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THE PRIME MINISTER

21 September 2009

Dear Martin

Thank you for your letter about bank charges, and for the important work that you do to educate and empower consumers.

I certainly agree that once the legal issues have been resolved, any compensation that is due should be paid as swiftly as possible. How compensation should be paid depends on how the case is resolved. I know that for consumers fighting for fair treatment the extremely lengthy legal processes can be unacceptable. As you know, people in financial difficulties can still have their complaints heard now, and your website gives helpful information on this. The Government is committed to doing all we can to agree better ways of resolving cases involving mass complaints in future.

As for the charges that are the subject of the test case, I believe that a negotiated solution could be in everyone's best interests, and so we have called on the banks and the regulators to explore a quicker way to resolve this without further delay.

People need to have confidence that, when they open an account, they will be treated fairly, charges and fees will be transparent and reasonable, and that their savings will be safe. I am pleased to see that RBS, Natwest, Halifax and Bank of Scotland have all announced substantial reductions to their charges in recent days, which will immediately help many thousands of consumers.

It was to protect savers, and to prevent the immeasurable harm that would have been done to the economy and the prospects of every consumer, that we stepped in to stop the banking system from collapsing a year ago. We are now taking extensive action to reform the banks' culture, to stop irresponsible banking practices, and to support more



effective consumer education and information so that people can get a better deal.

We are determined to ensure that, in the future, regulation is improved and more effectively enforced. On 1 November we are introducing new rules for retail banks about how they conduct their business. We are implementing new requirements for all lenders to explain their products to consumers properly before they enter into a contract. And we are reviewing the regulation of credit cards and store cards.

But alongside the regulatory system, we want consumers to be able to take better control of their finances – knowing their rights and being able to take action when these rights are not met. We believe that more can be done to drive up the standards of complaints handling by firms, and are consulting on better and faster ways of dealing with widespread complaints when providers get it wrong, including ways to support collective action through which consumers can enforce their rights to redress through the courts.

We have also announced many other actions to empower and support consumers. As you note in your letter, we will establish a Consumer Advocate to co-ordinate work to educate consumers and to be a champion for groups of consumers who have suffered a loss at the hands of a business. And we are creating a central 'Fighting Fund' to tackle rogue traders operating on a big scale.

As your website and your campaigns have shown our efforts to ensure that our banking system of the future is sustainable, responsible and transparent, must go hand in hand with efforts to put power back into the hands of consumers and ensure a fair deal for all.

Yours sincerely

**Gavin Brown**

Mr Martin Lewis

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