

Professor Elaine Kempson
c/o British Bankers' Association
Pinnars Hall
105-108 Old Broad Street
London
EC2N 1EX

26 February 2004

Banking Code Review 2004

I am writing to give you the OFT's response to your consultation on the Banking and Business Banking Codes. Our recommendations to your review follow our report last May on *UK Payment Systems*.

We see self-regulation, provided that it is effective, as having a key role in ensuring that markets work well for consumers. Our commitment to working with industry to make self-regulation robust and effective is underlined by our Codes Approval Scheme under the Enterprise Act. Looking forward we would encourage the Banking Code Standards Board to have reference to the core criteria under that Scheme and to consider applying for OFT approval.

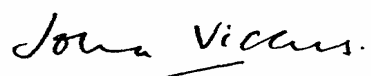
For the present, we have two main points – concerning the float and transparency – together with a number of more detailed observations.

On the float, we recommend an end to the industry practice of banks enjoying interest-free funds by virtue of debiting the funds relating to customer A's payment 2 or more days before customer B's receipt of the funds via the BACS clearing system. This relates to standing orders, telephone and internet payments. We also recommend that (the minority of) institutions that delay cheque 'value' payment dates beyond central minimum clearing times, without paying interest, should end that practice.

On transparency, we believe that bank customers should have better information about clearing times. This would help customers manage their accounts, and it would assist comparability and hence competition between banks.

Chris Rawlins will be writing to the Chief Executive and non-Executive Directors of the BCSB, and the Chief Executives of the industry sponsors of the Code, attaching a copy of our contribution to the Codes review, which we are also making public.

If you require any further information on these issues, please contact Chris Rawlins at this address.

A handwritten signature in black ink that reads "John Vickers." The signature is written in a cursive style with a horizontal line underlining the name.

John Vickers
Chairman