Financial Services Consumer Panel
AN INDEPENDENT VOICE FOR CONSUMERS OF FINANCIAL SERVICES

Katherine Salih
Retail Policy
Financial Services Authority
25 The North Colonnade
Canary Wharf
London E14 5HS

14th August 2009

Consumer Panel response to Quarterly Consultation:
Chapter 6: Proposed amendments to BCOBs

The Panel welcomes the rules and guidance set out in Chapter 6 of the Quarterly consultation. The Panel has long been concerned about the failure of banks to disclose changes to rates of interest, with the result that customers maintain balances in accounts that pay little interest.

We therefore welcome the guidance on the advance notification which will require banks to inform customers when they make material changes to rates of interest. The changes will enable customers to make better decisions about how they manage their money and should be welcomed.

In endorsing these proposals however, we have one caveat. We do not believe that there should be any delay in implementing what is a practical and sensible suggestion and one which consumer groups have been calling for some time. We do not believe therefore that there should be any transitional provisions.

Q7: **Do you agree with our proposals on the advance notification of material changes to interest rates which are to a customer's disadvantage and of bonus, or introductory interest rates coming to an end? Do you agree with our proposed transitional provision?**

We support these proposals. We do not see any reason for transitional provisions.

It is important that changes to interest rates are communicated appropriately to customers in order that they are better equipped to manage their money. We therefore support the need for material changes to be directly communicated to consumers. We accept that this does not mean all changes and we do see risks in furnishing consumers with too much information.

Where changes are material, we would expect firms to inform their customers that there are likely to be more suitable products for them. We also expect firms to make it easy for customers to switch accounts when they wish to.

We would go further than the proposals in the CP regarding disclosure of the prevailing rate of interest. We believe that banks should publish the prevailing rate of interest on bank statements. The Paper 'suggests' that firms consider disclosing on statements any interest rate that applies'. We believe this should be a requirement.

Q9: **Do you agree with our proposals on liability for losses for unauthorised transactions?**

We agree with these proposals to establish a level playing field with accounts caught under the Payment Services Directive. The changes will make the position clearer and fairer to consumers.

These measures will strengthen protection for consumers. However we are concerned that the firm's obligations are reduced where the firm can show that a customer has 'with gross negligence not complied with their obligations regarding the security of the payment instrument, the customer will be liable for all losses'. We would like some clarification of what would constitute gross negligence

Q11: **Do you agree with our proposals on exclusion of liability?**

The Panel welcomes this. Firms should not be able to avoid their duties to their customers.

Q13: **Do you agree with our proposals on making funds available?**

We agree with the proposal to make banks value stamp from the day that money arrives in an account.

We do not however agree with the proposal not to grant customers access to these funds as soon as they arrive. In principle the Panel fails to see why access should not be granted, after all, banks are having to change their systems to ensure access is granted for all PSD accounts by 2012 so we would assume that this need not mean significant extra cost to do same for non-payment deposit accounts

Q15: **Do you agree with our proposals on the incorrect execution or non-execution of transactions?**

We welcome these as they establish a level playing field with the Payment Services Regulations.

Q17: **Do you agree with our proposals to introduce a transitional provision? Do you have any comments on the draft transitional provision?**

We see no need for transitional provisions

Q19: **Do you have any comments on our proposed other changes?**

None
We would like to make an additional comment relating to the cost-benefit analysis.

We note the costs attributed to firms are based on firms losing out as customers switch to accounts with higher interest. As the Consultation Paper notes, this is not an additional cost, but a transfer from the banks to consumers. It clearly illustrates that lack of transparency regarding interest rates does cause consumer detriment and makes the case for these new rules, in order that customers are treated fairly.

Adam Phillips
Chairman
Financial Services Consumer Panel