

Summary of key points made at remedies hearings, December 2006 to January 2007

Context

- First Trust said that it believed that competitive forces were having the effect of increasing the integration of the Northern Ireland market into the wider UK market. Substantial changes had taken place in respect of market share and positioning and therefore no direct intervention by the CC was necessary.
- Northern said that the question of proportionality must be taken into account when examining possible remedies. The majority of customers in Northern Ireland did not pay charges and the CC should consider the number of customers likely to benefit from any particular remedy.
- Ulster said that it regarded the PCA market in Northern Ireland as dynamic and competitive and did not accept the need for remedies. Any remedial action, if required, should focus on the provision of information to consumers and avoid a regulatory approach.
- A&L said that it generally supported the BBA's submission to the CC. It was aware of work the BBA was doing in relation to the Banking Code Standards review, in particular around summary boxes and current accounts.
- Abbey said that there were a couple of areas where it would advise caution with regard to the remedies:
 - (a) Providing customers with comparative literature—it did not favour a prescriptive approach where banks assumed that they knew what was right for each consumer and believed that consumers needed a range of offers to determine what was right for them.
 - (b) Implementation of remedies—as a small player in the Northern Ireland market, certain remedies would have a disproportionate impact on it compared with the larger banks. In some cases it would need 12 to 18 months to redevelop IT systems.
- Halifax said that it was broadly in agreement with the proposed remedies, but believed that some would work better than others.
- Ulster said that remedies should be consistent and run in tandem with any initiatives that arose from the review of the Banking Code and the Consumer Credit Act 2006, especially around issues such as pre-notification.
- BoI said that aspects of the market were Great Britain wide, and perhaps even UK wide, rather than simply Northern Ireland wide. BoI effectively ran its Northern Ireland operation as a subset of its UK business. BoI thought that the CC would not want to impose remedies that would create barriers to entry into Northern Ireland and could even encourage withdrawal.
- Northern said that to be fully effective the remedies should apply to all PCA providers in Northern Ireland.
- A&L said that because it did not differentiate in its business model it would be very difficult to apply remedies just in Northern Ireland.

- Halifax said that it would be difficult to amend its systems so that any remedies imposed on the Northern Ireland market could be confined to that market.
- Abbey said that it was a small player in the Northern Ireland market, but it was an aggressive acquirer and as such was very supportive of measures that increased consumer awareness about how easy it was to switch.
- First Trust said that more customers were aware of the option to switch and were doing so. Younger people were especially taking advantage of the opportunity and the market was dynamic; branch networks were becoming less important and non-clearers were increasing their percentage share in the PCA market.
- Northern said that it did not believe changes needed to be made to the switching process. It was consumers' negative perceptions of switching that needed to be addressed. Recent advertising campaigns for PCAs in Northern Ireland had included prominent references to switching and it believed that focus on communications in this area would improve the consumers' understanding of the ease of switching.
- Northern said that more could be done to improve communications with consumers. It supported the underlying principle of increased transparency and believed that providing greater detail on products would enable consumers to make more informed choices and comparisons.
- Ulster said that it welcomed the emphasis on transparency in the remedies. It was fully committed to clear and concise communications and believed it achieved this.
- BoI said that its new charging structure had been implemented, as planned, on 24 November 2006. The feedback from branch staff on the reception by customers of the new charging structure had been very positive, particularly in relation to the clearer language.
- BoI said that [X].
- Halifax said that there had not been an enormous change in the level of switching in Northern Ireland over the last 12 months. The clearers had introduced new offerings since the start of the inquiry, but Halifax had also introduced a new product (the High Interest Current Account) and was continuing to attract a good level of switching.

Provisional findings and new products

- Northern said that its CashMaster account should be included in the PCA definition. The only difference between CashMaster and its other PCA products was that CashMaster did not have a cheque book facility. The importance of a cheque book was diminishing.
- Northern said that including Cashmaster in the PCA definition would decrease average account balances for its products. This in turn would decrease revenue from account credit balances and credit interest, further reducing any difference between clearers and non-clearers.
- Abbey said that it did not believe the finding on market power in the provisional findings was equally applicable to both the clearers and non-clearers. Given its small presence in Northern Ireland, Abbey did not believe that it was in a position to exercise any market power. Even if it had unilateral market power, it did not necessarily follow that this would be used.

- Northern said that [REDACTED].
- A&L said that it thought the CC had put too much emphasis on unauthorized overdraft charges in terms of competition in Northern Ireland. From a purely competitive point of view, unauthorized charges were not necessarily an issue that would attract customers to, or keep them with, banks.
- A&L said that it always encouraged its customers to contact it if they were in financial difficulties.
- Northern said that it believed that the analysis of non-price competition should have considered customer satisfaction and service. It had improved this side of its business and presented the inquiry with data that showed high levels of customer satisfaction. Staff expertise and customer service were important factors that differentiated it from its competitors.
- Halifax said that research had shown that credit interest was an important factor in attracting customers. The rate of credit interest and its promotion were important in differentiating its offerings from its competitors.
- Which? said that consumers made more accurate decisions when products were transparent. This was not the case with PCAs where fees and charging structures were complex and opaque. Which? suggested that it was crucial that fees and charging structures were rendered comparable and easy to understand.
- Ulster said that the MORI data had shown that non-clearers had gained 40 per cent of new account openings over the past 12 months, a mixture of switchers and new to banking customers.
- Ulster said that personal recommendations were the main reason it attracted switchers and its current marketing campaign reflected this. It had generated goodwill transferring PCA customers, with the exception of those on packaged accounts, to its new PCA portfolio.

New products

- First Trust said that [REDACTED].
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- First Trust said that [REDACTED].
- Northern said that its new PCA products had, in the seven months since they were launched, attracted [REDACTED] new customers, of whom [REDACTED] were new customers to Northern. Of that [REDACTED], [REDACTED] per cent had come from the other clearers in Northern Ireland. The number of customers registering to use electronic banking had also [REDACTED] since the launch of its new products.
- Northern said that it had estimated that its new products would attract [REDACTED] new customers in the first year. [REDACTED].
- Northern said that its new products had been actively promoted. Its current advertising campaign started in September 2006 [REDACTED]. All customers had been made aware of the new products.

- Ulster said that its new PCA portfolio had performed well in the current year. Based on MORI data, it had gained [%] per cent of new current accounts opened over the past 12 months and attracted switchers from [%] in particular.
- Ulster said that new products from Northern and Bol had not had a significant impact on its business.
- Which? said that it wanted to see a competitive market. Given that clearers were able to move from traditional to fee-free PCAs without changes to their revenue, the fee-free model was clearly economically viable. It also disputed the concept of 'free' banking on the grounds that banks were able to generate revenue by taking deposits at low levels of interest and lending them back at higher rates.

BMRB Survey

- Which? said that the survey showed that customers in Northern Ireland were no different in the way they behaved in Great Britain and across Europe.
- First Trust said that it was surprised at the number of people who were prepared to move accounts and by their comments on charging. The BMRB survey highlighted the fact that people in general seemed to be disinterested in their banking affairs.
- First Trust said that it advised customers of its charges every quarter, as well as of the charging structure when people opened accounts. It was amazed by the low level of customer engagement, especially among the higher social groups. It said that to combat this lack of interest, there was the suggestion that children should be educated in school about financial affairs.
- Abbey said that the lack of awareness among interviewees of when they had incurred charges, and the level of these charges, could stem from two issues: first, in an interview situation, consumers might be reluctant to admit to having used an unauthorized overdraft, and secondly, incurring charges was very rare among consumers, so many of them might not have personal experience of it. Most customers focused more on in-credit interest rates.
- Halifax said that it undertook a lot of consumer research and the survey reinforced many of its findings on charges: most people assumed that they would never incur charges and they were not interested in understanding the potential costs of something they believed would never happen to them.
- Nationwide said that when someone opened a PCA, they did not believe that they were buying something that would incur a charge; they saw it as free based on the premise that free banking was still available in the UK.
- A&L said that it had not seen any evidence that its customers did not understand charges on the scale suggested by the survey.
- Northern said that it was not surprised that, of the small number of consumers paying unauthorised borrowing charges, individuals in the higher socio-economic groups were more likely to incur unauthorised overdraft charges because of their ability to repay the borrowing.
- Nationwide said that the groups most likely to incur unauthorized overdraft charges were the relatively better-off and the young, probably because they had higher levels of discretionary expenditure available.

- Halifax said that it was not surprised by the finding that a number of customers denied that they had been charged. Research carried out among its own customers on the importance of credit interest had shown that over half did not realize interest was paid on their accounts.
- Nationwide said that it found it very difficult to make customers take notice of and understand the charging structure. Although the information was available and well signposted, it was often ignored. However, if people did incur a charge it did sometimes aid the educative process.
- A&L said that it wondered if customers still made a monthly reconciliation of their bank account; in modern banking with regular payments for standing orders and Direct Debits customers might not tend to pay as much attention as when they had to write cheques.
- Nationwide said that the cultural change towards finances in the UK now meant that where people had multiple products they had lost their overall view of their actual financial status and how to manage money.
- Nationwide said that the levels of financial literacy in the UK were lower than they ought to be and it had embarked upon several initiatives to try and improve financial literacy in general, not only for its customers. It had joined with some of its competitors in charitable work to try to improve the situation further. However, to stimulate more interest it believed that much wider involvement would be needed, probably involving the Government.
- Which? said that the survey confirmed that consumers tended to underestimate the probability of falling into overdraft. This problem was exacerbated by low financial capability.
- First Trust said that the BMRB survey showed that people were more likely to switch if they had been charged for going into an unauthorised overdraft. It was keen to point out that its sense of responsibility meant that only those capable of repaying loans were granted an overdraft facility, and that all cases were assessed on an individual basis.
- Northern said that it had no information on the level of switching specific to those who paid charges, but it noted the survey evidence that those who paid charges were four times as likely to switch as those who did not.
- Abbey said that the survey confirmed research it had previously given to the CC, that consumers usually considered switching banks because of push, rather than pull, factors.
- GCCNI said that it found it striking that the survey showed that customers were passive until something went wrong, and that was what pushed them towards switching as opposed to being actively empowered within the marketplace.
- Ulster said that it had concerns over the survey methodology, but felt many of the findings supported its position including the fact that there was a high degree of dual account holding and hidden switching in Northern Ireland and that customers who had incurred unauthorized overdraft charges were more likely to have switched their account in the past three years. It was not surprised that people denied they had been charged; customers received a lot of information and it was likely that not all of it was taken in.
- Abbey said that averaging the values that consumers had estimated in their responses on charges could be misleading given the range in the value and type of charges for

different types of services in Northern Ireland specifically. It would have been more accurate to show the proportion of consumers who had answered the question correctly.

- GCCNI said that it would want to see repeat surveys and targets set to see if things were changing over time.

Remedy 1: Easy-to-understand terminology and descriptions of PCA services

Remedy 2: Explanations of the levels of charges and interest rates and how and when they are applied

Standard terminology

- BoI said that there were opportunities to standardize industry standard activities, such as authorized overdrafts, unauthorized overdrafts, CHAPS, BACS, etc. BoI would be in favour of such an approach, coupled with a plain English explanation of anything that might be specific to any one provider. Restricting standardization of terms to industry standard activities could avoid hindering product innovation.
- First Trust said that it strongly supported the principle of clarity. However, it said that any onerous, rigorous tightening in terms of terminology could limit innovations such as new product development. It said that it was concerned that if agreement were to be sought on core terms, competitors would get pre-notice of what it was planning.
- First Trust said that nominating individual words to be used throughout the industry could be useful for customer clarity, [✂].
- Northern said that scope existed for standardized terminology and believed the focus should be on unauthorized borrowing charges. It had looked at various banks' terms for an 'unpaid fee' and found a number of different terms, eg a failed item, a charge, or an unpaid out fee.
- Ulster said that it would be difficult to get agreement on a standard set of terms and questioned how this would be governed or implemented. It also suggested that standardization might inhibit innovation.
- Ulster said that the provisional findings recognized that its communications were clear and transparent and a formulistic approach would damage its competitive advantage.
- Abbey said that it supported Remedies 1 and 2 and believed that its promotional materials used easy to understand terminology and gave good descriptions of its PCA products.
- Abbey said that it had concerns over the issue of standardizing terminology. It believed that if charging levels and the rationale behind charges were clearly explained, there would not be the need to force all banks to use the same wording. Standardization might inhibit innovation and product development.
- Abbey said that it was possible the BCSB, as an industry body, would use terms that were very familiar to personnel within the banking industry, but which were not as familiar and comprehensible to customers.
- Halifax said that it was possible to develop a set of core terms, but it must be recognized that banks had different processes and agreement could be difficult. Costs and timescales for change would be different for each bank. The Code was changed on a

collaborative basis and while banks were not against change, it had proved difficult to get agreement.

- Halifax said that a standardized terminology would cause problems where the description did not accurately reflect what it did. Changes to IT systems could be both difficult and time consuming due to the age of many of the systems.
- Halifax said that standardized terminology would not lead to an increase in switching or a significant change in customer behaviour. A lack of recognition among customers of when charges had been incurred did not reflect a lack of understanding of the charge, rather a lack of interest in the account.
- Halifax said that standardization could stifle innovation only to the extent that it attempted to differentiate its own products. The more standard accounts became, the harder it would be to compete in different ways.
- Halifax said that innovation was centred on the core of the market, the 80 per cent of customers who did not incur charges, rather than the 20 per cent who did. Its focus was on credit interest and it did not run marketing campaigns on unauthorized overdraft charges.
- Nationwide said that it would respond positively to any suggestions for wording, either core or non-core terms.
- GCCNI said that there had to be a balance between standard terminology and not curtailing innovation. A core standard of key terms, passing a plain English test, would be helpful.
- Which? said that it was important to ensure that customers understood the costs associated with their PCAs and made useful comparisons with the costs of other PCAs in the market. Standardization of information provided to consumers could increase both the awareness of the costs and improve the comparability of PCAs.

Use of plain language

- Abbey said that much of its promotional literature underwent consumer testing before it was launched and the literature for any product was tested on focus groups.
- A&L said that it had spoken to the Plain English Society and was carrying out market research on the terms for all its charges, asking customers which ones they thought were in the plainest English. A&L said that it kept its language and terms and conditions under review all the time, [X].
- Nationwide said that it was engaged in a number of ongoing internal initiatives to try and make its communications with its customers and members as clear as possible. It had usability laboratories where it pre-selected groups of customers to come in. Therefore the products were tested to see how understandable they were and the results were then fed back into the overall process of product design and product change.

Explanations

- First Trust said that there was a buffer on the packaged account, which customers were aware of and which was a key selling point of the product. [X].
- Northern said that [X].
- Northern said that [X].

- Northern said that if explanations and comparisons of charges were to be published, it would use the information in its customer brochures rather than put it on statements.
- Abbey said that risk profiles changed and therefore it needed to have discretion in making decisions rather than this being an obligation.
- A&L said that its concern was about the disclosure of information related to credit risk, as customer understanding of how they were credit scored could lead to manipulation of the data by the customer. If buffer zones were disclosed they would then become automatic and discretion would be taken away. In addition, these zones could move almost on a daily basis as a customer moved in and out of credit.
- A&L said that there was a wide variety of customer circumstances and it would look at each case to see if there were good reasons to disapply some of its charges.
- A&L said that it charged the same rate of interest for unauthorized and authorized overdrafts.
- Nationwide said that it would be wrong to over-emphasize a whole raft of charges and details when opening an account. Whilst it had a discussion about fees and charges, research had shown that customers did not take in all the information as they did not believe being charged would happen to them. There was also anecdotal evidence that showed that however much information was given, customers did not take on board fees and charges information.
- Nationwide said that under the Code it had to provide a summary leaflet of interest rates through the 12-month period (4.6 of the Code) on an annual basis and these were reissued to the customer on an annual basis. Any time there was a change to terms and conditions, the customer was mailed with the information, although they tended not to retain the information. Customers were also advised of where they could access all the terms and conditions.
- Nationwide said that [REDACTED].
- Nationwide said that [REDACTED].
- [REDACTED] said that it would not support the publication of buffer zones as these were internal limits, used [REDACTED] for the benefit of its customers [REDACTED].
- GCCNI said that if customers thought having a PCA was a privilege they would focus on opening the account and not ask questions about the implications of the account. Information needed to be available in a variety of sources; the customer did not need to know everything all the time, but needed to know where to find out.
- GCCNI said that information needed to be available at whatever stage people needed it; there were opportunities when this could be supplemented and when people would be receptive, eg when the account was opened, if they incurred charges, in the dialogue box on a bank website. However, GCCNI consumer proficiency research showed that the information source most often relied upon was often friends or relatives who were often no better informed.
- Which? said that it would be useful for consumers to have all cost information on the back of the statement.

Monitoring

- First Trust said that the BCSB should arbitrate the process of standardizing and deciding the core terms. It was already conducting a review, and it would be more practical to streamline any changes through one body. It was unsure about the Plain English Campaign or the Plain Language Commission due to the fact that definitions nominated might be less robust than legal terms and hence affect its contractual position.
- Northern said that it saw an independent body, such as the BCSB or the BBA, facilitating the development of common terminology and a framework through which different banks' charges could be compared.
- Northern said that working with the Plain English Campaign could help to develop effective communication with customers, but where information was clear and easy to understand it should not be mandatory to work with such organizations.
- Ulster said that the BCSB would be a possible regulator. The BCSB already undertook thematic reviews of the Code, visiting branches and reviewing specific areas. The FSA was another possible regulator, though its focus was more on principles rather than rules-based regulation.
- Ulster said that the Payment Systems Task Force had tasked the BCSB with the implementation and monitoring of the use of consistent terminology and descriptions around the cheque cycle.
- Abbey said that it saw a role for the BCSB to ensure that banks were complying with a requirement to provide comprehensible material to their customers. The BCSB had the monitoring structures in place and the monitoring of any remedies could be included in the review of the Code.
- Halifax said that it saw a role for the BBA in the formation of a standard set of terms.
- GCCNI said that it thought the FSA and the OFT should oversee the remedies, and that the task should not be left solely to the BCSB. A measured output could be the use of the Crystal Mark, or other plain English standard.
- Which? said that the provision of information certified by a body such as the Plain English Campaign would be very useful. Which? also supported the activities of the Code in this area.

Systems and costs

- BoI said that there would not be a significant ongoing cost to implement these remedies if they simply involved clearer English. However, the standardization of terms would have cost implications and whether or not these were manageable would depend on the circumstances. The cost would be more if there needed to be a committee or regulator which had to approve all new terms.
- First Trust said that the cost to it would be around [£] due to core changes to its systems, communication to customers, stock destruction and the outsourcing of design work.
- First Trust said that usually changes could be done effectively, but these core changes would require personal mailshots and so would be more expensive. If the changes were done on an industry-wide basis the cost would be decreased.

- Ulster said that the main costs of Remedies 1 and 2 would be staff time.
- Abbey said that there would be considerable cost if the BCSB were to recommend that Abbey, for example, changed all its literature to adhere to a certain standard. As Abbey did not distinguish between the market in Northern Ireland and that in the rest of the UK, it would have to implement changes across both markets and this would add to costs.
- A&L said that it believed it was a long way ahead in the way it explained its material to its customers and therefore this remedy proposal was not a massive task for A&L.
- A&L said that one of the issues on standard terminology would be cost. It doubted that the gap would be that wide between all banks on particular charges and moving to a standardized approach might not be too difficult. However, it would be more difficult to describe how a fee, even using standard terminology, would be applied differently by each bank.
- A&L said that most banks had systems that had been around a long time. A&L was moving to the Alnova system banking package (used worldwide but not in the UK other than by Bol).
- Nationwide said that [✂].

Remedy 3: Information on statements

Summary boxes

- Bol said that it was supportive of this remedy but its preference was for a statement insert rather than a box on the statement. A separate document would provide a distinct focus.
- [✂] said that it had not witnessed any demand for a summary box. Some customers were more likely to comment that they had received too much information with statements.
- Abbey said that it was aware that BCSB had tested summary boxes on consumers and the results had not been positive. Consumers were looking for clear, simple information on their statements, which it believed it provided on its own statements. How to avoid charges was also explained, as was, for example, how an overdraft could be changed over the phone.
- A&L said that the BBA was doing some testing on what information consumers would like to see in summary boxes and it would wish to see the results of that market research.
- A&L said that it already put a lot of information on the back of the statement. It tried to make all the information in the interest rates and charges flyer as concise as possible. The information was the basis of charging rather than actual charges levied to each customer. The BBA versions of the summary box being tested did not currently go as far and this would be step back for A&L.
- Halifax said that it was the first UK bank to use summary boxes on its credit card statements. The intention was to ensure that customers understood core rates they had on their account, and it also demonstrated to them, every time they received their statement, the good service they were receiving.

- Halifax said that it would include items such as credit and debit interest rates, authorized overdraft limits and their renewal date in a summary box.
- GCCNI said that it believed that a summary box was essential as it would empower the consumer. It referred to work it had done with the British Standards Institute about information provided on utility bills. It was important to include redress information if something was wrong.
- Which? said that summary boxes should be in a clear format. The key information should provide a snapshot of what the customer had to pay, eg credit interest and overdraft interest rates, the main fees and the period of time within which to pay.

Amount of information and use of information

- BoI said that if the Code required it to put information on a statement, it would find a method of dealing with this working in consultation with the BCSB.
- BoI said that it had no research or survey information on which to base its view that an insert would be more effective, but relied on past experience and customer feedback in similar areas. In future customer satisfaction surveys, BoI would include the way it communicated with and informed customers.
- BoI said it believed that the same benefit for competition could be achieved by giving banks the flexibility to either put the information as an insert or in a summary box, depending on their IT systems.
- BoI said that it saw merit in putting descriptive information on the back of statements. It already put some generic guidance to customers on the back of the statement such as information on lost or stolen cards, telephone numbers etc. It would be possible to add information on customer rights, ability to switch, list of standardized terms. There were fewer problems where the information was generic, and not at the level of separating customer groups and product types. There was also no time limit on such information, as there was with charges.
- First Trust said that additional information on the front of the statement might be too confusing and it did not want information overload for customers. It said that signposting on the statement to get customers to look at documents on the website might be better as customers did not always seem to pay much attention to the details.
- First Trust [redacted].
- First Trust said that it was debatable whether there could be a direct reference to the price list of charges on the statement, as charges at the start of the three-month period could be different at the end. Therefore generic charges could be covered but not the more personalized or specific ones.
- First Trust said that it was concerned about duplication on the statement if a summary box of charges was included as the charges to be debited were already noted on the front of the statement. First Trust said that it was unsure whether a breakdown of charges, which duplicated the transaction-specific data already on statements, would actually be useful to customers.
- First Trust said that it could not just give partial information on the statement due to contractual obligations.

- Ulster said that customer research showed that rather than putting everything on to a statement, a specific communication around charges would be more effective.
- Abbey said that it saw an opportunity to disclose further information to consumers, but it was concerned about the potential for information overload. A lot of the information provided was not relevant to most customers, particularly around charges, because a high proportion did not incur charges.
- A&L said that it was concerned about there being too much information. If customers did not look at their statements, they might be less inclined to do so if there were more information with further detail.
- A&L said that the information age had changed behaviour. Customers tended to get current information on their balances from ATMs or through direct channels such as the phone or Internet. The bank statement when it was issued was already out of date. A&L said that it might be slightly different from other banks, in that it was deliberately aiming at the direct market for current accounts; 38 per cent of current accounts in the UK last year were opened online.
- Halifax said that it was currently redesigning its statements. One of the changes would see an additional column entitled 'Transaction type'.
- Halifax said that current thinking was that when a summary box was introduced, it might be towards the bottom of the statement, as customers typically looked at the bottom of the statement to see their balance information.
- Halifax said that it was extremely difficult to modify its statements and the proposed change had taken a year to achieve. With the Code review yet to finish, it did not see value in adding summary boxes to statements as it was likely that they would have to be moved.
- Nationwide said that it would always look to support and encourage any measure to improve transparency of information but it believed that its statements were clear and that the pre-notification letter gave the customer all the necessary pre-notification of the charges.
- Nationwide said that [✂].
- Nationwide said that there were already a number of things contained on the statement, both regulatory and mandatory, and therefore it would have to see if there was enough space to include extra information and whether it would be clear to the customer if it did put it on. It said that the purpose of the statement was to show the customer the transactions that had gone through the account, and therefore that should be the clearest and biggest thing on the statement.
- Which? said that it thought the use of small buffers was a good idea and it might help customers operate their accounts, but the variation in the size of buffers might make comparison difficult.

Current practice

- BoI said that [✂].
- Northern said that its focus was on helping customers avoid unauthorized borrowing charges. Account balance details could be accessed via a number of channels, including

texts and email, and customers could choose to be pre-warned when their balance was nearing their overdraft limit.

- Northern said that the front of its statements detailed credit and relevant debit/interest rates. Individual charges were also detailed, including an explanation of what the charge related to. [X].
- Ulster said that customers were given a leaflet on fees and charges, *Guide to Current Account Fees and Charges*, when opening an account, which was also available online. The Guide gave a detailed explanation of fees and charges and had a glossary of terminology.
- Ulster said that its statements already provided a detailed description of account activity and set out any charges incurred. The reverse of the statement outlines, among other things, how to avoid charges, when a charge was incurred and how interest was calculated.
- Ulster said that it pre-advised customers of unarranged borrowing fees and debit interest. A copy of its brochure, *How to Avoid Fees and Charges*, was included with the pre-notification. The leaflet gave advice on how to avoid incurring financial penalties and how best to manage your finances.
- Ulster said that the pre-notification letter detailed how customers could avoid charges. If an unarranged borrowing fee was incurred twice in one quarter, they were also written to and encouraged to attend a Customer Service Review.
- Ulster said that research had shown that customers were focused on their account balance, which they tracked via ATMs and online banking. Pre-notification alerted customers to actions that had not hit their accounts and monthly or quarterly statements were of historical value.
- Ulster said that 50 to 60 per cent of its customers received monthly statements and balances could always be accessed online.
- Abbey said that its statements were very clear. Consumers were informed of the interest rates they earned or charges incurred for overdrafts.
- Abbey said that it was not in favour of printing all charges in all customer statements every month as most charges were not relevant to many customers. At present, consumers were given details about all charges when they opened an account and were provided with an update when there were changes to tariffs. It would not want to send this type of information with every statement as it was not relevant to all customers and would considerably increase the amount of information on statements, Instead it proposed communicating the current charging regime at regular intervals.
- A&L said that online customers received the same information but not in the same format as a printed statement.

Costs

- BoI said that [X].
- First Trust said that information was pre-printed on the reverse of the statement and then specific customer information was lasered on to the front. Therefore there was a question of stock management and control as its printed material went across multiple jurisdictions. Hence there were logistical and cost issues, as well as the risk of

information overload for customers. There would be further practical difficulties in that it had multiple PCA products, with different fees and charges.

- Abbey said that it expected the IT costs of adding summary boxes to statements to be very high.

Remedy 4: Summary and breakdown of charges and interest

- First Trust said that it pre-notified all its customers of the charges, so it questioned the usefulness of having a historical summary on each statement.
- First Trust said that seeing the historical costs would not necessarily encourage people to move accounts and hence would not necessarily increase competition.
- Northern said that it did not believe that customers wanted an additional breakdown of charges and debit interest on statements and such a measure would only potentially benefit the very small number of customers incurring more than one charge in the statement period.
- Northern said that its customers were pre-notified each quarter of the amount of debit interest they would incur and did not believe that there was added value in an annual summary of debit interest.
- Northern said that it was unaware of any evidence that suggested providing an annual statement of charges would affect customers' switching behaviour and such a statement would not assist customers in comparing bank charges.
- Ulster said that pre-notification and monthly statements already gave customers a great deal of account information. It did not believe an annual figure would make a difference to customers' banking habits.
- Abbey said that it was in favour of informing people of what charges they had incurred on a regular basis, but rather than a periodic or annual reminder, it was in favour of this information being given on a monthly basis, which it already did. It would require significant IT investment to provide the information on an annual basis.
- A&L said that this came back to the general point as to whether customers read their statements. Whether the information remedies as a whole would assist competition depended on how customers could compare charges elsewhere, and whether they would be prepared to do that. Providing information in itself was not likely to change anything.
- GCCNI said that over 6,000 people had downloaded information on bank charges from its website. The feedback was that people had looked at their past bank statements, were shocked at the total cost and were deciding that 'enough was enough'.
- GCCNI said that it thought an annual or a rolling total of the cost of running a bank account was the key remedy option as it would empower people to look at the available information. The following information should be provided: the average balance; the interest charged; the interest paid; and a breakdown of the charges applied. Scenarios might be useful when accounts were opened.
- GCCNI said that it preferred a packaged approach of remedies to empower the consumer to know about a better deal.

- Which? said that the main reason people switched was poor service and high fees and charges. If consumers were more aware of the costs, switching might occur more often. However, Which? warned against over-reliance on information as a trigger to consumer switching. It suggested that consumers might not switch even when they were made aware of the costs as they may decide that the financial gain of switching was not significant enough to induce them to switch.

Implementation

- BoI said that there was a way in which it could develop its systems to take the information that it currently held on transaction or PCA-related charges and costs, and put it into a separate communication. If this were done on a quarterly basis it would give the customer regular feedback and update.
- BoI said that the information on how much a customer was charged in a year was readily available to the customer at the branch. [✂].
- BoI said that it was reasonable to send the information quarterly because customers were already informed on the bank statement of the charges for that month. [✂].
- BoI said that there was a balance between getting more information to customers against the costs, which in a competitive market the consumer would ultimately pay. The information should include all fees, interest and the total charges. The cost benefit should be linked to the relatively small number of customers incurring costs and this could be achieved with a separate communication which would carry lower IT costs.
- BoI said that for options 3 and 4, a separate communication would be more practical not only in terms of speed and cost of implementation but in effectiveness in getting the information across to the consumer.
- Northern said that [✂].
- Ulster said that a rolling, monthly total would be ignored by customers and viewed as information overload. If customers were to receive a breakdown of fees and charges, Ulster would prefer an annual communication that showed charges incurred in a tax year in order to align this with interest statements. Ulster pointed out that Which? had also expressed a concern that consumers were unlikely to pay attention to over-loaded statements.
- Ulster said that it was currently developing its statements to meet assumptions it had regarding changes to the Consumer Credit Act. From April 2008, it would have to provide on statements the debit interest rates and any overdraft limits to which they applied and a generic description of how it prioritized and applied transactions to an account.
- Ulster said that it expected the CCA requirements to be accommodated by providing generic information on the reverse of the statement in some form of summary box. It was looking to finalize the new design in April/May 2007, but the final version was dependent on the Code review and the outcome of this inquiry.
- Abbey said that if information on charges was to be provided to customers, it would prefer it to be included on its current statement, rather than in a separate mailing.
- A&L said that it would cause confusion if banks were required to produce information that compared the charges of other banks. It would depend on what other remedies were in place as to whether there would be a really large impact or not.

- A&L said that it would be very difficult for a person with a chequered history of incurring charges to make comparisons for their future behaviour.
- A&L thought that there should be market research with customers, in terms of what the information meant to them, what they would use it for, how frequently they would receive it, would they understand it, and so on. A&L said that if the intention was to aid and inform customers, getting information from them as to what they would really find useful was probably better than asking the banks.
- Halifax said that it had recently changed its charging letters to make them clearer and easier for customers to understand. Research had shown that customers did not always understand charging letters, the result of the way they were written rather than the terminology.
- Halifax said that if customers were informed annually of fees and charges they had incurred, it would want the opportunity to tell customers of the benefits they had accrued, for example the high levels of credit interest it paid and its cash-back scheme.
- Halifax said that it was unsure as to whether its current IT systems could produce annual totals for all its customers.
- Halifax said that a statement of fees and charge should be sent separately. It already pre-notified customers of charges and to avoid duplication, the statement should be sent annually.
- Nationwide said that [REDACTED].
- Nationwide said that [REDACTED].
- Nationwide said that [REDACTED].
- Nationwide said that [REDACTED].
- Nationwide said that [REDACTED].
- GCCNI said that it might be helpful to have a market average cost for comparison, eg the interest payment available from other competitors.
- Which? said that research would be needed before it could give a view on whether an annual or a rolling monthly figure would be more effective.

Costs

- First Trust said that it would cost it around [REDACTED] to implement due to changes to its IT systems and it believed the benefit to the customer would be disproportionately small. [REDACTED]
- Ulster said that it currently pre-notified authorized and unauthorized debit interest and the unarranged borrowing fee. It did not, however, currently pre-notify the unpaid fee, guaranteed card payment fee or the paid referral fee. Ulster said that to adapt its database for pre-advised charges to create an annual statement of fees and charges would take 12 to 18 months to implement and cost [REDACTED]. This information would also have to be made available electronically.
- Ulster said that a large element of the cost of developing new systems was due to system testing. Banking systems dealt with a number of different technology platforms

and the database used to store the annual data would have to be tested to guarantee its connectivity with all the other delivery systems.

- A&L said that the systems change was the big cost upfront. How much it was likely to cost A&L depended on the timescale and where A&L was with the implementation of its new IT system. Ongoing costs, once the system had been set up, should be easier to determine, although these would depend on whether, for example, it added another page to the statement, the cost of postage, frequency, if it was cumulative etc.

Remedy 5: Advance notice of charges and interest

- BoI said that with the abolition of transaction charges its customers would continue to receive pre-notification of the interest charge on authorized and unauthorized overdraft charges. The charges that were not pre-notified were those levied on the spot for a particular activity at a particular point in time, eg the unpaid charge following a decision not to process a payment request.
- BoI said that customers would already have been told that they were overdrawn, but pre-notification of the charge would have a cash-flow implication. When customers were sent the letter it also told them what to do.
- BoI said that the sequencing of the communication to customers of pre-notification of fees and of retrospective breakdown of fees would need to be considered. Otherwise there was a risk that customers would become confused between future charges and historic charges. In addition, since the cost of systems changes were the same in both a large or small market, in a small market such as Northern Ireland systems changes should be kept to a minimum as they were relatively more expensive per customer.
- First Trust said that presently there was immediate application of the charge but not immediate notification.
- First Trust said that giving people advance notice of when the money would be debited would necessarily entail delays in the actual application of charges, leading to the possibility of multiple charges accruing. This would lead to a tightening of the bank's lending policy, and would lead to, for example, more bounced cheques. [REDACTED]. There was also the possibility that some customers could become increasingly irresponsible about debt and hence charging at a later date would compound their financial difficulties.
- First Trust said that [REDACTED].
- First Trust said that charges had to be linked to the customer's behaviour. Therefore just stating how much the charges were on a statement was not useful.
- Northern said that when a customer set up an overdraft facility, they spoke with a bank employee and received a 'facility letter'. The letter set out the overdraft's terms and conditions, its limit and the associated interest rates.
- Northern said that [REDACTED].
- Northern said that [REDACTED].
- Northern said that [REDACTED].
- Northern said that [REDACTED]. [REDACTED] the BMRB survey [REDACTED] showed only around 1 per cent of customers moved funds when made aware of a charge. The Provisional Findings also

referred to the disadvantage for customers of a long gap between the incidence of the event and the charge.

- Northern said that it could notify customers of balances via emails and text messages, with customers setting the level at when they should be notified.
- Northern said that [REDACTED].
- Northern said that [REDACTED].
- Northern said that deferment of charges for referral and unpaid items would have a detrimental impact on [REDACTED] the customer [REDACTED] with regard to delays in applying the charge [REDACTED].
- Ulster said that regardless of whether customers received statements on a monthly, quarterly or annual basis, they were pre-notified 14 days in advance of unauthorized borrowing fees and debit interest.
- Abbey said that it already pre-notified all charges including charges for paid and unpaid items with regard to unauthorized overdrafts. Pre-notification allowed customers to take action to avoid further charges.
- A&L said that changing the timing was not likely to increase the number of queries, because ultimately it was the charge customers would be calling about, not when it appeared on their account.
- Nationwide said that although customers were made aware of the charge twice—initially by the pre-notification and then by the statement—it did not seem to incentivize as many customers as it would like to be responsible.
- Nationwide said that historically English banks used to charge quarterly, as some of the Irish banks still did, but it had changed to providing a monthly statement because it found that people forgot what transactions had happened and a quarterly statement had created a lot more queries. Customers also seemed more able to absorb monthly charges than quarterly ones.
- [REDACTED] said that for [REDACTED], [REDACTED] per cent of its customers had incurred referral fees. Of this [REDACTED] per cent, [REDACTED] per cent paid one charge and a further [REDACTED] per cent paid two. It believed that this very low number of customers incurring more than two charges illustrated the value of their current practices for customer communication.
- GCCNI said that 30 days' notice was an appropriate time for pre-notification of charges to allow for dealing with complaints and queries and was also consistent with salary payments and the management of finances.
- GCCNI said that letters to notify every instance of a charge were not helpful as they would be potentially confusing and might be ignored. It was easier, for example, for a customer to go to the Citizens Advice Bureau for help with a single document showing all charges during a particular month than multiple notification letters.
- Nationwide said that [REDACTED].
- Which? said that in addition to information on statements, banks should also send consumers a letter pre-notifying them of the overdraft charges they were about to incur. Relying solely on information on the statement risks overestimating the probability that

consumers would pay attention to their statements. A letter and information on the statement both added value to the current position.

Banking Code/Consumer Credit Act

- Bol said that a requirement for pre-notification was likely to be included in the revised Code and therefore it would have to do this, but it had not looked at the costs. This requirement would be more complex because it would change the method of charging to accruing, then levying, the charge. Bol would still have to inform the customer each time there was a charge but there would be less of a system change if the information was not on a statement. It said that specific systems for Northern Ireland would be a significant barrier to entry and could even encourage withdrawal.
- Northern said that under the Consumer Credit Act 1974 there were no legal requirements in terms of pre-notification of charges on overdrafts.
- A&L said that if there were to be pre-notification of all charges the logical place for the requirement would either be in the Code or in the Consumer Credit Act. Technically this would be less of a problem than some of the other proposed remedies because similar system processes were already being used for the current pre-notifications.
- A&L confirmed that it already pre-notified customers of interest and overdraft fees. It explained that if a customer went past their overdraft limit they would be sent a letter. When they got the statement for that month, 14 days' notice was required under the Consumer Credit Act before the charges were deducted from the account but A&L gave 17 days' notice.
- Nationwide said that in terms of pre-notification it exceeded the Code requirements.

Remedy 6: Provision of personal indicative 'quotes' for PCAs

- Bol said that there would be difficulties if system changes were involved. Bol considered that Remedy 6 was not practicable and that it was of no value for customers that did not have a banking history. Remedy 7 would be workable.
- First Trust said that to give a personalized quote it would be necessary to gather specific information about the customer and it would probably need 12 months' worth of statements to see the account behaviour (taking into account seasonal effects). This could be onerous on customers.
- First Trust said that as for the possibility of banks being obliged to send across statements electronically, there might be problems with communication links between individual banking institutions due to incompatible software. [X].
- First Trust said that it disliked the fact that the discretionary nature of the process would not be taken into account, thus ignoring the qualitative element in the banking provision.
- First Trust said that it had strong doubts that quotes would lead to customer satisfaction. It emphasized that there was an important qualitative element to PCA provision; the relationship between a customer and the bank looking after his money was different from the relationship between a customer and, for example, a mobile phone services provider. There was a different value judgement in choosing a PCA provider, which took into account quality of service and security.
- First Trust said that indicative quotes would need to be prepared on the basis only of 'outcomes' (ie actual transactions and fees/charges incurred), with no background

information on patterns of behaviour which might otherwise affect how First Trust would have dealt with fees/charges in practice.

- First Trust said that as quotes were not provided under the present system a predictive model would be needed because it was not possible to run the information through a live system. The cost of putting such a system in place would be more than [REDACTED].
- First Trust said that [REDACTED].
- First Trust said that it was concerned about how the process would be monitored to ensure that it was being adhered to by all banks on a consistent basis.
- First Trust said that it also noted that indicative quotations could be misleading, in the sense that customers could mis-characterize their financial behaviour, and indicative quotations could lead customers to believe that they had ended up paying more for the service than they should have (but this would be due to their usage of the PCA being different from that envisaged under the typical customer scenario).
- Abbey said that based on previous experience of providing quotes for personal loans under the Consumer Credit Act, it did not support Remedy 6.
- Abbey said that given the complexity of a PCA and the fact that people used their accounts differently, it believed that adapting IT systems to produce personal quotes would be extremely costly. Further, there was a risk of misleading customers by using historic information.
- A&L said that to show a comparison between charges, a bank would need to know how the charges of other banks were calculated. These might not be apparent from the face of a statement provided by the customer, such as charging periods and whether discretion had been exercised. However, it would probably be possible to give a rough guide. There would be a very manual process taking the information from the customer's statement, processing it through a computer and then explaining it to the customer.
- A&L said that if there were different computer systems operated by different banks, the underlying software code was likely to be incompatible. There would also be intellectual property issues around ownership of the code, difficulties with transparency of the coding and the number of times the software had been changed over the years.
- Halifax said that customers ran their accounts in different ways and a historical view of a customer's account was not always an accurate prediction of how they would run their accounts in the future, particularly if their financial situation changed.
- Halifax said that it would be practically impossible to provide personal indicative quotes, unless there was a list of every transaction that a customer had incurred during the year, and enormously complicated because of the amount of data. It would cost a lot of money in terms of keying in the information provided and would also introduce a significant hurdle into the sales process.
- Nationwide said that [REDACTED].
- Nationwide said that [REDACTED].
- Nationwide said that [REDACTED].
- Nationwide said that [REDACTED].

- Nationwide said that [✂].
- Nationwide said that [✂].
- GCCNI said that individual quotes were possibly unworkable and it would prefer to focus on those things that were workable, such as the summary boxes and typical quotes. In its experience, customers relied on the quotations and could be disappointed if the quotation was less than the actual bill. It handled a lot of complaints from gas consumers who were given a typical usage figure at sign-up that turned out to be an underestimate.
- Which? said that the use of quotes depended on a customer having made the decision to switch. Individual quotes could lead to the wrong decision, because to be rational, the customer would have to go to every bank.

Remedy 7: Provision of ‘typical customer’ indicative quotes for PCAs

- BoI said that, from its experience in the Republic of Ireland, several typical quotes would be more appropriate, proportional and beneficial. The Irish Financial Services Regulatory Authority (IFSRA) prepared and updated its quotes quarterly. The impact on the market was that it encouraged switching and attracted media attention each quarter. The IFSRA set up the typical customers and changed them now and again. There were about five types. There was some consultation to provide evidence on a typical customer. The banks had to supply the information and the numbers and the regulator would know if they were right.
- Ulster said that the publication by the Irish Financial Services Regulator of data on the costs and different charging aspects of PCAs and PCA-type products had attracted industry criticism. The comparative tables produced were a price-driven assessment and took no consideration of behaviour patterns, service levels and what happens if people go into default.
- BoI thought it would be better if an independent agency, such as the FSA, decided what the typical customers were and changed the profiles.
- First Trust said that as for the suggestion that ‘typical customer’ quotations be provided, it queried whether there would be a guideline for the quotes for a ‘typical customer’, and whether there was scope for manipulation of the system.
- Abbey said that it had concerns over how to define a typical customer. It said that it offered both a both a preferred overdraft rate account for a consumer who needed an overdraft or who generally operated through an overdraft, and a preferred in-credit rate account for consumers for whom interest rates on in-credit balances were important.
- Abbey said that if the typical customer profiles were provided to the banks by a third party, it would be quite onerous for banks to constantly update the literature, ensuring that it represented the latest typical customers. Branch staff would also have to be trained in what the new typical customers were like.
- Abbey said that if a third party or regulator was responsible for periodically applying the current charging data to a set of changing profiles, without any further requirement on the banks, updating the profiles would not impact on it in terms of having to regularly update marketing materials and training of staff.
- A&L said that it had similar views on typical quotes and indicative quotes because of the different types of product and the way that fees and charges were structured within each

of the banks. It was not always possible to get a direct comparison. The typical customer for one bank might be entirely different from the typical customer for another bank because of their model of the product.

- A&L said that APRs were used as a sort of comparator for credit cards and mortgages, but in its opinion, for mortgages, customers were less interested in the APR than what they would be paying each month. If the CC were to go down the route of typical quotes, A&L was not sure this would add much to the customer's understanding. Part of the problem was that customers always took, not surprisingly, a very good view of their likely behaviour. It would be very difficult to get a true comparison between different types of accounts and might be more misleading to customers.
- A&L said that it did not compete against the big banks in size but had to compete in other areas where it could, one of which was on price. It did not segment the customer base, but hoped to design products that were going to appeal to people logically, but it was very difficult to predict how a product would perform. Until it got the data on how customers were using the accounts, it did not know because customers were in the habit of saying one thing and doing something else.
- A&L said that in respect of comparison websites there was very little data that the customers had to put in and consequently the results might not be accurate.
- Halifax said that it did not think this option would be effective and would probably not be a real reflection to the customer of the overall package.
- Halifax said that a number of other organizations regularly ran comparisons of accounts, not just of costs, but quality of service or level of credit interest. That kind of scenario information was useful and widely reported in the press.
- Nationwide said that opening a bank account was usually a quick transaction because customers wanted speed, and research showed that the shorter the individual interviews, the more likely there was to be customer engagement. If there were a further provision to go through a quote for the likely charges to be incurred, it would elongate the process.
- Nationwide said that [✂].
- Nationwide said that [✂].
- Northern said that personal quotes had the potential to make the switching process both time consuming and complex. Customers would have to visit a number of banks to compare products and banks would have to undertake detailed analysis of its products to produce quotes.
- Northern said that three quotes would be adequate for typical customer quotes. These would cover in-credit banking, banking within an authorized overdraft and going into unauthorized overdraft. It would have to create 12 scenarios for its four PCA products.
- Northern said that Remedy 7 could be helpful in conjunction with its proposals for Remedies 1 and 2 and might be more successful in stimulating switching than Remedy 4.
- Northern said that an independent facilitator would be one way of getting banks to agree a common set of scenarios.
- Northern said that consumers should be able to access the scenarios in-branch and on the Internet.

- Ulster said that its emphasis was on helping customers avoid charges. It did not see value in producing quotes that showed how much a customer would save if they incurred one charge rather than another.
- Ulster said that to produce customer quotes would be resource intensive. Information would have to be collated and past performance would be no indicator of future behaviour as many customers would say they would behave differently in the future.
- Ulster said that it would be difficult to define a typical customer and to compare institutions in an industry where different charging practices apply. Each scenario would have to contain many caveats, making meaningful comparison between providers difficult.
- Ulster said that comparative quotes were available for mortgage and insurance products. These were produced with minimal information, usually two or three inputs, and did not tell a customer about other facets of the product, such as default and early repayment fees. Current accounts were day-to-day transactional accounts, not fixed-sum financial products driven by just two or three factors. Factoring in behavioural or predictive element to produce scenarios would be extremely difficult.
- GCCNI said that it wished to ensure that it was promoting remedies that encouraged responsible banking as well as responsible lending. It said that if typical quotes included a profile of being regularly overdrawn without permission, this could be seen as promoting financial irresponsibility. It thought that the FSA could suggest the profiles in order to provide independence. It suggested that such an initiative would be more effective if it were funded by the industry.
- GCCNI said that such a remedy would help knowledge of the market, but was helpful rather than essential.
- Which? said that it thought typical quotes were simpler and easier and would provide an overview. It was introducing a new calculator on its website, with three scenarios. Some accounts were best buys on all three scenarios.
- Which? suggested that simple tables for the different accounts sent to consumers each year with the statement on charges would be very powerful.

Remedy 8: Regular ‘rights reminder’

- BoI said that it was supportive of informing customers that they had rights to switch and how to do it. This could easily be implemented and could have significant benefits.
- BoI said that the back of its statements could be amended to include general information on the right to switch and how to go about it, or where to find more information about the switching process.
- BoI said that there was also a place for a separate leaflet to be available at branches and probably included with statements every six months. As this was generic information, there would be no systems costs in communicating it with customers, other than printing and postage.
- First Trust said that simply reminding customers of their freedom to switch PCA providers may not have a measurable impact on switching levels—customers were already aware of their right to switch.

- First Trust said that it thought actively encouraging customers to switch, and showing how they could facilitate the process, was a problematic message to give. It could suggest that banks were actively trying to 'get rid' of certain customers.
- First Trust said that it preferred a more positive stance, emphasizing to potential new customers that switching would be straightforward. This should be sales led.
- Ulster said that it was developing a Customer Charter that would set out for customers, in the form of promises, what they could expect in their dealings with Ulster. It would be made available in branch and dispatched to customers annually. If required by the Code review to provide a rights reminder, it would incorporate it within the Charter.
- Ulster said that it had no evidence of customers being unaware of their right to switch. Its current marketing materials informed customers of the switching process and it was not sure that a rights reminder was the correct method to stimulate switching.
- Abbey said that as a commercial organization, it did not feel it would be reasonable for its customers to receive a rights reminder and in addition thought it might confuse customers into thinking it was closing their account. At a wider industry level, consumers might be educated as to their rights to close accounts, but it was not its job to put that information in front of customers every month.
- A&L said that a regular rights reminder was a strange concept and was capable of being misunderstood by customers, who might think their bank was trying to get rid of them. Its experience on the complaints side was that some customers thought it was a privilege for the bank to operate their accounts.
- A&L said that a bank account was not a period timed contract, like an insurance contract. The concept of stimulating interest was very attractive to A&L, but it was not convinced this approach would grab the consumer's attention. This remedy would not add anything to looking at the account each month. Customers were not forced to proactively use it as a mechanism for looking to switch.
- A&L said that the remedy would be relatively easy to implement, but questioned whether it would really achieve a more competitive market place.
- Halifax said that it was keen to show how easy it was to switch and reassure customers that the switching service worked because it was built into the Code in terms of the requirements for banks to provide the data to each other.
- Halifax said that it would be better if all banks were obliged to send a reminder annually, but not to be prescriptive about the time of year as this would cause operational difficulties.
- Nationwide said that [redacted].
- [redacted] said that it had concerns over the appropriateness of a rights reminder being sent with a breakdown of fees and charges and the message this might convey.
- GCCNI said that it would like to see the banks using a regular rights reminder as a positive part of their marketing communication to their customers.
- GCCNI said that it had a small consumer rights card for shoppers which set out consumers' rights and responsibilities as shoppers. This was carried at the tills of the major retailers and showed the customer that the retailer was not hiding those rights and

responsibilities. GCCNI said that it would like to agree a similar type of leaflet with the banks which they might send to their customers once a year.

Remedy 9: Switching statistics

- BoI said that it was supportive of providing switching statistics. It would have no problem with providing information on levels of switching to and from BoI to an external third party which could combine it with other banks' information and publish it quarterly on a website. An alternative was to obtain the statistics via market research. There would be a question of definition and how to deal with hidden switching
- BoI said that although switching statistics were a measure of what was happening in the market, it did not think that publishing them was as effective in encouraging switching as other instruments. Writing to customers and telling them that they could switch, and how to go about it, or highlighting the typical costs of providing a service were ways that focused on trying to get the customer to act.
- First Trust said that it was against publishing the numbers of people who had switched accounts as the figures could be distorted since many customers did not use the switching service. It was against using customer surveys because they did not address the problem of hidden switching and dormant accounts.
- Northern said that it did not support the publishing of switching statistics. This did not address the negative perception of switching and it viewed the information as commercially sensitive [X].
- Northern said that switching rates were low, not because of customer inertia, but because of (a) the low financial benefit for people switching between PCA providers and (b) high levels of customer satisfaction.
- Ulster said that it used switching statistics in its marketing materials and would have no objection to the publication of switching statistics. But the emphasis should be on countering negative perceptions around switching. It did not consider that switching statistics would address customer perception that the switching process is complex and time consuming. In Ulster Bank's view, it would be more productive to publish statistics on the time taken to switch against industry benchmarks.
- Ulster said that the Code had benchmarks for setting up standing orders and Direct Debits, balance transfers and account closures. These could be used to produce annual compliance figures and it believed banks would perform strongly and reassure consumers that switching was not difficult.
- Ulster said that if switching statistics were to be published, it would prefer the data to originate from MORI. There was no consistency among banks in the methodologies used to capture switching data and MORI data also captured hidden switching.
- Abbey said that for commercial reasons, it would not be in favour of publishing statistics that showed how many customers had switched to it or switched away from it or that showed the number of customers who had switched from a specific bank. It would support publishing statistics detailing how satisfied customers were with the switching process.
- Abbey said that one problem with publishing volume statistics was that they do not take into account qualitative factors: 'was it easy'; 'was it hard'; 'was it an absolute nightmare'?

- Abbey said that it had genuine concerns that the publishing of switching data could be misleading and did not see how these statistics could be independently verified. Hidden switching could be missed, as data would only be collected with regard to those who had used the switching service and if a bank was running a switching campaign, they might see an immediate increase in attracting switchers, but this might not reflect a longer trend.
- Abbey said that another way of presenting statistics on switching would be to show which banks were completing the process in the shortest time.
- A&L questioned whether consumers would have any interest in a switching statistic. It thought that a lot of the banks probably gave this type of information to analysts anyway so the detail would exist. It was not convinced that this was something the media tended to write about.
- A&L said that there were no technical issues as it had a state of the art switching system, possibly one of the most automated, so it would be happy to start publishing some of this data. However there would be problems with do-it-yourself switchers and A&L did not know how many there were. A&L said that those who did the switching themselves manually were typically those who did not trust the banks to do it for them.
- A&L said that one of the real issues was how to move customer inertia. Personal financial journalists wrote a lot about best-buy accounts and produced best-buy tables in order to stimulate people to move accounts to the one that was best for them. But this still did not have an impact, despite the personal financial press being very powerful in the UK.
- Halifax said that it was in favour of switching statistics, particularly if it was the data of customers using the official switching service that was published. This would encourage other banks to encourage customers to use the service.
- Halifax said that it would be unmanageable to reach a definition that included hidden switchers.
- Halifax said that a body like the BBA should collect the information and publish it quarterly, or every six months, to coincide with some of the banking reporting seasons.
- Nationwide said that the statistics which were released at the moment by the trade bodies gave an indication of the amount of switching and the trends in switching without the individual providers of PCAs giving specific information about the number of accounts coming in and out. If more precise information were published, competitors would be able to understand better what was happening with each other's individual products and target them.
- Nationwide said that [✂].
- GCCNI said that it supported collecting and publishing switching statistics because it would provide a measure of how the market was changing. It found it very hard to get a handle on the amount of switching and such a statistic would help with its own publicity. It suggested that the banks could report to an independent body which could produce an annual report.
- Which? said that it had reservations about the use of switching statistics because switching in itself does not mean that consumers are switching to a better deal. Which? referred to the numbers of consumers switching from a clearer to another clearer as an example of switching which was unlikely to increase consumer welfare. Which? feared

that switching statistics could be manipulated by the banks offering poor products who could present switching rates to their company as a proof that their products are of good quality and that further switching is desirable. It suggested that such a statistic should be seen in the context of best-buy tables.

Advertising campaign

- First Trust said that there was general advertising by individual banks highlighting the ability to switch. Therefore perhaps it should be the wording that institutions across the industry would use in the marketing message that should be agreed.
- First Trust suggested that there could be an obligation on all providers, when marketing a PCA, to refer to the switching service and give a message about what the existing bank must do. This would create prominence for switchers of the ease of switching across the industry.
- Northern said that it would have reservations about an industry-sponsored switching campaign. It sought to differentiate its brand and it would not want to give the impression that it was the same as its competitors. It would consider a campaign that promoted the simplicity of switching.
- Northern said that it would not be effective to ask banks to run individual switching campaigns and mandate that they spend a certain amount. A number of switching campaigns run concurrently would cause confusion.
- Abbey said that with regard to an industry-sponsored campaign promoting switching, it would point to that which accompanied the launch of chip and PIN, an APACS-funded initiative.
- Abbey said that the chip and PIN campaign initially focused on heavy promotion through broadcast media and then adopted a more low-key approach with the focus on the date from when consumers would have to use chip and PIN, otherwise payments would be declined.
- Abbey said it thought the first part of the campaign was more effective in generating awareness. Consumers were constantly reminded via the media about the change and, given the high-profile nature of the campaign, it was very difficult for consumers to avoid.
- A&L said that it would not object to an industry-funded campaign to raise awareness of switching, but queried that a benefit analysis would ever be done. The chip and PIN campaign had been carried out because there was a real benefit for the banks in terms of fraud. It thought that such a campaign would have to be an obligation on the banks. Another similar campaign was the BBA-run initiative to encourage customers to track down money in dormant accounts. Date-related campaigns like chip and PIN worked, whereas a general campaign like switching would need to be refreshed quite regularly.
- A&L said that while it was not opposed to an industry-funded campaign, from which it would expect to benefit, it was a big question as to whether consumers would act. The CC's finding that people held their account for a long time suggested that it was the same people moving around for the best deals.
- Halifax said that it was not in favour of an industry-funded switching awareness campaign as it would rather spend the money promoting its own brand.
- Nationwide said that [✂].

- GCCNI said that banks' own marketing campaigns were in a way switching campaigns in that they were trying to attract switchers.
- GCCNI said that when something went wrong with a product or service, people affected became much more aware and thus would be receptive to perhaps an annual campaign by the banks.
- GCCNI said that it had a role in making sure that there was a constant reminder of the switching process and how it could help people through the process.
- Which? said that it supported a general advertising campaign on switching and did not see industry involvement as a bad thing. For example, a consumer-focused advertising campaign on payment systems was to be funded by the industry following the work of the OFT's Payment Systems Task Force.

Remedy 10: Changes to the switching process

- BoI said that it would be supportive of anything the industry could do to highlight the switching process and influence consumers' perceptions.
- BoI said that the level of complaints it received in terms of switching in and out were negligible. In its experience, where difficulties arose, these were in the area of Direct Debits.
- First Trust said that customers who had switched were positive about the banks' switching process and it was only when they had tried to switch independently that a minority may have encountered problems, eg with Direct Debits. There were industry-level arrangements in place for redirection of information so processes were systematized and standardized across the industry.
- Northern said that the BBA flyer, given to customers when they opened accounts, could be developed to explain the switching process.
- Northern said that it had a fully-automated system for transferring Direct Debits and standing orders. There should be no negative effect of a manual process as the Code stated that all information must be transferred within three days of the switching request. Its switching team had no evidence of originators causing delays to the switching process. Under the Direct Debit scheme rules, the Originators were required to amend their records within three days of receiving the request.
- Northern said that to ensure no financial difficulties occurred during the switching process, it discussed with customers the best time to effect a switch, taking into consideration, for example, when their salary was paid. The Code provided that where a delay or mistake in switching is made by a Bank, any associated charges will be waived.
- Ulster said that the current Direct Debit scheme rules required originators to action a request to change or cancel a Direct Debit within three working days. Its own experience showed that around 10 per cent of originators failed to change or cancel a Direct Debit within this period.
- Ulster said that its switching packs contained letters authorizing payments into the new account for customers to sign, which Ulster then sent to direct credit originators. If it received a credit for an account that had switched to another bank, it would, if possible, forward that credit and advise the originator that it no longer held the account.

- Ulster said that holding customers harmless for a limited period from charges incurred as a result of errors in the switching process, including Direct Debits or direct credits not being transferred, should be a commercial, and not a regulatory, decision for banks.
- Ulster said that holding customers harmless for a limited period had the potential to reinforce the perception that switching was difficult. Customers might also become complacent in completing their part of the switching process if they believed that they had additional time under the no-charging period.
- Abbey said that it completed a customer's switch usually within 21 days. If it had more confidence in the switching process, and other parties involved, it would like to guarantee to complete the process within a fewer number of days. It would like to see some form of sign-up among those involved with the process to ensure this was the case.
- Abbey said that [✂].
- Abbey said that [✂].
- Abbey said that it completed a switch within 21 days, but in reality could normally complete the whole process within 10 days. The process was automated and automated messages were sent to originators once the switching request was made. Problems occurred when this request was not acted on and follow-up letters had to be sent. The related delays meant that making a guarantee to customers about when the process would be complete was problematic.
- Abbey said that to cover any potential problems with the transfer of Direct Debits, customers were given an interest-free overdraft that either matched their current offering, or was set to a minimum of £300, for four months.
- Abbey said that educating consumers and making them aware of how they could contribute to the switch was important. Consumers must be aware that the process was reliant on certain people and they must also tell their employer to make sure they responded to letters.
- A&L said that its switching system was the most advanced in the market. Problems with switching occurred if the customer gave the wrong account number for the old bank, if the old bank did not play ball even though it was supposed to, or if the customer set up a Direct Debit or standing order during the three day gap between initiating the switch and the switch of Direct Debits and standing orders by the other bank.
- A&L said that another problem was that Direct Debit originators did not update their records when informed of the switch. In such cases, A&L told the customer it would do everything, the customer thought it was the bank's fault.
- Halifax said that there were three constituents to the switching process. Customers sometimes delayed the process and sometimes banks for good operational reasons. Some companies did not always action its requests and government departments would not act on its mandate even with a customer's authorization.
- Halifax said that the Code was well regulated, but there was potential for more active monitoring. If switching statistics were going to be published this could be tied in with a review by the BCSB.
- Halifax said that it already provided an interest-free overdraft, which was withdrawn once the account was switched; customers then moved to the charged overdraft set up on the account.

- Halifax said that it promoted the interest-free overdraft in leaflets given to customers about switching in order to reassure them, but it had had some doubts about making this an obligation on the industry. Care needed to be taken not to eliminate competitive advantage, but anything which gave customers reassurance that the switching process, as whole, would work was a good thing.
- Nationwide said that there had been quite a lot of improvement over the past few years around the process for switching. It believed the process was working well and its internal statistics showed that it was meeting and exceeding the required standards as far as switching was concerned.
- Nationwide said that [✂].
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- Nationwide said that [✂].
- GCCNI said that a buffer in the new account was essential in order to provide an incentive to the bank to sort out any problems and make the reality and perception of switching a positive one. The customer should not have to worry that there is enough money in both accounts to cover Direct Debits coming out of either account during the switch over.
- GCCNI said that the BCSB could do more to ensure the switching aspect in the Code was promoted.
- Which? said that the switching process was not difficult and that the difficulties that persisted were by and large perceived difficulties regarding redirection of standing orders and Direct Debits. The Banking Code provisions aimed at improving the process. It would therefore be more efficient to ensure that those provisions are adhered to rather than devising new measures.
- Nationwide said that number portability [✂].

Additional remedies

- GCCNI said as a result of its mystery shopping exercises it was concerned that there appeared to be no minimum competency in the branches for the provision of clear information. When it had raised its concerns with the senior bank staff, what they wanted to know was which branch and member of staff as opposed to addressing the generic issue.
- GCCNI said that it was working with the banks on different issues and maybe one issue could be to understand the expectation of customers and how the information being provided was received.
- Which? said that it considered access to branches to be an important feature of the market and had suggested a remedy requiring banks to share branches. This was because branches were key in consumers' deciding to open a bank account with a particular bank. Improving competitors' access to branches might improve competition for new customers as well as facilitate switching.