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New code forces banks to be more transparent on standards of practice

By JANE CROFT

Banks will be forced to tell customers if they take longer than three working days to clear a cheque under changes to the Banking Code published today.

The voluntary code, which is followed by most banks as a way of showing their standards of practice are up to scratch, will mean lenders have to be far more transparent about how long a cheque takes to clear.

The UK takes longer to clear payments than almost any other Group of 10 country with some banks taking five or six days. The Bank of England recently urged banks to speed up the clearance of cheques and electronic payments.

The new code, which is updated every two years, will also compel banks to **make basic bank accounts** - aimed at the low paid and unemployed - **more readily available** to customers.

However, some consumer groups attacked the code saying that it did not go far enough. Emma Bandey of Which? said the industry

remained "several paces" behind the needs of its customers. She said customers wanted faster cheque clearing not greater information about the length of time taken.

Jill Johnstone, director of policy at the National Consumer Council, added: "Giving people a basic bank account at their request is not likely to increase take-up significantly. We want to see the banking industry promoting these accounts much more actively."

The new code could also make it more difficult and time-consuming for banks to close branches. Under current rules, banks have to give customers 12 weeks' notice if they plan to close a branch which is within a five-mile radius of another branch.

Under the new code, banks will have to give 12 weeks' notice if they close a branch within one mile of another branch in an urban area. In rural areas, customers will get 12 weeks' notice if the bank closes a branch within four miles of an existing one.

Derek French, director of the Campaign for Community Banking Services, a consumer pressure group, said: "The new code has partly put right the unsatisfactory measures it introduced last time."

The code will also include a section dedicated to credit cards for the first time. The new standards will outline best practice in the distribution of credit card cheques, which can be used like a bank cheque but charge a high rate of interest. One change is likely to specify that banks should not send out credit card cheques to "vulnerable" consumers - those thought most likely to get into debt.

The new guidelines will also specify that customers can opt out of being sent credit card cheques if they do not want them. There are currently no guidelines in the existing code about credit card cheques.

Banks will also have to specify the dangers of failing to make the minimum repayment on the amount owed on every credit card bill sent to consumers. Some banks already do this.

The new Banking Code, which has been reviewed by Professor Elaine Kempson of Bristol University, will be implemented by all the banks, credit card issuers and building societies in March 2005.