

[Press release: New overdraft alerts as CMA banking rules come into force](#)

In a rule change required by the Competition and Markets Authority (CMA) as part of its [Retail Banking Investigation](#), banks must now set up an alert system which will help their customers avoid unnecessary charges.

During its investigation, the CMA found that banks receive around £1.2 billion a year from unarranged overdraft charges. This new overdraft measure, combined with the CMA's recent order to require banks to publicly announce their maximum monthly charges, could create significant savings for many bank customers.

A number of banks already have alert systems in place, but the new rules require all banks to send these alerts – through texts or a mobile banking app – and to implement other measures, such as a grace period in which people can transfer money into their account to avoid being charged.

The system will apply to new customers from today and will roll out to all existing bank customers over the coming month.

Adam Land, Senior Director at the CMA, said:

People will now be told when they are about to slip into overdraft, which could help them avoid potentially costly charges. And the changes we are requiring from today make it easier for small firms to switch to another bank for their current account or to obtain a loan.

These new rules, which are a result of our recent retail banking investigation, are part of a wider package that will help people to get the most out of their banks and force them to work harder for their customers' money. The overdraft alert system is one of 4 new measures that are being implemented today to improve the service people receive and make it easier to switch between different banks.

At the moment, only 3% of personal and 4% of business customers switch to a different bank in any year, even though personal customers in Great Britain could typically save £92 per year by switching. Small firms, which benefit from 3 of the new measures being introduced, could realise savings of around £80 a year on average.

Opening Business Current Accounts

In its investigation, the CMA found each bank is asking for different information from businesses applying to open current accounts. This has encouraged many small businesses to use their existing Personal Current

Account (PCA) provider for their business account and has discouraged them from switching between banks. The CMA is therefore insisting that Business Current Account (BCA) opening procedures are standardised, so all banks will now ask for the same information from applicants.

Loan price and eligibility tool

Small and medium sized businesses will also now find it easier to take out a business loan thanks to a new loan price and eligibility tool to be launched by four banks: RBS Group, Lloyds Banking Group, HSBC Group and Barclays. This tool will help SMEs to understand the costs of taking out a loan and find the best deal for them.

Transaction history

Banks will now also have to provide personal and business customers who are closing their account with five years of transaction history, free of charge, unless they choose to opt out. This move aims to encourage switching, as the CMA has found that the fear of losing your transaction history can be a reason people don't switch. It also means people will have easy access to their financial records for things like mortgage applications.

Notes for Editors

1. In its [final report](#) on the retail banking market, published in 2016, the CMA announced a package of reforms to make banks work harder for their customers and help people take control of their banking using innovative new services. For more information, visit the retail banking investigation [case page](#).
2. The overdraft alert, which will be sent by text message or via a mobile banking app, applies to all banks with more than 150,000 active current accounts. RBS has indicated that, on occasion, alerts may be provided up to a day late to a limited number of its customers up until September 2018. In the event that the alert is sent late, the CMA has [required the bank](#) to either prevent a fee being charged or reimburse customers for any fee that is charged within this period.
3. The FCA has found that signing up to text alerts alongside using mobile banking reduced monthly unarranged overdraft charges by 24% on average (around £11 per year for each customer). The regulator has been undertaking its own analysis into overdraft charges and is due to present its conclusions and any potential remedies later this year.
4. The provision of transaction history remedy applies to all PCA providers with more than 150,000 active PCAs and all BCA providers with more than 20,000 active BCAs. Banks can decide whether to provide customers their transaction history in paper or electronic format. Clydesdale Bank indicated it would not be able to provide this service on the 2 February 2018 and the CMA therefore [issued Directions](#) to ensure it would be fully compliant from the 2 March 2018.
5. The Business Current Account procedure requires all BCA providers with more than 20,000 active BCAs to adopt a Standard Information Set, which is the standard information required by banks when deciding whether to approve an application to open a BCA. The banks have worked with UK

Finance to develop and agree the Standard Information Set, which will be made available on the [UK Finance website](#).

6. The new loan price and eligibility tools cover all unsecured loans and standard tariff unsecured overdrafts up to £25,000. They complement the CMA's requirement – from August 2017 – for all providers to SMEs of unsecured loans and standard tariff unsecured overdrafts to publish the cost of these products, showing a representative annual percentage rate (APR) for loans and effective annual rate (EAR) for overdrafts.
7. Media queries should be sent to: press@cma.gsi.gov.uk or journalists can call 020 3738 6191.