

Consumers Support Retail And Investment Banking Separation

Contributed by JGFR
Tuesday, 19 July 2011
Last Updated Tuesday, 19 July 2011

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 automatically transferred as branches are sold off. By contrast only 15% of Nationwide customers are attracted by the new high street banks.

Regionally adults in the East of England (33%), North West and the West Midlands (32%) and London (31%) are most attracted by the new high street banking entrants.

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 interest from many dissatisfied Londoners – where other new entrants may also achieve greater success.

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 (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.

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, 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. NatWest and Halifax (both 16%) have the highest proportions of their primary customers using social media in the buying process.

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 personal 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

Every quarter since March 2003 the JGFR/GfK UK Financial Activity Barometer has asked consumers which institution they regard as their main financial services provider. Over the period Lloyds TSB and Barclays have consistently been the two leading main financial services provider brands in the UK.

The Summer 2011 Financial Activity Barometer results are announced on June 30th.

The following issues will be addressed in the 2011 Retail banking Review (based on June 2011 data)

Advocacy, helpfulness, value for money, packaged accounts, willingness to pay for banking, attracted to new high street banks, loyalty, importance of payment brands “ Visa, Mastercard and PayPal.

About JGFR

Please visit www.jgfr.co.uk for more information

20 June 2011