

9 October 2020

Rt Hon Mel Stride MP
By Email

Dear Mr Stride,

RE: UK bank closures of current accounts of customers living in the EU post-transition period

Thank you for your letter of 29 September. I am replying as I have now taken over as the FCA's Chief Executive.

The UK has done a significant amount to limit any potential disruption to customers at the end of the Brexit transition period. This includes introducing the Temporary Permissions Regime (TPR) and the Financial Services Contracts Regime (FSCR). However, there are no pan-European equivalents to the UK's TPR and FSCR schemes. As a result, the extent to which UK banks can service EEA-based customers is a matter of local law and regulation as well as the decisions firms take in light of their particular business models and structures.

Not all firms are informing customers their current accounts will be closed. However, where firms do decide to do so, there are contractual provisions between the firm and the customer governing the notice periods they need to give. These vary by firm and by banking product. For example, under the Payment Service Regulations 2017, banks must provide a minimum notice period of two months when closing in-credit current accounts. Our rules and guidance set out other requirements for banks to provide clear and timely information to customers when closing other types of account (see BCOBS 4.1.1 in the FCA handbook). As a minimum, we expect firms' actions to be consistent with the customers' contractual rights.

In line with their requirement to treat customers fairly, firms must be able to show they have considered how their plans for the end of the transition period may affect their customers, keeping in mind that different categories of customer might be affected in different ways. This includes identifying whether closing accounts would cause any particular customers or classes of customer undue financial hardship, taking into account the availability of alternative products. Firms should consider this when deciding how much notice to provide to customers and how much support they provide to customers to ensure they can smoothly transition to new arrangements.

We are engaging closely with the large banking groups about their plans for servicing EEA-based customers after the transition period. Today, jointly with the Bank of England, we wrote to CEOs of UK and international banks on the importance of being prepared for the end of the transition period, including the need to have plans in place on their approach to servicing their existing contracts with EEA-based customers¹. Where they plan to close customer accounts, we have reiterated our expectations. We will continue to do so directly with firms, on our Brexit webpages² and through other communications.

¹ <https://www.fca.org.uk/news/statements/fca-writes-joint-letter-bank-ceos-uk-and-international-banks>

² <https://www.fca.org.uk/brexit>

I would like to thank you for raising this matter with us and giving us the opportunity to clarify our expectations of firms. Once the Committee has published this response we will publish it on our website, and also draw it to the attention of the large banking groups in particular.

Yours sincerely,

A handwritten signature in blue ink that reads "Nikhil Rathi". The signature is written in a cursive style and is centered within a light gray rectangular box.

Nikhil Rathi
Chief Executive