

CMA Retail Banking Market Investigation:

Background

Yorkshire Building Society (“YBS”) Group welcomes the opportunity to respond to the additional remedy suggestions from the CMA as part of its Retail Banking Market Investigation (the Investigation). YBS is the second largest building society in the UK. It has 230 branches and assets of £37.6 billion and employs approximately 4,600 people and has 3.3 million customers.

The primary business areas are deposit-taking activities, mortgage sales and administration and mortgage related insurances. YBS operates via a number of distribution channels including branch, telephone, postal and the internet. In terms of the personal current accounts market, YBS offers personal current account (“PCA”) services through its Norwich and Peterborough Building Society (N&P) brand. This service from N&P has been a longstanding proposition with a base of around 100,000 customers, 86% of which are from within the N&P heartland of East Anglia and Lincolnshire. YBS has a stated intention to expand its current account services across its network and brands for the benefit of its own members as a ‘mutual alternative’ to challenge the dominant providers of the market and to increase diversity.

Introduction

YBS operates at a smaller scale in the current account market than in wider markets, with a long stated ambition to expand in the future. The most troubling factor is the limited impact to market forces that would lead to more customers switching within the current account sector. This is versus the large incumbent advantage that remains evident through their ability to operate on a large scale and at a loss, particularly influencing existing and new challengers which discourages market entry. In summary, even after these remedies have been implemented, there simply remains too much incumbent power.

Comments on proposed remedies

- The proposed remedies should promote an increased flow between current account providers. However, what they will not necessarily do is make it easier for a new entrant to increase scale substantially, particularly given the requirement for access to payment



systems, surcharges and funding and capital requirements (where incumbents have significant advantages). As the second largest UK Building Society, YBS is held at arm's length by the incumbents who can invest to a greater extent, in order to maintain market share.

- Other reflections which relate to loss-leading advantage are the imposed levies which when combined with factors already mentioned become a problem. Most notably, the Corporation Tax Surcharge undermines the aim of greater competition and diversity within the financial services sector. It limits ability of YBS to reinvest profits and improve choice of services available for our members, such as by entering the current account market to a greater degree.
- YBS believes more consideration should be given to address concerns around customers fears of credit provision and therefore would be supportive of a 'credit passport' approach which would facilitate direct comparison and options for customers outlined in the TSB response. Equally, YBS is supportive of TSBs suggestion for monthly outline costs within statements.
- YBS consider that traffic light colour coding which brings clarity to customers on how their accounts compare as helpful.
- YBS does not understand how credit interest being mandated on PCAs would further support the remedies.
- There remains a significant amount of inertia, which reflects the complexity of PCAs and that price is only one factor with, for example, consistency and quality of service being significant as well as branch location and facilities being considerations.
- The open-ended nature of the current account relationship is part of the underlying problem that exists, as there is no contractual end date where the consumer necessarily needs to consider their provision and shop around allowing both the incumbent provider and the consumer to remain passive about their provision.