

CMA stops Lloyds 'bundling' business accounts with loans

'Bundling' is where a bank requires small business customers to open a business current account (BCA) with them when applying for a loan. This restricts competition and limits choice because customers may want to hold an account with one provider while using a different bank for their loan.

This action comes after Lloyds Banking Group (Lloyds), which includes Lloyds Bank and the Bank of Scotland, notified the Competition and Markets Authority (CMA) that it had not complied with certain aspects of legal undertakings designed to protect customers from these anti-competitive practices.

The CMA found that Lloyds breached these undertakings from 8 May 2020 onwards. It is requiring around 30,000 customers that were running the finances of their business through a personal current account (PCA) also to open a BCA with them 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.

While the CMA notes that Lloyds' new BCA customers would not initially be charged, small business customers may keep their account open for longer than the fee-free period, resulting in charges for an account that may not be well suited to their business.

Working with the CMA, Lloyds has agreed to a number of actions to become compliant and make sure all affected customers are made aware of their options. This includes writing to customers during September to inform them that:

- if they opened a BCA with Lloyds, they are not required to maintain this account for the purposes of a loan under the Bounce Back Loan Scheme, and can choose to switch to another provider at any time while keeping the loan; and
- they will be offered the option to switch to a fee-free loan servicing account

Lloyds will also ensure that any customer that retains the BCA will be reminded of these options two months prior to any newly introduced charges, as well as reporting back to the CMA on its progress.

From the middle of September, customers making new applications for loans under the Scheme will have an upfront choice to either open a BCA or a fee-free loan servicing account.

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

The Bounce Back Loans Scheme is a key part of the support provided

by Government to small businesses during the coronavirus (COVID-19) pandemic. It is important that signatories to our undertakings participating in this Scheme do not restrict the choices of small businesses by bundling loans and business current accounts.

By forcing businesses to open current accounts as a pre-condition to access this Scheme, Lloyds breached the CMA undertakings it signed, reduced choice and put their customers at risk of being unnecessarily charged.

Following our action, Lloyds is taking the steps necessary to become compliant and will shortly be contacting existing customers to inform them of their rights.

Notes to editors

1. Lloyds (Lloyds Banking Group) refers to the two brands within the group, Lloyds, and Bank of Scotland.
2. The [SME Banking Undertakings](#) came into force in 2002. They were signed by eight of the UK's longer-established banks and limit bundling while also providing clear pricing information and faster methods of switching. The eight 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.
3. The following eight 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).
4. All media enquiries should be directed to the CMA press office by email on press@cma.gov.uk, or by phone on 020 3738 6460.
5. [The Bounce Back Loan Scheme was launched by the Government on 4 May 2020](#).