

Jump in high street banks as main financial services providers (MFSPs)

Contributed by JGFR
Wednesday, 29 October 2014

Despite much commentary on challenger banks and the desire to see more banking competition, the major high street banks continue to dominate the main financial services provider space.

Near record numbers of people (92% of adults) cite having a main financial services provider, up from 87% a year ago.

The Q4 JGFR / GfK UK Banking Barometer finds evidence of greater switching to high street bank brands since the faster switching service was introduced in September 2013.

Overall 89% of adults cite having a Top 10 banking brand as their MFSP, up from 87% in June and 84% a year ago.

Part of the improvement in high street banks appeal may be the result of greater financial engagement brought about by economic recovery, the growing focus on an omnichannel approach by banks and the growing use of banking apps by customers.

Far more people have been saving on a regular basis this past year (now a key part of current account competition) and seeking a mortgage. Building up a relationship with a major bank may be regarded as a key personal financial strategy.

Consumers also appear to be forgiving the high street banks for the misdemeanours surrounding PPI mis-selling and investment banking, and the bonus culture of bankers.

There is little evidence of any new challenge to the position of the major banking brands, apart from the re-emergence of TSB, forced to separate from the Lloyds Banking Group, and now occupying 9th position with a consistent market share of around 3%.

New challenger bank brands such as Tesco Bank, M & S Money, Virgin Money and The Post Office have under a 1% market share combined.

The winners over the past year have been the RBS Group, with NatWest's extensive brand advertising winning new MFSP customers in England, and Royal Bank of Scotland having great success north of the border.

Barclays has regained its leading MFSP position from Lloyds Bank, shorn of TSB; both are now under threat from challenger NatWest for the first time.

The Lloyds Banking Group has seen a drop in its MFSP share, down from 29% to 24%, with Halifax and Bank of Scotland the only losers in the past year of the leading bank brands (including Nationwide)

In the past 2 quarters competition between Barclays, NatWest and Lloyds Bank has intensified for leading MFSP, while both Santander and Nationwide have posted gains in customer numbers.

Regionally there have been notable shifts between MFSPs.

JGFR analysis using the Financial Activity Barometer (FAB) and Consumer Confidence Barometer (CCB) can highlight the brands with the best prospects in the coming months. The FAB tracks consumers' saving, investment and borrowing intentions and can highlight the brands with the most active customers.

Of the 31million financially active customers in prospect (undertaking 2 or more activities) the leading MFSP is Bank of Scotland (71% of customers compared to 59% overall). Indeed the two Scottish bank brands occupy the top two positions, possibly in response to the Referendum, given the financial implications of a Yes vote and the need to manage personal financial assets. By households' financial position -customers in saving, making do and struggling households - HSBC has the highest proportion of customers (61% v 52% overall) in saving households. It also has the most confident customers.

Commented John Gilbert, Chief Executive of JGFR:

“The long heralded shift away from the major banks as main financial services providers has yet to occur. Only if there are major issues with the payments system is this likely to change or by a wholesale forced reduction in size. Customers are adopting the new mobile offerings of the major banks which will add to the difficulties faced by challenger banks.”

