

# Confirmed Industry Guidance for FCA Banking Conduct of Business Sourcebook



**January 2017**

## To discuss this guidance you can contact:

---



The voice of banking

British Bankers' Association  
Pinners Hall  
105-108 Old Broad Street  
London  
EC2N 1EX

Email: [info@bba.org.uk](mailto:info@bba.org.uk)  
Tel: 020 7216 8800



Building Societies Association  
6th Floor, York House  
23 Kingsway  
London  
WC2B 6UJ

Email: [information@bsa.org.uk](mailto:information@bsa.org.uk)  
Tel: 020 7520 5900



Payments UK  
2 Thomas More Square  
London  
E1W 1YN

Email: [questions@paymentsuk.org.uk](mailto:questions@paymentsuk.org.uk)  
Tel: 020 3217 8381

---

## Legal status and disclaimer

The FCA has reviewed this Industry Guidance for aspects of retail banking and has confirmed that it will take it into account when exercising its regulatory functions (where this action has been taken by the FCA, the provisions are referred to in this document as “confirmed guidance” or “guidance confirmed by the FCA”). This Guidance is not mandatory and is not FCA Guidance. This FCA view cannot affect the rights of third parties.

In the event of any inconsistency between this Industry Guidance and the Banking Conduct of Business Sourcebook (BCOBS) or the FCA Principles for Businesses, the FCA rules take precedence.

This Guidance is voluntary and provides examples of minimum standards that firms can adopt to comply with certain requirements of BCOBS and the Principles for Businesses. It is not an exhaustive or definitive methodology for meeting the FCA’s BCOBS rules or the Principles for Businesses. This Guidance is not intended to address other relevant legal obligations.

Firms are free to follow different or higher standards of practice to provide products and services but must always achieve compliance with the FCA Principles for Businesses and BCOBS.

The Consumer Financial Education Body has produced a customer-facing Moneymadeclear publication *Just the facts about your bank account*, which is available in bank branches and on the Moneymadeclear website.

# Contents

## **Section 1 Introduction**

- 1.1 The role of Industry Guidance
- 1.2 The relationship between BCOBS and the Payment Services Regulations (PSRs)
- 1.3 The relationship between BCOBS and the Payment Accounts Regulations (PARs)
- 1.4 Non-Confirmed Industry Guidance

## **Section 2 Communications with banking customers and financial promotions**

- 2.1 Introduction
- 2.2 Fair, clear and not misleading

## **Section 3 Distance communications**

## **Section 4 Information to be provided to banking customers**

- 4.1 Introduction
- 4.2 Advance notification of a disadvantageous interest rate change
- 4.3 Enabling customers to make informed decisions
  - 4.3.1 General
  - 4.3.2 Pre-sale information
  - 4.3.3 Current accounts
  - 4.3.4 Additional information for Non-EEA currency current accounts
  - 4.3.5 Joint accounts for personal customers
  - 4.3.6 Partnership accounts for micro-enterprise customers
  - 4.3.7 Identification and address verification
  - 4.3.8 Cash ISAs and Child Trust Funds
  - 4.3.9 Charges
  - 4.3.10 Pre-notification of charges
  - 4.3.11 Changes to account charges
  - 4.3.12 Chip and PIN
  - 4.3.13 Interest rates
  - 4.3.14 Terms and conditions
  - 4.3.15 Changes to terms and conditions
- 4.4 Statements of Account
- 4.5 Providing a copy of a statement

## **Section 5 Post sale requirements**

- 5.1 Introduction
- 5.2 Completing the opening process for a basic bank account
- 5.3 Moving a consumer from a free current account to a fee-based account
- 5.4 Closing a customer's account
- 5.5 Account security
- 5.6 Financial difficulties
- 5.7 Switching Accounts
- 5.8 Cash ISA transfers
- 5.9 Account closure proceeds
- 5.10 Interest on account-opening funds received by cheque
- 5.11 Dormant and lost accounts, and unclaimed assets

## **Annex A Links to non-confirmed industry agreements and guidance**

# Section 1: Introduction

The FCA Banking Conduct of Business sourcebook (BCOBS) sets out the high-level rules and guidance by which the FCA regulates retail banking conduct of business. BCOBS applies to UK firms who are authorized to accept deposits in the UK from banking customers, and EEA firms passporting into the UK on a branch basis to carry on that activity.

A banking customer is defined by BCOBS to be either:

- A consumer;
- A micro-enterprise<sup>1</sup>; or
- A charity which has an annual income of less than £1 million;

A natural person acting in a capacity as a trustee is a banking customer if he is acting for purposes outside his trade, business or profession.

## FCA's Banking Conduct of Business Sourcebook

In order to ensure the most up to date version of the sourcebook we recommend that you download this direct from the FCA website: <http://fshandbook.info/FS/html/FCA/BCOBS>

## 1.1 The role of Confirmed Industry Guidance

Industry Guidance that has been confirmed by the FCA gives examples of ways that firms can achieve compliance with BCOBS and the FCA's Principles for Businesses. It is not mandatory or exhaustive. The Industry Guidance follows the format below throughout:

- Introduction* – an explanation of the purpose of the BCOBS chapter.
- Rule* – the relevant BCOBS provision.
- Industry Guidance* – examples of ways in which compliance with the rules can be achieved.

References to the relevant sections of BCOBS are set out in the following manner within the body of the document:

### Relevant BCOBS rules and guidance

#### Rule number and section heading

Sub-headings and rule text

This Guidance only includes the BCOBS rules for which the industry considers it would be helpful to provide guidance. However, users of this guidance must comply with all of BCOBS as it relates to their business. The full BCOB Sourcebook is therefore provided as an annex to this document

Firms regulated by the FCA under FSMA must also comply with the FCA's Principles for Businesses. These outline the fundamental obligations of each regulated firm and where relevant they are referred to in this Industry Guidance. However this Guidance is not intended to be exhaustive, there are other provisions of the FCA's Handbook which also apply to firms, and for which FCA produces its own Guidance.

This document is dynamic and the BBA, BSA and Payments UK will ensure that it remains up to date, in consultation with the FCA and consumer bodies as appropriate. This revised version assimilates changes that have arisen since the last review completed in December 2015. However a number of forthcoming regulatory and legislative changes are likely to require further substantive changes to the Industry Guidance in the future. To this end, FCA and the three signatory organisations have agreed to undertake a further review before the end of 2017.

<sup>1</sup> A micro-enterprise is defined as a business that employs fewer than 10 persons and has a turnover or annual balance sheet that does not exceed €2 million. Further information about this definition can be found on the EU Commission's website at [http://ec.europa.eu/enterprise/enterprise\\_policy/sme\\_definition/index\\_en.htm](http://ec.europa.eu/enterprise/enterprise_policy/sme_definition/index_en.htm)

## 1.2 The relationship between BCOBS and the Payment Services Regulations (PSRs)

The PSRs regime implements the EU Payment Services Directive in the UK. The FCA is the main competent authority for monitoring and enforcing the regulations in the UK. Its approach to the regime is outlined at

<http://www.fca.org.uk/your-fca/documents/payment-services-approach>

The PSRs include conduct of business rules for payment services. This means that retail deposit taking products with a payment function, such as current accounts and relevant instant access savings accounts and payment transactions on other accounts, are subject to rules in the PSRs and/or BCOBS, depending upon the service and activity concerned.

FCA confirmed Industry Guidance has to relate to the FCA rule under which it sits and be consistent with any relevant FCA guidance. This document does not therefore include guidance on compliance with the PSRs. Some of the rules in BCOBS apply to areas of retail banking conduct of business that are not covered by the Payment Services Directive. In the case of a payment service, therefore, some activities or dealings in relation to that service may be governed by the PSRs while other activities or dealings in relation to that service may be subject to the rules in BCOBS. For further information on this, firms are advised to refer to Chapter 1 of BCOBS on the general application rule.

For the avoidance of doubt, this Guidance only applies where BCOBS applies, as set out under the General Application rule BCOBS 1.1. BCOBS applies to the extent that this would not be inconsistent with the provisions of the Payment Services Directive that harmonise conduct of business requirements in relation to payment services.

## 1.3 The relationship between BCOBS and the Payment Accounts Regulations (PARs)

The Payment Accounts Regulations (PARs)<sup>2</sup> implement the Payment Accounts Directive, the main provisions of which came into force on 18<sup>th</sup> September 2016.

The PARs aim to improve the transparency and comparability of fee information about payment accounts (including current accounts), help people switch payment accounts, and ensure every EU resident has access to a basic bank account.

The PARs include conduct of business rules for payment accounts (as defined under PARs) relating to account switching, access to payment accounts (including payment accounts with basic features) and payment accounts provided as a package of services. This means that payment accounts are subject to rules in the PARs and/or BCOBS, depending upon the service and activity concerned.

The FCA has issued guidance on the definition of a 'payment account' under the PARs<sup>3</sup> and the implementation of the PARs provisions on packaged accounts<sup>4</sup>.

The PSR, in exercise of its powers under paragraph 3 of Schedule 4 of the PARs, has issued a designation certificate declaring the Current Account Switch Service (CASS) to be an alternative arrangement for switching that is compliant with firms' obligations under the PARs<sup>5</sup>.

## 1.4 Non-Confirmed Industry Guidance

During the 2016 review of the BCOBS Industry Guidance, the decision was made by the three signatory organisations, together with FCA, to split the guidance directly related to BCOBS provisions (contained in this document) from other industry agreements that are not reviewed or confirmed by the FCA. The main body of this document covers only those matters directly related to BCOBS and subsequently confirmed by the FCA.

The decision was taken to split the previously combined guidance to ensure that the guidance provided to the industry is consistent in tone, content and the level of detail, and to avoid potential confusion amongst stakeholders seeking to rely on the guidance provided, by making it clear what has been confirmed by the FCA, and what has not been confirmed.

The ongoing application and operation of non-confirmed industry agreements is not affected by this change.

<sup>2</sup> <http://www.legislation.gov.uk/ukxi/2015/2038/contents/made>

<sup>3</sup> <https://www.fca.org.uk/publications/finalised-guidance/fg16-6-payment-accounts-regulations-2015-definition-payment-account>

<sup>4</sup> <https://www.fca.org.uk/publications/finalised-guidance/fg16-7-payment-accounts-regulations-2015-regulation-13-packaged>

<sup>5</sup> <https://www.psr.org.uk/sites/default/files/media/PDF/CASS-designation-statement-September-2016.pdf>

Examples of non-confirmed industry agreements are available separately to this publication, with links provided in Annex A to the following agreements and guidance:

- 1) Additional information for savings products and interest bearing current accounts
- 2) Basic Bank Account Agreement / Payment Accounts with Basic Features
- 3) LINK Scheme Rules
- 4) Access to Banking Protocol
- 5) Cheques
- 6) Lending Code and Standards of Lending Practice
- 7) Account Switching Services
- 8) Dormant and Lost Accounts Scheme
- 9) Unclaimed Assets Scheme

Non-confirmed industry agreements will be reviewed separately, and individually, as part of their own independent governance and change-management processes.

**FCA has not reviewed or confirmed the terms of the agreements listed above.**

# Section 2: Communications with banking customers and financial promotions

## 2.1 Introduction

Chapter 2 of BCOBS sets out the rules and guidance applying to financial promotions and to communications with banking customers both pre and post sale i.e. for the lifetime of the relationship between the firm and the customer.

This chapter applies to all retail deposit taking activities, including those products and services where Parts 5 and 6 of the PSRs apply.

For structured deposits, cash deposit ISAs and cash deposit Child Trust Funds, additional rules are set out in the FCA Conduct of Business Sourcebook

Firms must always ensure that **communications and financial promotions are fair, clear and not misleading**.

### Relevant BCOBS rules and guidance

#### 2.1 Purpose and Application: Who and what?

**2.1.1 G** *Principle 6* requires a *firm* to pay due regard to the interests of its *customers* and treat them fairly. *Principle 7* requires a *firm* to pay due regard to the information needs of its *clients* and communicate information to them in a way which is clear, fair and not misleading. This chapter reinforces these requirements by requiring a *firm* to pay regard to the information needs of *banking customers* when communicating with, or making a *financial promotion* to, them and to communicate information in a way that is clear, fair and not misleading.

**2.1.2 R** In addition to the general application *rule* (BCOBS 1.1.1R), this chapter applies to the *communication*, or *approval for communication*, to a *person* in the *United Kingdom* of a *financial promotion* of a *retail banking service* unless it can lawfully be *communicated* by an *unauthorised person* without *approval*.

**2.1.3 R** This chapter applies to a *firm*:

- (1) communicating with a *banking customer* in relation to *accepting deposits*;
- (2) *communicating a financial promotion* that is not an *excluded communication*; or
- (3) *approving a financial promotion*.

#### 2.2 The fair, clear and not misleading rule

**2.2.1 R** A *firm* must take reasonable steps to ensure that a *communication* or a *financial promotion* is fair, clear and not misleading.

## 2.2 Fair, clear and not misleading

To ensure that a financial promotion or communication is fair, clear and not misleading, firms should consider:

- who it is being aimed at;
- the channel by which it is being made;
- the particular features of the product or service (i.e. main benefits, risks, limitations, complexity of product, conditions and duration of the product/service);
- the level or depth of the information provided; and
- the actions it seeks to elicit.

For example:

- Information must be presented in a way that is likely to be understood by the average member of the audience. So communications to consumers may highlight different information than those to a micro-enterprise because of the likely different needs and priorities of the intended audience.
- Additional care should be taken when aiming communications at potentially vulnerable consumers.
- A high-level financial promotion that implies or expressly seeks further investigation from the consumer may provide less-detailed information. However each financial promotion should still provide balanced and sufficient information on a standalone basis.

## Relevant BCOBS rules

### 2.2A Summary box for savings accounts

**2.2A.1 R** (1) A *firm* must ensure that a *direct offer financial promotion* in relation to a *savings account* includes a summary box in the form set out in *BCOBS 2 Annex 1R*.

**2.2A.2 G** (4) The effect of *BCOBS 2.2A.1R(1)* is that the summary box must be incorporated in the direct offer financial promotion itself. It is not sufficient, for example, to include in a direct offer financial promotion that appears on a website a link to a separate page containing the summary box. *BCOBS 2.2A.1R(2)* provides a limited exception to this where a direct offer financial promotion is on paper, in which case the summary box may accompany the direct offer financial promotion as a separate document.

**2.3.1 R** A *firm* must ensure that each communication made to a *banking customer* and each *financial promotion communicated* or *approved* by the *firm*:

- (1) includes the name of the *firm*;
- (2) is accurate and, in particular, does not emphasise any potential benefits of a *retail banking service* without also giving a fair and prominent indication of any relevant risks;
- (3) is sufficient for, and presented in a way that is likely to be understood by, the average member of the group to whom it is directed, or by whom it is likely to be received; and
- (4) does not disguise, diminish or obscure important information, statements or warnings.

**2.3.7 R** If a communication or a *financial promotion* compares a *retail banking service* with one or more other *retail banking service* (whether or not provided by the *firm*), the *firm* must ensure that the comparison is meaningful and presented in a fair and balanced way.

**2.3.8 R** If a communication or a *financial promotion* in relation to a *retail banking service* refers to a particular tax treatment or rate of interest payable, a *firm* must ensure that a prominent statement that the tax treatment or the rate of interest payable:

- (1) depends on the individual circumstances of each *banking customer* and may be subject to change in the future.
- (2) may be subject to change in the future:

Is either included in that communication or *financial promotion*, or provided to the *banking customer* on paper or in another *durable medium* in good time before the *banking customer* is bound by the contract for that *retail banking service*.

# Section 3: Distance communications

Chapter 3 of BCOBS includes the rules and guidance applying to distance marketing communications made from the UK to consumers in the UK or in another EEA country.

These rules derive from the Distance Marketing Directive and are listed under Annex 1R of the full BCOBS sourcebook, which can be found at Annex B.

This chapter applies to all retail deposit taking activities. However, for those products and services where Parts 5 and 6 of the PSRs apply, firms are only required - when marketing at a distance - to provide some of the information required by the distance marketing disclosure rules. This modification to the rules is set out in more detail in BCOBS 3.1.2R (2).

## Relevant BCOBS rule

### Application

**3.1.1 R** This section applies to a *firm* that carries on any distance marketing activity from an establishment in the *United Kingdom*, with or for a *consumer* in the *United Kingdom* or another *EEA State*.

The Distance Marketing Directive only applies to consumers. Firms are therefore not required to apply these standards to marketing communications made to micro-enterprises and charities from a distance, although they may choose to do so.

# Section 4: Information to be communicated to banking customers

## 4.1 Introduction

This chapter of Industry Guidance applies only to retail banking services where Parts 5 and 6 of the PSRs do not apply.

Chapter 4 of BCOBS sets out rules and guidance relating to information for banking customers during each stage of their relationship with the firm, i.e. pre-sale, on entry into a contract and during the life of the product or service.

As per Chapter 2 of BCOBS, all communications must be fair, clear and not misleading.

### Relevant BCOBS rule

**4.1.1 R** A *firm* must provide or make available to a *banking customer* appropriate information about a *retail banking service* and any *deposit* made in relation to that *retail banking service*:

- (1) in good time;
- (2) in an appropriate medium; and
- (3) in easily understandable language and in a clear and comprehensible form;

so that the *banking customer* can make decisions on an informed basis.

4.1.2 G (3) Where a *firm* proposes to exercise a power to make:

- (a) a change to any term or condition of the agreement; or
- (b) a change to any charge; or
- (c) a material change to any rate of interest;

that applies to the *retail banking service* and that will be to the disadvantage of a *banking customer*, the *firm* should provide reasonable notice to the *banking customer* on paper or in another durable medium before the change takes effect, taking into account the period of notice required by the *banking customer* to terminate the contract for the *retail banking service*. A change to a rate of interest should always be considered 'material' except where the balance of the account is less than £100 at the time when the *firm* would provide the notice.

(3A) When providing a notice under (3)(c), (5) or (6A), a *firm* should ensure that the heading of the notice clearly indicates the main substance of the change to which the notification relates. When providing a notice under (3)(c) relating to a decrease in the rate of interest, for example, a *firm* should ensure that the heading of the notice clearly indicates that the rate of interest is decreasing.

(4) Where a *firm* notifies a *banking customer* of a material change to a rate of interest that applies to a *retail banking service* and that will be to the disadvantage of a *banking customer*, this notification should, where applicable:

- (a) refer to the fact that the *firm* offers a comparable *retail banking service* for which the *banking customer* is eligible;
- (b) indicate that the *banking customer* may move to that *retail banking service* or a *retail banking service* provided by another *firm*; and
- (c) indicate that the *firm* will assist the *banking customer* to move to another *retail banking service* if he wishes to do so.

(5) Subject to (5A), where, under a contract for a *retail banking service*, an introductory, promotional or preferential rate of interest applies to the *retail banking service* until a specified future date or the end of a fixed period, a *firm* should provide notice of the expiry of the application of that rate of interest to the *banking customer* on paper or in another durable medium within a reasonable period before that rate of

interest ceases to apply.

(5A) Paragraph (5) does not apply where the balance of the account is less than £100 at the time when the *firm* would otherwise provide the notice.

## 4.2 Advance notification of a disadvantageous interest rate change

Any disadvantageous change, of a material nature, to the interest rate<sup>6</sup> that applies to an account should be personally notified to the customer before the change comes into force. Personal notification should be provided in a durable medium.

With the exception of sending a reminder about the end of a bonus rates or promotional periods (see section below), this guidance does not apply where:

- The interest rate changes because the account tracks a reference rate that is publicly available (a 'tracker account')

### Treating Customers Fairly

Firms should note that they always have an obligation to treat customers fairly and should keep this in mind when setting and operating their interest rate policy.

#### A material change

Firms should consider a change to be material and notifiable when:

1. The interest rate of the account is to be reduced and
2. The account has a balance of £100<sup>7</sup> or more (this is a point in time balance e.g. at the time when the firm would provide the notice).

#### A reasonable period

Notification in the circumstances described above should provide customers with a reasonable period in which to close or switch their account without penalty. Firms can achieve this by choosing either of the following approaches:

- Notification provided at least 14 days prior to the rate change and the customer is given a period of 30 days from the date of notification during which they can close or switch their account without providing any notice or suffering any penalty that might ordinarily result from not honouring the notice period; or
- Notification provided to the customer of at least 14 days + the account's normal notice period (or 30 days if longer than the notice period) prior to the rate change. If the customer wishes to close or switch their account the normal notice period applies, as do any penalties that might ordinarily apply in lieu of notice.

For each of the above approaches, the relevant notification period should start from the date at which the firm reasonably expects the notification to have been delivered to the customer.

#### Additional content for personal notification

As outlined in BCOBS 4.1.2G(4), personal notifications should:

- i. where applicable, refer to the fact that the firm offers a comparable banking service for which the consumer would be eligible
- ii. indicate the customer's ability to close or switch their account and that the firm will assist the customer to do so.

Notifications should also include relevant contact details so that customers can find out further information about their account and other services offered by the firm

#### Notification of non-material disadvantageous interest rate changes

Any disadvantageous change of a non-material nature to the interest rate that applies to an account should be notified to customers by making relevant information available as soon as reasonably possible.

Examples of the ways in which this could be achieved might include a combination of:

<sup>6</sup> Within the guidance relating to BCOBS 4.1.2G 'interest rate' can be AER or gross interest rate, depending on the rate used by the firm to calculate and communicate variations to customers. Firms should use these rates on a consistent basis and ensure that the rate used is transparently communicated to customers.

<sup>7</sup> For non-Sterling accounts firms should use an equivalent balance in the account's currency. This could be determined with reference to the relevant exchange rate when the decision is taken to change the account's interest rate.

- telephone helpline messages
- information on the firm's relevant website pages
- notices in branch
- notifications in newspapers

Firms should similarly make information available about advantageous interest rate changes, but do not have to provide this information to customers via personal notification.

### **Bonus rates and promotional periods**

Firms should provide customers with a reminder at least 14 days, and no longer than 3 months, in advance of the end of a bonus rate or promotional rate when the account has a balance of £100 or more (this is a point in time balance e.g. at the time when the firm would provide the notice).

## 4.3 Enabling customers to make informed decisions

### 4.3.1 General

The terms 'provide' and 'make available' are used in Chapter 4 and mean:

- *Provide*: to send or to give information directly to the customer.
- *Make available*: information is available to obtain by the customer.

Appropriate information should be provided or made available to customers in good time to allow them to make informed decisions.

In determining whether information is provided or made available firms should consider:

- The type of information that is being presented and its importance to the decision-making process;
- The actions the information might elicit from the customer;
- The channels by which the information is accessible and the customer's preferred method of communication; and
- The passage of time, if any, since the information was last provided or made available.

Firms can provide or make information available through a number of channels e.g. in branch, by post, by email, by internet, by telephone or by text message. Where information is provided by firms it must be in a durable medium.

Information should be presented in plain language and should wherever possible avoid the use of technical or legal terms.

#### **Relevant BCOBS rule**

##### **4.1.2 G**

(2A)

(a) A *firm* should provide a summary box in the form set out in *BCOBS 2 Annex 1R* on paper or in another durable medium in good time before a banking *customer* is bound by the terms and conditions of a *savings account*, except where the firm has already provided the summary box to a *banking customer* on a previous occasion.

(b) If the contract for the *savings account* has been concluded at a *banking customer's* request using a means of distance communication that does not enable the provision of the summary box in that form in good time before the *banking customer* is bound, the *firm* should provide the summary box on paper or in another durable medium immediately after the conclusion of the contract.

(c) In the case of a *savings account* that is a *cash deposit ISA* or a *cash deposit CTF*, the *firm* may include the summary box in a *key features document* provided to the *banking customer* in line with the *rules and guidance* in *COBS 13* and *COBS 14*.

(d) In preparing the summary box, a *firm* should have regard to the provisions of *BCOBS 2.2A.1R* as if they were guidance.

(2B) A *firm* should ensure that the rate of interest that applies to a *savings account* is prominently shown alongside, or in close proximity to (or, in the case of (b), on a page accessed directly through a link that

appears prominently alongside or in close proximity to) any account balance information included in:

- (a) any paper or online statement of account provided or made available by the *firm*;
- (b) where the *firm* provides an online banking service to the *banking customer*, the first personalised page of the *firm's* website that the *banking customer* accesses when using this service;
- (c) any notification of a material change to a rate of interest provided in accordance with (3)(c);
- (d) any notification of the expiry of an introductory, promotional or preferential rate of interest provided in accordance with (5); and
- (e) any notification of the expiry of a fixed term of a *fixed term savings account* provided in accordance with (6A).

(2C) For the purposes of (2B):

- (a) (i) unless (ii) applies, the *firm* should show the rate of interest that applies to the *savings account* as a numerical figure (and not merely the method for determining the current figure under the terms and conditions);
- (ii) where the rate of interest that applies to the *savings account* automatically tracks a reference interest rate (within the meaning of the *Payment Services Regulations*), the *firm* should indicate how the rate of interest is calculated and direct the *banking customer* to where the level of the reference interest rate may be accessed from time to time; and
- (b) (i) in the case of account balance information made available online, the *firm* should show the rate of interest that applies to the account at the time the *banking customer* accesses the information; or
- (ii) in the case of account balance information provided in a *durable medium*, the *firm* should show the rate of interest that applies to the account at the time the information is sent.

(2D) A *firm* should inform a *banking customer* of the current rate of interest that applies to a *savings account* on the telephone or in a branch of the *firm* at the request of the *banking customer*.

(2E) A *firm* should publish the current rate of interest that applies to each *savings account* it provides on its website (whether or not the *savings account* is available to new customers) and ensure that this is kept continuously up to date and is easily accessible by a *banking customer*.

### 4.3.2 Pre-sale information

Pre-sale information (not financial promotions) for products and services should, if appropriate, make reference to the availability of similar products and services offered by the firm that the customer may be interested in. For example, if a firm has a brochure for one of its deposit accounts it would be appropriate for the brochure to make reference to the availability of the firm's other similar deposit accounts.

Firms are not required to provide information about other products or services where the customer has identified the product that interests them and has expressly confirmed that they do not want to receive information about other similar products.

### 4.3.3 Current accounts

If a customer is interested in applying for a current account, in addition to the information that must be provided under the PSRs, firms should provide or make available pre-sale information in clear and simple language where Parts 5 and 6 of the PSRs do not apply, e.g.:

- that a chequebook is provided (if applicable) and how cheque clearing works;
- whether, during application, a check will be made with a credit reference agency and if that check will be recorded as a full search.

If a firm provides front of house literature for their personal current account range, such literature should include reference to the availability of the firm's basic bank account (if they have one), and where to get further information. This reference might take the form of a separate piece of literature or text within an existing leaflet.

For packaged current accounts, firms must also comply with Regulation 13 of the PARs<sup>8</sup>

#### 4.3.4 Additional information for Non-EEA currency current accounts

Current accounts where funds are held in a non-EEA currency are not covered by Parts 5 and 6 of the PSRs. Therefore, in addition to the guidance provided above, firms should provide customers who are interested in the account with information in good time before concluding the contract that includes (where relevant):

- how direct debits (including the direct debit guarantee), standing orders and other recurring transactions work and how to cancel them;
- how clearing works for automated payments;
- current interest rates, and how the customer will be informed about changes; and
- charges applying to the account and how the customer will be informed about changes.

#### 4.3.5 Joint accounts for personal customers

Before entering into a contract, joint account customers should be informed of their rights and duties and the concept of joint and several liability. Customers should be told what this means if the relationship with the other joint account holder ends. They should be told for example, whether or not the account would be closed or whether or not one name could be removed.

Customers should be made aware that, unless the account mandate provides otherwise, in most cases one party to a joint account can withdraw the entire balance of the account alone.

If requested, firms should ensure that statements for current accounts get sent to each party to a joint account at different addresses.

In the case of building societies, it is especially important that the consequences of being first or second named on an account are explained, in relation to being a representative joint shareholding/borrowing member or trustee and the additional rights that brings (such as voting rights, etc.). A concise explanation of the rights of membership and the importance of picking the order the names are put on the account could form part of the product literature or application form. It is up to building societies to consider how best to communicate this information.

#### 4.3.6 Partnership accounts for micro-enterprise customers

When a business account is opened it is possible that the bank will need to deal with people in the business, other than just the business owner(s). Clearly the bank must also respect the business owner's right to confidentiality. To avoid doubt concerning whether or not the bank has authority to discuss matters with particular individuals, it is appropriate to ask customers for this authority at the outset. There is no obligation to confirm thereafter that the authority remains valid, although firms may wish to do so.

Partners in a partnership (and other joint signatories) should be properly informed of their rights and duties and the concept of joint and several liability. Specifically, what the implications are if the relationship with the other partner ends. They should be told for example, whether the account would be closed or whether one name could be removed. They should be told in what circumstances it might be necessary to freeze an account.

Customers should be made aware that, unless the account mandate provides otherwise, in most cases one party to a partnership account can withdraw the entire balance of the account alone. If requested, firms should tell all parties whether statements can be sent to each party to a partnership account at a different address, and whether there is a charge for doing this.

---

<sup>8</sup> <http://www.fca.org.uk/news/fg16-7-payment-accounts-regulations-2015-regulation-13-packaged-accounts>

### 4.3.7 Identification and address verification

In determining what types of customer ID documents are acceptable, firms should have regard to the FCA guidance in SYSC 6.3.7G and the Joint Money Laundering Steering Group Guidance. Firms should publish on their websites a non-exhaustive list of the standard ID documents they accept.

For basic bank accounts:

- Wherever possible, firms should verify ID in branch for basic bank account applications. Customers should be told why this information is needed, what types of documents are acceptable and what checks may be carried out.
- If a firm operates a central account-opening service, it should offer the option for certified copies of ID documents to be sent to the central unit rather than original documents. This helps to avoid customers being asked to send away important documents in order for firms to satisfy identification requirements under Money Laundering rules.
- Where a firm has an arrangement with a third party, such as a housing association, to open basic bank accounts on the firm's behalf, the same approach to verifying ID should apply wherever possible.

### 4.3.8 Cash ISAs and Child Trust Funds

The FCA's Conduct of Business rules (COBS 13 and COBS 14) prescribe the information that must be provided, in good time before a contract is concluded, to customers who are interested in a Cash ISA, JISA or Child Trust Fund. These rules can be found at <https://fshandbook.info/FS/html/FCA/COBS>

### 4.3.9 Charges

In good time before entering into a contract customers should be provided with details of the charges that apply for the normal running of the account. It would also be advisable to include a warning that the charges may change in the future.

Firms should also make available information about all their current charges for the account and can do so by, for example:

- a telephone helpline;
- the firm's website; or
- information available in branch.

Examples of charges for the normal running of a current account or savings account might include:

- monthly or other regular account fees;
- charges for processing cheques; and
- charges for unpaid or returned cheques.

Also, where it is relevant, customers should be provided with details of any charges for early withdrawal from a notice account or fixed-term account in good time before entering into the contract.

For micro-enterprise customers firms should, in addition to the above, provide details of what is included and excluded during any 'free banking' period that the bank offers.

There is no need at the account opening stage for details to be given of charges for services and products that customers are likely to use on an infrequent basis. However, firms may wish to do this, and as a minimum the customer should be told the charges for these services in good time before the service is given.

Examples of these types of service include:

- bankers' drafts;
- stopped cheques; and
- special presentations.

### 4.3.10 Pre-notification of charges

Any charge that accumulates to the account i.e. that is rolled up to be charged at the end of a particular period, should be pre-notified by at least 14 days. The 14 days start from the date the notification is posted (whether by letter, statement notice or other durable medium), not from the date the notification is received.

Charges for services that are debited at the time a service is provided and where the customer has been notified in advance (for example, in the standard tariff) or where the customer is informed at the time the service is provided, are not subject to 14 days' notice before they are taken.

### 4.3.11 Changes to account charges

For normal retail banking services, any disadvantageous change to the level of charge associated with the service should be personally notified to the customer in a durable medium at least 30 days before the change comes into force. This period of advance notification should also apply to the introduction of any new charges for the normal running of the account.

Customers should be free to close or switch their account without additional charges or loss of interest for doing so for a period of at least 30 days after the date of notification of the disadvantageous change to the charge.

There is no need to provide notice to customers of reductions in charges but information about the reduction should be made available to customers.

Changes to charges for services or products that customers are likely to use on an infrequent basis do not have to be provided to customers in advance of the change but information about the change should be made available.

### 4.3.12 Cash machine charges

Customers should be told, in good time before they open their account and every time a debit card is re-issued, whether and what charges are made for ATM withdrawals, including the basis on which charges for withdrawals at ATMs abroad will be made.

### 4.3.13 Chip and PIN

Where a firm has a system in place to allow customers to change their PIN, it should tell customers how to do so, for example in account opening packs or on PIN notifications.

Firms should also provide reference to alternatives to chip and PIN, including in materials accompanying card issuance, and in any discussion with the customer where they express difficulty with using a PIN.

### 4.3.14 Interest rates

In good time before entering into a contract customers should be provided with details of the interest rates that apply to the account and how interest will be calculated (i.e. when calculated, compounded and charged/paid). When quoted in the same document, debit and credit interest should be shown on a consistent basis, (for example, monthly or annually) so as to make it easier for customers to compare and choose whether to save or to repay debts.

Customers should be told how and where they can get up-to-date information on interest rates and how and when they will be notified of interest rate changes.

Firms should make available to customers information about their current interest rates and could do so, for example via:

- a telephone helpline;
- the firm's website; or
- information available in branch.

### 4.3.15 Terms and conditions

Unless it is impracticable to do so, (as in the case where a banking customer wishes to conclude the purchase of a product during a telephone call, which is covered by BCOBS Chapter 3) customers should be provided with any product terms and conditions in a durable medium – and be encouraged to read them – in good time before entering into a contract.

All terms and conditions must be written in clear and intelligible language and should be easy for the average consumer to read. Terms and conditions for personal customers should meet the requirements of the Unfair Terms in Consumer Contracts Regulations.

Customers should be told before entering into a contract how they will be notified of changes to terms and conditions.

### 4.3.16 Changes to Terms and Conditions

If terms and conditions are changed to the customer's detriment customers should be given at least 30 days' personal notice in a durable medium before the change takes effect. At any time during the 60 days from the date of the notification, the customer should be free to close or switch their account without having to give any notice. Customers should also be free to close or switch accounts without any financial penalty.

Where a change to terms and conditions is not to the customer's disadvantage notification should be provided or made available within 30 days of the change. For example, by press advertisements, branch notices, information on the website, etc. The method chosen should be appropriate for the distribution channel. So, a branch notice would not be appropriate to advertise changes in the terms of an internet-only account. Firms should be prepared and able to justify why they believe a change is not to the customer's disadvantage.

If a firm makes a major change or a lot of minor changes to terms and conditions in any one year it should provide the customer with a summary of the changes and tell them where they can find a full copy of the terms and conditions.

#### Relevant BCOBS rule

#### 4.2 Statements of account

##### 4.2.1 R

(1) A *firm* must provide or make available to a banking customer on paper or in another *durable medium* such regular statements of account as are appropriate to the type of *retail banking service* provided, but need not do so where:

- (a) the *firm* has provided a *banking customer* with a pass book or other document in a *durable medium* that records transactions in relation to the *retail banking service*;
- (b) the *retail banking service* is provided at a distance by means of electronic equipment where the *banking customer* can access his account balance, view transactions and give instructions in relation to the *retail banking service* at a distance by such means;
- (c) a *banking customer* has elected not to receive periodic statements of account, and for so long as such election is in force; or
- d) it has reasonable grounds to believe that the *banking customer* is not resident at the address last known to it as the address of the *banking customer* and it is not practicable after reasonable inquiry to ascertain the *banking customer's* address.

(2) A *firm* must not charge for providing information which is required to be provided by (1).

(3) A *firm* must provide a *banking customer* with a true copy of any statement of account provided to him under (1) on paper or in another *durable medium* within a reasonable period of time following a request to that effect made by or on his behalf.

(4) A *firm* and a *banking customer* may agree on a charge for:

- (a) providing a copy of a statement of account under (3); or
- (b) providing statements of account more frequently than required by (1);

at the request of the *banking customer*. Any such charge must reasonably correspond to the *firm's* actual costs.

## 4.4 Statements of Account

Periodic statements must be provided or made available to customers in a durable medium for all deposit-based accounts unless clearly inappropriate, as outlined in BCOBS 4.2.1R (1). Such periodic statements should include details of any transactions and any charges that were applied in the statement period as well as contact details for the firm.

Statements should continue to be provided or made available even when the account is inactive unless previous statements have been returned and it has not been possible to ascertain a new address after reasonable inquiry, or the account has been made dormant. Although customers may ask for more frequent statements, there is no requirement for firms to provide such a service and, if they do, a charge may be agreed with the customer which reasonably corresponds to the firm's actual costs.

## 4.5 Providing a copy of a statement

Under the FCA's SYSC rules, guidance at SYSC 9.1.5G advises that firms should retain the records required to produce statements of account for as long as is relevant for the purposes for which they were created.

# Section 5: Post sale requirements

## 5.1 Introduction

Chapter 5 of BCOBS sets out rules relating to the way in which a firm must treat a customer after they enter into a contract for a product or service. Firms must act promptly, fairly and efficiently when providing retail banking services.

The way that firms deal with customers post sale is important in achieving the desired outcomes for Treating Customers Fairly under FCA's Principle 6. In particular firms should have regard to outcome 5:

*"Consumers are provided with products that perform as firms have led them to expect, and the associated service is of an acceptable standard and as they have been led to expect."*

As per Chapter 2 of BCOBS, all information provided to customers post sale must be fair, clear and not misleading.

### Relevant BCOBS rule

**5.1.1 R** A firm must provide a service in relation to a *retail banking service* which is prompt, efficient and fair to a *banking customer* and which has regard to any communications or *financial promotion* made by the firm to the *banking customer* from time to time.

## 5.2 Completing the opening process for a basic bank account

A basic bank account should take no longer than 10 working days to become operational. The 10 working days are counted from the date the customer's application is completed and approved, i.e. once any necessary identification and address validation checks have been completed. 'Operational' means the ability to pay into and make withdrawals from the account (i.e. via a branch counter or an ATM).

## 5.3 Moving a consumer from a free current account to a fee-based account

Firms can offer customers the opportunity to move their current account from a "free if in credit" account to a fee-paying account. Information about the new account should be provided to the customer, in accordance with the applicable regulatory requirements and relevant paragraphs of Section 4 of this Guidance, before the customer is asked to respond to the offer.

A move should not take place unless the customer gives their express consent or it is the firm's intention to move all customers on the previously free account to a fee-paying current account. In the latter case, customers will still need to be informed in advance of this migration taking place.

## 5.4 Closing a customer's account

A firm should not close a customer's account without giving the customer at least 30 days' notice, unless there are exceptional circumstances. These might include a legal obligation to close the account or threatening or abusive behaviour by the customer towards staff.

Firms can respond to a bankruptcy notice by immediately closing an account without notice if they feel this is necessary. Similarly, they may respond to a request by a receiver in bankruptcy to close an account and send the funds to the receiver under his powers.

Firms should not close an account, or threaten to do so, in response to a non-vexatious customer complaint, so long as the customer is not also acting in a manner that might otherwise lead to account closure (see examples above).

## 5.5 Account security

To provide a fair and efficient service firms must provide secure and reliable banking systems. Important aspects of this process include having effective systems in place to allow customers to report thefts or losses and making available to customers useful information to help them protect their accounts. Such information could include:

- how to notify the firm promptly of any changes to the customer's personal information e.g. name, address and contact details;
- the benefits of checking statements and passbooks regularly and alerting the firm to any irregularities;
- how to keep cards, PINs, chequebooks, statements and security details safe; and
- how to alert the firm promptly to the loss of theft of any account details.

If using online banking:

- how to keep the customer's PC secure;
- how to keep passwords and PINS secret;
- the need to treat e-mails from senders claiming to be from the firm with caution and being wary of e-mails or calls asking for personal security details; and
- advising customers how to access internet banking sites by typing the bank or building society's address into the web browser i.e. not using a link in an e-mail.

Firms are encouraged to refer to the relevant rules at BCOBS 5.1.11 and 5.1.12 for details of a firm's and a customer's liabilities for unauthorised payments.

## 5.6 Financial Difficulties

FCA's Principle 6 requires that firms pay due regard to the interests of their customers and treat them fairly. Firms should therefore ensure that in providing a prompt, efficient and fair service they consider any apparent cases of customer financial difficulty sympathetically and positively.

If during the course of a customer's account operation a firm becomes aware that the customer may be heading towards financial difficulties, the firm should contact the customer to outline their approach to financial difficulties and to encourage the customer to contact the firm if the customer is worried about their position. Firms should also provide signposts to sources of free, independent money advice. Firms should determine the level of intervention required dependent on the individual customer's position.

Where a firm seeks to use its Right of Set Off to appropriate funds from an account it should give due regard to the principle that such funds should only be used to pay 'non-priority' debts once provision has been made for any 'priority' debts. Set Off should not leave a customer without sufficient income to cover reasonable day-to-day living expenses.

## 5.7 Cash ISA transfers

To provide a prompt and efficient service to customers wishing to transfer their cash ISA to another provider firms are encouraged to follow the good practice procedures set out in the Cash ISA Transfer guidelines produced by the BBA, BSA and TISA.<sup>9</sup>

It has been agreed by the BBA, BSA and TISA that from 2017, a minimum of 80% of cash ISA transfers will be carried out within seven working days. The industry will publish details of its performance against the target quarterly.

## 5.8 Account closure proceeds

Funds should be dispatched in accordance with the customer's instructions on the day an account is closed. Funds should be dispatched promptly and where possible this should be by same working day electronic transfer or BACS.

## 5.9 Interest on account-opening funds received by cheque

<sup>9</sup><https://www.bba.org.uk/policy/retail/savings-and-investment/cash-savings-accounts/revised-version-of-the-cross-industry-cash-isa-to-cash-isa-transfer-guidelines/>



Where funds are received by cheque for the opening or transfer of an interest-bearing account, customers should be paid interest at the rate applicable to the new product from no later than 2 days after the cheque is received.

# ANNEX A

## Links to non-confirmed industry agreements and guidance

The links provided below are to industry agreements and industry-derived guidance.

**It is important to be aware that the FCA has not reviewed or confirmed the terms of these arrangements and will not have regard to them when exercising its regulatory functions.**

The short summaries and links provided below are solely to signpost to where other relevant, non-confirmed guidance exists elsewhere. Non-confirmed industry agreements will be reviewed separately, and individually, as part of their own independent governance and change-management processes.

### NON-CONFIRMED INDUSTRY AGREEMENTS

#### 1) Additional information for savings products and interest bearing current accounts

Firms may find it useful to refer to BBA/BSA guidance on ways in which AER can be calculated and included in financial promotions for savings accounts, cash ISAs, cash CTFs and structured deposits. The Code of Conduct for the Advertising of Interest Bearing Accounts can be found at:

[https://www.bba.org.uk/wp-content/uploads/2011/03/Code\\_of\\_conduct\\_for\\_the\\_advertising\\_of\\_interest\\_bearing\\_accounts1.pdf](https://www.bba.org.uk/wp-content/uploads/2011/03/Code_of_conduct_for_the_advertising_of_interest_bearing_accounts1.pdf)

**Note that the FCA has not reviewed or confirmed this guidance and will not have regard to it when exercising its regulatory functions**

### NON-CONFIRMED INDUSTRY AGREEMENTS

#### 2) Basic Bank Account Agreement / Payment Accounts with Basic Features

An agreement was reached between the government and the banking industry on the establishment of new basic banks accounts, specifically including 9 of the largest retail banking groups in the UK, which came into operation on 01.12.2015. This determines the availability, functionality and distribution of basic bank accounts in the UK.

**Note that the FCA has not reviewed or confirmed the agreement and will not have regard to it when exercising its regulatory functions**

The PARs subsequently contain additional obligations relating to the provision of payment accounts with basic features to those EU residents who fulfil the specified eligibility criteria for applying to such accounts, which supersedes the Basic Accounts Agreement, and which applies to firms designated by HMT<sup>10</sup>.

<sup>10</sup> <http://www.legislation.gov.uk/uksi/2015/2038/contents/made>

## NON-CONFIRMED INDUSTRY AGREEMENTS

### 3) LINK Scheme Rules

Firms should have regard to, and comply with, the relevant LINK rules on ATM signage<sup>11</sup>.

**Note that the FCA has not reviewed or confirmed the rules and will not have regard to them when exercising its regulatory functions.**

## NON-CONFIRMED INDUSTRY AGREEMENTS

### 4) Access to Banking Protocol

The Access to Banking Protocol<sup>12</sup>, an agreement amongst a number of banks to work with customers and communities to minimise the impact of branch closures, was agreed in May 2015. The Protocol sets out the expectations in the event of a branch being considered for closure, in terms of pre-closure assessment, community engagement and impact assessment, and communications arrangements related to the closure process. The Protocol includes certain exceptions where the requirements do not apply.

**The FCA has not reviewed or confirmed the Access to Banking Protocol and will not have regard to the industry agreement when exercising its regulatory functions.**

## NON-CONFIRMED INDUSTRY AGREEMENTS

### 5) Cheques

Cheques are written orders from account holders instructing their banks to pay specified sums of money to named beneficiaries. They are not legal tender but are legal documents and their use is governed by the Bills of Exchange Act 1882, and the Cheques Acts of 1957 and 1992.

Further information about the clearing process, addressing customer disputes and the return of paid cheques is available on the Cheque & Credit Clearing Company website<sup>13</sup>.

**The FCA has not reviewed or confirmed the industry agreements relating to cheques and will not have regard to those agreements when exercising its regulatory functions.**

## NON-CONFIRMED INDUSTRY AGREEMENTS

### 6) Lending Code and Standards of Lending Practice

Additional information about how to treat customers in debt with financial difficulties can be found for SMEs within the Lending Code<sup>14</sup>, and for personal customers within the Standards of Lending Practice<sup>15</sup>.

**The Lending Code and Standards of Lending Practice have not been confirmed by the FCA.**

## NON-CONFIRMED INDUSTRY AGREEMENTS

### 7) Account Switching Services

The Current Account Switch Service (CASS) has been designated as an alternative arrangement for switching under the PARs. CASS is itself one of a number of industry agreed switching options available to customers, those being:

- CASS
- The Partial Switch Service
- The Paper-Based Switch process

<sup>11</sup> <http://www.link.co.uk/>

<sup>12</sup> <https://www.bba.org.uk/policy/retail/financial-inclusion/access-to-banking/industry-protocol-on-branch-closures/>

<sup>13</sup> <http://www.chequeandcredit.co.uk/about-us>

<sup>14</sup> <https://www.bba.org.uk/policy/retail/credit-and-debt/lending-standards-and-guidelines/the-lending-code/>

<sup>15</sup> <https://www.lendingstandardsboard.org.uk/the-slp/>

For further details of these services, visit  
<http://www.bacs.co.uk/Bacs/Banks/AccountSwitchingService/Pages/AccountSwitchingService.aspx>

**The FCA has not reviewed or confirmed the terms of any of these Services and will not have regard to these when exercising its regulatory functions**

#### **NON-CONFIRMED INDUSTRY AGREEMENTS**

##### **8) Dormant and Lost Accounts Scheme**

The banking industry has developed arrangements to help customers seeking to access dormant and lost accounts. Firms should follow the ten core 'pledges'<sup>16</sup>, which underpin the dormant and lost accounts schemes.

Further information on both schemes is available here: <http://www.mylostaccount.org.uk/>

**The FCA has not reviewed or confirmed the terms of these arrangements and will not have regard to them when exercising its regulatory functions**

#### **NON-CONFIRMED INDUSTRY AGREEMENTS**

##### **9) Unclaimed Assets Scheme**

The voluntary Unclaimed Assets Scheme was introduced following the completion of Government legislation and an FCA policy statement on its detailed regulatory requirements. The main features of the Scheme are set out in the Dormant Bank and Building Society Accounts Act 2008 and, for participants, in a 'Transfer and Agency Agreement' between the firm and the Reclaim Fund Ltd.

Further information on both schemes is available here: <http://www.mylostaccount.org.uk/>

**The FCA has not reviewed or confirmed the terms of these arrangements and will not have regard to them when exercising its regulatory functions**

---

<sup>16</sup> <https://www.mylostaccount.org.uk/ten.htm>