

CMA stops Clydesdale 'bundling' business accounts with loans

The Competition and Markets Authority (CMA) found that Clydesdale was in breach of legal undertakings that prohibit it, along with 7 other of the UK's largest banks, from requiring small businesses to open a business current account with them in order to apply for any loan.

The practice, known as bundling, means customers are forced to open a business current account with their loan provider. This practice restricts competition and limits choice. Small businesses could then be stuck paying for a business current account that does not meet their needs.

The CMA's action comes after it found that Clydesdale had not complied with certain aspects of these rules and follows similar recent action against [Lloyds Banking Group](#).

Clydesdale breached the undertakings by requiring customers who were running their business through a Clydesdale personal current account to also open a business current account with the bank in order to obtain a loan through the Government's [Bounce Back Loan Scheme](#). This scheme is intended to help businesses access finance quickly during the coronavirus (COVID-19) pandemic.

The CMA is aware that the affected customers would not initially be charged for these business current accounts. However, small business customers may have kept these accounts open for longer than the initial fee-free period rather than opening a more suitable account with another provider.

In December, Clydesdale wrote to all affected customers to inform them that they are not required to retain the Clydesdale business current account for the whole duration of the Bounce Back Loan, and offered them the option of switching to a fee-free loan servicing account. This comprised 55 of its own customers and 112 Yorkshire Bank customers. Clydesdale Bank plc, which owns Yorkshire Bank brand, voluntarily contacted its affected customers.

The breach will be recorded on the [CMA's register of breaches](#) and, due to the importance of the [Bounce Back Loan Scheme](#), the CMA has also written publicly to the bank about this breach. The scheme provides critical support to small businesses which means that even minor breaches are regarded by the CMA as significant .

Adam Land, CMA Senior Director of Remedies Business and Financial Analysis, said:

The Bounce Back Loans Scheme provides critical support to small businesses during the pandemic. We are acting to ensure that the large banks do not restrict the choices of small businesses by bundling loans and business current accounts.

We are pleased that Clydesdale is now taking the steps necessary to become compliant

For more information, see the [SME Banking Undertakings guidance page](#).

1. The [SME Banking Undertakings](#) came into force in 2002. They were signed by 8 of the UK's longer-established banks and limit bundling while also providing clear pricing information and faster methods of switching. The 8 banks are generally improving their procedures to monitor and promote compliance with the SME Banking Undertakings, as illustrated in the CMA's [2019 Report on SME Banking compliance](#), an annual report published on whether the banks are complying with the rules. The 2018-2019 reporting period shows that no banks breached these undertakings.
2. The following 8 banks are currently subject to the bundling prohibition: AIB Group (UK) plc; Bank of Ireland; Barclays Bank plc; Clydesdale Bank plc, HSBC Bank plc, Lloyds Banking Group, Danske Bank and NatWest Group plc (formerly the Royal Bank of Scotland Group which includes Ulster Bank Limited in Northern Ireland).
3. [The Bounce Back Loan Scheme was launched by the Government on 4 May 2020](#).
4. Yorkshire Bank is a trading name of Clydesdale Bank PLC.