

4 March 2020

**Final report by the Complaints Commissioner****Complaint number FCA00691***The complaint*

1. You complained to the FCA about its new rules that apply to overdrafts.

*What the complaint is about*

2. You do not see how these new rules fairly protect consumers because the interest payable on your arranged overdraft facility is increasing from 17.6% to 39% with effect from 14 March 2020, according to a letter you received from your bank.
3. You agreed to take out the overdraft on the basis of the interest rate at the point of sale and you believe it is unfair that you have to pay a higher rate now. You state you will find it difficult to pay interest at the increased rate, which will apply to many other people like you and end up pushing them further into debt. You also think it unfair that people who have used their agreed overdraft responsibly for years will ultimately end up paying more to help those who use unarranged overdrafts.
4. You believe the FCA's economic analysis was flawed and your bank's customers will not be better off overall.
5. Finally, you do not see why you should have to change your bank to be able to use cheaper overdraft facilities because neither the FCA nor your Bank consulted you on this change, which leads to the doubling of the interest rate you initially agreed to with your bank.

*What the regulator decided*

6. The FCA excluded your complaint under Paragraph 3.4(c) of the Complaint Scheme (the Scheme) because it relates to the performance of its legislative

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functions, as defined under the Financial Services Act 2012, which includes making rules.

*Why you are unhappy with the regulator's decision*

7. You believe that excluding your complaint is a “cop-out”, and the FCA should look into the substance of it thoroughly.

*My analysis*

8. The changes to the way overdraft fees are charged come as a result of a rule change instigated by the FCA. Therefore, the Complaints Team correctly applied Paragraph 3.4 (c) of the Scheme as a complaint (by consumers, regulated firms, third parties or anyone else) about the rules the FCA makes are excluded. This is how the Scheme was intended to operate, as laid down in law by Parliament, and both the FCA and my office must operate within the parameters of the Scheme. It does not prevent customers complaining about their banks to the Financial Ombudsman Service.
9. Although the FCA excluded your complaint, it did give you an explanation for the rule change. Following consultations and economic analysis, it is the FCA's view that the majority of consumers will be better off or see no change as a result of the new rules, although some will see the cost of using their authorised overdraft rising.
10. It is implied in that statement that some consumers will be worse off. The FCA has published information (which can be seen here: <https://www.fca.org.uk/data/changes-overdraft-charges>) with helpful examples demonstrating the expected impact of these changes on arranged and unarranged overdrafts at some of the biggest UK banks and building societies. It is clear from these figures that customers of your bank with an arranged overdraft would most likely be worse off (a standard bank account holder with an arranged overdraft of £500 for 30 days will now pay £13.29 for the use of their overdraft, rather than £7.52, and an Advance account holder will pay £13.29 instead of £6.81), but the impact on customers of many other banks will be positive. I recognise that you were not aware of this rule change, but I am satisfied that the FCA took the decision on a reasoned basis.

11. Whilst it is unfortunate that you are negatively affected by these changes, the overall expected impact does appear to be beneficial on a larger scale, and the FCA is monitoring the impact of the changes, welcomes feedback from consumers about the effects on them, and appears to be ready to intervene if the actual results are not as it expected. The FCA's policy statement, including a reference to the fact that it is monitoring the effects of the changes, can be found here: <https://www.fca.org.uk/publications/policy-statements/ps19-16-high-credit-review-overdrafts>.
12. I appreciate that switching bank accounts may not be something you wish to do; however, interest rates are often subject to change, even in normal course of business, and there are a number of other bank accounts with overdraft facilities available to consumers like you, which appear to offer better rates and would cost less to use. Switching bank accounts is not that dissimilar to switching utility providers for a better rate.
13. If you need help with switching your account, you may wish to refer to this website <https://www.currentaccountswitch.co.uk/Pages/Home.aspx>. (The Current Account Switch Service is run by Bacs, the not-for-profit organisation behind Direct Debit in the UK and endorsed by the FCA). Your new bank should transfer all of your regular payments from your old account to your new account, reducing the admin you have to deal with if you do decide to switch your accounts. For further information, please refer to the following link: <https://www.fca.org.uk/consumers/switching-bank-account>)

*My decision*

14. Whilst I appreciate your concerns about the personal impact on you, and I note your comments in response to my preliminary report, I find that the FCA excluded your complaint correctly, and provided you with an explanation for its policy. I therefore cannot uphold your complaint.

Antony Townsend

Complaints Commissioner

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