European Commission

Directive on payment accounts - Factsheet 2

Switching payment accounts

1. The background:

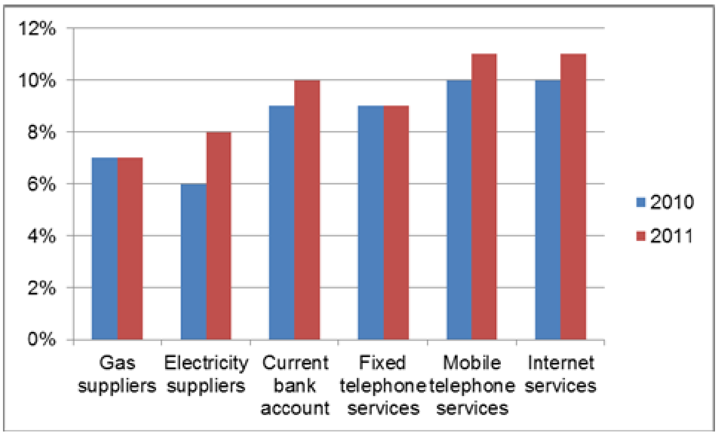
- Switching is a complex process (opening a new payment account, transferring standing orders, closing the old bank account) involving different parties. Transferring standing orders is generally assessed as the most difficult part by consumers.
- For the banking industry, more consumers switching means more potential customers and greater competition in the market. There is therefore a greater incentive for banks to enter new markets and expand, including cross border.
- There are currently no cross-border switching provisions in the EU.

2. The figures:

2.1 The low mobility of bank customers in the EU

Switching payment accounts remains at a low level in the EU. Around 10% of payment account users switched accounts in 2011, with lower rates than for mobile telephone and internet services.

Annual switching rates for different industries



Source: Monitoring consumer markets in the European Union, GFK, 2011

Research shows that the percentage of consumers not satisfied with their banks is much higher than those who have thought about switching. This suggests consumers do not switch for reasons such as the complexity of the switching process.

2.2. The remaining weaknesses in the switching process in the EU

According to the existing Common Principles for switching (established by the European Banking Industry Committee (EBIC) in 2009), clear information on the switching process should be provided to consumers; the different tasks and responsibilities are clearly specified between the new bank and the old bank; clear deadlines are set for the old and the new bank; and the fees, if any, are specified for the different steps of the process.

Despite the fact that these principles should have been implemented by the end of 2009, the services in place vary significantly across Member States and some weaknesses remain:

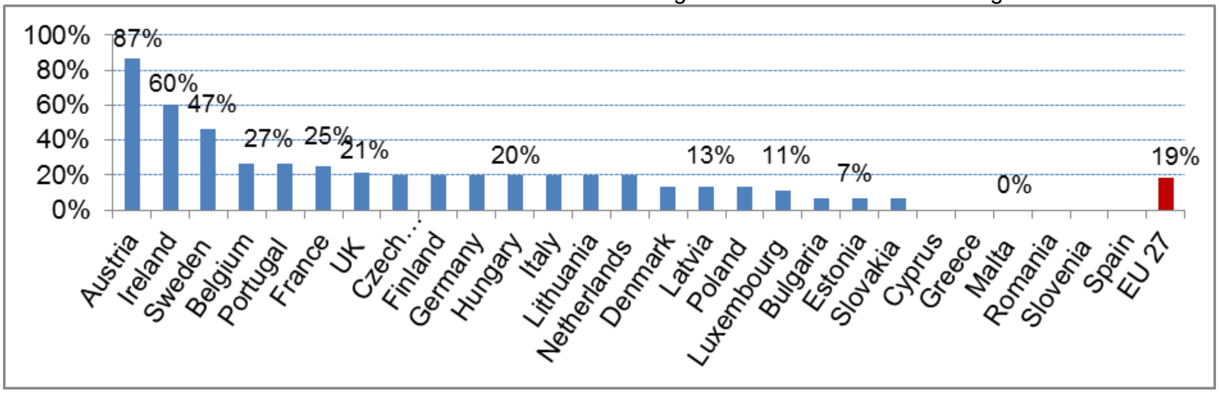
- **Lack of information provided by banks**

According to the EU-wide mystery shopping exercise (see IP/12/164) carried out recently, 14% of consumers were not provided with any information on the switching service either by e-mail, in the branch or by telephone. 32% of bank websites checked had no information at all on switching.

- **Switching payment accounts with standing orders remains difficult**

According to the EU-wide mystery shopping exercise, only 19% of switches with standing orders were successful, with large differences between Member States. In most cases, consumers were told that the bank could not help with the switch and that they had to undertake it themselves (close the old bank account; transfer the standing order).

Overview: % of successful switches including the transfer of a standing order



Source: Consumer Market Study on the consumers' experiences with bank account switching with reference to the Common Principles on Bank Account Switching, GfK, January 2012

- **Different timescale for processing switching across EU**

According to the Common Principles, each financial institution should inform their customers about the duration of the switching process. The process should not take more than 15 days. However, research found that information related to the duration of the process was not provided 79% of the time. The timescale for switching bank account differed greatly across the EU and within Member States.

2.3. The potential growth in payment account switching

Significant price variations exist for payment accounts in the EU (see Fact Sheet 1 on presentation and comparison of payment account fees). Considering the growth of online banking services and the increasing mobility of EU citizens, cross-border switching could become more frequent in the coming years and should therefore be introduced alongside switching at national level.