

# **Summary report of review of (i) published information banks provide for consumers and (ii) selected price comparison sites**

Annexe B of Personal current accounts in the UK - an  
OFT market study

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# 1 INTRODUCTION

1.1 The OFT reviewed the type of information PCA providers made available to consumers in their leaflets and web sites and also the information available to consumers on price comparison sites. The research was conducted during the period May 2007. The research was updated with information from the websites of Abbey and Nationwide in October 2007 and banks' web sites were revisited in May 2008 to re-evaluate the prominence of information on interest rates and charges

## Objective

1.2 The main objective of the research was to assess what information was readily available to consumers and how easy it was to understand.

## Approach

1.3 We examined the leaflets and web sites of the following banks and one building society: Abbey, Barclays, HBOS, HSBC, Lloyds TSB, Nationwide and Royal Bank of Scotland. Leaflets were collected from branches in the City of London. These banks and building society were chosen because they provide about 90 per cent of the PCA market.

1.4 For each provider all the available PCAs were considered. This included the standard free-if-in-credit current account with or without credit interest payments, packaged accounts, student accounts and basic bank accounts. We looked at the level of prominence given to each type of PCA, charges and interest information provided and other key information, such as switching information that plays an important part in helping consumers make informed decisions about PCAs.

1.5 We also examined four price comparison sites<sup>1</sup> and compared these to the banks' web sites and leaflets in terms of quality and extent

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<sup>1</sup> About your money, Compare and Save, Money Supermarket and Uswitch.

of information provided to the consumer. We chose Uswitch and Money Supermarket because they are currently the most popular sites and About Your Money and Compare and Save following web-searches for sites offering PCA comparisons.

## **2 SUMMARY OF ANALYSIS AND EVALUATION**

### **Web sites and leaflets**

#### **Overall**

- 2.1 Overall, each provider presented a number of accounts on its web site and leaflets. However, most banks focussed on one type of account in particular – the packaged account, and less on other accounts. Basic bank accounts were more difficult to find on banks' web sites and were typically not shown on the front page, requiring a greater amount of search.
- 2.2 Generally key information on charges, interest and switching on web sites and leaflets looked at in May 2007 was not easy to find and the information presented made it difficult for consumers to make comparisons across providers, particularly in relation to unarranged overdraft charges. However, this situation has improved significantly since that time, according to our second study of banks' web sites in May 2008. This is discussed in more detail later.
- 2.3 The research found the following:

#### **REVIEW IN MAY 2007**

##### **Prominence of key information**

- 2.4 The most striking aspect of the web sites and leaflets was the low prominence of key information such as credit interest rates, charges and overdraft interest rates, terms and conditions, and information about the switching process. The established banks gave lower prominence to credit interest rates than the main challenger banks.

- 2.5 On web sites such information tended to be behind other links such as 'important information' or 'legal information' which sometimes included charges and interest rate information or took two, three, sometimes four more clicks/pages before the necessary information could be found. The link to legal information also tended to be in small print at the bottom of the page where it was less prominent. In one case four clicks/links were required before the charges and rates information could be found. Some banks' leaflets contained no charges or interest rate information and required the customer to telephone the bank to find out more. However, once found, the information was typically clear and easy to read.
- 2.6 Relevant information on the switching process was also difficult to find and in most cases banks could do more to assure the customer that switching could be achieved quickly and easily. For example; providers could give some detail to customers about their commitment to adhere to the switching timetable under the Banking Code.
- 2.7 On some, but not all, bank web sites, although the prominence of switching information was low, incentives to switch were offered to the customer. For example, flight vouchers, discounted monthly fees, and offers to match any other deals offered by other providers.

### **Information on charges<sup>2</sup> and interest**

- 2.8 Apart from the difficulties in finding key charging information there were also problems in the content and presentation of such information that made it difficult for consumers to work out what the charges actually mean or to compare charges between different banks.
- 2.9 Charges information that was available did not tell the consumer exactly what he/she needs to know as to whether or not charges will actually be incurred in a given situation, for example if customers go into unarranged overdraft when the charge is likely to

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<sup>2</sup> Charges refer to all charges levied on a PCA including unarranged overdraft charges

be triggered. Furthermore, not all banks stated when credit interest is paid to the customer or when charges will be debited to the account.

- 2.10 When the interest rate was given, the language used could sometimes be complicated, for example, 2.5 per cent AER variable on balances up to £2500. It is not clear whether customers would necessarily know what interest they would earn from the 'AER variable' rate. An improvement to this situation would be to provide a worked example to show what customers could expect to earn on certain balances in actual terms.<sup>3</sup> Apart from a definition there tended to be no other explanation as to what 'AER variable' actually entailed. To add to this complexity, where details of charges were given, there tended to be different approaches taken by banks as to when charges apply. Some banks gave 14 days notice whereas others charge the day after the event. This inevitably would make it more difficult for the consumer to compare like for like.
- 2.11 There appeared to be little consistency in the terminology used to describe certain charges. For example there was no consistency in the use of the terms to describe when a payment is made that takes you over your available funds nor was there any consistency in other terms such as the fee charged when an item is unpaid.
- 2.12 Typically terms and conditions did not cover the price list or when charges are levied. A separate price list document was normally available that was difficult to locate on the web site in any event.
- 2.13 The review also found that whilst some providers gave details of charges for overseas card use, others were silent on this particular issue.
- 2.14 In summary it is difficult to see how customers could make meaningful comparisons of prices and charges across different banks given the difficult to find and inconsistent way in which this

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<sup>3</sup> Abbey provides worked examples on their web site.

information appeared on the banks' web sites and leaflets.

## **Switching**

- 2.15 Switching information on the building society and the banks' web-sites was generally difficult to find. Most web sites required at least two clicks from the account information page to find a link to switching information. When switching information was found most of the banks simply stated that they could provide hassle free switching without providing details of what needed to be done or indeed spelling out the banks' obligations under switching.
- 2.16 In contrast, two banks had links to switching information on the front page of the web site. The information provided was detailed and reassuring for the potential customer. The two banks provided detailed information about what needed to be done and one of the banks stated that they had a dedicated 'transfer unit' to assist with the switching process.

## **Focus on packaged accounts**

- 2.17 Most of the banks' web sites focussed more on promoting the packaged account. One of the banks and a building society did not offer such an account, and instead promoted a standard 'FIIC' current account.
- 2.18 Although the established banks also offered other types of PCA such as standard current accounts (with and without credit interest) and basic bank accounts, these were given much less prominence on their web sites and leaflets. The research clearly showed that the larger banks' emphasis was on the sale of packaged accounts to consumers as it is this account that is pushed to the forefront of their web sites and leaflets. On all web sites of the larger banks, the first details of PCAs to show up related to packaged accounts.

## Price comparison sites

### Overall

- 2.19 We researched four price comparison sites and looked at the range of providers and products included by the site, the clarity of information, search facilities and results.
- 2.20 Price comparison sites help consumers compare PCAs without the necessity of looking at several different web sites. Of the four price comparison sites reviewed, the range of different providers found varied from a few to over 40. Three of the four sites provided a list of best buys or best sellers and tended to display key information more prominently than the banks' web sites. Comparisons usually provided the consumer with details of credit interest rates, charges and authorised overdraft rates using simple comparison tables.
- 2.21 One of the price comparison sites also compared unarranged overdraft rates. The site search engines allowed for some tailoring of needs such as input of minimum and maximum funds going in and out of the account per month and whether to include overdraft and credit interest rates.
- 2.22 There were, however, some areas where the price comparison sites were not informative. Only one of the sites included details of basic bank accounts.
- 2.23 Overall, the price comparison sites provided the consumer with a wide variety of choice in terms of PCA with some sites providing an effective search engine to find an account most suited to the customers needs. More meaningful comparisons of accounts were possible using the price comparison sites than the banks' web sites because of the search criteria and the relatively clearer charging and interest information available. However, it was not always the case that all rates and charges, most notably those relating to insufficient funds, were listed on every site.
- 2.24 Table 2.1 below sets out a summary of findings of the review of the four price comparison sites listed.

**Table 2.1 – Price comparison sites summary findings**

		USwitch.com	Moneysupermarket.com	aboutyourmoney.co.uk	Compare and save.co.uk
<b>Type of PCAs compared</b>	Packaged accounts	Yes	Yes	Yes	Yes - limited
	Standard accounts	Yes	Yes	Yes	Yes - limited
	Basic accounts	No	Yes	No	No
	Student and youth account	Yes	Yes	No	No
	Graduate accounts	[No data found]	Yes	No	No
<b>Comparisons</b>	Best buys	Yes – outlines top deals - extensive	No	Yes	Yes – popular current accounts.
	Criteria for evaluating best buys?	Yes – highest paid interest rates and lowest O/D rates	No	No	No
	Best sellers	No	Yes	No	No
	Comparison tables	Yes	Yes	Yes – limited	Yes - limited
	Data input for comparing	Yes – minimum and maximum account	Yes – comparisons are made by the type of account consumer would	No – none available. The comparison site already has	No – consumer only limited to accounts in the comparison table.

	accounts	balances and whether with or without fees or student accounts	like	accounts (which are limited in number) and cannot tailor to needs	
<b>Switching</b>	Applying direct through the site	Yes (only for some accounts)	No- could not find accounts where you can apply direct	No	No
	How?	Complete a form on the site and send. For the ones you cannot apply for direct it links you to suppliers web site	Links you to suppliers web site – this is only for some accounts	Links you to the suppliers web site	Links you to the suppliers web site
<b>Funding</b>	Commission	Yes – on those accounts where you can switch direct.	No information	No information	No information
	Advertising on site	No	Yes	Yes	Yes
<b>Advice</b>	PCA advice	Yes	Yes - limited	Yes -limited	Yes – only for the specific accounts shown
<b>Banks used for comparisons</b>		Over 40 providers including the main banks and financial providers. Listed on web site	All the main banks and financial providers are used	Main banks	Limited choice:  A&L, Barclays, CitiBank, HSBC, Intelligent Finance

<b>Charges info</b>		Yes	Yes	Yes – only interest rates and O/D rates	Yes – only interest rates and O/D rates
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*Source: OFT review of the four price comparison sites listed*

2.25 The salient points of the review of price comparison sites are set out below in more detail:

### **Charges and interest information**

2.26 When compared to the information provided by the banks' and building society's web sites, the charges and interest information was more readily accessible and in some cases more detailed and clearer on comparison sites. For example two of the sites showed a comprehensive list of all the possible charges that could apply to that particular PCA. However, like the banks' web sites there was no indication as to when or under what circumstances a particular charge is likely to be incurred.

2.27 The price comparison sites typically provided a charges link that gave full details of the charges and interest rates relating to the particular account selected. The charges information is put together by the price comparison sites themselves and is not a direct link to the charges information on the provider's web site. It sets out clearly the charge rates for transfers, bounced cheques, authorised and unarranged overdraft charges. It is both easier to find and clearer to understand than the banks' and building society's web sites.

## **Switching**

- 2.28 Switching details were more prominent on the price comparison sites than the banks' and building society's web sites. There is more emphasis on switching on the price comparison sites and there are links from each account displayed to switching information, together with an explanation of how the switching process works, something that was generally missing from the banks' website.
- 2.29 Switching from a price comparison site is typically achieved by directing the consumer to the chosen bank's and building society's web site where an application form and further switching details are kept.
- 2.30 Direct switching through the price comparison site is reserved for some accounts and banks only, depending on the type of relationship that exists between the price comparison site and the bank. This is discussed in more detail below.

## **Sponsored links**

- 2.31 Two of the four price comparison sites had a special relationship with certain banks, typically referred to by price comparison sites as 'sponsored links'. The implication of this is that when a customer searches for a PCA the sponsored link is at the top of the list provided by the price comparison site regardless of how well they perform according to the search list criteria.
- 2.32 Banks who are sponsored links pay the price comparison site an agreed commission whenever a customer switches account to their bank from the price comparison site. An important feature of a sponsored link under one of the sites was the customer's ability to switch to their PCA account direct from the price comparison site itself.
- 2.33 Unfortunately it was not always clear whether the PCAs at the top of the list are necessarily the best or most appropriate PCAs the customer is looking for.

- 2.34 Of the two price comparison sites with 'sponsored links' only one notified customers of the special nature of their relationship with 'sponsored links'. The notification was transparent about the nature of this relationship, warning the customer that the products listed at the top of the results table may not necessarily represent the best deals.
- 2.35 This is clearly positive from a transparency point of view but it is not clear that this type of 'health warning' is universal practice by price comparison sites with sponsored links. However, this information was also not easy to find on the site that had it. The OFT internet shopping market study report highlighted the importance of price comparison sites informing consumers about commercial links with suppliers.

### **Focus on packaged accounts**

- 2.36 Price comparison sites did not give as much prominence to packaged accounts as the banks' web sites. Typically a general search for a current account over a certain balance range resulted in some packaged accounts displayed on the results table. Other, searches (where one was able to specify only accounts without fees) produced a list of PCAs with the highest credit interest rates only.

### **BANKS' WEB SITES REVISITED MAY 2008**

- 2.37 A further review of the banks' web sites was undertaken in May 2008 to see whether there had been any changes to the information provided in relation charges and interest. This time the main focus of the review was on the prominence given to the charges and interest information.
- 2.38 The review showed a definite improvement on the prominence of charges and interest information on most of the web sites. Most banks' web sites now had a clear link to charges and interest information on the front page which took the user straight to the level of charges with one click. This compares favourably to the May 2007 review where the necessary information tended to be

buried in a number of pages.

- 2.39 The latest review therefore shows that customers now have a much more accessible way into the necessary charges and interest information on the web sites when making decisions about their current accounts than appeared to be the case in May 2007.
- 2.40 Although the manner in which the information is presented was not the main focus, there appeared little change to the way banks' presented the information to when the review was carried out in May 2007. This means that the issues identified in May 2007 still stand, for example the difficulties faced by customers in making meaningful comparisons.

### **3 CONCLUSION**

- 3.1 The banks' web sites and leaflets were typically easy to use and read. However, key information such as charges, interest rates and switching tended to be difficult to find when reviewed in May 2007, requiring further search on the web site; and in the case of some leaflets little or none of this key information was provided. This situation improved when reviewed in May 2008 where charges and interest information appeared easier to find on the web sites. When charging information was found it appeared limited (in some cases only the bare minimum) and there was no consistent use of terminology between banks, making PCA comparisons difficult for the consumer.
- 3.2 The detailed terms and conditions were also difficult to find on the web sites. The search usually required a number of clicks before they could be located. Some of the web sites had the terms and conditions under legal information, which tended to be in small print at the very bottom of the web page.
- 3.3 Price comparison sites did better in providing charging and switching information than the banks' web sites but it was also disappointing to see that of the four sites compared only two seemed to provide a wide range of products and providers. Having said that, there appears to be a real potential for price comparison sites to play a positive role for consumers in

accessing relevant information to make better informed decisions.

3.4 Overall, more could be done by banks to bring to the forefront of their respective web sites crucial information regarding charges and switching that will help assist consumers in making better informed decisions when choosing a PCA. In May 2007 this information was not easy to find on the web sites and could be time consuming. This problem appears to be somewhat addressed in relation to the charges and interest information when a further review in May 2008 showed that better access to this information was available on most of the banks' web sites considered.

3.5 There was also a lack of switching information. With the exception of two banks, we believe, more could be done on this front to reassure consumers that switching is not such a big barrier. Some banks have tried to address this issue by stating on their web site that they will help make switching as easy as possible but more needs to be done to inform consumers of the switching process. In addition, switching information needs to be made more prominent on banks' web sites and perhaps they need to tell consumers more about their commitments to them on switching.