

Market shares in PCAs

1. Market shares may be calculated on a number of different bases including:

- (a) number of accounts;
- (b) value of income (including interest income and income from fees); and
- (c) value of balances.

2. Data on the share of the number of PCAs are available from market research by FRS (see Tables 4.1 and 4.5) using a large annual sample of around 50,000. Abbey National argued that the FRS data understated its PCA share as certain segments of the population viewed Abbey National as a building society rather than a bank and thus did not associate it with PCAs.

3. Shares of the number of accounts do not reflect the use made of the account. In particular, some accounts may be completely inactive, for instance because the customer has switched to another provider but not closed his/her previous account.

4. In order to obtain further information on market shares, we sent a questionnaire to 33 providers of PCAs in Great Britain, of which 29 responded. Results for 2000 are summarized in Table 1 and show minor differences from the FRS data (which are included for comparison):

- (a) The combined share of the number of accounts held by Lloyds TSB and Abbey National is similar to that in the FRS data (Lloyds TSB's share is slightly smaller and Abbey National's share slightly bigger).
- (b) PCAs offering restricted types of transactions (mainly basic bank accounts and young people's accounts) tend to generate less income and may therefore be less important for calculating market share. If attention is confined to full PCA accounts (those including a cheque book as well as other money transmission facilities), the companies' combined share is slightly higher although Abbey National's share is lower, reflecting the exclusion of its large number of Instant Plus accounts.
- (c) The two companies' combined share of income is slightly higher still, reflecting in particular a higher share of fee income (in Lloyds TSB's case this may be due to fees from authorized overdrafts while in Abbey National's case it appears to be due to a particularly high level of penalty fees from unauthorized overdrafts). Income reflects the number of accounts, the use made of the accounts and the implicit or explicit charges made for using the account (including standing charges, transactions charges, penalty charges and interest spreads). Hence it seems conceptually the most appropriate basis for calculating market share. [

Details omitted. See note on page iv.

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- (d) Both companies' shares of average balances are slightly below their share of accounts.

5. Abbey National claimed a 6.8 per cent share of the total number of accounts in 1999, using Datamonitor figures. We found that Abbey National's figures underestimated the total number of accounts held with all companies and hence overestimated Abbey National's share.

TABLE 1 Estimates of PCA market shares in Great Britain, 2000

per cent

	Number of PCAs			Net income†	Average balances‡		
	FRS data	CC data			All PCAs	Credit All PCAs	Overdrafts All PCAs
		All PCAs	Full PCAs*				
Lloyds TSB	22.0	21.5	22.8	23.3	21.3	15.2	
Abbey National	5.1	5.5	4.9	5.5	4.4	4.2	
Total	27.1	27.0	27.7	28.9	25.8	19.4	
Big four: pre-merger	72.1	71.9	76.0	78.7	78.7	78.9	
Big four: post-merger	77.2	77.4	80.9	84.3	83.1	83.1	
All traditional banks: pre-merger	77.9	77.1	80.8	83.1	84.0	89.2	
All traditional banks: post-merger	83.0	82.6	85.6	88.7	88.4	93.4	
HHI: pre-merger (number)	1,424	1,466	1,582	1,675	1,644	1,749	
HHI: post-merger (number)	1,649	1,703	1,803	1,934	1,832	1,877	

Source: CC estimates, FRS.

*Accounts offering all of the following: automated transactions for payments in and out, cheque book (with cheque guarantee card), debit card, ATM access.

†CC data on fee income plus net interest income. Net interest income estimated by CC on the basis of interest spreads over base rate. Where respondents calculated net interest income using benchmark interest rates other than base rate, net interest income was adjusted by $\{AB \times (\text{rate} - \text{base})\}$ where 'AB' represents average balances for the year, 'rate' is the benchmark interest rate used by the respondent and 'base' is the base rate. Net credit interest income was reduced, and net overdraft interest income increased, by the adjustment. Respondents with less than 500,000 PCAs were not required to provide income data: their share of income was assumed the same as their share of the number of all PCAs.

‡CC data on total balance for all PCAs, averaged over the year. Some companies supplied data only on average of end-month balances. Respondents with fewer than 500,000 PCAs were not required to provide balance data: their share of balances was assumed the same as their share of the number of all PCAs.

Note: CC data include the estimated market share of non-respondents (0.4 per cent).

6. Lloyds TSB said we should consider shares of accounts opened in the last year as well as shares of the stock of all existing accounts, arguing that, as merger control was forward looking, it was important to look at developments in the market. However, the number of accounts opened and closed (excluding internal switches) is a small percentage of the existing stock (see Table 4.10) and so any differences between shares of new openings and shares of current stock will affect the future stock slowly. Table 4.5 shows that, over 1995 to 2000, shares of existing stock did indeed change only slowly. FRS data for 2000 suggest that Lloyds TSB's share of accounts opened (excluding internal transfers) was 16.5 per cent and Abbey National's share was 4.1 per cent. These figures reflect account openings only, but closures as well as openings are relevant to future stock shares: if Abbey National's share of closures was less than 4.1 per cent its share of net openings would have been greater than 4.1 per cent. Additionally, sample sizes for account openings are smaller, and hence margins of error greater, than for the existing stock of accounts. Information from our questionnaire does not suggest that Abbey National's share in 2000 of accounts opened (net of closures) was less than its 5 per cent share of the existing PCA stock.