

Bank account switching declined as institutions cut incentives

Article

Current account switching in the UK fell around 30% last year as the pandemic raged in the country, [per](#) AltFi. In total, 704,560 switches occurred throughout 2020, compared with over 1 million in the previous year. The figure was aided by a strong rebound in Q4, with nearly 190,000 switches taking place—including the highest monthly total since the crisis began. For context, current accounts are akin to checking accounts in the US.

The decline was likely driven by a reduction in marketing efforts by banks—highlighting the importance of switching incentives. Surprisingly, the pandemic appeared to have a more significant impact on banks' end than on consumer sentiment. Customers actually switched the most when coronavirus cases were at their **highest**; even when the country was in **lockdown** for all of November—which was the service's best month since March 2020. According to the chair of the Customer Account Switching Service (CASS), banks withdrew some incentives in response to the pandemic and didn't **reinstate** them until late summer. It is possible that some customers are just less inclined to switch banks in the middle of a crisis, but the timing of the rebound indicates that switching bonuses remain a powerful customer acquisition tool.

Cash incentives help entice customers to leave their bank, but institutions need to offer more value-added services to retain them. Here are two ways banks could achieve this:

- **Adding more personal financial management (PFM) tools:** Features that enable customers to reduce subscription costs, assess spending levels, and identify savings and investment opportunities could tie users more closely to their banks. Institutions could strengthen their customer relationships by personalizing these insights—possibly following Bank of America's lead, which recently **added** animated assessments that show a customer's financial position.
- **Increasing access to human advisors:** Personal interactions are still **important** to UK consumers, and banks should do more to enable them. NatWest is already making **strides** in the right direction, expanding hours and adding video capability to allow customers to directly interface with a human banker at their convenience. This could be particularly useful for incumbents, which don't currently fare well in terms of overall service **quality** compared with their digital counterparts.

Personal Account Providers that Adults in Great Britain Would Recommend to Their Friends and Family Based on Overall Service Quality, July 2019-June 2020

% of respondents

Monzo	86%	HSBC	59%
Starling Bank	84%	NatWest	58%
First Direct	83%	Bank of Scotland	58%
Metro Bank	81%	The Co-operative Bank	57%
Nationwide	71%	Yorkshire Bank	56%
Barclays	62%	TSB	51%
Halifax	62%	Clydesdale Bank	51%
Santander	61%	Royal Bank of Scotland	46%
Lloyds Bank	60%	Tesco Bank	44%
Virgin Money	60%	-	-

Source: Ipsos MORI, "Personal Banking Service Quality - Great Britain," Aug 17, 2020

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