

Telephone: 020 7066 9346
Email: enquiries@fs-cp.org.uk

Martin Coppack
Banking Standards Board
Consumer Framework Consultation
2nd Floor
75 King William Street
London EC4N 7BE

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By email:
martin.coppack@bankingstandardsboard.org.uk

Dear Martin

Financial Services Consumer Panel response to Banking Standards Board's consultation on 'What do good banking outcomes look like to consumers?'

The Financial Services Consumer Panel is an independent statutory body. We represent the interests of individual and small business consumers in the development of policy and regulation of financial services in the UK.

The Panel welcomes the opportunity to respond to the Banking Standards Board's (BSB) consultation. The Panel has previously commissioned research¹ to identify how individual bank customers and micro-enterprises define a good banking culture. Our Position Paper² set out indicators that could be used to measure a bank's culture from the perspective of personal and micro-enterprise customers, and to enable changes to be tracked over time. We are pleased to note that the BSB is now asking individual customers for their views on banking culture.

The BSB's focus on outcomes which are linked to measurable indicators should help to ground standards in tangible measures that are of direct relevance to consumers.

The BSB should publish the outcome indicators for each individual bank, as well as the industry's performance as a whole in delivering good consumer outcomes. This will help improve confidence in the BSB, identify areas where good practice can be shared, and demonstrate where the industry is making progress and where it needs to improve further. The Association of British Insurers used to publish an annual report on its Customer Impact Scheme.³ While the scheme had some shortcomings, it required each insurance company to publish its own report setting out the response of its customers to a standard set of survey questions and outlining where the company intended to improve in the coming year. We encourage the BSB to follow the ABI's lead and adopt a clear and transparent approach, in line with the principles included within its consumer framework.

It is also important that the BSB considers banks' governance arrangements for monitoring whether they are achieving good banking outcomes for their customers. As part of the next phase of this work, the BSB could gather information about the types of Management Information banks currently use to measure consumer outcomes and assess how this is used at Board level. This could encourage banks to move beyond use of Net Promoter Score (NPS), and to recognise that a satisfied customer has not necessarily received a good or appropriate outcome.

¹ https://www.fs-cp.org.uk/sites/default/files/fscp_banking_culture_report_final.pdf

² https://www.fs-cp.org.uk/sites/default/files/bank_culture_position_paper_final.pdf

³ <http://www.customerimpact.org:80/publications.aspx>

We look forward to continuing to work with the BSB as it refines the consumer framework, and delivers tangible and measurable change to banks' culture for the benefit of consumers. Below we provide some comments on the questions posed in the consultation document.

Yours sincerely,

Sue Lewis
Chair, Financial Services Consumer Panel

ANSWERS TO QUESTIONS

Consumer principles

1. Do you agree with the consumer principles listed in the framework? (These are access, choice, clarity and transparency, safety and security, redress and being listened to, value for money, fairness.)

The Panel broadly agrees with the consumer principles listed in the framework. However, we have a number of comments and recommendations:

- A principle which focuses on '**clarity and transparency**' does not adequately capture consumer outcomes. It would be better to have a principle which seeks to measure 'consumer understanding'. Some of the examples of consumer outcomes reflect this different conceptual approach. Amending the principle in this way would help to address instances where a bank adheres to the letter rather than the spirit of the principles through the provision of information which is clear but not helpful, for example telling customers "other savings accounts are available". The principle should also extend to banks committing to 'no nasty surprises' for consumers, which has some crossover with the '**fairness**' principle.
- '**Value for money**' can be difficult for consumers to gauge, particularly if something is ostensibly 'free' such as a current account, or costs and charges are hidden. It also means different things to different people. We recommend that the BSB amends this principle to include ensuring that consumers receive value for money. Consumers may be provided with information about overdraft charges but this does not mean that these charges are fair or offer value for money. Some unarranged overdrafts are more expensive than the payday loan charge cap⁴. It will be important to ensure that this principle does not focus solely on price. Consideration of whether a product or service represents 'value for money' should also factor in issues such as whether the bank is making a fair and reasonable profit, the application and level of ancillary charges, and whether the bank is price discriminating against existing customers.
- '**Redress and being listened to**' – we agree that it is important for banks to ensure that the complaints process works properly and provides consumers with easily navigable forms of redress when things go wrong. However, we think that this principle should go further. It should also encompass whether and how banks undertake root cause analysis and proactively learn from complaints received so that consumers do not continue to suffer from the same shortcomings. It should also ensure that banks assess whether consumers who haven't complained are entitled to redress and, if so, provide it automatically.

We also think the BSB should add principles on '**product design**' and '**professionalism**'. See our answer to Question 3 below.

2. Do you think that focusing on consumer outcomes is a good approach to raising standards in the banking sector? If not, what are your concerns and possible alternatives?

Yes.

⁴ https://assets.publishing.service.gov.uk/media/565332c9e5274a144500001a/FSCP_response_to_PFs.pdf

3. Would you add or remove any principles? Do you think that there are any that are particularly important?

The Panel suggests that the BSB should also add principles on 'product design' and 'professionalism'.

At present, banks appear to develop products without considering the customer outcomes they are seeking to deliver. This is despite one of the FCA's consumer outcomes for firms stating "*Products and services marketed and sold in the retail market are designed to meet the needs of identified consumer groups and are targeted accordingly*". The failure to take account of customer outcomes in product design can lead to the launch of products which are almost indistinguishable from one another, and whose purpose appears to be to confuse consumers and to exploit their inertia.

If the BSB were to seek information from banks about how they seek to adopt inclusive design principles to put consumer outcomes at the heart of product design, this could re-orient their approach. It might also help to counter the development of overly complex products which are difficult to explain without overloading the consumer with small print, running counter to the 'clarity and transparency' principle. This product design principle should look at the design of individual products but also the overall product range offered by individual banks. For example, the BSB should question why some banks have excessively complicated ranges of savings accounts, many of which are 'obsolete' (though not of course to the customer who is saving in one).

Interaction with bank staff is critical to consumers' experience of their bank. Yet at present bank staff do not even know enough about basic products⁵. Initiatives intended to help vulnerable customers will not deliver good outcomes unless staff are trained to implement them. A principle which promoted professionalism and enshrined the need for bank staff to possess suitable qualifications and competence could have a significant impact on consumer outcomes. As the BSB will be aware, the Chartered Banker Professional Standards Board (CB:PSB) has developed standards that set out the professional conduct (values, attitudes and behaviours) and expertise (knowledge and skills) requirements expected of all professional bankers. These are a good basis for a 'professionalism' principle, and we would encourage the BSB to work closely with the CB:PSB.

Outcomes-based approach

4. Is an outcomes-based approach likely to be effective for this work?

5. Do you agree with the high-level outcomes listed?

6. Do you think a different approach should be taken?

We agree with the outcomes-based approach. We also support the outcomes listed, with the reservations set out in our answer to Q1.

Examples of what the outcomes mean to consumers

7. We have included some 'real life' examples of what the outcomes might mean to consumers, provided by consumer and civil society organisations and drawn from existing consumer research. Do you think these are helpful in illustrating the outcomes identified in the Consumer Framework?

⁵ See for example <https://press.which.co.uk/whichpressreleases/which-mystery-shopping-shows-bank-staff-still-unclear-on-isa-rules/>

Yes. Usefully, they appear to reflect most of the six customer outcomes which the FCA says that firms should seek to achieve to ensure the fair treatment of customers⁶. However, they do not currently capture the outcome which focuses on 'product design'. Consumer outcomes for this principle might include 'I want products that are designed to meet my needs' and 'I want my bank account to help me budget and control my spending'. We also suggest the following additions to the customer outcomes suggested by the BSB:

Access

There is a free-to-use cash machine in my local community within easy travel time of my home or work.

I want to be able to talk to someone competent when I have a problem or query.

Choice

I want my bank to upgrade me automatically to the best deal it has available.

Clarity and transparency

I want my bank to warn me early in the month if it looks like I might run out of money.

I want to know how my 'free' current account is paid for.

I want terms and conditions I can understand.

Safety and security

I want to give informed consent about how my data is being collected and whether it is being shared.

Redress

I want banks to deal with small problems before they become big ones.

If I have a complaint I want the bank to stop the same problem arising in the future.

I want senior executives to understand how customers are treated and listen to their views.

I don't want to be penalised for making small mistakes.

Fairness

I want staff to be rewarded for treating me fairly, rather than for selling me something.

I do not want to be penalised for loyalty, by being charged more, or getting an inferior product, than a new customer would.

8. Would you add, amend or remove anything to reflect more accurately the needs of consumers?

No.

How could the outcomes be measured?

9. Are there any indicators that you think might be helpful for measuring consumer outcomes, and that we should consider in subsequent stages of this work?

We suggest that once the principles and consumer outcomes are agreed, the BSB should consult on the indicators or metrics which would be most useful to measure and track firms' progress.

⁶ <https://www.fca.org.uk/firms/fair-treatment-customers>

Micro-businesses

10. Do you think the framework is useful for articulating and understanding what matters to micro-businesses when it comes to banking?

11. Would you add or remove anything to reflect more accurately the needs of micro-businesses?

We consider the framework will be equally useful for understanding what matters to microbusinesses. Research commissioned by the Panel⁷ highlighted that for microbusinesses the most important factors which contribute to a positive culture for business banking were: accessibility; customer service; and transparency – all of which are covered in the BSB’s proposals.

Aspirational benchmark and usefulness to consumer and civil society organisations

12. Do you think the framework could be useful in the development of good practice guidelines and a common language?

13. Does the framework provide a way for consumer and civil society organisations to more readily engage with our work at the BSB (for example, advising on the development of good practice), and potentially align some of their own future work when working with the banking sector?

We welcome the proactive engagement the BSB has undertaken with consumer organisations to develop its proposed consumer framework, and look forward to this continuing. Consumer organisations are well-placed to provide input on indicators to measure customer outcomes, and in the subsequent development of good practice.

Any other comments

14. Do you have any other comments you wish to add?

No.

⁷ https://www.fs-cp.org.uk/sites/default/files/fscp_banking_culture_-_report_-_final.pdf