



# News Release

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## **BETTER DEAL FOR NORTHERN IRELAND PERSONAL BANKING CUSTOMERS**

### **Final CC decisions on actions required by the banks**

Personal banking customers in Northern Ireland will benefit from new measures to increase competition. This follows today's final report from the Competition Commission (CC) on the market for personal current account (PCA) services in Northern Ireland. The CC found that competition was limited by banks' unduly complex charging structures and practices, their failure adequately to explain them and customers' reluctance to switch to another bank.

Banks in Northern Ireland must now make major improvements to their PCAs. These include providing better and clearer information to customers to help them understand banks' PCA services, charges and interest rates; giving customers at least 14 days' notice before deducting charges and interest from their accounts; and introducing improvements to the switching process to ensure customers who switch banks do not incur costs in doing so.

The new measures will come into force in Northern Ireland next year to coincide with likely changes throughout the UK from the current review of the Banking Code by the Banking Code Standards Board (BCSB) and from implementation of the Consumer Credit Act 2006.

In reaching its decisions, the CC has consulted extensively with the banks, the British Bankers' Association, the Financial Services Authority, HM Treasury, consumer groups and the BCSB, as well as the Office of Fair Trading (OFT), which recently announced a UK-wide market study into personal bank current account pricing.

Christopher Clarke, Chairman of the Inquiry Group and a CC Deputy Chairman said:

Our measures will ensure a better deal for personal current account customers in Northern Ireland. By enabling them to understand the costs of operating their PCAs, they will be much better placed to take decisions on the use of their existing account. Customers will also be in a much better position to choose which PCA and which bank best suits their own personal circumstances. An increase in switching bank accounts, or an increase in the possibility of doing so, will incentivize banks to provide better terms and clearer conditions. Such an increase in competition can only benefit customers.

During the course of our investigation, which we started in 2005, we have seen a number of very encouraging changes by the banks to their PCA offerings. There are now, for instance, a significant and increasing number of 'fee-free' accounts.

Even so, we believe there is still plenty of room for improvement. Almost 20 per cent of customers remain on 'traditional' accounts and continue to pay a complex array of fees and charges when in authorized overdraft. There are also significant complexities in understanding factors such as the levels and incidence of unauthorized overdraft charges on both fee-free and traditional accounts. Customers deserve better treatment which our remedies are designed to provide.

Overall, our measures are aimed at bringing changes to the competitiveness of the market in Northern Ireland which will endure and provide the basis for continuing product development and innovation.

Our remedies require the banks to be much more customer focused and receptive to their needs. But action by the banks alone will not be enough to increase competitiveness. Customers have a critical role to play to help themselves. For them to gain full advantage from these measures, they need to be pro-active in seeking the best PCA to match their own personal circumstances. Furthermore, we would hope that the various consumer bodies will recognize their own important role in reinforcing this message and assisting customers to make the right decisions.

This investigation has been focused solely on the Northern Ireland market which is what we were required to do. However, in reaching our decisions, we have worked closely with those working on other complementary initiatives in personal banking and coordinated our approach with them. These include the review of the Banking Code, the implementation of the Consumer Credit Act 2006 and most recently, the OFT's market study into personal bank current account pricing—all of which cover the whole of the UK. Whilst our measures apply only to Northern Ireland, we would expect both the independent review of the Banking Code and the OFT to consider carefully the implications of our conclusions and decisions for their own work.

The final package of remedies includes requirements for banks serving PCA customers in Northern Ireland to:

- Describe their PCA services in plain English using terms that are easy to understand.
- Provide clear explanations on the levels of charges and interest rates and how and when they are applied. They must be available both before a customer chooses a PCA and when opening a PCA, as well as on statements and when customers are pre-notified of charges and interest payments.
- Provide more information on bank statements including details of charges and interest rates.
- Provide every customer with an annual summary of the charges they have incurred and of interest paid and received.
- Give customers at least 14 days' notice from the date of their statement before charges and debit interest incurred are deducted from their account.
- Remind customers annually of their right to close their account or switch to another bank.
- Introduce improvements to the switching process, including offering a charge-free and interest-free overdraft facility to new customers for at least three months. Alternatively,

banks must guarantee to refund any costs incurred from failures in the switching process regardless of whether the charges and interest were incurred as a result of an error by the new bank.

Measures relating to better and clearer information must be in place by April 2008, with the remainder being implemented by October 2008 at the latest. This is to ensure that they coincide with likely changes resulting from the current review of the Banking Code and the implementation of the Consumer Credit Act 2006. The BCSB will take responsibility for monitoring compliance with the remedies, in close liaison with the OFT.

The report confirms the findings set out in the CC's provisional findings report published in October last year. The features which the CC found prevent, restrict or distort competition are that banks have unduly complex charging structures and practices; that they do not fully or sufficiently explain their charging structures and practices; and that customers generally do not actively search for alternative PCAs or switch banks. These features make it likely that customers incur higher charges and receive lower levels of credit interest than they might expect in a more competitive market.

The final report is available on the CC website at [www.competition-commission.org.uk](http://www.competition-commission.org.uk).

### **Notes for editors**

1. Under the Enterprise Act 2002, the OFT can make a market investigation reference to the CC if it has reasonable grounds for suspecting that competition is not working effectively in that market.
2. The inquiry was referred by the OFT on 26 May 2005 following a 'super complaint' from *Which?* in conjunction with the General Consumer Council for Northern Ireland, and an initial OFT study into the sector. The CC is required to publish its final report by 25 May 2007.
3. The members of the CC Inquiry Group are: Christopher Clarke (Group Chairman and a Deputy Chairman of the CC), Professor John Baillie, Laura Carstensen and Ian Jones. Jeremy Seddon, who was a member of the Group, sadly died in November 2006.
4. Market investigation references are intended to focus upon the function of a market as a whole rather than the conduct of a single firm in a market.
5. Further information on the CC and its procedures, including its policy on the provision of information and the disclosure of evidence, can be obtained from its website at: [www.competition-commission.org.uk](http://www.competition-commission.org.uk).
6. Enquiries should be directed to Rory Taylor, Media Officer (email [rory.taylor@cc.gsi.gov.uk](mailto:rory.taylor@cc.gsi.gov.uk)) on 020 7271 0242.