

UK Payment Accounts Access and Closures: Update

September 2024

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Chapter 1

Executive summary

Why we are publishing this report

- 1.1** This report follows on from our September 2023 report entitled 'UK Payment Accounts: Access and Closures' ('the 2023 report'), which detailed findings from an initial review of issues relating to payment account access for both individuals and organisations. We published that report amid concerns that account providers¹ might have terminated customers' payment accounts because of their political beliefs or lawfully expressed views.
- 1.2** In the 2023 report, we noted that the information we had received had not suggested that account providers had terminated customers' accounts because of their political beliefs or other lawfully expressed views. But we also said that we intended to do follow-up work focused on:
- validating the data that had been provided to us
 - understanding the reasons for the range of decline rates for Basic Bank Accounts (BBAs)
 - understanding how 'reputational risk' is used in firms' account access decisions, including whether it was being used too broadly;
 - engaging with consumer groups and charities to understand their experiences and the experiences of those they represent.
- 1.3** This paper sets out our findings from that follow-up work, along with our proposed next steps to address the harms identified in relation to account access. We also set out our expectations of firms in this area, including in respect of the Consumer Duty ('the Duty') which came into force for open products and services shortly before our 2023 report, and is now in force for closed products and services.
- 1.4** This review and the proposals form part of the FCA's work to deliver its commitment of putting consumers' needs first, as included in the FCA's Business Plan 2024/25. Maintaining appropriate access to financial services is a key part of this.
- 1.5** Who should read this document:
- firms providing payment accounts
 - trade associations representing providers of payment accounts

¹ In this report, we refer to banks and building societies as 'credit institutions', payment institutions and electronic money institutions as 'payments firms', and 'firms' as encompassing both credit institutions and payments firms.

1.6 Who else may be interested in this document:

- other firms who may wish to consider good practice that could be adopted in relation to oversight and governance of consumer access in their business
- charities and bodies representing consumer groups impacted by account access difficulties
- consumers who have had a payment account denied, suspended or terminated

1.7 The FCA also recently published a review of the treatment of Politically Exposed Persons (PEPs), as required by section 78 of the Financial Services and Markets Act 2023. While our review considered whether firms were closing consumers' accounts because of political beliefs or views lawfully expressed, the treatment of PEPs specifically is not within the scope of this review and is covered in that separate review.

Summary of our findings

1.8 As stated in the 2023 report, by far the most common reasons account providers gave for declining, suspending or terminating an account were because it was inactive/dormant or because there were concerns about financial crime.

1.9 In our review following the 2023 report of customer case files, firms' policies, and data from firms and consumer groups, we observed that firms' reasons for account denials/terminations generally included:

- Non-specific financial crime concerns. This could include a generalised concern about the financial crime risks posed by certain groups of customers which led to those customers often being denied account access, or concerns about the costs of conducting enhanced due diligence and managing the associated financial crime risks.
- 'Reputational risk' (or firms' equivalent term for this, such as 'brand risk').
- Difficulties that are specific to certain customers in vulnerable circumstances. This could include alternative forms of ID not being accepted, or an assumption that consumers with learning disabilities necessarily lack capacity to manage their account.
- Customers struggling to meet due diligence requirements, because of information requests being difficult to comply with or difficult to understand. This was a common issue highlighted by charities when seeking to obtain or retain their account.

1.10 Our follow-up work focused on these four apparent reasons, as well as continuing to consider whether accounts were being denied or terminated because of consumers' political beliefs or views lawfully expressed.

1.11 While our 2023 report focused on data regarding account denials, suspensions and terminations, much of our work on how firms use reputational risk in this context has focused on denials and terminations. This is principally because a suspension is revocable and the harm can therefore be limited. We recognise, however, that significant harm can be caused by account suspensions. Customers should not be denied access

to their money unnecessarily. If a firm considers that it is necessary to freeze an account, we expect any investigation to be carried out in a reasonable timeframe.

1.12 Our thematic findings from our follow-up work are summarised below:

1.13 Finding 1: Basic Bank Account (BBA) customer journeys varied, leading to differences in apparent rejection rates, and firms were poor at making customers aware of BBAs.

We observed that several BBA providers were not making the existence of BBAs clear to customers and there is scope for improvement in customer outcomes for a number of reasons, as set out in section 3 below. We also found that the large difference in BBA decline rates between firms was, in large part attributable to how firms record data and structure customer journeys, rather than indicating that some firms were rejecting significantly more BBA applicants than others.

1.14 Finding 2: data on account access was limited or unclear. The detail of case records, the retention periods for case files, the type of data collected and the form in which it was collected varied significantly from firm to firm. Many firms identified discrepancies in their data on the reasons for their account denials and terminations following manual review, and some firms used a broad rationale of 'other' for large proportions of account denial/termination cases.

1.15 Finding 3: we did not see evidence of political beliefs or other views lawfully expressed being used as a rationale for account denial, suspension or termination. Our conclusion on this point is unchanged from the 2023 report. However, this conclusion remains based on the evidence that we have seen and caveated by the limitations with data and record-keeping noted above in Finding 2. We saw some cases where a customer's political beliefs or other views lawfully expressed were known to the account provider but, in those cases, firms' records and discussions with firms supported their explanation that this did not form the reason for the account being denied or terminated.

1.16 Finding 4: 'reputational risk' is used in varying ways by different firms to deny or close accounts. We could see, in some of the cases where 'reputational risk' was cited as the rationale for account denial or termination, how firms had properly considered the potential for reputational risk to their business. In others, the label of 'reputational risk' did not seem to correlate with significant risks to the firm's standing but instead to other concerns, such as concerns about staff safety. In other cases, the actual rationale was not clear, raising concerns about firms' record-keeping. We also found a lack of consistency within firms about when 'reputational risk' should be a relevant factor in an account access decision.

1.17 The purpose of this reputational risk assessment was also to determine if any cases of denials or terminations because of political beliefs or lawfully expressed views were being placed in the 'reputational risk' category by firms. We did not, however, identify any purported reputational risk-based denials or terminations where the basis for the decision was actually political beliefs or views lawfully expressed.

1.18 These findings are explained in more detail in the detailed findings section, below.

Feedback from stakeholders

- 1.19** **Some firms' approach to the implementation of financial crime controls can create difficulties for consumers.** Many of the charity and non-profit organisations' representatives we spoke to reported difficulties in obtaining and maintaining a payment account. They reported difficulties meeting the requirements that firms put in place to satisfy their financial crime-related obligations, including responding to information requests as part of due diligence requirements, and mapping their organisational roles (such as treasurers) onto account application journeys.
- 1.20** **Some customers in vulnerable circumstances are experiencing worse outcomes regarding account access.** Consumer groups and charities representing customers in vulnerable circumstances highlighted to us a number of challenges that those consumers faced in obtaining and maintaining an account. These included, for example, some individuals with learning disabilities being denied an account because the firm assumed that they needed a power of attorney, while others were denied an account because they could not show a common form of ID (such as a utility bill with their address on it).

Summary of our expectations of firms

- 1.21** We expect firms to have regard to the relevant regulatory and legal obligations, including in the context of account access. Relevant obligations include, but are not limited to, the Payment Account Regulations 2015 ('PARs') and the Money Laundering, Terrorist Financing and Transfer of Functions Regulations 2017 (MLRs), as well as the Consumer Duty.
- 1.22** Since 31 July 2023, firms are required, under the Consumer Duty, to act to deliver good outcomes for retail customers. This obligation applies to all aspects of firms' relationships with retail customers. In the payment accounts context, the Consumer Duty imposes relevant obligations throughout the customer journey, from a firm's interactions with the prospective customer before onboarding through to any communications or interactions after offboarding (for example, if the customer complains about their offboarding).
- 1.23** There are a number of areas for improvement for some payment account providers:
- On BBAs, and in light of the consumer understanding outcome rules under the Duty (PRIN 2A.5), we expect firms to improve awareness of the availability of these accounts among their customers, and prospective customers. In addition, in light of the eligibility criteria for BBAs under PARs, we expect firms to make it easier for customers to choose to apply for a BBA if they are eligible. Finally, we expect firms to consider how to reduce the risk of a customer who eventually obtains a BBA (after being rejected for a full payment account) from having their credit file adversely affected by hard credit checks being performed as part of their payment account application.

- On payment account access, we expect firms to review relevant policies and procedures through the lens of the Consumer Duty, if they have not already done so. Generally speaking, we expect firms to ensure their decisions on account access are based on reasonable and properly considered grounds (including where they are citing 'reputational risk' as a basis for account denial or termination).
- We expect firms to ensure their governance and oversight of account access decisions support their compliance with their obligations under the Consumer Duty. We expect this will in practice include collecting and recording adequate and accurate data on account access decisions. This data should inform appropriate management information (MI), enabling robust oversight of account access outcomes. Firms should consider properly what information they need to thoroughly understand their customers' outcomes and issues they may be facing.
- Regarding financial crime controls, we remind firms of our existing expectations that they act proportionately to the risks they identify and that they do not apply a generic approach to risk management. This expectation applies in the context of account access.
- We expect firms to provide customers with characteristics of vulnerability with an appropriate level of care in light of those characteristics. The FCA's [Guidance for firms on the fair treatment of vulnerable customers](#) (Vulnerability Guidance) sets our expectations on what firms should do to comply with their obligations under our Principles for Businesses, and the Consumer Duty builds on this. Firms should have appropriate systems and controls in place to ensure their actions, policies and procedures are not resulting in systematically poor outcomes for any cohort of customers, paying particular attention to those customers with characteristics of vulnerability. For example, firms should be careful in arriving at a conclusion that a particular customer lacks capacity to operate their payment account. Firms should also ensure that customers without a permanent address are made aware that they have alternative options for meeting identification requirements to open an account.

Outcome we are seeking

- 1.24** We are seeking to improve access to payment accounts for retail consumers. We are also seeking an improvement in firms' ability to effectively monitor and oversee customer outcomes relating to payment account access (and in their ability to intervene to improve those outcomes, as appropriate).
- 1.25** For some of the issues, such as the poor efforts to make consumers aware of BBAs, we expect that firms should be able to implement relatively quick solutions. However, for some of the other more complex issues, we recognise that firms' approaches and changes that they need to adopt may vary based on the nature, scale and complexity of their business model. But we believe that the expectations that we set out in this report allow for enough flexibility for firms to adapt them to their specific businesses.

Matters outside the FCA's remit

- 1.26** Our recommendations would only cover customers to whom the Consumer Duty and other regulatory requirements apply. This leaves a gap where we have some evidence of difficulties accessing payment accounts but no existing regulatory means of addressing it. This includes, for example, some larger charities.
- 1.27** Some of the stakeholders we have engaged with have suggested to us that one way of addressing this gap may be to introduce a legal right or 'universal service obligation' (USO) to a payment account for larger organisations and charities. We noted in our September report that a similar right exists in some other countries, eg France and Belgium.
- 1.28** Determining whether to introduce a legal right to a payment account is a matter for the Government and Parliament.

Next steps

- 1.29** We expect payment account providers to take note of the detailed findings, expectations of firms, and next steps.
- 1.30** We expect that payment account providers will need to review their approach to account access and if necessary make improvements to ensure that they are meeting the expectations set out in this report. We recognise that the amount of work this will entail will likely vary from firm to firm, but would expect firms to, in the coming months, be able to evidence that the matters about which we raise concerns in this report have already been addressed or will be addressed in a reasonable timeframe.
- 1.31** We would welcome engagement with firms regarding how they might effect changes in response to this report and what specific implications these changes are likely to have for them. This will form part of our ongoing supervisory engagement with relevant firms.

Chapter 2

Detailed findings

Findings from follow-up work

- 2.1** Basic Bank Account (BBA) customer journeys varied, leading to differences in apparent rejection rates, and firms were poor at making customers aware of BBAs.
- 2.2** BBAs are intended for UK personal customers who would otherwise be ineligible for an account and are provided by 9 credit institutions designated by the Treasury. BBAs are a simple type of current account: they do not have an overdraft, and no fees or charges are imposed. But they are intended to meet the basic banking needs of ordinary consumers. As of 30 June 2023, there were 7,363,018 basic bank accounts open at the 9 designated providers.²
- 2.3** The Payment Account Regulations 2015 (PARs) permit firms to refuse a BBA application from an eligible customer for a very limited number of reasons. These reasons mainly concern whether it would be unlawful to open the account or if the consumer's conduct amounts to the commission of an offence under certain legislation.
- 2.4** As of May 2022, an estimated 1.1m adults in the UK did not have a payment account (or were 'unbanked').³ While some of this population do not wish to have an account, being 'unbanked' can have potentially harmful consequences for an individual's cost of living (such as by having to pay increased charges associated with other payment methods), ability to receive income, and their general ability to transact and operate in an increasingly cashless society.
- 2.5** BBAs therefore support financial inclusion for consumers who are, according to unpublished research commissioned by the FCA's Financial Services Consumer Panel, significantly more likely to have a lower household income and to show signs of vulnerability.
- 2.6** The apparently wide range of BBA application rejection rates we reported in our 2023 report raised concerns that some firms might be rejecting an inappropriate number of BBA applications while others were accepting nearly every BBA application. However, further engagement with the BBA providers showed the difference in decline rates was in large part attributable to how firms record the data and structure the customer journeys, rather than indicating that some firms were rejecting significantly more BBA applicants than others. For example, some firms perform financial crime checks prior to moving consumers onto the BBA application journey and, as such, tend to have very low rates of BBA declines because they have already established that those customers are very likely to be accepted for a BBA if they are eligible for one. This is particularly true because financial crime concerns are one of the limited range of reasons that the PARs

2 Basic Bank Account Report 2023 - Digicomms Format.docx (publishing.service.gov.uk)

3 Financial Lives 2022: Key findings from the FCA's Financial Lives May 2022 survey

permit firms to use to justify denying a BBA application. As such, the range of different decline rates was narrower than we initially thought.

2.7 Despite this, we were concerned to find a number of areas which could lead to poor customer outcomes.

- Credit checks during account applications sometimes left a credit search on customers' credit files that would be visible to other account providers (often known as a 'hard search'). This could negatively affect the consumer's credit rating and reduce their access to credit and was often done for customers who may not have wanted or needed an overdraft (because they had to apply for a full current account and have a credit check performed before being moved on to the BBA journey).
- Firms were poor at making customers aware of the availability of BBAs. For example, some BBA providers' websites do not make clear that BBAs are one of their current account options. Charities working with people experiencing homelessness also highlighted to us that they have found firms' promotion of the availability of BBAs to be poor, including when they themselves tried to find out information about them from firms. We also did not see evidence of BBA providers informing customers about the availability of BBAs when terminating payment accounts for reputational risk reasons, despite firms not being permitted (by the PARs) to consider reputational risk when denying a customer a BBA.
- We found that some BBA providers did not make it clear to applicants without standard forms of ID used for online ID verification that other forms of ID could be used to open the account, meaning that those customers could be left without access to an account.

Data on account access was limited or unclear

2.8 In 2023 we received data on numbers of account denials, suspensions and terminations and the high-level reasons for them, but there were some difficulties obtaining granular data on the reasons for denials/terminations and which customers were affected. We commented on this in the 2023 report, noting that some firms provided customer-level data while others provided account-level data, leaving us unable to accurately use aggregate figures or averages.

2.9 Many firms were unable to tell us how many customers from specific business sectors had been affected, usually because they did not collect that data. Several firms also had to revise the reasons for certain cases of account denials or closures after manually checking the case files, and many had large numbers of denials or closures whose rationale was listed by staff as 'other', making it difficult to identify different reasons for denials/closures. Record keeping of decision-making was also at times limited, with files not retained or being very brief and unclear on rationales for denials/closures.

2.10 These data limitations have made it more difficult to precisely quantify the severity or scale of any harm.

We did not see evidence of political views leading to account denial, suspension or termination

- 2.11** Following the 2023 report, we undertook further work to understand the accuracy of the data reported to us, with a focus on the outliers. This further work clarified the reasons for some of the outliers in the data but did not change our original conclusion that we did not see evidence of political or other views lawfully held leading to account denial, suspension or termination. However, given the limitations in the data, we sought to test this conclusion further by conducting file reviews on samples of account denial/closure cases from a sample of firms.
- 2.12** This began with a pilot in which we set out to review account denial, suspension and termination cases for individuals that might be more likely to attract attention for their political beliefs or views, including:
- a.** UK politicians captured by the definition of a politically exposed person (PEP) in [FCA guidance](#)
 - b.** party leaders, former leaders, and senior figures in smaller political parties, not captured by the definition of a PEP
 - c.** senior figures in politically focused activist groups, lobby groups, and campaigning charities
 - d.** media personalities (influencers, journalists and commentators)
- 2.13** Our objective was to select cases to review from firms' lists of these customers, from the firms' customer onboarding and exit committee papers and minutes (or similar), and from lists of denials and terminations for reputational risk reasons. We wanted to look for cases where the customer's political beliefs and views might be a factor.
- 2.14** This approach identified a small number of relevant cases to review because:
- The pilot firms did not have structured data from which they could identify UK 'politically active' individuals who do not meet the definition of a PEP. The firms said they would have to adopt a manual process to ascertain whether customers that have had accounts denied, suspended or terminated fit into the other categories listed above, which would require a great amount of resource and time.
 - Some firms also had a limited range of occupation categories that customers could choose from, making it harder to identify the types we were looking for.
 - Two of the firms told us they did not reject applications or terminate accounts on reputational risk grounds and so could not provide data or relevant committee papers for these.
- 2.15** From this sample, none of the cases we reviewed indicated that the firms were using customers' political beliefs as a reason for account denial or termination. This conclusion and the data limitations led us to the conclusion that expanding the pilot approach to the wider population of firms would be unlikely to provide greater clarity on whether accounts had been denied, suspended or terminated for political beliefs or opinions.
- 2.16** As such, rather than expand this approach, we have asked appropriate Senior Management Function (SMF) holders (or, for firms not in-scope of SM&CR, senior individuals) to sign an attestation confirming their confidence that they have not denied,

suspended or terminated payment accounts because of customers' political beliefs or views lawfully expressed, and that their systems and controls enable them to be confident of that statement.

'Reputational risk' is used in varying ways by different firms to deny or terminate accounts

- 2.17** We then reviewed a sample of cases of account denial or closure due to reputational risk, in part to identify if denials/terminations for political views could have been placed into this category by case analysts. In several of these cases, the firms' records showed awareness of customers' political views, often as part of Know Your Customer checks. However, in those cases, firms' records and discussions with firms supported their explanation that the customer's political views did not form the reason, for the account being denied or terminated.
- 2.18** The purpose of assessing a sample of reputational risk denial/closure cases was also to understand the extent to which firms were relying on 'reputational risk' as a rationale in making their decisions. Firms generally have broad commercial discretion to choose who they do business with, including who they accept, or retain, as a customer. However, decisions to reject applications, and in particular to close existing accounts, generally entail negative consequences for the consumer affected. As such, firms need to ensure that they make these decisions on reasonable, properly considered, and lawful grounds. Relevant legal and regulatory obligations include but are not limited to the Equality Act, the non-discrimination provision in regulation 18 of PARs (for credit institutions), and since 31 July 2023, the Consumer Duty.
- 2.19** In some cases, firms had a reasonably clear rationale for their conclusion that certain customers posed an unacceptable reputational risk to the firm's business. However, the rationale in many of the reputational risk-based cases that we reviewed was much less clear. In some cases, the firm may have had legitimate concerns about the client but did not record them, or seemingly incorrectly recorded them as reputational in nature. In others there may not have been a good reason for the decision. It is unclear to us, for example, why a customer having a spent conviction for a non-violent offence would pose reputational risk to the firm they bank with.
- 2.20** We saw little consistency within firms in how reputational risk was defined and used. Firms invariably lacked clear internal guidance regarding where reputational risk may be a determining factor in the onboarding/offboarding context. Firms often also lacked clear, meaningful data on reasons for account denials/terminations. This means they may struggle to effectively monitor customer outcomes in respect of access.
- 2.21** This broad, inconsistent and, at times, poorly controlled reliance on reputational risk as a criterion, including in cases where it is unclear how the customer poses a realistic reputational risk to the firm, could potentially mean the firm is not acting in good faith, as it is obliged to do under the Consumer Duty. We recognise that the cases we reviewed pre-dated the implementation of the Duty and that some related to non-retail customers who fall outside the scope of protection of the Duty. Nevertheless, the Duty is now in place and we expect firms to ensure their approach to account access decisions for retail customers is compliant with their obligations under it. We return to this in the following chapter.

Feedback from stakeholders

Firms' approach to the implementation of financial crime controls can create difficulties for customers

- 2.22** Financial Crime controls and compliance with the Money Laundering Regulations 2017 are important requirements and are part of the FCA's financial crime cross-sector priority. These require payment service providers to identify their customer, assess what financial crime risks they may pose and to monitor the way that they operate any account. The Joint Money Laundering Steering Group (JMLSG) guidance also provides specific steps that firms should take with certain consumers, including, for example, charities.
- 2.23** However, a range of stakeholders reported to us that they were struggling to meet firms' due diligence requirements or that firms' financial crime risk appetites were creating difficulties for them in accessing accounts.
- 2.24** The charity representatives we spoke to, in particular, highlighted the difficulties that charities have had with fulfilling firms' requests for information, either at the point of account opening or on an ongoing basis. For example, we heard multiple times from charities that firms were requiring that all signatories to an account be present in branch when changing signatories.
- 2.25** The account opening journey can also sometimes map across poorly to charities' organisational structures. However, we also heard examples of charities having complex governance structures that made carrying out due diligence difficult for firms, such as a charity having more than 100 trustees. These issues are well known and there has been engagement between UK Finance and representatives of the charitable sector to attempt to help address some of these issues. We will shortly be holding a roundtable with charity representatives and firms to discuss these issues and potential solutions.
- 2.26** Firms' financial crime risk tolerances, meanwhile, appeared to often lead to certain business sectors (such as pawnbrokers, defence companies, and adult entertainment companies) being treated as higher risk or being designated as ineligible for a payment account with the firm.
- 2.27** With regard to the adult entertainment example, several firms noted that they would, in theory, onboard customers from the sector. However, in practice, we have seen examples of those firms denying or terminating adult entertainment business accounts. The rationales given by firms for these exits were usually based on financial crime or reputational grounds. But, as adult entertainment industry representatives explained to us, these account denials or terminations could lead to significant harm for individuals running those businesses, particularly if they then had to rely on cash or personal bank accounts for their work, with the latter revealing their name to their clients and therefore exposing them to blackmail.
- 2.28** We recently led a roundtable which focused in part on consumers working in the adult entertainment industry. We heard observations that support the concerns identified above, including reports of the payment accounts of relatives of those working in the

adult entertainment industry also being terminated. Some firms highlighted that they can find it difficult to balance compliance with anti-money laundering (AML) regulations with financial inclusion, and reflected that their controls may need to be 'recalibrated' to reduce the risk of them inadvertently excluding consumers from the adult entertainment industry who meet their account opening criteria.

- 2.29** The pawnbrokers industry (which is subject to the MLRs, and includes firms regulated by the FCA) and banks have worked together, through the Pawnbrokers Association and UK Finance, to address financial crime concerns to enable better provision of payment accounts. The Pawnbrokers Association has reported that this has reduced instances of banks terminating accounts, but it has not sufficiently addressed the denials of new accounts. We have engaged Pawnbrokers Association and UK Finance to support improved outcomes.
- 2.30** We have also heard concerns from external stakeholders that certain key words may be flagged by firms' systems and might be leading to account denials. This included concerns from representatives of Muslim communities that they were more likely to have an application for a payment account rejected if they had a 'Muslim-sounding' name. This risks producing worse outcomes for these customers. As set out in the next chapter, where firms are using automated systems to screen account applications, we expect them to be they are able to appropriately monitor those systems to mitigate the risk of unintended consequences and worse outcomes for specific groups of customers.
- 2.31** It was also reported to us, and reported in the press, that small businesses (such as cash-intensive businesses) are sometimes denied accounts on the basis of the perceived costs of ensuring compliance concerning businesses of that type.
- 2.32** We briefly explain in the following chapter our general expectations in regard to financial crime, but – to be clear – other than with respect to BBAs, firms are entitled to refuse to onboard or retain a customer because they consider that it would be uneconomical for them to do so.

Some customers in vulnerable circumstances are experiencing worse outcomes regarding account access

- 2.33** We discussed these concerns regarding account access by consumers in vulnerable circumstances with firms, consumer representatives and charities at two roundtables. Concerns raised included that:
- firms do not always accept alternative ID
 - awareness-raising of BBAs was poor
 - branch staff can struggle to manage the needs of customers with learning disabilities, cognitive difficulties, or mental health challenges
 - customer communications regarding accounts being overdrawn or incurring fees can be misunderstood or be unsuitable for customers
- 2.34** Firms agreed at those roundtables that they needed to do more to improve consistency of treatment of these customers, and that they could improve the extent to which support is tailored to their circumstances. We encouraged firms to share good practice in this area and trade bodies have an important role to play in that.

Chapter 3

Our expectations of firms

- 3.1** The following section sets out our expectations of firms in relation to payment account access, based on the findings from our work. We encourage firms to take note of these expectations and improve their approach to account access .
- 3.2** In the next section of this chapter, we identify general, forward-looking supervisory expectations based on relevant Consumer Duty requirements. We then turn to more detailed expectations, underpinned by other legal and regulatory requirements (in particular under PARs and our rules in SYSC) in the context of consumers' access to payment accounts.

Consumer Duty

- 3.3** The Duty applies across retail financial services and came into force for open products and services on 31 July 2023. It came into force for closed products and services on 31 July 2024.
- 3.4** The Duty sets high and clear standards of consumer protection and is at the heart of the FCA's shift to outcomes-based regulation. It comprises Principle 12, which requires firms to act to deliver good outcomes for retail customers, as elaborated on by the cross-cutting obligations in PRIN 2A.2. These important rules set out requirements on firms to act in good faith towards retail customers (PRIN 2A.2.1R), avoid causing them foreseeable harm (PRIN 2A.2.8R) and to enable and support retail customers to pursue their financial objectives (PRIN 2A.2.14R). The main elements of firms' conduct obligations are further elaborated on in retail customer outcome rules on product governance, price and value, consumer understanding, and customer support (PRIN 2A.3-6). Additional requirements on firms' governance and culture (PRIN 2A.8) and monitoring of consumer outcomes (PRIN 2A.9) are particularly relevant in this context.
- 3.5** The scope of protection of the Duty is limited to retail customers. For deposit-taking activities, the Duty applies to consumers, microenterprises, charities with a turnover of less than £1m and a natural person acting in a capacity as a trustee if acting for purposes outside their trade, business or profession (in line with the 'banking customer' test in the Banking Conduct of Business Sourcebook (BCOBS)).
- 3.6** It is important to note, though, that the individual cases we reviewed related to decisions made by firms before the Duty came into force. We did not assess them in light of Duty-based requirements or expectations.
- 3.7** The Duty does not require firms to provide any particular individual with any particular product. However, we consider that some of the approaches taken to account access – if they are still being taken – require improvement in light of firms' current obligations under Duty.

Our interpretation of the Duty's cross-cutting rules in the context of account access decisions

- 3.8** As noted above, the Duty requires firms to act in good faith towards retail customers. Acting in good faith is a standard of conduct characterised by honesty, fair and open dealing and acting consistently with the reasonable expectations of retail customers (PRIN 2A.2.2R). Acting in good faith does not mean a firm is prevented from pursuing legitimate commercial interests provided it does so in a manner which is compliant with the Consumer Duty (PRIN 2A.2.4G).
- 3.9** Similarly, firms' obligation to avoid causing foreseeable harm does not mean a firm has a responsibility to prevent all harm (PRIN 2A.2.13G), but does include responding to emerging trends that identify new sources of harm, including those highlighted in FCA supervisory communications (PRIN 2A.2.10G(4)).
- 3.10** Finally, in the payment account context, a firm should consider how its interactions with the retail customer can support the customer's progress towards the objective of opening, using and enjoying the benefits of a payment account (PRIN 2A.2.16G and PRIN 2A.2.19G). This includes the proactive provision of information (e.g. about the availability of BBAs) and any relevant support the firm is able to offer when it decides to reject an application or terminate an existing payment account (PRIN 2A.2.21G).
- 3.11** More generally, firms need to ensure their obligations under the Consumer Duty are reflected in their policies and procedures (see in particular PRIN 2A.8.1R). This would include, in particular, ensuring that their approach to assessing whether to terminate an existing account, or deny an account application, is consistent with their cross-cutting obligations under the Duty. As part of this, we would expect firms to have internal policies in place to ensure decisions to deny or terminate accounts are made on a rational and properly considered basis, given the evident potential of such decisions to set back consumers' pursuit of their financial objectives.
- 3.12** We also expect firms to consider what staff training, monitoring and record-keeping procedures they need in order to satisfy themselves that their policy is being followed in practice.
- 3.13** Taken together, these policies and procedures should ultimately support rational and predictable decision-making that helps to the firm deliver good customer outcomes.
- 3.14** Some affected customers may also have characteristics of vulnerability and, as such, the foreseeable harm to them from such decisions may be more acute than for other customers. Firms should provide support that meets the needs of its customers including those with characteristics of vulnerability (PRIN 2A.6.2R), as explored later in this chapter.

Detailed expectations

Basic Bank Accounts (BBAs)

Raising consumer awareness of BBAs

- 3.15** As alluded to above, we expect BBA providers to highlight the availability of BBAs in a clearer way than they are doing currently.
- 3.16** We are not prescribing how to do this – we expect that different firms will take different approaches. But, given the essential role that a BBA can play in financial inclusion for those in financial difficulties, or just for those who would prefer a BBA to help with managing their money, we expect firms to make the availability of BBAs clearer (subject to the eligibility requirements, as explained below). We also expect firms to consider, in light of the Consumer Understanding outcome of the Consumer Duty, whether they need to test the effectiveness of their communications on BBAs to make sure that they are clear.

Eligibility for a BBA

- 3.17** We remind firms of the provisions regarding eligibility for a BBA in the PARs: where a customer is not eligible for any other payment account offered by a firm, or does not hold a payment account (with a credit institution) that has at least the features listed in Regulation 19(1) of the PARs, a customer may be eligible for a BBA.
- 3.18** As such, where a BBA provider terminates a payment account, we would expect them to then consider whether that customer then becomes eligible for a BBA. As an example, we would expect customers whose account is denied or terminated solely because of reputational risk concerns to be likely to be eligible for a BBA if they do not hold an alternative payment account.
- 3.19** In light of the above eligibility criteria, it is also likely that many prospective customers will be eligible for a BBA (provided that they do not hold a payment account with a credit institution that has at least the features listed in Regulation 19(1) of the PARs). We expect firms to make it easier for these prospective customers to apply for a BBA, because we consider that it is currently too difficult for those who are eligible for a BBA to obtain one (even if they are aware of the accounts).

Non-standard ID documentation

- 3.20** Under the Consumer Duty we expect all firms providing payment accounts to make sure customers understand what steps they need to take to provide acceptable forms of non-standard ID and that they are encouraged to do so.
- 3.21** We also draw firms' attention to SYSC 6.3.7(5)G: 'A firm should ensure that the systems and controls include [...] appropriate measures to ensure that procedures for identification of new customers do not unreasonably deny access to its services to potential customers who cannot reasonably be expected to produce detailed evidence of identity.'

Effect of credit checks on BBA customers

- 3.22** Customers often apply for payment accounts without applying specifically for credit. Firms should be mindful that a hard credit check made during the application may cause the customer harm by reducing their credit rating, even if only temporarily. This is a complex area and we intend to work with the industry to explore solutions. In the meantime, we expect firms to consider how the BBA customer journey can be adapted to reduce instances of unnecessary hard credit checks.

Firms' decision-making

- 3.23** In general, our expectations in relation to decisions on offering/refusing/terminating payment accounts include the following key points:
- As noted above, firms should ensure the internal policies guiding decision-making on account denials and terminations are formulated in such a way that reflects their obligations under the Consumer Duty, in particular under the cross-cutting obligations in PRIN 2A.2 (act in good faith, avoid causing foreseeable harm, and enable and support customers to achieve their financial objectives).
 - Those policies and procedures should provide guidance on the kinds of reasons that may justify denying or terminating an account, and should mean that decisions taken to deny or terminate an account are based on properly considered and reasonable grounds.
 - By way of example, properly considered and reasonable grounds would include any reasonable concern about financial crime risk. Policies that allow for the rejection of customers on grounds that appear spurious, speculative or unfairly biased against certain customers or groups of customers are unlikely to meet firms' obligations under the Duty.
 - We expect that firms' internal governance, policies and procedures should ensure that reasons for rejecting applications or terminating accounts do not lead to account access decisions that are contrary to their legal and regulatory obligations in relation to direct or indirect discrimination.
 - Staff making these decisions should also receive adequate training to make the decisions. We remind firms of their obligation under TC 2.1.11G to provide 'appropriate training and support' and to 'review at regular intervals the quality and effectiveness of such training'.
 - We would also expect that, where firms are using automated systems to screen account applications, they are able to appropriately monitor those systems to mitigate the risk of unintended consequences and worse outcomes for specific groups of customers.

Data and monitoring of customer outcomes

- 3.24** We expect firms to collect and record adequate data on account access decisions, such that they can assure themselves, and if needed provide evidence to the FCA, that they are acting to deliver good outcomes for retail customers. In relation to denying an application for a payment account or suspending or terminating an existing one, this would include keeping a record of the reasons for the decision. For example, we would expect firms to keep records that evidence that a decision to deny or terminate

an account because of purported reputational risk was in line with their documented approach to reputational risk.

- 3.25** We would also expect the firm to keep a record, for an appropriate duration, of the decision-making process/policy it is following and of any significant changes to the process/policy (see SYSC 9.1.1R and 9.1.5G).

Political beliefs and views lawfully expressed

- 3.26** As described earlier in the report, we identified some cases of account denial or termination where the customer's political beliefs were recorded and, in some cases, discussed as part of the decision-making process. We recognise that, whether because of media screening or other due diligence checks, firms may become aware of a customer's political beliefs or other lawfully expressed views. However, in accordance with their relevant legal and regulatory obligations that relate to discrimination (in particular the Equality Act and PARs), firms must be confident that decisions on account access are not based on political beliefs or other views lawfully expressed.

Reputational risk

- 3.27** We expect firms to have a clear and consistent approach regarding the consideration of reputational risk. This is in-keeping with our expectation that firms, in ensuring compliance with the Consumer Duty, will have in place internal policies guiding decisions to deny or close accounts that look to ensure those decisions are based on rational and well considered grounds.
- 3.28** After careful consideration, we have concluded that it would not be appropriate or proportionate for us to seek to prescribe reasons or procedures for firms to follow when considering whether they wish to enter into, or continue with, a commercial relationship with any particular customer. We are also mindful that the concerns we discuss in this report were identified from a sample of cases relating to events pre-dating the coming into force of the Consumer Duty, which is intended to secure better standards of consumer protection in the retail market. As noted above, while the Duty does not require a firm to provide a particular customer with a particular product, we think compliance with the Duty generally should mean firms are more careful before reaching any decision to deny or close an account.
- 3.29** However, we do expect firms to:
- have a clear definition of reputational risk and how it should be used in the context of account access, which is understood by relevant staff
 - be able to satisfy themselves that, when reputational risk is cited as a reason for an account denial or termination, the customer represented a material reputational risk to the firm's business
 - consider what monitoring is required in relation to how they use reputational risk in the context of account access, and intervene appropriately if they identify that internal policies are not being applied consistently

- maintain adequate records of account denial or termination decisions for reputational risk, as explained in the 'monitoring customer outcomes' section below

Communicating decisions

- 3.30** The Consumer Understanding outcome of the Consumer Duty requires that firms support retail customer understanding. This means that their communications meet the information needs of retail customers, are likely to be understood and equip those customers to make decisions that are effective, timely and properly informed. This includes communications that relate to decisions to deny, suspend or terminate a payment account.
- 3.31** Where firms are, on reasonable and properly considered grounds, deciding not to offer or to continue to provide a payment account to a customer, we expect that firms' communications should meet the consumer understanding requirements under the Duty, including by being clear on what their decision is, what this means for the customer and the steps the customer could take. In general, we think the communication should:
- give reasons for the firm's decision (where this does not go against the firm's obligations under financial crime legislation)
 - be likely to be understood by the customer receiving it, including by being in an appropriate format
 - highlight any options or help available to the customer including, where applicable, the potential availability of a BBA and the identity of the firms who provide them
 - give customers at least the contractually required level of notice
 - inform customers of their right to complain

Financial crime guidance

- 3.32** As set out, financial crime controls and compliance with the MLRs are important requirements and are part of the FCA's financial crime cross-sector priority.
- 3.33** When meeting their obligations, we remind firms of our existing expectations that they act proportionately to the risks they identify and that they do not apply a generic approach to risk management. This expectation applies in the context of account access.
- 3.34** The Financial Crime Guide ([FCG](#)) also provides guidance to firms on Handbook rules and principles, including certain aspects of SYSC, the Principles for Businesses (PRIN), the Statement of Principle for Approved Persons, and the conduct rules (COCON). As set out in FCG, firms can comply with their financial crime obligations in ways other than following the good practice set out in FCG. But, we expect firms to consider applicable guidance when establishing, implementing and maintaining their anti-financial crime systems and controls.

Customers in vulnerable circumstances

3.35 In their approaches to account access, we expect firms to provide support that meets the needs of their customers including those with characteristics of vulnerability. For example:

- Firms should have robust policies, procedures and governance which ensure appropriate and consistent identification of and approach to customers with characteristics of vulnerability. Staff should be properly trained to follow the firm's policies and procedures when making decisions.
- As noted in section 2 of this report, we heard examples of firms rejecting account applications from consumers with learning disabilities because they assumed that they lacked capacity to operate one independently. In light of this, we remind firms of the principle under the Mental Capacity Act 2005 that 'a person must be assumed to have capacity unless it is established that he lacks capacity.' Similarly, we remind firms of the section of the vulnerability guidance (FG21/1) which states that firms should 'not regard a customer as lacking capacity to make a decision unless the firm has taken reasonable steps, without success, to help the customer to make that decision'.
- As also noted in section 2 of this report, consumer groups and charities have observed branch staff struggling to manage the needs of consumers with learning disabilities, cognitive difficulties, or mental health challenges, which has at times resulted in account denials. We would expect staff to, in line with FG21/1, 'be capable of exercising additional care to adapt to the consumer's needs and be able to exercise judgement on when it is necessary to do so'. This could include referring them to another team if needed, giving more time before terminating the account, or helping them to switch accounts.

Chapter 4

Matters outside the FCA's remit

Solutions outside the existing regulatory framework

- 4.1** We have set out in this report our expectations of firms under the Consumer Duty, Vulnerability Guidance, and other regulatory requirements in relation to decisions to deny, suspend or terminate payment accounts.
- 4.2** We recognise, however, that our recommendations would only cover customers within the scope of protection of the Consumer Duty and other regulatory requirements. The Duty only protects retail customers, which does not include, for example, customers who are businesses other than microenterprises, or charities with a turnover of more than £1m. This leaves a gap where we have some evidence of difficulties accessing payment accounts but no existing regulatory means of addressing it.
- 4.3** Some of the stakeholders we have engaged with have suggested to us that one way of addressing this gap may be to introduce a legal right (or 'universal service obligation' (USO)) to a payment account for these larger organisations. We noted in our 2023 report that a similar right exists in some other countries, eg France and Belgium.
- 4.4** We have heard from several charities and their representative groups that 'de-risking' by account providers is leading to them losing access to their accounts. We have also seen evidence of accounts being denied or terminated because of the likely costs of servicing and performing oversight of that account.
- 4.5** Determining whether to introduce a legal right to a payment account is a matter for the Government and Parliament.

Recommendations for others

- 4.6** In our 2023 report, we also made some specific recommendations for other bodies. We have reiterated these below.
- 4.7** Matters we have referred to in our report can support the significant work underway to reform Companies House. The banking industry has also called for greater checks by Companies House to support the fight against fraud and financial crime. We reiterate the point we made in our September report: we believe the suggestions made by industry bodies in this regard should be seriously considered, as strengthening the ability to verify customer identity at onboarding has the potential to reduce the risk of subsequent account termination and may assist firms to operate ongoing financial crime monitoring.

- 4.8** We also, as we did previously, encourage the Department of Culture, Media and Sport (DCMS) and Department for Science, Innovation and Technology (DSIT) to develop a strategic approach to identity verification, including voluntary digital identity, and explore further the barriers to broader adoption of these approaches and how Government might be able to improve their voluntary adoption. We recognise, though, that the July 2024 King's Speech included a stated commitment to provide 'secure and trusted digital identity products and services from certified providers'. Again, such measures may assist firms in their decision-making when accepting new customers, and help to calibrate ongoing financial crime monitoring controls.

Chapter 5

Next steps

Next steps for firms

- 5.1** We expect providers of payment accounts, including firms we did not engage with as part of this review, to take account of the expectations set out in section 3 of this document and consider how this might impact their businesses.
- 5.2** We expect firms to review their customer journeys for onboarding and offboarding, as well as the associated policies and procedures, through the lens of the Consumer Duty. Following this review, we would expect firms to be able to evidence how they have made sure that the relevant customer journeys and policies and procedures are consistent with the Consumer Duty's cross-cutting rules and are delivering good outcomes.

Next steps for the FCA

- 5.3** In our 2023 report, we committed to expanding and refining the questions in our Financial Lives Survey (FLS) about consumers without payment accounts, and to do further work to understand some of the underlying and interrelated issues about unbanked consumers identified in our FLS data.
- 5.4** The reasons for not having access to a payment account are complex, and we have added new questions to the FLS to help understand 'unbanked' consumers' perspectives. We expect to have initial findings from this soon and will review them and determine if further research is needed.
- 5.5** We have also, as part of our engagement with charities and consumer groups, gathered observations on unbanked consumers that they represent or work with. These observations have fed into this report and the roundtables we held with firms to discuss these issues. We have asked firms to continue working on resolving account access difficulties for these consumers (as explained in the findings and expectations sections of this report), but can take further action if we later determine that changes made have been ineffective or inadequate.
- 5.6** Finally, as stated in the summary section of this report, we would welcome engagement with firms regarding how they might effect changes in response to this report and what specific implications these changes are likely to have for them. This will form part of our ongoing supervisory engagement with relevant firms.

