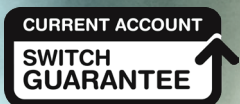


CURRENT ACCOUNT SWITCH SERVICE

Making account switching easier
March 2016

A Bacs Progress Report





FOREWORD

I am delighted to present this report which summarises our response over the last year to the Financial Conduct Authority's (FCA's) report 'Making Account Switching Easier'.

When the FCA published its Report in March 2015, Bacs put in place a programme of work to meet its three key findings. In its report, the FCA said that the Current Account Switch Service (CASS) was a success, but Bacs should take steps to increase awareness; address confidence in the service; and develop a technical solution to eliminate any problems that might occur at the end of the payment redirection period.

Over the last year we led the industry in working with the FCA and with Her Majesty's Treasury to ensure that customer awareness of and confidence in CASS have reached new highs. Our work has been informed by a research programme, developed with the University of Bristol, to understand the attitudes people have towards switching and the drivers that influence their switching behaviour.

CASS is an integral part of Bacs' suite of payment schemes and supporting services. As part of our wider strategy we will continue to develop the service, alongside our other products; Direct Debit and Bacs Direct Credit; to ensure that they continue to deliver to customers' needs and drive value in the nation's economy.

We look forward to continuing our work with industry, government and regulators to deliver first class payment services to all our customers.

Anne Pieckielon

Director of Product and Strategy, Bacs Payment Schemes Limited

CONSUMERS HAVE SWITCHED OVER 2.5 MILLION TIMES SINCE THE SERVICE WAS LAUNCHED IN SEPTEMBER 2013.



BACKGROUND

The Current Account Switch Service (CASS) is a free-to-use service designed to make it quicker and easier for customers to switch current accounts. It is available to consumers, small businesses, small charities and small trusts.

Customers can switch their personal or business current accounts to another provider with all their incoming and outgoing payments (i.e. direct debits and standing orders) switched automatically. The switching process takes seven days and customers can choose the exact date of the switch. The service includes a Current Account Switch Guarantee which fully protects customers against financial loss if something goes wrong during the switch.

Over 40 banks and building societies participate in CASS, accounting for over 99% of the current account market. Consumers have switched over 2.5 million times since the service was launched in September 2013.

FCA REVIEW INTO THE EFFECTIVENESS OF CASS

The government announced at Budget 2014 that the Financial Conduct Authority (FCA) would conduct a review into the Current Account Switch Service (CASS). The review launched in September 2014 to ensure that CASS was continuing to work effectively for consumers.

The FCA published its report in March 2015. It concluded that an effective switching service is an important element of a well-functioning market and the introduction of CASS has been effective in helping customers to switch their current account simply and reliably.

However, the FCA commented that though CASS has made the switching process simpler and easier, demand to switch among consumers remains low. Moreover, though the vast majority of consumers who switched had a positive experience, customer awareness and confidence in CASS was relatively low. The FCA outlined three main recommendations to be taken forward by Bacs, as the organisation with management and operational responsibility for the service.

1. Measures to raise awareness of the service, such as a targeted marketing campaign;
2. Identify ways to raise confidence levels in the service via the marketing campaign and refining the targets around consumer confidence to better reflect customers' concerns;
3. Investigate and identify a technical solution to the problems that may occur if/when the redirection service comes to an end.

Bacs welcomed the FCA's findings, and has been working with HM Treasury and the FCA to lead industry in addressing the three recommendations. One year on from the FCA's review, this report sets out how Bacs has worked to deliver against the FCA's recommendations on improving CASS, and Bacs' proposed activity for delivery in 2016.

CONTINUED AND SUSTAINED ADVERTISING FOCUSING ON THE BENEFITS OF CASS SHOULD HELP MAINTAIN HIGHER LEVELS OF AWARENESS OVER THE LONG TERM, OVER AND ABOVE THE 75% TARGET.



1. MEASURES TO RAISE AWARENESS OF THE SERVICE, SUCH AS A TARGETED MARKETING CAMPAIGN

Bacs launched a £2.8 million public awareness campaign on CASS in September 2015. The launch coincided with the second anniversary of the service’s launch and included campaign activity across TV, press and digital channels. It also included focus on specific market segments where switching is lowest, for example, SMEs.

The campaign featured in primetime advertising slots such as the Rugby World Cup, reaching more than 90% of the UK population. As a result of the first burst of that campaign, awareness of CASS reached 77% at its peak in November, up from 70% in August and the first time the government’s target of 75% has been reached – this target was agreed with HM Treasury to measure the success of CASS. Participating banks and building societies spent more than £40 million in current account advertising that included the Current Account Switch Guarantee Trustmark.

Bacs has now secured commitment from participating banks and building societies to invest £9.2 million into further advertising campaigns on CASS in 2016, with further investment to maintain awareness in future years going forward. Continued and sustained advertising focusing on the benefits of CASS should help maintain higher levels of awareness over the long term, over and above the 75% target.

2. IDENTIFYING WAYS TO RAISE CONFIDENCE LEVELS IN THE SERVICE VIA THE MARKETING CAMPAIGN (FOR EXAMPLE BY PUBLICISING CUSTOMERS’ POSITIVE EXPERIENCES) AND REFINING THE TARGETS AROUND CONSUMER CONFIDENCE TO BETTER REFLECT CUSTOMERS’ CONCERNS (SUCH AS AN ERROR FREE SWITCH)

As with awareness, the government’s target on confidence is 75%. Confidence levels to date have consistently been around 60%, so last year Bacs commissioned consumer research which identified that low reported confidence levels in CASS is likely due to customer concerns that the switching process will go wrong. Customers do not anticipate any process to be completely error-free, but do expect robust processes to manage any issues as they arise. Our research also showed that a priority for customers is good communication during the switching process.

As a result, Bacs is working hard to increase levels of confidence in CASS. We have reworked our advertising campaign in 2016 to specifically build confidence in the service by emphasising the error-free nature and robustness of the switching process. We are also working hard to increase the number of participating banks and building societies, and ensure that all participants are using their own channels to promote CASS and emphasise its robustness.

In addition to the £9.2 million commitment to further advertising on CASS each year, Bacs is also exploring the possibility of providing a way for customers to track their progress during the 7 day switching process, which should bolster consumer confidence further. We are also working with price comparison websites and consumer groups to promote positive customer experiences of CASS.

Bacs is also undertaking further work to engage with key target groups, including SMEs and hard-to-reach groups like young people and those on a low income, who tend to have less confidence in CASS than the general population. In 2016, a significant proportion of CASS advertising spend will specifically target these groups.

BACS IS WORKING WITH BUSINESS USERS OF DIRECT DEBIT AND BACS DIRECT CREDIT TO ENSURE THEY UPDATE CUSTOMER DETAILS.



3. INVESTIGATE AND IDENTIFY A TECHNICAL OR OTHER SOLUTION TO THE PROBLEMS THAT MAY OCCUR IF/WHEN THE REDIRECTION SERVICE COMES TO AN END

In its review the FCA identified potential issues around the end of the redirection service. Currently payments made incorrectly to a customer's old account are rerouted to the customer's new account for three years after they switch. This ensures third parties have sufficient time to update their own records with a customer's new account details, and helps ensure that payments do not go astray during this time. However, the FCA was concerned that customers could still be adversely affected once this redirection period came to an end, and that this in turn may lead to a potential negative impact on confidence in the service.

To address this issue Bacs is working with participating banks and building societies to extend the maximum period of redirection to ensure that redirection remains in place for any customer with live payments to their old account beyond the current three year period. After this three year period, a customer that has received a redirected payment during the last 13 months will continue to be able to receive redirected payments on a rolling basis, until a 13 month period has passed without any redirections to their new account.

As part of exploring ways to address the end of the redirection service, Bacs is also playing a leading role in a wider programme of work looking at the integrity of payment systems more broadly. Specifically we are working with business users of Direct Debit and Direct Credit to ensure they update customer details. Bacs is also working with the industry on initiatives to help address the issue of misdirected payments, where customers unknowingly use old account details to make payments online.

NEXT STEPS

Bacs will continue to work closely with the banking industry and HM Treasury to review and refine CASS so that it meets the needs and expectations of customers. We will also continue to engage closely with the FCA and taking account of their feedback as we deliver on its recommendations to improve CASS. This work includes looking at refining how to accurately measure awareness and confidence going forward to provide robust baselines for comparison.

Bacs will also continue to work closely with the Competition and Markets Authority (CMA) on its market investigation into retail banking to help boost competition and drive customer engagement and demand, including switching.

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