

Searching and switching

1. Paragraphs 2.78 to 2.92 and 4.202 to 4.229 discuss searching and switching of PCAs in Northern Ireland. In this appendix we look in more detail at levels and patterns of switching, causes of switching, and barriers to switching. Appendix 4.2 describes the switching process itself.

Data on levels of switching

2. Switching can occur via a bank's switching service, or by a customer arranging the switch themselves. Where customers make use of a switching service, they have to inform each of the two banks of the identity of the existing and future PCA providers. This potentially provides a useful data source of switching, but many of the banks have not collected this data or have done so only in recent months.
3. Alternatively, a customer could switch bank themselves. The customer can open a second PCA with a different provider, and make their own arrangements for balances, direct debits, standing orders, and direct credits (eg salaries) to be transferred. The old account may or may not be closed; in most cases there is no financial incentive to close it. Customers may choose to use this method if they want to evaluate a new bank before closing the old account, or if they perceive some advantage in preserving a relationship with their old bank, for example if they believe access to credit depends on the length of time they have been with a bank. In this case, the providers may be unaware that switching has occurred. Banks look for dormant accounts, where no transactions have occurred for a considerable period, as a sign that a customer may have switched to an alternative provider in this way.

4. Therefore, we need to rely on survey evidence to give an indication of the total level of switching. Surveys such as the MORI survey and the ORC survey commissioned by the CC, typically ask customers whether they have changed the provider of their main or primary PCA.
5. Some customers may use more than one PCA, either with the same or a different provider. This may be because customers could run both a sole and a joint account, or they may keep an old account as an emergency back-up facility, or some may like to allocate different areas of income or expenditure to different accounts to make budgeting easier. This means that the notion of a clean switch from one provider to another may be inappropriate. However, we believe that in most cases customers do regard one of these as their primary PCA; the survey companies did not report any difficulties with respondents recognizing their main PCA.
6. The MORI survey (Q2 2005) indicates that about 11 per cent of those with a PCA in Northern Ireland have at least two accounts. The ORC survey found 25 per cent of respondents with a PCA had another PCA with a different institution.¹ Few of those accounts appeared to be dormant. 63 per cent had had a transaction in the previous month, and 76 per cent within the last six months. Northern said that the high number of secondary accounts showed customers were exercising more choice than implied by the figures based on main account alone. Ulster said that where a customer held two accounts it was easy to switch 'main' activities between them and this increased competitive pressure between the accounts. Similarly, First Trust said that if a customer could partially switch to a secondary account, the main bank would lose fee and interest income.

¹The ORC survey found that 20 per cent of respondents with a PCA had another PCA with the same provider.

Data on total switching rates

7. Data on total switching is available from survey sources. In the ORC survey, switchers were identified by asking all those who had opened a PCA within the last five years 'When you opened the new account, did you change the bank or building society that provided you with your main account?'. Using this definition, of 1,143 survey respondents holding a PCA, 128 had switched account provider. This is an overall five-year switching proportion to 2005 of 11.2 per cent.

8. To estimate an annual switching rate from this five-year switching proportion, an assumption has to be made about the likelihood of account holders to switch more than once during the five years. Under the assumption that no account holder switches more than once every five years, the equivalent annual switching rate would be 2.24 per cent. Under the assumption that, in any one year, a previous switcher is just as likely to switch again as is an account holder who has not previously switched, the equivalent annual switching rate would be 2.35 per cent.

9. The MORI survey asks respondents the circumstances of opening their main account. Overall, in 2005, 22 per cent of the stock of main accounts had been transferred from another bank (up from 19 per cent in 2004). Another 3 per cent were described as main accounts additional to a PCA the customer already had open. A clearer [§] provided data on switching rates for Northern Ireland as a whole, derived from the MORI quarterly survey results from 2000 to 2005 (see Table 1); we later updated this using the MORI survey results for 2006 Q2. We note that switching rates have increased since 2000. Table 1 shows both a switching rates based just on customers who had transferred from another provider, and also including customers who said they had opened a main current account additional to an existing account (as this might include customers who switched main bank but left their old account open). This measure of switching including additional accounts is slightly higher,

although some of the additional new accounts here might be secondary accounts or could be an additional account with the same provider. It is possible that the revised switching rate has shown some decline recently.

TABLE 1 **Switching rates based on MORI quarterly customer surveys**

<i>Total Northern Ireland market</i>	Q4 2000	Q4 2001	Q4 2002	Q4 2003	Q4 2004	Q1 2005	Q2 2005	Q2 2006
Sample	4,147	4,460	4,623	4,563	4,826	4,830	4,882	4,953
Held account for less than one year	198	195	213	247	240	255	229	208
Flow as % of stock	4.77	4.37	4.61	5.41	4.97	5.28	4.69	4.20
Per cent who have transferred from another provider	24.24	23.59	32.86	27.13	28.33	29.41	29.69	34.13
Switching rate	1.16	1.03	1.51	1.47	1.41	1.55	1.39	1.43
Per cent who have opened in addition to existing account	5.05	10.26	11.74	7.29	5.83	7.06	9.17	5.77
Revised switching rate if 'additional to my existing account' is added (%)	1.40	1.48	2.06	1.86	1.70	1.93	1.82	1.68

Source: A clearer ([redacted]) (based on MORI data).

10. One clearer ([redacted]) told us that the Mintel report (January 2006) suggested 4.1 per cent of the survey sample in Northern Ireland had switched PCA in the last 12 months.

Extent of switching using switching services or hidden switching

11. As noted above, switching can occur through switching services, or can be hidden switching where customers organize the move themselves and the transfer may not be obvious to the banks. Some of the clearers told us that they were experiencing high numbers of accounts becoming dormant, that is, remaining open but with no transactions being made. Even after allowing for known reasons such as death or bad debts, these banks said that the number of newly inactive accounts was so high it suggested a high degree of hidden switching to new banks while leaving the old account open. A clearer ([redacted]) said that based on MORI results (December 2005), [redacted] per cent of customers who had transferred their main account from a different organization said that they had never closed a current account (this suggests at least [redacted] per cent of switchers would not be detected by switching services), and [redacted] per

cent of people who had opened an additional account had never closed a current account. This implies a high level of use of secondary accounts rather than switching of main accounts.

12. A clearer ([X]) said that from January to August 2005, it received [X] requests from customers seeking to switch away, and [X] accounts were closed.² However, [X] accounts became newly inactive in this time (ie no transactions in the previous six weeks). Similarly, another clearer ([X]) found that [X] per cent of customers who held their main PCA with it in December 2003 either formally closed their account or stopped using it as their main bank by December 2004. The corresponding figure for 2003 was broadly similar ([X] per cent). This rate was calculated excluding deaths, dormancy and bad debts, thus it argued the figures reflected just visible and hidden switching. These banks said that these figures implied much higher switching rates than those indicated by the survey sources, and said that the surveys failed to take account of this hidden switching (although they were not able to explain in what way surveys missed this switching, ie why such switching was hidden from surveys as well as from the banks' switching services). It was suggested that some customers who switched themselves might not have identified themselves as switchers in the surveys.

13. We considered whether it was plausible that the high attrition rate experienced by this clearer was compatible with the overall rates of switching in the market measured by the MORI and ORC surveys. We observe (see paragraphs 20 to 28) that there is a tendency for customers to switch from the clearers to the non-clearers, suggesting the clearers will on average experience higher switching rates. We were

²[X] was the only clearer to provide details of the number of customers who had switched from it using a switching service, and the period only covered January to September 2005 (with incomplete data in January). It handled [X] requests from customers to switch to a different provider in this period. At year-end 2004, [X] had a total of [X] open PCAs, suggesting an annualized rate of switching via switching services for all PCAs of just under 2 per cent. This switching rate is with regard to all accounts including dormant and secondary accounts. [X], its switching rate may be higher than other banks, or other banks may have suffered similar rates of switching out but these were offset by customers switching in from other banks.

not able to obtain comparable data on attrition rates from other banks, but looking at gross closure rates, the clearer in question consistently had closure rates above average for all the clearers, and far above those of the non-clearers. In the absence of any evidence of a form of switching by some subset of customers which is excluded by these surveys, we conclude that the surveys remain the best overall estimate of average switching rates in the market. However, we also note that some banks may experience considerably higher rates of switching out.

14. Both the MORI and ORC surveys asked respondents whether they had switched provider and if so, they asked about the circumstances of the switch.
15. The MORI survey found that 19 per cent of the stock of main accounts had ever been transferred from another bank, but only 3 per cent were described as main accounts additional to a PCA the customer already had open. This suggests switching and leaving the old account open is uncommon.
16. The ORC survey probed three broad methods by which a customer might switch PCA provider:
 1. switching services from the banks used;
 2. customers made arrangements themselves and closed old accounts; and
 3. customers made arrangements themselves and left old accounts open.
17. The proportions of 126 switchers³ stating that they used each method are shown in Table 2. Because of the small sample size, there are relatively wide confidence intervals attached to the estimates.

³Two switchers out of 128 could not remember or refused to answer.

TABLE 2 **Methods used to switch bank**

	<i>Proportion %</i>	<i>95% Confidence interval</i>
Switching service	39	+/- 9
Customer closed old account	36	+/- 8
Customer left old account open	25	+/- 8

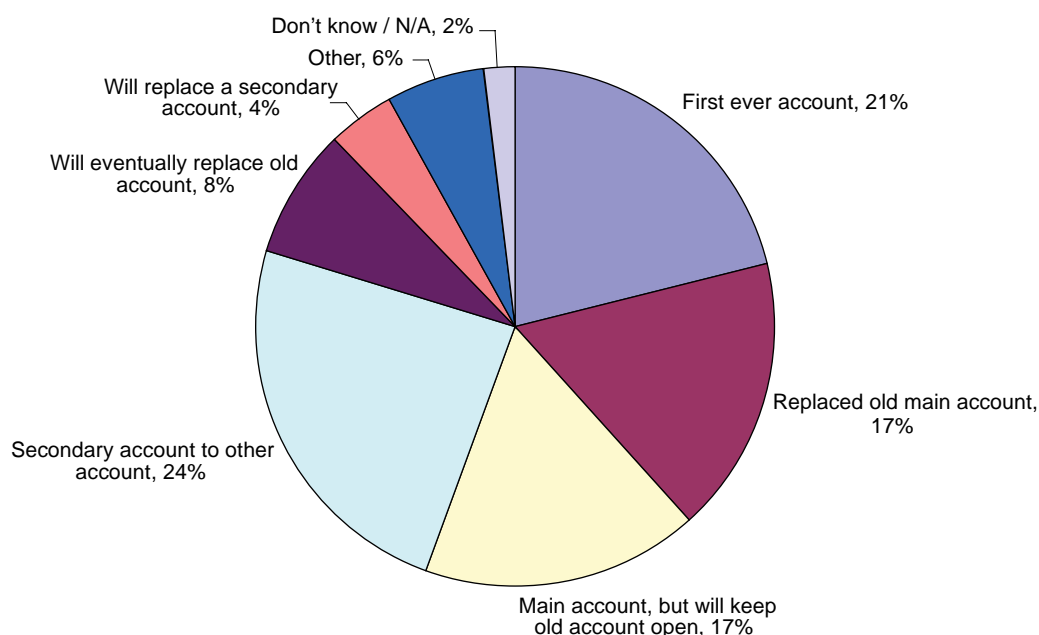
Base: 126 switchers answering the question

Source: ORC survey Nov/Dec 2005.

18. The ORC survey evidence is thus that between 30 and 48 per cent of PCA switching is conducted using a switching service, and the rest is 'hidden' switching. Between 17 and 33 per cent of switching does not result in the closure of the old PCA.
19. An alternative picture emerges from figures provided by one of the non-clearers about the circumstances of opening accounts through the UK. This bank tracks customers who open new current accounts with it, see Figure 1. It said that 8 per cent of customers claim that their new account will eventually replace their main account, with a further 17 per cent stating that the new account is their main account, but they are keeping their other account open. Consequently 25 per cent of new customers were running two accounts in parallel and effectively trialing their account. The bank said that when trended over time, it appears that customers stating the account will eventually replace their main account have decreased as the number retaining their previous account has increased. Only 17 per cent of account openings were intended to directly replace an old main PCA, and 21 per cent were first-time PCAs. Many account openings were to create or to replace secondary accounts.

FIGURE 1

Intended use of new PCA opened with a non-clearer



Source: Non-clearer's analysis of NOP Current Account Tracker (December 2004).

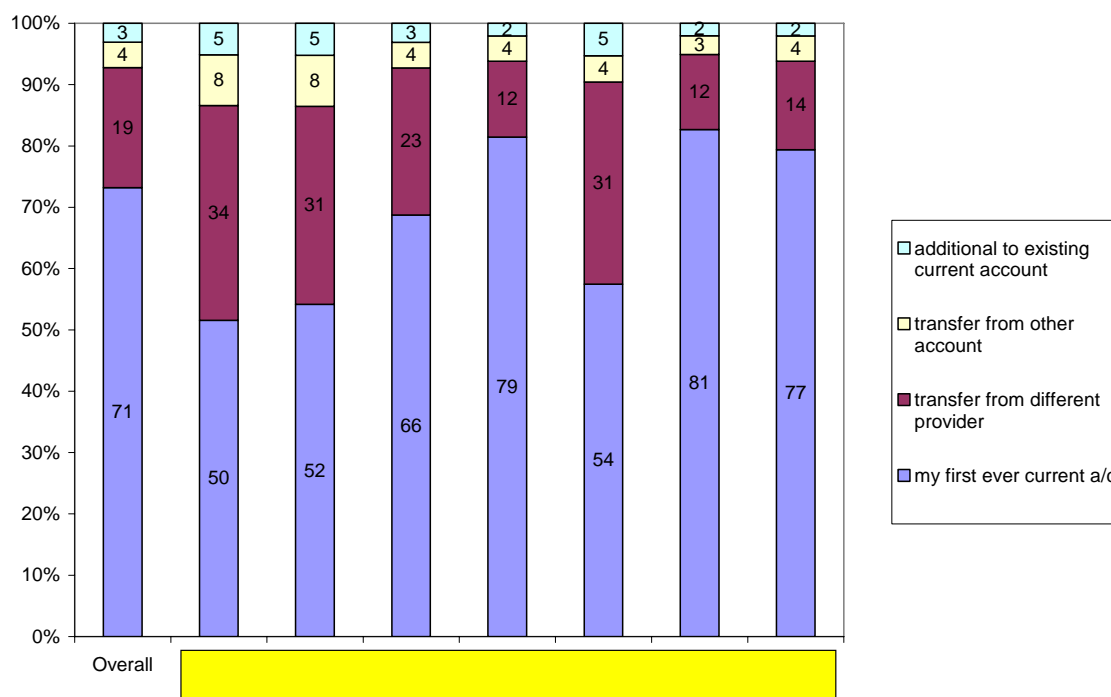
Patterns of switching: sources and destinations

20. We now consider evidence of the proportions of switchers in the customer base of the banks, where switchers from the banks are switching to, and where new customers have switched from.

21. The MORI survey asks respondents the circumstances of opening their main account. This is shown in Figure 2 for all PCA holders, and for customers with their main PCA at each of the largest banks. It can be seen that the non-clearers have a much higher proportion of their customers who have switched from alternative institutions than the clearers. Switchers make up a much greater proportion of [✂] customers than the other clearers. It is also much more likely that an account at one of the non-clearers is going to be additional to another, pre-existing PCA.

FIGURE 2

Circumstances of opening main current account (%)



Base: 4,826 respondents surveyed in 2004.

Source: MORI.

22. The MORI survey also provides details of which banks have picked up customers from other institutions and rank them by share of switchers. This is shown in Table 3. Thus [X] in Q2 2005 has a [X] per cent share of all customers who have ever switched provider. For all the clearers their share of switchers is less than their overall market share, whereas for each of the non-clearers their share of switchers is above their overall market share.⁴ Nonetheless, 55 per cent of switchers have switched to one of the clearers.

⁴The only exception is [X] whose share of switchers in Q2 2005 was [X] per cent compared with an overall market share of [X] per cent.

TABLE 3 Shares of all main current accounts where the customer had transferred from a different institution

per cent

Q2 2005

Bol First Trust Northern Ulster Total clearers	() ✂ 55
Abbey A&L Halifax Nationwide Post Office Woolwich Other Total non-clearers	() ✂ 45

Source: MORI.

23. These figures refer to customers who have ever switched. Data on recent switching, drawn from the banks' switching services, show the clearers are picking up a low proportion of switchers.

24. [X] provided January to September 2005 data for the destination of switching customers known to [X]—see Table 4.

TABLE 4 Destination of switchers from [X] PCAs, January to September 2005

per cent

Percentage of switchers by financial institution	() ✂
---	---------------

Source: [X].

*January figures only tracked up until 25 January, therefore they do not represent a full month.

†Misc includes [X].

25. [X] reported that in the 11 months to October 2005, approximately [X] per cent of switchers from [X] PCAs have been to the other clearers. A higher proportion of switchers, around [X] per cent, had chosen to move to one of the non-clearers [X]. All four of the largest non-clearers gained more switchers from [X] than any of the clearers; [X].

26. Ulster reported that following the introduction of its fee-free charging structure, about [redacted] per cent of the switchers it attracted were from other clearers (while [redacted] per cent of the switchers it lost were to non-clearers). It also said that the average number of switchers out each week had [redacted] since the announcement of its fee-free charging structure compared to the first 10 months of 2005. [redacted]
27. [redacted] and [redacted] said that they did not collect data on the destination of switchers, although one clearer ([redacted]) had conducted some ad hoc surveys of customers who had switched from [redacted] to a rival bank. The results of the previous two surveys are in Table 5. Note that both personal and business customers are in the sample. [redacted] also said these survey results were based on a very small number of respondents, and may have been based on switchers using automated direct debit and standing order transfer systems, which were not necessarily used for transfers between the clearers.

TABLE 5 Destination of switchers from [redacted] current accounts (per cent)

Rival bank	September 2005	March 2003
[redacted]	[redacted]	[redacted]

Source: [redacted].

28. The clearers' PCA customers who switch appear to largely choose non-clearers based on the evidence from these two clearers.

Comparators

29. We now look at a comparison of Northern Ireland PCA switching rates with other geographic markets and other products. However, we do not know whether other markets are fully competitive and directly comparable with the Northern Ireland PCA market.

Comparison with Great Britain

30. One non-clearer said that the NOP Financial Research Survey in Great Britain (July 2005) estimated that 20 per cent of all new current accounts had been switched. This has fallen from 23 per cent of the stock of current accounts at the time of a similar survey in July 2002. Similarly, one clearer quoted NOP survey results for 1999 to 2003: the rate of switching started at 1.1 per cent in 1999, increased and reached a peak of 1.7 per cent in 2001 before falling to 1.4 per cent in 2003. These figures can be compared with both the MORI and ORC survey results. Although there may be inconsistencies between the surveys, it suggests switching levels are similar in Great Britain and Northern Ireland.

31. Some of the non-clearers perceived that there was a greater propensity for customers to switch to them in Northern Ireland than elsewhere in the UK. [redacted] said that Northern Ireland had historically been the area with the highest propensity for customers to switch accounts to it. [redacted] said that [redacted] of its top ten branches for switchers as a proportion of new business were located in Northern Ireland. [redacted] also stated that its experience in Northern Ireland was different to the rest of the UK; it said that it had experienced a declining net position in terms of switchers but this had not happened in Northern Ireland, where it was still recruiting switchers from the clearers at a high rate with virtually no transfer out.

32. [redacted] told us that it had calculated the rate of switching to its PCAs as a percentage of the eligible population in Great Britain and Northern Ireland. This was higher in Northern Ireland at 0.18 per cent a year compared with 0.15 per cent in Great Britain. While this might reflect [redacted] success in Northern Ireland rather than an overall propensity to switch in the market, it thought the 20 per cent differential was important.

33. The non-clearers attributed these differences to the clearers' pricing proposition rather than differences in consumer price sensitivity between Northern Ireland and Great Britain. [X] said that it attributed high switching to the charging structure and general product features offered by the clearers. [X] said that its switching rates had been maintained due to a lack of competitor reaction, in contrast to its experience in Great Britain. However, [X] said that switching in Northern Ireland appeared to be in line with switching throughout the rest of its customer base.
34. We have not found any evidence that allows us to directly compare switching rates between either Northern Ireland or the UK and other countries. The European Commission published its interim report on Current Accounts and Related Services on 17th July 2006. This examined customer mobility by looking at customer churn in EU member states. Annual churn is defined as the number of new current accounts plus the number of closed current accounts, all divided by twice the number of current accounts at the beginning of the year. Figures are adjusted to take account of market growth effects. Therefore this measure captures account opening and closure arising for reasons other than switching. These other factors may differ between countries and so it is not clear whether the comparative results necessarily imply similar differences in switching rates between countries. However, the report found for 2005, churn after allowing for market growth in the UK was 5.07 per cent, compared to the average for the EU-15 member states of 7.55 per cent and the EU-25 member states of 7.78 per cent.

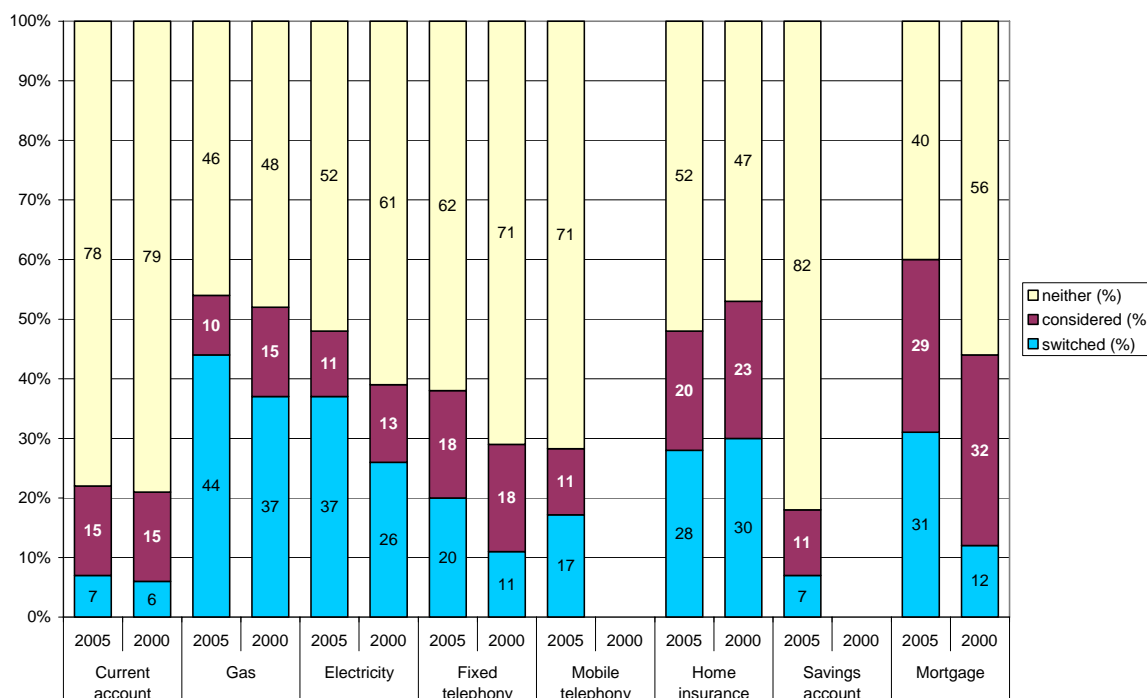
Comparison with other industries

35. We next considered comparisons of switching rates relative to other non-banking industries. Some of the clearers argued that there were different benefits, costs and reasons for switching in other industries, and so a straightforward like-for-like comparison was not appropriate.

36. A DTI publication, *Switching Suppliers, Consumer Affairs Report, 2001* (DTI 2001) researched the reasons for consumer reluctance to change suppliers in a variety of utility and service industries, using quantitative and qualitative research. Switching rates were calculated using the May 2000 FDS survey. In 2005, the National Consumer Council updated some elements of this report including a survey of consumer switching, published as *Switched on to switching? A survey of consumer behaviour and attitudes 2000–2005* by Alena Kozakova (NCC 2005). Figure 3 shows the proportions of consumers who had switched supplier in the last five years, or if not, whether they had considered doing so in 2000 (from the DTI 2001 study) and in 2005 (from the NCC 2005 study).

FIGURE 3

Proportion of customers who had switched or considered switching suppliers for different UK industries



Source: NCC (2005).

37. These results are not specific to Northern Ireland. However, they show that the proportion of switchers for PCAs is lower than for any of the other industries (except

savings accounts in 2005), and few consumers who had not switched had contemplated doing so. There had been only a very small increase in the proportion of switchers between 2000 and 2005;⁵ for most of the other industries—except house insurance—the increases has been much more marked. The figures for the proportion of customers who had switched account are much lower in this survey than other reported survey results in the UK. The reason for this is not apparent but there is no reason to believe that any differences in measurement do not apply equally to all the industries covered, making the comparisons between them relevant. As noted above, the reasons for switching, incentives and costs will differ between industries and interpretation should consider the drivers of switching as well as impediments to switching; for example, one clearer, Northern, said that the majority of customers paid no fees on PCAs, and therefore the incentives to switch would be weaker than for other products. BoI said that PCAs are generally known to be characterized by low rates of customer switching compared with other markets (such as car insurance), but this is not necessarily a sign of low competition or consumer detriment. Rather, it indicates a feature of current account banking, namely one based on relationship between customer and provider, in which trust, loyalty and a high degree of customer satisfaction go hand-in-hand. First Trust said that switching in different industries carried different implications for profitability in the affected industry. For example, it said that as banks carried a high fixed cost base the profitability impacts of a PCA customer switching were much greater than for an industry characterized by more variable costs. First Trust also noted partial switching is possible in PCAs (eg the customer operates multiple accounts) whereas in other comparator industries the customer has to make an all-or-nothing comparison, and so in comparison PCA switching is under-recorded as even without full switching the customer can use an alternative account.

⁵The precise sample size is not given but the introduction says sample sizes were around 400 to 500 for each product field. Therefore marginal changes will not be statistically significant.

38. The DTI 2001 report stated that these low switching rates compared with other industries demonstrated high levels of inertia and customer loyalty. When asked whether they would switch if it were simple and free to do so, 10 per cent of respondents said yes definitely, 22 per cent possibly, and 62 per cent (the highest of all industries examined) said no. By the NCC 2005 survey, the results had changed to 12 per cent saying yes definitely, 25 per cent possibly, and 63 per cent no (the number of don't knows had fallen). The 63 per cent saying no remained the highest of any industry. The high number who said no could be interpreted in a number of ways: as evidence of customer inertia, as evidence of customer perception that there were no gains from switching, or as a reflection of high satisfaction with the current supplier.
39. Switching data is also available for domestic gas and electricity supply in Great Britain from Ofgem's publication *Domestic gas and electricity supply competition, Recent developments* (June 2003). This found that net switching to March 2003 was 37 per cent of domestic consumers for gas, and 38 per cent for electricity. The incumbent providers had managed to persuade some customers to switch back to their original provider; hence gross switching rates were higher than these net rates.

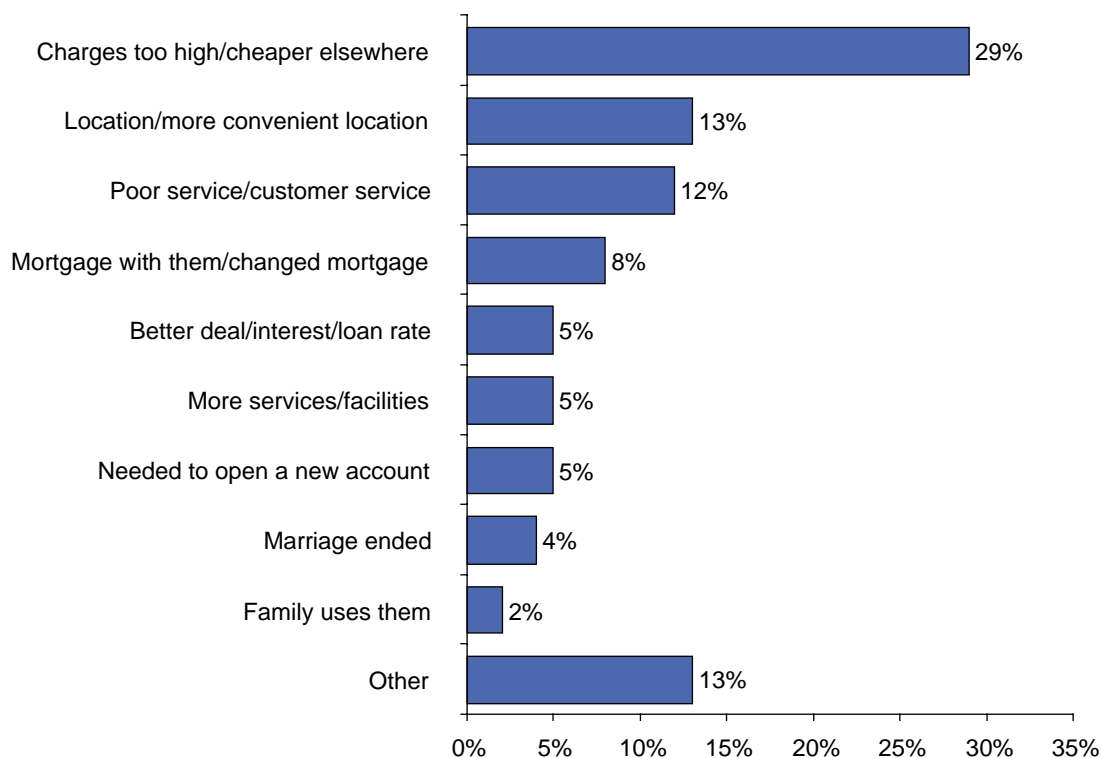
Causes of switching

40. We now consider reasons for switching, and for the choice of the new provider. The decision to switch may be taken either because a better offer is seen elsewhere (a pull factor where the new bank pulls the customer to them), or because of dissatisfaction with the existing provider (such as poor service or because the customer feels fees are unfair or rates are uncompetitive) where a separate and subsequent decision then has to be made as to which provider to switch to.

41. We have two main data sources, the ORC survey, and results from the MORI survey which ask respondents for their reasons for switching. In the ORC survey, the 128 respondents who had switched bank in the previous five years were asked for the main reason they had decided to change bank (unprompted), and were also given a list of reasons for switching and asked which applied (prompted). These are shown in Figures 4 and 5.

FIGURE 4

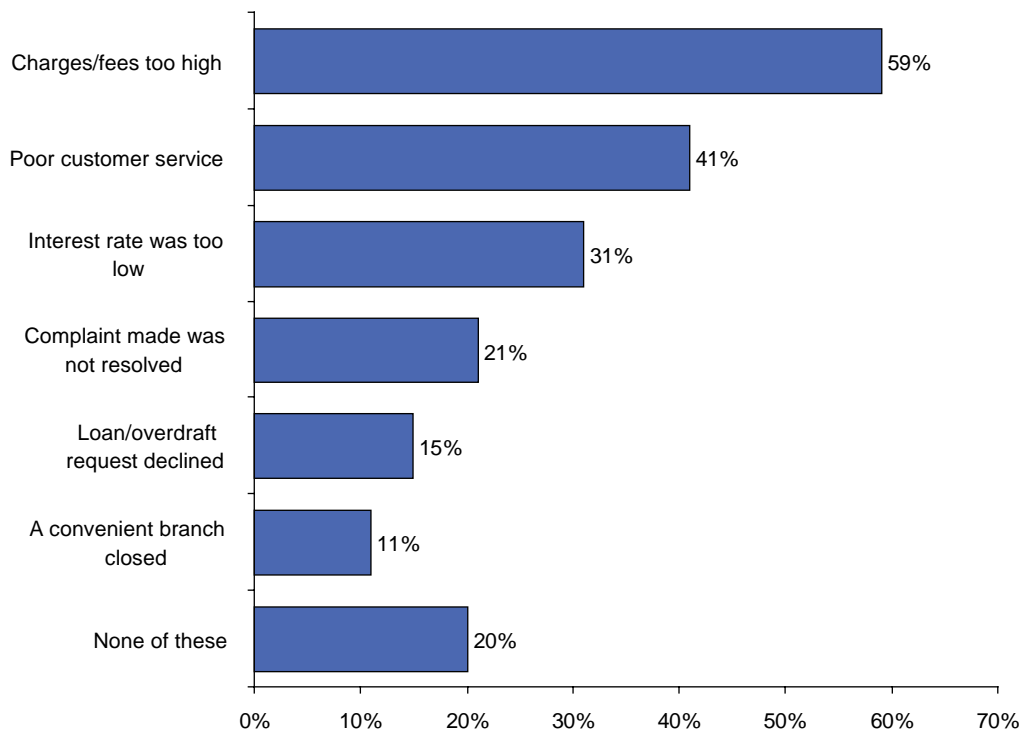
Main reason for decision to change PCA provider?—unprompted



Source: ORC.

FIGURE 5

All reasons for decision to change PCA provider?—prompted



Source: ORC.

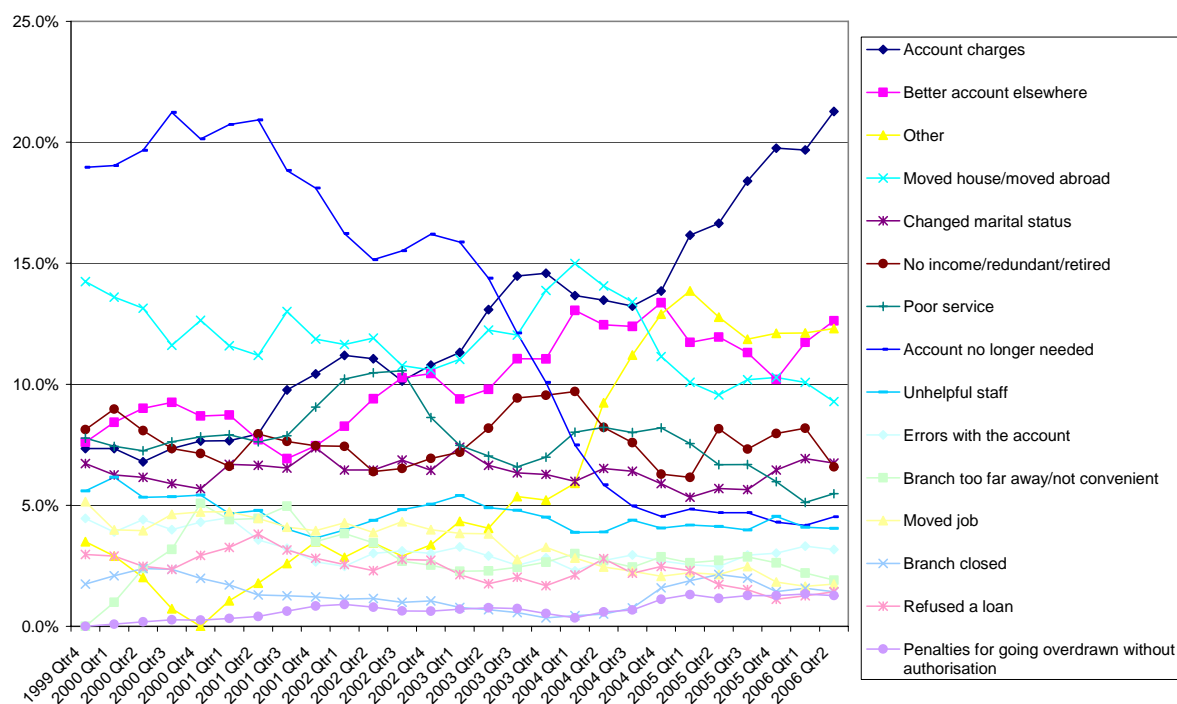
- 42. The major reasons for deciding to change provider were that charges were too high or cheaper elsewhere, branch location, and poor customer service (unprompted), and charges too high, poor customer service, low interest rates, and unresolved complaints on the prompted list.

- 43. The MORI survey asks about two related issues: switchers' reasons for opening their main PCA; and their reasons for closing a PCA.

- 44. Figure 6 shows the main reason why customers have closed their PCA based on MORI figures; this includes those who did not switch to an alternative provider.

FIGURE 6

Main reason why customers have closed their PCA



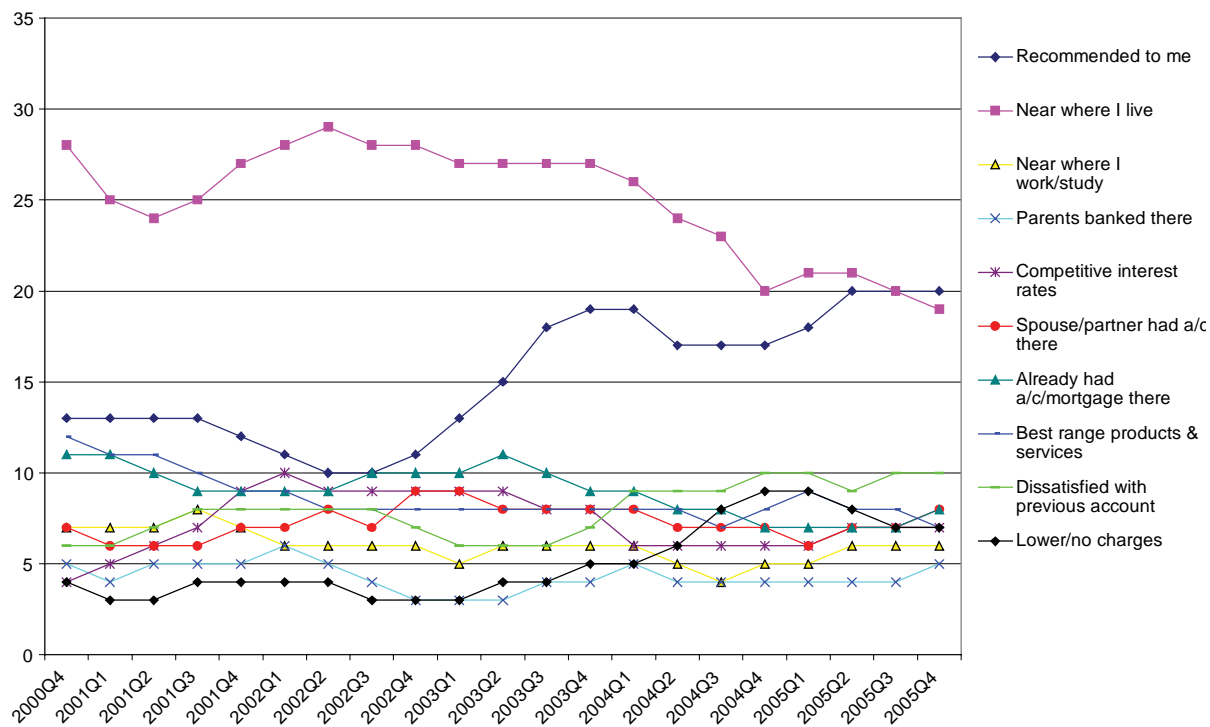
Source: MORI.

45. There is evidence that price and service factors play a role in the decision to switch providers. According to these data, over 20 per cent of customers who closed their account in the year to 2006 Q2 cited high charges, a proportion that has increased from 7.5 per cent in 1999, and nearly 13 per cent of customers who closed their account stated that there was a better account available at a different institution (having increased from 8.7 per cent in 1999). Some of the reasons for closure reflect changes in personal circumstances, such as moved house, changed marital status, and lost income. However, other push factors are observable in responses relating to a poor level of service, errors with the account, and unhelpful staff. Including these with account charges, it can be seen that dissatisfaction with the current provider is the major cause of the decision to switch. Pull factors from better accounts elsewhere did not appear to be the driving factor in most cases for the decision to move.

46. Figures 7 and 8 show in turn the stated main reason for the choice of new PCA suppliers, and secondly all relevant reasons for the choice of new PCA supplier (ie multiple answers were allowed so the total adds to more than 100 per cent), for those customers switching PCA supplier.

FIGURE 7

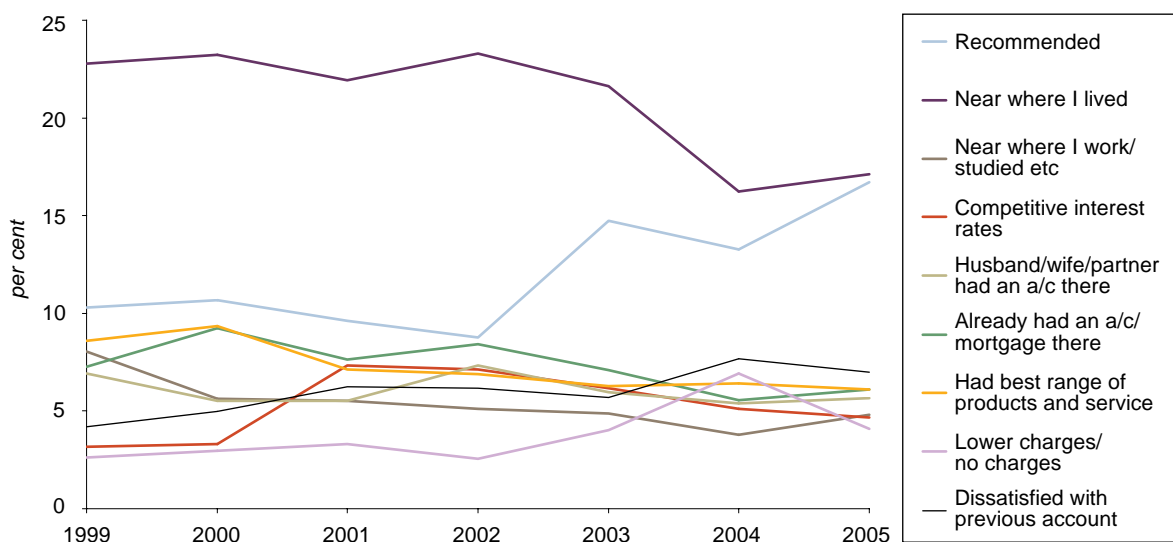
Main reason for customer choice of new provider when switching PCAs, per cent



Source: MORI.

FIGURE 8

All reasons for customer choice of new provider when switching PCAs



Source: MORI.

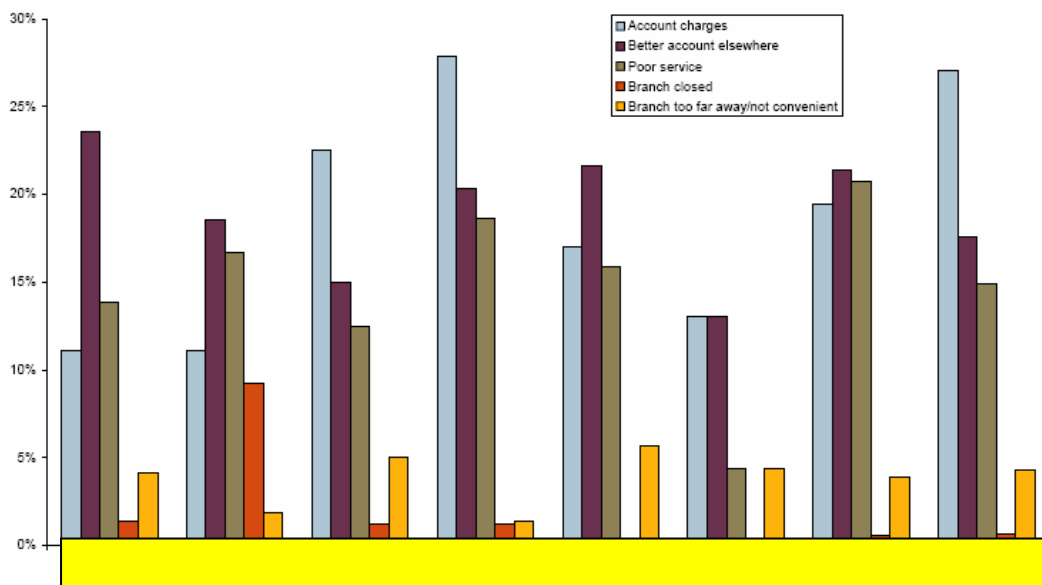
47. These results indicate that the main reason for the choice of a new provider when switching is proximity of a branch to home. Additionally, proximity to place of work or study is another reason, which when added together show that branch location is a major factor in the choice of switching banks, although the proportionate importance of this factor appears to be declining, as noted by several of the clearers. Ulster also presented an analysis of the destination of customers who switched from Ulster to non-clearers. It found that [redacted] per cent of customers switched to banks which did not have a branch within 10 minutes drivetime of their previous branch of Ulster. It said this showed that many customers were not geographically constrained when they sought to switch to other banks.
48. Personal recommendation is the second most prevalent reason and appears to be increasing in importance. This reason may encompass an assessment of service levels, product quality, and/or value for money. First Trust argued that this reason means that as experience of switching grows so word of mouth should ensure the perception of barriers to switching breaks down. The third most cited reason is dissatisfaction with previous account, although that does not itself explain the choice of identity of the new provider. Reasons for the choice of new provider relating to price and product competitiveness (competitive interest rates, best range of products and services, lower or no charges) are grouped in the block of main reasons scoring 4 to 8 per cent of responses (5 to 10 per cent for all possible responses), suggesting pull factors such as better pricing play a part in choice of provider when switching, but are not the major influence.
49. We compared these results for choice of replacement provider with the reasons given for the choice of first ever provider. In the case of first ever accounts, proximity to home was by far the most important reason (around [redacted] per cent for the major

reason), followed by parents banked there ([X] per cent) and recommended to me ([X] per cent). Relative rates and charges do not feature at all.

- 50. The choice of new provider is only one stage in switching; the decision to switch away from the old provider has to be taken first.
- 51. [X] provided a breakdown of some of the reasons for closure⁶ in the MORI survey split by bank. This is shown in Figure 9.

FIGURE 9

Reasons why accounts have been closed, by PCA provider



Source: A Clearer's ([X]) analysis of MORI data.

- 52. There are differences in the causes of switching between different providers. In general, account charges are a more important reason for switchers away from the clearers than the other providers.
- 53. A UK-wide survey of reasons for switching was conducted for the Mintel Report Current Accounts, Finance Intelligence (June 2005). Respondents were given a list

⁶These reasons are not exhaustive but are those consistent with price increases or decreases in quality of service.

of 12 reasons and asked for the top three that might convince them to switch supplier. The reasons given were: dissatisfaction with level of service (33 per cent); higher interest rates on credit balance (18 per cent); and overdraft charges (11 per cent). These results do not reflect actual actions.

54. Another report by Datamonitor, *UK current accounts—Service not included?* (June 2004) gave the reasons shown in Table 6 for switching among UK customers surveyed in the MORI survey who had switched.

TABLE 6 Reasons for switching PCA, 2003

<i>Reason for switching</i>	<i>% reporting</i>
Dissatisfied with previous account	27
Recommended to me	18
Competitive interest rates	16
Had best range of products and services	15
Near where I live	14
Parents banked there	11
Availability of PC/Internet banking	7
Already had another account or a mortgage there	7
Saw/read advertisement	6
Lower charges	5

Source: Datamonitor, MORI.

55. Dissatisfaction with the existing provider was again the main reason for switching among UK customers, but pull factors from other providers (competitive interest rates, range of products and services, advertising etc) are found in this survey to be cumulatively significant at 36 per cent of switchers.

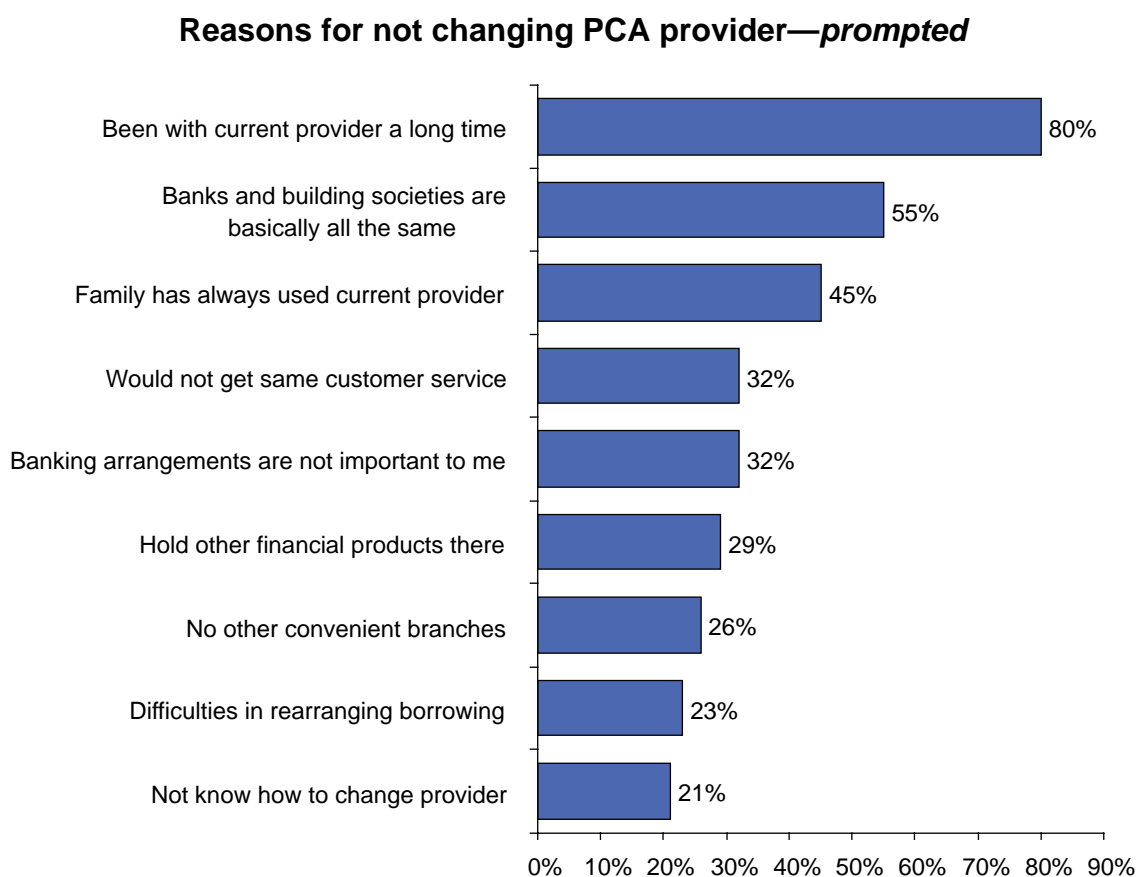
56. A non-clearer ([X]) also told us that its market research indicated that switching most commonly resulted from disaffection with service. The factors which lead to switching can be summarized as: high charges at incumbent bank; inflexible attitude when charges incurred; incumbent branch closure programme; and poor service.

Reasons for low switching

57. We now consider three possible categories of reason for why switching could be lower than it otherwise would be: customer inertia; low incentives to switch; and barriers to switching. These are considered below in turn with supporting evidence for and against the propositions.

58. As background, the 943 PCA holder respondents to the ORC survey who had not changed their provider in the last five years were asked about their reasons for not switching. A prompted list of reasons was used with the question: 'I am going to read out a list of possible reasons for not changing account provider. Please tell me which, if any, apply to you.' The overall results are charted in Figure 10.

FIGURE 10



Source: ORC.

59. A lot of weight is attached to the relationship with the existing provider, 80 per cent saying the length of the relationship is itself a reason for not switching. Further, 45 per cent said that the fact that their family had always used that provider was a reason for not switching. This may perhaps be interpreted as a reflection of underlying satisfaction with the relationship with the bank, a demonstration of lack of interest in PCAs and switching, or a belief that benefits arose from the length of relationship (such as accumulating a more positive credit rating). The reason 'would not get same level of customer service' is an indicator that customers perceive loyalty is rewarded, or alternatively that customers believe some other providers do not give comparable service.
60. 'Difficulties in rearranging borrowing' is quoted by 23 per cent of respondents as a reason for not changing their current provider. This may be linked to their use of other financial products (29 per cent gave that as a reason for not switching) such as loans and mortgages, and they might have felt that having the PCA at the same financial institution would provide them with an advantage. Some customers might fear they would not have the same overdraft facility at a different bank.
61. The number of respondents who felt constrained by the lack of availability of other convenient branches was low, at 26 per cent. This result is for any bank, not necessarily for a provider they would want to switch to. The proportion that did not have easy access to the branches of their specific preferred alternative supplier would be higher, although we do not know by how much.
62. Almost one-third (32 per cent) of respondents said that banking arrangements were not important to them and 55 per cent of customers saw no incentive to switch since they considered that banks were all the same. This may reflect an ignorance of the

differing offers from other providers or a view that the products and service were not significantly differentiated between suppliers.

63. Correlation analysis of the CC customer survey response data reveals that there are three groups of reasons for not switching, each of which contains three reasons with similar response patterns. The nine reasons measure three underlying factors, which might be labeled⁷ 'Loyalty', 'Indifference' and 'Obstacles Perceived'. These are set out in Table 7.

TABLE 7 **Reasons for not switching and underlying factors**

<i>Factor</i>	<i>Reasons</i>
Loyalty	Family has always used current provider Have been with current provider a long time Hold other financial products at the bank or building society
Indifference	Banking arrangements not important to me Banks and building societies are all basically the same Would not know how to change provider
Obstacles perceived	Difficulties in rearranging borrowing No convenient branches from other providers available Would not get same good customer service elsewhere ⁸

Source: CC analysis.

64. Creating summary scores for each respondent for Loyalty, Indifference and Obstacles Perceived allows comparisons to be drawn between different consumer groups by behaviour and demographics.

Behaviour and indifference among non-switchers

65. The more PCA functions customers use, the less likely they are to be indifferent to the provider. In particular, users of standing orders, debit cards, telephone banking, Internet banking and overdraft facilities are all less likely to agree with the reasons from the Indifference factor.

⁷The labels chosen are not important in themselves. They simply provide a convenient way of referring to groups of questions with similar response patterns in the survey data.

⁸As some of the clearers argued, 'would not get same good customer service elsewhere' could be interpreted as a positive consideration, that customers are satisfied with the service from their existing provider rather than being a barrier to switching.

66. On the other hand, those who rate themselves as ‘completely uninformed’ about the range of PCAs available, the interest paid on them and the associated charges are more likely to agree with the reasons from the Indifference factor.
67. There is a strong negative correlation⁹ between the degree of certainty that a respondent expresses about the charges that would be levied for different PCA services and the number of Indifference reasons they agree with. This pattern can be seen in Table 8. This implies that a lack of certainty about charges is associated with a lack of interest in finding out.

TABLE 8 **Certainty about charges against number of indifference reasons given for not switching**

	<i>Number of 'Indifference reasons given</i>			
	<i>0</i>	<i>1</i>	<i>2</i>	<i>3</i>
Responses	204	276	169	56
	<i>per cent</i>			
<i>Certainty about charges</i>				
Completely uncertain	18	23	33	38
Fairly uncertain	27	27	31	30
Fairly certain	22	26	20	18
Very certain	32	24	17	14

Source: ORC survey Nov/Dec 2005.

Behaviour and perception of obstacles among non-switchers

68. Those respondents who use an overdraft facility are most likely to give reasons for not switching from the Obstacles Perceived factor. They cite difficulties in rearranging borrowing and not being confident of getting the same good customer service elsewhere in particular. There is a stronger perception of this being an obstacle among those respondents whose banks never make charges or only charge on unauthorized overdrafts.

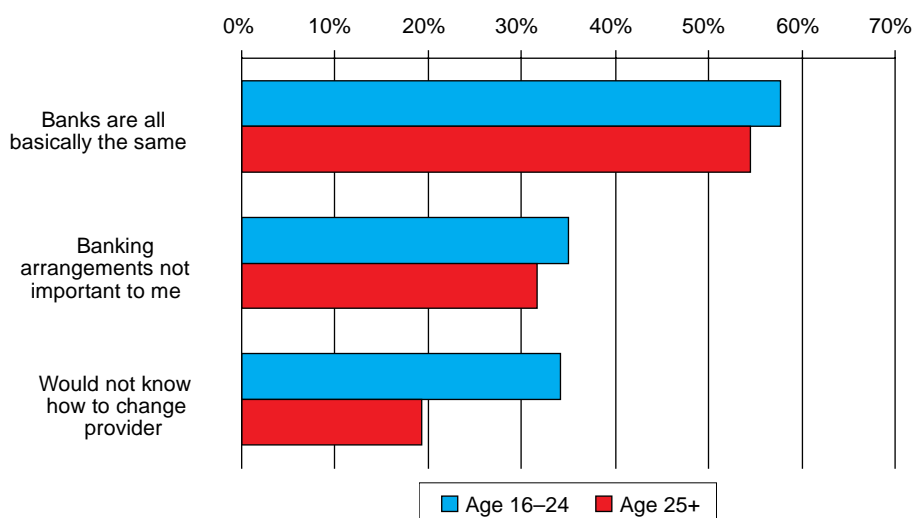
⁹Spearman non-parametric correlation coefficient of -0.18 on 705 respondents, probability of significance < 0.01.

Demographics and indifference among non-switchers

69. Those respondents who are young, have low incomes or are in the lowest socio-economic groups are most likely to give reasons for not switching from the Indifference factor. Their responses to the three reasons that make up this factor are charted in Figures 11, 12 and 13. The strongest differences are seen around the reason ‘I would not know how to change provider’.

FIGURE 11

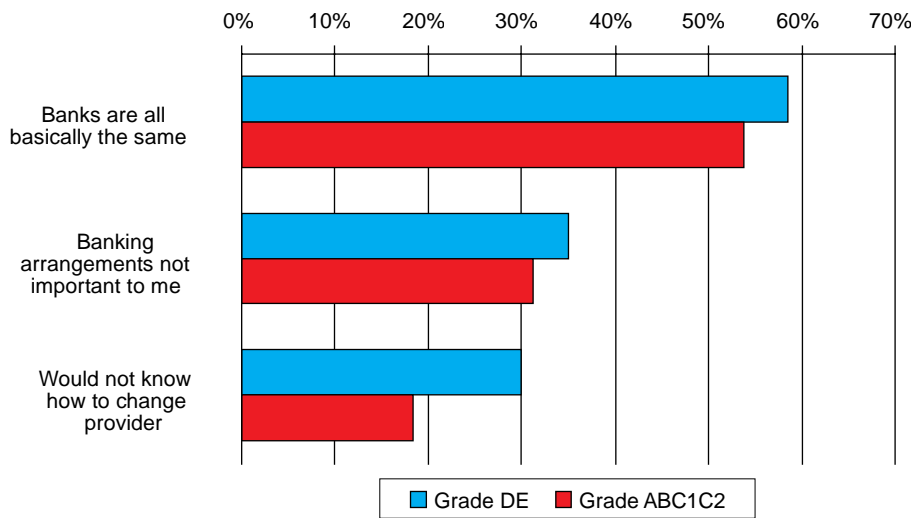
Reasons for not switching PCA provider—proportion agreeing with Indifference factor reasons by age group



Base: 943 PCA holders who had not switched provider in the last five years.
Source: ORC survey November/December 2005.

FIGURE 12

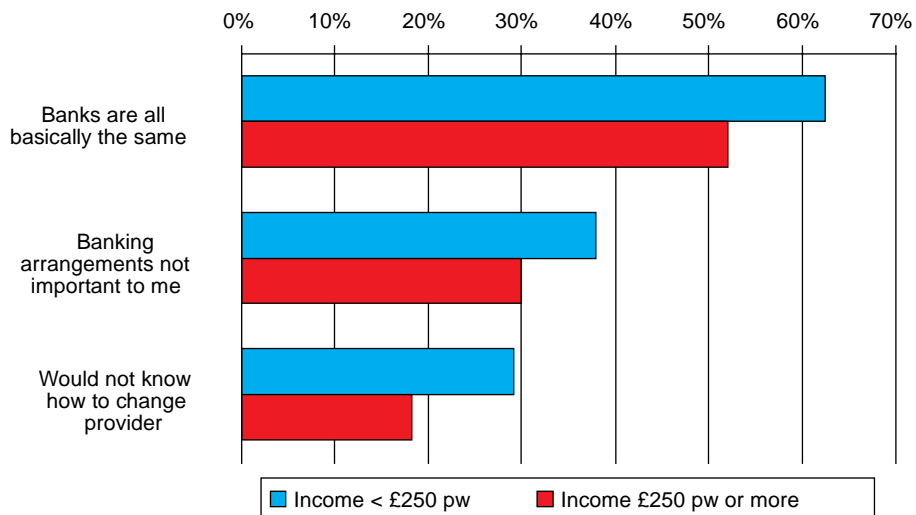
Reasons for not switching PCA provider—proportion agreeing with Indifference factor reasons by social grade



Base: 943 PCA holders who had not switched provider in the last five years.
Source: ORC survey November/December 2005.

FIGURE 13

Reasons for not switching PCA provider—proportion agreeing with Indifference factor reasons by income



Base: 943 PCA holders who had not switched provider in the last five years.
Source: ORC survey November/December 2005.

Other demographics differences among non-switchers

- 70. Women give a significantly greater number of reasons for not switching drawn from the Loyalty factor than men do.

71. The mean Loyalty, Indifference and Obstacles Perceived factors were analyzed to see if there were any differences between the clearers and non-clearers. No significant differences were found, ie non-switching behaviour is similar across clearers and non- clearers.

Other evidence on propensity to switch by customer type

72. One clearer had analyzed the MORI survey results to gain information on the customer profile of those with a higher propensity to switch accounts. It found that men and women have an equal propensity to switch to a current account with a different financial institution. 52 per cent of switchers are aged between 25 and 44. The propensity to switch looks to be higher for younger customers. The C1 economic social grouping has the highest number of switchers, and switching appears to be more likely for lower income customers.
73. Other sources, profiling switchers in Great Britain or the UK rather than specifically Northern Ireland, mostly agree with the MORI findings.
74. Switchers tend to be young, according to Mintel (June 2005), and a non-clearer's ([redacted]) research (aged under 45). Another non-clearer reported research in 2003 that found that [redacted]. However, it said that NOP FRS data found that, at a general level, switchers were more likely to be in a mid-age range. The ORC survey found pensioners are less likely to have switched bank.
75. There was some disagreement about the typical social groups. Mintel (June 2005) said that social groups ABC1 were most likely to consider switching. A non-clearer ([redacted]) said that switchers to it were more likely than average to be professionals. Another non-clearer ([redacted]) found switchers were most frequently from the C1 group,

and that switchers were not typically on high incomes. The ORC survey provides evidence that those on low incomes are less likely to have switched bank.

76. A non-clearer ([REDACTED]) found switchers were more likely to use various channels to operate their accounts rather than just the branch. Another non-clearer said that NOP results showed switchers were more likely to be proficient in using their account via the Internet. The ORC survey found that consumers who use Internet banking or telephone banking are more likely to have switched bank in the past five years than those who do not.
77. Other relevant results were, according to another non-clearer ([REDACTED]), customers liable to switch would have been overdrawn within the last 12 months (a finding in common with the ORC survey); would have paid fees/charges, for example by exceeding overdraft limit; be less than satisfied with their current provider/account; aware of attractive accounts elsewhere; and may have switched accounts previously.
78. We now turn to the possible causes of low switching.

Customer inertia

79. A feature of PCAs seems to be the low level of customer engagement with the product. The PCA is seen as functional rather than glamorous, and so long as it works, there is little further utility in using it. As people tend to regard personal finances as a sensitive subject, there may be less discussion of PCAs between them. The qualitative survey found that respondents had little recall of media coverage of financial services and what there was tended to be issue specific (see page 19, Millward Brown report, January 2006). Consequently there are few prompts to customers to think about their choice of PCA and provider.

80. The ORC survey results referred to in paragraph 62 might be interpreted as reference to inertia. The nature of the issue means it is difficult to detect in this type of survey, as the survey prompts people to consider their reasons meaning that the reason 'I have not thought about it' is no longer applicable, and in any case survey respondents like to appear to be acting rationally.
81. The DTI 2001 study of switching also found in many industries a stated high degree of satisfaction which was contradicted in qualitative work. The DTI report considers that this may arise where there is a lack of interest in the product and the possibility of switching. In particular, consumers may rationalize their inertia. In the case of current accounts, 88 per cent of respondents claimed they were happy to stay with their current supplier of current or savings accounts (10 per cent said that it was too much hassle to switch, and 2 per cent planned to switch). When asked whether they would change supplier if it was simple and free to do so, 10 per cent said yes definitely, and 22 per cent said possibly in the DTI survey (the numbers in the NCC 2005 survey were 12 and 25 per cent respectively), which appears inconsistent with the high satisfaction ratings for current suppliers (see paragraph 83). Similar patterns were found in other industries; the report said this highlights the tendency of consumers to rationalize their lack of interest in switching and their deeper concerns about possible difficulties inherent in the switching process. The report concluded that consumers believe switching to be more problematic than they are prepared to admit.

Low incentives to switch

82. Rather than low switching being the result of barriers, it was put to us that switching rates were consistent with a competitive market, but the low proportion of switchers could also be explained by high levels of customer satisfaction (ie the push factors

that seem to be the main driver of switching did not apply to the many customers who were content with their bank), and the low financial gains available to switchers.

83. The causes of switching identified above show that the switching that does occur is primarily driven by dissatisfaction with the current provider, rather than by the attraction of a better offer elsewhere. It has been suggested that switching rates are therefore low because of high levels of satisfaction with banks. Some indicators show a high level of customer satisfaction. The MORI survey found that around 92 per cent of all respondents were very satisfied or fairly satisfied with their current accounts in 2000, and this figure was still around 88 per cent in the first half of 2006. Thus, for example, Northern argued that the CC should take full account of the implications of the high satisfaction scores in showing that for most customers there are no push factors to generate switching, together with the low financial incentives to switch for most customers (see paragraphs 87 to 91).

84. The MORI survey found over the period January to December 2004, [redacted] per cent of First Trust customers, [redacted] per cent for Bol, [redacted] per cent Northern and [redacted] per cent of Ulster customers were very satisfied with their PCA account. Results were also presented for Abbey, [redacted] per cent, and Halifax, [redacted] per cent. This indicates satisfaction ratings are higher for these two non-clearers than any of the clearers, and this has been true every year since 1995.

85. The proportion of respondents stating they were very satisfied with their account fell between 2003 and 2004; the weighted average over the six banks fell from 53 to 39 per cent. [redacted] This is probably an indication that public perception of PCAs was influenced by adverse publicity in 2004. However, this applied to all banks, and was not specific to the clearers. Satisfaction ratings fell substantially for the two non-clearers (although the number of respondents is smaller so the uncertainty is wider).

This does not suggest that customers perceive the non-clearers as different from the clearers, or that the non-clearers are benefiting relative to the clearers from adverse publicity surrounding PCAs.

86. Nonetheless, the proportion of customers who said that they were very or fairly satisfied remains high. These results sit at odds with the findings in the CC's qualitative surveys, where a great deal of discontent was expressed.¹⁰ In the *Which?* review of PCAs, January 2006, the clearers all scored the lowest possible customer satisfaction rating (very few banks received high scores in this report but the clearers had the lowest scores out of 23 banks).
87. The financial incentives to switch may also be low, particularly for customers who are never overdrawn and so do not incur charges, or those who go into unauthorized overdraft where they will incur substantial charges by any bank. If the only group who could avoid substantial fees by switching is those customers on traditional accounts who trigger charges relating to authorized overdrafts, switching is likely to be concentrated among this group.
88. The difference in credit interest on typical credit balances is likely to be small, although Northern's new accounts offer markedly higher interest than the clearers have typically paid (ignoring packaged accounts which offer better rates of interest than the clearers' usual PCAs but are more than offset by monthly subscription charges—albeit that there may be other benefits on these accounts). The difference compared with some of the accounts offered by non-clearers is greater, especially where temporary promotions are offered (eg higher credit rates are only paid for 12

¹⁰The qualitative survey reports 'The range and scope of the expressed dissatisfaction within the groups was considerable and unprompted by the moderator. This dissatisfaction was evident in all fourteen groups.' Millward Brown Ulster report, January 2006, page 16, and 'the dissatisfaction, which was widespread, related mainly to fees and charges. The charging system was viewed as punitive'. (page 15). Some of the clearers argued that as qualitative surveys were based on small numbers of respondents and it was known that in such groups, members may tend to agree with the most vociferous participant, such results could not be considered representative. Nonetheless we consider the differences in results from various sources to be of interest.

months) and for Internet-only accounts. A 5 per cent credit interest rate equates to a £75 benefit before tax is deducted, albeit rates such as this are only available on a temporary basis. Customers may not meet the income requirements of such accounts or be willing to use remote accounts. They will also be aware that penalty charges may be incurred if any mistakes happen in switching.

89. The NCC (2005) survey asked consumers what level of savings they believed they could achieve by switching PCA supplier. The survey showed that 12 per cent believed that they could make major savings (up from 10 per cent in 2000) and 53 per cent believed that they could make minor savings (up from 49 per cent in 2000). However, 23 per cent (down from 25 per cent in 2000) believed switching would not yield any savings.

90. It may be the case that while customers would like to switch to higher interest-paying accounts offered by non-clearers, they are unable to do so because they cannot meet the requirements for minimum monthly credits. For example, Regional Trends 2004 shows that 43 per cent of Northern Ireland households have an income of less than £250 a week. For the full benefits such as high credit interest rates, the Abbey preferred in-credit PCA requires £1,000 credited a month, as does the Halifax Moneyback current account and PCA option A (ie high interest). Nationwide Flexaccount pays tiered interest depending on the amount credited, and A&L require £500 to be credited for the Premier PCAs every month.

91. The DTI (2001) switching survey also found that many consumers were distrustful of suppliers who were not established names. The DTI survey (page 9) found that in all markets surveyed, trusted brand names have considerable draw even when other groups clearly offer a cheaper product. The survey showed that 78 per cent of respondents said that it made sense to use an established and familiar supplier of

PCAs rather than a newer bank offering a better deal, and only 8 per cent said that they would choose a new bank offering a better deal (14 per cent said that it depends or don't know). In the 2005 NCC report, 75 per cent of respondents still said that it made sense to use a well-established, familiar supplier for PCAs. We have also seen that some consumers require local branches to be available and so will not consider suppliers without a local branch. This may partly explain why for most customers, pull factors (specifically, better products or pricing offered by new providers, poorly known providers or those without a dense branch network) are unimportant in the decision to switch bank, and so mean that switching levels will be lower as pull factors are inhibited from working. The DTI report noted that dissatisfaction as the prime trigger of switching made PCAs different to other products.¹¹

Barriers to switching

92. This section considers possible barriers to switching, customer perceptions of the barriers, and evidence of their existence.
93. Barriers to switching are discussed in detail below. It is customer perception of barriers which are most likely to influence whether people are prepared to switch or not; even if customer experience of switching is more positive than anticipated, this is only discovered once the customer has passed the barriers.
94. These possible barriers have been divided into four headings: lack of information and undue complexity, fear of the switching process, costs and risks of switching, and loss of banking relationship. We consider the evidence for the existence of each of these, drawing on the Millward Brown (qualitative) and ORC surveys, the MORI survey, and other evidence presented by the banks.

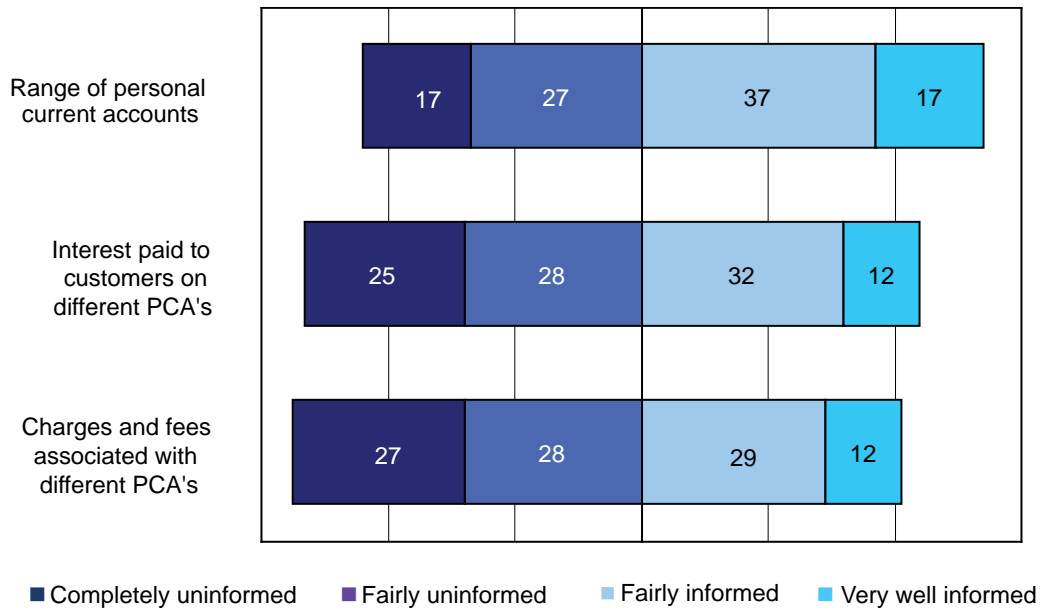
¹¹The report states: 'Loyalty seems to be a highly salient factor preventing switching (four out of five current account holders have been with their bank for ten years or more) and the quality of the relationship with local branch staff is still considered very important. The loyalty factor suggests how hard it is for new players to wean customers away on the basis of fairer charging and better service.'

Lack of clarity of understandable information and undue complexity

95. This barrier could arise if customers were unaware that superior accounts were available to them, either because the information had never been brought to their attention, or because customers found the necessary information difficult to gather, to process, or to understand. This might occur if there were low advertising or marketing of PCAs, or if the marketing was ineffective at reaching customers. It may also occur if there was little public interest in PCAs so that people did not pay attention to marketing, did not think to seek out information, there were little media attention and no informal information networks. Lastly, customers might find it difficult to gather information from different account providers, and be able to interpret the information to understand how the different rates and fees might affect them. This would occur if account terms and conditions were not readily available, the language in them was complex, or the information was presented in different ways and with different descriptions such that comparison was difficult.
96. In the ORC survey, we asked whether respondents considered themselves informed about PCAs offered by other providers (see Figure 14).

FIGURE 14

Respondents' perceptions of how informed they are about features of PCAs offered by providers other than their own

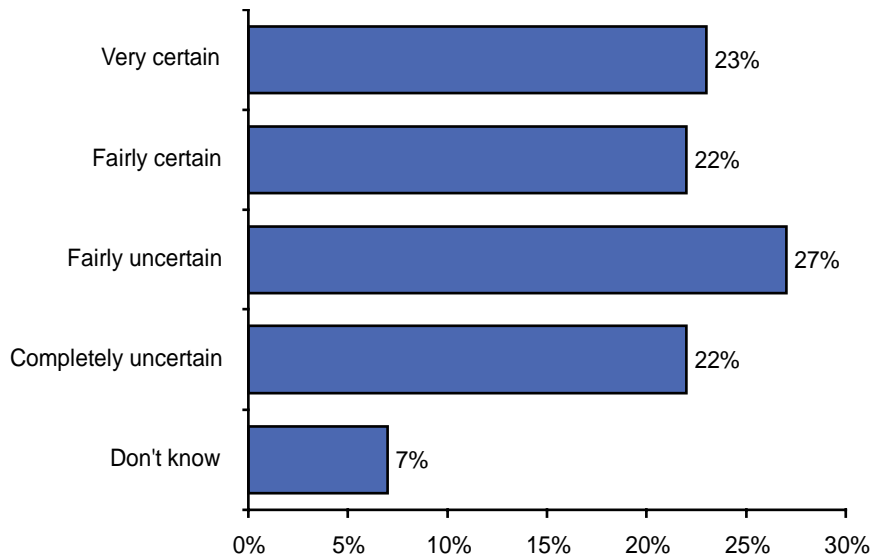


Source: ORC.

97. Interpretation of the answers is complicated by the fact that respondents may not be able truly to assess the extent of their knowledge or may be reluctant to admit to a lack of knowledge. Over 40 per cent of respondents considered themselves fairly or very informed about charges and interest on rival accounts, while over 50 per cent considered themselves uninformed. However, many customers had poor knowledge of charges on their own accounts—see Figure 15.

FIGURE 15

Certainty about the amount you would pay your main PCA provider for particular banking functions; writing a cheque, making a deposit and setting up a standing order?



Source: ORC.

98. Only 45 per cent of customers were very or fairly certain about the charges they paid on their own accounts. But when asked about charges, 11 per cent of respondents thought they might be charged to make deposits, and 9 per cent believed they would always be charged for cheques—whereas neither condition applies to any current Northern Ireland PCAs.
99. The NCC (2005) survey asked UK consumers how easy they thought it would be to find out what banks offer on their PCAs. The survey showed that 43 per cent said that it would be very easy, 42 per cent fairly easy, 10 per cent not easy and 5 per cent did not know. This suggests customers believe it is becoming easier to find out what banks offer as the comparable figures in the 2001 DTI switching report were: 28 per cent very easy, 47 per cent fairly easy, 14 per cent not easy and 12 per cent did not know. One clearer ([X]) argued that this showed that UK customers believe that it is becoming easier to compare competing PCA information, making switching easier for those who wish to switch their PCA. The clearer also said that in its

experience that there was now much more of a 'switching culture' in Northern Ireland, facilitated by independent information (eg GCCNI) and banks' advertising campaigns. There was a slightly more negative response in the 2001 DTI report¹² when customers were asked whether it was easy to find the right company or product to suit that consumer: 20 per cent said that it would be very easy, 47 per cent fairly easy, 19 per cent not easy and 13 per cent did not know. That study found, using qualitative research across a range of industries, that in practice consumers found it hard to interpret the information presented in a way that was relevant to them. While mobile phones and energy were picked out as particularly difficult, the report warned that consumers may overstate how easy it is to interpret information in qualitative research. The study also found that most consumers throughout the UK were not motivated to consider switching and that their interest in the PCA market was generally very low. Therefore as consumers had not explored the market the responses given would represent an anticipation of the ease of searching, rather than the actual ease of searching or an indication that they would ever conduct the search.

100. It was put to us that all the necessary information to enable switching to occur was freely available. The banks all publish leaflets of rates and charges applicable to accounts. In most cases, these are also published on the bank websites. Branch staff would talk through an account with personal callers. Thus the banks said that relevant information was freely available.
101. We found that the pricing leaflets provided by the clearers presented interest rates and charges in different ways—see Annex 1. Some of the descriptors for charges were clear and self-explanatory. However, others were not. Two difficulties emerged:

¹²The 2005 NCC survey does not appear to have asked these questions.

- First, particularly on ancillary payments, it may not be obvious to most people what these charges mean and when they are levied. For an unauthorized overdraft, a customer may be unclear as to what extent they will be charged maintenance and transaction charges in addition to any of the following: ATM/cheque/debit card misuse charges, referral charges, unpaid outwards charges, irregular account charges, unauthorized borrowing note of balance, and letters regarding unauthorized borrowing. These terms were not explained in the leaflets.¹³
- Second, there are differences in descriptors between banks.

102. Both these factors will complicate the process of comparing accounts and understanding charging structures.¹⁴ As discussed in Annex 1, multiple charges, differences in charging structures, the use of terms and phrases that may not be clear to a layman, and a lack of definition of terms and how charges are applied in some of the banks charging leaflets may make it difficult for customers to understand the charges and to compare charges between different banks.

103. The clearers did not agree that there were difficulties in obtaining and understanding pricing information or applying it to the customer's circumstances. They pointed to independent sources of information where a number of third parties provide detailed comparisons of PCAs such as comparison websites, the financial press and *Which?*. In this way consumers who were unable to make comparisons themselves could rely on the judgement of others. Informal networks also provide guidance on best buys.

¹³We note there are some exceptions, for example the Ulster website explains their charges relating to unauthorized overdrafts in simple language.

¹⁴The qualitative survey reports that customers found difficulties in understanding the charging structure adopted by banks. 'While acknowledging that written information on PCA charging may have been supplied at some point by the PCA provider there was virtually no recall of this event or the content of the communication. In any event, most PCA customers report finding provider communication on this issue incomprehensible.' Millward Brown report, January 2006, page 19.

104. The qualitative survey found that 'PCA customers do not appear to be well informed about alternative providers or accounts. In addition, these consumers do not appear to be experienced or adept at seeking and comparing information on alternative provider offerings' and 'PCA holders appear to have low awareness of banks, products and what differentiates them. There does not appear to be much marketing activity relating to PCAs directed at these consumers' (Millward Brown report January 2006 page 18). The NCC (2005) report found out of the industries surveyed, 'the triggering effect of sales representatives and advertisements on consumer switching ... has the least effect in the current accounts market' (page 9). Our qualitative survey respondents felt that there was very little direct marketing aimed at them. A small number said that they might search the Internet, in particular using price comparison websites. These would tend to be younger customers or those from higher socio-economic groups.
105. The clearers rejected the suggestion that customers were unaware of the existence of alternative banks or better accounts. They pointed to the existence of, and growth in, switching as evidence of awareness, and stated that there had been a great deal of publicity around PCAs and switching in recent years (for example, GCCNI had been active in promoting switching and provided information on the switching process). They also pointed to bank advertising, particularly drawing attention to advertising by the non-clearers such as Halifax's television advertising. Further, some bank advertising had promoted switching, for example Northern's promotion of Current Account Plus tried to prompt people to switch and actively mentioned switching in its slogans.

Fear of the switching process

106. This aspect considers whether consumers anticipate hassle or delay in switching and fear of the associated administration. Customers might expect that switching bank

may take a long time, and be complex to organize. One clearer acknowledged that switching had been seen as complex and time consuming in the past (although it argued that this had changed as awareness of switching services had increased). A customer might, for example, anticipate that the administration in changing where their salary is paid, changing all direct debits and standing orders, and ensuring that everyone who might need to know is informed, could involve a lot of hassle.¹⁵ Applicants may fear embarrassment if their application is rejected. There are also stringent address and identity verification requirements imposed by banks. These result from money laundering requirements but may be seen as part of the bank's own assessment.¹⁶ Applicants may fear their identity documents would be rejected, may consider gathering these documents to be more hassle, and may find the process intimidating.

107. The ORC survey asked respondents who had not switched bank whether they anticipated any problems if they were to switch bank. Customers who had switched account were asked whether these factors had in fact been a problem—see Table 9. It appears that actual problems experienced when switching are not common, although 20 per cent of switchers found problems with moving direct debits and standing orders. We note that anticipation of problems is much higher than problems actually experienced by those who do switch: a very significant number of non-switchers anticipated that there would be problems in switching. The survey showed that 54 per cent feared fees charged for switching, 39 per cent feared problems with moving their salary or benefits, and 49 per cent problems with direct debits or standing orders.

¹⁵The qualitative survey reports '*Process Aversion*: It was generally assumed that the process of switching would be troublesome and time consuming, particularly if there were a number of direct debits/standing orders in place.' Millward Brown report, January 2006, page 14.

¹⁶The qualitative survey reports '*Anti-money laundering requirements*: there was some awareness of a more convoluted process in place for the opening of new accounts and this tended to reinforce the perception of a banking relationship as one based on bestowed privilege. It was not generally understood that these new requirements related to anti-money laundering requirements placed on the bank.' Millward Brown report, January 2006, page 15.

TABLE 9 Experience and anticipation of problems in switching

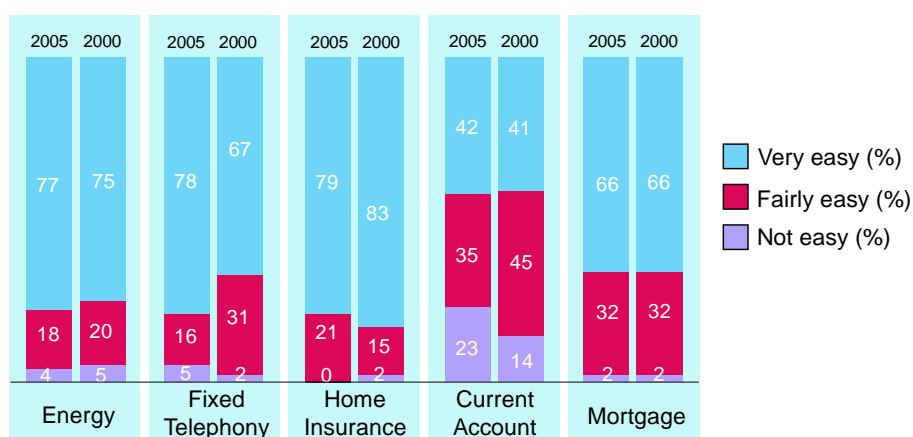
	Switchers actual problem experienced (n=128)			Non-switchers perceptions of likely problems (n=943)		
	Don't know/refused	No	Yes	Don't know/refused	No	Yes
Amount of paperwork		89	11	5	53	43
Time to switch	1	84	16	8	51	41
Moving direct debits or standing orders	1	79	20	5	45	49
Moving salary or benefit payments		96	4	4	57	39
Fees charged for switching	1	91	8	11	35	54

Source: ORC.

108. Another comparison is given by the DTI's (2001) survey of switching suppliers and the 2005 NCC follow-up. This refers to experience of switching rather than anticipation of switching, but it provides a comparison with other industries. Customers who had switched supplier were asked how easy the experience had been. The number of PCA switchers was low but the experience was found to be less easy than for any of the other industries surveyed—see Figure 16. There was also an increase in the proportion of switchers between 2000 and 2005 who found that switching was not easy. Possibly these experiences will be reflected in the functioning of informal networks and switching will be encouraged by word of mouth more in other industries before PCAs.

FIGURE 16

Switchers' experience of switching



Source: NCC (2005).

109. The clearers argued that the Code, and the banks' switching services, provided an assurance that the hassle factor in switching was minimized. One clearer, Ulster, argued that the ease of switching was laid out in its switcher's pack which was available in branches. This requires customers to actively seek it out which they may not do if they reject the possibility of switching at an early stage in their consideration. However, Ulster told us that it was spending significant sums [X] on advertisements which underscored the ease of switching which would increase awareness, and as it pointed out would be irrational business practice unless it genuinely believed that the advertisements would drive switching to it.
110. The banks could assure customers that their switching services would organize the transfer of salary payments, direct debits and standing orders, balances etc, and provide a guarantee that it would be done promptly and effectively. The Code is described in detail in the relevant working paper. Only a small part of the Code concerns switching but it has had a great impact on the process and ease of switching. The main relevant terms are summarized in Appendix 2.2. The clearers also claimed that great steps had been made to ensure that customers and potential switchers were informed about the implications of the practices embodied in the Code.¹⁷ However, the qualitative survey found most respondents felt uninformed about the process for switching PCAs across providers (see page 14 of Millward Brown January 2006 report).
111. Regarding the time taken to affect a switch, it was pointed out that the Code requires providers to ensure that an account is fully operational within ten days of acceptance. Ulster provided us with details of how long it had taken to effect a switch of account

¹⁷The clearers told us that the switching provisions of the banking code were shown to personal customers on request. All new customers are given a written explanation of the steps involved in the switching process. First Trust and Bol said that their Current Account Guides gave details of the account switching process; this was supplied to existing customers, all new customers when opening an account, and/or was available in branch on request. Details of switching processes are also on the banks' websites. The banks all said that branch and Branch Services Centre staff have been trained to deal with customer queries in relation to the switching process. Further, the Code (and Guidance) requires banks to make copies of the Code available at branches, to supply it to all new customers and to supply the new version to all customers whenever it is revised.

provider through their switching services. On average, from January to October 2005 it took [X] days from initiation to account closure where a customer was switching away from Ulster. The length of time taken for switching to Ulster is shown in Table 10. Most customers took [X] weeks to complete the process. Ulster noted that delays could occur from either the bank, or the customer, not taking actions immediately.

TABLE 10 Length of time taken to complete switching to Ulster, December 2003 to September 2005

Length of time	Number of customers
[X]	

Source: Ulster.

112. The banks acknowledged that the identity requirements of the anti-money laundering regulations were sometimes not well received by customers, especially when applied to existing customers. However, they were a restriction imposed on the banks for good reasons that could not be avoided.

Perceived costs and risks of switching

113. This aspect considers the possibilities of costs being incurred or disruption to personal finances arising from switching. Customers may anticipate charges for switching, either for opening or closing accounts, for cancelling, moving or opening direct debits and standing orders. We were told the banks do not make such charges where customers use a switching service; however, we believe that the clearers used to impose a charge for transferring an account, which was scrapped by each of the clearers at the end of 2002 or the start of 2003 when the charge levied by each was £30, in addition to cancellation costs for standing orders and direct debits. Thus some customers who had switched in the past would have experienced these

charges, and some customers (whether or not they have previously switched) are likely to still be under the impression that closure costs could apply.

114. Customers may also perceive a risk in switching, for example that a mistake would be made on a direct debit instruction such that the customer is penalized by the bank and/or the direct debit beneficiary. They may also fear that they will be left without a working account, chequebook or debit/ATM card while transferring.¹⁸ The customer may also believe that for safety both accounts need to be kept topped up with funds.
115. The clearers stated that the Code had served to address concerns on costs and risks of switching. However, the results from the ORC survey shown in Table 9 show that customers had a significant anticipation of problems when moving direct debits and standing orders (49 per cent) and moving salary and benefits (39 per cent). While actual experience of switchers in moving salary and benefits showed very few problems, 20 per cent of switchers experienced problems with direct debit and standing order transfers. This raises a risk of payments being missed or made twice.
116. The Code requires the banks to 'cancel any bank charges you will have to pay as a result of any mistake or unnecessary delay by us when you transfer your current account to or from us', ie it does not require compensation for any costs due to errors or delays caused by third parties. The customer is potentially exposed to penalties arising from the beneficiary of a direct debit failing to take action promptly or accurately, delays in their salary payments being transferred, or their own error or delay.
117. The ORC survey showed that 54 per cent of non-switchers anticipated charges for switching. This is despite the clearers assuring us that no charges would be levied for

¹⁸In fact the Code requires that the account is fully functional within ten days of the application being accepted.

switching using a switching service. This message appears not to have reached many consumers. We have seen no evidence that customers are informed in the normal pricing literature that normal direct debit/standing order ancillary charges do not apply when switching. To find this out, the customer has to consult switching information leaflets, which they might not do if they are deterred by the anticipation of charges. Charges could be levelled for customers not using a switching service, for example in canceling or setting-up direct debits and standing orders.

118. In addition, 8 per cent of those who had switched said that they had been charged. This represents just ten respondents in the ORC survey, of these ten, five said that they used a switching service. The clearers imposed charges for closing an account, and for canceling direct debits when switching, up until 2002. The clearers admitted there were a few instances since 2002 where charges had been made; this was attributed to cases where direct debit originators had sent through details to the switching bank indicating it was a new request, with the consequence that the customer was charged for establishing the direct debit. Such charges were refunded when identified.
119. We asked the banks for the number of complaints received about the switching process. In many cases complaints are resolved informally at branch level; [X] said that its complaint processes did not separately identify PCA customers, while [X] said that no complaints had been escalated to head office. [X] reported just two complaints concerning transfers to [X], and nine complaints about transfers away, over a three-year period. Problems arose where banks did not receive requests or information sent by the other bank, and there were five instances where customers asked the bank to close rather than transfer the account resulting in standing orders and direct debits being cancelled rather than transferred. [X] reported three complaints in the last three years for customers switching in (direct debit charges not

waived, new PIN not ordered, and salary mandate form not sent to employer), and one complaint regarding switching out.

120. In conclusion, while the experience of these who have switched has generally been positive¹⁹ (although as shown in Figure 16 the NCC found the proportion of switchers who had found the exercise 'not easy' had increased over the last five years to 23 per cent), the anticipation of switching by those who have not switched is generally negative. This indicates that communication of the provisions of the Code and the promise not to charge for switching through a switching service has not been effective for many consumers. Whether this is because of insufficient effort, ineffective communication methods, or unreceptive consumers, is unclear.

Loss of banking relationship

121. We see that customers place a lot of importance on the convenience of their branch, and this may apply even for customers who rarely use branches. They may be unwilling to switch to a provider without local branches. For a few customers, there may be particular loyalties to certain providers, or an unwillingness to switch to other ones for historic or cultural reasons.
122. Many customers appear to believe that their credit history, and hence ability to obtain credit, rests with their bank. Where they are unaware that this can be transferred they may fear switching will penalize them if they need credit in the future.²⁰ It was also put to us by two of the non-clearers that it was difficult to assess the credit rating of switchers, as banks may only share 'black data' on credit histories (eg defaults) and

¹⁹Ulster argued that as switching was generally found to be problem free, switchers would also be more likely to switch in the future. It is therefore probable as the stock of customers who have ever switched increases over time, so the average propensity to switch will also increase as a result.

²⁰For example, the qualitative survey reports '*Concerns over credit rating*: many of the PCA holders were of the view that their credit rating was determined by their bank and was not necessarily transferable. There was a perception that a high credit rating related to, or derived from, longevity of the relationship with the bank and that switching could in some way undermine this', Millward Brown report, January 2006, page 14.

not any positive information about good credit histories. Thus a transferring customer may have to establish their credit status from scratch.

123. The clearers stated that good credit histories could be demonstrated by showing past bank statements. They indicated that decisions on credit availability were no longer at the discretion of the local bank manager in most cases; rather, decisions were taken centrally according to established rules. It should also be obvious that credit histories do not rest solely with the current bank, for example, customers were willing and able to shop around and transfer providers for mortgages, loans and credit cards.
124. Where customers make their own switching arrangements, there may be little or no financial incentive to bother to close an old account. It may be that customers choose to keep an old account open if they believe that this provides them with an option to reactivate the account and benefit from their longer history.
125. Customers may also perceive the bank they have been with to have a special relationship with them, such as a better understanding of their needs, greater sympathy, a willingness to use their discretion on waiving fees, and agreeing overdraft rates or offering credit.
126. The qualitative survey found that customers considered their relationship with the bank to be important. It concluded 'Loyalty to, and retention by, PCA provider is a product of limited consumer market knowledge, consumer aversion to assumed disruption inherent in switching and concerns about the impact of switching on credit ratings' (Millward Brown report, January 2006, page 21). This provides an interpretation of the 'been with provider a long time' as a reason for not switching provider in Figure 10.

127. We asked in the ORC survey whether customers would be unwilling to switch to other particular providers. The answers may have reflected awareness of the other provider as much as willingness to use them, but the unwillingness rates were low, and did not seem to be correlated to the customers' religious group, suggesting that sectarian factors were not an influence to any noticeable extent.

Bank fees and charges publications

Introduction

1. We assessed the comparability and ease of understanding of the fees and charges brochures supplied by the clearers and non-clearers operating in Northern Ireland, in particular to identify any areas in the information that may be seen as complex, unclear or incomplete by someone who is unfamiliar with banking terminology (referred to as 'bankspeak') and processes when considering a bank's price list.
2. It considers the overall presentation of interest rates and charges in customer brochures, concentrating mainly on those charges that are relevant to day-to-day PCA banking: in particular, information on billing period, credit/debit interest, payment clearance, authorized overdraft charges and unauthorized overdraft charges.
3. Table 11 shows the number of different charges contained within each booklet. Some of these charges may not relate to PCAs. The number of fees and interest rates listed varies from 20 in the case of Nationwide to 110 in the case of Northern.

TABLE 11 Total number of charges described in PCA fees and interest booklets for customers

<i>Bank</i>	<i>Number of charges in booklet</i>
Bol	101
First Trust	46
Northern	110
Ulster	50
Abbey	28
A&L	33
Halifax	35
Nationwide	20

Source: Personal current account fees and interest booklets available to the public.

Note: The number of charges has been calculated by counting the number of fee descriptors or references shown in the bank's fees and interest booklet provided to their PCA customers. Differences may arise where banks choose not to publish all possible ancillary charges, and whether other products such as business accounts are included, as well as where the number of relevant charges differ. For such services banks are required by The Code to notify customers in advance of any charges triggered by a customer's instructions.

4. We do not consider the undisclosed features of the PCA such as buffers which may apply to their account. It should be noted that under the Code banks do not have to specify ancillary charges for services performed on request of the customer.
5. Section 6.2 of the Code also requires that all written terms and conditions will be fair and will set out your rights and responsibilities clearly, legibly and in plain language. The bank will only use legal or technical language where necessary. In addition to the Code, the Unfair Terms in Consumer Contracts Regulations 1999 also require that a standard contract term must be expressed in plain and intelligible language.
6. Each bank's fees and charges brochures will be considered individually below.

Bol

7. Bol's 'schedule of charges' lists all charges for both business and personal customers. The majority of charges including unauthorized overdraft charges are listed as ancillary charges. In addition, the schedule does not provide an explanation of the individual charges. As this section lists all ancillary charges for both business and personal accounts in alphabetical order, it could be difficult for customers to identify which charges apply to a PCA when in unauthorized overdraft and which charges would be apply to personal accounts only.
8. Bol told us that it will be introducing new customer material [✂].

Billing period

9. The billing period is not specified in the schedule of charges. Sections of the schedule refer to the quarterly period but the beginning and end dates of this period are absent. A separate document called 'Personal banking, a guide' notes that a

customer will be given 14 days' advance notification of charges to be debited from their PCA.

Credit and debit interest

10. Credit and debit interest information is not included in the schedule of charges.

Authorized overdraft transaction fees

11. Bol informs customers that by keeping a credit balance in their PCA the customer will avoid charges and experience fee free banking for the quarterly period.
12. The information on transaction charges when in authorized overdraft uses terms that may not be familiar to the customer for example, manual debit and PASS. In addition, there is no information on when these charges will be applied to a PCA.

Unauthorized overdraft

13. The fees for using an unauthorized overdraft are included in an alphabetical listing of both business and personal ancillary charges. A customer would need to be familiar with the terms used by Bol such as 'referral item charge' and 'unpaid item' as no explanation is provided for the fee. The *Personal banking, a guide* brochure does provide an explanation for an unpaid cheque.

Payment clearance

14. Bol does not include information on the payment clearance times in its schedule of charges. This information is included in *Personal banking, a guide*.

First Trust

15. The First Trust price list for personal customers details the standard prices for the most commonly used banking services and facilities. The price list essentially lists

the name of the service and the price. There is no explanation of what the fee is and in what situation it may be applied. First Trust provides further explanation of their prices and how they are applied in a separate booklet called *The Guide to Fees and Interest for Personal Customers*.

Billing period

16. The price list notes when fees and interest are calculated and when they are applied. For example, fees are applied in early April for the billing period ending in February. There seems to be a relatively long time period in comparison to the non-clearers, between incurring fees and the collection of fees and a customer would be unaware exactly when these fees would be debited from their account from the price list information. First Trust have told us that customers receive a pre-notification of fee advice 14 days in advance of the fees and interest being debited from their account.

Credit and debit interest

17. An explanation is provided on when and how unauthorized interest is charged to a customer's account. However, the application and calculation of authorized overdraft debit interest or credit interest is not mentioned. As a result, a customer would not be aware from this price list that interest may be payable on an authorized overdraft or that credit interest may be credited to their account.

Authorized overdraft

18. A brief explanation is included of how transaction charges are applied to all transactions during the 'fee quarter'. The information also notes that a customer may avoid charges by maintaining a credit balance in their account throughout the entire quarterly fee period. However, a quarterly fee period is not explained.

Unauthorized overdraft

19. Unauthorized borrowing charges appear under the heading 'penalty fees'. There is no information provided on how the penalty fees will be incurred or when a fee will be debited from the account. The terms used are in 'bankspeak' such as referral fee and unpaid items which make this section more difficult to understand.

Payment clearance

20. The clearance cycles for both cheques and standing orders is fully explained including when interest will start to be calculated on the cleared funds.

Northern

21. Northern has separate brochures detailing fees and charges, and credit and debit interest rates and how they are applied. The brochure includes the fees and charges for all its PCAs including the new Northern-Danske product range as well as off-sale accounts. In addition, the brochure includes the fees for business current accounts. There are numerous footnotes/exceptions and the size of the brochure is larger than what would be the case if it was tailored to specific accounts. However, having the fees and charges for all PCAs in one brochure provides a customer with all Northern PCA information which may make it easier for a customer to compare across Northern's portfolio of PCAs.

Billing period

22. The brochure outlines that fees are calculated to the last calendar day in March, June, September and December and applied 12 working days after calculation.

Credit and debit interest

23. Interest is not included in this brochure.

Authorized overdraft

24. An explanation is provided of how transaction fees are incurred and how they will be applied for traditional accounts and those accounts which only incur maintenance charges. In addition, an explanation of the fee cap on the traditional Current Account PCA is included.

Unauthorized overdraft

25. Northern refers to unauthorized overdraft as an excess or arrears generated by any personal account. The explanation uses 'bankspeak' as it states that an excess or arrears 'may be due to transactions being referred, paid under guarantee, recalled or returned unpaid'. That said Northern includes a limited glossary which explains a referral and unpaid outwards. However, other terms such as excess are not explained.

Payment clearance

26. Northern does not include information on payment clearance times in its fees and charges information. This information forms part of the terms and conditions of the PCA and is available in a separate guide.

Ulster

27. Ulster provides a guide to personal current account fees and interest. Overall, the guide is clear as it includes an explanation of the charge, when the charge will be incurred and how the charge can be incurred. The guide also has a glossary to explain 'bankspeak' words such as 'referral' for their customers. It also includes an outline of the free services offered by Ulster.
28. We also considered Ulster's fees and charges information from mid-2005, before the introduction of its fee-free charging structure. This was very similar in presentation to

that of Bol, First Trust and Northern. The information was in a price list format including both business and personal current account charges with no explanation.

Billing period

29. Ulster specifies the exact dates that credit interest is paid into the account and debit interest and unarranged interest is debited from the account. It also notes that a customer will be pre-advised 14 days in advance if an unauthorized borrowing fee is being deducted from a PCA.

Credit and debit interest

30. The application of credit interest and debit interest is explained. It also notes where a customer can find out which newspapers the bank will use to advertise any changes to the interest rate. Ulster also notes that credit interest is paid annually on credit balances and that interest is calculated daily.

Unauthorized overdraft

31. Ulster explains why an unauthorized fee is charged and when it will be charged. It also mentions that in addition to the monthly fee, a customer will need to pay other charges such as unpaid, card misuse or paid referral.
32. Ulster also in the same leaflets encourages customers to agree an overdraft limit in advance of any borrowing in order to avoid unnecessary excess charges. It also explains the implications of transacting when a customer's account is in unauthorized overdraft.

Payment clearance

33. Ulster does not include information on the payment clearance times in this guide. This information is contained in a separate guide called *Guide to personal current accounts*.

Abbey

34. Abbey's current account: tariff of charges leaflet describes the day-to-day charges for a personal account only.²¹ As a result, the list of interest and charges is short. The leaflet also provides a brief explanation of the charges.

Billing period

35. A billing period is not specifically referred to in the leaflet. However, 'a statement period' is mentioned in a footnote to the unauthorized overdraft fee.

Credit and debit interest

36. Both interest and charges are included in the same leaflet. Both credit and debit interest rates are listed by type of account and that interest is credited monthly. The leaflet also explains that a customer can switch between preferred in credit and preferred in overdraft interest rates. A charge will apply if this occurs more than once in a year.²²

Unauthorized overdraft

37. Abbey groups all charges and interest related to unauthorized overdrafts which are clearly marked. A brief explanation of how the charge can be incurred is included and Abbey uses plain English.

²¹If more information on less frequently used services is needed, the customer needs to ask Abbey for further information.

²²The Abbey current account allows customers to choose a 'preferred in credit' interest rates or 'preferred in overdraft' interest rates. Those that prefer to keep their account in credit will receive a higher credit interest rate and a higher overdraft interest rate. Those customers that prefer to keep their account in overdraft will receive a lower overdraft interest rate and a lower credit interest rate. A customer will need to make this choice upon opening the PCA and may change their preference. If the customer changes more than once, a fee may be applied.

Payment clearance

38. Abbey does not include payment clearance times in this leaflet. However, Abbey advises customers to wait until cheque deposits have cleared before drawing on these funds.

A&L

39. A&L provides customers with a leaflet called *Your guide to our interest rates and charges*. The guide includes the interest rates and charges applicable to all their current accounts. Day-to-day banking interest and charges information is presented on two pages per PCA product. Generally, A&L use plain English and provide brief explanations of fees and how they are applied.

Billing period

40. The guide refers to a monthly charging period; however, specific dates or a reference to a monthly statement is not mentioned.

Credit and debit interest

41. Both credit and debit interest rates are shown for each account. The presentation of the interest and fees grouped by type of account makes it easy to understand which fees are applicable to each account. In addition, A&L explains how credit interest is calculated and credited to the account. However, it does not explain how debit interest is calculated and debited from the account.

Unauthorized overdraft

42. The guide lists the unauthorized overdraft fees for each account under the heading 'Overdrawn Account'. An explanation of an unauthorized overdraft is not included and the guide does not mention that both the monthly unauthorized overdraft charge and a failed transaction or paid items charge can result from one transaction.

Payment clearance

43. The payment clearance cycles are clearly outlined by channel type. A&L acknowledges that their processes take longer than the industry norm (three days) as clearance takes an extra day (four days).

Halifax

44. Halifax's interest rates and account charges booklet details these clearly with explanations in plain English.

Billing period

45. The Halifax booklet does not mention when the account charges will be applied to a PCA. The paid and failed item charges are applied after 7 days. The unauthorized overdraft charge is applied on the last working day of the month following the month the charge was incurred.

Credit and debit interest

46. Both interest paid on credit balance and interest charged on overdrawn balances is included in the booklet. However, how interest is calculated and paid/debited is not included in this information. Halifax has told us that interest calculation details are included in the terms and conditions information provided with the PCA.

Unauthorized overdraft charges

47. The Halifax booklet could be considered to be clearer than many for the following reasons:
- Unauthorized overdraft charges have a separate Account Charges section of the booklet. In addition, there are only a small number of charges to consider.

- Halifax provides an explanation of what can happen if a customer overdraws their account and that charges may apply as well as useful tips which can help a customer avoid charges.
- The charges that can apply to unauthorized overdrafts are in plain English such as 'paid items' and 'failed items'. An explanation of each of these charges is also provided

48. There are some aspects of this section which are ambiguous such as:

- Halifax's decision to pay or not to pay a withdrawal on a PCA that can take it into unauthorized overdraft depends on the customer's conduct of the account.
- Halifax does not explain that both the unauthorized overdraft charge and a paid/unpaid fee can be applied as a result of one transaction.

Payment clearance

49. Halifax does not include information on the payment clearance times in its schedule of charges. This information is provided in the PCA terms and conditions information.

Nationwide

50. Nationwide provides only one type of PCA—the Flexaccount—which makes the list of interest rate and charges relatively short. Nationwide also uses plain English explanations for fees rather than banking terminology. The leaflet also notes which services are provided free of charge such as overseas ATMs, account management and UK ATM withdrawals.

Billing period

51. The customer is informed when charges will be taken from their account by letter. There is no billing period specified; however, Nationwide notes that a customer will be informed of any charges incurred in a 'Notice of Charges' which will be sent with

the monthly statement. This will also tell the customer the date that the charges will be debited from the account.

Credit and debit interest

52. The inclusion of both interest rates and fees mean that all relevant information applicable to the account is located in the one booklet. Credit, authorized overdraft and unauthorized overdraft interest rates are detailed in the booklet. It also notes that credit interest is paid annually; however, it does not include how interest is calculated.

Unauthorized overdraft

53. Unauthorized fees that apply to the PCA are grouped and clearly marked. A brief explanation of the fee is included. However, it does not explain that more than one fee may apply, for example an unauthorized overdraft fee and unpaid fee.

Payment clearance

54. The information on cheque use is unclear in that Nationwide lists that 'cheque available to withdraw' can take three or five days depending on whether the PCA has a chequebook or not. It is not clear whether Nationwide are referring to the time taken for a cheque deposited into a customer's account to be cleared or the time taken for a customer's cheque payment to be debited from their account.