP.¹⁰²
- 2.94 As we have found that releasing the LOBP is the most appropriate outcome, we do not consider it necessary to retain any regulatory measures on the Bound Banks. We would also note that the implementation of new measures over and above the LOBP is not within the scope of this review.

¹⁰¹ Since we did not find that the Bound Banks have ability to harm competition in the BCA market by engaging in the conduct currently prohibited by LOBP, we did not have to separately assess their incentives to do so, nor whether the conduct in question, if reinstated, would have the effect of adversely affecting competition.

¹⁰² These proposed measures include: prohibiting banks from requiring that customers hold a BCA *exclusively* with them or requiring that the BCA must be the customer's 'primary' one, and making this clear to customers in plain English contracts; mandatory presentation of 'side-by-side' offers of BCA plus loan/deposit account bundles versus the products as sold separately; banks to report quarterly to the CMA certain metrics concerning sales of BCAs and loans/deposit accounts, with a CMA review to be triggered if any agreed thresholds are breached; and choice architecture requirements or commitments, as well as Board-level attestations of good value, relating to any bundling incentives.

3. Final decision and notice of release

- 3.1 We have found that, by reason of changes of circumstances, the LOBP are no longer appropriate and should be released.
- 3.2 Our view on the changes of circumstances supporting our Final Decision is summarised below:
- (a) There have been changes to the competitive landscape in relevant SME banking markets in the 23 years since the Bound Banks gave the LOBP as undertakings in 2002, specifically changes with respect to the Bound Banks' market power in SME business loans and deposit accounts.
 - (i) The available evidence indicates that there has been a material reduction in market concentration and a material increase in the diversity of providers, product offerings available to customers, and level of competition in the supply of SME business loans and deposit accounts, as enabled by the reduced barriers to entry and expansion.
 - (ii) While some incumbency advantages do continue to exist, there has been a substantial amount of successful entry that has taken place over this time, particularly in the years since the CMA last reviewed the LOBP in 2016.
 - (iii) Out-of-market constraints on the Bound Banks in SME financing have also strengthened.
 - (b) There have been changes to customer behaviour in relevant SME banking markets. Specifically, customers' propensity to consider alternative providers (to the Bound Banks) and to switch providers in loans has increased, as compared to 2002. While the evidence with respect to deposits has been more limited, we have not received evidence that would indicate that there were significant barriers to switching deposit accounts.
 - (c) There have been regulatory changes that have enabled the granting of more banking licences, including the introduction of Open Banking and the introduction of the Small and Medium Sized Business (Credit Information) Regulations 2015, which have had positive effects on the competitive landscape and customer behaviour in relevant SME banking markets.
- 3.3 We consider that, taken together, these changes to the competitive landscape and customer behaviour indicate a greater degree of competition and availability of choice for consumers in relevant SME banking markets than in 2002. This means that competitive constraints in loans and deposit accounts are such that we consider the Bound Banks do not have sufficient market power in these markets which, in turn, would prevent any of the Bound Banks from materially adversely

affecting competition in relevant SME banking markets were the LOBP to be released and any of the Bound Banks to engage in the conduct currently prohibited by it.

- 3.4 For these reasons, the CMA's Final Decision is to release the LOBP.

Notice of release

- 3.5 The CMA hereby gives notice of the release of these undertakings as envisaged in Schedule 10, paragraph 8 EA02. The CMA will remove them from its public register of markets remedies which are in force.

Annex 1: Technical appendix

Relevant product categories and geographic markets

1. As noted at paragraph 2.3, we have focused on potential changes of circumstances that affect the following three product categories supplied to SMEs: (i) business loans; (ii) deposit accounts; and (iii) BCAs. These categories correspond, respectively, to the following product markets as defined in the 2002 market investigation: (i) general purpose business loans; (ii) 'long-term' deposit accounts (those with a 30 day+ term/notice period); and (iii) liquidity management services, which encompasses BCAs, overdrafts (that are integrated into current accounts) and short-term (<30 day) deposit accounts. While the evidence that we have been able to gather in the course of this review does not precisely correspond to the 2002 product market definitions, we do not consider this to be a significant limitation of our analysis or one that would affect our Final Decision. We have also not received any stakeholder submissions suggesting otherwise.
2. In its 2002 market investigation, the CC distinguished between the individual geographic markets of England & Wales, Scotland, and Northern Ireland for each of general purpose business loans and liquidity management services, whereas long-term deposit accounts was found to be a UK-wide market.¹⁰³ In the 2016 Retail Banking market investigation, the CMA considered that Great Britain and Northern Ireland were separate geographic markets for SME banking products (BCAs, business loans, and business deposit accounts) for the purposes of that analysis.¹⁰⁴ Sufficiently comprehensive evidence specific to each of these geographic markets has not been available to us in the context of this remedy review; for example, sufficiently comprehensive and comparable data relating to shares of supply are on a UK-wide basis, and almost all submissions by stakeholders were of a general nature (ie they did not relate to a specific geography within the UK). However, we do not consider this to be a material limitation of our analysis or one that would affect our Final Decision, for the following reasons:
 - (a) The increased digitalisation of the banking sector means there is now less importance attached to firms' physical location within the UK.
 - (b) An industry participant and an industry body told us that bank lending is now relatively evenly spread across the UK.
 - (c) The FSB Northern Ireland told us that it believes the factors influencing changes in the market in Northern Ireland, such as around Personal

¹⁰³ Competition Commission, 2002, The supply of banking services by clearing banks to small and medium-sized enterprises, Chapter 2, paragraph 2.57.

¹⁰⁴ CMA (2016) [Retail banking market investigation final report](#), paragraphs 4.98 to 4.106.

Guarantees and incumbent providers versus online challengers, would be similar to those affecting the rest of the UK.

- (d) The CMA's 2016 Retail Banking market investigation considered that 'some aspects of the two geographical markets [Great Britain and Northern Ireland] are similar and we do not consider that the distinction between [them] ... affects most of our competitive analysis.'¹⁰⁵

- 3. We have not received any submissions that would lead us to think our Final Decision is any less appropriate for particular geographic areas within the UK.

Limitations of the data used by the CMA to estimate shares of supply

- 4. We have estimated UK-wide shares of supply in selected product categories; our analysis draws on data shared by the FCA.¹⁰⁶
- 5. For our purposes, there are several limitations of the FCA's dataset, principally:
 - (a) The product categories available in the FCA's dataset do not precisely correspond to the product markets as defined in 2002. For deposit accounts, no data is available pertaining only to accounts with a 30 day+ term/notice period. Instead, as the closest available proxy, we have used a broader category of 'small business savings' (which includes instant access accounts). We consider that this likely over-estimates the share of at least some of the Bound Banks, insofar as they are more likely than non-Bound Banks to supply a greater amount of instant access savings accounts. For loans, no data are available specifically for general-purpose business loans. Instead, we have used the sum of secured plus unsecured term loans, and excluded the categories of asset finance, credit cards, invoice finance, overdrafts, and property (including commercial mortgages).
 - (b) The FCA's dataset excludes two Bound Banks (each of which we consider is likely to have a relatively small UK share of supply) and many non-Bound Banks of varying sizes. This may mean that the Bound Banks' shares of supply are over-estimated.
 - (c) It does not cover the whole SME customer base but only 'small business banking' customers, which are defined by the FCA as businesses with annual turnover of below £2 million. To the extent that Bound Banks may have a higher share of supply with larger SMEs (those that fall above the FCA's

¹⁰⁵ CMA (2016) [Retail banking market investigation final report](#), paragraphs 4.98 to 4.106.

¹⁰⁶ This data was originally collected by the FCA from banks and was shared using the FCA's statutory information-sharing powers. The data relates to firms' financial years, so the time periods covered may differ slightly by firm.

threshold) than with smaller SMEs, this would have the effect of under-estimating the Bound Banks' share of supply.

6. Notwithstanding the above limitations, we consider that the shares of supply estimates we have calculated using the FCA's dataset provide useful data for the assessment of Bound Banks' market power.