

2014: High street shuffle of major banking providers

Contributed by JGFR
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For the major banks 2014 has been another year marked by conduct too often falling foul of the regulators. Investment banking misdemeanours continue to be a prime source of fines, while the bill for payment protection insurance mis-selling has continued to grow as more redress is paid out.

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On the payments side the move to digital banking has rolled on relentlessly in 2014 with retail bankers now having to learn new skills in their dealings with less tech savvy customers.

Several new challenger banks are beginning to emerge with the most notable entry being the rebirth as a high street brand of TSB.

Over the past decade the JGFR UK Banking Barometer has tracked the designation of consumersâ€™™ main financial services providers (MFSPs), aka the major high street banks.

Contrary to the increased competition that many would like to see, 2014 has in fact seen a strengthening of the major bank brands.

Overall the proportion of adults indicating they have a main financial services provider increased

over the year from 86% to 93%, a multi-year high, with the top 10 brands share rising from 83% to 90%, also a multi-year high. The share of the top 5 brands is 62%, up from 60% a year ago but below levels of around 65% in recent years.

Among the leading brands the sell-off and subsequent stock market listing of TSB resulted in another challenger brand to join Santander, Nationwide, Royal Bank of Scotland, Co-operative Bank and Bank of Scotland.

In the past year firstdirect has begun to make greater headway, albeit still as a very niche provider. There is no evidence of Tesco Bank, Virgin Money or The Post Office making any headway as an MFSP.

During the year intense competition for current account business resulted in notable shifts in MFSP customer bases pointing to greater switching activity.

Barclays has taken over from Lloyds Bank as the leading brand, following the latterâ€™™s divestment of TSB. NatWest, with a powerful advertising campaign is neck and neck with Lloyds Bank in second position, ahead of HSBC, Santander and Halifax.

In the current quarter HSBC has seen some notable fall in its MFSP share, relative to Santander, Halifax and Nationwide.

Comparing the brands on a 4-quarter moving average basis shown in the chart above, the biggest gainers over the year are NatWest, Halifax and Nationwide, with Bank of Scotland losing share to Royal Bank of Scotland. TSB has established a MFSP share of around 3% slightly above the MFSP share lost by Lloyds Bank on the re-launch of TSB.

By banking group, Lloyds Banking Group retain market leadership with a quarter of the MFSP share, down from 28% over the year. Royal Bank of Scotland and Barclays (up 2%) are the main gainers. Commented John Gilbert, Chief Executive of JGFR:

â€œFor the MFSPs the profile of customer bases is vital in terms of likely retail revenue growth. Younger, more affluent, loyal and active consumers are what the major MFSPs ideally seek.

Few customers regard their MFSP also as their main financial services adviser (9%, 2014, well down on nearly 30% a decade ago), but more are using their MFSP for online banking providing the chance for the provider to become a key and trusted holder of customer information at a time of increasing worries about privacy and data security. This may become a key role for the major banks in the coming years and help to cement the MFSP relationshipâ€•

