

The logo for Which? is a red square with the word "Which?" in white, bold, sans-serif font. The question mark is slightly larger and more prominent than the word.

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Response to: Financial Conduct Authority consultation on *Information about current account services*

Banking and Payments Policy Team
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About Which?

Which? is the largest independent consumer organisation in the UK with more than 1.5 million members and supporters. Our mission is to make individuals as powerful as the organisations in their daily lives. We tackle consumer detriment through the products and services we offer and through our campaigns to drive change. We are an a-political, independent social enterprise working for all consumers and funded solely by our commercial ventures. We receive no government money, public donations, or other fundraising income.

Summary

- We agree that the FCA should require publication of service information, which aims to make more informed comparisons and choose the provider that best suits their needs.
- However, the development and use of service quality comparisons should also be used to promote wider culture change, rather than simply being a tool to facilitate switching.
- We are concerned that the FCA's choice of service quality comparisons may not be genuinely comparable across providers - namely, that they do not provide like-for-like comparisons that can be independently verified or audited. It is also critical that they do not lead to a focus on reported service quality measures but neglect of other service dimensions, and that they do not create a disadvantage or undue cost for smaller providers or any other potential distortions of competition.
- The FCA should not introduce a measure focusing on how quickly a consumer could gain access to an account and its various features, without precautions to ensure this is not at the expense of the necessary checks and balances needed to ensure fraudsters are not able to easily gain access to accounts. Such a measure risks incentivising banks to compete on speed rather than on security.
- Including data on the number of fraudulent accounts that were opened with each provider could help to balance any unintended consequences of this proposal, and may help to incentivise to improve their service in this area.

Which? Is a consumer champion

We work to make things better for consumers. Our advice helps them make informed decisions. **Our campaigns make people's lives fairer, simpler and safer.** Our services and products put consumers' needs first to bring them better value.

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- The FCA's proposal to require firms to state whether 24 hour help from a suitable trained person is available, should support the work to drive forward better practices when dealing with consumers who have been a victim of fraud. The FCA should make it clear that this includes the ability for a customer to report a fraud incident.

Introduction

Which? welcomes the opportunity to comment on the Financial Conduct Authority's consultation: 'Information about current account services'. It is critical that consumers have access to information on service and performance of financial products and services, in order to compare between providers. Publication of this information and increased competition should also incentivise providers to continually improve their service and performance.

Which? utilises a number of service and performance metrics in its comparisons of current accounts and providers¹, and offers a range of guides to help consumers choose the right provider and product for their needs². A number of articles in our magazines also focus on specific indicators of service quality, such as call waiting times³, or bank service outages⁴.

In February 2016 we launched our 'We Deserve Better Banks' campaign that called for coordinated action by the regulators, government and industry to not only tackle unfair unarranged overdraft charges and give customers better tools to put them in control of managing their money, but also to ensure banks listened to their customers about the quality of service and culture they expect and receive.

We were pleased that the Competition and Markets Authority (CMA), at the conclusion of its market investigation, recognised the importance of the collection and publication of data on service quality, and required the largest current account providers to publish a set of core service quality indicators. Beyond these core measures, we welcomed the CMA's proposal that banks should collect a wider range of additional quality measures, and that the FCA should require firms to publish these objective measures of service performance.

Which? argued that customers' views should be central to defining and measuring service quality, and we are pleased that the FCA has undertaken consumer research when developing and testing which specific additional metrics would be most useful and important to banks' customers. The FCA is right to identify how the development and use of service quality comparisons can be used to promote wider culture change, rather than simply being a tool to facilitate switching.

However, it is critical that the FCA's measures do not distort competition. This could happen if they do not provide proper like-for-like comparisons, because different providers measure things in different ways, so it is essential that the metrics are all measured in the same way, ideally by an independent body. Competition could also be distorted if the FCA's choice of

¹ <http://www.which.co.uk/money/banking/bank-accounts/guides/best-and-worst-banks>

² <http://www.which.co.uk/money/banking/bank-accounts/guides>

³ *Customers answer back*, Which?, November 2016 p.44-47

⁴ *Out of Order*, Which? Money, January 2016 p.18-21



measures favours some providers over others, and mean providers just focus on the reported quality measures. Equally, the quality measures might unfairly make new providers look worse or impose other disadvantages or large costs on smaller providers. It is important that the FCA considers these risks and mitigates against them in its final decision.

In parallel to our work on current accounts, Which? has been looking at what more can be done by Government, business and regulators to protect consumers from scams. In 2016, Which? submitted a super-complaint to the Payment Systems Regulator on the subject of authorised push payment (APP) fraud. Unlike with other payment types, such as credit or debit cards, consumers who are tricked into transferring money to a fraudster when paying by bank transfer have no legal right to get their money back from their bank. There is significant evidence of consumers losing life changing amounts of money to these bank transfer scams.

Whilst the focus of the FCA's consultation is primarily on improving the information available to consumers to enable them to make decision about opening or switching current accounts, Which? is concerned that some of the proposed measures could have an impact on banks' approaches to tackling APP fraud.

Account opening

In its proposal, the FCA includes a measure for banks to set out clear information about the account opening process and information about how long it takes to open an account, as well how long it take to gain access to specified services, including overdraft funds.

Which? recognises that consumers increasingly want to be able to access products and services quickly once they have decided to switch or open new current accounts. However, whilst the ability to gain access to an account and its full functionality without delay is important for genuine customers, banks also have a responsibility to guard against fraud. Specifically, banks should ensure that they balance the speed and ease of opening accounts with the checks that need to be made to ensure the customer is who they claim to be, and is not opening the account for malicious purpose, such as to instigate fraud.

APP scams are perpetrated when a consumer is tricked into transferring money to an account that is in the control of a fraudster. There are a number of ways that fraudsters can gain access to an account, such as mule accounts - where consumers, knowingly or otherwise, allow someone else to use their account to receive and then forward on money. However, one way for a fraudster to secure access is to open an account using either a fake or a stolen identity.

Cifas has highlighted growing concern that fraudsters are opening accounts using stolen identities, and their research shows that identity fraud has continued to rise at record levels in the first six months of 2017. Not only could these accounts potentially be used to facilitate APP scams, fraudsters will also be able to access other valuable features of the account, such as an overdraft, from which they can withdraw cash or transfer the available credit into another account.

Whilst there are steps consumers can take to protect themselves against identity fraud, when Which? conducted a data sweep on 10 volunteers, we were able to find sufficient information about half of them that police believed would be likely to be enough for a fraudster to open an



account online with a high street bank⁵. This included full names, dates of birth and residential addresses, plus at least two other pieces of identity information, such as their mother's maiden name, their place of birth, marital status and occupation.

The FCA should not introduce a measure focusing on how quickly a consumer could gain access to an account and its various features, without precautions to ensure this is not at the expense of the necessary checks and balances needed to ensure fraudsters are not able to easily gain access to accounts⁶. Such a measure risks incentivising banks to compete on speed – to have the fastest account opening time – rather than on security.

The FCA has noted that they specifically chose not to look at metrics related to fraud due to the likelihood of unintended consequences, and they believe that existing FCA rules, which require firms' on-boarding processes to be effective and risk-based, will ensure this is not an issue. However, Cifas figures show a significant number of cases where fraudsters are already opening accounts using other consumers' identities, and introducing this measure as it stands may result the increase in the number of accounts fraudsters are able to open, as banks focus on allowing accounts to be opened quickly, at the expense of security checks to guard against fraud.

Including data on the number of fraudulent accounts that were opened with each provider could help to balance any unintended consequences of this proposal, and may help to incentivise to improve their service in this area. It may also influence consumers' choice when assessing whether to switch or open an account with a specific provider.

Service availability

The FCA proposes to require account providers to publish information about service availability, identifying how and when various services can be accessed and whether 24-hour help is available for certain matters. With the growth in online, telephone and mobile banking consumers want to be able to access the accounts at a time that is convenient for them, which may be outside of traditional opening hours, such as on the weekend. Of equal importance is the proposal set out in 4.81 of the consultation which would also require banks to 'state whether 24 hour help from a suitable trained person is available'.

The FCA states that this should include the availability of help for a customer to "discuss problems using online banking or mobile banking", and to "discuss progress following an account suspension or card cancellation, e.g. following a fraud incident." The FCA should make it clear that this includes the ability for a customer to report a fraud incident.

As part of our super-complaint to the PSR, Which? highlighted the problem often faced by consumers who have been victims of a bank transfer scam who are unable to contact their bank to try to put a stop to the payment as it is outside of working hours. Equally frustrating for consumers is when they are able to contact their own bank but no contact can be made with the receiving bank to attempt to stop the transaction from then being moved out of the recipient account.

⁵ <http://www.which.co.uk/news/2017/09/id-theft-how-bank-account-fraudsters-may-steal-your-identity/>

⁶ The same principle applies for introducing a metric that reflects the speed with which customers can expect to receive a replacement debit card.



In response to our super-complaint, the PSR asked the industry to work with UK Finance (formally FFA UK) to develop a common approach or best practice standards that sending and receiving payment systems providers should follow when responding to instances of reported APP scams. They noted that in particular they would expect this to cover issues such as the availability of fraud specialists and processes for agreeing indemnity agreements between banks.

Which? would welcome firms providing 24 hour help to report and action a suspected fraud incident, and for this provision to be consistent across the industry. The ability to report a suspected fraud in real time, whilst the money may still be in the system and therefore can be reimbursed to the consumer if they are proven to have been a victim of a scam, would be a positive step forward.

Whilst the industry is set to publish these standards later this year, this additional measure proposed by the FCA, requiring firms to clearly state whether 24 hour help is available, should support the work to drive forward better practices when dealing with consumers who have been a victim of fraud.

Other metrics

The FCA does not plan to introduce specific metrics relating to the treatment of vulnerable customers. However, Which? has previously highlighted that a key problem area for banks is the treatment of customers in financial difficulty. Poor treatment of these customers often simply increases the harm, pushing customer further into debt, rather than supporting them out of debt. Publishing metrics related to this area would be an appropriate response to the specific harm identified.

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