

# Message received?

The impact of annual summaries, text alerts and mobile apps on consumer banking behaviour



Personal current accounts are 'costly', but few people switch. Are they getting the right information?



## Overdrafts

Consumers often do not know the cost of their overdraft and incur unarranged overdraft charges by mistake. The average yearly cost per account is **£45**.



## Switching

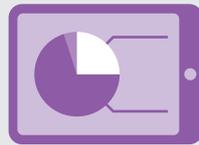
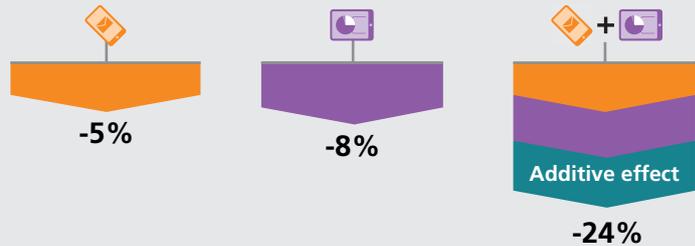
Many consumers are unsatisfied with their account but only **1.8%** switch each year.

Source: CMA (2014)

## How much have recent initiatives helped consumers?

In the context of a potential Competition and Markets Authority investigation, we wanted to understand if these initiatives help consumers.

We used detailed data from two banks, including data on **500,000** customers from one large bank, and rigorous statistical analysis.

 <p><b>Annual summaries</b> are sent e.g. to remind people of the cost of their account</p>	 <p><b>SMS text alerts</b> remind people e.g. when their balance is low</p>	 <p><b>Mobile banking apps</b> allow people to manage their account on-the-go</p>
<p>Annual summaries have no effect on incurring overdraft charges...</p> <p><b>×</b></p>	<p>Text alerts and mobile banking apps reduce the amount of unarranged charges incurred. Both services together are particularly effective, reducing these charges by <b>24%</b>.</p>  <p><b>-5%</b>      <b>-8%</b>      <b>-24%</b> Additive effect</p>	
<p>Annual summaries have no important effect on switching.</p> <p><b>×</b></p>	<p>We find an increase of about <b>2.5%</b> in the rate at which people become inactive at their original bank, which suggests that text alerts and mobile banking apps help people switch without closing their account.</p>	

Annual summaries had no important effect, but the technological innovations are helping consumers considerably

Find the paper at [www.fca.org.uk/news/occasional-paper-no-10](http://www.fca.org.uk/news/occasional-paper-no-10)

The paper discusses wider implications for the role of regulation, how to design effective disclosure rules, and incentives for innovation.