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Dear Alison,

CP16/7 The Payment Accounts Regulations 2015: Draft Handbook changes and draft guidance

This is the Financial Services Consumer Panel's response to the proposals set out in CP16/7. We would like to comment specifically on the proposals relating to packaged accounts as well as the provision of basic bank accounts.

Packaged bank accounts

We support the intention to increase transparency and comparability and are pleased that both HM Treasury and the FCA are seeking to ensure Payment Services Providers (PSPs) do not restrict the number of accounts they include within the scope of the regulations, due to applying an unduly narrow approach to assessing account and product criteria.

However, we do not believe the proposals go far enough, and we disagree that the proposals should relate to new customers only. PSPs should be required to disclose information to existing customers, at any time on request, and with their annual statement, to ensure they are aware of whether:

- It is possible to continue using the account without continuing to pay for the add-on products; and
- The add-on products are available to purchase separately and, if so, what these products cost.

The cost and availability of elements of packaged products change from time to time, and consumers should be made aware of such changes when they occur, so that they can decide whether the account continues to provide value for money. Also providing the information with the annual statement would help to remind consumers to consider the value of their packaged account. The Panel believes failure to make such disclosures could adversely affect competition.

Basic Bank Accounts

The Panel supported the introduction of the voluntary agreement between the banks on the provision of "free-of-charge" basic bank accounts, although we are concerned about the lack of cost transparency. We are pleased that implementation of the Directive gives consumers a clear legal right of access to a basic bank account.

However, we are concerned that firms are allowed to 'migrate' customers from a basic bank account to a standard account, if their circumstances change. Some consumers will value the simplicity of a basic bank account, and the security of knowing they will not

risk using an unarranged overdraft, or face any unexpected fees or charges. The Directive sets out very strict criteria for closing a basic bank account. The Panel believes there should be equally strict criteria applied to the migration of consumers to another account against their wishes.

Banks will have a commercial incentive to migrate their basic bank account customers onto standard accounts where fees and charges can be applied. This will cause detriment to those who have been migrated if they are unable to manage their account in the longer term. Our preferred option is for customers to agree to migration in all cases, and only once they have been eligible for a standard account for a minimum of, say, 12 months. Alongside this, there could be an option for customers to request an upgrade.

It is disappointing that the rules will only apply to new customers who meet the eligibility criteria from 18 September 2016. Designated providers of basic bank accounts should be obliged to migrate existing customers on to a new PAD-compliant basic bank account. Consumers should not be left languishing in non PAD-compliant basic bank accounts on less favourable terms, potentially facing fees or charges on their account.

Further, if consumers have a basic bank account with an institution which is not one of the designated providers, and with less favourable terms, then banks should inform them that there may be benefits in moving their account to another provider. The eligibility criteria should not affect competition in this market, by preventing consumers from switching their basic bank account to another provider.

Data reporting

The Panel believes that firms should have to report the number of basic bank account customers who have been migrated onto other personal current accounts. We would like the FCA to monitor those migrated customers, to establish the extent to which fees and charges are then applied to their new standard account. We believe that this will establish whether firms are migrating customers responsibly, or just moving them into more profitable accounts as soon as they are able.

Yours sincerely



Sue Lewis
Chair, Financial Services Consumer Panel