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Response to CMA strategic review of markets remedies consultation

About Monzo

Monzo is the bank that lives on your phone. Founded in 2015, we're the UK's largest digital bank, growing rapidly with over 14 million customers and an ambition to serve millions more globally having launched in Ireland this year.

With a mission to make money work for everyone, we're transforming traditional money management with technology and co-creating with customers to deliver products and tools that put them in control of their finances.

Some examples of this include:

- **Market-leading customer satisfaction scores**, topping the tables for both personal and business customers.
- **Help for customers to start saving**, such as over 2 million people joining our 1p savings challenge in its first five days alone.
- **Monzo Investments**, enabling customers to start investing for their future, often for the first time.
- **Market-leading innovations to empower consumers** such as Monzo's **gambling block which** currently supports over 800,000 customers.

Introduction

We welcome the opportunity to respond to the CMA strategic review of market remedies.

We would also like to take this opportunity to commend the CMA on the impact of its intervention in 2014. The CMA's remedies have helped drive competition in the UK market, and better outcomes for consumers - as such, we believe a thorough assessment of the ongoing impact of the remedies should be conducted before any of them are revoked.

We appreciate that the banking market has changed markedly over the last decade and our own success is evidence of that. There however remain areas of the banking sector where competition remains suboptimal, notably primary personal current accounts (PCAs) and business bank accounts (BCAs). The core of consumer and small business relationships remain concentrated with the biggest high street banks that have dominated for decades.

For this reason, we believe the CMA should take a measured approach to revoking remedies.

Competition has improved

Open banking success

Open Banking has driven a revolution in customer behaviour and market dynamics. The CMA mandating that the largest banks implement standardized APIs, allowing customers to securely share their financial data with third-party providers was a pivotal intervention. This essentially birthed the UK's thriving fintech ecosystem including seeing the arrival of Monzo Bank itself. It has allowed consumers to multi-bank, use budgeting apps that aggregate accounts, and utilise alternative credit scoring, fundamentally breaking the incumbents' monopoly on customer data.

For customers; this has meant higher quality engagement and better understanding of their finances. For the market, it has opened the doors for new firms to forge relationships with customers based on building a good product and experience rather than relying on existing market dominance and having the existing funds to market to customers.

Switching

The Current Account Switching Service (CASS) has delivered exceptional customer outcomes since its inception, fundamentally reshaping the competitive dynamics of the UK retail banking market. By simplifying and de-risking the process of moving bank accounts, CASS has successfully empowered consumers to vote with their feet and switch providers with unprecedented ease and confidence. This success is primarily driven by its robust guarantee, which ensures seamless and automatic redirection to the new account, and any errors are swiftly corrected, thereby eliminating the major friction points that historically deterred switching.

The service's effectiveness is evidenced by the consistent, high volume of switches completed annually and the significant increase in consumer awareness and utilisation. Crucially, CASS has fostered greater competition, compelling incumbent banks to focus more acutely on service quality, competitive interest rates, and innovative product offerings to retain customers, while simultaneously lowering the barrier to entry for challenger and digital-first banks. In doing so, it has played a vital role in stimulating innovation and ensuring that the banking sector is more responsive to evolving customer needs.

Service quality

The existence and transparent publication of Service Quality Indicators (SQIs) stand as a prime example of effective remedies designed to deliver substantive and actionable transparency for banking customers. These indicators move beyond mere compliance to offer a clear, standardised, and comparable view of the performance and service delivery of different financial institutions. This wealth of information empowers customers to make more informed choices, shifting the focus from price and promotional offers alone to include the practical, day-to-day experience of banking.

Furthermore, the mandated benchmarking and comparison of banks' performance via these SQIs creates a powerful, intrinsic market mechanism that drives continuous innovation and improved service performance across the sector. When performance data is public, banks are incentivised to enhance their offerings—to attract new customers, to retain existing ones and safeguard their reputation. This public accountability encourages investment in customer-centric technology, streamlining of complaint handling processes, reduction of operational friction, and overall elevation of service standards, resulting in a more competitive and consumer-beneficial banking environment.

Competition in banking is still a work in progress

Primary accounts

The continued dominance of the "Big 4" banks in the UK retail banking sector presents compelling evidence of a market that cannot yet be regarded as highly competitive. Despite years of regulatory intervention, including remedies introduced following the

Competition and Markets Authority's (CMA) strategic review, a significant concentration of main accounts persists.

In a genuinely competitive and dynamic market, one would expect to observe a much more fluid landscape, with challenger banks and new entrants consistently capturing market share and causing the leading brands to shift and change over time. This process of continuous realignment is a hallmark of healthy competition. Yet, in banking, this structural change has not materialised at a pace or scale sufficient to truly disrupt the dominance of a small number of key institutions.

The lack of meaningful movement away from the incumbents indicates that barriers to switching and entry, whether perceived or real, remain high. While open banking has provided the infrastructure for change, customer inertia, the perceived complexity of switching, and the deep-seated trust in legacy brands continue to act as powerful inhibitors. Until the market structure reflects a genuine dispersal of these main account relationships, the banking sector may not be characterised as a vibrant ecosystem where consumers consistently benefit from intense rivalry and innovation.

SME Banking

The concentration within the UK's Small and Medium-sized Enterprise (SME) banking sector remains even more entrenched than that seen for PCAs. Perhaps because of the perceived higher stakes with business banking from the need to pay suppliers and employees, and greater inherent complexity of managing business finances compared to personal, the burden of administering and paying tax for example, customers are less likely to transact in multiple accounts.

It should be noted that there are significant shifts in the lending landscape. While the largest high-street banks still hold a dominant position in the provision of core banking services, the SME lending market has undergone a notable transformation, largely driven by the emergence of challenger lenders.

Currently, approximately 60% of SME lending now originates from institutions outside of the major high-street banks.[1] However, this has not meant a significant shift in the underlying market structure for current accounts and core transactional services which remains heavily concentrated.

[1] Challenger and specialist bank lending

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Consequently, while the *lending* market shows signs of greater diversity, the overall *banking* market for SMEs still lacks sufficient competition, as the ease of switching core banking providers remains low and the benefits of challenger institutions are primarily concentrated in the ancillary service of credit provision.

Recommendations

Retain Service Quality Indicators (SQIs)

Monzo strongly recommends the retention of the current Service Quality Indicators (SQIs). These metrics are vital tools for consumers, allowing them to make informed decisions by providing clear, comparable data on the performance of different banking providers.

Outcomes focused reporting

The current reporting framework could be streamlined by focusing on outcomes and removing unnecessary duplication.

One of the areas we believe the CMA should focus on is reporting requirements. Some of the current reporting requirements, including those in Part 12, could be simplified to focus on information that is most relevant to assessing competition and consumer outcomes. We propose amending these requirements to focus solely on outcomes and core competition metrics, reducing the granularity of data submission where it does not demonstrably improve market functioning.

Central to effective remedies that do not work in a counter-productive manner is the proportionality principle. We recognise that some of the CMA remedies can impose significant administrative requirements, particularly for smaller firms. As the market has evolved, there is an opportunity to ensure these requirements remain proportionate while continuing to support effective competition. Applying a stronger proportionality principle ensures that regulatory burdens are commensurate with the institution's size, market share, and risk profile.

Conduct a More Thorough Review with the FCA to Resolve Regulatory Overlap

A significant obstacle to efficient compliance and innovation is the frequent overlap and occasional conflict between the remedies enforced by the CMA and the broader regulatory framework overseen by the Financial Conduct Authority (FCA). Monzo recommends a joint strategic review between the CMA and the FCA with the objective of establishing distinct responsibilities, harmonising requirements and removing duplication and identifying the parts of the remedy that can be revoked with the confidence that competition will be supported by FCA's rules.