Testing the Effectiveness of Consumer Financial Disclosure: Experimental Evidence From Savings Accounts

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The views expressed are the personal views of the authors and do not necessarily represent the official position of the Financial Conduct Authority, the Competition and Markets Authority, the Autoriteit Financiele Markt, or Lloyds Banking Group.
Motivation behind financial disclosure

- Invisible hand under imperfect information is imperfect
- Goods, services, investments are complex, costly and imprecise to evaluate
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- Popular solution: disclosure
- SEC filings, health warnings, fine print, false advertising laws, GDPR...
- Doesn’t take a stand on the “right” choice, just inexpensively provides information
Motivation behind financial disclosure

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- Popular solution: disclosure
  - SEC filings, health warnings, fine print, false advertising laws, GDPR...
- Doesn’t take a stand on the “right” choice, just inexpensively provides information
- Classical view: with ample options + info, market discipline sufficient
- Substandard product? People will simply switch providers/products
Limits to Disclosure

• But sophistication of disclosure user matters
• Consumer inertia can inhibit market discipline, make choices sticky
• Understand disclosure’s effectiveness ⇒ optimize design, reliance
Testing the Effectiveness of Consumer Financial Disclosure

Motivation and Background

Limits to Disclosure

• But sophistication of disclosure user matters
• Consumer inertia can inhibit market discipline, make choices sticky
• Understand disclosure’s effectiveness ⇒ optimize design, reliance
• Different causes of switching costs ⇒ different policy prescriptions

Uninformed → Highlight benefits
Inattentive → Increase salience
Inert → Simplify action
What we ask in this study

1. How much does design of consumer financial disclosure matter?
2. What limits disclosure’s effectiveness?
3. Why are deposits sticky?
Disclosure Design

- Some acknowledgement that disclosure design matters...  
  ...but mandated disclosers still have many degrees of freedom
- Many ways to obfuscate: placement, font size, wording, disclose more...
- Motivates standardization: SEC filings, HUD settlement forms, CARD Act, etc.
- Other settings rely on courts to catch bad-faith disclosers
Our context: testing prospective regulation

- Proposal in parliament to mandate disclosure of best available interest rate
- Goal: address % savings accounts earning below-market rates
- FCA was allowed to test effectiveness with randomized-controlled trials
- Put out a call for banks to partner with FCA to test disclosure effectiveness
Randomized Controlled Trials with 5 UK banks

<table>
<thead>
<tr>
<th>Sample</th>
<th>Treatment versions</th>
</tr>
</thead>
<tbody>
<tr>
<td>63,000</td>
<td>4</td>
</tr>
<tr>
<td>13,000</td>
<td>4</td>
</tr>
<tr>
<td>4,000</td>
<td>1</td>
</tr>
<tr>
<td>24,000</td>
<td>2</td>
</tr>
<tr>
<td>30,000</td>
<td>4</td>
</tr>
</tbody>
</table>

>124,000 customers in total
Average gain £123/year (~$190)
Why a field experiment?

- Identification: Disclosure law changes concurrent with other changes
- Lab experiments can overstate disclosure effectiveness; participants not representative of overloaded consumer
- For policy we need to know real-world effectiveness: in the context policy would actually find itself, competing with other priorities
- Solution: large-scale field experiment with real stakes
UK Savings Market Background

- Large & important market: 93%
- Same products sold for different prices: >€1 trillion
- Simple environment: 80% not switched in last three years
- ∆%: clear benefits
- Low switching cost

Interest rate:
- <2 years: 3.0%
- 2-5 years: 1.5%
- >5 years: 1.0%

% of balances:
- <2 years: 60%
- 2-5 years: 30%
- >5 years: 10%
Joint-Hypothesis Problem

Problem judging disclosure effectiveness: need to define “right” decision.

- Complex in the real world, where, e.g., high-cost debt could be optimal (Medina, 2017)
- Optimal refinancing decision complex function of private information + beliefs
Joint-Hypothesis Problem

Problem judging disclosure effectiveness: need to define “right” decision.

- Complex in the real world, where, e.g., high-cost debt could be optimal (Medina, 2017)
- Optimal refinancing decision complex function of private information + beliefs

Savings accounts are a promising simple setting

- Optimality of savings account choice easier to segment from other considerations
- One dimensional differentiation: interest rate, can personalize to £s
- UK savings account market large (> $1tn), many customers on below-market interest rates
- Limitations: branch network, app quality, bank reputation, synergies across accounts
- Solution: “internal switching” option holds everything fixed except $r$
Context in Literature(s)

• Rich disclosure literature in accounting, marketing, psychology
• Consumer fin. disclosure effectiveness: lab experiments or joint-hypothesis problem
• Many obstacles to disclosure
  ○ Inattention, financial literacy, switching costs, procrastination, choice overload, ostrich effect, endogenous complexification response by firms
  ○ Choice is sticky literature: retirement plan defaults, heath insurance plans, cell phone plans, gym memberships, electricity providers
• Sticky deposits
• Consumer financial mistakes

→ First to test design of consumer-facing disclosure where optimality easier to define.
Outline

1 Motivation and Background
2 RCT Design and Data
3 Treatment Effects
4 Survey Evidence on Mechanisms
5 Conclusion and Policy Implications
Trial 1 design: Better rates on front page

<table>
<thead>
<tr>
<th>Your account</th>
<th>X.XX%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market alternative</td>
<td>Y.YY%</td>
</tr>
<tr>
<td>Interest you could earn this year on every £10,000 of savings</td>
<td>1.08%</td>
</tr>
<tr>
<td>&lt;current savings account&gt;</td>
<td>£X.XX</td>
</tr>
<tr>
<td>&lt;alternative internal savings account&gt;</td>
<td>£X.XX (£A.AA more)</td>
</tr>
</tbody>
</table>

Highest paying accounts on the market*

£108.00 (£83.00 more)

*Based on an average of the three highest paying equivalent accounts on the market at 10th August, 2015 using moneysupermarket.com. Restrictions and exclusions may apply.
Trial 2 design: Better rates on reverse page
COULD YOU GET A BETTER RETURN ON YOUR SAVINGS?

Your account: <A/C name>
Your balance: £5,432 as at 30 April 2015
Your new interest rate: X.XX% AER/gross
Account type: <A/C name> - you can withdraw money without charge

How much more could I earn in interest?
A balance of £5,432 in a <firm and A/C name> would earn £X.XX this year.

Best comparable <alternative with firm> £Y.YY in total (or £A.AA more) a year.

Average of three of the highest paying accounts on the market: <£xx.xx> in total (or <£xx.xx> more) a year.

Moving your money is easy.
To move your money to <alternative with firm> simply call us on <phone>, visit <weblink> or visit us in branch to find out more. To move your money to an account offered by an alternative provider, open a new account with them and transfer your funds.
Dear [Salutations],

Get a better rate of interest on your savings.

We are writing to let you know that you can get a better rate of interest on your savings. Your savings are currently in a [account name], which pays an interest rate of [x.xx%] Gross PA/AER and provides easy access, meaning you can withdraw money without charge. By moving to another of our savings accounts you can earn a better rate of interest and make your savings work harder for you.

How does my savings account compare?
As at [date] 2015, the highest interest rate available from [firm name] on a comparable account is [Y.YY%] Gross PA/AER on our [account name]. Three of the highest paying easy access accounts offered by other banks and building societies offer an average rate of [%] Gross PA/AER. Price comparison websites can provide information on rates offered by other providers.

How much more could I earn in interest?
To make it easier to compare the accounts, the following examples all use an account balance of £5,000 based on a Gross interest rate.

- £5,000 balance in your existing [account name]: £[x.xx] per year
- £5,000 balance in our [account name]: £[Y.YY] per year
- £5,000 balance in one of the average 3 highest paying accounts on the market: £<per year

What to do next
If you would like to open a [account name] please contact us. If you have a passbook remember to send to us as well.

If you would prefer to leave your savings where they are that’s fine – there is nothing you need to do.

I would like to switch my savings to the [account name] account.

<Deposit account> <Account number>
<title><initial><surname> & <title><initial><surname>
<title><initial><surname> & <title><initial><surname>

How much would you like to transfer?
Either choose “Transfer all” or fill in the amount you want to transfer from your <deposit account>.

Transfer all ☐  Transfer part of my savings £ [ ]

How would you like your interest paid?
Annually ☐  Monthly ☐

Interest will be paid to the same account as the interest from your <deposit account>. If you would like to change this, please tell us in writing.

I would like to switch my savings to the [account name] account.

<Deposit account> <Account number>
<title><initial><surname> & <title><initial><surname>
<title><initial><surname> & <title><initial><surname>

How much would you like to transfer?
Either choose “Transfer all” or fill in the amount you want to transfer from your <deposit account>.

Transfer all ☐  Transfer part of my savings £ [ ]

How would you like your interest paid?
Annually ☐  Monthly ☐

Interest will be paid to the same account as the interest from your <deposit account>. If you would like to change this, please tell us in writing.

Signature(s) [ ]
Date [ ]
Trials 4 & 5 design: Rate drop reminders

Your savings account
interest rate is reducing

Dr Tester

The interest rate on your account was for [insert rate] and will end soon. From [insert date], your account will change to an [insert new rate] account and the interest rate will reduce, as shown below:

<table>
<thead>
<tr>
<th>Current balance tiers</th>
<th>Current interest rate Gross / AER (variable)</th>
<th>New account name</th>
<th>New interest rate Gross / AER (variable)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;50k</td>
<td>&lt;2.5%</td>
<td>[insert name]</td>
<td>&lt;2.0%</td>
</tr>
<tr>
<td>50k-100k</td>
<td>&lt;2.5%</td>
<td>[insert name]</td>
<td>&lt;2.0%</td>
</tr>
<tr>
<td>&gt;100k</td>
<td>&lt;2.5%</td>
<td>[insert name]</td>
<td>&lt;2.0%</td>
</tr>
</tbody>
</table>

The interest rate on the [insert name] is a variable rate, which can be increased or reduced at any time.

You can change to a different savings account at any time.

Although you can carry on using your account as you do now, you may prefer to open another [insert name] or [insert name].

Account name | Interest rate Gross / AER (variable) for [insert name] | Interest rate Gross / AER (variable) for [insert name]
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;50k</td>
<td>&lt;2.5%</td>
<td>&lt;2.0%</td>
</tr>
<tr>
<td>50k-100k</td>
<td>&lt;2.5%</td>
<td>&lt;2.0%</td>
</tr>
<tr>
<td>&gt;100k</td>
<td>&lt;2.5%</td>
<td>&lt;2.0%</td>
</tr>
</tbody>
</table>

The interest rates in the table above are correct as at 10 August 2015. This product can be withdrawn from rate at any time.

[name] Remember, your savings account rate has been reduced. For options visit our website, your local branch or call us. Text STOP to _______ to end messages.
# RCT Design

<table>
<thead>
<tr>
<th>Trial</th>
<th>Treatment details</th>
<th>Rate change</th>
<th>Customer tenure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Front-page switching box</td>
<td>Comparison with market rates on front page of annual statement</td>
<td>None</td>
</tr>
<tr>
<td>2</td>
<td>Reverse-page switching box</td>
<td>Comparison with market rates on back of rate-change notification letter</td>
<td>Yes, 60 days after treatment to all customers</td>
</tr>
<tr>
<td>3</td>
<td>Return switching form</td>
<td>Tear-off form pre-filled to switch to higher rate-paying account with same provider</td>
<td>None</td>
</tr>
<tr>
<td>4</td>
<td>Digital reminder</td>
<td>Rate decrease reminder via email or SMS</td>
<td>Yes, end of individual bonus period seven weeks before to eight weeks after treatment</td>
</tr>
<tr>
<td>5</td>
<td>SMS reminder</td>
<td>Rate decrease reminder via SMS</td>
<td>Yes, one week before to one week after treatment to all customers</td>
</tr>
</tbody>
</table>
## Administrative Data on Consumers

<table>
<thead>
<tr>
<th>Trial</th>
<th>Front page</th>
<th>Reverse page</th>
<th>Return form</th>
<th>Digital reminder</th>
<th>SMS reminder</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>59.2</td>
<td>53.2</td>
<td>64.4</td>
<td>52.9</td>
<td>42.4</td>
</tr>
<tr>
<td></td>
<td>(16.58)</td>
<td>(17.23)</td>
<td>(15.92)</td>
<td>(16.15)</td>
<td>(13.92)</td>
</tr>
<tr>
<td>Male</td>
<td>0.42</td>
<td>0.41</td>
<td>0.45</td>
<td>0.48</td>
<td>0.52</td>
</tr>
<tr>
<td></td>
<td>(0.49)</td>
<td>(0.49)</td>
<td>(0.50)</td>
<td>(0.50)</td>
<td>(0.50)</td>
</tr>
<tr>
<td>Checking Account</td>
<td>0.25</td>
<td>0.80</td>
<td>0.06</td>
<td>0.77</td>
<td>0.98</td>
</tr>
<tr>
<td></td>
<td>(0.43)</td>
<td>(0.40)</td>
<td>(0.24)</td>
<td>(0.42)</td>
<td>(0.16)</td>
</tr>
<tr>
<td>Account Balance (£)</td>
<td>8,436</td>
<td>7,407</td>
<td>6,812</td>
<td>37,939</td>
<td>24,162</td>
</tr>
<tr>
<td></td>
<td>(20,788)</td>
<td>(22,862)</td>
<td>(18,156)</td>
<td>(88,633)</td>
<td>(78,574)</td>
</tr>
<tr>
<td>Potential Gain (£)</td>
<td>70.02</td>
<td>82.96</td>
<td>76.29</td>
<td>230.56</td>
<td>198.13</td>
</tr>
<tr>
<td></td>
<td>(172.54)</td>
<td>(256.05)</td>
<td>(203.35)</td>
<td>(538.50)</td>
<td>(644.31)</td>
</tr>
<tr>
<td>Account Age (years)</td>
<td>13.7</td>
<td>6.7</td>
<td>16.1</td>
<td>1.0</td>
<td>4.7</td>
</tr>
<tr>
<td></td>
<td>(10.86)</td>
<td>(1.25)</td>
<td>(3.99)</td>
<td>(0.09)</td>
<td>(2.45)</td>
</tr>
<tr>
<td># products with provider</td>
<td>1.6</td>
<td>4.6</td>
<td>1.6</td>
<td>4.6</td>
<td>5.4</td>
</tr>
<tr>
<td></td>
<td>(0.88)</td>
<td>(1.88)</td>
<td>(1.28)</td>
<td>(2.55)</td>
<td>(2.86)</td>
</tr>
<tr>
<td>Online Banking</td>
<td>0.09</td>
<td>0.58</td>
<td>-</td>
<td>0.84</td>
<td>0.90</td>
</tr>
<tr>
<td></td>
<td>(0.28)</td>
<td>(0.49)</td>
<td>-</td>
<td>(0.37)</td>
<td>(0.29)</td>
</tr>
<tr>
<td>Mobile Banking</td>
<td>0.09</td>
<td>0.29</td>
<td>-</td>
<td>0.22</td>
<td>0.30</td>
</tr>
<tr>
<td></td>
<td>(0.29)</td>
<td>(0.45)</td>
<td>-</td>
<td>(0.42)</td>
<td>(0.46)</td>
</tr>
<tr>
<td>Observations</td>
<td>61,879</td>
<td>13,261</td>
<td>4,003</td>
<td>15,487</td>
<td>30,202</td>
</tr>
</tbody>
</table>
(Dis)Advantages of multiple banks

- Only one bank: less external validity, still don’t know about other contexts
- Practicality: hard to implement significantly different designs @ same bank
- Also hard to implement same design @ different banks
(Dis)Advantages of multiple banks

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- Also hard to implement same design @ different banks
- ... but finding one design to be more effective conflated by bank effects
- Less of a concern when effects are similar across designs anyway despite heterogeneity in customer mix, etc.
(Dis)Advantages of multiple banks

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- Practicality: hard to implement significantly different designs @ same bank
- Also hard to implement same design @ different banks

...but finding one design to be more effective conflated by bank effects
- Less of a concern when effects are similar across designs anyway despite heterogeneity in customer mix, etc.

- Experiment provides internally valid causal estimates.
- Comparison across settings and customer mixes checks context importance
## Randomization Balanced

<table>
<thead>
<tr>
<th></th>
<th>Observations</th>
<th>Age</th>
<th>Balance</th>
<th>Male</th>
<th>Checking</th>
<th>Acct age</th>
<th>Joint test</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I. Front-Page Switching Box</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Control</td>
<td>12,723</td>
<td>59.33</td>
<td>8,685</td>
<td>0.42</td>
<td>0.25</td>
<td>13.76</td>
<td></td>
</tr>
<tr>
<td>Treatment</td>
<td>49,156</td>
<td>59.20</td>
<td>8,371</td>
<td>0.42</td>
<td>0.24</td>
<td>13.71</td>
<td></td>
</tr>
<tr>
<td>Equality p-value</td>
<td>[0.45]</td>
<td></td>
<td>[0.13]</td>
<td>[0.89]</td>
<td>[0.12]</td>
<td>[0.66]</td>
<td>[0.20]</td>
</tr>
<tr>
<td><strong>II. Reverse-Page Switching Box</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Control</td>
<td>2,659</td>
<td>53.93</td>
<td>7,359</td>
<td>0.41</td>
<td>0.80</td>
<td>6.74</td>
<td></td>
</tr>
<tr>
<td>Treatment</td>
<td>10,602</td>
<td>53.01</td>
<td>7,419</td>
<td>0.41</td>
<td>0.80</td>
<td>6.71</td>
<td></td>
</tr>
<tr>
<td>Equality p-value</td>
<td>[0.01]</td>
<td></td>
<td>[0.90]</td>
<td>[0.94]</td>
<td>[0.99]</td>
<td>[0.31]</td>
<td>[0.11]</td>
</tr>
<tr>
<td><strong>III. Switching Form</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Control</td>
<td>1,999</td>
<td>64.65</td>
<td>6,749</td>
<td>0.44</td>
<td>0.06</td>
<td>16.00</td>
<td></td>
</tr>
<tr>
<td>Treatment</td>
<td>2,004</td>
<td>64.22</td>
<td>6,874</td>
<td>0.46</td>
<td>0.06</td>
<td>16.12</td>
<td></td>
</tr>
<tr>
<td>Equality p-value</td>
<td>[0.40]</td>
<td></td>
<td>[0.83]</td>
<td>[0.22]</td>
<td>[0.80]</td>
<td>[0.35]</td>
<td>[0.72]</td>
</tr>
<tr>
<td><strong>IV. Digital Reminder</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Control</td>
<td>5,180</td>
<td>51.86</td>
<td>37,957</td>
<td>0.48</td>
<td>0.79</td>
<td>0.96</td>
<td></td>
</tr>
<tr>
<td>Treatment</td>
<td>10,307</td>
<td>52.02</td>
<td>36,801</td>
<td>0.48</td>
<td>0.78</td>
<td>0.96</td>
<td></td>
</tr>
<tr>
<td>Equality p-value</td>
<td>[0.57]</td>
<td></td>
<td>[0.43]</td>
<td>[0.56]</td>
<td>[0.51]</td>
<td>[0.31]</td>
<td>[0.66]</td>
</tr>
<tr>
<td><strong>V. SMS Reminder</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Control</td>
<td>10,200</td>
<td>42.69</td>
<td>25,046</td>
<td>0.53</td>
<td>0.97</td>
<td>4.62</td>
<td></td>
</tr>
<tr>
<td>Treatment</td>
<td>20,002</td>
<td>42.22</td>
<td>23,711</td>
<td>0.51</td>
<td>0.98</td>
<td>4.70</td>
<td></td>
</tr>
<tr>
<td>Equality p-value</td>
<td>[0.01]</td>
<td></td>
<td>[0.16]</td>
<td>[0.00]</td>
<td>[0.70]</td>
<td>[0.01]</td>
<td>[0.00]</td>
</tr>
</tbody>
</table>
Testing the Effectiveness of Consumer Financial Disclosure: Treatment Effects

Outline

1. Motivation and Background
2. RCT Design and Data
3. Treatment Effects
4. Survey Evidence on Mechanisms
5. Conclusion and Policy Implications
Measuring Disclosure Effectiveness

Two primary measures

- close/substantially empty their account (other switching)
- whether switch to internal account (internal switching)

External Switching + Internal Switching := Any Switching
Measuring Disclosure Effectiveness

Two primary measures

- close/substantially empty their account (other switching)
- whether switch to internal account (internal switching)

\[
\text{External Switching} + \text{Internal Switching} := \text{Any Switching}
\]

- Differentiation across banks besides interest rates makes classification of “wrong” decisions problematic

- Solution: study any switching given internal switching option. Can take a stronger stand even though smaller rate gain

- Key: Hard to rationalize preference to stay with dominated easy-access savings product at the same bank (apart from switching frictions)
Testing the Effectiveness of Consumer Financial Disclosure Treatment Effects

Results: Overall Effects Modest

<table>
<thead>
<tr>
<th>Treatment</th>
<th>Control mean (any)</th>
<th>Control mean (internal)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate cut</td>
<td>7.7%</td>
<td>2.6%</td>
</tr>
<tr>
<td>No rate change</td>
<td>2.6%</td>
<td>0.9%</td>
</tr>
<tr>
<td>No rate change</td>
<td>3.0%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Rate cut</td>
<td>6.2%</td>
<td>N/A</td>
</tr>
<tr>
<td>End of bonus</td>
<td>40.0%</td>
<td>26.7%</td>
</tr>
</tbody>
</table>

% point increase in switching

- Rate drop reminder (email or SMS)
- Rate drop reminder (SMS)
- Better rates + return form
- Better rates (front)
- Better rates (reverse)
- Control mean (any)
- Control mean (internal)

Bars represent the results of different treatments with error bars indicating the confidence intervals.
## Only Modest Effects Across Designs

<table>
<thead>
<tr>
<th>Trial</th>
<th>Front-page switching box annual statement</th>
<th>Reverse-page switching box</th>
<th>Digital reminder rate decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Switching type</td>
<td>Any (1)</td>
<td>Internal (2)</td>
<td>Any (3)</td>
</tr>
<tr>
<td>Call to Action</td>
<td>0.009*** (0.002)</td>
<td>0.005*** (0.001)</td>
<td>-0.0002</td>
</tr>
<tr>
<td>Best Internal Rate</td>
<td>0.029*** (0.002)</td>
<td>0.025*** (0.002)</td>
<td>-0.007</td>
</tr>
<tr>
<td>Best Internal and Competitor Rates</td>
<td>0.018*** (0.002)</td>
<td>0.017*** (0.002)</td>
<td>-0.007</td>
</tr>
<tr>
<td>Best Internal and Competitor Rates + Graph</td>
<td>0.021*** (0.002)</td>
<td>0.020*** (0.002)</td>
<td>-0.006</td>
</tr>
<tr>
<td>Best Internal Rate, Personalized</td>
<td>-0.006</td>
<td>0.001</td>
<td>(0.007)</td>
</tr>
<tr>
<td>Best Internal and Competitor Rates, Personalized</td>
<td>-0.002</td>
<td>0.001</td>
<td>(0.007)</td>
</tr>
<tr>
<td>Email</td>
<td>0.053*** (0.009)</td>
<td>0.051*** (0.009)</td>
<td></td>
</tr>
<tr>
<td>SMS</td>
<td>0.042*** (0.009)</td>
<td>0.037*** (0.008)</td>
<td></td>
</tr>
<tr>
<td>Controls</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Control-Group Mean</td>
<td>0.026</td>
<td>0.009</td>
<td>0.077</td>
</tr>
<tr>
<td>Treatment Effect Equality (p)-value</td>
<td>0.000</td>
<td>0.000</td>
<td>0.873</td>
</tr>
<tr>
<td>Observations</td>
<td>61,879</td>
<td>61,879</td>
<td>13,261</td>
</tr>
</tbody>
</table>
Who responds best to disclosure?

- Maybe just not worth it for average consumer?
- Rich measures of heterogeneity: age, balance, number of products with same provider, account age, gender, etc.
  - Low disclosure effectiveness not driven by specific demographic
- Perhaps the gains just aren’t enough to care about?
  - Treatment effects similar for large balances (lots to gain), retirees (lower opp cost time)
- Perhaps I like my bank: have my checking account there, trust the brand, find ATMs convenient, automatic transfers set up?
  - Focus on internal switching to reduce impact of bank brand
## Who responds best to disclosure?

<table>
<thead>
<tr>
<th>Treatment Indicator</th>
<th>Front page</th>
<th>Reverse page</th>
<th>Return form</th>
<th>Digital reminder</th>
<th>SMS reminder</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.01*</td>
<td>-0.028</td>
<td>0.065**</td>
<td>0.026</td>
<td>0.016</td>
</tr>
<tr>
<td></td>
<td>(0.006)</td>
<td>(0.018)</td>
<td>(0.026)</td>
<td>(0.023)</td>
<td>(0.022)</td>
</tr>
<tr>
<td>Treatment ×</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age 40-60 yrs</td>
<td>-0.0003</td>
<td>0.004</td>
<td>-0.006</td>
<td>0.046**</td>
<td>-0.004</td>
</tr>
<tr>
<td></td>
<td>(0.006)</td>
<td>(0.016)</td>
<td>(0.028)</td>
<td>(0.021)</td>
<td>(0.010)</td>
</tr>
<tr>
<td>Age 60-80 yrs</td>
<td>0.009</td>
<td>0.002</td>
<td>0.036</td>
<td>0.055**</td>
<td>-0.000</td>
</tr>
<tr>
<td></td>
<td>(0.006)</td>
<td>(0.017)</td>
<td>(0.030)</td>
<td>(0.022)</td>
<td>(0.013)</td>
</tr>
<tr>
<td>Age &gt;80 yrs</td>
<td>0.029***</td>
<td>-0.022</td>
<td>0.017</td>
<td>0.031</td>
<td>0.007</td>
</tr>
<tr>
<td></td>
<td>(0.008)</td>
<td>(0.024)</td>
<td>(0.032)</td>
<td>(0.058)</td>
<td>(0.053)</td>
</tr>
<tr>
<td>Gain £50-100</td>
<td>0.006</td>
<td>0.020</td>
<td>0.022</td>
<td>0.026</td>
<td>-0.007</td>
</tr>
<tr>
<td></td>
<td>(0.005)</td>
<td>(0.015)</td>
<td>(0.036)</td>
<td>(0.025)</td>
<td>(0.013)</td>
</tr>
<tr>
<td>Gain £100-500</td>
<td>0.003</td>
<td>0.015</td>
<td>0.032</td>
<td>0.001</td>
<td>-0.029***</td>
</tr>
<tr>
<td></td>
<td>(0.005)</td>
<td>(0.012)</td>
<td>(0.023)</td>
<td>(0.020)</td>
<td>(0.010)</td>
</tr>
<tr>
<td>Gain &gt;£500</td>
<td>0.007</td>
<td>-0.007</td>
<td>0.005</td>
<td>-0.029</td>
<td>-0.006</td>
</tr>
<tr>
<td></td>
<td>(0.013)</td>
<td>(0.024)</td>
<td>(0.056)</td>
<td>(0.029)</td>
<td>(0.016)</td>
</tr>
<tr>
<td>Checking Acct</td>
<td>0.005</td>
<td>0.026*</td>
<td>0.011</td>
<td>-0.02</td>
<td>0.015</td>
</tr>
<tr>
<td></td>
<td>(0.004)</td>
<td>(0.014)</td>
<td>(0.036)</td>
<td>(0.020)</td>
<td>(0.022)</td>
</tr>
</tbody>
</table>

- **Main Effect Controls**: ✓ ✓ ✓ ✓ ✓
- **Equality p-value**: 0.0002 0.44 0.27 0.10 0.21
- **Observations**: 61,879 13,261 4,003 15,487 30,202

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### Notes
- The table presents treatment effects for different disclosure methods and demographic factors.
- The significance levels are indicated with asterisks: *p < 0.1, **p < 0.05, ***p < 0.01.
- Observations indicate the number of data points for each category.
Outline

1. Motivation and Background
2. RCT Design and Data
3. Treatment Effects
4. Survey Evidence on Mechanisms
5. Conclusion and Policy Implications
Why disclosure so ineffective? Survey Results

- Caveats: N = 738, just trials 1-2, 10% response rate
- Many can’t recall getting or noticing disclosure (40%)
- Those that did, many did not read beyond front page or skimmed the letter (60-75%)
- Many that remember the letter are unaware higher available interest rates (US: most mortgagors think they got best rate)
- Those that switched report being satisfied
- Most expected switching process to be more onerous than it turned out to be (~15 minutes)

→ Beliefs about costs/benefits inhibiting attention
Why are deposits so sticky?

- Strong brand preference given that when people do respond to financial incentives to reoptimize savings, most is internal switching
  - Consistent with endogenous differentiation response of banks
- Tremendous degree of inattention
  - Rational? Equally inattentive when Return on Attention higher
- Consistent with model that has fixed cost of opening up reoptimization decision
- Backdrop is pessimistic beliefs about costs and benefits of switching
- Driven by years of fine print, paperwork, differentiation
Lessons for Disclosure Design

• Trigger events: Effects strongest when tied to a nearby salient event, i.e., impending/recent rate change.
  → Disclose at point of decision, not after

• Graphical depiction of disclosure: no benefit

• Burying the disclosure on last page: undoes any benefit of disclosure

• Process improvements: facilitating internal switching strongest effect

• Myriad of ways to nullify effects of disclosure (or modestly improve)

• Suspicion of motives when sent by current bank. Standardized gov’t form?

• Magic disclosure design out there?

• Inattention probably rational given the importance of average consumer disclosure. “Alarm fatigue” in consumer protection?
Way forward?

• New products (e.g. Target-date Mutual Funds; Switchcraft)

• Prioritize among disclosures, avoid Nash Equilibrium of fine print overload (Plain English campaign)

• Other types of interventions in addition to (or sometimes instead of) mandated disclosure
Conclusion

- Tested informational consumer disclosure + process simplification w/ RCTs for 124,000
- Design matters, but even best designs have modest effects
  - Even for those who can easily switch internally + have large balances
- Why are deposits sticky? Pessimistic beliefs about switching benefits and costs
- Little evidence regulators could mandate some magic optimal design that facilitates attentiveness and action, calling into question policy reliance on disclosure for retail sector