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The Banking and Business
Banking Code Review
Pinnars Hall
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28 May 2004

Our ref: WGA

Dear Elaine

Review of the Banking Code

The Panel would like to take up your invitation to make a supplementary submission to the Review on a number of the issues identified in your letter to Dianne Hayter of 30 April.

Code structure

The Panel has no objection to the Code being restructured with separate sections dealing with savings accounts and credit cards. We do not think that repetition will confuse consumers and it may help to get across the information in the Code more effectively.

Summary Boxes

We support the use of summary boxes in documents as these can give a focus to key points. The content of the boxes should be easy to understand and should be subject to review as proposed. We would like to see the effectiveness of the boxes tested by consumer research.

Key Commitments

There seems little point in having key commitments in the Code if they are not enforceable. Consumers should not have to guess which parts of the Code can be enforced and which cannot.

Access to Basic Bank Accounts

The Panel believes that information on basic bank accounts should be offered to all potential customers as a matter of course. The subscriber is unlikely to be in a position to make a judgement, particularly at an early stage, on whether a basic bank account would meet a potential customer's needs. The potential customer is the person best placed to decide.

Proof of Identity

In last year's Banking Code Standards Board mystery shopper research into basic bank accounts¹ the BCSB concluded that "training is especially needed on requirements of identification. Even when the decision on acceptability is taken centrally or regionally, staff need a greater appreciation of the alternative documents that may be acceptable where applicants can legitimately not produce primary documents". It is essential that rules and guidance issued to local staff responsible for dealing with potential new customers are both proportionate and flexible and that the acceptability of 'alternative' documents is properly explained and set out in the Code.

ATM Charges

The Panel agrees with the proposal that the Code should not permit ATM display messages warning that the card issuer may make a charge for withdrawals where the subscriber knows there will be no charge. In addition we believe that there should be a standardised display message telling customers when they have not been charged.

Terms and Conditions

We agree that the Guidance on terms and conditions should cover the readability of this information, eg minimum print size and minimum contrast.

Account Switching

The Panel is not in a position to comment on proposed changes to the Business Banking Code. However, the proposals set out in your letter which relate to businesses switching accounts seem to the Panel to be good banking practice and we would like these commitments to be included in the Code for consumers to the extent that they are not already covered.

Branch Closures

We support the proposals that have been made for amending and extending the section of the Code dealing with branch closures as follows:

- The distance in urban and suburban areas should be reduced to one mile, measured by road distance;
- The trigger for the minimum notice period should cover not only closures but also reductions in the level of service, such as shorter opening hours;
- The test should be the 'last provider of banking services' rather than the last branch;
- There should be a requirement for a minimum period of consultation before any decision to reduce services;

¹ Banking Code Standards Board "Survey of Subscriber Institutions on Basic Bank Accounts" published July 2003

- There should be a requirement to conduct and publish an impact assessment before any decision to reduce services; and
- The Code should be revised to say "We will tell you how we will continue to meet your banking needs."

The Panel is not in a position to comment on the cost implications of these proposals.

Advertising and Marketing

The Panel strongly supports the expansion of the Code to include a commitment that is in line with the FSA financial promotion rules regarding the marketing of 'structured capital at risk products' (ie products where there is a risk to investors' capital).

Minimum Payments on Credit Cards

The Panel welcomes the proposals regarding minimum payments on credit cards. We believe that the minimum permissible payment should be set so that it is either sufficient to cover the interest payable on the account or is 5% of the outstanding balance, whichever is the greater. The statement should show a generic warning against continuously making only minimum payments and this should be placed close to the minimum payment figure. The wording of the warning should be as proposed, "only ever making the minimum repayment will significantly increase the time taken to clear your balance and cost you more." In addition we agree that the Code should include a commitment to advise customers how payments are allocated to balances and how this affects the interest that will be charged. This is particularly important where differing rates are applied, for example, to balances transferred from other cards and new purchases.

APRs on Credit Card Statements

The Panel believes that the APR should be shown on every credit card statement.

Clearing Cycle

We agree that there is a need for greater transparency about the clearing cycle and that a ceiling on clearing times should be included within the Code. This is an area which can be confusing for consumers and clarity is required. We also strongly support the payment of interest to consumers arising on the 'float' on BACS payments. The funds belong, after all, to the consumer and it is only right that they should have the benefit of the interest.

Foreign Exchange Rates

We support the call for greater transparency in foreign exchange rates applied to overseas money transfers. In particular customers should be provided with information about the subscriber's policy on the application of exchange rates and, once a payment has been made, the exchange rate used on that particular occasion.

Credit Card Cheques

The Panel believes that issuing unsolicited credit card cheques should be prohibited altogether. Whenever cheques are issued, the cost of using them should be spelled out clearly.

Replacement Credit Cards

We agree that replacement cards should not be sent unsolicited unless it is the same kind of card operating on an existing account – ie a credit card should not be sent as a replacement for a store card.

Continuous Payment Authorities

We support the introduction of a means to instruct credit card issuers to cancel continuous payment authorities.

Disputed Payments

The Panel agrees that there should be a moratorium on the addition of interest to accounts while a disputed card transaction is under investigation.

Credit Checking

The Panel's view is that limits on credit cards and overdrafts should only be raised with the specific consent of the card holder.

Guarantees

We agree that a guarantor or surety should be able to enquire about the level of liability to be guaranteed. The Code also needs to be clear that "unlimited guarantee" includes unlimited surety.

Financial Difficulties

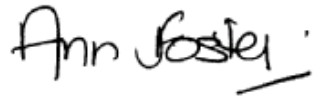
The Panel is particularly concerned about the actions of third parties who do not comply with the Code when recovering debt on behalf of subscribers. In our view this situation could be rectified by amending the Code to ensure that subscribers only instruct (or sell debts to) third party debt recovery agencies who themselves undertake to be bound by the Code. We do not think it appropriate for the Code to set out the action consumers should take when they run into financial difficulty. The Code has been drawn up to set out standards of behaviour which consumers can expect from subscribers and subscribers are bound by it. It is not a Code for consumers.

Financial Reviews

Finally I would like to mention an area of interest to the Panel which we would like to see covered in the next Review of the Banking Code. You might recall that the Panel commissioned some qualitative research last year into the quality and

accessibility of financial reviews offered by banks. A copy of the research report was sent to you by e-mail on 11 March and I enclose a paper copy with this letter. We intend to pursue through the BBA and others the question of an agreed set of minimum standards for financial reviews and we would like consideration to be given to including these agreed standards within the Code as part of the next review.

Yours sincerely,

A handwritten signature in black ink that reads "Ann Foster". The signature is written in a cursive style with a horizontal line underneath the name.

Chairman
FS Consumer Panel