



Charterhouse
Research

WHITEPAPER

Business Bank Switching

The impact of CASS (Current
Account Switch Service)

Introduction

Business Bank Switching is low. According to data from the Charterhouse Business Banking Survey, just 3% of SMEs with a turnover of up to £25m have switched banks in the past few months, and this has remained static since 2016.

In an effort to stimulate more competition, the Competition and Markets Authority (CMA) promote data that states that businesses could save an average of £80 per year by switching bank. So far, this doesn't appear to have impacted on switching behaviour.

Inertia and apathy undoubtedly play a role in low-level switches. However, businesses are actually fairly satisfied with the service they receive from their main bank. This, coupled with real and perceived barriers to switching business bank accounts such as the perception of hassle and increased complexity, and a perception of lack of differentiation in bank offerings, has led to a very static market.

Both the CMA and the FCA are committed to making it easier for customers (both business and personal) to shop around to get the best deal. An overhaul of the Current Account Switch Service (CASS) was announced in January 2017. This was designed to give further reassurance to small business and consumer customers that all their payments will be switched from their old account to their new one, and so overcome a key concern about moving banks.

More than one year on, we asked more than 2,000 small business customers (with a turnover of up to £6.5m) what they know about CASS and what effect, if any, it's likely to have on their propensity to switch current accounts.

Key take-outs

Awareness and knowledge of CASS is low

- Just under half of all businesses are aware of CASS for businesses like theirs but only one in five have real knowledge of the service
- More than half have not heard of CASS for businesses and 29% have not heard of CASS at all
- Awareness is lower in certain parts of the country – e.g. Wales, South East
- Younger businesses (and business owners), smaller businesses and female owners are least likely to be aware and knowledgeable

The biggest barrier to switching is lack of a ‘push’ factor – businesses are satisfied with their current bank!

- Although CASS could remove a key barrier to switching, if the push factor of dissatisfaction with the existing bank isn't there, hassle-free switching is inconsequential

Greater awareness of the CASS service could increase switching

- Although the majority of businesses say knowing about CASS has no impact on their likelihood to switch, about a third said it would make them more likely to switch
- This is particularly the case among those who are intending to switch or are disloyal to their existing bank (for instance, where there is a ‘push’ factor)

CASS has a more positive impact on certain types of business owners

- More recently established businesses, younger business owners and women are more likely to say that knowing about CASS will have an impact on their switching consideration. However, these same types of respondents are least likely to be aware of CASS

Backdrop: the current state

Business bank switching is very low in the market. The decision to switch is typically driven by a 'push' factor from existing banks rather than a 'pull' factor from a new bank. Switching is often seen as a difficult, arduous process and potentially disruptive to the business – for example, informing customers, setting up new payments and so on. Banks are seen as 'much of a muchness' – the perception is that they offer similar propositions and there's nothing to competitively differentiate one bank from another. The £80 saving that has been promoted by the CMA is not perceived as a sufficient 'pull' factor to disrupt current practices.

"If something went horribly wrong with the existing provider, then that might sort of push us to go through the pain to change."

"There are two things. One my current bank would have to do something not very nice and something where my trust was thrown. And secondly a new bank coming along would have to offer something better than what I had got."

The Current Account Switch Service is a service that has been set up for the benefit of both personal and small business customers (with a turnover of up to £6.5m). According to data from Bacs, the majority (c.97%) of account switching that is going through CASS is personal accounts while business switching accounted for about 3% of all monthly account switches between January and July 2018.

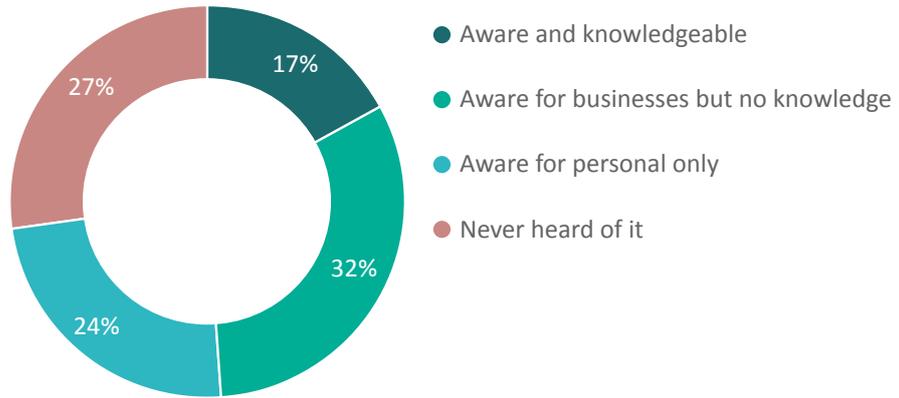
This raises the questions: How much do businesses know about CASS? What impact does it have on likelihood to switch? Why hasn't it impacted on switching figures to date?

Research findings: Less than half of small businesses are aware of the Current Account Switch Service for businesses

Charterhouse researched 2,176 businesses with a turnover of up to £6.5m including start-ups in Q1 2018. Data was weighted to be representative of the market.

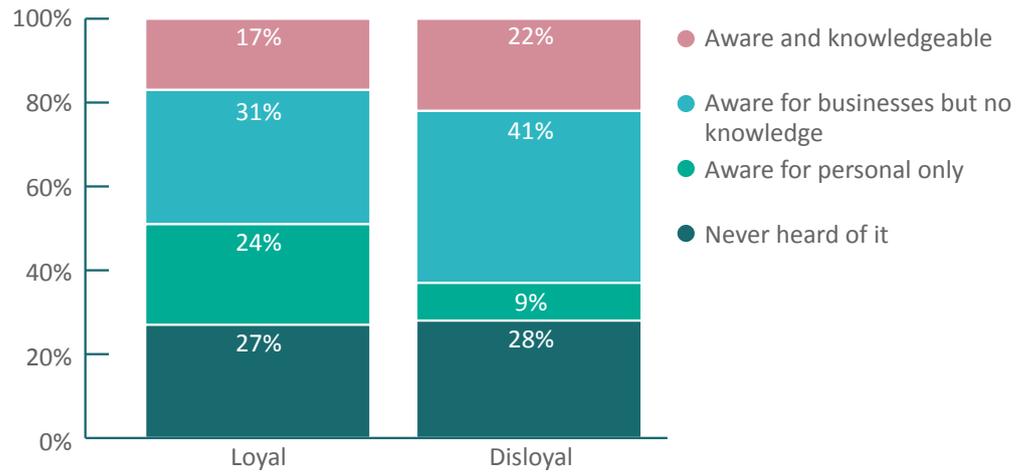
The research showed that knowledge of CASS is fairly limited. As the chart below demonstrates, across the whole market fewer than one in five small businesses have heard of CASS for businesses and know something about it (for instance, have some knowledge beyond name recognition). A further third (32%) have heard of it but don't really know anything about it while a quarter (24%) have heard of it but for personal customers only. More than a quarter (27%) have never heard of CASS.

Figure 1: Awareness of CASS



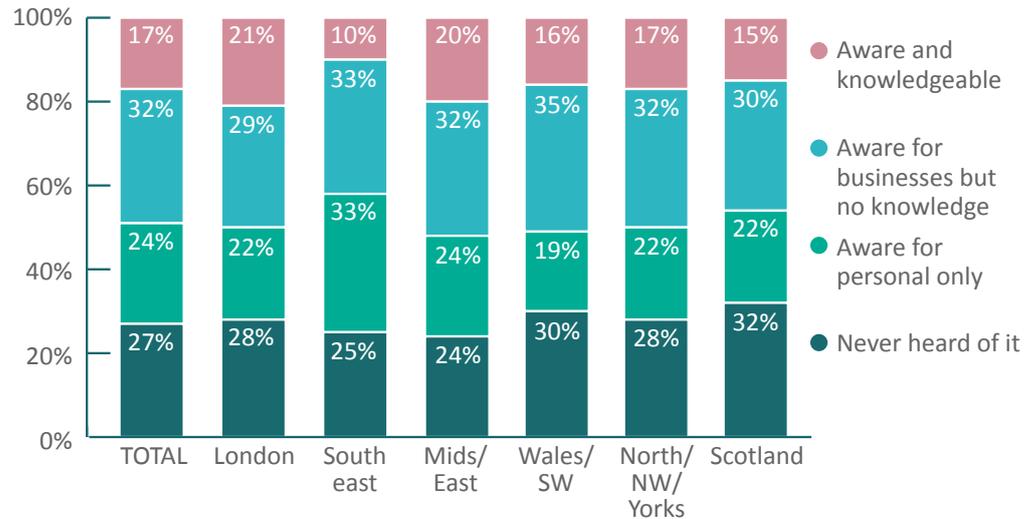
We know that the biggest driver in propensity to switch is dissatisfaction or lack of loyalty to the existing bank – a ‘push’ factor. If we look at CASS awareness by those currently loyal and those currently disloyal (for instance, are already thinking about switching), the proportion that have never heard of CASS is the same.

Figure 2: Awareness of CASS by loyalty



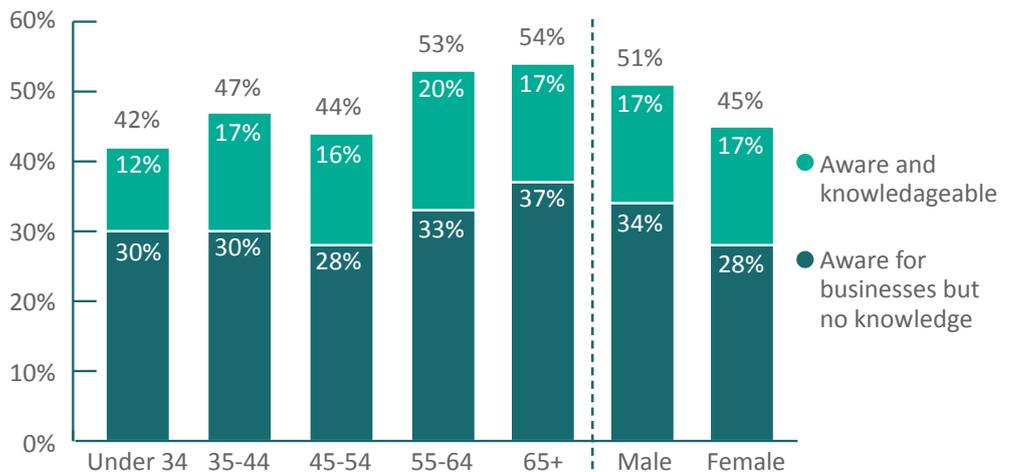
There are some differences by region in terms of awareness. As can be seen in the following chart, knowledge is lowest in the South East and highest in London and the Midlands/East. More than a third (35%) of Scottish businesses have never heard of CASS compared with 25% in Midlands/East.

Figure 3: Awareness of CASS by region



When we look at the overall net figure of proportion of businesses aware of CASS for business, this is 49% (just under half). When we look at this by age of owner, gender of owner and how long the business has been established, there are some differences. Older, male respondents are more likely to have heard of CASS than younger and female counterparts.

Figure 4: Awareness of CASS by age and gender

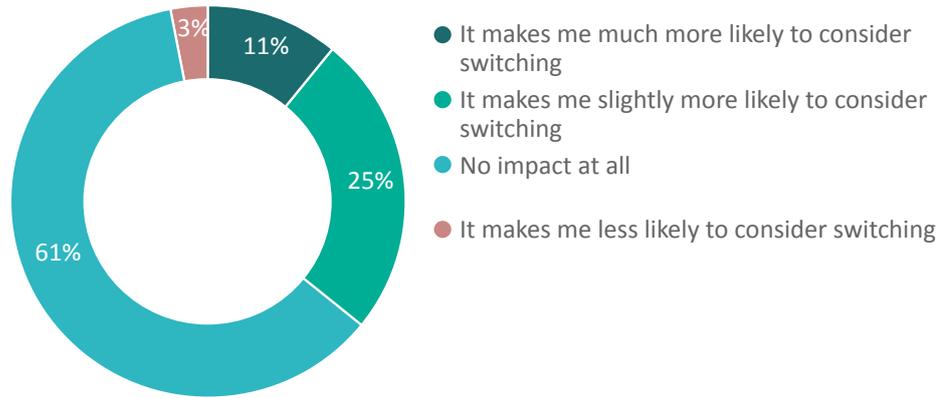


Research findings: CASS is likely to have a positive impact on propensity to switch for a third of businesses

As seen above, only about half of businesses are aware of CASS but even if they were aware, is it likely to have an impact on propensity to switch? The majority of businesses (61%) say it will have no impact at all on likelihood to switch; however, more than a third (36%) say it would make them more likely to consider switching and just 3% say it will make them less likely to consider switching.

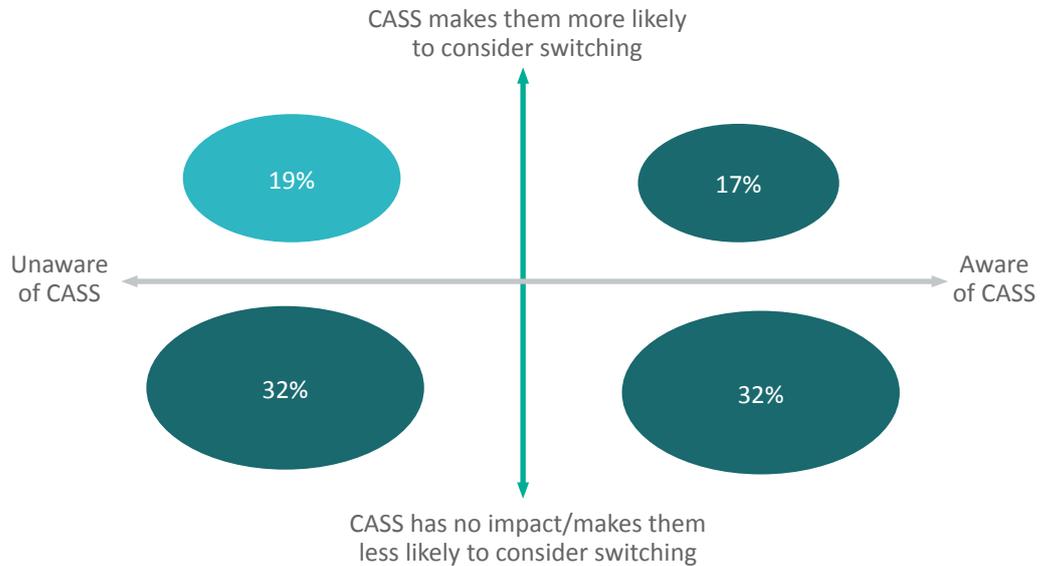
So, increasing awareness of CASS is likely to have a positive impact on the number of businesses considering switching.

Figure 5: Impact of CASS on switching propensity



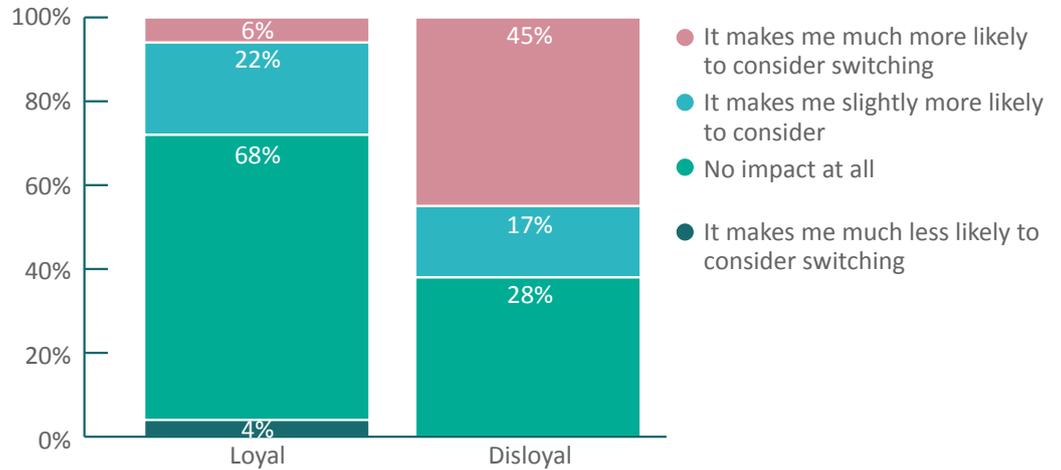
This data can be examined against awareness and knowledge of CASS and producing four segments: those aware of CASS for business who say it makes no impact; those aware of CASS for business who say it would make them more likely to consider switching; those unaware currently who say it would make no difference; and those unaware currently who say it makes them more likely to switch.

The data shows that almost one in five businesses with a turnover of up to £6.5m are both unaware of CASS and say that CASS makes them more likely to switch. This equates to nearly 750,000 businesses across Britain.



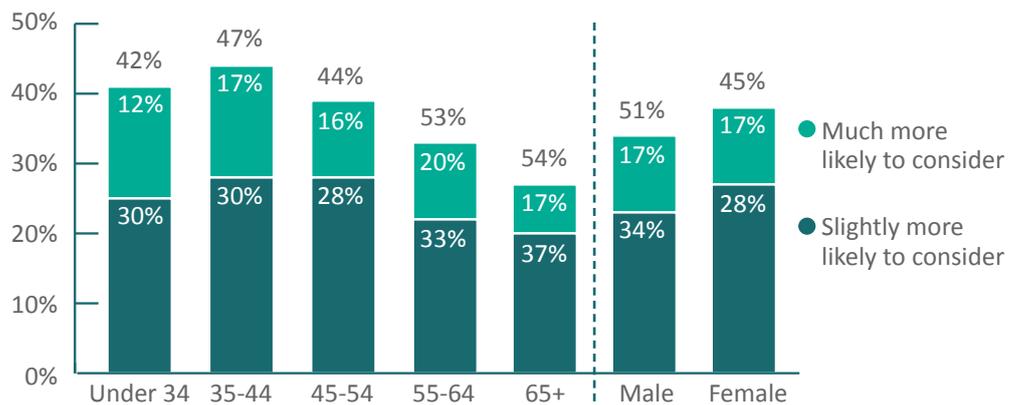
Looking at the impact of CASS versus loyalty to their existing bank, there is a significant difference in the impact CASS is likely to have with nearly half of those disloyal saying that CASS will make them much more likely to consider switching compared with just 6% of those loyal to their existing bank.

Figure 6: Awareness of CASS by loyalty



There is little difference in the impact of CASS on propensity to switch when looked at by region or by industry sector; however, there are some differences when we look at age of business, age of business owner, gender of respondent and number of employees. Younger owners, female owners and those with more newly established businesses are most likely to say that CASS will make them more likely to switch accounts, whereas those that are older, in more established businesses and male are less likely to say CASS will have an impact.

Figure 7: Impact of CASS on propensity to switch



Research conclusion: Raising awareness of CASS could impact on business current account switching; however, the current messaging doesn't overcome the main hurdle that businesses are generally satisfied with their main bank's offering and don't see much differentiation in the market.

Technical appendix

Q1 findings are from the Charterhouse Research Business Confidence Survey among 2,176 British businesses from start-ups to companies with £6.5m turnover, surveyed 2nd January to 21st March 2018.

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About Charterhouse Research

Charterhouse Research is a leading specialist financial market research consultancy. Its sector knowledge and expertise, combined with a business model involving only senior level personnel, is what sets it apart from many of its competitors.

As sector specialists it possesses detailed knowledge of complex financial products, services and market sectors. It is highly skilled at recruiting, researching and engaging hard to reach audiences.

With a repeat business rate of 98%, Charterhouse has long been the secret weapon for research decision-makers looking for best-in-class intelligence.

Its clients include leading financial service organisations across the range of financial sectors spanning banks, building societies, life and general insurance companies, investment and finance houses, financial regulators and business service providers.