

This week at the UK regulators

Thirty second guide: The week in overview

In a week without concluded enforcement cases, the main development has been the publication of studies conducted by the FCA and the Competition and Markets Authority finding shortcomings in competition in the provision of banking services to small and medium sized enterprises and personal current accounts. It appears likely that these studies will form the basis for a more involved examination of competition in both areas, with the commencement of consultation on a market investigation reference. The FCA also followed up the publication of its annual report the previous week with its inaugural annual public meeting, and published the results of a thematic review pointing to some problems with levels of information provided to customers by price comparison websites. Maintaining momentum in relation to consumer credit regulation, it also issued a consultation paper proposing a price cap for short-term high-cost credit.

Market studies find banking competition shortcomings...

In a joint market study (released on 18 July), the FCA and the Competition and Markets Authority ("CMA") have found that competition in the provision of banking services to small and medium sized enterprises ("SMEs") is not working as it should. The lengthy report (consisting of 185 pages of analysis plus separate annexes), the first to be completed collaboratively by the FCA and CMA, sets out their conclusions that the market remains concentrated with high levels of customer inertia and limited levels of switching between providers. It also finds that, whilst there have been some entrants, principally in specialised niche areas, there are still significant barriers to entry for new entrants, which are largely based on difficulties associated with competing with large players with extensive existing branch networks and established access to payment systems.

In a separate study (conducted on its own rather than in conjunction with the FCA, also released on 18 July) updating work previously undertaken by the Office of Fair Trading in 2013, the CMA has found that the personal current account market is also very concentrated, and that this may have a negative effect on levels of customer service.

In a separate statement, the FCA has echoed these concerns and reiterated those expressed in the SME banking market study. It has also committed to further collaboration with the CMA and other regulators in future and has underlined the efforts it is making to promote competition and innovation (see This week at the

regulators, 14 July 2014 for a summary of its review of barriers to entry and expansion in the banking market and its work in relation to "Project Innovate").

https://assets.digital.cabinet-office.gov.uk/media/53c8b0ace5274a106b00000b/140718_SME_banking_final_report.pdf

https://assets.digital.cabinet-office.gov.uk/media/53c8b1fced915d106b000006/140718_SME_banking_annexes.pdf

https://assets.digital.cabinet-office.gov.uk/media/53c834c640f0b610aa000009/140717_-_PCA_Review_Full_Report.pdf

http://webarchive.nationalarchives.gov.uk/20140402142426/http://www.ofg.gov.uk/shared_ofg/reports/financial_products/OFT1005rev

<http://www.fca.org.uk/news/market-study-banking-services>

<https://onlineservices.cliffordchance.com/online/freeDownload.action?key=OBWlbFgNhLNomwBI%2B33QzdFhRQAhp8D%2BxrlGRel2crGqLnALtlyZezQt%2Fq0rsfMBrlxTtRBj7p%0D%0A5mt12P8Wnx03DzsaBGwsIB3EVF8XihbSpJa3xHNE7tFeHpEbaelf&attachmentsize=160946>

...and scrutiny to continue

Based on the findings of the two market studies undertaken, the CMA has (also on 18 July) released a consultation paper in relation to its provisional decision to make a market investigation reference in relation to both SME banking services and personal current accounts. The review would be undertaken by a CMA panel of

independent members. Responses have been invited by 17 September 2014.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/332086/140718_Banking_MIR_consultation_document_final.pdf

FCA fields questions at inaugural annual public meeting

At its first annual public meeting (held on 17 July), the FCA has faced questions on a wide range of aspects of its approach to supervision and enforcement. After a brief review of its priorities and approach and achievements and challenges to date by Chairman John Griffith-Jones and CEO Martin Wheatley, the board answered questions on specific issues including interest rate hedging products redress and its intended approach towards redress for investors in Connaught Investment Funds and more generally on its performance to date and future priorities. A video and transcripts of the proceedings in full are available on the FCA's website.

<http://www.fca.org.uk/news/fca-annual-public-meeting-2014>

<http://www.fca.org.uk/static/documents/apm-q&a-transcripts.pdf>

<http://www.fca.org.uk/static/documents/apm-martin-wheatly-transcript.pdf>

<http://www.fca.org.uk/static/documents/apm-john-griffith-jones-transcript.pdf>

Thematic review on price comparison websites in the general insurance sector

The FCA has (on 16 July) released the findings of a thematic review and accompanying research on price comparison websites in the general insurance sector. It focused on intermediation in respect of private motor, home and travel insurance, the products most commonly purchased through price comparison websites. It found examples of good practice, but some variation in standards across the websites surveyed. Specifically, it found that, in some cases, customers were not provided with all information necessary to enable them to make an informed choice, that some websites did not make their role sufficiently clear and did not explain sufficiently clearly how customers' data would be used and did not disclose potential conflicts of interest, and that, in some instances, guidance issued by the FSA in 2011 was not fully implemented.

The report setting out the findings of the review calls upon price comparison websites to commit to taking a set of actions focused on the levels of information provided to customers and designed to demonstrate that customers are being placed at the heart of the way in which they conduct their business. It also draws attention to guidance issued by the European Insurance and Occupational Pensions Authority in January 2014 and indicates that further engagement with price comparison websites through supervisory channels and with consumers, encouraging them to make informed choices and alerting them to publicly available information, will follow.

<http://www.fca.org.uk/static/documents/thematic-reviews/tr14-11.pdf>

<http://www.fca.org.uk/static/documents/research/price-comparison-website-consumer-research.pdf>

http://www.fca.org.uk/static/pubs/guidance/fg11_17.pdf

https://eiopa.europa.eu/fileadmin/tx_dam/files/publications/reports/Report_on_Good_Practices_on_Comparison_Websites.pdf

FCA issues statement on Connaught

The FCA has (on 15 July) issued a statement indicating that it is supporting attempts to achieve redress for investors in the Connaught Investment Funds by way of a negotiated settlement. It has stated that it will do so "for a limited period" and has not given any further indication of which, if any, alternatives to negotiated settlement it is considering or for how long it proposes to extend this support.

<http://www.fca.org.uk/news/financial-conduct-authority-statement-on-connaught>

FCA imposes further temporary restriction on short selling

The FCA (on 16 July) imposed a further restriction on short selling in shares in Banco Espirito Santo. This followed several similar restrictions imposed in recent weeks. The restriction lapsed at 11.59 on 16 July.

<http://www.fca.org.uk/news/temporary-restriction-in-short-selling-banco-espirito-santo-160714>

FCA warnings

Name of firm	Date of warning	Details
Your Step Change	16 July 2014	Not authorised http://www.fca.org.uk/news/warnings/your-step-change-cc
Manor Trade Limited	16 July 2014	Not authorised http://www.fca.org.uk/news/warnings/manor-trade-limited
Equity Wealth Management UK Ltd	15 July 2014	Not authorised http://www.fca.org.uk/news/warnings/equity-wealth-management-uk-ltd
St James's Asset Management LLP/ St James's Investments	15 July 2014	Clone firm http://www.fca.org.uk/news/warnings/st-jamess-asset-management-llp-clone
Castle Finance Direct	14 July 2014	Clone firm http://www.fca.org.uk/news/warnings/castle-finance-direct-clone-cc
www.bridgingloansfinder.co.uk	14 July 2014	Clone firm http://www.fca.org.uk/news/warnings/bridging-loans-finder-co-uk-clone-cc
Financial Holdings Limited	14 July 2014	Not authorised http://www.fca.org.uk/news/warnings/financial-holdings-limited-cc
Wise Cash	14 July 2014	Not authorised http://www.fca.org.uk/news/warnings/wise-cash

Policy developments

FCA		PRA	
Proposed developments			
		Deadline for responses	
Consultation papers	<p>As has been widely reported in the press, the FCA has (on 15 July) issued a consultation paper (CP 14/10 and technical annexes) proposing a price cap for high-cost short-term credit.</p> <p>http://www.fca.org.uk/static/documents/consultation-papers/cp14-10.pdf</p> <p>http://www.fca.org.uk/static/documents/consultation-papers/cp-14-10-technical-annexes.pdf</p>	1 September 2014	

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