

BSA response to FCA call for input:

Terms and definitions for services which are linked to payment accounts and subject to fees. Provisional list of the most representative services within the meaning of Article 3 of the Payment Accounts Directive 2014/92/EU

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 **Building Societies**
Association

BSA response to the FCA call for input

Introduction

The Building Societies Association (BSA) represents all 44 UK building societies. Building societies have total assets of over £330 billion and, together with their subsidiaries, hold residential mortgages of over £250 billion, 19% of the total outstanding in the UK. They hold almost £240 billion of retail deposits, accounting for 19% of all such deposits in the UK. Building societies account for about 28% of all cash ISA balances. They employ approximately 39,000 full and part-time staff and operate through approximately 1,550 branches.

The BSA welcomes the opportunity to respond to the FCA call for input on terms and definitions for services which are linked to payment accounts and subject to fees.

The provisions of the Payment Accounts Directive 2014/92/EU (PAD) apply to Payment Accounts as defined in Article 1(6) of PAD. As the FCA paper points out, Recital 12 of PAD lists certain financial products which are outside of the scope of the definition of Payment Account and these include savings accounts, current account mortgages and credit cards. HM Treasury has been very clear in its discussions with the industry regarding the implementation of PAD that essentially the provisions relate to Personal Current Accounts (PCA). We welcome the limiting of the scope to PCAs. The following BSA members are PCA providers – Coventry Building Society, Cumberland Building Society, Leeds Building Society, Nationwide Building Society and Yorkshire Building Society (which includes Norwich & Peterborough). We do not believe that PAD will have an impact on the rest of our membership.

Response

The BSA appreciated the opportunity to give initial feedback to the FCA via a telephone conference call on 29 June 2015. We have subsequently forwarded to the FCA the information it requested from one of our members and we hope this will be taken on board as part of the consultation process. Given that the FCA has already received our initial views, this response will be brief and only focus on one specific issue rather than respond to each consultation question.

The BSA has had the opportunity to see the British Bankers Association response and we fully support the BBA's comments on the terms on the provisional list.

Like the BBA, we are particularly concerned by the FCA's proposal to replace the term "unarranged overdraft" with "unplanned overdraft". "Unarranged overdraft" is an industry standard term originally agreed with HM Treasury in 2012 and is well understood by customers. We believe that replacing "unarranged overdraft" with "unplanned overdraft" would cause confusion for consumers. We recognise that the FCA's own consumer research indicates a preference for the use of "unplanned overdraft", but we understand that this was only a mild preference and does not indicate that consumers do not understand the term "unarranged overdraft". Changing to "unplanned overdraft" would require changes to be made to firms' terms and condition, websites and consumer facing literature, which would have a potentially significant cost for little or no gain for consumers. It may also have an indirect impact on other consumer information and industry regulation, such as the Lending Code, which refers to "unarranged overdraft" in both its consumer facing leaflet and the subscriber code (the BSA is a sponsor of the Lending Code). For these reasons and those set out in the BBA response we strongly urge the FCA to reconsider the use of the term "unplanned overdraft" and instead stick with the more widely used and recognised "unarranged overdraft".

We also support the BBA's suggested amendment to the definition of "unplanned overdraft/unarranged overdraft" namely that the definition should be

“When we allow you to borrow money when you have no money in your account or have gone past your arranged overdraft limit and we have not agreed to this in advance.”

The BSA would be happy to contribute to any future consultation on PAD terms and definitions and we look forward to continuing to work closely with the FCA on the implementation of PAD via HM Treasury’s working group.

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The Building Societies Association (BSA) is the voice of the UK's building societies.

We fulfil two key roles. We provide our members with information to help them run their businesses. We also represent their interests to audiences including the Financial Conduct Authority, Prudential Regulation Authority and other regulators, the government and parliament, the Bank of England, the media and other opinion formers, and the general public.

Our members have total assets of over £330 billion, and account for approximately 20% of both the UK mortgage and savings markets