

Consumers support retail v investment banking separation

The public is supportive of plans to separate retail banking away from investment banking according to research last year carried out by GfK NOP for JGFR. Over two-thirds of the population (69%) are in favour with a slightly higher proportion of men (73%) than women (66%). Greater support was also found among 40-49 year olds (73%) and middle-income earners (77%).

Regionally, greatest support is in the East Midlands (80%) – a region where savings activity is among the highest with more people likely to be worried about the safety of their savings – and in Yorkshire / Humberside (76%). In England the South West (61%) is the region where support is weakest.

By main financial services provider brands, customers of Nationwide (81%), Royal Bank of Scotland (81%) and Halifax (80%) are the most in favour of a separation – the latter two brands now being substantially tax-payer owned - and Nationwide mutually owned.

Major shake up of retail banking underway

Together with the forced sell off of many branches currently underway, the announcement of plans to sell Northern Rock back into the private sector, and several new market entrants such as Metro Bank beginning to make its presence felt in London, the face of UK retail banking is set to undergo major change in the coming years.

The era of inertia – a big friend of the main banking brands and a feature of the current and savings account markets - may be drawing to a close. Last year some 27% of the public were attracted to the idea of new high street banks and 10% indicated that they would consider switching their main financial services provider to Tesco Bank when they offer a current account.

Among the main financial services provider brands – well over a third of Lloyds TSB and Halifax customers are attracted by the new brands. Many Lloyds Banking Group customers will in any case be forcibly transferred as branches are sold off. By contrast only 15% of Nationwide customers are attracted by the new high street banks.

Four-fifths of customers very satisfied with their main financial services provider

On a more positive note for the main banks four-fifths of their primary customers are 'very satisfied' and a similar proportion believe they are 'treated fairly'. The most 'very satisfied' are at Nationwide (89%) and The Co-operative Bank (88%) where 94% of the latter's customers believed they are treated fairly. A higher proportion of HSBC and Halifax (both 88%) primary customers believe they are treated fairly.

Among all banks firstdirect scored a maximum 100% 'very satisfied' and 100% 'being treated fairly' rating among its customers. Yorkshire Bank customers also recorded a 100% 'very satisfied' customer rating.

Regionally last year the greatest attraction to new high street entrants was in the East of England (33%), North West and the West Midlands (32%) and London (31%). In the Capital, far more people feel they are not treated fairly by their banks (65% v 79% overall) suggesting that the entry of Metro Bank is very well timed and set to attract enquiries from many dissatisfied Londoners – where other new entrants may also achieve greater success.

Payments system and social media are challenges for new market entrants

For new market entrants the developments in the payments system and social media will be a challenge as more people bank online and increasingly use their mobile phone.

A majority of people (55%) believe that the future of banking is about mobile and online access – particularly among the under 40s and higher earners. Among main bank customers HSBC (68%) and NatWest (61%) have the greatest proportions of digital-savvy customers.

In the social media space*, where consumers are leading the banks, NatWest and Halifax (both 16%) are most used by their customers in the financial product buying process. Overall 1 in 10 of adults (a quarter of 16-22 year olds- Generation Z or the net generation in marketers terminology) use social media to help with their financial product buying.

Commented John Gilbert, Chief Executive of JGFR:

“The challenge for all retail banks will be the degree to which they want to adopt and develop a greater emotional relationship with their customers – and how best to address this – whether through greater engagement through social media or through enhancing the customer experience in other ways. The 2011 Retail Banking Review in the early autumn will consider these issues.”

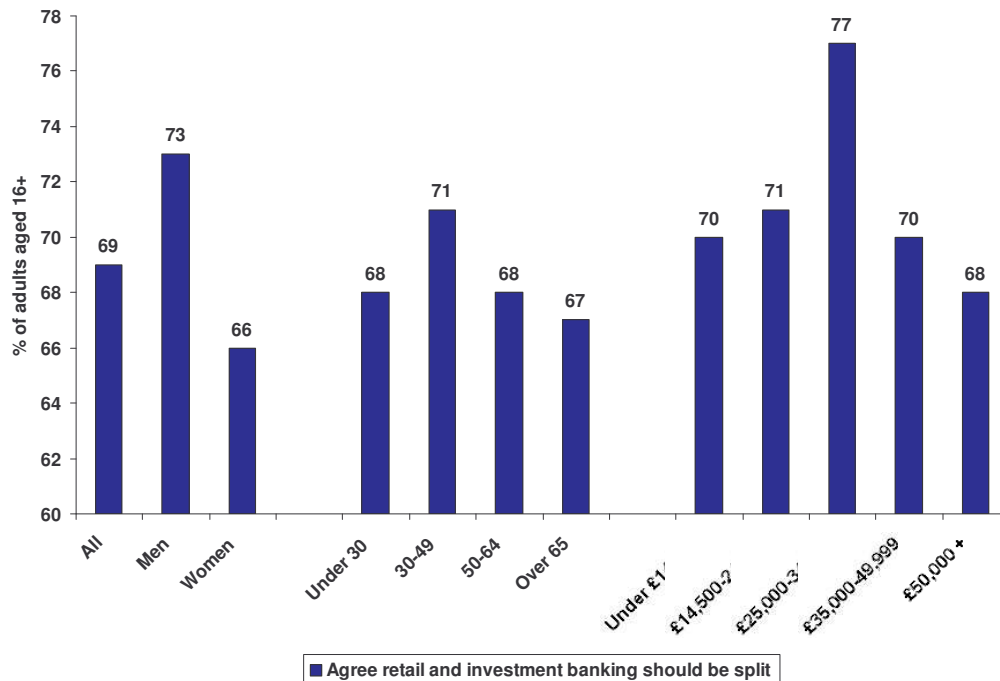
Notes

GfK NOP carried out the research among 995 adults aged 16+ in June 2010 by telephone

*GfK NOP carried out the research among 1,000 adults aged 16+ in December 2010 by telephone

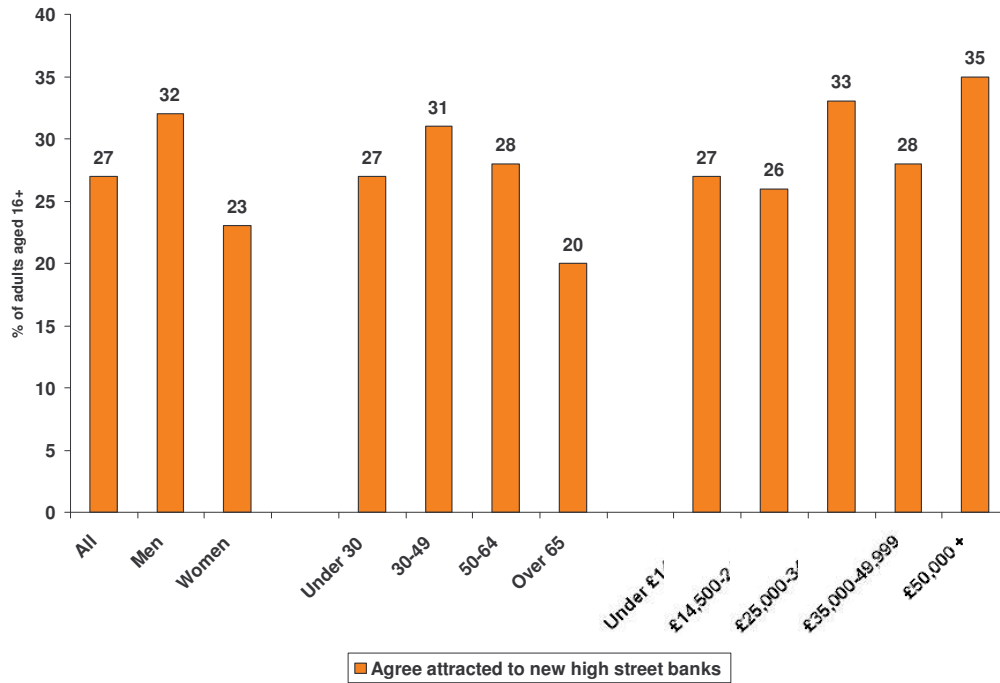
Enquiries: John Gilbert +44 (0) 208 944 7510 or +44 (0) 7740 027968

**Chart 1: ” I believe retail banking should be kept separate from investment banking”
June 2010**



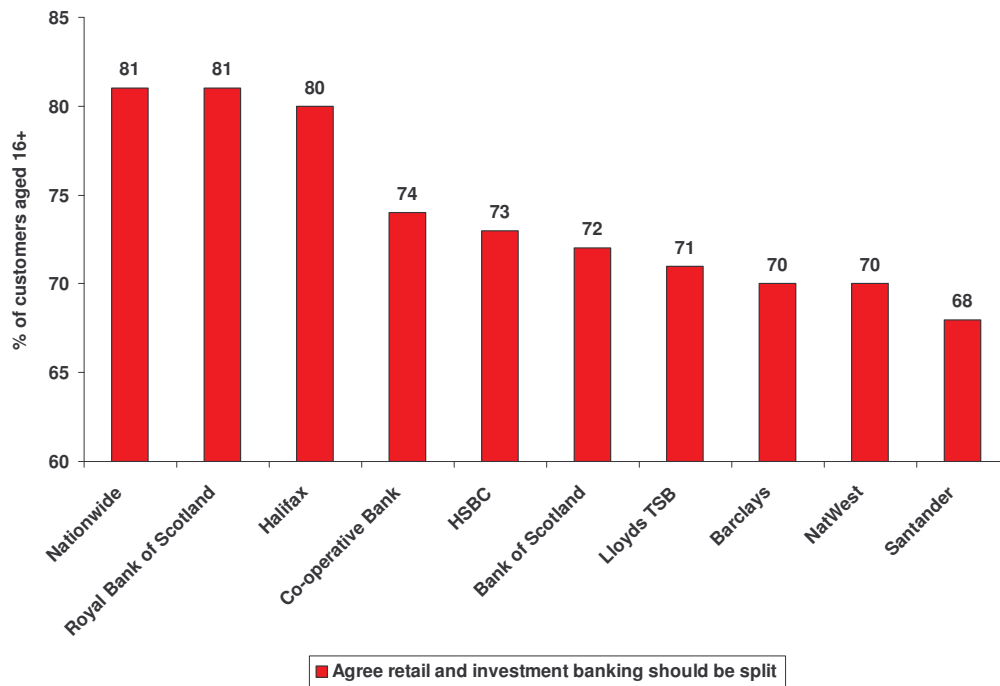
Source: GfK NOP / JGFR

Chart 2: " I am attracted to the idea of new high street banks"



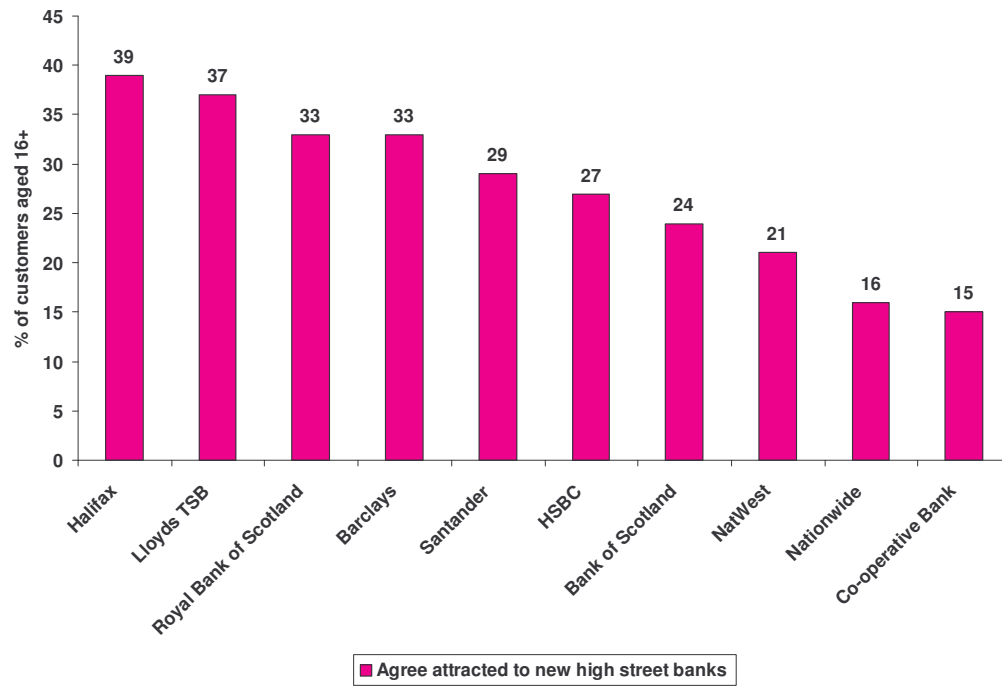
Source: GfK NOP / JGFR

Chart 3: " I believe retail banking should be kept separate from investment banking"
June 2010



Source: GfK NOP / JGFR

Chart 4: "I am attracted to the idea of new high street banks"



Source: GfK NOP / JGFR