

**Supporting a diverse financial system: competition,  
innovation and accessibility  
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# CMA Findings

- In PCA market:
  - Larger banks STILL can't assess profitability – in which case, how can you measure competitiveness?
  - In spite of high rates of net account opening for new entrants and smaller banks, no significant impact on concentration levels in provision of PCAs.
  - Recent and expanding brands offer lower prices; and higher pricing doesn't result in higher quality.
  - PCA innovations include: interest paying and reward accounts; changes in OD fee structure; development of mobile banking.
  - IT platforms and digital banking have facilitated new entrants.
  - Market shares are broadly stable suggesting “a lack of responsiveness by PCA customers to variations in price and quality”.
  - Most customers are at least “Satisfied” with their PCA provider.
  - However, 19% either searched or switched in a single year – does not suggest “inertia” or “satisfaction. Mostly those on higher income with higher level of education.
  - Barriers to switching included few perceived gains to switching, customers are not aware of alternatives, and difficulties in accessing and assessing information on PCA charges and service quality.

# CMA Findings

- In BCA market:
  - New entrants had higher satisfaction scores.
  - Banks offering above average pricing and below average quality are GAINING market share.
  - Banks offering below average prices and above average quality are either LOSING share, or gaining at a very slow pace.
  - Innovation tends to focus on digitalisation and reducing customer reliance on branches (although access to a branch is a key factor for SMEs).
  - Only 4% of SMEs in GB switched in the last year.
  - Barriers to searching and switching include: onerous KYC and AML procedures; lack of awareness of CASS; lack of triggers; perception that being loyal will be beneficial (important for future lending decisions); complex tariff structures and multiplicity of charges.
  - Propensity to open BCA with PCA bank (so all the PCA issues on previous slide apply).
  - Having a branch presence is a huge advantage.

# CMA Demand-side Solutions

- “We think customers need to be put in charge of their banking”.
- Prompt customers at “trigger points”.
- Price comparison tools.
- Raise awareness of and confidence in CASS.
- Make it easier for SMEs to shop around for loans.

# CMA Supply-side Solutions

# FSCP View

- More demand side solutions won't work: consumers are already overloaded with information, much of which they don't understand.
- Consumer behaviour has been ignored: they want a relationship with their bank. They make a positive decision NOT to switch.
- Cross-subsidisation, murky pricing structures and contingent charges obscure the true cost of a bank account. No one knows if they are a winner or a loser.
- If FIIC is irrelevant, how will consumers' decisions on non-price factors drive competition?
- Most customers want their bank to reward their loyalty and to be treated as an individual, especially when they are vulnerable.
- Bank cultures need to change to put this right.

# British and NI Banks

“The longer you stay, the worse it will be for you”

Or

“Our customers deserve the best”.