



APPG on Challenger Banks and Building Societies

Call for Evidence

All Party Parliamentary Group on Challenger Banks and Building Societies Inquiry into diversity in banking services

Introduction

The overarching issues that the APPG is seeking to understand are as follows:

- Regulation of smaller institutions and whether this was appropriate and proportionate to foster growth;
- Effective competition and whether this was both bringing in new market entrants and ensuring that under-banked communities had access to financial services;
- Why there were so few retail banks in the UK compared to the hundreds operating in other jurisdictions such as the United States; and,
- Impact of Brexit on the opportunities & threats it poses to diversity in the UK financial services industry.

However, the APPG is keen to take evidence on the underlying causes of these headline topics. Therefore, we will be seeking evidence in the following areas:

Is regulation proportionate to encourage a diverse range of institutions?

The APPG is interested if regulation is proportionate enough to encourage a diverse range of institutions. (We will return to the question of how this regulation might be amended in our next session). We are seeking to understand:

- Why is diversity of institution a good thing;
- Is regulation proportionate;
- Do smaller institutions face higher costs;
- Is there a conflict between the requirements for financial stability and consumer protection
- Are regulators doing enough to encourage diversity; and,
- Do other regulators do things better?

Is there effective competition and is there the potential for new market entrants?

- Is competition working in UK retail banking;
- Is there adequate competition between institutions;
- Is there adequate competition between types of banking product;
- Consumers are notoriously reluctant to change their bank account, is there evidence of this changing with faster, easier switching;
- What would help drive greater competition; and,
- Is competition a good thing, could it lead to adverse outcomes?

Why are there so few retail banks in the UK compared to other countries?

- Is it really the case that there are fewer retail bank institutions in the UK;
- How does the UK compare to other countries;
- Do some parts of the UK do better than others for banking provision and type of institution; and,
- What are the reasons behind the present mix of institutions present in the UK market?



Does Brexit pose an opportunity or a threat to UK banking diversity?

- Will Brexit have any effect on the diversity of UK banking institutions;
- Will there be any material changes to the cost of capital;
- Are there opportunities from Brexit from regulatory changes; and,
- Are there any risks from the Brexit regulation and withdrawal Bill that institutions, lawmakers and regulators should be aware of?
- Does Brexit present a risk to institutional diversity?

Timelines

We will aim to publish our preliminary findings on access in the provision of financial services within a month of the hearing in early to mid-January. However considering the depth and complexity of the issues and the anticipated quantity of written evidence the substantive report is scheduled for February 2019

Other timelines are as follows:

Time and venue of first oral evidence session

11:00 – 12:30 Monday, 3rd December, Meeting Room O, Portcullis House, Palace of Westminster

Written evidence timelines

To be considered written evidence will need to be received by Secretariat by **5pm on the 14th January 2019.**

Format of submissions

The APPG welcomes written submissions. These should ideally be in word format and less than 2MB in size. Otherwise, they should be in accordance with the guidelines issued by select committees which can be viewed here: <https://www.parliament.uk/get-involved/have-your-say/take-part-in-committee-inquiries/commons-witness-guide/>

APPG Secretariat

23rd November 2018