



The Consumer Council

Elizabeth House

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Our Ref: PD200101758

Banking Standards Review

1st Floor

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Dear Sir Richard Lambert

### **Banking Standards Review**

By way of introduction, The Consumer Council is an independent consumer organisation, working to bring about change to benefit Northern Ireland (NI) consumers. Our aim is to make the consumer voice heard and make it count.

We have a statutory remit to promote and safeguard the interests of consumers in NI and we have specific functions in relation to energy, water, transport and food. These include considering consumer complaints and enquiries, carrying out research and educating and informing consumers. We also have responsibility to educate consumers on their rights and responsibilities and to equip them with the skills they need to make good decisions about their money and manage it wisely.

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The Consumer Council is also a designated body for the purposes of super-complaints, which means that we can refer any consumer affairs goods and services issue to the Office of Fair Trading, where we feel that the market may be harming consumers' best interests. As of December 2013, we also have the ability to bring super-complaints on financial matters to the Financial Conduct Authority – we are one of only four organisations across the UK to receive this designation.

In taking forward our broad statutory remit we are informed by and representative of consumers in NI. We work to bring about change to benefit consumers by making their voice heard and making it count. To represent consumers in the best way we can, we listen to them and produce robust evidence to put their priorities at the heart of all we do.

### **Our Money Affairs Work**

We have been working with Government and other stakeholders including banks and building societies to ensure financial services and products are suitable for consumers. Through partnership, we drive change and ensure that consumers are at the centre of policies and decisions.

### Personal Current Account Manifesto

We have built constructive relationships with banks in NI by conducting regular meetings to review policy issues. One of our key projects has been the development of our 'Personal Current Account Manifesto'. We have asked consumers to tell us what is most important to them when using the services of banks –this has formed the basis of our Manifesto. It was originally published in 2011, and was recently updated in September 2013. We have set out what consumers have told us the banks could do better for them, and used additional information published by media and other organisations to illustrate and provide evidence to help guide banks. We have held meetings with the main banks to discuss the findings of

our Manifesto, and establish what key recommendations for the banks to take forward. These meetings have been successful in building mutual understanding of how the Consumer Council and the banks operate. We regularly update our priorities, based on ongoing research with consumers, and continue meet with the banks to encourage them to make positive changes for consumers.

### **Our views - main principles to protect consumers in personal banking**

The Consumer Council welcomes the opportunity to respond to this consultation paper and notes the main proposals that will affect consumers. The creation of an independent body to oversee Banking Standards is an positive one, but in order to have the desired effect it is important that it is credible, offers something additional to the functions already provided by the regulators, and that its functions are accepted by all of the banks.

Any new system to improve banking standards must be robust and flexible enough to identify behaviours that will cause customer detriment, and work with financial institutions to improve accordingly. In a recent poll by YouGov, 73 per cent of respondents stated that banking had a bad reputation<sup>1</sup>. Trust in the banking industry has been severely dented by the market-crash of 2007-08, mis-selling scandals and various IT failures. The new body should ensure that the interests of consumers are placed at the heart of any process, and provide a strong ethical steer for the banking industry.

#### Focus on Consumers

- We have carried out research that shows that consumers want to be involved in decisions and make their voice heard. For example, some consumers feel powerless in the face of big business and suspect that their views are not taken into account. By

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<sup>1</sup> YouGov-Cambridge Research 'Public Trust in Banking', 2013

establishing and monitoring best practise rules, the standards authority could help ensure that banks and building societies are listening to the needs of their customers.

- Proper mechanisms must be put in place to review the effectiveness of the new Banking Standards body, and to take into account the views of consumers gathered by consumer representatives on a frequent basis.
- The overriding priority is to represent the public interest. Effective benchmarking and progress reports would be a positive improvement for consumers, when taken hand-in-hand with the current regulatory regime. It is important that these are able to be presented in an accessible and transparent way to the public.

### Working alongside existing bodies

- Differentiating between the regulators and the new standards setting body is vital—there is no point establishing another body if the role is already undertaken elsewhere. The FCA and PRA are working on new guiding principles for the industry, and the new Banking Standards organisation should use these as a building block, and not build a whole new set of rules which would potentially undermine the work the Regulators are currently undertaking.
- Setting up the new body would require very careful implementation to ensure a thorough, joined up system working effectively alongside the regulators to ensure important tasks and issues do not fall between the bodies, or duplicated.
- The Consumer Council would like to see clarity for consumers with the provision of a charter that clearly outlines the role and scope of the new Banking Standards body. At present, the variety of consumer facing advice organisations and the new regulatory bodies means it can be confusing for consumers to know where to go to for assistance.

### Establishing Credibility

- The organisation would have to be accepted by all of the major banks operating in the UK, and be a credible challenger for the consumer voice. Applying to all the banks operating in the UK, as opposed to banks based mainly in the UK, would be a good first step to creating a robust organisation which would eliminate gaps in consumer protection.
- The role of the FCA is to protect consumers in both a preventative and restorative manner. This is in the form of credible enforcement of an appropriate set of conduct rules and the safety net of an ombudsman and compensation scheme to allow effective redress. Without any statutory or enforcement powers, will the new Standards body be able to ensure commitment to customer codes & ethical guidelines?
- One of the issues that consumers have told us is of key importance to them, is the ability to trust their bank. Trust has been damaged by recent IT failures at some of the large banks, and helping banks to restore trust is a fundamental task that the Standards Body could potentially undertake. Can real change in the industry be implemented without 'teeth', and reliance on self-reporting?

While in principle we whole-heartedly welcome Sir Lambert's proposals, we will look forward to seeing how the proposals develop and are shaped in relation to focus on consumers, working alongside existing bodies and establishing credibility.

If you wish to discuss this response further, or have any questions, please not hesitate to contact me on telephone number 028 90 674809 or via email to

[holly.maclennan@consumercouncil.org.uk](mailto:holly.maclennan@consumercouncil.org.uk).

Yours sincerely,

**Holly MacLennan**

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