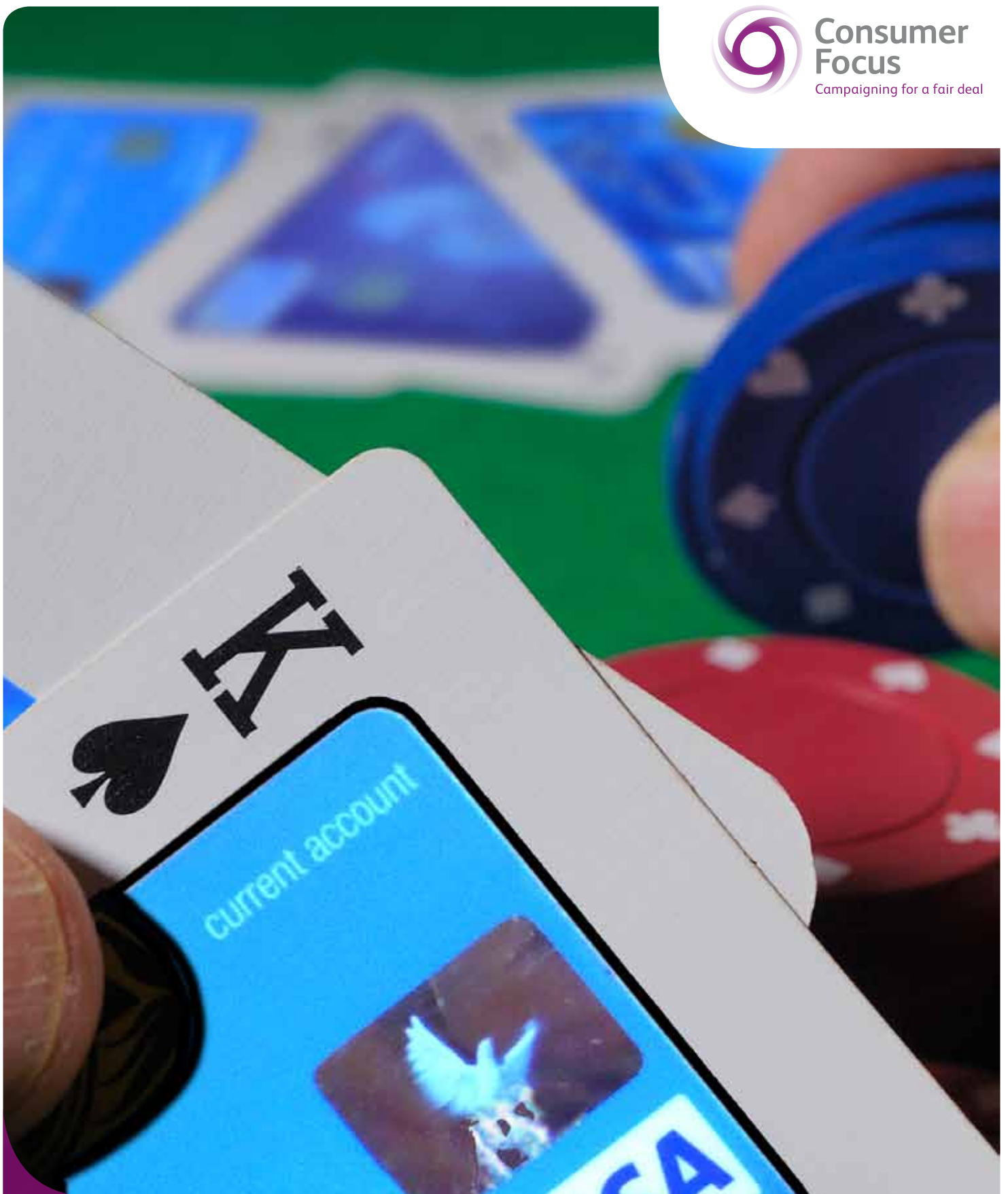




**Consumer
Focus**
Campaigning for a fair deal



Stick or twist?

An analysis of consumer behaviour in the personal current account market

Oliver Morgans

About Consumer Focus

Consumer Focus is the statutory consumer champion for England, Wales, Scotland and (for postal consumers) Northern Ireland.

We operate across the whole of the economy, persuading businesses, public services and policy makers to put consumers at the heart of what they do.

Consumer Focus tackles the issues that matter to consumers, and aims to give people a stronger voice. We don't just draw attention to problems – we work with consumers and with a range of organisations to champion creative solutions that make a difference to consumers' lives.

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Executive summary

We investigated switching in the personal current account (PCA) market to look at whether it was likely to influence competition among banks and affect unfair charges.

Our research showed that there is still a great reluctance among consumers to switch account providers. There also appear to be real problems with the switching process. This undermines efforts to improve switching as a way of driving competition in the banking sector. Until people are prepared to 'vote with their feet', competitive pressures on banks will be weaker than they should be.

The survey

ICM interviewed a random sample of 2,024 adults aged 18+ by telephone on 5–11 February 2010.

www.icmresearch.co.uk

Just 7 per cent of consumers (equating to 3.3 million people¹) with current accounts have switched over the last two years, far behind other markets. There are three possible conclusions from the persistently low rates of switching:

- 1 Consumers do not need to switch because banks already give high quality and high value banking services that reward consumer loyalty
- 2 Consumers are not inclined to switch current accounts since they do not perceive sufficient rewards to merit the effort, or, are unaware how to compare or switch current account products
- 3 Consumers do not yet trust the current account switching process to operate smoothly and effectively

We found all three conclusions in part applied.

- Three quarters of consumers (75 per cent) have never even considered switching their current account provider. Consumers do not seem to see sufficient value in switching. The majority of these consumers appeared satisfied with their bank. Many people thought that all the banks were the same
- Over eight million people (17 per cent) have thought about switching but not done so and this is often due to concerns about the costs of switching. Either the hassle, fears of errors in the switching process, (most notably on transferring Direct Debits), or fears as to the effect switching would have on their credit rating, meant that many simply choose to give up and stick with their current bank

¹ All figures are based on the total number of British adults excluding Northern Ireland from ICM – 47.358 million

- Among those who have actually switched, almost half (44 per cent), had faced some sort of problem, an increase on the 28 per cent in a previous survey by the Office of Fair Trading (OFT) in 2008. Over a quarter (27 per cent) – equating to nearly one million consumers – said Direct Debit payments had gone wrong when the mandate was transferred to the new account

The OFT has facilitated wide ranging reforms of the current account market following its 2008 report. Reforms included improving the consumer experience in switching; most notably on ensuring Direct Debit transfers do not incur errors. It has recently suggested some progress on this. As consumers shift payments more and more to Direct Debits it is vital that these reforms radically reduce problems in order for trust in the switching process to increase. We have found that problems with switching have significantly reduced consumer confidence in the process, so effective action is vital.

Recommendations to improve switching

1 Practical changes to protect consumers when switching

- If the OFT does not find continued reductions in Direct Debit error rates it should work with the relevant regulators in those industries to ensure service providers have adequate systems in place to transfer Direct Debit mandates
- Banks and service providers should not just compensate losses, but also make goodwill payments for any error or undue delay in the switching process that refunds the hassle experienced by the consumer. We believe that would markedly increase confidence in switching

2 Reforms that may encourage consumers to switch

- Inertia is so high among consumers that their right to switch needs constant reinforcement. All banks have agreed to ‘pre-notify all fees and charges’ and offer an annual summary of charges to consumers in 2011². This should also come with an annual reminder of consumers’ right to switch
- We would like to see greater consumer access to objective comparative price and quality information on bank accounts on internet comparison sites. That would allow consumers to compare their provider against its rivals both on total costs and on consumer service. We believe the *money made clear* website (www.moneymadeclear.org.uk/) should step in to fill this consumer need (something the OFT has already called for³)
- The OFT should review credit reference agencies’ and banks’ use of ‘time with the same bank’ as a variable determining credit worthiness. If consumers switch it should not be a variable in determining their credit score

² <http://bit.ly/9ZkZF2>

³ OFT, 2010, paper on the *Personal Current Accounts in the UK, unarranged overdrafts*, p16

3 Giving consumers greater control of payments and the switching process

- The OFT should investigate and consult on the feasibility of portable current account numbers as part of an EU-wide initiative. This would prevent account numbers from changing, meaning no Direct Debit transfer errors would occur when switching
- The OFT, or future Consumer Protection and Markets Authority, should investigate how technology can provide more consumer friendly structures both in switching and payment structures. That could include the potential for greater consumer control of Direct Debit mandates so the consumer is able to alter them

The above changes would help over eight million people who have thought about switching but who have been put off by the process.

Yet, our evidence places strong doubts as to whether encouragement alone would drive competition. Simply put, three quarters of consumers have not engaged⁴ with the concept of switching. Inertia seems embedded, and the nature of the market makes it difficult for consumers to exercise choice given that pricing structures are complex with irregular and hidden charges.

Many people do not even consider switching, even if they have had problems with their bank. Those who are most likely to suffer penalty charges are the least likely to have thought about switching. Many aspects of inertia are difficult to challenge but charging structures can be addressed further. Clearer charging would allow consumers who suffer from an array of penalty charges to compare more easily and may make them more likely to switch.

The coalition Government promised to: 'introduce stronger protections, including measures to end unfair bank and financial transaction charges'. We call on the Government to realise this commitment as soon as possible to ensure those consumers who can least afford it are protected from unfair bank charges and to drive competition.

⁴ That figure is made up of those who have not switched nor thought about it

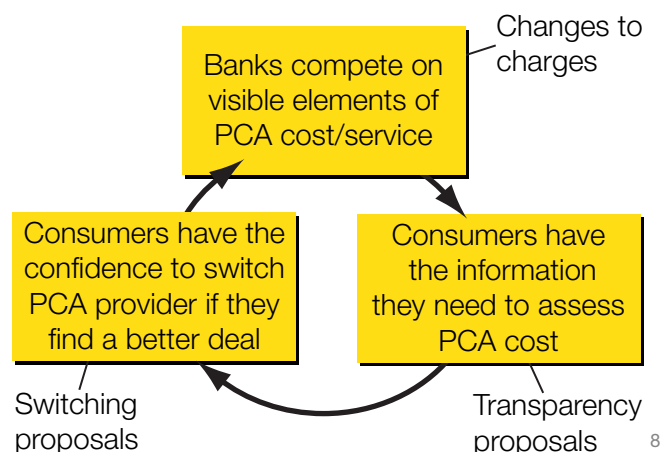
Background

The scale of the UK personal current account (PCA) market is significant, but there are long standing concerns at the way the market, which serves roughly 54 million active accounts, operates⁵. The OFT estimated that current accounts earned banks £152 per account in 2006, totalling £8.3 billion – more than savings and credit cards combined. A third of this amount came from charges associated with ‘unauthorised overdrafts’⁶.

The OFT found that these charges are complex and make it difficult for consumers to compare alternative products on the market. In addition, a range of other reports have concluded low switching rates allow banks to offer current account products that are not good value when ‘unauthorised overdraft charges’ are included⁷. The 2008 OFT report noted that ineffective competition was also caused by consumers being unwilling or unable to switch current accounts due to high switching costs. These included a cumbersome process and the strong fear of errors in transferring Direct Debits.

The OFT has made significant efforts to remedy the detriment it identified. It has sought to create a ‘virtuous circle’ of transparency of charges, greater consumer control and efforts to improve the consumer experience of switching. It states ‘by giving consumers effective control over when charges are incurred; by making them more aware of the costs of their current account; and by improving confidence in switching as a means to get better value for money, PCA providers will need to offer more competitive products and innovative services to attract custom’.

Diagram 1: The pro-competitive ‘virtuous’ circle



As part of the wider strategy, the OFT proposed a range of measures to improve both the switching experience for consumers and increase awareness of the benefits. The OFT hoped these changes, as expressed in its follow up report in 2009, would lead to significant increases in current account switching, or thinking about switching. This should in turn lead to an improvement in the current account market place for consumers as banks improved their products accordingly⁹.

⁵ OFT, 2008, Personal Current Accounts – A Market Study, p1

⁶ OFT, 2008 Market Study, p1. The OFT term ‘unauthorised overdraft charges’ is the legal term for what we call penalty charges in this document

⁷ Cruickshank Report, Treasury, 2000 Competition in UK banking, NCC, 2005, Active Switching Index, Competition Commission 2006, Personal Current Account banking services in Northern Ireland investigation, Gondat-Larralde, Celine and Nier, Erlend, Bank of England, The Economics of Retail Banking – An empirical analysis of the UK Market for Personal current accounts, Bank of England Quarterly Bulletin, Spring 2004, p153-159

⁸ OFT, 2010, p21

⁹ OFT, 2009, Personal Current Accounts in the UK – A follow up report, <http://bit.ly/c4Bonx> p53

Specifically, the OFT agreed several reforms with the Banks Automated Clearing System (BACS), Direct Debit originators and industry to improve the switching process through an account switching service¹⁰. Separately, the OFT worked with banks on transparency of costs and ease of comparability. Together, the OFT believed this would lead to *'consumers being more aware of the benefits of shopping around for a better current account'* and reduce *'the problems that can arise when switching'*. This in turn should *'lead to an increase in the number of consumers willing to switch current accounts'*¹¹.

In 2010 further reforms were announced on consumer control. Discussions between the OFT and the major banks meant the OFT expected the banks to offer customers the option of 'opting out' of unarranged overdrafts, greater tools to avoid going overdrawn and better treatment for those who get into financial difficulty¹².

The OFT promised to monitor whether as a result of its package of measures announced in 2009 and 2010, consumers have *'greater confidence in the switching process'* with an *'increase in the number of consumers willing to switch current accounts'*¹³. The OFT provided a recent update to its work on current accounts where it tentatively suggested reforms are beginning to work¹⁴.

The European Banking Industry Committee (EBIC) Common Principles on bank account switching

The old bank has to provide all the available information about the consumer's recurrent payments within seven banking days of a request from either the new bank or the consumer.

The new bank has to set up recurrent payments on the new account within seven days of receiving the necessary information and will either inform third parties about the consumer's new account details or assist them in doing so.

The Common Principles apply to domestic switching of current accounts and recurring Direct Debits, standing orders for credit transfers and recurring credit transfers which are linked to these current accounts.

We are not able to directly monitor these reforms since our research tracks consumers' experiences before and after the reforms came into effect. Yet we can provide an updated understanding of consumers' wider experiences and impressions of switching over the last two years.

The OFT also took legal action on 'unauthorised overdraft charges' to see whether it could assess bank charges for fairness when the charging structure was not transparent. The Supreme Court ruled on the test case on unauthorised overdraft charges in November 2009. It ruled that the fairness of these charges could not be challenged on the basis proposed.

¹⁰ BACS Account switching guidance: <http://bit.ly/90bI79>

¹¹ OFT, 2010 p17-18

¹² <http://bit.ly/dbIVcg>

¹³ OFT 2010, p18

¹⁴ <http://bit.ly/aYzxQ6>

Without the legal route to judging the fairness of charges, the OFT is relying on improved market competition to eradicate consumer detriment¹⁵. This is namely voluntary action by the banks to make charging structures clearer, reducing the barriers to new competitors alongside reforms to increase consumer control and a better switching process¹⁶.

Separately, rules agreed by representatives of the European Banking industry also aim to make the process easy and trouble free. The European Banking Industry Committee (EBIC) Common Principles on Bank Account Switching set clear deadlines for the old and new bank¹⁷ (see box left).

Finally, significant changes have taken place in the dynamics of the current account market, in addition to the reforms mentioned above. Such changes include:

- Emergence of different and more transparent charging models. New arrivals in the current account market – such as Virgin, Metro and Tesco Bank which are likely to differentiate on pricing and performance and customer service models¹⁸
- Incentives for customers to switch accounts. Certain banks now offer money for new customers who switch to them
- The collapse of interest rates which mean the profits from current accounts from ‘*interest foregone*’ on savings will have reduced

- A fall in unauthorised overdraft charges in the period following OFT’s initiation of legal action and a shifting of penalty charges to a raft of even more confusing and varied terms
- Negative publicity has made many providers more restrained and consumers more likely to take action on these charges
- A growth in price comparison websites and consumer feedback forums
- The impact of wider factors such as the economic crisis and a further consolidation of the banking market

Collectively, all these changes mean now is an opportune moment to look again at the consumer experience since many of these changes offer hope of increased competition. Our survey comes at a crucial juncture for the current account market and offers policy makers a perspective of consumers’ experience of the market and the switching process. We believe our research should be used to inform debates about the shape of future retail banking and payments regulation. Changes to the structure and extent of regulatory protection are afoot, though clarity about the exact nature of reforms is yet to be made clear by the coalition Government. The consumer experience, informed by empirical research, should be placed at the heart of all future reforms.

¹⁵ <http://bit.ly/a1PGXr>

¹⁶ OFT paper March 2010, <http://bit.ly/dbIVcg>

¹⁷ EBIC, Common Principles on Bank Account Switching, November 2009 <http://bit.ly/cZl1Xk>

¹⁸ See for example Virgin Bank who are likely to charge a monthly fee. Telegraph article Virgin Money to charge for its current account 8/3/10 <http://bit.ly/9UhgC>

What's the problem with low switching?

Economic theory suggests increasing the rate of switching is a key driver for competition which in turn should deliver value and quality for consumers¹⁹. This conceptual framework has underpinned economic reforms since the 1980s. Following this logic, the OFT envisages banks will improve their treatment of customers if consumer choice is exercised more readily, applying pressure on the banks in terms of value and service. In other words, encouraging switching is the central means through which the OFT seeks to remedy the detriment or '*negative equilibrium*'²⁰ it identified in the current account market. The OFT states: '*every-one suffers if the banks have little incentive to compete vigorously by providing better offers on key elements of their current accounts*' as '*markets generally work well for consumers where there is full and effective competition between suppliers, and consumers are able to make informed choices*'²¹. Without this pressure '*banks have little incentive to provide better offers*'²².

Yet, we must be careful about drawing quick conclusions from rates of switching. A report²³ by the National Consumer Council (NCC), one of our predecessor organisations, made clear that high or low levels of switching in themselves cannot be the only factor taken into consideration when assessing whether an industry is competitive.

If deals are temporary or marketing pitches unsubstantiated by actual consumer experience, then switching itself does not drive industry performance for the benefit of the consumer. Ofgem, the energy regulator, acknowledged this in its retail remedies in the energy sector, 2009²⁴. 42 per cent of switches did not lead to price savings in the gas market. This suggests marketing may promote savings that are difficult to achieve and/or misleading.

In the financial services sector, there is also evidence that switching alone is not enough to generate consumer value. In our recent super-complaint to the OFT on cash ISAs we expressed concern at how companies only offer the best rates to new customers and then reduce them (so called teaser rates) and alter the product features on the basis that consumers are unlikely to switch thereafter²⁵.

Equally, a low switching rate would not always indicate consumer detriment. For example, a sector displaying 'perfect competition' would discipline all firms to price competitively since any firm selling above the market price would suffer a massive loss of custom with price responsive consumers switching. The OFT also acknowledges that switching rates in and of themselves are not the sole indicator of benefit or harm²⁶. Consequently, conclusions must be drawn carefully.

¹⁹ For example, see Baumol, Contestable Markets and the Theory of Industry Structure, 1982 and Contestable markets: an uprising in the theory of industry structure, 1982, or Chang, YT and Waddams Price, C - Time to Switch? The Pain and Gain in Switching Supplier; Metering International, issue 3 of 2008, pp.158-159 (August)

²⁰ OFT, 2008, Market study, p6

²¹ OFT 2008 Market study, p3

²² OFT 2008 Market study, p6

²³ NCC, 2005, Switch on to Switching

²⁴ Ofgem, 2009, Energy Supply Probe – proposed retail market remedies, <http://bit.ly/b1jC4m>

²⁵ Consumer Focus recent super-complaint on Cash ISAs to the OFT. <http://bit.ly/dcgzOU>

²⁶ OFT, 2009, p45

The research

Consumer Focus commissioned ICM to interview a random sample of 2,024 British adults aged 18+ by telephone over two waves of their telephone Omnibus from 5-11 February and a further Omnibus between 17 and 18 February 2010 with 1,001 British adults aged 18+. Surveys were conducted across the country and the results have been weighted to the profile of all adults. ICM is a member of the British Polling Council and abides by its rules. Further information can be found at www.icmresearch.co.uk.

ICM asked consumers about their views on switching and in particular in current accounts. They asked those who had switched about their experience. ICM also asked those who had not switched why not. This involved looking at every aspect of the consumer perspective from contentment with their bank through to fear of errors taking place. Our research questions can be found in Annex 1 (page 33).

In our analysis we compared our results to previous surveys that had captured similar comparative data. The best sources were the 2000 DTI switching index, the 2005 NCC Active Consumer Index and the OFT market study data on current accounts²⁷.

The 2000 and 2005 reports investigated in which industries consumers most readily exercised choice and switched providers. The 2008 OFT paper was also aimed at understanding current account switching rates against other industries. We asked ICM to discover who had switched over the last two years rather than the last five years as other surveys had done, in order to see how consumer behaviour has evolved since the 2008 OFT report.

We cross referenced most of the utility services against the data of previous surveys to see how switching patterns have evolved over 10 years. We also updated the fields to reflect current consumer purchases, for example, putting broadband and landline telephony together and also merging gas and electricity into energy since the majority of switching in energy tends to be dual fuel. Although this makes the data more relevant to today's consumer experience it also makes comparison over time slightly more problematic.

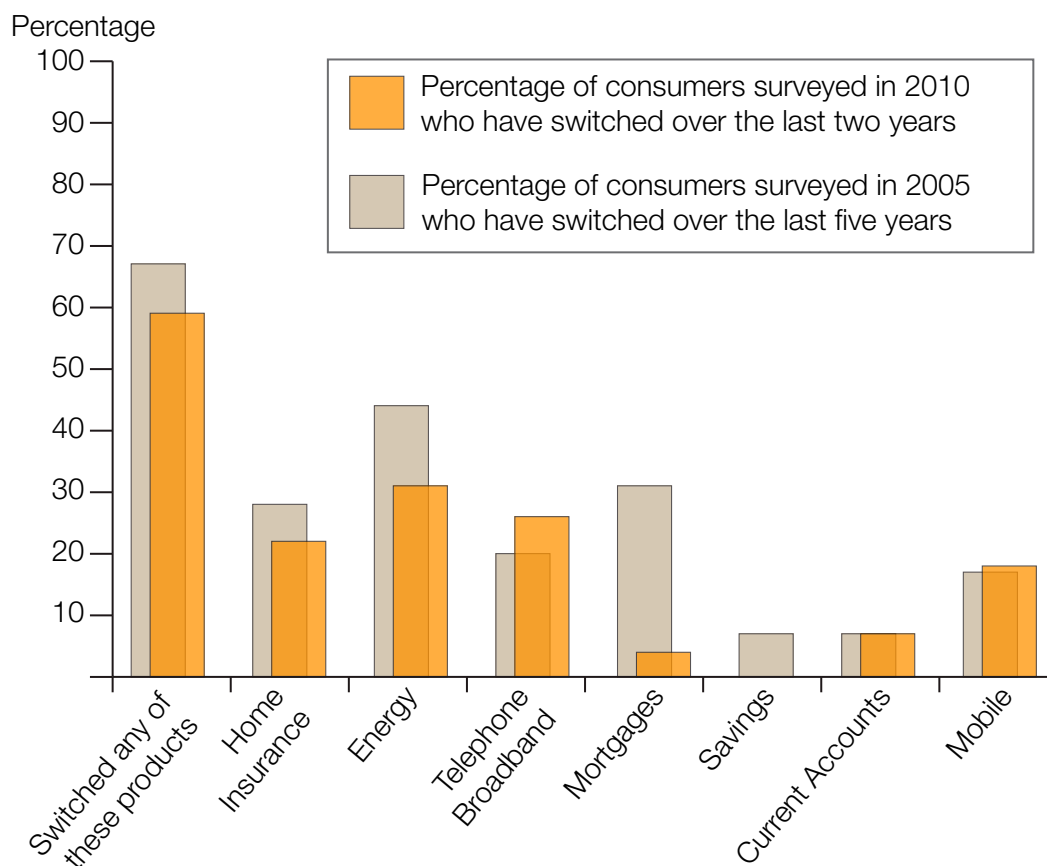
²⁷ FDS paper for DTI, *Switching Across markets*, 2000, FDS paper for NCC, *The NCC Active Switching Index*, 2005, OFT *Personal Current Account market*, 2008

Results

Consumers are willing to switch where they perceive real and meaningful benefits in terms of quality or value from a differing supplier and feel the time and effort required is worthwhile. High switching rates are often therefore indicative of competitive and dynamic industries where firms differentiate to offer meaningful choice. Graph 1 shows no clear trend about the overall propensity of consumers to switch. Our survey shows a slight decrease in switching but this is over a much shorter time period than the last active switching survey by the NCC that took place in 2005.

This graph tells three stories. Firstly, switching is significant in many industries, with the most switching occurring in energy (31 per cent), telephony (26 per cent) and insurance (22 per cent). Telephones, both mobile and landline, seem to have experienced the most significant increase in the rate of switching. Consumers appear to perceive large gains to be made in these industries or are pushed to switch, for example door-to-door sales in the energy sector. Anecdotally, it would appear the penetration of internet online comparison sites (aided by heavy and sustained advertising) has encouraged consumer switching on the basis of price and/or quality of the product supplied in some markets.

Graph 1 – Switching behaviour comparing data in 2005 and 2010.



Secondly, consumers have withdrawn from switching in the mortgage market since the NCC survey in 2005. This could be explained by changing circumstances in the mortgage market as a result of the economic crisis, the tightening of credit and the elimination of competitive variable or fixed rate deals²⁸. Many consumers are simply better off with their current arrangements as there are not more attractive products available. The reduction in switching is therefore driven by market conditions and not a reduction in consumers' engagement with the market. The prevalence of switching in 2005 proves consumers are willing to switch in this market.

Thirdly, and most crucially for this paper, current accounts have consistently demonstrated a low level of switching. In each survey the rate of switching in current accounts has remained markedly lower than for other areas. In the last two years, 7 per cent of consumers have switched current accounts. In 2008, the OFT also found that 7 per cent had switched over the previous two years²⁹.

The 2000 and 2005 surveys recorded the numbers of consumers who had switched over a five year period. In 2000, switching was at 6 per cent, in 2005 at 7 per cent and in 2008 the OFT also found 13 per cent had switched over a five year period. GSK, an independent annual survey, finds the annual switching rate of main current accounts to be under 3 per cent but they state it has been slowly increasing over time³⁰. The Bank of England found the same low but slowly increasing rate of switching in its investigation into the current account market in the period 1996 to 2001³¹.

Long run comparisons are difficult since the time period covered from 2000 differs from our own research data and the various reports would appear to use different methods. Yet, there does appear to be a small increase in the rate of switching over the last 10 years. Despite this marginal increase, our results show consumers are more reluctant to switch in the current account market than in other markets. Therefore, it would appear there are enduring barriers that have prevented the spread of switching to this market.

²⁸ We have made this point in Consumer Focus, 2009, From Feast to Famine, <http://bit.ly/bMUnex>

²⁹ <http://bit.ly/dbT34Y>, p12

³⁰ <http://bit.ly/bA6WpN>

³¹ Gondat-Larralde, and Nier, The Economics of Retail Banking, Bank of England Quarterly Bulletin, Spring 2004, p154



There are three conclusions one can draw from the persistently low rates of switching in the current account market despite the changes mentioned earlier:

- 1 That switching is not the main mechanism to deliver quality and value to consumers because consumers perceive banks give value and quality already and reward consumer loyalty
- 2 Consumers are not inclined to switch current accounts since they do not perceive sufficient rewards to merit the effort, or, are unaware how to compare or switch current account products
- 3 The changes brought in have not worked to date to increase trust in the switching process

Our research was designed to provide the evidence for determining which of the three conclusions is true and found that all three potential explanations in part apply.

Many consumers remain detached from the concept of switching

Graph 2 (page 16) shows that two-thirds of consumers have been with the same bank for over 10 years, suggesting that the majority of consumers have been reluctant to switch their current account.

Indeed, for those who have been with their current bank for less than ten years, there are reasons unconnected to switching. Consumers may have opened their first current account within the last 10 years, or, switched current accounts when they form relationships or share a mortgage (more prevalent in the early years of adulthood).

Graph 2 also compares the older generation (55-64) whose data set is less influenced by the above factors against the average and shows that 85 per cent of these consumers have been with the same bank for over 10 years.

Graph 3 (page 16) shows that of those who have not switched (93 per cent), fewer than one in five consumers have ever even considered switching. Most consumers rarely even think about switching current accounts and this applies across age groups, gender and differing socio-economic classes. For most consumers, switching simply does not enter their mind. This confirms the conclusions of the OFT's survey in 2008³² and the NCC's survey in 2005 and suggests there are limits to what effect making switching easier will have on the current account market. The majority of consumers are either not interested in switching or there are other impediments to them exercising a choice.

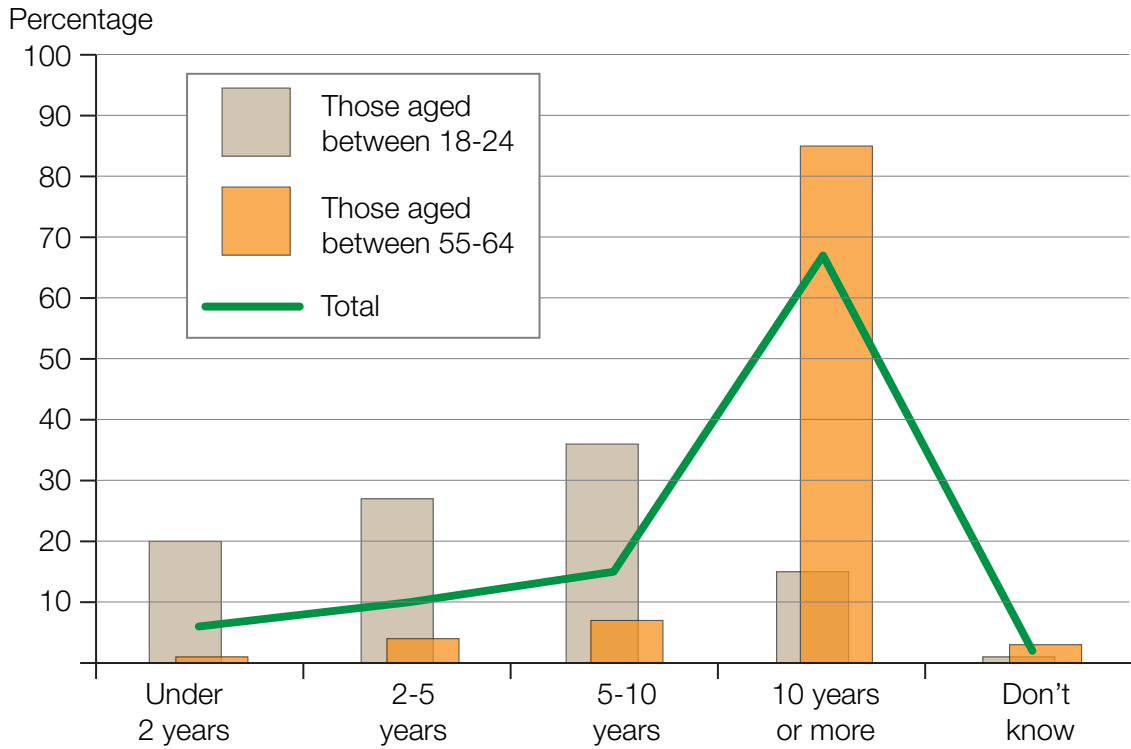
According to the OFT, charges from unauthorised overdraft withdrawals are '*disproportionately high among relatively young and financially constrained consumers*'³³. It is these consumers who would benefit the most from switching if they moved to an account with lower unauthorised or authorised overdraft charges. Looking at the break down of the figures (Graph 3) those who fit the OFT's description of suffering penalty charges are less likely than average to have thought about switching.

Graph 3 demonstrates that in the youngest group surveyed (between 18-24) just 15 per cent have thought about switching, while for social grades D and E, who are more likely to be financially constrained, just one in 10 have thought about it. Thus, those who could benefit most are least likely to even think about switching.

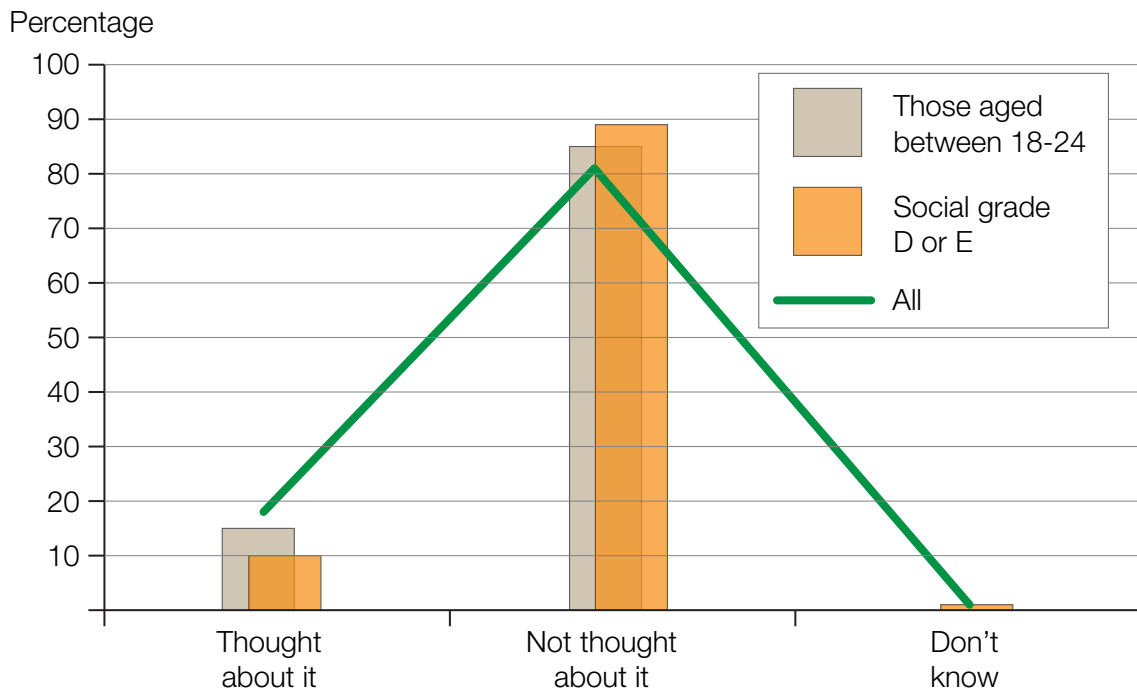
³² OFT, 2008, p86

³³ OFT, 2008, p69

Graph 2 – How long has the consumer been with their present bank for their current account?



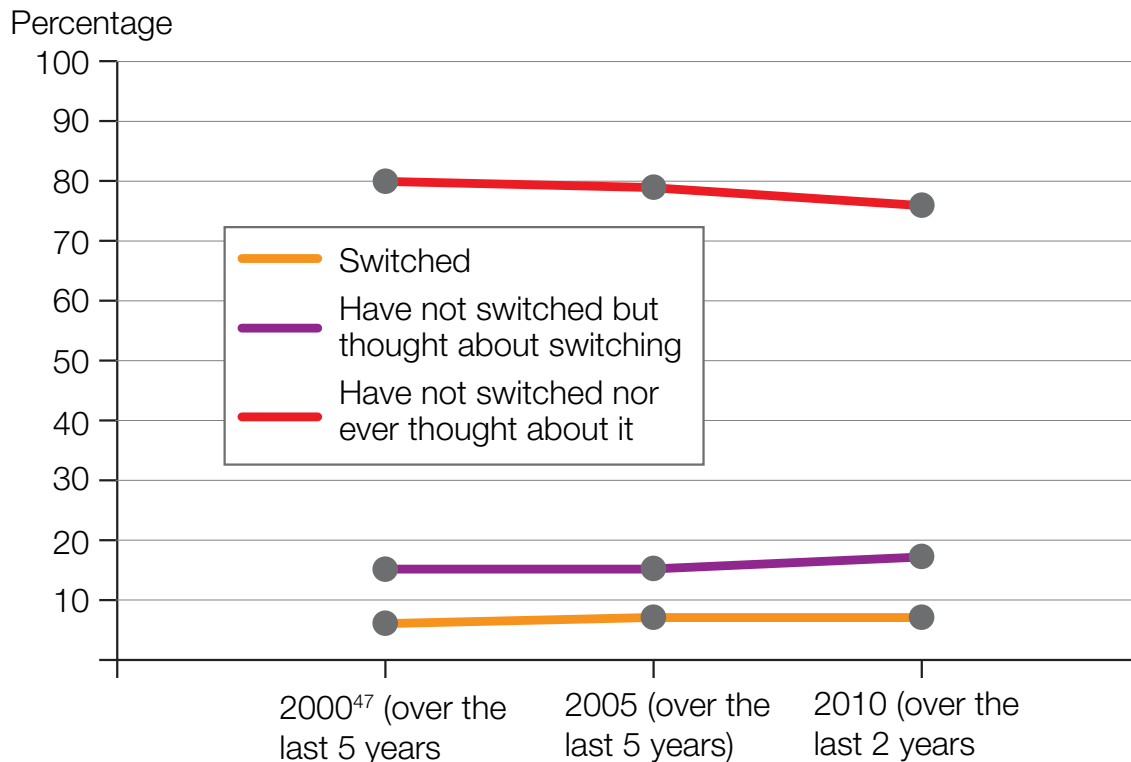
Graph 3 – Have you thought about switching?



In Graph 4 we have combined the figures on 'switched', 'thought about switching' and 'not thought about switching' in our survey and compared our results to previous surveys in 2000 and 2005. As our figures are over just two years (as opposed to the data in 2000 and 2005 that are over five years) it is difficult to directly identify a trend. Graph 4 seems to reveal a small increase in both switching and thought about switching over the last 10 years over a smaller time period. However, we note a stubborn majority still remain totally detached from the concept of switching. The increase in 'switching' and 'thought about switching' are marginal.

Ongoing monitoring is needed to assess how far the OFT reforms succeed in promoting competition. Yet considering the inertia to date we remain sceptical that its reforms will fundamentally alter the dynamics of the market to increase competitive pressures when pricing structures remain so opaque. Evidence suggests consumers are deeply unresponsive to changes in overdraft charges and that is unlikely to change³⁴.

Graph 4 – Have consumers switched or thought about switching?



³⁴ Gondat-Larralde, and Nier, The Economics of Retail Banking, *Bank of England Quarterly Bulletin*, Spring 2004, p158

Customer service as a factor in consumer inertia

Looking at why people switch, of those who have switched (7 per cent), our survey (Graph 5, page 19) showed the main reason to switch was the pull factor of aiming to get a better deal (58 per cent), followed by the push factors of low service (47 per cent) and dissatisfaction with price or value (36 per cent)³⁵.

Just over half of those who have switched are the price sensitive consumers (based on headline benefits of upfront pricing) who are also unlikely to suffer unauthorised overdraft penalty fees. Our survey confirms the OFT's findings³⁶ that in terms of push factors it is bad service over poor value for money, such as being charged a large penalty charge, that pushes consumers to switch. This tends to corroborate the findings in Graph 3 that those who suffer penalty charges, the young and people in social class D or E, are not frequent switchers. Thus, those who could reap the greatest rewards from 'shopping around' are simply not doing so and that is not to do with contentment or gaining good value.

We believe the OFT's conclusion from its previous report still stands. *'While customer satisfaction is clearly an important outcome, for some consumers, at least, it (low switching rates) may result from a lack of clarity about the implicit and explicit costs they are incurring'*³⁷. Bad value for money (through high penalty charges or overdraft interest rates) is not driving people to switch. This confirms the finding of the Bank of England in 2003 that consumers demand is highly *'price inelastic'* to differences in overdraft charges and penalty fees³⁸. Consumer loyalty among these groups cannot be explained by banks offering good value products.



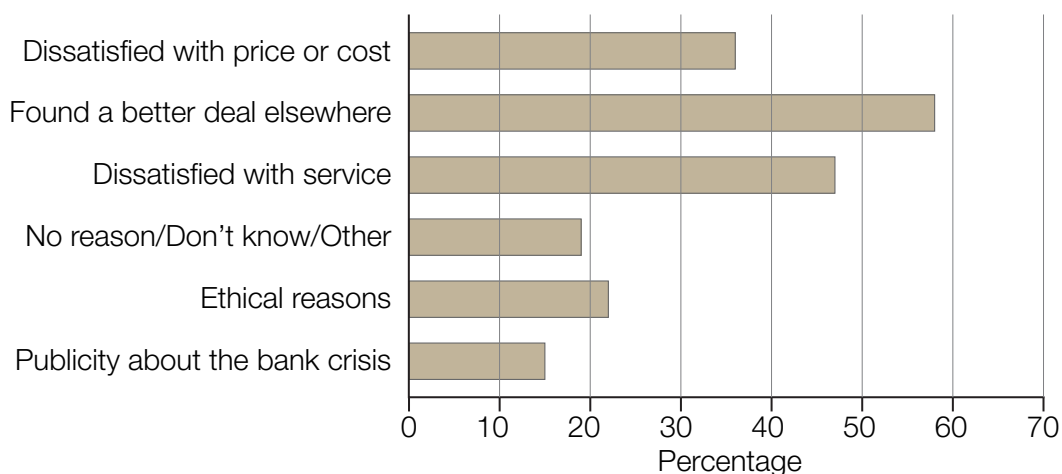
³⁵ Consumers could name more than one reason here – hence the percentages add up to more than 100

³⁶ OFT, 2008, p107

³⁷ OFT, 2008, p84

³⁸ Gondat-Larralde, and Nier, The Economics of Retail Banking, Bank of England Quarterly Bulletin, Spring 2004, p158

Graph 5 – If you have changed banks for your current account in the last two years, thinking about the last time that you changed banks, did you change for any of the following reasons?



Are current accounts giving good standards of service?

In 2008, the OFT found that consumers were content overall with the standard of service they receive³⁹. Our survey equally found an apparent high level of contentment with service standards. The Consumer Focus / ICM poll indicated 71 per cent of consumers (who have thought about switching) appear content with their current account service as it stands (Graph 7, page 21), while for those who have never thought about switching, 96 per cent are content with their bank.

Therefore, the lack of willingness to engage in switching can be at least partly explained by consumer loyalty in return for satisfaction with the standard of service. Those banks that keep their customers relatively satisfied are almost universally rewarded by consumer loyalty. Those that don't keep their customers satisfied have less loyalty as more of these customer have thought about switching. This supports the findings (Graph 5) that those who are 'pushed' to leave do so on the basis of bad service rather than poor value for money.

³⁹ OFT, 2008, p92

However, our research also shows there are consumers who are not satisfied with the quality of their current account yet continue not to switch. Of those who have thought about switching but not done so, 71 per cent of consumers said they were happy with their bank. 29 per cent said they were unhappy with their bank but other factors were preventing them from switching.

Furthermore, evidence more widely suggests there are real concerns with the current account service consumers receive. For example, the Financial Services Authority (FSA) recently stated that there were: *'poor standards of complaint handling within most of the banks we assessed. This resulted mainly from weaknesses in banks' culture, particularly their governance arrangements, policies and controls. It was also reflected in our file review results'*⁴⁰. The UK Customer Satisfaction Index supports the view that the number of complaints generated and the standard of complaint handling remain a problem despite overall high satisfaction levels⁴¹. According to the Financial Ombudsman Service (FOS), complaint contacts about current accounts outnumber all other products⁴². Therefore, contentment with service standards alone does not explain the reluctance to switch.

Trust in the retail banking market generally has also fallen even if consumers' are satisfied with their own experience with their bank. In its annual analysis of the 100 most valuable brands, Milward Brown calculated that, between 2008 and 2009, the total brand value in the financial services category had fallen by 11 per cent.

For those big brands directly associated with the crisis the fall was much larger. Thus, there appears a disparity between consumers' views on banking in general or if they have a complaint, compared to the majority view of those who are satisfied with their own bank. This disparity between consumers' views of fairness and their stated level of satisfaction is also illustrated by the recent report on consumer perceptions of fairness by the Financial Services Consumer Panel⁴³.

Why are consumers so reluctant to switch?

Do consumers feel they know how to compare and switch?

The OFT report suggested making meaningful comparisons between the banks was very hard with varying terminology, tariffs and difficult to find terms and conditions⁴⁴. By contrast, in our survey just 16 per cent of those who have not thought about switching said they did not know how to compare⁴⁵. The majority of consumers feel they have the information required to compare accounts if they so choose.

It is also clear that most customers say they *do know how* to switch. The evidence shows consumers feel confident that they would know how to switch if they so choose. In our survey of those who have not switched and not thought about it (Table 7, page 35), only 10 per cent did not feel confident that they knew how to switch.

⁴⁰ <http://bit.ly/9uFtqz>, p4

⁴¹ UK Customer Satisfaction Index, January 2010, p3
<http://bit.ly/aoLXJO>

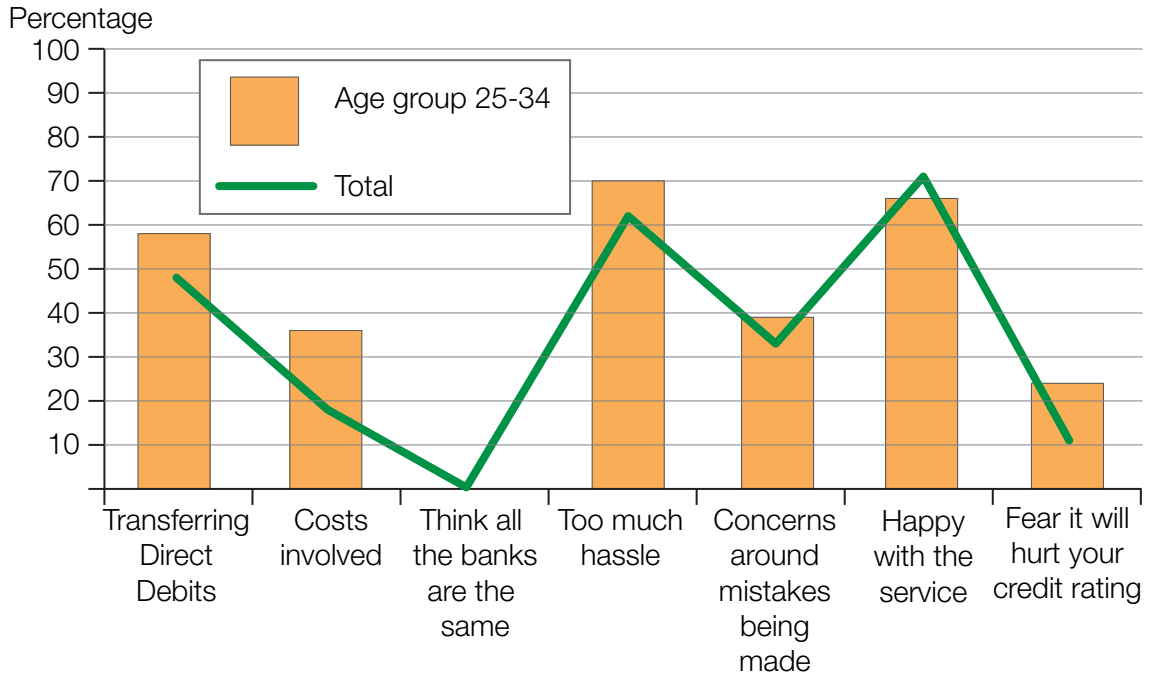
⁴² Financial Ombudsman Service, Annual Review of consumer complaints, 2009-2010

⁴³ <http://bit.ly/aGex1F>

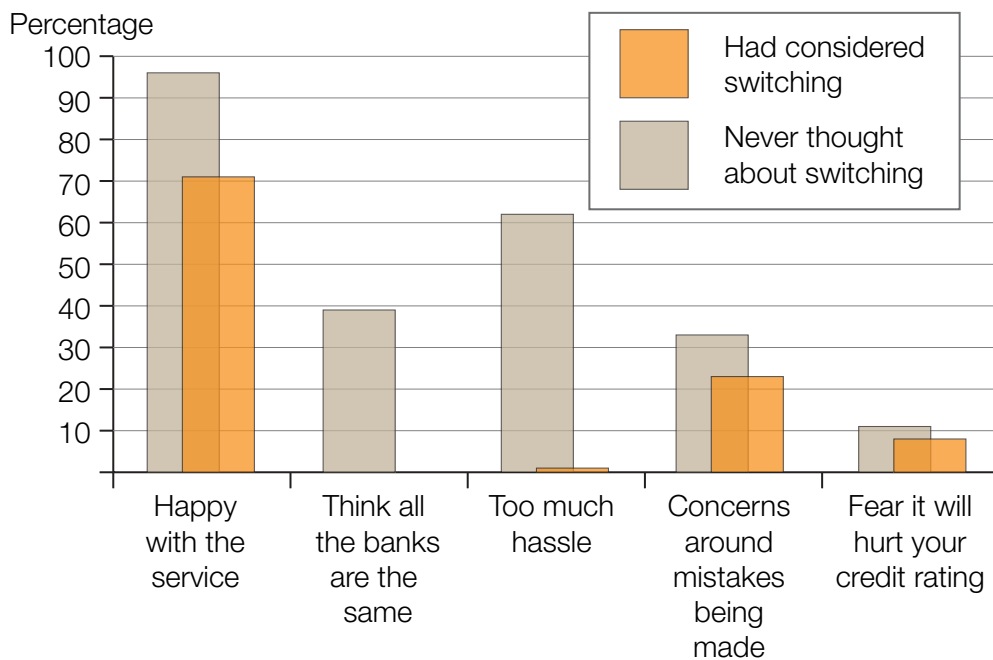
⁴⁴ OFT, 2008 Market study, p90

⁴⁵ See Annex 2, table 7

Graph 6 – Have you not switched for any of the following reasons?



Graph 7 – Which of the following describe why you have not considered switching the provider of your current account?



Whether consumers are actually able to find or use the information to switch if they want to has not been measured. Consumers may overstate their ability or be overly optimistic in this respect. Academic research on consumer understanding in financial products suggests that consumers display a confidence in their future ability to act rationally which they are not then able to implement⁴⁶.

It is possible that, because so few have switched or are interested in switching, consumers just presume they would be able to compare and switch if they ever wished to do so. A major reason to express doubt is the lack of transparency of penalty charges. The OFT found consumers do not base their selection of bank to hold a current account with on the nature and size of the unauthorised overdraft charge⁴⁷. This was because consumers do not expect to pay these charges and therefore do not include them in assessments⁴⁸. The true cost of banking, most notably for those who suffer from these charges, remains hidden from consumers even if they feel confident comparing accounts.

One way to keep ‘plugging away’ to tell consumers about switching would be to include a reminder that consumers have the right to switch on the upcoming annual summary of charges and interest. This proposal has already been recommended by the Competition Commission following its investigation into the current account market in Northern Ireland⁴⁹. It seems appropriate similar reminders were available to consumers in Great Britain. It would also greatly strengthen the BACS efforts to promote switching.

⁴⁶ Iain Ramsay, From Truth in Lending to Responsible Lending, Osgoode Hall School, York University, Toronto, Canada On line: <http://bit.ly/bFgKxK>

⁴⁷ OFT, 2008, Market study, p107

⁴⁸ OFT, 2008, Market study, p70

⁴⁹ Competition Commission, 2007, Personal current account banking services in Northern Ireland market investigation p184. Remedy f) <http://bit.ly/c2wAoG>

Is there sufficient differentiation between banks?

Of those who had not considered switching, 39 per cent suggested all the banks are the same. This suggests for those not actively engaged in searching the market, a large percentage believe that there is nothing to be gained from switching. This is particularly worrying for those who face penalty charges. These consumers could gain a great deal by switching. Yet, high inertia, the presumption the banks are all the same and an overly complicated pricing structure where the actual expense of the account will be based on their future behaviour, all prevent their engagement with the market.

Is the switching process too much hassle?

The majority (62 per cent) of those who have thought about switching think it is all too much hassle. Therefore, the perceived administrative burden is a problem for those who might otherwise switch.

The OFT states that consumers ‘*expect there to be significant future benefits from switching in order for them to be willing to put in the time and effort required to switch in the present*’⁵⁰. Our findings show for many the rewards do not yet compensate the effort.

Those interested in switching most are put off by the process itself and do not think the returns merit the effort required. Thus further reform to simplify and publicise the process as easy could have an effect on these consumers to reduce their inertia.

⁵⁰ OFT, 2008, Market study, p92

The success of such promotions will depend on whether inertia and lack of awareness is the exclusive cause or whether it is compounded upon by other reasons, most notably fears that switching is not as easy, safe or secure as BACS suggest.

What is the role of fear of switching?

Of those who had thought about switching but not done so (Graph 6, page 21), nearly half (48 per cent) were put off by their fears around transferring Direct Debits. A third also expressed a general fear of mistakes being made. Fears of errors are highest among the young. The BACS effort to promote switching as safe and secure therefore has work to do. Its success in changing minds will depend on actual consumer experience.

Our research also shows that 11 per cent of those who had thought about switching were scared about the effects on their personal credit rating.

This supports the Competition Commission's research into the importance that consumers' fears of switching in the current account market had in Northern Ireland⁵¹.

Graph 6 shows that among those aged between 25-34 who have thought about switching, 24 per cent have fears about how it would affect their credit rating. We believe further investigation is needed by the OFT into the potential detriment this causes and remedies to alleviate it.

There are still strong fears around switching that build on consumer inertia to prevent those who otherwise would switch from going ahead and trying.

⁵¹ Competition Commission, Qualitative Inquiry into Personal Current Account in Northern Ireland, January 2006, p14



We also found wider fears than we anticipated not just around errors but also around credit ratings. It is vital to see how far these fears are justified.

Actual consumer experience of switching – are consumers' concerns justified?

We found a generally high compliance with the specified time in the EU switching code of two working weeks to switch current accounts, although there were some problems. Graph 8 (page 26) shows 44 per cent switched within a week, 71 per cent within two weeks and 80 per cent within a month. The EU Switching Code says the bank transfer must take place within 14 working days.

Our data does not give a precise breakdown for compliance with that definition. However, it is clear any switch that takes over five weeks is not in compliance. So, over a two year period at least 12 per cent or nearly 400,000 of switches failed to comply with the banks' own principles⁵². This also correlates well with the 11 per cent of people who said the process takes too long (see graph 10, page 27).

⁵² This figure is a calculation using the number of active bank accounts at 54 million in the 2008 OFT survey, p1, divided by seven for the number who switch over two years, divided by the 12 per cent whose switch is not completed within five weeks.

Following this pattern, around half were totally satisfied with the experience. 53 per cent giving the experience eight or more out of 10 (Graph 9, page 26)⁵³. A small minority were deeply disappointed, with 8 per cent giving the experience a score of 4 or below. There is clearly some work to do to ensure the process works well for all consumers (as the banks have been obliged to do under the EBIC rules since November 2009).

The OFT's recent report (September 2010) referred to a BACS survey suggesting consumer satisfaction was higher than we found. The BACS survey found satisfaction was 85 per cent covering those who had switched between June 2009 and June 2010⁵⁴. Our research does not support their findings as it shows a significantly lower level of satisfaction.

What's the problem with Direct Debits?

Since the Direct Debit is firmly in the hands of utility providers and banks, consumers' lack of control over payment makes many of them concerned about switching. They fear errors that are out of their hands will occur such as rent or mortgages not being paid. If a Direct Debit mandator fails to alter the Direct Debit then the payment will not be processed in the new account. As consumers rely more and more on the Direct Debit process to pay their bills, it is vital the switching process does not lead to any unwanted hassle, errors or even charges to the consumer as a result of a missed payment.

The second aspect of the principles on switching obliges the banks to ensure switching is 'trouble free', but we found severe problems.

Graph 10 (page 27) shows 44 per cent of consumers have had problems in the switching process, markedly up from the 28 per cent in the 2008 OFT survey.

Consumers' fear of errors is substantiated by actual experience. The number of mistakes in the switching process involving Direct Debits has increased from 19 per cent in 2008 to 27 per cent in 2010. It is unsurprising that through word of mouth other consumers are now reluctant to switch. The BACS effort to promote switching will fail as long as such a high percentage of consumers' experiences is poor. Our survey only took place three months after these changes came into effect and captured data over a two year period, so it is too early to judge their effectiveness. However, the starting point is worse than originally feared since our data, captured for the period 2008/2010, shows a deterioration of service standards following the 2008 OFT report as more consumers and businesses rely on Direct Debits.

The OFT recently reported a 20 per cent reduction over the past year in the number of Direct Debits being sent in error to consumers' previous bank accounts⁵⁵. This improvement is welcome but not enough, and our research confirms that error rates remain high, resulting in substantial consumer dissatisfaction. Industry data cited by the OFT purports to show a significant reduction in the number of people experiencing problems.

However, our request to see the details of this survey was rejected and we remain confident that our own consumer research shows the real picture.

⁵³ Where 10 means very satisfied and 1 means highly dissatisfied

⁵⁴ OFT, September 2010, p15 <http://bit.ly/aYzxQ6>

⁵⁵ Ibid. p14

One action agreed by the OFT and industry to encourage switching is better information for consumers. In 2009 the BACS working group established a guide for switching, a Direct Debit help centre, a consumer website with tools and advice for switching and template letters for consumers to use. It also introduced an '*originator education strategy*' to ensure those firms who use Direct Debits have adequate systems in place to amend them⁵⁶. In addition, in December 2009, BACS promised that no consumer would lose out financially by errors in the switching process from the bank or a Direct Debit originator.

The 'switching service', is all useful, clearly presented information; but it is available only on the BACS website, which is largely aimed at industry not consumers – so unsurprisingly just 7,000 people have looked at the site in the past 12 months. We would like to see this made available to all customers, on banks' websites and in branches. Many banks do have dedicated switching services but the last time the OFT examined these, in 2008, it found error rates were higher for the consumers who used these sites than those who did not⁵⁷. Tools to encourage and support switching need to be accessible and crystal clear, with easy-to-read scenarios that consumers can relate to their own circumstances.

We still believe that not enough is being done to ensure no consumer suffers a mistake. Much more needs to be done by banks and businesses which use Direct Debits to ensure their processes are able to update mandates without problems, cost or hassle to the consumer. If the error rate does not radically and quickly reduce, we believe the OFT should work with relevant regulators if it spots systematic industry wide patterns to ensure problems are tackled as they emerge.

⁵⁶ <http://bit.ly/c4Bonx> p49-51

⁵⁷ OfT, 2008, p103

We believe the OFT and relevant regulators should look at compensation as well as restoration of any money lost by a consumer who has suffered an error. That would encourage businesses to improve their performance and it would fairly compensate consumers who have had to chase up mistakes. This would build on the OFT's finding in its response to our super-complaint on cash ISAs that: '*providers should think more broadly about whether there is asymmetry in their relationships with consumers if they levy fees when consumers miss a payment date for example, but are not prepared to offer redress voluntarily, without being asked, when their own processes are delayed or go wrong*⁵⁸.'

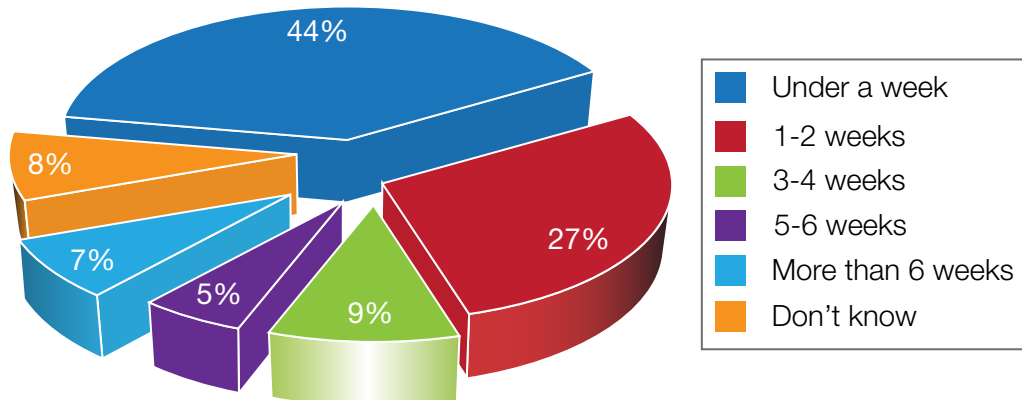
If the banks and BACS are confident that their processes are now in order, offering an appropriate compensatory sum would go far to restore confidence in this market as voluntary compensation by industry has achieved elsewhere⁵⁹.

If, on the other hand, consumers had control of Direct Debit mandates and could also initiate payments then the issue would be dealt with more easily. This could be achieved by allowing the consumer to alter the terms of the Direct Debit themselves. As technology in payments systems evolves it is worth investigating the possibility of consumers altering the terms of the mandate. Further investigation could discover how payments systems could become more consumer friendly.

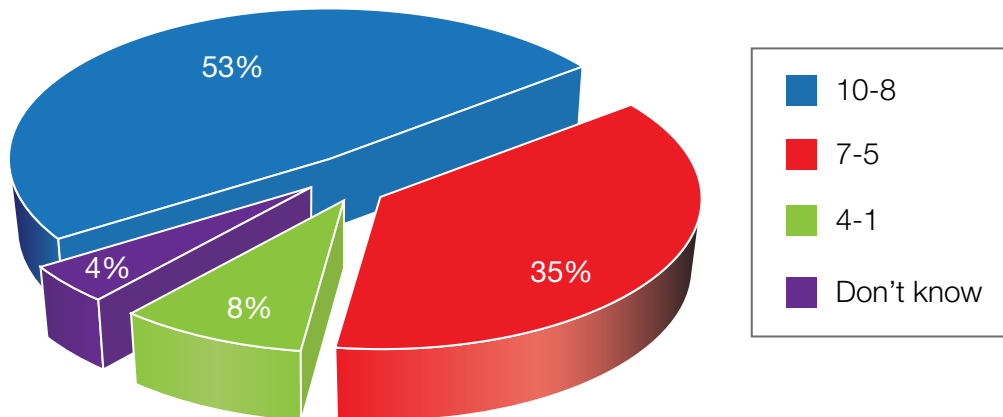
⁵⁸ OFT, Cash-ISAs: Response to super-complaint by Consumer Focus. June 2010. <http://bit.ly/crFrCh>, p.86

⁵⁹ Following complaints about mis-selling in the energy sector in 2003, £250 compensation radically reduced the numbers of forged signatures and restored trust in door to door sales

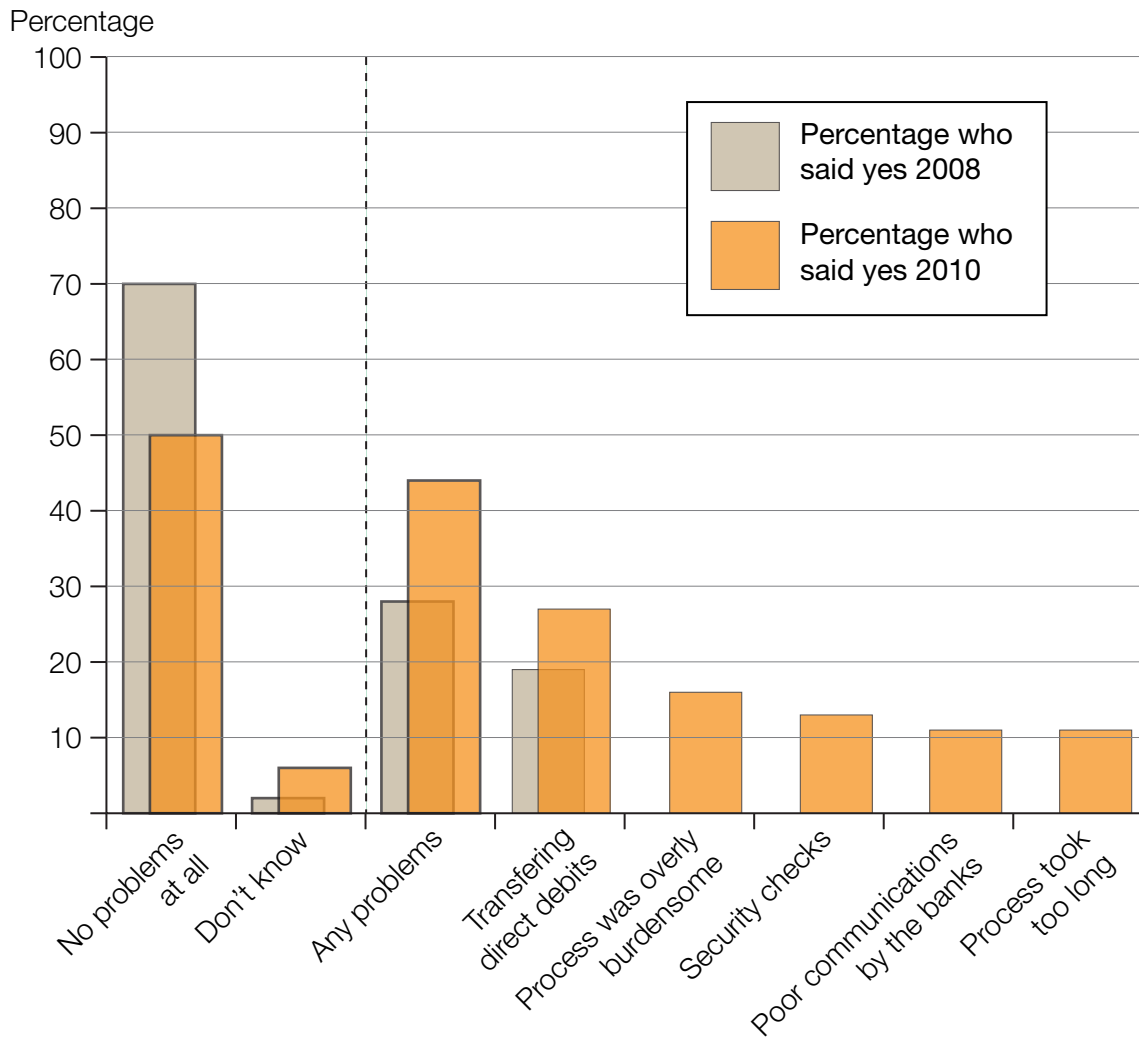
Graph 8 – How long did it take to switch?



Graph 9 – Using a scale of 1 to 10 (where 1 is very dissatisfied and 10 is very satisfied). How satisfied or dissatisfied were you with the process of switching your current account from one provider to another?



Graph 10 – When transferring your current account from one provider to another, did you have problems with any of the following?



Actual consumer experience of switching – are consumers’ concerns justified? (cont)

One potential idea comes from the Netherlands where consumers are offered the option of an automatic transfer system (*overstapservice*) when they start switching a current account. This automatically redirects all direct debits and credit transfers from the old account to the new account to ensure that no payment is lost.

Alternatively, there is the possibility of allowing consumers to carry their bank account number when they switch – so called ‘*portable account numbers*’, which were first suggested ten years ago. This has in the past received support from much of the banking industry yet has never been implemented⁶⁰. We understand from the OFT that there may be technical issues that need to be resolved⁶¹. We call for a full and open consideration of the issues and how any obstacles can be overcome. In particular to see if technological innovation offers ways around any barriers to develop an EU wide account number portability system. This is something the European consumer representative organisation (BEUC) has long been calling for.

Detrimental effects on credit rating

Our investigations have confirmed⁶² that one of the variables in determining credit scores is the length of time a consumer has held a current account with a bank.

We have serious concerns about the fairness of including such a variable in an assessment of credit worthiness as it is not clear that it is relevant and our evidence indicates it deters switching, particularly among younger consumers.

We understand that banks and credit reference agencies play a vital role in ensuring responsible borrowing and it is necessary to track how well a consumer can handle credit. Yet, we simply do not accept this as a valid variable in determining credit worthiness. Furthermore, as our evidence shows, it flatly contradicts the objective of encouraging competition.

Similarly shopping around can have an impact on credit ratings. The Treasury Select Committee states the following⁶³:

‘There is clear evidence that some consumers do not shop around because they fear that to do so will affect their credit score. Indeed, industry advice suggests that multiple applications “may lower your [credit] score”. We consider there are likely to be serious flaws in a market in which consumers are discouraged from shopping around, either because of unfounded fears or because of industry bias against multiple searches.

‘We believe the ability to shop around is not only an important means for consumers to assess the market, but also provides a key discipline on providers. We recommend that the OFT investigates the impact of multiple applications on the availability and price of credit.’

We share their concern and support further investigation by the OFT into this related issue.

⁶⁰ <http://bit.ly/daUL7Q>

⁶¹ <http://bit.ly/bR9Z4F>, p33

⁶² Confirmed by representatives of Experian, April 2010

⁶³ Treasury Select Committee report, Credit Searches, 2009/2010 <http://bit.ly/cbOBUx>

Conclusion

Most consumers have never thought about switching their current account, do not see great benefits from doing so and are, on the face of it, largely happy with the standard of service from their bank. Those who do show an inclination to switch are still put off by the hassle and fears around the switching process. Our evidence indicates these fears have historically been well founded. In short, consumers are:

- a Relatively satisfied with service standards, but many are still not getting good value
- b Not interested in undertaking switching
- c Concerned that switching presents a real danger and administrative burden and a potential threat to their credit rating

This suggests the market is failing to engage a huge number of consumers through a lack of diversity, an inability to distinguish which bank offers best value, a fear of hassle and general inertia.

The BACS switching working group initiated substantial reforms to the switching process in November last year to try to improve consumers' experience of the process and also to improve the processes of Direct Debit mandators⁶⁴. Despite the provision of a web guide and transfer of Direct Debit and Standing order service⁶⁵ we continue to see problems that concern consumers. In particular, one in four still had problems in the Direct Debits process, an increase since the last survey by the OFT in 2008. As more and more of our daily financial management now requires Direct Debits to operate smoothly, this places a significant threat that switching will continue to be a risky enterprise for consumers.

The OFT suggests reforms under way are improving the consumer experience⁶⁶. Our report should temper its position. The OFT must do more to ensure that reforms enacted radically reduce the error rate in switching as required under the 2009 OFT agreement or under the European Banking industry's principles on switching. Our data is not able to discriminate between those who had problems before or after the reforms were enacted so we cannot test the outcomes yet. What our research does make clear is that consumers will need significant reassurance if confidence in switching is to grow.

Perception plays an important role

One bad experience can have significant influence. Despite the marketing and switching service provided by BACS, we believe the rate of switching is unlikely to increase substantially as many consumers fear the potential for errors. Our evidence has shown that for perception to change it is first necessary to reduce the actual experience of mistakes occurring. Only then can perception slowly be turned around.

⁶⁴ <http://bit.ly/c4Bonx>, p50

⁶⁵ <http://bit.ly/90bl79>

⁶⁶ <http://bit.ly/aYzxQ6>

Recommendations to improve switching

1 Practical changes to protect consumers when switching:

- If the OFT does not find continued reductions in Direct Debit error rates it should work with the relevant regulators in those industries to ensure service providers have adequate systems in place to transfer Direct Debit mandates
- Banks and service providers should provide goodwill compensation for any error or undue delay in the switching process that refunds the hassle experienced by the consumer not just returns losses. We believe that would increase confidence in switching

2 Reforms that may encourage consumers to switch:

- Inertia is so high among consumers that their right to switch needs constant reinforcement. All banks have agreed to *pre-notify all fees* and charges and offer an annual summary of charges to consumers in 2011⁶⁷. This should also come with an annual reminder of consumers' right to switch
- We would like to see greater consumer access to objective comparative price and quality information on bank accounts on internet comparison sites. That would allow consumers to compare their provider against its rivals both on total costs and on consumer service. We believe the money made clear website (www.moneymadeclear.org.uk/) should step in to fill this consumer need (something the OFT has already called for⁶⁸)

- The OFT should review credit reference agencies' and banks' use of '*time with the same bank*' as a variable determining credit worthiness. If consumers switch it should not be a variable in determining their credit score

3 Giving consumers greater control of payments and the switching process:

- The OFT should investigate and consult on the feasibility of portable current account numbers as part of an EU wide initiative. This would prevent account numbers from changing, meaning no Direct Debit transfer errors would occur when switching
- The OFT or future Consumer Protection and Markets Authority, should investigate how technology can provide more consumer friendly structures both in switching and payment structures. That could include the potential for greater consumer control of Direct Debit mandates so the consumer is able to alter them if they need to

Wider changes needed in the current account market

We further suggest exploring wider changes around bank charging to facilitate choice and comparison. Our research points to the conclusion that consumers are naturally reluctant to switch in the current account market. Three quarters of consumers have not even thought about switching and that has barely improved over time (Graph 4, page 17).

⁶⁷ <http://bit.ly/9ZkZF2>

⁶⁸ Of, 2010, p16

It was noted earlier in the paper that strong competition can only be delivered with clear, transparent and easily comparable pricing structures, because only then can consumers adequately compare and switch. As part of its wider efforts to reform the current account market the OFT has tried to ensure consumers are given this greater transparency over charging structures. As a result of its reforms, consumers can now have access to charging scenarios if they choose to switch. Consumers will soon receive an annual summary of all charges and the OFT expects consumers will be able to choose to opt-in or opt-out of unauthorised overdrafts⁶⁹.

In its March 2010 paper the OFT has also claimed that, in light of its efforts to improve the clarity of costs of current accounts, banks have lowered unpaid item charges since its original report in 2008, falling from £34 to £17 on average in three years⁷⁰. While the OFT may be reassured by the fall and may offer more help to understand charging, we are not convinced the clarity of charging has improved from the consumer's perspective.

This is because charges have shifted from unpaid item charges to a whole host of more complicated penalty charging structures⁷¹. Such variables include: days beyond the limit per month; amount beyond the limit; payments when overdrawn; and percentage of transactions that bounce. Furthermore, some providers' authorised overdraft charges have risen steeply in recent times in spite of historically low base rates⁷².

The OFT believes such charges are more transparent to consumers and, when put alongside a better switching process, will allow consumers to compare tariffs across the market and then switch to a provider which offers an account based on their needs. Yet, the sheer complexity of charging structures means that it is very hard for consumers to know what best value is for them.

This is important because the 2008 OFT report highlighted that '*although over half of the interviewees had experienced insufficient funds charges, almost none had anticipated going overdrawn, having payments rejected, or paying bank charges. The conclusion of the psychological analysis was that some consumers are overconfident when it comes to their finances and probably underestimate the cost of banking*'⁷³. Thus, it appears unlikely that those who do face these charges are able to calculate which account suits their needs best. Furthermore, as our report has found those most likely to suffer from charges appear the least likely to switch.

Far from bringing effective competition, the shifting of these charges penalise unanticipated behaviour in complicated and confusing ways. Meaningful comparisons are difficult on future behaviour that you do not predict so transparency has not improved.

⁶⁹ OFT, March 2010 update

⁷⁰ OFT, 2010, p26

⁷¹ Money Saving Expert have a very effective calculator on how this effects the overall charges consumers face at the following website: <http://bit.ly/al8ztc>

⁷² <http://bit.ly/bqg5ip>

⁷³ OFT, 2008, p70

Our view builds on a similar finding in relation to Northern Ireland by the Competition Commission. It stated:

*'We believed that, as a result in particular of the barriers to searching and switching that customers face arising from the undue complexity of charging structures and practices and lack of clarity of terminology, customers may be paying higher charges or levels of debit interest, or receiving lower levels of credit interest, lower levels of service, or there may be less innovation, than would be likely to occur in a well-functioning market.'*⁷⁴

Thus, although the OFT has made efforts to improve the transparency of cost comparison we believe further reforms are still needed in addition to efforts to improve the switching process. In light of our research, recent high complaints data and the banks continued determination to make current account costs unclear we believe the time is ripe to act on the coalition Government's commitment to:

*'Introduce stronger consumer protections, including measures to end unfair bank and financial transaction charges'*⁷⁵

Similar reforms are underway in Australia and Canada. In many European countries such as Spain, the Netherlands and Germany consumers are already protected from unclear punitive pricing structures⁷⁶. It is time British consumers had the same rights and protections that are available elsewhere to deliver both a fair banking sector and to foster dynamic competition.

⁷⁴ <http://bit.ly/c2wAoG>, p10

⁷⁵ Coalition agreement, *Our programme for Government*, June, 2010, p13 <http://bit.ly/aRcqqq>

⁷⁶ Spain, the Netherlands and Germany were referenced specifically in the Supreme Court ruling as places where consumer protections went beyond the relevant EU Directive. Australia is currently legislating to end 'unfair charging structures' which will include penalty charges on Current Accounts. <http://bit.ly/96AJ8I>. The Canadian government announced a number of measures to strengthen consumer protection in its March 2010 budget including standardising the calculation and disclosure of pre-payment penalties

Annex 1 – Research questions

- 1 For which of the following, have you switched supplier for in the last two years?
- 2 How many current accounts do you have?
- 3 Thinking about your (main) current account, how long have you had that account with the current financial provider?
- 4 If you have changed banks for your current account in the last two years, thinking about the last time that you changed banks, did you change for any of the following reasons?
- 5 How long did it take to transfer your current account from one provider to another?
- 6 Using a scale of 1 to 10 (where 1 is very dissatisfied and 10 is very satisfied). How satisfied or dissatisfied were you with the process of switching your current account from one provider to another?
- 7 When transferring your current account from one provider to another, did you have problems with any of the following?
- 8 Have you ever thought about switching your current account provider?
- 9 Have you not switched your current account provider for any of the following reasons?
- 10 Which of the following describe why have you have not considered switching the provider of your current account?
- 11 Which of the following describe why have you have not considered switching the provider of your current account?

Annex 2 – Results tables

Table 1 – Comparing switching behaviour across time using relevant consumer research.

	Switched any of these products	Home Insurance	Energy	Telephones/Broadband**	Mortgages	Savings	Current accounts	Mobile phones
2000 (over a 5 year period)	N/a	30%	37%*	11%	12%	n/a	6%	N/a
2005 (over a 5 year period)	67%	28%	44%*	20%	31%	7%	7%	17%
2008 (over a 5 year period)	N/a	46%	54%	44%	38%	20%	13%	35%
2010 (over a 2 year period)	59%	22%	31%	26%	4%	N/a	7%	18%

- *Means gas since gas and electricity were labelled differently in previous surveys but gas had higher rates of switching
- ** Just measured fixed line telephones previously

Table 2 – How long has the consumer been with their current bank for their current account?

Base: All those who had a current account. 1,947 of 2,024.

Time with current bank	Total %	% of those aged between 18-24	% of those aged between 55-64
Under 2 years	6	20	1
2-5 years	10	27	4
5-10 years	15	36	7
10 years or more	67	15	85
Don't know	2	1	3

Table 3 – Have you thought about switching?

Base: All those who have not switched. 1,799 of 2,024.

	Total %	% aged between 18 -24	% in social Grade D or E
Thought about it	18	15	10
Not thought about it	81	85	89
Don't know	1	0	1

Table 4 – Have consumers switched or thought about switching?

Base: All those with a current account. 1,947 of 2,024.

	% in 2000 ⁷⁷ (over 5 years)	% in 2005 (over 5 years)	% 2010 (over 2 years)
Switched	6	7	7
Have not switched but thought about switching	15	15	17
Have not switched nor ever thought about it	79	78	75
Don't know/Refused	0	0	1

Table 5 – If you have changed banks for your current account in the last two years, thinking about the last time that you changed banks, did you change for any of the following reasons?

Base: All those who have switched current accounts in the last two years. 349 of 3,025. This is combined from three omnibuses.

	Total %
Dissatisfied with price or cost	36
Found a better deal elsewhere	58
Dissatisfied with service	47
No reason/Don't know/Other	19
Ethical reasons*	22
Publicity about the bank crisis*	15

⁷⁷ Statistics from 2000 and 2005 from the FDS research, for the NCC, Switching Survey, 2005

* These questions were only asked on a later third survey based on a sample of 201 consumers who had switched in the last two years.

Table 6 – Have you not switched for any of the following reasons?

Base: All those who have not switched, yet thought about it – 330 of 2,024.

	Total %	% within age group 25-34
Transferring Direct Debits	48	58
Costs involved	18	36
Think all the banks are the same	0	0
Too much hassle	62	70
Concerns around mistakes being made	33	39
Happy with the service	71	66
Fear it will hurt your credit rating	11	24

Table 7 – Which of the following describe why you have not considered switching the provider of your current account?

Base: All respondents who have not switched current account supplier in the last two years and have never thought about switching. 1,452 of 2,024.

	Total %
Happy with standard of service	96
All banks are the same	39
It is too much hassle	1
Concern mistakes will be made when switching	23
Don't have time to do it	17
Don't know how to compare your current bank account with others	16
Do not know how to switch	10
Fear it will hurt your credit rating	8

Table 8 – How long did it take to switch?

Base: All those who have switched in the last two years – 148 out of 2,024.

	Total
Under a week	44%
1-2 weeks	27%
3-4 weeks	9%
5-6 weeks	5%
More than 6 weeks	7%
Don't know	8%

Table 9 – Using a scale of 1 to 10 where 1 is very dissatisfied and 10 is very satisfied. How satisfied or dissatisfied were you with the process of switching your current account from one provider to another?

Base: All those who have switched in the last two years. 148 out of 2,024.

Score	Percentage
1-4	8
5-7	35
8-10	53
Don't know	4

Table 10 – When transferring your current account from one provider to another, did you have problems with any of the following?

Base: All those who have switched in the last two years. 148 of 2,024.

	Percentage who said yes 2008 ⁷⁸	Percentage who said yes 2010
Any Problems	28	44
Transferring Direct Debits	19	27
Process was overly burdensome	N/a	16
Security checks	N/a	13
Poor communication by the banks	N/a	11
Process took too long	N/a	11
No problems at all	70	50
Don't know	2	6%

⁷⁸ OFT, 2008 Market study, p103

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Published: October 2010

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ISBN: 978-1-907125-34-8