

Lloyds Banking Group

09:38 07 Jun 2019

Regulator proposes radical overhaul of 'dysfunctional' bank overdraft charges

The Financial Conduct Authority (FCA) has confirmed a series of measures that it says will slash the cost of overdrafts.

First flagged last December, the clampdown is to resolve what the regulator says is a dysfunctional market.

Banks and building societies made £2.4bn from overdrafts in 2017, said the FCA.

"Vulnerable consumers are disproportionately hit by excessive charges for unarranged overdrafts, which are often ten times as high as fees for payday loans," said Andrew Bailey, the regulator's chief executive.

The proposals include imposing the same prices for arranged and unarranged overdrafts, fixed overdraft fees, one standard interest rate for overdrafts, and requiring the lenders to advertise their overdraft rates.

Bailey said it was a radical set of measures that would make overdrafts fairer, simpler and easier to manage.

"Following our changes we expect the typical cost of borrowing £100 through an unarranged overdraft to drop from £5 a day to less than 20 pence a day."

Most of the new rules will come into force by the end of this tax year, 6 April 2020, with banks and building societies also having to do more to identify and help customers stuck in long-term overdrafts.

Banks change ahead of measures

Britain's big four banks Lloyds Banking Group PLC (LON:LLOY), Royal Bank of Scotland Group PLC (LON:RBS), HSBC Holdings PLC (LON:HSBA) and Natwest made changes to their fees last year following criticism by consumer groups and the Competition and Markets Authority..

Even so, the regulator has also threatened to cap charges in future if there is no improvement.

People shifting their overdraft to credit cards are a problem that the new proposals don't address, analysts added.

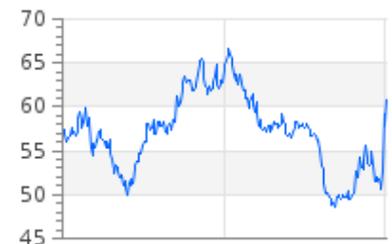
Lloyds shares rose by 1% to 57.8p, while Barclays PLC (LON:BARC) was flat at 151.2p.

-- adds detail --

Price: 60.82

Market Cap: £42.59 billion

1 Year Share Price Graph



October 2018 April 2019 October 2019

Share Information

Code: LLOY

Listing: LSE

52 week High Low
66.79 48.1559

Sector: Banks

Website: www.lloydsbankinggroup.com

Company Synopsis:

Lloyds Banking Group has many household names like Lloyds Bank, Halifax, Bank of Scotland and Scottish Widows. Lloyds Banking Group is a leading UK based financial services group providing a wide range of banking and financial services, focused on personal and commercial customers.

action@proactiveinvestors.com

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Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

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