



***Consultation: CMA Market Study on Personal Current Accounts***

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## **Introduction**

The General Consumer Council for Northern Ireland (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 and have specific functions in relation to energy, water, transport food and postal services. These include considering consumer complaints and enquiries, carrying out research and educating and informing consumers.

### **CMA Market Study on Personal Current Accounts**

The Consumer Council welcomes the opportunity to respond to this Market Study Notice.

Over the past number of years The Consumer Council has carried out extensive research into how consumers view financial products and services in NI. We have been keen to explore how consumers shop around for financial products, and what they understand when contemplating the products on offer. We want to help ensure that consumers are confident they are getting value for money from their bank, and that they have the ability to easily switch to another provider if they are not.

Despite an OFT market study undertaken in 2008 into the banking practices related to personal current accounts (PCAs), the OFT's 2013 evaluation of this report showed that implementation of the

recommendations on transparency and switching has been slow, and has had a limited impact on competition in the banking sector.

The Consumer Council has responded to consumer need by developing a Personal Current Account Manifesto (updated most recently in September 2013) which was informed by consumers' experiences and views. They told us that some of the most important things in daily banking are good customer service, clear and transparent charges, easy to understand communications and reliable help when switching from another bank.

We have been working with all of the banks operating in NI to encourage them to adopt and implement the recommendations from this Manifesto.

We have seen some improvements; however there is still work to be done. The key consumer issues with the PCA market that have been raised with us are:

### **1. Northern Ireland Banking Structure & Access to Financial Services**

NI has the highest percentage of unbanked individuals in the UK. 11 per cent of consumers in NI<sup>1</sup> do not have a direct payment account which allows money to be paid in and direct debits to be paid out, compared to four per cent in rest of the UK. The Consumer Council regularly undertakes research with consumers to explore their attitudes to financial services. A lack of trust with the big banks is a reoccurring

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<sup>1</sup> Family Resources Survey in November 2013

theme, and could explain why we have such a high proportion of unbanked individuals.

No banks are currently offering an account opening service to NI prisoners pending release. This has been raised as a necessary tool to help ex-offenders resettle in the community, allowing payment of wages, benefits and getting discounts on utility bills by setting up a direct debit.

We have been advised that some consumers who have debts with their existing bank and are about to enter into a Debt Management Plan (DMP), or Individual Voluntary Arrangement (IVA), have had problems opening up a bank account with a new bank. We have also been informed that currently only one bank, Barclays, will offer a basic bank account to undischarged bankrupts. This is causing problems for those who are attempting to get their finances back on track, particularly those who live in the west of NI where Barclays do not have a high street presence<sup>2</sup>.

NI has four major local banks, which together hold 66 per cent of the market share for PCA's<sup>3</sup>. Consumer group Which? run a twice yearly customer survey to rate the best and worst banks for customer service. The latest March 2014 survey revealed that two of the worst three banks are based in NI: Bank of Ireland and Ulster Bank. Many of the top-rated banks in the survey do not have a high-street presence at all in NI.

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<sup>2</sup> <http://ask.barclays.co.uk/branchfinder/>

<sup>3</sup> Danske Bank Evidence to the Northern Ireland Affairs Committee on Banking, 2013

There are a number of things that the regulator and the banks could do to improve access to banking services and help consumers become better equipped when choosing financial products. All banks should review basic bank account opening services so that all consumers have access in their locality; regardless of past offences, debt or financial hardship. Common terminology should be used by all banks to make products easier to compare against competitors; banks should make the terms and conditions easy to read and more visually appealing with a legible font size, to encourage more consumers to check them carefully before signing up to products; and overdraft fees should be transparent, fair and proportionate.

We believe local banks should develop and market competitive product offerings to encourage switching and the opening of new accounts. Offerings must be presented in a way that consumers are able to easily view and compare the product features and service, so that they will know if it is a good deal for them. For those banks who do not have a high street presence in NI, it would be helpful if they expanded their services into alternative outlets, such as the Post Office, to allow consumers to have a full choice of the market.

## **2. Bank Branch Closures**

In 2012 and 2013, 53 bank branches closed throughout NI and there are further closures on the horizon. The Consumer Council is concerned about the level of access that consumers will have in order to carry out daily banking activities in NI. The number of branches of the big four banks have reduced from 252 to 199 (21 per cent) in the last two years.

Our research shows<sup>4</sup> (March 2013) that despite the number of banking services that are provided via telephone and online, branch usage is still high. A sizeable proportion of people in NI say they are still using branches on a regular basis; 80 per cent visited a bank branch at least once in the past year, 60 per cent in the last month and 32 per cent in the last week.

Online banking is an alternative; Consumer Council focus group participants have commented positively about the ease of accessing banking apps on smart phones. NI still lags behind the rest of the UK in terms of usage however, with 27 per cent of people (compared to the UK average of 39 per cent<sup>5</sup>) choosing to bank in this way.

### **3. Switching Bank Account**

We are pleased to note that the number of consumers across the UK switching bank account has increased since the launch of the Payments Council's switching service; however numbers are still not as high as they could be.

The Consumer Council has carried out research into the reasons why NI consumers choose certain bank accounts, why they stick with them and what they think is missing. The main reasons that consumers tell us they haven't changed bank account are:

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<sup>4</sup> Data: Ipsos Mori 5-19 March 2013, 1003 participants.

<sup>5</sup> Ibid

- Family loyalty- been with the bank for a long time;
- Apathy- all of the banks appear to offer the same thing and there is no differentiation; therefore consumers have no desire to switch as they cannot see the benefits;
- Fear that direct debits and other payments will go astray and make them incur charges.

Recent focus groups on a range of banking issues in January and March 2014 elicited a variety of responses to illustrate why some people are not switching accounts:

- *“Most of the banks are all the same... one bank is no different from the other. They will make you a deal at the start but that bank will probably be taking charges so ones just the same as the other.”* [Male, Lisburn, January 2014]
- *“I don’t have a problem with them and I don’t see any opportunities out there for something better or different, so why bother.”* [Male, Lisburn, January 2014]
- *“The thing is they know everybody needs one so they don't have to make too much of a competition.”*[Male, Carrickfergus, March 2014]
- *“There's far too diverse accounts, so you know, a term for this and if you want this account here you could have free this insurance, free that insurance but it'll cost you £10 a month and there's so many different options.”* [Male, Ballymena, 2014]

We have been disappointed that to date the Payments Council have not been able to provide regional data on the levels of account switching, so

we cannot at this stage compare switching data between different regions.

The launch of the government's MIDATA programme will hopefully help address some of the key problems which prevent switching at present; and allow consumers to better compare and contrast deals before they switch. It is disappointing to note though, that at this stage, none of the major banks in NI have signed up to the scheme. The Consumer Council believes that if uptake of this voluntary scheme continues to be poor, this scheme should be made mandatory for current account providers to allow consumers to easily compare and make informed decisions on whether there are better accounts for them to switch to.

#### **4. Terms & Conditions**

In 2007, The Consumer Council carried out research into the habits of NI consumers. We found that some 17 per cent of consumers in NI claimed not to have read terms and conditions of the most complex products they had bought in the last five years<sup>6</sup>. This is nearly twice the proportion of consumers who have not read terms and conditions in the UK. This could again go some way to explaining the higher proportion of those who are unbanked, and also the lack of enthusiasm to switch bank account.

More recently we have asked consumers what they don't like about written communications from their bank. Consumers have asked for easy to understand communications, in plain English and in a legible font size. They have also asked that complex terms and conditions are made

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<sup>6</sup> Managing Money- How does Northern Ireland add up?, Consumer Council, 2007

more accessible and explained in plain language, especially when there is a change that will affect how they operate their account.

Other research shows that terms and conditions for bank accounts continue to be too long – with some banks clocking up over 25,000 words, while others manage to do the same job in half this.<sup>7</sup>

Consumer Council focus groups in March 2014 revealed a range of attitudes to T&C's:

- *"I get emails all the time from the bank, something about something's changed and tick this to say... I never read it."*  
[Female, Ballymena, 2014]
- *"You don't want to have to be like an accountant to read all this business stuff that they give you"* [Male, Armagh, 2014]
- *"With the bank you can't [read it easily]. It is just a whole ream of obscure double words with appendix a, b, c, d with all that here and you just don't have the faintest idea what is going on."*[Male, Carrickfergus, 2014]

## **5. Trust in IT systems**

Consumers must have confidence that financial institutions have all the tools and processes in place to safeguard their money and provide the vital service of making payments when required. The payments crisis that affected NI consumers from 19 June to 16 July 2012 and beyond has had far reaching consequences for many. While RBS customers in the UK

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<sup>7</sup> Fairer Finance 'Spare us the small print' research, April 2014

were affected for a couple of days, many of those in NI experienced problems for months following the Ulster Bank IT crash.

In late 2012 the Consumer Council published a report into the Ulster Bank payment crisis, "Payment Pending", which setting out a number of recommendations for all banks, the Financial Services Authority and the Payments Council to ensure that a payments crisis would never happen again.

We surveyed a wide sample of consumers who were affected, and found that nearly a quarter of consumers that responded to our survey had to spend more than a full day trying to sort out problems caused by the crisis. To fill the gap, consumers had to borrow money from friends or family, use credit cards and some even resorted to expensive lending such as payday loans. On 31 August 2012 the Ulster Bank launched a redress scheme that was, in our opinion too late, difficult to navigate and poor value.

The Consumer Council are disappointed to note that in the last year, there have been several further payment problems at the Ulster Bank, and indeed the other major banks in NI, disrupting services for hours or days at a time.

This is an issue that crops up time again during focus groups:

- *"I'm with Ulster Bank and it was about a month maybe six weeks ago we were out and about doing our Christmas shopping and they had the glitch again but it was for only the one night. It was embarrassment of it because I knew I had money but the lady said*

*it was all Ulster Bank cards, it wasn't just me but it was still embarrassing."* [Female, Lisburn, 2014]

- When talking about the payments crisis of 2012 *"I had a friend now, desperate for money, and couldn't get money."* [Male, Ballymena, 2014]
- *"around the time that the Ulster Bank systems crashed two years ago, we had the money in the account for the mortgage and whatnot and they couldn't access the money, so when the whole thing blew over and they got the whole computer system up and running again they went to charge us for not paying our mortgage"* [Male, Armagh, 2014]
- When talking about the 'Cyber Monday' crash at Ulster Bank in December 2013 : *"A friend of mine was buying diesel and he was paying with his card and he had to phone his dad and wait for his dad to come and give him money."* [Male, Enniskillen, 2014]

## **Summary**

Consumers have told us that they lack faith in the banks IT systems, and they are dissatisfied with the confusing information provided by the banks. Additionally, bank branch closures and stringent criteria for opening basic bank accounts continue to be a barrier for consumers. There is still a lot of work to be done to make the PCA Market more accessible, competitive and transparent for consumers across the UK.

The Consumer Council therefore welcomes the proposal by the CMA to carry out its functions under Section 5 of the Enterprise Act in relation to the supply of PCA services in the UK. As we have conveyed, in comparison to the rest of the UK, a significantly higher proportion of consumers in NI are unbanked, and of those who do have a bank account, less use banking smart phone apps or read terms and conditions. Access to financial services, lack of transparency, trust, and barriers to switching are key issues; the Consumer Council recommends that the UK market study should include a regional breakdown of the findings relating the PCA market, so that our concerns about the issues specific to NI can be fully explored.

The Consumer Council will continue the positive working relationships we have with banks operating in NI in the implementation of the recommendations set out in our Personal Current Account Manifesto<sup>8</sup>. We would be happy to discuss the recommendations and our work to date further, and look forward to working with the CMA in the future.

**If you wish to discuss any aspect of this response in more detail please do not hesitate to contact Rachael Cray on 028 9067 4809 or via email on [rachael.cray@consumercouncil.org.uk](mailto:rachael.cray@consumercouncil.org.uk).**

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[http://www.consumercouncil.org.uk/filestore/documents/Personal\\_Current\\_Account\\_Manifesto.pdf](http://www.consumercouncil.org.uk/filestore/documents/Personal_Current_Account_Manifesto.pdf)



**The Consumer Council**

# ***Making the consumer voice heard and making it count***

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