

FCA follow-up Report: UK Payment Accounts Access and Closures

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On 4 September 2024, the Financial Conduct Authority (FCA) [published](#) a report detailing the outcomes of its subsequent examination into the accessibility and closure of UK payment accounts. This report follows an initial review from September 2023, which explored access issues for both individuals and businesses. The recent findings highlight further themes and, in the paper, the FCA also sets out its proposed next steps to address the harms identified in relation to account access.

Summary

In 2023 the FCA reported that it had investigated account closure in the UK and that the information it had received had not suggested that account providers had terminated customers' accounts because of their political beliefs or other lawfully expressed views.

But it also said that it intended to do follow-up work focused on:

- validating the data that had been provided;
- 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; and
- engaging with consumer groups and charities to understand their experiences and the experiences of those they represent.

The key message

The FCA 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.

Key findings from the follow-up include:

1. The FCA identified that many providers were not effectively communicating the availability of BBAs indicating a need for better customer education on BBAs and simplifying of the application process.

2. No evidence was found to suggest that political beliefs or other lawfully expressed views were being used as grounds for account denial, suspension, or termination. It's important to note, however, that this finding said to be limited by the existing gaps in data and record-keeping practices.
3. The application of 'reputational risk' as a reason for denying or closing accounts was found to be inconsistent both across and within firms. While some institutions had adequately assessed the potential reputational risk to their business, others appeared to misalign these risks with unrelated concerns, such as staff safety, or lacked clarity in their rationale, highlighting issues with firms' record-keeping practices.

So what?

In response to these insights, firms are encouraged to thoroughly review and refine their customer journey processes, with a focus on aligning them with principles of Consumer Duty.

Specifically, firms should consider focusing on the following:

- **Enhancing Customer Awareness of BBAs:** Firms should focus on improving customer awareness on BBAs. This should include clear communication about the eligibility criteria and that non-standard forms of identification are acceptable, accompanied by straightforward instructions on how customers can apply for a BBA.
- **Robust Governance and Oversight on Account Access Decisions:** Firms must ensure that their decision-making processes regarding account access are underpinned by thorough data collection and documentation. It is crucial that these decisions are based on a reasoned and substantial assessment of 'reputational risk', anchored in material risks rather than on speculative assumptions or vague justifications.
- **Tailored Risk Management Practices:** The report discourages a blanket approach to risk management, advocating instead for strategies that are specifically designed to address the unique risks each firm faces. This is particularly relevant in the context of financial crime controls, where the FCA expects firms to respond proportionately to the risks they have identified.
- **Clear and Comprehensive Communication with Customers:** In instances where access to an account is denied or an existing account is closed, communication with the affected customers must be clear, comprehensive, and considerate, where not in conflict with other financial crime prevention obligations. Firms are expected to articulate their decisions in a manner that is easily understandable to customers, keeping their Consumer Duty obligations in mind. This communication should include the rationale behind the decision, its implications for the customer, and any potential next steps or alternatives. Importantly, customers should also be made aware of their right to lodge a complaint, ensuring they know how to seek redress.

We suspect that this guidance will now replace the need for further amendments to be made to the Payment Services Regulations 2017 in the near future, with regulator opting for outcome based regulation to facilitate the desired results.

Next steps

If you would like to discuss anything raised in this article, feel free to contact our payments team.

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