

## NOW YOU FACE PAYING FOR BANKING

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By *Nathan Rao*



Chairman of the Financial Services Authority Lord Adair Turner

FREE banking should be scrapped so the big banks can stop squeezing profits from customers elsewhere, Britain's top financial regulator warned yesterday. The future of free banking is in doubt over plans to pass on higher regulatory costs to customers.

Lord Adair Turner, chairman of the Financial Services Authority, claimed free banking prevented competition and led to a string of scandals like the mis-selling of financial products as fat cats hunt big pay-days.

Last night, campaigners slammed the "disgusting" prospect of customers being forced to pay for their current accounts as standard to foot the bill for City excess.

Lord Turner said people with current accounts in credit were being given the service for free while others were left with massive fees.

He said not charging some customers was only possible through cross-selling other products to others.

But his comments sparked anger with calls for banks to be more transparent on current charges rather than introducing account fees.

Yvonne Goodwin, managing director of Yvonne Goodwin Wealth Management, said: “It is disgusting to add more charges when you think of the number of banks bailed out by the taxpayer.

“The ideal system would be complete transparency. Current accounts are all subject to charges, they are just hidden.”

Economist Jonathan Davis accused Lord Turner of delivering a “red herring”.

He said: “It is the FSA who have been responsible for the lack of regulation and to now say that the solution is to end free banking is utterly outrageous.

“If the banks have been making money from not charging they should be allowed to continue.”

But Claire Francis of Moneysupermarket.com said: “I think it will be some time before we lose free banking, although there will be a move towards more accounts offering packages for a fee.”

Speaking in London, Lord Turner said it is difficult for new banks to compete with the high street giants.

He said the need to recover costs could lead to malpractice at a time when the industry is riddled with controversy about tax avoidance, bonuses, and mis-selling financial products. “Many who stay in credit get a good deal, subsidised by others who pay, for instance, unauthorised overdraft charges and PPI insurance premiums,” said Lord Turner.

“It is not a sound basis for a relationship between a competitive banking system and its customers.”

Other recommendations for reform included better regulation and ring-fencing retail banking from investment banking.

But Lord Turner said it would be “wrong and dangerous” to believe that ring-fencing alone would prevent future crises