

Pay.UK response to CMA strategic review of markets remedies – CASS undertakings 2017

1 Executive Summary

Pay.UK supports the CMA's strategic review of the CASS undertakings. This could be a positive step to simplify the regulatory landscape, supporting economic growth, and reflects significant changes in circumstances since the agreement of the undertakings in 2017.

CASS plays a central role in facilitating current account switching and remains an important enabler of competition and consumer choice. The service supports a fair and competitive market giving people the confidence and freedom to choose a bank account that best suits their needs. To date, CASS has facilitated more than 12.5 million switches. We continue to build and sustain strong mass awareness and confidence in the service. This is consistently demonstrated through our extensive tracking research, with awareness levels regularly meeting or exceeding our 75% awareness KPI.

The undertakings are prescriptive in terms of how we achieve good consumer outcomes, for example, by specifying the composition of the service's management committee, how the service should function and setting detailed awareness requirements. While there was merit in that prescriptiveness at the time, CASS is now a well-established and mature service which consistently demonstrates strong consumer awareness and satisfaction; and subsequent reviews into retail banking have indicated that competition in retail banking seems to be improving over time (e.g. the FCA Strategic Review of Retail Banking Business Models in 2022 found that "large banks are in a strong position but face increasing competition" and "increased competition and innovation have improved outcomes for many consumers and some small businesses"). This is a significant change in circumstance since the undertakings were agreed. In addition, we note that:

- The ownership model of interbank payments has changed, with a move from direct PSP ownership to a significantly more independent governance model. (This also removed any direct obligation for the undertakings away from PSPs – who have continued to fund the service at good levels).
- The regulatory landscape around CASS is relatively congested, with obligations from CMA in addition to the Payment Account Regulations (PARs) and the broader regulation of Pay.UK and PSPs by the PSR and FCA. Through this broader regulation, Pay.UK, as operator of CASS, must demonstrate that our switching service operates in the interest of consumers, and provide details of customer awareness and satisfaction as part of the ongoing designation of the scheme. If the undertakings are revoked, we would expect to continue to meet these requirements and engage with our regulators on the service's performance.

In this context, we believe the undertakings are no longer required. Removing them would provide flexibility to support the continued evolution of an effective service - one that can build on the good

outcomes in terms of supporting retail banking competition and maintaining strong levels of consumer awareness and confidence in the switching service.

It is also an opportunity to simplify the regulatory landscape for CASS; while recognising that there will continue to be appropriate regulatory oversight of this area of the market and good industry incentives to ensure an effective switching service is provided.

To the extent it supports your consultation and decision-making process, we would be pleased to discuss with you our approach to operating the service in a reformed regulatory environment.

2 Analysis of undertakings

In this section we examine the undertakings individually and provide our view as to whether there has been a change of circumstance since the undertakings came into effect which mean that the undertaking could be revoked. In doing so, we have considered whether and how Pay.UK can continue to maintain and build on the good outcomes that the undertaking was intended to achieve.

2.1 Governance

We think the inclusion of an independent Chair and members on the CASS Management Committee (now the Switching Service Customer Committee, SSCC) has led to significant, positive impact on collaboration at the committee, allowing for a broader opinion of views to be shared, that includes insight from both a mass and target sub-audience perspective. If the undertakings are revoked, we are committed to maintaining these good outcomes through independent representation on the SSCC (including, for example, by being chaired by an independent non-executive director). We consider that suitably independent representation in the SSCC is an important element of meeting the consumer interest test set out in the PARs.

The independence undertakings were designed to mitigate conflicts of interest arising from banks having control of Bacs Payment Scheme Ltd (Pay.UK's predecessor organisation, which operated CASS). Pay.UK has a significantly different organisational and governance structure from Bacs Ltd which means that banks do not have a direct influence over CASS in the way they did before. This change in circumstance means the undertaking can fall away without adverse impacts.

The other governance requirements include publishing minutes of the SSCC, quarterly reports on CASS performance, an annual report, and annual strategy; and sharing these with the PSR. These activities were important in demonstrating independence and providing transparency that CASS and the SSCC were not being run in the interests of participants (specifically, net-switching winners).

Given the changes in governance of Pay.UK and the value we see in the quarterly dashboards, we believe this activity no longer needs to be compelled by an undertaking. Finally, and importantly, removal of the prescriptive undertakings provides Pay.UK with an opportunity to provide this transparency in a more efficient and effective manner.

2.2 Redirection period

The redirection rules, embedded as part of the undertakings have been successful. Automatic payment redirection continues to be applied to Bacs, Faster Payment and Image Clearing transactions and other payment types such as CHAPS and SEPA payments are included as part of the mandated, manual forwarding process.

The redirection process is now a robust BAU process which forms an important component of the CASS service itself, supporting high awareness and confidence in CASS. We do not envisage that removal of the undertaking would lead to changes to this process.

2.3 Increasing awareness and confidence in CASS

Pay.UK has undertaken a consistent, multi-channel marketing programme targeting both the mass and sub-audience groups. Through this marketing activity, we have developed and maintained strong levels of mass awareness and confidence in the service. Our ongoing tracking research continues to demonstrate this, with awareness regularly meeting or exceeding our 75% KPI. This represents a significant improvement compared with the market position in 2017.

Importantly, given that consumer confidence in the service can only develop once individuals are aware of it first, awareness continues to be the priority metric for assessing effectiveness.

Pay.UK is working proactively - with the support of the Switching Services Customer Committee – to undertake and evaluate CASS' role in the market and to identify KPIs that could more effectively engage those audience groups who could benefit most from switching.

In March 2025, we convened a roundtable with the CMA, HMT, and PSR to discuss this topic. We outlined that Pay.UK was examining and testing alternative marketing approaches and considering pivoting away from mass marketing to targeted sub audience campaigns, alongside potential proposals to change the KPIs.

Removing these undertakings would streamline the process for Pay.UK allowing us to evolve marketing and communication strategies to best meet changing end user needs over time. This would unlock opportunities to identify what is needed in today's market to most effectively and efficiently support switching for those who would benefit most from it, and support competition in retail banking generally. To the extent it supports your consultation and decision-making process, we would be pleased to discuss with you our approach to operating the service in a reformed regulatory environment.

We note that Pay.UK tracks consumer awareness and satisfaction metrics. These measures allow us to monitor service use and perception, and they also are an important component of the evidence we submit each year in our application for designation as an alternative switching service under the PARs (as set out in the PSR's guidance). We think this ongoing regulatory oversight provides a useful route to allow Pay.UK to demonstrate how CASS is delivering good outcomes regarding consumer awareness and satisfaction. If the undertakings are revoked, we would expect to continue to meet these requirements and engage with our regulators on the service's performance.

2.4 Measures to facilitate PCA searching and switching

These undertakings focus on overdraft users. The Current Account Switch Service website FAQs include guidance to consumers that it is possible to switch with an overdraft, but agreement must be sought from the new banking provider as to whether an overdraft facility will be provided.

Pay.UK has undertaken research into the barriers overdraft users face when considering switching. Insights from this activity have been used to enhance mass market communications, particularly in relation to overdraft messaging and Pay.UK will regularly refresh the research to ensure the findings are up to date.

Pay.UK has also developed CASS Brand Guidelines which require participants to state in their switching documentation: *“If your new bank or building society agrees, bank accounts that include an overdraft can switch using the Current Account Switch Service. And if you’d like to have an overdraft with your new bank account, speak to your new bank or building society before starting your switch. Your new bank or building society will be able to advise if you’re eligible for an overdraft, dependent on their lending criteria and your credit status.”* The guidelines also mandate participants to display the same FAQs (or provide a link to the CASS website) where the guidance concerning overdraft switching can be viewed. Each year, participants are audited against adherence to the Brand Guidelines including the requirements on overdrafts. Participants who do not comply with the above requirement are set an action to do so. The action is tracked through to completion and re-visited at the next annual review.

Removing these undertakings will not result in the discontinuation of providing the information relating to overdraft switching. Our processes are embedded and are familiar with participants. Furthermore, Pay.UK will continue to include overdraft messaging as part of our ongoing targeted sub-audience marketing.

3 Broader opportunities from removal of the undertakings

As we have previously discussed with the CMA, PSR, and HMT, we have been considering our strategy for how we continue to improve awareness and confidence in CASS. Removal of the undertakings could unlock further opportunities for flexibility in how we continue to build the service and achieve good outcomes (still under regulatory oversight by the PSR and FCA). Key examples include a continued focus on how marketing for CASS is delivered, what outcomes that marketing has to achieve, and doing it in a way that is efficient and effective in delivering the most impact for those who stand to benefit most from switching. We could also review whether we can better focus any activity that had been previously required by the undertakings; where we do not think it provides clear benefit, enabling us to better utilise our resources to create most impact. We would continue to engage with the PSR (and in time the FCA) on the operation and performance of the service (including through the process to designate CASS as an alternative switching scheme).

Removal of the undertakings would also simplify the regulatory landscape. The set-up and implementation of the undertakings led to the CMA, PSR, and HMT all having a role in ongoing

oversight of CASS. There is an opportunity here to simplify oversight and place regulatory oversight with the PSR as the body responsible for PARs designation. And, as the PSR is consolidated into the FCA, that is also a natural home for regulatory oversight of CASS from the perspective of promoting of effective competition in retail banking and oversight of CASS' role in supporting competition. This is a good example of how the CMA removing these undertakings could complement HMT's decision to integrate the PSR into the FCA in order to deliver a simpler regulatory regime.