



Financial Services User Group's (FSUG) position on

Proposal for a

DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features

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About FSUG

The Financial Services Users Group (FSUG) consists of 20 independent experts who represent the interests of consumers, retail investors or micro-enterprises in the EU policymaking process.

The group's remit is to:

- *advise the European Commission in the preparation of legislation or policy initiatives which affect the users of financial services*
- *provide insight, opinion and advice concerning the practical implementation of such policies*
- *proactively seek to identify key financial services issues which affect users of financial services*
- *liaise with and provide information to financial services user representatives and representative bodies at the European Union and national level.*



**FSUG c/o European Commission
Internal Market and Services DG
SPA2 4/69, BE-1049 Brussels
markt-fsug@ec.europa.eu**

The FSUG welcomes the EC proposal on payment accounts. The three areas covered by this proposal (comparability of payment account fees, payment account switching and access to basic payment accounts), are key to assure consumers that this service, essential to their everyday life, meets their needs and expectations. However, we believe that there is an opportunity to improve some details of the proposal during the legislative process.

1. Comparability of fees connected with payment accounts

For many years, consumer organisations have highlighted the lack of transparency of bank fees in many EU Member States. In August 2010, Commissioner Barnier invited the European Banking Industry Committee (EBIC) to develop and implement appropriate solutions to ensure proper understanding and comparability of bank fees throughout the EU. Regrettably, the banking industry's proposals failed to meet the goals set out by the Commission and consumer representatives. The FSUG therefore welcomes the objective of the EC proposal to establish a common approach to the presentation of fees. The use of standardised wording across the EU should improve consumers' understanding of payment account services and the fees they have to pay. It should also help consumers compare a broader range of offers than those available in their own country, if they wish to do so.

However in order to achieve this objective the FSUG is of the opinion that the proposal should be amended as follows:

- extending the scope to include each fee and charge linked to a payment account (not only payment services, but e.g.: annual account management fee);
- standardising the fee information document at national level first in order to facilitate comparison (e.g.: organisation of fees into chapters), and at European level at a later stage;
- standardising the terminology at national level first on the basis 'one name must apply to each service or product'; and at European level in a second step;
- providing customers with a monthly and an annual fee statement free of charge;
- databases/websites should preferably be run by a public authority;
- banning tying practices as they prevent switching; the consumer should be able to buy any services not included in the payment account with basic features separately.

2. Switching

In 2008, upon the request of the European Commission, the banking industry developed the Common Principles for Bank Account Switching. The results of the Commission monitoring report, three years after the entry into force of the code, evidenced widespread non-compliance by the banks with this self-regulatory instrument, confirming similar findings by consumer organisations.

The FSUG therefore welcomes the objective of the EC proposal to establish a simple and quick procedure for consumers who wish to switch their current bank account to a different one, with the same or a different bank (or another payment service provider).

However in order to achieve this objective the FSUG is of the opinion that the proposal should be amended as follows:

- replacing the switching service with an automatic redirection system, free of charge, as it exists in the Netherlands. This has been proven to be a very efficient and easy way to switch for consumers. As soon as the consumer submits a switching request,

his new bank should put in place the automatic redirection service and then perform all other tasks related to the switch; Switching must always be performed by the bank, not the consumer himself.

- any financial loss incurred by the consumer as a result of non-compliance of a payment service provider with the switching process should be immediately refunded.

Additionally, the Commission should be invited to carry out a cost-benefit analysis of bank account number portability in order to assess its feasibility in the future.

3. Access to payment accounts

As recognised by the European Parliament last year when it adopted its initiative report on "Access to Basic Banking Services"¹, without access to basic financial services, consumers cannot enjoy all the benefits of the internal market. A great deal of important financial services remain inaccessible and, moreover, bill payments can be more time-consuming and costly without a payment account, while charges can be higher for basic financial transactions such as cashing cheques. People without access to various means of payment are also unable to take advantage of the lower prices of goods and services that internet sales can offer.

The FSUG and all organisations dealing with financial inclusion were disappointed by the fact that after the previous two public consultations in 2009 and 2010 the Commission merely adopted a non-binding Recommendation in 2011. One year after the publication of this recommendation, it has been proven that it had no effect at national level.

The FSUG fully supports the objective of the EC legislative proposal to allow all EU consumers, irrespective of their country of residence or financial situation, to open a payment account which allows them to perform essential operations. In order to achieve this objective, the proposal should be amended as follows:

- All payment service providers should offer a payment account with basic features to consumers, free of charge, and be required to make consumers aware of it;
- Member States shall ensure that the consumer is able to manage and initiate payment transactions from the consumer's payment account with basic features via the different channels offered by the provider, such as manual transactions, transactions via ATM, online banking facilities and phone banking;
- the provision of account statements should be added to the list of functionalities described in the EC proposal.

Why is action needed?

Access to a basic payment account is not only a social issue: In many countries, payments of wages, pensions, social benefits can only be achieved through an account. Moreover, the possibility of paying in cash has been limited in several countries at a very low level (€ 1,000) what makes life really difficult without a payment account.

<http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+REPORT+A7-2012-0197+0+DOC+XML+V0//EN&language=en>

Why do consumers need EU-wide action?

Access to a basic payment account is not a local issue: many countries did not comply with the EC Regulation on access to basic payment account and not all countries where a basic bank account mechanism exists perform very well (e.g. France²).

The banking industry has raised concerns that the current proposal does not comply with subsidiarity and proportionality principles and imposes measures on all Member States to address an issue confined to a minority of Member States. The single market encompasses the sum of all national markets, and the cross-border dimension. Why should banks be allowed to operate everywhere in the EU but not consumers? Consumer should be able to benefit from the potential benefit of the Single Market wherever their place of residence? The Single Market should serve businesses as well as consumers and this proposal can make a significant contribution to achieving this.

MEPs have a unique opportunity to show to European citizens that the EU does not only serve commercial interests but also those of all of citizens, including financially excluded people by adopting and improving this legislative proposal just before the EP elections.

How will the proposal affect the EU's fraud prevention and anti-money laundering strategies?

The argument of insufficient consideration given to existing anti-money laundering (AML) and fraud prevention requirements is not valid. The AMLD specifically refers to access to basic account: consumer organisations have on several occasions mentioned that the AMLD is used as an excuse by banks to deny access to bank account to the less financially interesting consumers. In addition, facilitating opening a bank account in another country will create a competitive pressure which is a source of concern for the most expensive banks.

How will the proposal affect the Single Euro Payment Area (SEPA)?

The EC proposal on payment account is complementary to the SEPA project, not in contradiction. Firstly, not all Europeans make payments in Euro on a regularly basis. Secondly, the objective of SEPA has never been to force consumers to keep their existing bank account.

How will the standardisation of terminology impact innovation?

Most of the so-called innovations that we have seen in recent years in the payment accounts area were purely commercial: tying practices; inclusion of useless services into payment packages (e.g.: payment insurances); labeling creativity preventing price comparisons, new fees for services that were previously free, etc. The only innovations that have genuinely benefited consumers were due to technological developments rather than product innovation, like internet banking and comparison facilities. standardize the requirements for presentation of information and advisory activities.

² A big French bank has just been fined € 2 million for failing to comply with the requirements of basic account http://www.acp.banque-france.fr/fileadmin/user_upload/acp/publications/registre-officiel/20130708-Decision-de-la-commission-des-sanctions.pdf