HSBC's non-confidential response to the CMA's Strategic Review of Market Remedies:

Retail Banking Market Investigation Order

EXECUTIVE SUMMARY

1. This is HSBC UK's (**HSBC**) response to the CMA's Strategic Review of Market Remedies on the *Retail Banking Market Investigation Order 2017 (Varied 2019)* (**RBMIO**). HSBC welcomes the opportunity to provide its views, and strongly supports the case for revocation of the RBMIO.[1]

2. In the decade since the Final Report[2] on the retail banking market investigation was published, the PCA, BCA and SME lending markets (together, **Relevant Markets**) subject to the investigation have evolved considerably. The following key circumstances have changed:

    a. Market developments and consumer preferences. The digitalisation of banking and the decline of branch-based banking have degraded incumbency advantages and favoured new entrants. Consumers and SMEs have embraced digital innovations in banking (including the rise of price comparison websites) and become more engaged. As a result, banking providers operate in an increasingly competitive environment. With the rise of AI, competition and innovation will continue to intensify and adapt to customers' evolving needs;[3]

    b. Regulatory landscape. The FCA's Consumer Duty, together with other regulations introduced by the FCA, mark a shift from prescriptive rules towards outcome-based principles. Together, these new rules have superseded the need for the RBMIO; and

    c. Age and impact: more broadly, as the RBMIO predates these significant market and regulatory developments, it is now outdated and no longer suitable to deal with the changed landscape of the Relevant Markets and no longer has the impact originally intended.

3. The RBMIO was designed to address adverse effects on competition (**AEC**s) identified over ten years ago.[4] Since then, the Relevant Markets, to which the obligations imposed by the RBMIO apply, have undergone significant changes, and the competitive landscape is now very different.

---

[1] While recognising that Part 2 is not within the scope of the CMA's Strategic Review, we appreciate that the CMA is working with HMT and the FCA to expedite revocation of Part 2. We further note, per paragraph 43 below, that Article 13 of Part 2 falls necessarily within the scope of this consultation, given that a decision to revoke Part 3 would consequently require revocation of Article 13.

[2] Unless otherwise specified, this response adopts the terminology used in the Final Report.

[3] As noted in the context of the FCA's Mills Review, "*AI is already shaping financial services, but its longer-term effects may be more far-reaching*" (see here) and the "*impact of AI on retail financial services is still at an early stage, but it is moving rapidly*" (see here).

[4] **AECs common to PCAs and BCAs**: (i) barriers to accessing and assessing information on PCA/BCA charges and service quality; (ii) barriers to switching PCAs/BCAs; (iii) low levels of customer engagement; (iv) incumbency advantages. **AEC specific to BCAs**: (i) linkages between PCAs and BCAs. **AECs for SME Lending**: (i) strong linkages between BCAs and SME lending products; (ii) barriers to comparing lending products; (iii) nature of demand for SME lending products; (iv) information asymmetries between an SME's BCA provider and other providers of lending products; (v) incumbency advantages.

4. These changes are of sufficient magnitude, relevance and importance to warrant revocation of the RBMIO. The remedies designed to address AECs identified in 2014-2016 are no longer necessary, appropriate or effective.

5. Revocation would also align with the Government's Invest 2035 10-year plan, which supports business growth including by focusing on reducing regulatory burden. The costs of continued compliance with the RBMIO could be redeployed to invest in growth and innovation initiatives, to the benefit of customers and the wider UK economy: ✂

6. Our response is organised as follows:

   a. Sections 1-3 describe the relevant changes in circumstances that have occurred in the past ten years:

      i. Section 1 describes relevant market developments and shifts in customer preferences and behaviour, including the acceleration of digital banking (and related decline of in-branch banking), the success of CASS and the rise of Price Comparison Websites (**PCW**s);

      ii. Section 2 describes how the Relevant Markets have become more competitive;

      iii. Section 3 sets out the relevant changes in the regulatory landscape; and

      iv. Section 4 sets out how the changes described in the previous sections affect the specific obligations imposed by the RBMIO, and our case for revocation.

1. Material market developments and shifts in customer preferences

7. In the past ten years, there have been material developments in the Relevant Markets, including rapid digitalisation of banking and new entry and expansion by competitors – in particular by fintechs and so-called "neobanks".

8. Some of these changes were highlighted in the FCA's 2022 Final Report following its Strategic Review of Retail Banking Business Models,[5] which concluded that large banks face heightened competition including from digital entrants. Historic advantages of incumbents have been weakened through new entry, digitisation and changing consumer behaviour. The FCA concluded that these changes have improved service quality for consumers, who reported increased satisfaction across most major banks compared to 2012.

9. The FCA's Final Report also highlighted consumers' increasing engagement, driven by the large number of comparison tools and review platforms now available, and increased confidence and utilisation of CASS.

[5] Available here.

1.1. A changed technological landscape

10. In the past ten years, innovations in banking have significantly reduced actual or perceived barriers to searching and switching banking providers, driving increased customer engagement. Customers can now often open a bank account online in minutes and on-the-go. In 2024, 94% of the 3 million adults who had switched PCA providers since 2021 found it easy to do so.[6]

11. The key drivers of this shift are the rise of digital banking (with the accompanying decline of branch-based banking), the success of CASS, and the rise of PCWs.

Rise of digital banking

12. Technology has changed the way customers manage their banking. Personal and business banking apps are now the primary channels through which PCA and BCA customers transact: 76% of adults who opened their day-to-day account between 2021 and 2024 said they did so online or through a mobile app.[7]

13. The Covid pandemic accelerated the move to digital channels[8] and drove the popularity of app-based entrants; incumbent banks have also enhanced their digital offerings (see section 2.3 below).[9]

14. Now, with the rise of AI, new entry is expected to come from Big Tech and AI-native firms, in addition to pure financial services firms. AI presents a real opportunity to better respond to customer needs. This could be through collaborations, noting that "*smaller digitally native firms may be more agile in harnessing AI",*[10] or through AI firms entering financial services directly. In these circumstances, market structure and dynamics are evolving to bear little resemblance to the backdrop against which the RBMIO was introduced.

Decline of branch-based banking

15. Compared to 2014, branch networks are no longer as important for customer acquisition or retention. The Final Report had already observed the declining role of branches amidst the rising trend in the digitalisation of banking,[11] concluding that access to a branch network was not a barrier to entry and/or expansion.[12] Since then, UK branches have further reduced from 9,661 in 2014[13] to 6,870 in 2024.[14]

---

[6] See the FCA's Financial Lives 2024 Survey – Retail Banking (here), page 91.
[7] Financial Lives 2024 Survey – Retail Banking (here), page 87.
[8] As noted by the FCA: "*the pandemic … accelerated the move to digital channels*". See here.
[9] Including for business customers. Business internet banking is particularly useful for overdrafts and loan product applications: for example, HSBC introduced SmartServe for digital onboarding of BCAs and obtaining loan limits (as also mentioned further below).
[10] FCA Mills Review, see here.
[11] Final Report, para 9.231.
[12] Final Report, para 9.291.
[13] Final Report, para 9.167.
[14] House of Lords Library, Closure of bank branches: impact on rural communities (available here).

16. As noted in the Final Report, although branches were still the primary source of customer acquisition in 2014,[15] this was already on a downward trend. Since then, for HSBC's customers this trend has accelerated further:

    a. ✂

    b. ✂[16]

17. Compared to 2014, customers now place far less importance on branches when considering a bank's offerings. ✂

18. The quality and ease of transacting via banking apps have also become an important point of comparison for PCA, BCA and SME lending customers across the industry. Substantial investment by all banks in mobile banking has accelerated customer usage of banking apps, shifting the competitive space away from physical branches towards digital propositions. Switching service CASS reported better online banking facilities and mobile banking apps as the most frequently cited reasons for switching.[17]

19. Given the substantial reduction in significance of branches to customers, branch access is now a much weaker parameter of competition and a far less important service quality indicator.

CASS' success

20. Since its launch in 2013, CASS has completed 12.4 million switches,[18] and customer awareness of CASS sat at 77% in Q4 2025.[19] As of December 2025, 53 banks were part of the CASS service, and in Q4 2025 99.2% of switches were completed within the 7-working day guarantee.[20] The widespread use of CASS is evidenced by the following customer churn:[21]

    a. between October and December 2025, a total of 350,114 switches were completed. Between July and September 2025, HSBC gained 33,183 customers and lost 29,505; and

    b. one in five UK customers are likely to switch in the next 12 months, rising to 39% for 16-35 year-olds.

21. This illustrates that barriers to switching, one of the AECs identified for PCAs and BCAs,[22] have been significantly reduced. ✂

[15] With on average 78% of PCAs opened in branch in 2014. See Final Report, para 9.178.
[16] ✂
[17] See Pay.UK Issue 49 report here (page 5).
[18] As of 31 December 2025 (see Pay.UK Issue 49 report, here)
[19] "*Overall, 77% were aware of the Current Account Switch Service in Q4 2025 … awareness peaked at 91% among those aged over 65*" (see Pay.UK Issue 49 report, here).
[20] See Pay.UK Issue 49 report, here.
[21] See Pay.UK Issue 49 report here.
[22] Final Report, Part 1, paragraphs 11.3(b) and 11.9(c).

Rise of Price Comparison Websites

22. Since 2014, PCWs have risen considerably. In 2024, 60% of PCA customers who opened a new account in the previous three years shopped around. Among customers who shopped around, 50% did so through a PCW; and 85% of them said it was easy to compare providers.[23]

23. HSBC works with several third-party affiliates, including PCWs. ✂ For many customers, the digital journey starts with a PCW or other third-party affiliate. ✂[24]

2. A changed competitive landscape

24. Since 2014, a range of competitors have entered the Relevant Markets or have continued to expand. These competitors leveraged the innovations described in the previous section and gained market shares across the Relevant Markets to the detriment of incumbent banks. The four largest clearing banks' share of PCAs has dropped from 53% in 2019 to 47% in 2024, while scale challengers and neo-banks now account for 15% and 26% of the PCA markets respectively.[25] This is further evidence that the AECs identified by the CMA (in particular barriers to accessing and comparing information and barriers to switching) have decreased.

<u>2.1. New entrants</u>

25. Digital-focused providers are unencumbered by branch networks or legacy technology infrastructure. This contains their cost base and frees up capital to invest in digital solutions. Slick digital banking apps enable a differentiated offering compared to more traditional ways of banking (in branch, by phone).

26. Notable new entrants that capitalised on innovation across the Relevant Markets are:[26]

    a. **Starling Bank** – Founded in 2014, Starling has grown year-on-year. As reported in the annual report for 2025,[27] Starling reached 4.6 million open accounts in May 2025. Starling solidified its position in the business banking sector, with approximately 400,000 SME accounts as of early 2026. Starling has been a "Which? Recommended Provider" for six years consecutively.

    b. **Revolut** – Revolut is another app-based bank that has achieved rapid expansion in the last 10 years. Founded in 2015, Revolut surpassed 12 million customers in the UK in late 2025.[28]

    c. **Tide** – Established in 2015, Tide was one of the first digital-only finance platforms in the UK to provide BCAs. Customers can open BCAs through their mobile phone by

---

[23] See the FCA's Financial Lives 2024 Survey – Retail Banking, here, page 95.
[24] ✂
[25] IPSOS Financial Research Survey, July 2024.
[26] The new entrants listed here are all digital-only providers (without physical branches), with the exception of Handelsbanken.
[27] See here.
[28] See here.

scanning an ID, and are sent a debit card for business transactions. As of late 2025, Tide had nearly 800,000 SME members in the UK, representing c.14% market share.[29]

d. **Monzo** – Monzo is another app-based challenger bank which entered in 2017, and has since achieved significant scale quickly, with more than 9.3 million PCA customers and 400,000 business customers.[30] An average of 160,000 personal customers and 15,000 business customers join Monzo each month.

e. **Chase UK** – JP Morgan Chase entered the UK retail banking sector in 2021 under the Chase brand, with an app-based PCA and a linked savings account. As of early 2025, Chase UK had 2.5 million customers.[31] In 2025, "*Chase UK … topped the league table of retail banks, marking the fifth successive year that digital banks have outperformed Britain's traditional providers on customer satisfaction*".[32]

f. **Zempler Bank** – Formerly Cashplus Bank, Zempler acquired its banking licence in 2021 and rebranded in 2024. Zempler is a major provider for SMEs in the UK. As of August 2025, Zempler had over 170,000 open business accounts and over 2.2 million total accounts since rebranding.[33]

g. **Handelsbanken –** Handelsbanken had £20.9 billion in customer deposits according to its 2024 annual report. They also reported a record number of new-to-bank customers in 2024.[34]

2.2. Competitive landscape in the PCA market

27. Competition in the PCA market is active and dynamic on multiple parameters including proposition design, ease of onboarding, rewards, customer experience/service, brand loyalty and interest rates. PCA providers compete vigorously on:

a. **Better rewards and incentives**: many banks offer attractive switching bonuses, cashback, or rewards programs to entice new customers. These can include cash payments, vouchers, or ongoing benefits for account holders. The proliferation of incentives reflects the dynamic state of competition and proactive attempts to attract customer engagement;

b. **Enhanced digital banking features:** with the rise of mobile banking, customers expect intuitive apps, instant notifications, budgeting tools, and seamless online experiences. The Financial Times noted that neobanks including Monzo, Revolut and Starling offer customers features such as bill-splitting, budgeting and free foreign currency transactions;[35]

[29] See here.
[30] Monzo – Annual Report 2024.
[31] See here.
[32] See here.
[33] See here.
[34] See here.
[35] See here.

c. **Customer service:** people seek banks that offer responsive support, easy access to help, and a more personalised experience; and

d. **Monthly fees:** with customers seeking out accounts with zero or minimal maintenance charges.

28. While incumbent banks still hold the majority of customer deposits, their combined share continues to decrease, as new entrants and challenger banks gain ground by driving and responding to customer preferences on the above parameters. Notably, in 2025, 40% of UK adults had a digital-only bank account.[36]

2.3. Competitive landscape in the BCA and SME lending markets

29. The range and number of BCAs and SME lenders have grown significantly since 2015, amidst increasingly intense competition brought on by digitally-based fintechs that have entered and continued to expand rapidly at the expense of larger, full-service providers with substantial branch networks.

30. Monzo, Revolut, Tide and Starling have gained ground in the BCA market through their app-based proposition[37] by targeting start-ups and smaller SMEs with relatively straightforward needs with app-based onboarding and ancillary service offerings such as integrated accounting. The FCA reported that established banks have consistently lost share of micro-business BCAs in response to the rise of digital challengers.[38]

31. Incumbent banks have responded to increased competition with their own offerings to keep pace with innovation, which often requires significant investments. For example:

a. NatWest launched an app-based BCA solution, *Mettle*, in 2019; and

b. HSBC launched a solution for digital onboarding of BCA customers and provision of SME lending, *SmartServe,* within the last two years, and continues to evolve mobile banking facilities.

32. App-based banks frequently offer basic fee-free accounts, with the option to subscribe to premium fee-paying plans. More traditional banks continue to compete fiercely on pricing and by offering free-banking periods to attract start-ups and incentivise customers to switch.

33. In relation to SME lending, the CMA recognised in its Bundling Undertakings revocation decision that the banks subject to the undertakings have limited market power in the relevant SME banking markets.[39] It also recognised the following material changes in circumstances in the SME lending market:

---

[36] According to a survey conducted by Censuswide on behalf of Finder.com. See here.
[37] As evidenced by growing customer base of these providers: see paragraph 26 above.
[38] FCA Strategic Review of Retail Banking Business Models 2022, Figure 2.2 at page 6. Available here.
[39] See the CMA's Final Decision dated 1 December 2025, available here. The Limitation on Bundling undertakings obligated certain banks (including HSBC) not to require SME customers to open or maintain a BCA with them as a condition for granting a business loan or deposit account. For the purpose of the

a. material reduction in market concentration and material increase in the diversity of SME lending providers, product offering and level of competition, with reduced barriers to entry and expansion;

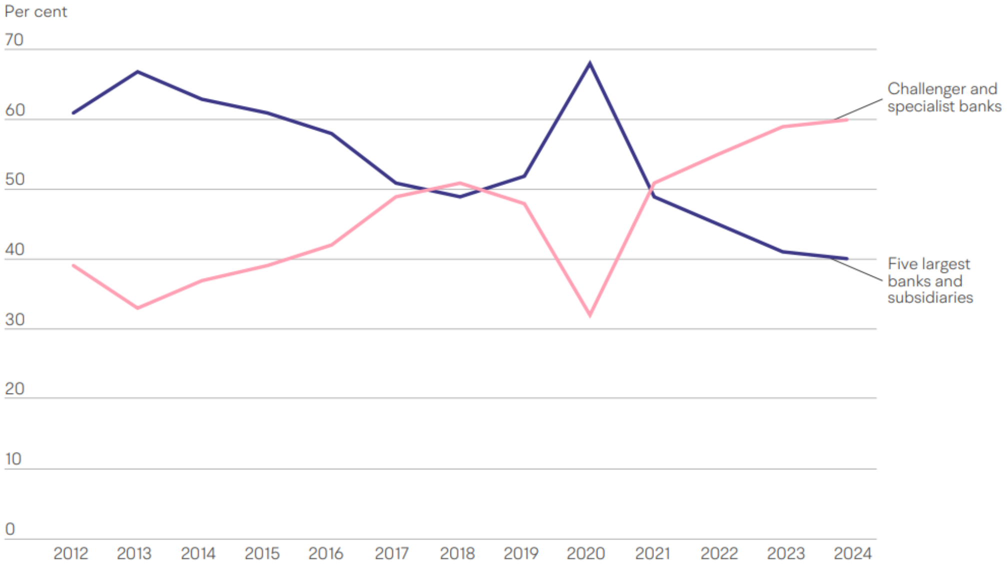
b. substantial amount of successful entry and out-of-market constraints (such as the growth of alternative and non-banking lenders);

c. changes to customer behaviour, specifically the increase in customer propensity to consider alternative products and switch to them; and

d. regulatory changes, including the introduction of the Small and Medium Sized Business (Credit Information) Regulations 2015 (see section 3 below).

34. In 2008, 90% of SME lending was provided by NatWest, Lloyds, HSBC, Barclays and Santander UK. That figure dropped to 40% in 2024. New entrants such as Allica and Shawbrook, and alternative lenders such as Funding Circle, ThinCats and iwoca, now provide 60% of all SME lending, as the chart below shows:[40]

Figure B.92
Share of annual total gross bank lending to SMEs
Source: BoE and British Business Bank calculations



CMA's decision, the relevant SME banking markets include business loans, business deposit accounts and BCAs.

[40] British Business Bank's Small Business Finance Markets 2024/25 Report (page 127), available here.

3. Changes in the regulatory landscape

3.1. The new concurrent regime and the FCA's Consumer Duty

35. In addition to complying with the RBMIO, banks are required to meet the supervisory standards and obligations of the FCA (now including the PSR) and the PRA.

36. The regulatory landscape for the Relevant Markets has undergone significant change in the last 10 years, which has materially changed the way firms operate and compete. Indeed, through the concurrent regime, the FCA imposed new rules that have helped lower barriers to entry and improve customer outcomes (thereby addressing some of the concerns identified by the CMA in its Final Report). This concurrency has created a degree of duplication, with the potential for conflict between the FCA's outcome-based rules (in particular, the Consumer Duty) and the more prescriptive provisions of the RBMIO (for example, Parts 7 and 8). As set out further in section 4, this bolsters the case for revocation of the RBMIO.

37. In 2022, the FCA published new rules, known as the **Consumer Duty**, that set higher standards for consumer and SME protection and ensure that firms' commercial strategy and product propositions are focused on delivering good outcomes for retail customers. For example, the Consumer Duty requires flexibility to tailor communications to specific customer characteristics / vulnerabilities.[41] The Consumer Duty marked a shift towards outcome-based regulation of retail banking, underpinned by the core principle that firms must "*act to deliver good outcomes for retail customers*". The FCA's stated objective for the Consumer Duty is as follows: "*competition can more effectively act in the interests of consumers where firms design products and services to meet consumer needs, and consumers are put in a position to make informed decisions and act in their interests.*"[42]

38. Conversely, the prescriptive nature of the remedies under Parts 3, 5, 7, 8 and 9 of the RBMIO inhibit firms' ability to adapt to changes in market dynamics and consumer preferences, risking delivery of good customer outcomes.

3.2. Other relevant rules

39. In the past ten years, the FCA has also introduced other regulations that contributed to addressing the AECs identified by the CMA:

    a. **Small and Medium Sized Business (Credit Information) Regulations 2015 (CCDS)**. These regulations promote commercial credit data sharing by imposing a duty on designated banks to provide information about their SME customers to designated credit reference agencies, which in turn must provide that information to other finance providers. The policy objective is to increase competition by reducing information asymmetry among firms involved in SME lending and to lower barriers to entry in the SME credit market. The Post-Implementation Review 2024 notes that

[41] According to the FCA's 2024 Financial Lives Survey – Key Findings (available here), in 2024 26.4 million people had characteristics of vulnerability (49% of all UK adults) (page 10); and also in 2024 36% of UK adults had low knowledge about financial matters (page 13).
[42] See the FCA's Policy Statement PS22/9, page 5 – available here.

"*CCDS* [commercial credit data sharing] *continues to meet its objectives and has had a significant positive impact on competition in the business lending market, helping to lower barriers to market entry for finance providers and improving SMEs' access to finance.*"[43] This contributed to the significant increase in competition for SME lending (as noted above), and made Part 5 of the RBMIO unnecessary (see further below).

b. **High-Cost Credit Review**. In 2019, the FCA introduced new rules governing unarranged overdrafts to ensure that charges are fair and transparent, superseding the need for equivalent RBMIO provisions: see our views on Part 7 of the RBMIO further below.

4. HSBC's case for revocation of individual parts

Part 2, Article 13 and Part 3: Service Quality Indicators

40. Part 3 of the RBMIO requires providers to collect via a survey, and publish, certain service quality indicators (**SQI**s), which are based on how likely the person surveyed is to recommend the provider or certain of its services to friends and family (for PCA services) or other SMEs (for BCA and SME credit services). Surveying based on these quality indicators was intended to provide, in easily digestible form, "*relevant, reliable and comparable information on providers' service quality*" to help "*unengaged PCA customers*" and "*time-poor SMEs*" compare providers "*at a glance*", or "*develop a shortlist*" of providers to choose from.[44]

41. These obligations are no longer needed in light of the market developments described in sections 1-2 above. It is now much easier for customers to obtain information online (for example using PCWs) or through app services, and to compare providers on actual product features quickly and "*at a glance*". Customers can also easily compare providers based on the specific features they are interested in (such as price, ability to bank online, etc.), rather than relying on a set of prescribed quality indicators such as those mandated by Part 3. SME customers also increasingly rely on commercial credit brokers to compare providers' offers and obtain loans.[45]

42. Alternative SQI metrics based on customer experiences are also easy to come by, for example through customer-based online reviews offered by popular services like Google Reviews and Trustpilot. Freely available and widely used PCWs, such as MoneySuperMarket[46] and Money Saving Expert,[47] also offer curated information describing banks' products and services, and often rank providers for comparable products based on a number of parameters (which can include customer satisfaction).

[43] HMT's CCDS Post-Implementation Review, page 9 – available here.
[44] Final Report, Part 1, paragraphs 13.91 to 13.96.
[45] The National Association of Commercial Finance Brokers reports that, on average, commercial lenders now rely on brokers for 67% of SME finance transactions. See here.
[46] For example, see MoneySuperMarket's "Current accounts" page here.
[47] For example, see Money Saving Expert's "Best current accounts" page here. The information is taken from Money Saving Expert's own survey: "*These banking service ratings are from our July 2025 poll of 8,500 people* ... [O]*nly banks with at least 75 responses have been included. See full poll results for more detailed info*."

43. Further, if Part 3, Article 16 – which requires banks to collect certain SQIs – is revoked, then Part 2, Article 13 – which requires banks to publish those SQIs – would also need to be revoked. It would be illogical to require banks to publish SQIs they are no longer required to collect. In any case, in practice this information is published by Open Banking Limited via its Read-Only APIs. The obligation contained in Article 13 therefore also no longer reflects market practice.

Part 5: Payment Transaction History

44. As the CMA noted in its press release accompanying this strategic review, "*major retail banks could also benefit from scrapping rules around providing payment transaction histories to customers which they can now easily access online*".[48] Indeed, the original purpose for Part 5 – tackling barriers to switching and information asymmetries – has been superseded. Customers can now easily access their transaction histories online at any point; and, further to the introduction of mandatory CCDS (see paragraph 39.a above), banks now rely predominantly on credit reference agencies (rather than transaction histories) to assess new customers' creditworthiness.

Part 7: Monthly Maximum Charge (**MMC**)

45. Shortly after the RBMIO came into force, the FCA conducted the High Cost Credit Review, further to which, in 2019, it published a Policy Statement that introduced radical changes to overdrafts.[49] These new rules – incorporated in the FCA Handbook – prevent firms from charging higher interest for unarranged overdrafts than for arranged overdrafts, ban fixed fees for borrowing through an overdraft, and require pricing for each overdraft to be a simple, single annual interest rate.

46. The changes mean that the pricing and structure of unarranged overdraft is now subject to FCA-imposed requirements and broader Consumer Duty expectations (in particular under the price and fair value outcome). Notably, most of the charges that Part 7 requires providers to display and publish via the MMC have effectively been banned, and those still permitted are regulated by the FCA. Moreover, the prescriptive approach of Part 7 (requiring particular wording to appear in specified places) is inefficient and liable to cause confusion. It is also unnecessarily onerous and repetitive: for HSBC, MMC wording is included in more than 25 written communications, 12 SMS templates and four pages on our public website. Given the new regulatory requirements which improve upon Part 7's prescriptive approach, Part 7 is no longer needed and should be revoked.[50]

Part 8: Publication of rates for SME lending products

47. As set out above (section 2.3), 60% of lending to SMEs is now provided by new entrants and specialist banks. Today, SMEs are also more adept and willing to use online tools, calculators and PCWs to research and compare lending products, rather than relying on the

[48] See here.
[49] PS19/25: Overdraft Pricing and Competition Remedies: Policy Statement PS19/25, available here.
[50] We note that, in similar circumstances, the CMA revoked Part 6 of the RBMIO (Programme of Alerts), further to the FCA's introduction of new rules on consumer credit overdraft alerts – which were superseded by the FCA's Personal Accounts and Overdrafts (Information and Tools for Customers) Instrument 2018, as amended. See the CMA's Final Decision on Part 6's revocation, here.

representative information (such as annual percentage rates and effective annual rates) that Part 8 requires providers to publish and display.

48. Providers set their own representative rates, which can vary not only between providers but also according to tenor and transaction value. As a result, consumers are unable to make direct, like-for-like comparisons across offerings based on those representative rates. Therefore, the Part 8 requirement does not reflect the reality of SME lending, which is tailored to customer needs.

49. Part 8 is also no longer necessary in light of the parallel regulation under the Consumer Credit Sourcebook (**CONC**) and the Consumer Credit Act 1974 (**CCA**) – as amended – which set requirements on lenders to provide customers with clear and transparent information before they enter a credit agreement. In particular, the CONC 3 rules include requirements on lenders to provide representative rates, along with other contextual information; similarly, the CCA requires publication of the total charge of credit and an APR calculation. HMT and the FCA are currently reviewing some of these rules to ensure that they align with the outcome-focused approach under the Consumer Duty.[51]

50. Currently, HSBC is required to publish rates for SME lending products (Article 30) – as well as the detailed additional contextual information required by Article 31 – on its public website, through open APIs, and across digital channels. Maintaining accurate and up-to-date rate information across these platforms, as required by the RBMIO, is resource- and cost-intensive, particularly when responding to Bank of England base rate changes, which directly affect the calculation of representative EARs for Unsecured Business Overdrafts (as defined in the RBMIO).

51. In light of the changed competitive landscape and this parallel regulation, it is therefore unnecessary and disproportionate for the CMA to maintain the more prescriptive Part 8 obligations.

<u>Part 9: Tool offering indicative price quotes and eligibility indicator</u>

52. Part 9 of the RBMIO requires only four banks in GB (namely NatWest, LBG, Barclays and HSBC) to develop and offer on their website an SME loan price and eligibility indicator tool, covering all unsecured loans and overdrafts up to £25,000. This remedy was designed to increase transparency of SME lending cost and eligibility criteria.

53. New entrants and specialist banks, now serving 60% of SME lending requirements (as outlined above), are not subject to Part 9. The AECs that this remedy sought to address – such as barriers to comparing SME lending products, information asymmetries, strong linkages between BCAs and SME lending products and incumbency advantages[52] – are no longer present in this changed market, as also recognised by the CMA's recent decision to revoke the SME Bundling Undertakings (see <u>section 2.3</u> above).

54. ✂

[51] See HMT's consultation on changes to the CCA, Consumer Credit Act Reform – Phase 1 Consultation, available here. HMT is currently considering the proposed changes following closure of this consultation.
[52] Final Report, Part 1, paragraph 11.14.

55. The increased use of commercial credit brokers by SMEs has also improved access to information (as also set out above in relation to Part 3). Further, many lenders now provide real-time indicative pricing, tailored specifically to the customer as part of their needs assessment. This approach offers greater flexibility and value compared to the more restrictive provisions of Part 9. Collectively, these developments make it easier for businesses to compare borrowing and pricing options.

56. If the Part 9 obligations are revoked, lenders subject to these requirements would also have more flexibility to meet customer needs in alignment with the Consumer Duty, which continues to require firms to communicate information in a way which is clear, fair and not misleading.

Conclusion

57. In summary, the case for revocation of the RBMIO is clear given the significant market and regulatory developments which have taken place since the AECs were identified. These developments have driven and responded to changing consumer preferences. The changes collectively have resulted in low barriers to switching, increased ease of entry and heightened competition, as well as greater customer engagement and improved outcomes for customers. The RBMIO served its purpose and is now unnecessary due to these developments.