

Protecting consumer access to banking in a digital age

Which? call for insight and collaboration

1.0 Introduction

Which? wants all consumers to have fair access to the products and services they need to get by in their day-to-day lives.

We have been championing the cause for consumers since 1957, asking probing questions of businesses and manufacturers, and pursuing the answers that put consumers in the driving seat.

Which?'s new Everyday Finances research has highlighted that, as we transition further to a world dominated by online banking and digital payments, there are many people who feel that they are no longer in the driving seat.

Over the past year, Which? has undertaken work to make sure we understand what it is people want and need from UK banking and payments services so we can help the retail banking and payments industry truly deliver for consumers.

This call for insight and collaboration sets out findings from a large scale research project undertaken in partnership with Collaborate Research. The research shows that there are four key outcomes that retail banking and payments firms, government and regulators need to be working towards to ensure this essential market delivers for consumers:

1. Everyone **must have access to core banking and payments services** that meets their needs.
2. People **must not face unnecessary barriers or experience harm** when engaging with digital banking and payments.
3. People who cannot – or may struggle to – adopt newer banking and payments technology **must have access to appropriate products, services and support.**
4. People **must have a choice over how they access essential banking and payments** services and be able to access them at a fair price.

For each of these issues, we have set out key questions that we believe will help advance the debate on how we effectively protect access to banking for consumers in an increasingly digital age.

This call for insight and collaboration is an opportunity for Which? to engage with others, to develop our understanding of consumers and to work together with others to achieve positive change for consumers.

Which? would welcome engagement and responses to the findings in our research and the questions above by **Thursday 24 January 2020.**

2.0 Key findings from research into consumers' everyday finances

The way in which people spend money and conduct their banking is changing. A mix of cost cutting, competition and new regulation is helping to drive the rapid move to online banking and digital payments. While for some people the speed and convenience of new technology and data-sharing is welcome, the changes gathering pace have the potential to see large swathes of the population left behind.

In order to better understand the opportunities and challenges for consumers, Which? spoke to stakeholders from a cross-section of banks, building societies, payments firms, fintechs and third sector organisations. We found that there are five key changes that may have an impact on the way consumers bank and pay:

- The decline in the availability and use of cash and bank branches and **the continued rise of digital payments and online banking services.**
- An increased use of data to provide consumers with the options for greater **personalisation and control.**
- **The unbundling of products and services** that consumers traditionally access through their current account provider.
- The potential **shift away from free-if-in-credit banking** business models as standard.
- The increasing need to **support those at risk of being left behind** who either do not engage digitally or who will struggle with a transition to online banking and digital payments.

If these changes happen, more will need to be done to support those who are at risk of being left behind and who are in danger of being branded as 'laggards' because they are not digitally engaged. Key stakeholders will need to work together to ensure consumers do not experience harm as a result of fundamental shifts in the way the market operates and to ensure we can continue to deliver the services consumers need in ways that are accessible to them, both offline and online.

To ensure that consumers' voices are heard we engaged with a cross-section of 116 consumers around Great Britain and conducted two nationally representative telephone surveys. We have set out below the key findings under four themes that reflect what consumers want and need as we move towards a future more focused on digital banking and payments.

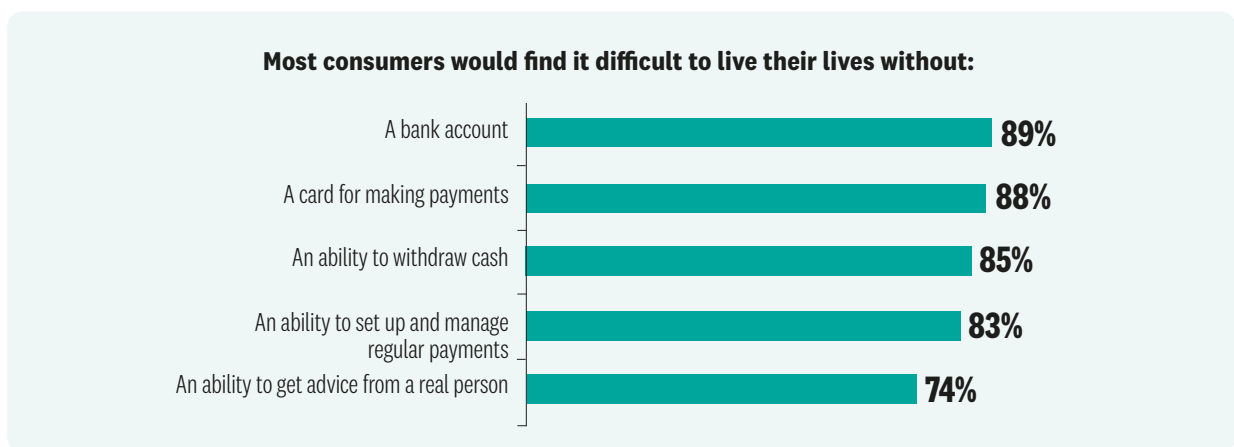
The full findings are available at [which.co.uk/everydayfinances](https://www.which.co.uk/everydayfinances)

2.1 Core banking and payments services are as essential

Consumers see the core services that are offered by retail banking and payments firms as essential. To this extent they see core banking as being essential as other utilities to the way they live their lives. To that extent, there is a perception that everyone needs a minimum level of provision, accessible by all, in order to live in the UK today.

While there is a reasonable level of satisfaction with the current provision of banking services, it is also clear that there are consumers who are starting to feel pressured by the changes being brought about by the innovations in banking.

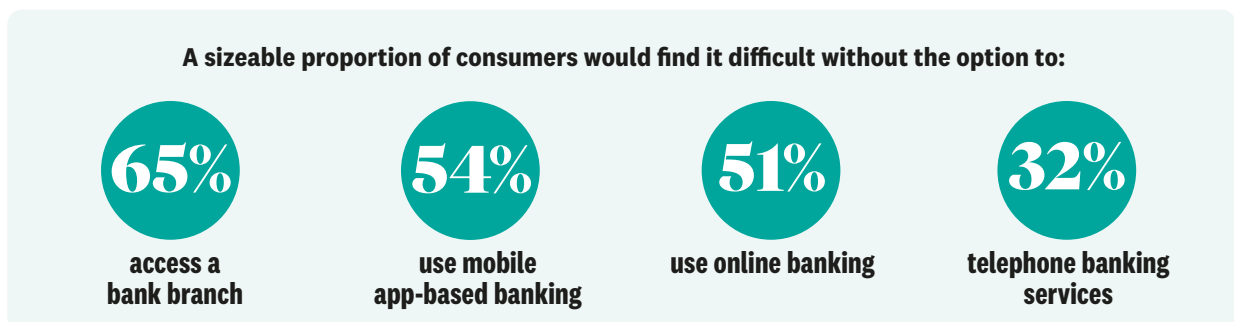
The perception of certain services as vital leads to a common conclusion among most consumers: as a society, we must protect access to products and services that are essential for consumers when managing their everyday finances, and no one should be excluded.



Across the board consumers need access to a secure means of storing money, a choice of payment methods, continued free access to a universally understood payment option – currently this is cash - and continued free access to person-to-person bank services when required – for most people this would be occasional, for example when something has gone wrong, rather than for routine use.

There are also a number of consumers who need access to credit. Two fifths of consumers would find it difficult to live their lives without the ability to pay for things on credit.

Our work also found that a significant number of consumers would find it difficult without access to banking via the bank branch, via a mobile app or via online banking.



Consumers tend to fall into one of four different behaviour types when it comes to what we need from and how we engage with everyday banking and payments services.

1. There is a mainstream majority who primarily use mobile banking apps or online banking, and who use cards, including contactless, to pay in store.
2. There are those who are working age and just about managing to stay on top of their finances. They have a greater focus on maintaining control than other types of consumers and therefore use tools that help them budget - ranging from apps to cash.
3. There are people who are less digital in their approach to banking. These consumers tend to be older, but are not exclusively older.
4. Finally there is a proportion of the population who would be considered tech savvy. They are generally younger and are excited by innovation. They tend to be early adopters of digital wallets and new banking brands offering enhanced services.

2.2 Consumers face barriers and may experience harm when engaging with digital banking and payments.

The first barrier to engagement is a profound lack of perceived benefit. The perception is that everything is as good as it needs to be. This means that even when there are financial incentives to switch, people often remain reluctant to consider switching account provider.

One further concern is that, as technology makes it easier to spend money by reducing friction at the point of payment (e.g. contactless payments) or by making it easier to access funds to spend (offers of credit at the point of payment), consumers will experience harm if it gets more difficult to keep control of their spending.

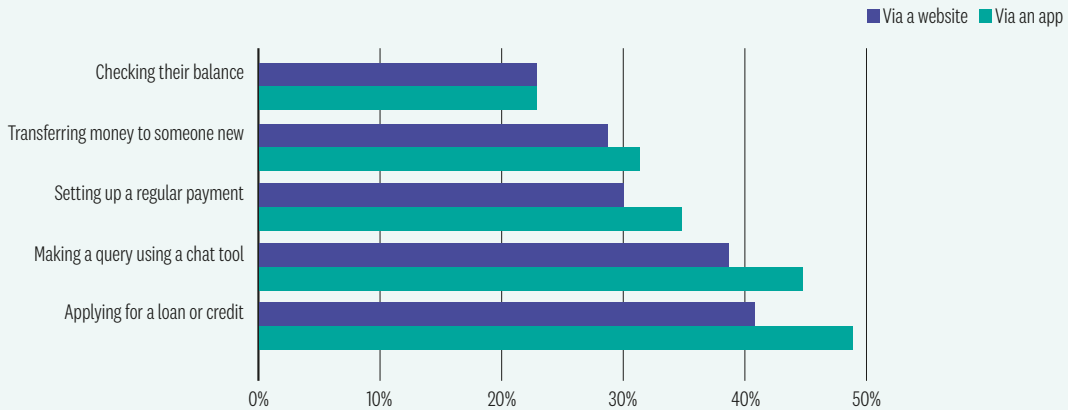
People also have concerns about the impact using technology has on spending



The second major barrier to engagement is the ability to engage digitally. Many consumers are not confident in their ability to use online banking services.

Not all consumers are confident banking online

The proportion of consumers who *would not* be confident using online banking to do the following:



Around 11 million adults would not be confident checking their balance online

Further to that many consumers cannot use them as they don't have access to the necessary infrastructure. For example they may not have a mobile phone, may not have reliable internet or may shop in a location that only accepts cash.

The cost of engagement and lack of reliable infrastructure are barriers for some people

<p>25% would need financial assistance to pay to get online for banking</p>	<p>26% agree that the internet or mobile network in their area is too unreliable to depend on their smartphone or smart device to make payments</p>
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2.3 Consumers who cannot - or may struggle to - adopt newer banking and payments technology need access to appropriate support and services.

There are around 8.4 million consumers who prefer to bank online and around 11 million adults who did not use any online, web-based or app-based, banking in the last 3 months.

We are already seeing consumers rely on alternatives to bank branches, with over 1 in 10 people using the Post Office for core banking services in a three month period, despite just 1% of people expressing a preference for Post Office banking.

But there is a further challenge of offering support for those who may be able to get online and engage with newer banking and payments technologies. Most consumers say they would need some form of support if they had to interact with their bank using a computer, tablet or smartphone. Consumers most commonly wanted help when something goes wrong with their online or mobile banking. Outside of something going wrong, however, consumers are in need of more general support. Over half have support needs linked to their own digital capability.

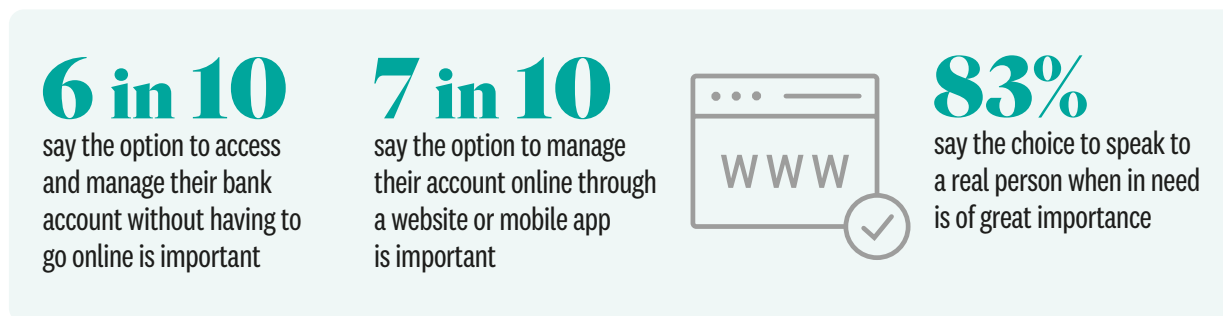
Consumers would need support

<p>85% of consumers identified at least one support need</p>	<p>78% if something went wrong</p>	<p>56% to gain the digital capability necessary to bank digitally</p>	<p>50% to stay safe when banking digitally</p>
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We found that for the most part, consumers who need support most commonly want to receive this support directly from a 'real' person. With over half wanting support via the phone or face-to-face. Real world support is generally preferred by older consumers (66%), those on the lowest incomes (67%) and those with no internet access (82%) or who are occasional internet users (74%).

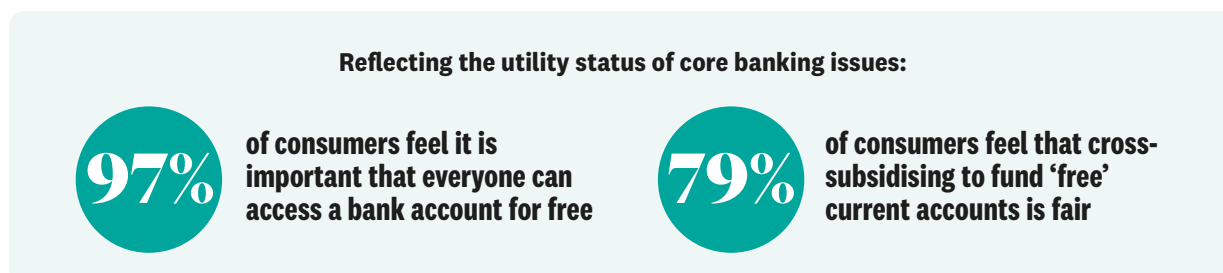
2.4 Consumers want a choice over how they access essential banking and payments services and want free-if-in-credit banking.

When it comes to their banking more generally, people feel it is important to maintain the choice of accessing their account both online and offline.



In addition to this, maintaining the choice to be able to speak to a real person when in need was considered of great importance to most consumers with four fifths of consumers saying it is important, and over half saying it is extremely important.

Our research suggests that people believe, in principle, that cross-subsidising in order to provide free-if-in-credit banking is fair. In addition, most (78%) believe it is fair for banks to use the money they make from all customers to fund bank branches, regardless of whether they are more reliant on non-digital forms of banking.



The overwhelming perception among consumers that everyone should be able to access a bank account for free raises serious questions around the fairness of current and emerging retail banking business models. Consumer perceptions of fairness is a major issue that the government and regulators will have to grapple with as banking business models change, and further work will be required to understand what consumers believe is fair. Our findings suggest that as a starting point, many people believe a degree of cross-subsidisation is fair if it is being undertaken to ensure all consumers have access to essential banking and payments services. This would be consistent with the findings that consumers perceive essential banking and payments services as being similar to other utilities, that consumers expect everyone to have fair access the essential services that meet their needs and that consumers believe that no one should be excluded.

Even if competition and regulation begin to erode profits, there will remain significant pressure on account providers to continue to offer these services via a free-if-in-credit model.

3.0 Questions

Which? wants to work with interested parties to make sure we have answers to the key questions we have following our everyday finances research. We would therefore welcome any insight relating to the following questions.

Protecting access to the core banking services that people need

There are commercial reasons for banks to close branches and for ATM to close or start charging. But as we move closer to a society that is dominated by online banking and digital payments we need to ensure there are sufficient protections in place for consumers to maintain access to the services they need.

There are three main protections in place for access to banking as things stand:

- The **Basic Bank Account** which the nine largest UK banks are required to offer, ensure that consumers have somewhere to store their money, somewhere to receive payments, a debit card, and the ability to withdraw cash, set up direct debits and standing orders. It requires these customers to be able to access these services for free when they are offered by the provider, including at physical premises.
- The **Access to Banking Standard** is an industry-wide agreement, which sets out that customers affected by closures should receive notification of potential branch closures; clarity on the reasons for the closure, and direct and proactive help for those seeking to access banking via other means in the run up to the closure.
- The **Post Office Banking Framework Agreement** which allows the customers of 28 banks to withdraw and deposit cash, deposit cheques and check their balances.

In addition to this, LINK has committed to maintaining a geographical spread of free-to-use ATMs via the LINK network.

Question 1: Do the core banking and payments services identified (Section 2.1) represent the core services that all consumers need access to?

Question 2: Are there sufficient regulations or other protections in place to ensure that all consumers are, and will continue to be, able to access the services they need to manage their day-to-day finances?

We are particularly interested in views and insight as to whether:

- a. The Basic Bank Account provision is a sufficient protection for consumers?
 - i. Do there need to be further protections around where people can access these services?
 - ii. Is it right that currently only nine banks offer these services?
- b. The Access to Banking Standard has done enough to ensure bank branches do not close without ensuring suitable alternatives are in place where access to in-person banking services is still needed?
- c. The current Post Office Banking Framework is a sufficient alternative to a local bank branch? If not, why? What could be done to improve the Post Office offering.
- d. There is support for keeping branches on the high street or in local communities via the development of shared banking hubs?

Reducing barriers and protecting consumers from harm when engaging with digital banking and payments.

Question 3: Does Which?'s research correctly identify the key barriers to accessing online banking and digital payments? Are there any further barriers that will need to be addressed to ensure consumers have the option to access online banking and digital payments services should they want to?

Question 4: Is there any evidence or examples of retail banking, payments or short-term credit products or services being provided online or digitally that may be causing harm because either:

- access is restricted to certain consumers
- firms are using technology to offer consumers products or services in a way that is likely to encourage poor financial decisions?

Ensuring access to appropriate support and services for consumers who cannot - or may struggle to - adopt newer banking and payments technology.

Question 5: How can support be offered to consumers to enable them to engage safely with online banking and digital payments? Are there examples of programmes or initiatives that have been successful in helping people develop the skills and confidence they need to bank online?

Question 6: What institution(s), if any, should be responsible for increasing the digital skills of consumers?

Question 7: Are there any good examples of inclusive products and services? How can we encourage banks and other firms to develop and adopt products and services that meet the needs of consumers that may need additional support because of:

- any health conditions or impairments,
- a low level of financial resilience or capability,
- a low level of digital capability?

Delivering a choice over how consumers can access essential banking and payments services and ensuring fair prices.

Consumers want to maintain the current range of services they have access to and a free-if-in-credit banking model. They do not want to be charged to access or use their own money. However, increasing pressure on banks business models may mean that the UK moves away from a free-if-in-credit as standard banking model.

Question 8: What challenges does the UK banking industry face in continuing to provide core bank account services via a free-if-in-credit banking model?

Question 9: What actions should be taken to guarantee access to free-if-in-credit banking for those that need it? Is it reasonable for the UK industry to support free-if-in-credit banking:

- for all consumers?
- while protecting a geographical spread of banking access points that allows all consumers to access core banking services offline?

Question 10: What are the potential benefits or harms that consumers may experience if the UK moves away from a free-if-in-credit banking model? It would be of particular interest to get insight of whether specific groups of consumers would be positively or negatively affected.

4.0 Next Steps

Which? would welcome written responses to the findings of our research and the questions set out above by **Thursday 24 January 2020**. In addition to this over the coming three months, Which? will also look for opportunities to engage with and gather insights from interested stakeholders.

If you have any questions, would like the opportunity to attend any events on the issues raised or would like to speak to our team please email us at everydayfinances@which.co.uk

If you would like to share any written insight or responses with our team at everydayfinances@which.co.uk or write to us at the following address:

Everyday Finances Policy Team
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London NW1 4DF

This is an opportunity for Which? to engage with others, to develop our understanding of consumers and to work together with others to achieve positive change for consumers.

Which? will use any insights, information and views shared to develop policy and we will publish a report summarising the information we have gathered. We will ensure that we have permission before publishing information that would allow others identify responses as being from individuals or specific firms. Which?'s privacy notice can be found at which.co.uk/privacynotice



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