



**Financial Services  
User Group's (FSUG)**

**response**

**to the Consultation  
on Bank accounts**



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# **FSUG response to the Consultation on Bank accounts**

## **Executive summary**

### **Transparency and comparability of bank account fees**

FSUG welcomes the reference to standardised pre-contractual disclosures. However, standardised information disclosure requirements should not be used to shift responsibility from firms to consumers. While standardised disclosure is still in a process of development and experimentation, it should be taken into account the need to reduce the number of elements disclosed, to make the disclosures easier to read, to offer the disclosures at times when they are most useful and reduce the cognitive costs of information processing.

FSUG consider that in general the information provided by banks on bank account fees is not presented to consumers in a sufficiently clear manner and easy to compare between banks. FSUG is of the opinion that two cumulated tools are necessary to further increase bank account fee transparency and comparability: standardised cost simulations to be provided by banks and comparison websites managed by public authorities. All aspects of harmonisation of the tariff brochure, both at European and national level, must be compulsory for banks. They should not be allowed to levy any fees and charges not stated in the brochure.

### **Switching between payments account providers**

As for any other product and service, a bank or payment account must meet consumer needs both in terms of price and quality of services provided. For these reasons, each time a consumer is dissatisfied with his current provider or wants to make a better deal, he should be able to easily switch to another bank. This is not the case in reality. In order to assess how banks assist consumers with bank account switching and to what extent they offer the switching service as defined in the Common Principles for Bank Account Switching developed in 2008 by the European Banking Industry (EBIC), the Commission contracted a mystery shopping study in 2011. The study concluded that 8 out of 10 shoppers faced difficulties when switching a bank account.

FSUG consider that making the Common Principles compulsory at EU level will ensure more commitments and behavioural changes from the banks. If the Commission ultimate goal is to build a single market for financial services, promote competition, offer wider choice, better quality and more competitive prices to consumers, if basic payment accounts become available to all consumers at cross-border level, cross-border switching should also become possible. FSUG recommend also the following measures: provide better training of bank staff, set up account number portability and set a deadline for the closure of the 'former' account.

### **Access to a basic payment account**

Access is the primary consumer principle. Unless consumers have the opportunity to access products and services in the first place then other principles such as choice, fairness, quality, and security do not come into play. Access is particularly important when evaluating the degree of financial exclusion in a market or the consequences of forcing market solutions on consumers. FSUG is of the opinion that, in certain cases, the provision of certain financial services are so important to the financial well-being of consumers that terms of access and provision should be mandated by society. Access to a transactional bank account is a case in point.

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FSUG recommend to adopt a legislation which should ensure that any consumer, legally resident in the Union has the right to open and use a basic bank account with a payment service provider operating in a Member State provided that the consumer does not already hold a basic bank account meeting the requirements of Union legislation as specified in these Recommendations in the territory of that Member State. The legislation should ensure also that it is not unduly burdensome for consumers to demonstrate that they do not already hold a basic bank account, and provide for a declaration by the consumer to that effect during the application process.

### Transparency and comparability of bank account fees

FSUG welcomes the reference to standardised pre-contractual disclosures. However, standardised information disclosure requirements should not be used to shift responsibility from firms to consumers. We would not argue with the need for consumers to read key information and answer questions honestly, but there is an unacceptable view in some sectors of the industry that complex and potentially detrimental products can be widely promoted, provided they are transparent through good disclosure. This is accompanied by an expectation that consumers can, and should, acquire the skills, knowledge and understanding required to deal with this complexity and choice, which places an unreasonable burden on the consumer and is not an approach adopted by other industry sectors.

While standardised disclosure is still in a process of development and experimentation, it should be taken into account the need to reduce the number of elements disclosed, to make the disclosures easier to read, to offer the disclosures at times when they are most useful and reduce the cognitive costs of information processing. Further, improve the process by which disclosures are created and revised, require seeking input of consumers as well as promote the periodical revision of disclosure and transparency standards. Comparable rather than similar levels of financial consumer protection should be provided for substitutive products.

Thus, FSUG advise that standardised pre-contractual disclosure practices should be promoted where applicable and possible to allow comparisons between products and services of the same nature and need to be achieved within product categories, rather than across the entire financial product mix.<sup>1</sup>

**Question 1:** *Do you consider that the information provided by banks on bank account fees is presented to consumers in a sufficiently clear manner and easy to compare between banks? What good practices could you identify? What are the persisting shortcomings? Do you think that amendments to the transparency obligations in the Payment Services Directive (2007/64/EC) could address those shortcomings?*

*Do you consider that the information provided by banks on bank account fees is presented to consumers in a sufficiently clear manner and easy to compare between banks?*

FSUG consider that in general the information provided by banks on bank account fees is not presented to consumers in a sufficiently clear manner and easy to compare between banks.

<sup>1</sup> Financial Services User Group's (FSUG) response on the OECD draft high-level principles on financial consumer protection, 31.8.2011.

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Since many years, consumer organisations have pointed lack of transparency of bank fees. At several occasions, e.g. BEUC has provided examples of bank practices in different countries and how those practices harm consumers<sup>2</sup>. We are pleased to see that the European Commission data confirm those of NGOs<sup>3</sup>.

On 18 March 2010 the Commission organised a workshop to discuss the causes of the lack of transparency and incomparability of fees and what measures should be taken to enable consumers to shop around for better deals and spur competition.

The main causes identified by consumer organisations were as follows:

- complex and variable business models of banks across countries
- cross-subsidisation
- existence of service packages
- the level of charges and charging structures
- useless innovations and varying terminology across banks
- lack of a clear legislative framework.

As a follow-up to the workshop, Commissioner Barnier in August 2010 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. The Commission requested that consumer representatives are closely associated with this project. Regrettably, more than one year after the kick-off meeting and numerous technical meetings, the banking industry failed to deliver an acceptable proposal meeting the requests of consumer organisations and of the European Commission. This decision did not come as a surprise to us, considering failures of self-regulation in the financial services area in the past.

*What good practices could you identify?*

While discussing at EU level, no improvement in terms of transparency has been identified at national level.

*What are the persisting shortcomings?*

*Do you think that amendments to the transparency obligations in the Payment Services Directive (2007/64/EC) could address those shortcomings?*

As mentioned in the Commission consultation paper, the Payment Services Directive (PSD) does not contain specific provisions as to the manner of presentation of information to the consumer, notably as regards price information. Furthermore, the PSD does not cover all services linked to a current bank account. Amendments to the transparency obligations in the PSD would not be sufficient: there is a need for a detailed legislation, as this is the only means to ensure the information is adapted to consumer needs, at both pre-contractual stage to help consumers to choose his bank and later on.

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<sup>2</sup> BEUC comments to the workshop are mentioned in the Commission consultation paper.

<sup>3</sup> See DG Health and Consumers study in 2009.

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**Question 2:** *Do you think that standardising bank account fee terminology could help to provide more transparent and comparable information on fees? If terminology were to be standardised, should that standardisation cover all fees or only some of them? If only some of them, on the basis of which criteria should they be chosen? Should terminology be standardised at national or EU level?*

*Do you think that standardising bank account fee terminology could help to provide more transparent and comparable information on fees?*

Varying terminology used to designate same products and services across banks is one of the main reasons which make it difficult for consumers to understand and compare prices: in France, for example, 'frais de tenue de compte' vs. 'frais de services bancaires'; 'commission d'intervention' vs. 'commission de forçage'; in Portugal, different names are also used for the same fee like dossier fee, process fee and, contract fee. FSUG consider therefore that standardising bank account fee terminology could help to provide more transparent and comparable information on fees.

*If terminology were to be standardised, should that standardisation cover all fees or only some of them?*

FSUG consider that each fee and charge linked to current account must be covered by the standardisation. Otherwise, financial institutions will always find a way to circumvent the rules by dissimulating various fees and charges which would jeopardise the outcome of the whole project. Moreover, even if a majority of consumers in a particular country uses the same services, all consumers including the most atypical of them are entitled to access clear and comparable information for the services they use.

*Should terminology be standardised at national or EU level?*

Account taken of differences between Member States, at this stage harmonisation of the terminology/labelling at national level rather than at EU level seems to be more appropriate. Next step should be to harmonise the terminology at EU level (or at least find equivalence between different national terminologies).

It should be considered what are the differences of banking products at national, European and global level, so that the standardisation were realistic and effective. In optimal case, the standardisation of the terminology should be done by ISO at international level, or at least at European level (CEN).

FSUG suggest to create an EU-level commission with all stakeholders to define the terminology.

It should be also considered that standardisation of product range at European level might negatively affect competition of European banking industry at the world market and it would hamper the development of new products.

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**Question 3:** *Do you think that glossaries of terms and standardised lists of bank fees would facilitate comparability? If so, what format and content should this information have? What body/forum would you consider appropriate to develop such a glossary/standardised list of fees?*

*Do you think that glossaries of terms and standardised lists of bank fees would facilitate comparability?*

Yes, bank account glossary must be developed in each Member State.

*If so, what format and content should this information have?*

It must include all the terminology linked to current account, be simple, short and clear (comprehensible). This terminology must be standardised: in each Member State, only one name must apply to each service or product. Technical and legal terms and jargon must be avoided as much as possible. Consumer testing of the terminology must be carried out to verify their understanding and improve the terminology if necessary.

Glossaries are already available in many Member States (e.g. Denmark, France, Portugal, Belgium, etc.). However, they are not always considered by consumer organisations as really helpful for consumers (e.g. Belgium and France). Account must be taken of existing best practices in accordance with consumer organisations' criteria when developing the glossaries.

*What body/forum would you consider appropriate to develop such a glossary/standardised list of fees?*

Relevant national public authorities must lead the project at each national level. The national authorities must consult consumer representatives and the financial sector and carry out consumer testing of glossaries and lists of fees to ensure they are user-friendly and deliver on consumer expectations. Account must be taken of existing best practices when developing the glossaries and standardised lists of fees. Work carried out at national level should be coordinated by the European Commission in order to achieve future harmonisation at EU level.

**Question 4:** *In order to further increase bank account fee transparency and comparability, which of the following tools should be considered:*

- i) comparison websites managed by public authorities*
- ii) standardised cost simulations to be provided by banks*
- iii) standardised representative examples to be provided by banks*
- iv) surveys by consumer organisations/financial ombudsman*
- v) any other tools you consider relevant?*

*Should any of them be made compulsory? What would be the likely costs?*

*In order to further increase bank account fee transparency and comparability, which of the following tools should be considered:*

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- ii) standardised cost simulations to be provided by banks*
- iii) standardised representative examples to be provided by banks*
- iv) surveys by consumer organisations/financial ombudsman*
- v) any other tools you consider relevant?*

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FSUG is of the opinion that two cumulated tools are necessary to further increase bank account fee transparency and comparability.

### *Standardised cost simulations to be provided by banks*

Standardised cost simulations must be provided by banks in a tariff brochure. The general principles of the tariff brochure (text format, organisation of fees into chapters, highlighting) must be adopted at EU level and details at national level.

There must be a full harmonisation of the tariff brochure at national level. Currently at Member State level, tariff brochures vary in size and presentation format which makes them difficult to compare. Tariff brochure must not be a commercial document but only serve informational purpose. It must have standard size and standardised presentation format (full harmonisation at national level). Account must be taken of existing best practices.

Tariff brochure must include all tariffs in relation to current account, including insurance premiums linked with some bank services (e.g. overdraft insurance, credit card insurance) and interest paid on credit balances. Banks should not be allowed to levy any fees and charges not stated in the brochure. This is the only way to ensure that consumers receive timely information on all fees and charges before entering into a contract and during the contractual relationship. For example, an overdraft fee (and its level) should never be a surprise to the consumer.

Terminology used in the tariff brochure must be exactly the same as provided in the glossary.

Unit prices (e.g. direct debit, credit transfer, debit card, credit card, overdraft fees, etc.) must appear at the top of the tariff brochure, i.e. before packages. It would be a way to inform consumers that they have a choice between 'à la carte' services and packages.

### *Comparison websites managed by public authorities*

Regularly updated pricing databases should be accessible to all EU consumers to help them compare various bank fees. These databases should be independent from banks. Banks should be bound to regularly provide data on bank accounts so that to ensure their responsibility for reliability of the data.

Private run comparison websites sometimes cannot ensure objectivity due to listing fees or the dependency on advertising. The databases should be run by public bodies. Depending on current practices in different Member States, databases could be run by the central bank or any other relevant authority (or private website with standard terminology and rules, and control of public authorities). Cooperation between public bodies and consumer organisations should be encouraged so that information reaches as many consumers as possible.

Developing pricing databases should consist of two steps:

- Collecting tariff brochures of individual banks (general information) and making them available to consumers via a unique portal.

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- Setting up tools to enable consumers to compare prices of different banks based on their needs (personalised information). Consumers would be asked several questions to identify their needs in relation to current accounts, e.g. monthly number of payment transactions through debit card, credit transfer, debit card, etc. Account must be taken of existing best practices (such tools are already in place in several Member States, e.g. Spain, Belgium, Slovenia, Italy).

A centralised EU webpage/portal must provide links to the national pricing databases. Information should be provided for people on the move (students, workers), as well as for consumers who would like to open an account in a country where they do not live or work. Possibilities for comparative testing should be studied.

Extensive and continuous information campaigns must be run by financial institutions, EU and national authorities and consumer organisations to raise consumer awareness of the pricing databases. Pricing databases must also be promoted together with account switching services in order to help consumers who would like to switch their bank accounts to find better deals elsewhere.

*Should any of them be made compulsory?*

All aspects of harmonisation of the tariff brochure, both at European and national level, must be compulsory for banks. They should not be allowed to levy any fees and charges not stated in the brochure.

*What would be the likely costs?*

**Question 5:** *What level of detail should the information on actual fees paid have and how frequently should it be provided to the account holder? Would having comparable information on the fees actually paid encourage consumer mobility, including on a cross- border basis?*

*What level of detail should the information on actual fees paid have and how frequently should it be provided to the account holder?*

Current account customers must receive monthly and annual fee statement free of charge. It must have standard format for presentation of all fees and charges the consumer had paid during the past period. Account must be taken of existing best practices.

The annual fee statement must also include foregone interest income based on a best performing savings account that consumers 'lose' by keeping high credit balances on their current account. In fact, net interest revenue constitutes an important source of banks' income in certain Member States, e.g. the UK.<sup>4</sup> This information would warn consumers about potential revenue they could earn by e.g. depositing their excessive credit balance on a savings account.

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<sup>4</sup> See OFT study on *Personal current accounts in the UK*, July 2008, [http://www.of.gov.uk/shared\\_of/reports/financial\\_products/OFT1005.pdf](http://www.of.gov.uk/shared_of/reports/financial_products/OFT1005.pdf).



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*Would having comparable information on the fees actually paid encourage consumer mobility, including on a cross- border basis?*

The monthly and annual fee statement must be comparable with the pricing databases in order to encourage consumer mobility, including on a cross- border basis.

**Question 6:** *What other measures/instruments should be considered in order to improve the transparency and comparability of bank fees? Please describe and indicate at which level (national or EU) you consider they should be taken.*

All national financial supervisors should be endowed with sufficient resources and power in order to ensure an appropriate level of supervision and better protect consumers<sup>5</sup>.

### Switching between payments account providers

Bank accounts<sup>6</sup> enable us to deposit money, receive our salary, benefits or pension, make withdrawals and pay for goods and services and allow us, in other words, to live a normal life without being excluded from society.

Having access to a bank account is not sufficient. As for any other product and service, a bank account must also meet consumer needs both in terms of price and quality of services provided. For these reasons, each time a consumer is dissatisfied with his current provider or wants to make a better deal, he should be able to easily switch to another bank. This is not the case in reality. In comparison with other consumer markets such as for car and home insurances, internet and telephone services, consumer mobility in relation to current bank accounts is very limited.

According to European Commission surveys, in average, 9 % of EU consumers changed their current account providers during years 2007-2008 while 25 % and 22 % of consumers changed their car insurance provider and internet provider respectively during the same period.<sup>7</sup> For various reasons, consumers think they will not get a better deal in another bank and those who are willing to switch have to face several obstacles.<sup>8</sup>

Customer mobility is both a fundamental right for consumers and a key factor to boost competition. Barriers to switching are barriers to competition, particularly in retail banking. Two fundamental ingredients are necessary in this respect: availability of clear and comparable market offers and an easy switching process from one bank to another.

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<sup>5</sup> See BEUC study and position paper *Financial supervision – Protecting consumer interests in the retail financial services area: need for independent and efficient national supervisors everywhere in the EU*, December 2011, <http://www.beuc.org/Content/Default.asp?PageID=2143>.

<sup>6</sup> The same role is also played by payment accounts which are not available everywhere in the EU.

<sup>7</sup> *Second edition of the Consumer Markets Scoreboard*, European Commission, Directorate General for Health and Consumers, January 2009, [http://ec.europa.eu/consumers/strategy/docs/2nd\\_edition\\_scoreboard\\_en.pdf](http://ec.europa.eu/consumers/strategy/docs/2nd_edition_scoreboard_en.pdf).

<sup>8</sup> See the *Report of the EC Expert Group on Customer Mobility in relation to bank accounts*, June 2007, [http://ec.europa.eu/internal\\_market/finances-retail/mobility/baeg\\_en.htm](http://ec.europa.eu/internal_market/finances-retail/mobility/baeg_en.htm).

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For a consumer to change bank, benefits of this operation must outweigh the costs. High switching costs and other obstacles act as factors preventing consumers from switching to another bank. Among those obstacles are the following:

- consumer unawareness of the level of fees levied by his/her financial service provider<sup>9</sup>
- difficulty in shopping around (complex and incomparable information)
- administrative burden related to switching
- closing fees
- tying and other similar commercial practices which lead to numerous ties between the bank and the customer.

Although switching bank accounts is not an objective per se<sup>10</sup>, the possibility to easily switch between banks is a prerequisite to offer consumers better deals and increase competition by notably allowing new actors or alternative actors as payment services providers to be present and compete on this market.

In order to solve the issue of administrative burden to switching, in 2007 the European Commission invited the European banking community to develop, via self-regulation, a set of rules to facilitate transferring bank accounts between banks at national level.<sup>11</sup>

EBIC Common Principles for Bank Account Switching (CP)<sup>12</sup> were developed in 2008 by the European Banking Industry (EBIC), a body representing the European banking industry at EU level.

The CP became operational in all EU Member States in November 2009. Its scope is limited to switching current accounts within a particular country. The CP provide that consumers can choose to select the 'new' bank as the Primary Contact Point for switching their account, i.e. the 'new' bank performs the following tasks:

- provides the consumer with a guide to switching
- opens a new bank account for the consumer
- requests the 'former' bank to provide a list with information to identify standing orders for credit transfers and available direct debit mandates on the 'former' account
- requests the 'former' bank to close standing orders for credit transfers and stop direct debits, upon explicit authorisation of the consumer
- helps the consumer to provide the new account details to third parties
- with consent of the consumer, establishes existing standing orders for credit transfers and accepts direct debits on the new account upon receiving the relevant information from the 'former' bank or the consumer.

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<sup>9</sup> Commission staff working document on the follow up in retail financial services to the consumer markets scoreboard, SEC(2009)1251 final, 22.9.2009, [http://ec.europa.eu/consumers/rights/docs/swd\\_retail\\_fin\\_services\\_en.pdf](http://ec.europa.eu/consumers/rights/docs/swd_retail_fin_services_en.pdf).

Code of conduct on transparency and comparability of bank account fees has been developed by EBIC upon the request of the European Commission.

<sup>10</sup> Indeed, a consumer may stay long time with the same bank because a high level of satisfaction with tariffs and/or quality of services received.

<sup>11</sup> Initiatives in the area of retail financial services, Commission staff working document, SEC(2007)1520, 2007, p. 2, [http://ec.europa.eu/citizens\\_agenda/docs/sec\\_2007\\_1520\\_en.pdf](http://ec.europa.eu/citizens_agenda/docs/sec_2007_1520_en.pdf).

<sup>12</sup> EBIC Common Principles for Bank Account Switching, <http://www.eubic.org/Position%20papers/2008.12.01%20Common%20Principles.pdf>.

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Switching must be free of charge unless the account at the 'former' bank is open since less than 12 months<sup>8</sup> and/or information necessary for switching is not available through an automated process at the 'former' bank and reaches back more than 13 months.

Switching must occur within 14 banking working days: 7 banking working days for the 'former' bank to provide all the available information to identify standing orders for credit transfers and to identify direct debit mandates on the old account; and 7 banking working days for the 'new' bank to set up standing orders and to accept direct debits on the new bank account and notify, where applicable, creditors of direct debits about the change of bank account.

In 2010, BEUC and its member associations carried out a monitoring of banks' compliance with these Common Principles in a selected number of Western and Eastern European countries.<sup>13</sup> The monitoring consisted of the following three steps: monitoring of bank websites (covering EU27 and Norway), collecting consumer testimonies about their recent switching experience and mystery shopping exercises.

Non-compliance by banks with the Common Principles was found in many countries with regard to: availability of consumer information on bank websites and at bank branches, bank staff preparedness to inform and help consumers with the switching service, transfer of direct debit mandates between banks and switching delays.

While BEUC noticed some progress in facilitating switching of bank accounts, it remains obvious that the implementation of the Common Principles at bank branch level is inconsistent and insufficient.

In order to assess how banks assist consumers with bank account switching and to what extent they offer the switching service as defined in the Common Principles, the Commission contracted a mystery shopping study in 2011.<sup>14</sup>

Concerning the availability and provision of information about switching, the study found that 86 % of mystery shoppers enquiring about a switch either in a bank branch, online or by telephone, received information from at least one source.

But the study concluded that 8 out of 10 shoppers faced difficulties when switching a bank account.

**Question 7:** *Do banks in the Member State where you have a bank account offer a switching service? If yes, is it in line with the Common Principles on bank account switching described above? Is information on the conditions of switching presented in a consumer friendly manner?*

*Do banks in the Member State where you have a bank account offer a switching service?*

Switching service is generally offered but not in an efficient way.

<sup>13</sup> *Easy switching? – A long way to go, BEUC Monitoring Report of the Common Principles for Bank Account Switching*, January 2011.

<sup>14</sup> *Consumer Market Study on the consumers' experiences with bank account switching with reference to the Common Principles on Bank Account Switching*, GfK, February 2012, [http://ec.europa.eu/consumers/rights/fin\\_serv\\_en.htm#fin](http://ec.europa.eu/consumers/rights/fin_serv_en.htm#fin).

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*If yes, is it in line with the Common Principles on bank account switching described above?*

BEUC's monitoring exercise brought to light a multitude of shortcomings as to the banks' compliance with their commitments.

Both consumer testimonies and feedback provided by mystery shoppers indicate lack of bank staff awareness of the switching service, and long switching delays. Further, it seems that problems exist in relation to the transfer of direct debit mandates from the former bank account to the new one (see testimonies provided by Belgian consumers, as well as mystery shopping in Austria and the UK).

*Is information on the conditions of switching presented in a consumer-friendly manner?*

Appropriate consumer information is an important ingredient to make consumers benefit from the bank mobility service. However, according with the BEUC's monitoring, many banks across Europe do not promote the CP and fail to inform consumers about the switching service. This is particularly true for recent Member States and Spain.

On the other hand, consumer testimonies and mystery shopping showed that information brochures are not always provided to consumers at bank branches either. Furthermore, in many bank branches across Europe, the bank staff was found to be unaware of the switching service.

**Question 8:** *If a switching service in line with the Common Principles is offered by banks in the Member State where you have a bank account, does it remove all obstacles to bank account switching? If not, what obstacles remain? Provide examples of good practices and persisting obstacles encountered.*

*If a switching service in line with the Common Principles is offered by banks in the Member State where you have a bank account, does it remove all obstacles to bank account switching?*

*If not, what obstacles remain?*

*Provide examples of good practices and persisting obstacles encountered.*

**Question 9:** *Should the Common Principles remain voluntary? What do you consider are the advantages or disadvantages of making them compulsory at EU level? What would be the likely costs?*

*Should the Common Principles remain voluntary?*

We are of the opinion that regulation should be applied only when it proves that tools of self-regulation have not worked well. Unfortunately, it is clear that the commitment of banks to implement their own code of conduct varies heavily among the different banking communities across Europe.

While some communities have shown efforts to comply with commitments taken, for some others this self-regulation does not result in behavioural change. In our opinion, this is a problem inherent to the nature of self-regulation. Contrary to binding regulation, no sanctions are foreseen for non-compliance with the self-regulatory

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codes of conducts such as these CP. We believe this fundamental shortcoming of self-regulation is illustrated by the questionable commitment of banks to implement the provisions of the CP in many Member States.

*What do you consider are the advantages or disadvantages of making them compulsory at EU level?*

Making the CP compulsory at EU level will ensure more commitments and behavioural changes from the banks.

*What would be the likely costs?*

**Question 10:** *Should switching principles/measures also cover cross-border switching of bank accounts?*

The scope of the EBIC code is limited to switching bank accounts at national level. If the Commission ultimate goal is to build a single market for financial services, promote competition, offer wider choice, better quality and more competitive prices to consumers, if basic payment accounts become available to all consumers at cross-border level, cross-border switching should also become possible. One may argue that implementation of the SEPA end-date Regulation allows consumers to use their national payment account for all national and international payments in euro<sup>15</sup>. However, SEPA will not open up national payment account markets to EU-wide competition, which can only be achieved through the removal of obstacles to cross-border consumer mobility. Furthermore, SEPA is limited to euro currency transactions, whilst cross-border account opening and switching would cover all EU Member States and currencies.

**Question 11:** *According to you, how important is the risk of having receipts, bills and payments misdirected when switching bank accounts? What measures could be considered to make the switching process safer?*

*According to you, how important is the risk of having receipts, bills and payments misdirected when switching bank accounts?*

*What measures could be considered to make the switching process safer?*

FSUG recommend to put in place an automatic re-routing system. An interim solution to remedy the problem of transferring direct debit mandates from the 'former' bank to the 'new' bank would be the model adopted in the Netherlands in 2003: during 13 months all direct debits and credit transfers destined for the old account are automatically re-routed to the new account through the clearing house.<sup>16</sup> Such a system would prevent the occurrence of errors during the switch.

Besides that, nowadays in countries where the CMF (creditor-driven mandate flow) mandate management model exists, the debtor's bank does not have access to mandate-related data, making the communication of this information between the 'former' bank and the 'new' bank very difficult, even impossible (e.g. Germany). It is

<sup>15</sup> Regulation (EU) No 260/2012 of the European Parliament and of the Council of 14 March 2012 establishing technical and business requirements for credit transfers and direct debits in euro and amending Regulation (EC) No 924/2009, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:094:0022:0037:EN:PDF>.

<sup>16</sup> The Dutch Interbank Switching Support Service (overstapservice), [http://customerworld.typepad.com/swami\\_weblog/files/bankportability.pdf](http://customerworld.typepad.com/swami_weblog/files/bankportability.pdf).

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therefore important that the Regulation (EU) No 260/2012 establishing technical and business requirements for credit transfers and direct debits in euro and amending Regulation (EC) No 924/2009 has been adopted. This regulation provides that mandate-related information all be transmitted from the creditor's bank to the debtor's bank with each direct debit transaction.<sup>17</sup>

**Question 12:** *What obstacles, if any, are still faced by account providers that are smaller or established in another Member State to expand their client base or to enter new markets? Are these connected to problems with switching facilities?*

*What obstacles, if any, are still faced by account providers that are smaller or established in another Member State to expand their client base or to enter new markets?*

*Are these connected to problems with switching facilities?*

**Question 13:** *What other measures should be considered to improve bank account switching? Please describe.*

FSUG recommend the following measures.

### **Provide better training of bank staff**

Consumer experience in relation to bank account switching depends on the quality of staff of any particular bank branch, whilst all banks must equally comply with the CP. Accordingly, better training of bank staff would benefit banks and reduce the random variable that impacts consumer switching experience, and more generally, the relationship between banks and their customers. This should have been given priority by the bank sector, as smooth implementation of the CP needs the involvement of bank staff. Therefore, this should be considered now as a top priority in the follow up and monitoring of the CP.

### **Set up account number portability**

This would be a logical next step towards facilitating account switching. An important aspect that may deter consumers from switching is the necessity to communicate the new account details to third parties. Even though the 'new' bank can handle this task instead of the consumer, errors take place quite often. In our view, setting up account number portability would be a long-term, sustainable solution. The argument on technical impossibility of this project is not valid, as has been proven in the mobile phone sector.

### **Set a deadline for the closure of the 'former' account**

The problem related to the closure of the 'former' account has been reported by many Italian consumers. In those cases, not only is the positive account balance not transferred to the 'new' account on time, but the consumer is also required to pay unjustified account management fees.

Therefore, a binding deadline should be set to oblige the 'former' bank to rapidly close the account and to transfer any available positive account balance to the 'new' account.

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<sup>17</sup> Technical requirements: 3(b) of Annex of the Regulation.

## FSUG response to the Consultation on Bank accounts

### Access to a basic payment account

Consumers should have access to a choice of appropriate, value-for-money products and services.

Access is the primary consumer principle. Unless consumers have the opportunity to access products and services in the first place then other principles such as choice, fairness, quality, and security do not come into play. Access is particularly important when evaluating the degree of financial exclusion in a market or the consequences of forcing market solutions on consumers.<sup>18</sup>

As advocated for in the letters to President Barroso & Commissioner Barnier on the withdrawal of legislative proposal on access to a basic payment account, the FSUG would like to highlight the critical importance of respecting the dignity and safeguarding the fundamental rights of financial users, in particular of vulnerable groups.

Many studies conclude that having access to a bank account is crucial for citizens to integrate into society and to live a decent social and economic life.<sup>19</sup> Moreover, it is stated in the Financial Services Action Plan (adopted in 1999) that financial inclusion is an essential step towards achieving an integrated EU financial services market. Also, the 2005-2010 EU Financial Services Policy White Paper underlines that “accessing a bank account is the entry point for most consumers to financial services and markets and increasingly important for citizens to participate in the market and society”.

Furthermore, there is an important matter of principle involved. The basic rights and human dignity of financially vulnerable citizens is at stake here in the sense of DG Justice’s official position: “The EU is based on the values of human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities.”

Not having access to a basic bank account can make other key financial services remain inaccessible: they are too time-consuming or expensive. Finding a place to live or a job can become very difficult since most salaries are paid in a bank account. In summary, these citizens are marginalised.<sup>20</sup>

FSUG is of the opinion that , in certain cases, the provision of certain financial services are so important to the financial well-being of consumers that terms of access and provision should be mandated by society. Access to a transactional bank account is a case in point. Transactional banking is a utility function and provision of services should not be left to the market to decide. Therefore, a powerful way of ensuring accountability to society is to impose public interest obligations on socially critical financial institutions who provide core financial services.<sup>21</sup>

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<sup>18</sup> FSUG Principles and Practices of Financial Services Regulation.

<sup>19</sup> *Financial services provision and prevention of financial exclusion*, European Commission, VC/2006/0183, <http://www.fininc.eu/gallery/documents/final-report-2007-and-summary/financial-services-provision-and-prevention-of-financial-exclusion-final-report.pdf>.  
<sup>20</sup> [http://ec.europa.eu/internal\\_market/finservices-retail/fsug/opinions\\_en.htm](http://ec.europa.eu/internal_market/finservices-retail/fsug/opinions_en.htm), 14.7.2011.

<sup>21</sup> Policymakers and regulators talk about systemically important financial institutions (SIFIs) with regards to financial stability and prudential regulation. Policymakers need to adopt a similar mind-set for the provision of core financial services.

## FSUG response to the Consultation on Bank accounts

**Question 14:** *Do you dispose of information on consumers encountering difficulties in access to a basic bank account? What types of obstacles are signalled by the consumers preventing them from having access to a basic bank account?*

Barriers to accessing a basic bank account may be of different nature:

1. Access to a basic payment account could be limited by rules on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing. Interpretation of anti-money laundering legislation varies across countries, thus leaving room for exclusion of financially unattractive clients. Therefore, we see an urgent need for harmonising the interpretation of anti-money laundering legislation.
2. A recent research carried out in UK into the most vulnerable consumers and their exclusion from banking showed that identification requirements remain a barrier for some people from marginalised groups to become client at a bank. This was particularly the case for new migrants, but also for ex-offenders and homeless people who did not have a fixed address and were not in receipt of welfare benefits.<sup>22</sup>

See annexes for more information.

**Question 15:** *Are you aware of any measures taken by banks or other institutions in the Member State where you have your residence to facilitate access to a basic payment account? Have these initiatives been successfully enforced?*

Industry codes as initiated in Germany, United Kingdom, Italy, Ireland, Slovenia and Luxembourg have had positive results but, at the same time, have failed to effectively guarantee universal access to a basic bank account.

Legislative approaches to ensure universal access to basic banking services have had satisfactory results in Belgium and France where the number of unbanked citizens has dropped by 75 % and 30 % respectively, as well as in Finland and Denmark where 100 % of households are covered by banking services.

Member States have not reacted adequately to the Commission's Recommendation and in 15 Member States there is still no legal or voluntary requirement for banks to provide basic banking services.

**Question 16:** *Do these measures also facilitate access to a basic payment account for non-residents?*

FSUG is of the opinion that the right to access a basic bank account should apply irrespective of the consumer's nationality or place of residence in the Union. The measures took by banks or other institutions in the Member State do not generally facilitate access to a basic payment account for non-residents.

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<sup>22</sup> Consumer Focus research, UK, June 2010, <http://www.consumerfocus.org.uk/publications/on-the-margins>.



## FSUG response to the Consultation on Bank accounts

FSUG recommend to adopt a legislation which should ensure that any consumer, legally resident in the Union has the right to open and use a basic bank account with a payment service provider operating in a Member State provided that the consumer does not already hold a basic bank account meeting the requirements of Union legislation as specified in these Recommendations in the territory of that Member State.

The legislation should ensure also that it is not unduly burdensome for consumers to demonstrate that they do not already hold a basic bank account, and provide for a declaration by the consumer to that effect during the application process.

**Question 17:** *If consumers still have difficulties in opening a bank account, what are the reasons for that?*

See annexes.

**Question 18:** *If more needs to be done what additional measures should be envisaged? Should the problem be tackled at national or EU level?*

In our view, the problem must be tackled at EU level. In order to ensure a broad and inclusive basic bank access, first step to a financial inclusion, all banks should have to provide such a basic payment account to any consumer residing in the Union, irrespective of his/her financial circumstances.

An option worthy of consideration in addressing the problem of financial exclusion is to consider that basic financial services are services of general economic interest (SGEI) and that access at affordable prices for everyone to these services is at the heart of the European model of society.

SGEI are economic activities which deliver outcomes in the overall public that would not be supplied (or would be supplied under different conditions in terms of quality, safety, affordability, equal treatment or universal access) by the market without public intervention. The public service obligation (PSO) is imposed on the provider by way of an entrustment and on the basis of a general interest criterion which ensures that the service is provided under conditions allowing it to fulfil its mission.

Access to basic payment services under fair conditions is important for financial and social inclusion and to allow consumers to benefit fully from the single market. In 2011, the Commission did an impact assessment to examine whether EU legislation was needed in this area. Having considered all options, the European Commission decided, at this stage, to propose a Recommendation.<sup>23</sup> It aims to ensure that basic payment services and a payment card are offered to every EU citizen and resident who does not already have a payment account in the Member States where they seek to open one. This basic payment account should be provided either free or at a reasonable charge by payment services providers.

The Recommendation sent a clear message to Member States and providers about what is expected while leaving flexibility at national level on how to achieve it. FSUG consider that we are far from a real access for everyone to basic payment services under fair conditions.

<sup>23</sup>

*Commission Recommendation on access to a basic payment account, 2011/442/EU.*

## FSUG response to the Consultation on Bank accounts

A simple Recommendation is not the right solution. We strongly believe that it cannot be as effective as a legislative proposal to solve the bank account access problem to the 30 million concerned citizens in Europe. Indeed, too many Recommendations end up not being implemented.

Soft law processes should not be used in cases of basic rights of citizens being concerned: Already in 2001, the European Consumer Law Group<sup>24</sup> argued that “Soft law is not appropriate, ... , to deliver a universal service. There is no community of interest between businesses who do not need those who are unprofitable as customers and those who although unprofitable, have a basic need for the service provided.” Self-regulation creates unequal situations between Member States. Therefore, citizens in some Member States are financially and socially excluded. Soft law is not a good way for the European Commission to combat financial exclusion in Europe.

FSUG recommend to go forward with a legislative proposal on an EU-wide right to a current account.

In order to be effective a basic bank account needs to be straightforward to open, even for those with non-standard proof of identity and to provide a specified range of core services, and there need to be measures in place for effective supervision and settlement of conflicts.

Member States should be obliged to ensure that due diligence procedures do not lead to discriminatory practices, for instance against marginalised groups, migrants, ethnic or religious minorities or people with no fixed address. To facilitate this, basic bank accounts should be classified as low-risk products in accordance with Article 3(3) of Commission Directive 2006/70/EC implementing Directive 2005/60/EC; providers should be obliged to apply simplified customer due diligence requirements and the Commission should aim to further harmonise national interpretations of anti-money laundering rules to ensure that it can no longer be used to deny access to a basic bank account.

The legislation should require the provider to act rapidly when verifying whether the consumer has right to access a basic bank account, whereby the provider must inform the consumer about grounds for any delay longer than two weeks. The provider may require consumers to be physically present in the nearest available branch to open the account.

The legislation should oblige payment service providers to act transparently in relation to a decision to deny or close a basic bank account. In order to allow the consumer to question the payment service provider's decision, the payment service provider should inform the consumer in writing of the reason for the refusal to open or decision to close a basic bank account. The provider should also be obliged to inform the consumer about possibilities for alternative dispute resolution mechanisms.

Distortions of competition must be prevented and consumers' needs in under-banked regions must be taken into account and hence the scope of the initiative should be as broad as possible. Therefore, in addition to credit institutions, access to core basic banking services could be provided by other payment service providers regulated by Directive 2007/64/EC.

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<sup>24</sup>

[http://ec.europa.eu/consumers/policy/ecig/rep03\\_en.pdf](http://ec.europa.eu/consumers/policy/ecig/rep03_en.pdf)

## FSUG response to the Consultation on Bank accounts

The legislation should enable the user of a basic bank account to make any essential payment transactions such as receiving income or benefits, paying bills or taxes and purchasing goods and services via both physical and remote channels using mainstream national systems.

The payment service provider should not offer, explicitly or tacitly, any overdraft facilities or overrunning in conjunction with a basic bank account. A payment order to the consumer's payment service provider should not be executed where such an execution would result in a negative balance of the consumer's basic bank account. Access to credit should not be considered as a component of or a right related to a basic bank account, whatever the purpose or the form of the credit.

However, the cost structures of basic bank accounts are an important contributor to the success or failure of such accounts. Recent research commissioned by the UK Government showed that penalty charges associated with over limit fees and failed credit direct debits are some £35 million p.a., borne disproportionately by those on the lowest incomes. Although basic bank accounts in the UK do not have overdraft facilities, banks still levy unpaid item charges which can push basic bank accounts users into financial difficulties.

Providers should only be obliged to include functionalities that are part of their regular offer. Where this is the case, a basic bank account should include the following services:

### A. *Basic account management services*

- a) services enabling cash to be placed and transactions to be received to a payment account
- b) services enabling cash withdrawals from a payment account
- c) provision of account statements.

The consumer should be provided with non-discriminatory access to personal service, such as over-the-counter service in branches and to the use of automatic teller machines (ATMs), including other banks' ATMs where technically possible.

### B. *Standard payment services*

- a) transfers of funds via the execution of credit transfers including interbank executions
- b) transfers of funds via the execution of payment transactions through a payment card that does not allow the execution of payment transactions that would exceed the current balance of the payment account
- c) the execution of standing orders, including interbank executions, in Member States where its use is necessary for the execution of essential transactions
- d) the execution of direct debit including interbank executions in Member States where its use is necessary for the execution of essential transactions

For the execution of these services, the consumer should be entitled to non-discriminatory access to the different channels offered by the provider, such as manual transactions, transactions via ATM, online banking and phone banking.

In addition, any initiative for universal access to basic banking services must be flanked by well-designed communication campaigns raising awareness about consumers' rights and providers' obligations.

# FSUG response to the Consultation on Bank accounts

## Annexes

### Austria

#### 1. Transparency and comparability of bank account fees

The website <http://www.bankenrechner.at> contains comparisons of different bank products. Users also have the opportunity to download freely rankings of a desired category of current accounts. In particular, consumers find data of salary accounts, youth and student accounts, accounts for pensioners and other private current accounts:

[http://www.bankenrechner.at/einstieg\\_girokonto.php](http://www.bankenrechner.at/einstieg_girokonto.php).

The comparison of current accounts is based on three user profiles assuming different transactions of payment services: we call them 'Wenig-Nutzer' (user with very limited payment transactions); 'Normal-Nutzer' (user with transactions on an assumed average) and 'Viel-Nutzer' (heavy user/a lot of transactions): <http://www.bankenrechner.at/info-nutzertypen.pdf>. At the moment, the website is adapting the user profiles to new consumers' behaviour in payment services (by using feedback of banks as well using the statistics of the ECB).

Apart from a comparison of current accounts, the website provides comparisons in following product categories:

- savings deposits: [http://www.bankenrechner.at/einstieg\\_sparen.php](http://www.bankenrechner.at/einstieg_sparen.php)
- consumer credit: [http://www.bankenrechner.at/einstieg\\_privatkredit.php](http://www.bankenrechner.at/einstieg_privatkredit.php) (offline at the moment because of slight adaption in presentation)
- and savings accounts of building societies: [http://www.bankenrechner.at/einstieg\\_bausparen.php](http://www.bankenrechner.at/einstieg_bausparen.php) (offline at the moment due to recent legal changes in the Austrian Einkommenssteuergesetz)
- and a savings calculator: [http://www.bankenrechner.at/sparzinsrechner\\_f1.php](http://www.bankenrechner.at/sparzinsrechner_f1.php)

What is the principle of data collection? Over 50 banks and building societies provide prices (interest rates, charges, tax, terms of contract, etc.) currently (i.e. if conditions change, new products are launched, etc.), by using username and password and by entering data in defined internet-based forms on a voluntary basis. The system bases on the fact that banks provide information freely in order to establish more transparency. In fact, banks and building societies profit from the fact being represented (see contact facilities of banks) on an independent website which is run by the Federal Chamber of Labour.

Banks may be persuaded to take part in such a system by recognising the effect to make cheap public relations (transparent bank!). There are no charges for the participating banks to fill in data, but the website expects the banks to update prices and terms currently. Moreover, the website has a searching look on each bank which shows interest to take part in [www.bankenrechner.at](http://www.bankenrechner.at).

## FSUG response to the Consultation on Bank accounts

### 2. Access to a basic payment account

According to EU SILC 2008 data, 150 000 persons in Austria live in households without a bank account. Related to this matter, the sub-committee in the Austrian parliament dealing with EU-related issues has decided unanimously (at its meeting on 13 December 2011) on a communication to the European Institutions, expressing that every European citizen from the age of 18 should have access to an account. The Austrian MPs have criticised the voluntary character of the recommendation and urge for the implementation of the directive.

## Belgium

### 1. Transparency and comparability of bank account fees

There is a legal obligation about the indication of prices of financial services homogeneous. The decree dates from 23 March 1995.<sup>25</sup> It was published on 26 April 1995 and operational since 1 October 1995. It has been updated several times (last update 29.6.2011).

Article 2 states that in principle the list of fees should be always up to date (and dates); if not immediately possible, the bank should inform the customer thereof.

Article 6 states that the fees have to be presented according to the model in the annex (terminology, information elements, order). List of fees have to be accessible in a visible place at the bank. For an 'online bank', this means not the physical establishment, but a visible place on the website.

List of fees have to be provided to the customer latest at the time of signing the contract. Customers have to be informed of any changes to tariffs and receive once a year by February the list of fees of the services purchased, possibly through account statements, and without extra charge.

Customers have to receive annually, in January and without extra charge, possibly through account statements, a list of services purchased, the single prices of services and transactions, the number of transactions performed and the total annual fees paid.

The decree is a good starting point, but it should be updated regarding for example e-commerce, PC-banking, differentiating between cash withdrawal from bank owned ATMs and others, etc.

There are also some private initiatives as the tariff simulator developed by the consumer association Test-Aankoop/Test-Achats with the support of the Minister of consumer Affairs and the ministry of economy. This comparison tool available on internet is interactive: the user can choose to select a pre-defined profile (traditional user, active user, active electronic user or joint account) or the user can set up a customised profile (age, cards, internet banking, insurance and number of transactions).

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<sup>25</sup> Arrêté royal du 23 mars 1995 relatif à l'indication des tarifs des services financiers homogènes.

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Based on profile selected or consumption data entered, the tool provides a list of current accounts, sorted by total price. Filters can be applied on the list, e.g. by bank name. A detailed list of fees associated to each account is provided through a link to a separate webpage. The profile is based on the instinct of Test-Aankoop. Besides current account fees, the initiative also provides comparison tools for other financial services such as mortgages, personal loans, credit cards, as well as non- financial products, e.g. electronics, household products, etc. Some of these tools are restricted to subscribers.<sup>26 & 27</sup>

### 2. Switching between payments account providers

According to the GFK report *For the provision of a “Consumer Market Study on the consumers’ experiences with bank account switching with reference to the Common Principles on Bank Account Switching*, of the 15 shoppers in Belgium who were instructed to undertake an account switch, 4 in total were successful.<sup>28</sup> Although this equates to only 27 %, Belgium was the fourth best performing Member State, with the overall EU27 ‘success’ figure at 19 %.

Of the 11 unsuccessful switchers, 3 did not hear anything back relating to their application after 14 working days and the remaining 8 were instructed to undertake the transfer themselves (one of whom was initially unable to apply online before contacting the bank via the branch).

Of the 4 successful switchers, all fed back that the process was easy because the bank oversaw the transfer automatically.

### 3. Access to a basic payment account

In average, the Belgian society is more and more financialised and bancarised. The use of financial services is becoming increasingly necessary for the day to day life thus increasing exclusion. Therefore, not having access to such services can create social difficulties and not having access to appropriate products can lead to financial exclusion issues such as overindebtedness.

The different sources available to measure the lack of access to a basic bank account (EU-SILC and national studies) do not lead to the same bank account possession rate, however, it is clear that part of the population is still excluded. One conclusion is that to live a normal life with no access to a bank account is a real challenge. Promoting the right to a basic bank account, for example dedicated to migrants and low income people, could improve the level of bank account access.<sup>29</sup>

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<sup>26</sup> <http://www.test-achats.be/paiements/compte-a-vue-s626863.htm>

<sup>27</sup> See also *Market study of the current state of play in Member States regarding initiatives in bank fee transparency and comparability in personal current bank accounts*, Van Dijk Management Consultants, 19.1.2012.

<sup>28</sup> Specific Services N°EAHC/FWC/2010 86 031.

<sup>29</sup> *Financial Inclusion Report 2011*, Réseau Financement Alternatif, <http://www.ecosocdoc.be/static/module/bibliographyDocument/document/002/1987.pdf>.

# FSUG response to the Consultation on Bank accounts

## Czech Republic

### 1. Transparency and comparability of bank account fees

The banks in the Czech Republic are generally criticised (by consumers, by media) for presenting on bank account fees to consumers in a insufficiently clear manner, uneasy to compare between banks and also because of high fees.

On the other side, clients receive monthly information included in the account statements on fees paid, together with identification of related banking transactions.

Regarding the feasibility of comparison of fees between banks, there are no results of market research or analysis available in our country. There are some private websites where consumers may find comparison of fees (e.g. <http://www.bankovni-poplatky.cz/>).

Within last 3-4 years some new banks came on the Czech market. Their strategy has been developed on the principle of zero level fees or quite low fees with quite simple and easy understanding of the information on the accounts. We are not, however, witnesses of any massive transfer of clients from the four biggest bank houses or some other smaller banks to the new ones.

We can say that consumers have possibility to change their bank but they do not use this possibility.

### 2. Switching between payments account providers

The EBIC Common Principles on bank account switching have been transposed into the Mobility Standard of the Czech Banking Association and very close to 100 % of retail banks active in our country have acceded to the Standard. Information on the conditions of switching is presented by banks in a consumer friendly manner. The Czech Consumer Association cooperates as the consumer party in regular assessment how the standard is applied.

Switching service offered by banks in our country removes all significant obstacles to a bank account switching.

The Common Principles seems to operate well, so they might remain voluntary. We think that the self-regulation for switching has been applied for only a short time period, so its functioning cannot be assessed properly yet. In our country all retail banks are adhering to the Principles on a voluntary basis.

By now we do not consider the risk of having receipts, bills and payments misdirected when switching bank accounts to be important as we have no information that these mistakes are happening.

From the Czech Bank Association we have got the information that newly established banks in our country we actively using switching principles to acquire new clients; cross-border mobility is negligible because clients are not interested in having account in another Member State. The Czech consumer association does not have, however, any independent information in this respect.

## **FSUG response to the Consultation on Bank accounts**

### **3. Access to a basic payment account**

In the Czech Republic, consumers do not encounter difficulties in access to a basic bank account. Banks generally do not refuse to open accounts to clients, only with the exception of reasons stipulated by law, especially anti-money laundering and anti-financing terrorism measures. Banks offer some relatively cheap and simple payment accounts according to the EC Recommendation (in some exceptional cases the payment accounts are provided to clients even free of charge).

Consumers that do not have a bank account (which make about 10 % of population), do not need bank account and they prefer not to have it. Because of this, they cannot be considered as socially excluded. Pensioners represent the biggest unbanked group in our country as they prefer using the services of Post Office.

### **France**

#### **1. Access to a basic payment account**

There is an existing right of access to a basic bank account. However, if this right exists on the paper, it does not work in practice:

- Not all people are provided with a real bank account with all the needed basic services: sometimes they only have the basic savings account (called in 'Livret A') where consumers can only withdraw money and issue bank checks. But these consumers have to pay around EUR 10 for each check!
- Actually, more than 2 million French people need a real bank account but only 35 000 use this right each year.
- In practice, when the bank account is denied, the bank should provide the consumer with a 'certificate of refusal' so that he can exercise his right directly to the Banque de France. However in practice, banks are hardly providing such a document, depriving consumers from their possibility to really access a bank account.
- And of course, there is no communication on bank branches.

### **Germany**

#### **1. Transparency and comparability of bank account fees**

It is not easy to compare fees with bank accounts and related services in Germany. A lot of offers bundle services some even for 'free' but often these offers carry conditions – mainly a minimum income of money to be credited to the account per month otherwise monthly fees apply.

Referring to the very different sets of bundles some basic payments are often included yet not always free. Some charges apply for the month and include e.g. all credit transfers and direct debit payments, the legal situation by jurisdiction refers to some quite old verdicts stating that a small set of transactions per month are to be included if any general fees apply for hosting the account.

A huge set of extra fees apply that may be quite specific to each group or institute that may be charged either occasionally like extra fees for repeated bank account statements, additional charges for using different bank account cards and credit cards on third party ATMs with partner networks of varying dimensions, fees for use



## FSUG response to the Consultation on Bank accounts

of non-euro payments, etc. While some fees are high and only apply occasionally, others may be small but often relevant. Terms and occasions may differ strongly creating a first barrier of comparability. Practices vary widely. And while some institutes charge only postage for re-sending a bank account statement, others cash in with up to EUR 15 per single bank statement.

Some extra costs with e.g. use of third-party ATM in Germany are for German consumers not charged by their home bank but the ATM bank and differ greatly. These costs will not even be stated in the price lists.

Price lists and the full scale of list of terms, services and pricing are not accessible the same way everywhere. A recent sweep study by our colleagues at the Consumer Centre of Hesse on 75 institutes in Hesse (I sent it to the group at our second last meeting in March) turned out that only 52 % of them actually published at least some basic price listing on their web page. Often only the general fees of the bundled offers are indicated without the extra costs. Some referenced to the price lists at their local subsidiaries but we know it might be difficult even there to find a list and get a copy to compare pricing with other offers. It is impossible to compare pricing directly or on the web due to that practice. (Results:

<http://www.verbraucher.de/mediabiq/190871A.pdf> and  
<http://www.verbraucher.de/UNI133216930523242/link1041971A.html>.)

Furthermore specific problems arise with unwanted customers. As Germany recently introduced a legal right to create a specific protected account against legal action (the so called P-Konto), that is the legal minimum existence level is untouchable on these accounts to provide debtors with a remaining option to pay cashless and with this cheaper as with ordering payments with cash, and to prevent them from having to go the court trying to get access to their account again after the bank attachment), banks tried hard to get rid of these customers by excessive bank fees for 'intensive care accounts' and a severe crippling of account services like banning online banking, no cards even with a direct bank, a need to deploy any credit transfer at the banks subsidiary or not offering orders of recurrent payment.

It might be difficult and misleading to state average charges. While some institutes offer 'free' accounts, sometimes on condition of certain income to that account others charge fees at very different rates with a wide spread. Basic bank accounts face highest fees with some misleading names like 'S-Giro intensive'. In our position paper on access to a bank account, you will find information of last year indicating severe price increases with basic bank accounts like with one institute rising them from EUR 1.50 per month to EUR 8.40 per month. Quite a number charge by EUR 12 sometimes with additional fees per booking and we found some co-operative banks charging EUR 15 or even EUR 27. We need to state that in some cases where these high fees were applied in conjunction with the new legal right of consumers to declare one bank account to be safe to enforcement up to their protected subsistence level courts already banned this pricing for this option has to be provided without extra fees. (We need to state court action was quite successful to outlaw some of the excessive costs but banks carry on.) Stiftung Warentest/<http://www.test.de/themen/geldanlage-banken/test/Girokonto-Deutschlands-Konten-im-Test-4320188-4328806> has made a survey on 1 610 banks recently (by 6.12.2011). 71 out of 583 responding institutes offered zero-fee accounts without any preconditions, some yet only regional. Furthermore, bank accounts cost around EUR 6 and EUR 3 for mere online banking accounts.

## FSUG response to the Consultation on Bank accounts

We need to see that a lot of very different extra fees may apply, including bookings, paper bookings, card payments, ATM usage, etc. making up for a very intransparent set of real costs. Especially the extra pricing is not always available to compare on the internet (e.g. only provided for customers inside their accounts pages, not comparable for other consumers. It is important to get a rule to make it obligatory to publish all price lists openly in the internet.

(Excerpt of data collection by us of 2011.)

### 2. Switching between payments account providers

Given the results of the survey by Commission on this <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/164&format=HTML&aged=0&language=EN&guiLanguage=en>, we have currently no data indicating the amount of switching consumers though we saw more consumers 'being switched' into basic bank account models with P-Konto (protected accounts).

The missing comparability and thus the option not to discover how many fees could be avoided by putting more market pressure and abuse of higher fees for 'less interesting' consumers, are part of this issue. We have learned on further issues of consumers trying to change into cheaper accounts concerning credit rates of overdraft facing substantial problems. 70 % of the less welcome customers face substantial problems when trying to change an account, a survey among counsellors last year discovered, <http://www.vzbv.de/7452.htm>.

For the moment, there may be as well another factual problem even for 'well-liked customers', the current direct debit standard (Einzugsermächtigung) does not provide for any kind of overview of banks on running direct debit mandates. So even when the new banks carry on the work and take the costs, it is still a lot of hassle to inform everyone on the changing account details for new mandates. This might change with SEPA direct debit. The newest challenge with the new options of the truly European payment market starting by February 2014 with some transition till 2016 – at least for the option to change with accounts abroad might become the still national card schemes. Consumers will need cards that operate everywhere in Europe and this not merely for the sake of that oligopoly set up by VISA and Mastercard.

### 3. Access to a basic payment account

It is a big issue. Concerning unbanked and according to German as well as European studies and calculations – actually nobody has a full-sized statistic – we have recognised that at least some more than 600 000 consumers in Germany – presumably far more – are affected.

Currently German Bundestag (Federal Parliament) is discussing the issue again as a new report by the Federal Government indicates – for the third consecutive time – that the current non-binding self-commitment by the German Banking Associations is not working to provide for a sustainable and reliable solution as only some Federal States have already set up a legal duty by law affecting mutual savings banks (run within the municipalities) to serve unbanked consumers with what we call 'Girokonto für Jedermann', standard bank account without over-draft facility. The current codes of conduct by bank associations have not solved the issue since 1995. Before that a nationwide bank account service had been run by Post Offices that were open to everyone as part of a state-run service. Postbank today is a privatised bank owned by Deutsche Bank.

## **FSUG response to the Consultation on Bank accounts**

We need a legal right of the unbanked to access a suitable real bank account that provides for all of the standard services like credit transfer, as well automated repeated credit transfers, direct debit, debit payment cards, ATM access, online banking and this at standard fee rates that must not surpass those ordinary consumers are charged. As we have already learned about the tricks of institutes with protected accounts.

We are wary on discussions about the number of affected. Even the official report by Federal Government stated now for the third consecutive time, that claims on rising number of non-overdraft accounts do not prove a solution the issues is to be marginalised – to the opposite. The current report states 2 605 076 basic bank accounts but we also saw more people being switched to these accounts from existing normal bank accounts thus the rising number of accounts in the past with this does not state we have less accountless consumers. And this indicates a rising danger. Flash Eurobarometer Report 282 assumption of about 670 000 consumers without bank account (= 1 % of consumers beyond 18 years) is challenged by our governments assumption to be too vague. There are a few regional approaches to calculate on the basis of data by social welfare authorities with their type of payment. Our office for statistics calculated from a survey in context of questioning 60 000 households on income and spending that in 2008, 1.4 % of them were without account. (To name some of the estimations – our German text refers to more methods to assume the number of people affected to be high.)

Currently there is a tendency to wait for Europe on this issue here in Germany and hope that the Commission is doing something in the near future (this is also the Government opinion) though we have not time to lose anymore on this. A basic bank account is key to a general participation in the market. It should not be set up with a specific institute as we already see in those Federal States where Sparkassen (savings banks) already face a legal duty that all consumers are directed to them. This fosters the effect of other banks – potentially even Sparkassen in other Federal States to avoid those customers. Institutes might be stigmated on customers as other customers of them might be, we see it now sustainable approach not to set the share of effort on all account institutes. Furthermore, also the poorer consumers need to have choice in service and pressure on costs. With that consumers must not find legal rulings to see their right restricted 'to one account' allowing banks they want to switch to – for any sound reason – to deny them access as they are 'already banked'. This is seeding the ground for excessive charging and crippling terms as consumers may see themselves trapped into unbearable conditions.

### **Greece**

#### **1. Transparency and comparability of bank account fees**

Regarding the issue of fees transparency, the Act of Governor's Bank of Greece 2501/2002 set rules of providing information to the consumers for any fees and expenses that refer to any financial product. The Bank of Greece informs us that the banks comply with the above rules.

The General Secretariat of Consumer Affairs and the Bank of Greece gathers information mainly on the complaints they receive.

## **FSUG response to the Consultation on Bank accounts**

Regarding the issue of bank fees transparency, the complaints that the Secretariat receives are related to the very existence of these fees, not their transparency. Consumers complain that the banks are constantly creating new fees attached to their services. The complaints refer to the following fees:

- dormant account fees
- costs of open credit lines
- expenses for contract modification or interest rate
- expenses on removing underwriting
- costs of the redemption certificate
- court expenses
- notice of late payment charges
- loan administration fees (other than mortgage).

### **2. Switching between payments account providers**

Regarding the issue of bank account switching, the Bank of Greece states that it is not aware of any problems in bank account switching.

The General Secretariat of Consumer Affairs have not received any complaints.

### **3. Access to a basic payment account**

According to the regulatory framework, the conditions to open a bank account are formulated by the banks themselves, complying with the obligations to request information, as these obligations are derived by the law (3691/2008) to prevent the use of the financial system for money laundering (the law complies with Directive 2005/60/EC).

The General Secretariat of Consumer Affairs have not received any complaints.

## **Ireland**

### **1. Transparency and comparability of bank account fees**

Below is the link to research undertaken by CBI in 2011 into the level of Fees charged on Personal Current Accounts and related Bank Fees Transparency matters:

<http://www.centralbank.ie/regulation/processes/consumer-protection-code/compliance-monitoring/documents/a%20review%20of%20personal%20current%20account%20charges%2020.12.11.pdf>.

### **2. Switching between payments account providers**

December 2011 the Central Bank Inspection of Ireland published results of a review exercise, mystery shopping and on site review, of four main banks of Current Account Switching and compliance with the Central Bank's Statutory Switching Code which came into effect on 1.10.2010.

## FSUG response to the Consultation on Bank accounts

Mystery shopping revealed:

- Concerns re level of awareness and understanding of the Code by branch staff and the quality of information provided to enquirers regarding switching.

On-site visits found:

- the switching process generally works well
- was within statutory timeframes
- consumers continue to experience problems regarding direct debit transfers when switching.

### 3. Access to a basic payment account

With regard to Financial Exclusion and Access to a Bank Account, the recent study of March 2011, *Financial Exclusion and Over-indebtedness in Irish Households* indicates that 20 % of households do not have access to a bank account.<sup>30</sup> The research shows why this is so.

Over 2 million people in the Republic of Ireland are also members of Credit Unions. There are approximately 400 credit unions serving these members but many of these credit unions do not, as of now, provide the equivalent of a bank current account. A government appointed Commission is deliberating on the future strategy for the regulation, legislative support and future development requirements of the Irish credit union movement and will report with recommendations to the Minister for Finance with legislation to follow later. An opportunity can exist for a restructured credit union mutual, not- profit sector to play a critical role in providing choice and enhanced financial services to members in addition to or as an alternative to the commercial for- profit banks.

## Italy

### 1. Transparency and comparability of bank account fees

Bank transparency is clearly demanded in the Law n. 214 of 22 December 2011.<sup>31</sup> See also the dispositions of the Bank of Italy <http://www.bancaditalia.it/servizi Pubbl/conoscere/edufin-bi/trasparenza 2> and <http://www.bancaditalia.it/vigilanza/normativa/norm bi>.

### 2. Switching between payments account providers

In Italy current account switching seems relatively straightforward and cost free. There are plenty of sources consumers may use to have information. The most publicised one is Patti Chiari ([www.pattichiari.it](http://www.pattichiari.it)), a consortium of 72 banks and all major Italian consumer associations. For figures (in Italian) see <http://www.pattichiari.it/sapernedipiu/mobilita correntisti new>.

For an easy to use guide see <http://www.pattichiari.it/dotAsset/25659.pdf>.

<sup>30</sup> <http://www.esri.ie/UserFiles/publications/bkmnext184.pdf>

<sup>31</sup> [http://www.lavoro.gov.it/NR/rdonlyres/8593D80A-CF2A-427F-A012-CED4884F9EFE/0/20111222\\_L\\_214.pdf](http://www.lavoro.gov.it/NR/rdonlyres/8593D80A-CF2A-427F-A012-CED4884F9EFE/0/20111222_L_214.pdf)

## FSUG response to the Consultation on Bank accounts

### 3. Access to a basic payment account

Access to basic current account is now regulated by Law n. 214 of 22 December 2011, in particular Article 12(3).

It includes access to a basic current account with no expenses and charges for those at social/economic disadvantage (for all others, costs and charges have to be simple, transparent, and easily comparable) to be defined by separate convention between the Ministry of Economy, the Bank of Italy, the Italian Banking Association (ABI), the Poste Italiane and other associations of service providers within three months from the date of entry into force of the law.

### Netherlands

#### 1. Transparency and comparability of bank account fees

##### General Banking Conditions 2009

The provisions of the European Payment Service Directive (PSD) are implemented in the Dutch legislation by the Law on Financial Supervision (i.e. Wet op het financieel toezicht, Wft). As a consequence of the transposition the payment practices of Dutch banks have changed and this is reflected in the General Banking Conditions<sup>32</sup>. The measures described in the general banking conditions are operational since 1 November 2009.

The General Conditions were drawn up in consultation between the Netherlands Bankers' Association (NVB) and the consumers' organisation 'Consumentenbond' within the framework of the Coordination Group on Self-regulation Consultation of the Socio-Economic Council (SER). The initiative is accessible online (the general banking conditions appear on the Internet), but also at the branch e.g. information for the standard charges are available at the banks' branches. The initiative does not focus exclusively on bank fees. It also focuses on other topics related to general conditions which apply for any relationship between the Bank and the Customer.

Article 22 describes the Banking conditions for commission, interest and fees. Note that this Article 22 was already operational in practice, and it did not change after the implementation of PSD.

The NVB informed as much as possible the Dutch inhabitants about the changing of the general banking- and paying conditions. This was done by a publicity campaign to all consumers, from 24 August to 4 September 2009. The NVB used advertisements, billboards and radio commercials in order that the message reaches all consumers.

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<sup>32</sup>

For further information see <http://www.nvb.nl/index.php?p=291247>, and link to the document <http://www.nvb.nl/scrivo/asset.php?id=291359>.

## FSUG response to the Consultation on Bank accounts

### Comparison websites

#### **Consumentenbond comparison website**

It provides the Comparison of all possible current accounts/packages offered by nine Dutch banks (close or equal to 100 % of the market). The information comes from studies and research done by Consumentenbond<sup>33</sup>. It is operational since January 2011. Access to this comparison online tool is restricted by subscription. Once the consumer has subscribed, he/she can compare current accounts/packages by selecting them and clicking on the 'compare' button. There is no limit in the number of products that the consumer can compare. The comparison tool also allows testing and comparing the fees of bank packages and the (dis)advantages of different services related to internet banking.

#### **Mister Money**

The originator of the initiative is Mister Money<sup>34</sup>, an information provider in the area of financial services. Access to this comparison online tool is for free. It provides the consumer with a list of 18 current accounts (incl. 11 packages), offered by 5 banks: SNS, Rabobank, ING, ASN Bank, ABN AMRO. The list gives the name of the bank, the name of the package or the current account, and shows by a 'V' or a 'X' whether certain services are included in the package/current account or not (debit card, savings account, credit card, internet banking, mobile banking). The penultimate column of the list gives for each product the yearly fee to be paid. The last column gives the opportunity to the consumer to get more information on the product (by clicking on the 'i' sign) (see coverage). The initiative focuses exclusively on bank fees and services related to a current account. The initiative takes into account the bank fee which has to be paid each year, the fee for opening, for services, for transactions in the non-euro area and for a second bank card, information whether the bank card is included or not, information about the possibility to have a savings account or a credit card, if yes the initiative gives also the fee for the credit card, indicates whether there is an option to have internet and/or telephone banking and gives the frequency of account statements.

#### **Bankenoverzicht**

It facilitates the comparison of all banks in the Netherlands. Is a project of DGN Publishers BV<sup>35</sup>, an internet company located in Amsterdam. Access to this comparison online tool is for free, however, DGN Publishers BV gets their revenues from publicity and forwarding contact applications. The calculator works with predefined profiles: until 12 years, 12-18 years, 18-35 years and >35 years. When the consumer has chosen the right profile, the initiative shows a list of all current accounts/packages offered by the banks. The consumer can then select maximum three products to compare. Afterwards, a comparison is provided taking into account the following items: name of the bank, name of the product, commentary, type of account, age requirement, default rate, alternative interests, minimum/maximum initial deposit, minimum automatic save, recording fees, payment facilities and guarantees. The initiative does not focus exclusively on bank fees/year. The comparison tool provides general product information: fee for the credit cards, fee for

<sup>33</sup> For further information see <http://www.consumentenbond.nl/test/geld-verzekering/betalen-en-sparen/betaalrekeningen/vergelijken>.

<sup>34</sup> For further information see <http://www.mistermoney.nl/bankieren.asp>.

<sup>35</sup> For further information see <http://www.bankenoverzicht.nl/bankrekening/resultaten/sorteer/rekening/order/reverse>.

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new card when your card is lost/stolen, fee for new card when your card is damaged, fee for a second bank card.

### 2. Switching between payments account providers

#### Interbank Switch Support Service

The Interbank Switch Support Service (ISSS; in Dutch 'Overstapservice') was launched at the end of 2003 with a focus on consumers. The ISSS is Netherlands Bankers' Association (NVB) branded and has been developed by the Dutch banking community. The service aims to facilitate account holders who want to move their payments relationship from one bank to another, thus increasing customer mobility and lowering switching costs for current accounts. Outside the scope of the ISSS are the additional payment products that are delivered on top of the current account: debit cards, credit cards and security-calculators for Internet-banking.

Under the ISSS, the former bank ensures that all income, such as salary and benefits, are automatically credited to the new account for 13 months. The customer must take the initiative to inform his employer or the organisation(s) from which he receives a benefit of the amendments. With regard to debits, the new bank informs companies which submit instructions for automatic debt collection of the change in the account number.

On the basis of the experiences in the first half year, some improvements were designed. As a result, in October 2004 the ISSS was adapted to facilitate switching for SMEs (business customers) as well as the option to switch from two individual to one joint account.

The ISSS<sup>36</sup> was used by 45 000 consumers in 2004, 65 000 consumers and 5 000 SMEs in 2005 and about 75 000 consumers and about 5 000 SMEs in 2006. Examples of switching facilities, such as those currently available in the Netherlands, appear to have aided customer mobility.

While some market research reported that parties who had actually chosen to switch found it easy, perceived barriers to switching (real or imaginative) are present and number portability might offer further benefits. It is, however, not costless. The NVB stressed the difficulty of maintaining a switching service in the future because of its dependence on using a central processor with one database of all bank account numbers that is in charge of processing all inter-bank transactions<sup>37</sup>.

### 3. Access to a basic payment account

The Netherlands stands for universal and non-discriminatory banking, most of the actions are carried out on a local level, in cooperation with many stakeholders (bankers' association, consumers' organisation, municipalities, organisations providing social assistance) and tailor-made for any relevant group of the population (youth, elderly, migrants, etc.).

Efforts contribute to tackling financial exclusion are the main solutions designed to meet the needs of low income clients. Upon specific signalling from the Salvation Army and in collaboration with the Ministry of Justice, the Dutch Association of banks

<sup>36</sup> To improve the provision of ISSS to the public, a dedicated website ([www.overstapservice.nl](http://www.overstapservice.nl)) was launched in October 2005.

<sup>37</sup> See *The Dutch Interbank Switching Support Service*, Lielveldt, S., 2006.



## FSUG response to the Consultation on Bank accounts

has implemented a covenant on a basic banking account. In theory, this agreement allows for anyone, even people that have debts, to open a basic bank account. Its primary success is to have managed to convince the banking sector to promote a basic bank account in 2001. The Salvation Army<sup>38</sup> is the interface between many of the unbanked population and the financial system. It is supported both in the public and private spheres and by the not-for-profit sector. As it is a mostly a market approach, self-regulated, it is financed by the relevant banks themselves. Another not-for-profit association working in this sector is the Federatie Opvang – ‘Shelter Foundation’. They also act as intermediary between the unbanked population and the banks offering the basic bank account.

### Initiatives targeting groups at risk of financial exclusion

In spite of all the initiatives aiming at improving transparency and comparability of bank account fees, finding ways to reach ‘target groups at risk of financial exclusion’ should be at the heart of this initiatives. Further, it should be taking into account that some elderly or illiterate people cannot handle the new technology, namely internet banking or even automated machine tellers – ATM, which can cause a type of financial exclusion, especially since some commercial banks are thinking of automating most of their transaction and eliminating human cash tellers’ jobs.

In this regard, banks have come up with creative solutions to reach them. For instance, the Rabobank has developed a brochure called ‘Step-by-step banking’ which aims to help people use the phone or internet banking system. The bank has also trained seniors so that they can transmit information to local banks and social care organisations. Finally, for the illiterate, the bank developed a program according to which its internal employees and retail advisors know how to start up a dialogue with the client about this particular issue to lead him/her to follow reading- and writing lessons for adults. This solution seems to help on a local level. Moreover, in order to reach geographically-isolated people, banks have been quite active in seeking alternative solutions. They include the regular branch offices and ATM terminals, respectively 3 700 and 7 200 all over the Netherlands, but also, they make themselves available in some locations through a ‘bankbus’. Elsewhere, they have implemented cashless environments or in 1 560 other locations, they have signed agreements with shopkeepers to enable the clients to withdraw money.

### General information and recent developments

The Netherlands is generally considered a low cost banking market for consumers. While consumers highly value the physical presence of branches, the Netherlands has one of the highest levels of usage of Internet banking services, with 7.3 million reported Internet users in the Dutch Central Bank’s 2006 annual report, with probably about 60 % of these being primarily users of Internet banking, based on a 2007 Heliview survey. Overall, the number of local branches has decreased recently. This change is due to reduced need. It has been influenced not only by the proliferation of Point of Sale (POS) networks for electronic debit card payments and Automated Teller Machines (ATMs), but also by the introduction of new services such as e-banking, internet banking and e-brokerage. However, for certain client segments such as the elderly, bank branches are likely to be important.

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<sup>38</sup> The Salvation Army (‘Leger des Heils’) targets ‘people without help’, which can include the following: a) Households with problematic debts (particularly single-parent families, households with low income, young people and immigrants); b) Long-term unemployed people with a low education; c) (Ex-)drug- or alcohol-drug-addicts, psychiatric patients and homeless people; d) Single, socially isolated elderly people dependent on institutional care and assistance.

## FSUG response to the Consultation on Bank accounts

The cross border payment behaviour of Dutch consumer 2010<sup>39</sup> revealed that a great majority of payments to other countries are made through Internet banking. Internet banking is used especially frequently for remittances to relatives and friends in other countries: over 80 % of such payments are made by electronic credit transfer. Just a few consumers use paper-based credit transfers for this purpose (8 %), send cash by post (3 %) or go to a money transaction office (6 %).

### Romania

#### 1. Transparency and comparability of bank account fees

Banks have the obligation to disclose their standard fees for retail customers in all agencies and on the internet. This disclosure, most of the times, takes the form of a complex list of fees imposed by the bank for all services, making it difficult for a consumer to pick the most relevant information.

There is no standardised bank account package on the local market and no important fees highlighted into the lists. There are cases when banks use one complex list to disclose all fees and cases where banks divide the information in 2, 3 or even more separate lists.

The names used for fees are not standardised and may differ from one bank to another, for the same service.

Therefore it is very difficult for consumers to extract the information and compare current accounts, based on costs.

Moreover, there are numerous current account packages that offer different benefits, but are almost impossible to compare due to the non-standardised format.

#### 2. Switching between payments account providers

Mobility in Romania is not a common activity. On the contrary, I never heard about anybody that took advantage of this procedure. And I am not aware that any bank initiated a campaign to inform consumers about the possibility of switching current account.

A 2011 BEUC study<sup>40</sup> revealed that Romanian banks do not offer help information on bank account switching to their customers.

A more recent study of the European Commission revealed that 8 out of 10 consumers are not able to switch their bank account successfully.<sup>41</sup>

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<sup>39</sup> For an extensive overview, see [http://www.dnb.nl/en/binaries/Cross-border%20payment%20behaviour%20of%20Dutch%20consumers%20in%202010\\_tcm47-266354.pdf](http://www.dnb.nl/en/binaries/Cross-border%20payment%20behaviour%20of%20Dutch%20consumers%20in%202010_tcm47-266354.pdf).

<sup>40</sup> *Easy switching? – A long way to go*, BEUC monitoring report of the *Common Principles for Bank Account Switching*, [http://www.beuc.org/BEUCNoFrame/Docs/2/DADHKCPBLKHCEEGBNNHONIMPDWY9DBY\\_C69DW3571KM/BEUC/docs/DLS/2011-00183-01-E.pdf](http://www.beuc.org/BEUCNoFrame/Docs/2/DADHKCPBLKHCEEGBNNHONIMPDWY9DBY_C69DW3571KM/BEUC/docs/DLS/2011-00183-01-E.pdf).

<sup>41</sup> <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/164&format=HTML&aged=0&language=EN&guiLanguage=en>

## **FSUG response to the Consultation on Bank accounts**

### Major barriers to bank account mobility at national level

One reason that mobility is low in Romania could relate to the fact that most companies impose to their employees a certain bank for receiving their salary. As this is the main and most of the times the only revenue, salary account becomes the main account of a client.

Salary accounts usually offer higher advantages than a simple current account package, and offer the possibility of overdraft.

But, lack of information and the selling of packages often brought clients into unpleasant situations. Changing jobs usually means opening a new current account, at the bank the new employer requires.

Few clients are aware that banks charge fees for inactive current account as well and they are not alerted of the risks. Even more, banks sometimes charge higher fees for inactive current accounts than for active ones (for example, BCR, the largest bank, charges RON 2.5 per month for the management of an active current account, but RON 10 for inactive current account).

If the old account is not closed, fees accumulate and debt is transferred to overdraft, thus sending customer name to the Credit Bureau, making almost impossible to contract a new loan by the customer.

- Banks do not inform customers on the facilities they can provide for clients that want to switch bank accounts. Customers are unaware that banks have an obligation to help them to contact third parties and to finalise the operation.
- Some banks, even if they provide information on bank account mobility, also impose charges for the facility (for example, BRD Groupe Societe Generale, the second largest bank, charges a RON 49.6 fee for this procedure).

### **3. Access to a basic payment account**

#### Existence and take-up of basic current accounts as well as the types of services offered with such accounts

Current accounts are the basic products offered by banks in Romania. This is the core product that every consumer should purchase when it becomes a customer of a bank. The current account is required when opening a deposit or when contracting a loan.

Usually, banks sell current accounts as part of a package, which almost always involves a debit card, for the clients to be able to withdraw cash at ATM or make payments at POS.

It is highly unusual in Romania for a customer to open just a current account, without a debit card attached. This practice was encouraged by the introduction of these two products as a package when employers have switched from paying salaries in cash to debit cards, through bank accounts.

This is one of the reasons many times current accounts and debit cards are referred as 'salary accounts' or 'salary cards'.

## FSUG response to the Consultation on Bank accounts

Packages can be more complex and involve phone, mobile and online banking services, discounts for cash operations or electronic payments, higher interest rate for savings and sometimes a discount in the interest rate for loans or credit cards, if the client would ask for such a product.

This development grew especially in the last years as banks faced a decrease in their mortgage and consumer credit activity and had to refocus their attention on other profit-making products for a wide category of customers.

### Amount of unbanked consumers at national level

Latest survey on population revealed that Romania has a total of 19 million permanent inhabitants; the high majority of them are Romanian citizens.

At the end on 2011, there were 11.2 million debit cards in circulation, according to NBR statistics<sup>42</sup>. This figure includes also corporate cards, and sums up both active and inactive cards.

As retail current accounts have been sold, in majority of cases, with a card attached one could draw the conclusion that more than a half of the total population does not have a current account. This includes elderly people, minors and rural population.

About half of Romanian population lives in rural areas<sup>43</sup>, where banks have not yet penetrated. Also, most payments in rural areas (subsidies, pensions, salaries, etc.) are still cash based.

This conclusion is supported by official data of the European Commission (*Flash Eurobarometer 282*), used for underlining the necessity of facilitating the access to a basic current account for all EU citizens.

### Data on differentiated account usage for different categories of users (i.e. customer profile based on the extend of usage of a current account as well as on age/income categories, etc.)

Elderly people do not always use banking products. But many banks have developed special current account packages for retired clients, in particular, to facilitate the collection of public pensions.

There are a total of 17 banks, including top 5 banks, which have developed special current account packages for retired people and facilitate for their clients the opening of such an account, based on an agreement signed with the National Pensions House.

Banks also have special current account packages for young people, especially students. In general, these packages have lower or no fees at all. Those facilities are available until graduation.

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<sup>42</sup> Payment statistics, Cards and Terminals indicators, National Bank of Romania.

<sup>43</sup> 2011 population census, National Institution of Statistics.

## FSUG response to the Consultation on Bank accounts

### The average annual charges related to a current account and a 'basic' current account

A current account imposes a managing fee, monthly or annually. The basic fee is about RON 1-3<sup>44</sup> per month (EUR 0.25–0.75). If a debit card is attached, clients usually have to pay a managing fee for it, too.

**Table 1:** Examples of fees for opening a current account and for its management at some of most important local banks

	Account opening fee	Managing fee (annual)	Debit card <sup>45</sup> issuing fee	Debit card managing fee (annual)
BCR				
February 2012	franco	RON 30	franco	franco
May 2012	franco	RON 42	franco	franco
BRD <sup>46</sup>	franco	RON 36	franco	RON 14
CEC Bank	franco	franco	franco	RON 24
Raiffeisen Bank				
February 2012	franco	RON 18	franco	RON 5
May 2012	franco	RON 30	franco	RON 5
UniCredit Tirioc Bank	franco	RON 90	franco	RON 72

Source: Banks' websites

Higher fees are imposed for transactions:

- Internal payments, from one branch to another, are sometimes charged even if the transfer only uses the bank's internal IT system.
- Interbank payments in RON are always charges but fees imposed to clients are about 4-10 times higher than the fee actually paid by the bank to the national processor of interbank payments – Transfond (RON 0.51).
- Interbank payments in foreign currency are very expensive and for this reason they are not used frequently.
- Incoming funds fees: some banks charge their clients for the funds they receive in their current accounts. This fee is a little lower than the one for payments, given that banks are not paying any fees to the national processor for incomings.
- Cash withdrawal: a percentage fee of 0.4-0.6% of the amount is usually levied, but a minimum amount is often imposed. The fee is lower when using a debit card at the bank's ATMs (F).

<sup>44</sup> RON = Romanian New = Romanian National Currency (Ieu).

<sup>45</sup> The example takes into account a standard Maestro/Visa Electron Debit Card (the most inexpensive option).

<sup>46</sup> BRD has announced new fees for current account for mid-June 2012.

## FSUG response to the Consultation on Bank accounts

**Table 2:** Examples of fees for basic current account operations at some of most important local banks

	Internal payment RON 1 000	Interbank payment RON 1 000	Interbank payment EUR 250, around RON 1 000	Fund receiving RON 1 000	Cash withdrawal at bank office RON 1 000	ATM cash withdrawal RON 1 000
BCR Feb 2012 May 2012	RON 3 RON 6	RON 4 RON 7	EUR 30 EUR 30	franco  RON 0.5 (internal) RON 4 (external)	RON 6	RON 2
BRD*	RON 7	RON 8	EUR 10	RON 2 (internal) RON 7 (external)	RON 5	RON 2
CEC Bank	RON 2	RON 5.61	EUR 15	franco (internal) RON 1 (external)	RON 5	franco
Raiffeisen Feb 2012 May 2012	RON 4 RON 6	RON 6 RON 7	EUR 15 EUR 20	franco (internal) RON 4 (external)  franco (internal) RON 4 (external)	RON 5 RON 5	RON 2 RON 2
UniCredit Tiriac Bank	RON 2	RON 7	EUR 20	franco (internal) RON 1 (external)	RON 5	RON 2

Source: Banks' websites

Some discounts (of about 25-75%) are given to clients when using online, phone or mobile banking services, but those facilities usually require another management fee.

### Spain

#### 1. Transparency and comparability of bank account fees

In 2010, Commissioner Maglena Kuneva presented the study *On the follow-up in retail Financial Services to the consumer markets scoreboard*. It showed the price tag and lack of transparency in financial service fees applied by the Spanish banks. In September 2011, Commissioner Michel Barnier criticised the Spain and Italy fees, but also the lack of clarity, said he was 'very disappointed' and gave it two months for the governments that regulate the information and the amount of fees, before he took the legislative initiative. The period ended, and obviously the government did not perform any legislative initiative in this regard.

An average Spanish consumer can pay up to EUR 567.8 in bank charges, a 265.57 % increase over 2004.

In order to clarify the dark application of the most common fees ADICAE conducted a study of the cost for a consumer of financial transactions more common, and concluded that an average user can expect to pay up to EUR 567.8 the entity only on fees. ADICAE conducted this study in 2004. Since then, the maximum increase in fees is huge, with a mean of 265.57 %. During this period, the CPI (Consumption Prices Index) has only risen by 24.4 %.

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The Bank of Spain is in charge of recording the maximum fees that set the Spanish banks. According to data supplied by this regulator, the annual maintenance of a current account with an average of 48 notes per year, may afford users a cost of EUR 178.8. From holding a savings account, banks may charge up to EUR 150. Perform an average of 8 transfers per year between accounts can make EUR 60.

The use of credit card with an annual average of seven provisions in cash, both on the same network as in a different, each consumer can make payment to the lender EUR 84.5 per year. And the debit card users pay per year between maintenance, cash withdrawals and balance inquiries up to EUR 94.5.

PRODUCTO/SERVICIO	COSTES	2011	2004	Variación
1 Cuenta Corriente	Comisión de Mantenimiento	150	47	
	Comisión por 48 Apuntes	28,8	28,8	
	<b>TOTAL</b>	<b>178,8</b>	<b>75,8</b>	<b>237,76%</b>
1 Libreta de Ahorro	Comisión de Mantenimiento	150	47	
	<b>TOTAL</b>	<b>150</b>	<b>47</b>	<b>319,15%</b>
1 Tarjeta de Débito	Comisión Anual de Mantenimiento (media)	30	9	
	40 Disp. Efect. 60 euros cajeros propia entidad	0	0	
	2 Disp. Efect. 180 euros cajeros propia entidad	0	0	
	10 Disp. Efect. 60 euros cajeros otra entidad misma red	24	6	
	2 Disp. Efect. 180 euros cajeros otra entidad misma red	24	1,2	
	5 Disp. Efect. 60 euros cajeros otra red	16,5	15	
	<b>TOTAL</b>	<b>94,5</b>	<b>31,2</b>	<b>302,88%</b>
1 Tarjeta de Crédito	Comisión Anual de Mantenimiento (media)	60	20	
	6 Disp. Efectivo 60 euros cajeros propia entidad	18	18	
	1 Disp. Efectivo 150 euros cajero	6,5	6,75	
	<b>TOTAL</b>	<b>84,5</b>	<b>44,75</b>	<b>188,83%</b>
Transferencias Bancarias	5 Transf. Normales de 200 euros a cuenta misma plaza	60	15,05	
	<b>TOTAL</b>	<b>60</b>	<b>15,05</b>	<b>398,67%</b>
<b>TOTAL GLOBAL</b>		<b>567,8</b>	<b>213,8</b>	<b>265,57%</b>

### ADICAE's study on the main bank charges

It should be noted that this disproportionate increase in the charges has not been matched by improved service provided by banks. More on the contrary, this increase in fees paid by users has been offset by financial institutions with a decrease in the quality of services they provide to their customers: in some cases, the study of ADICAE, come to enforce payment receipt window only two days a week or require the withdrawal ATM cash for amounts less than EUR 300, causing serious harm to elder users.

Given this lack of protection of consumers, ADICAE advocates by the legal regulation of such an important issue as bank charges, with no clear criteria in their application. Rules should be set for transparency from financial institutions, in order to protect the rights of consumers.

On 29 April 2012 came into force the Order EHA/2899/2011 of October 28, about transparency and customer protection for banking services, except for part of Title III, particularly Chapter II – under Section 3 – to do so on July 29.

## FSUG response to the Consultation on Bank accounts

With the entry into force of this Order, which repeals the Ministerial Order of 12 December 1989, there is no obligation that financial institutions had to develop a brochure fees rates, conditions and costs chargeable to clients and register them at the Bank of Spain. A good and public tool of transparency and comparability that disappears using as an argument for eliminating the transparency itself. What a paradox.

Due the disappearance of this obligation, the Bank of Spain has removed from its public webpage and has stopped publishing brochures rates of fees of the financial banking entities. This undermines the right of customers to obtain all information entities pre interest rate and fees, and to receive appropriate and sufficient explanations under the terms established in Articles 6 and 9 of the Order EHA/2899/2011 of 28 October. The new Order provides banks the obligation to make available to non-business customers interest rates and fees typically applied to provide the more frequently services, like bank accounts, but at this moment no manners and procedures has been established on how the banks must do that and how the Bank of Spain would supervise now that two important and basic issues of the Order.

### Article 6: Pre-contractual information

Credit institutions shall provide free banking services to all client contractual information that is legally enforceable to make an informed decision about a service like banking and compare offers. This information should be clear, timely and adequate, objective and not misleading and must be delivered in due time according to the type of contract or offer and in any event before the customer is bound by that contract or offer.

### Article 9: Adequate explanations

Credit institutions shall provide adequate and sufficient explanations to all clients to understand the essential terms of any banking service offered and make an informed decision, taking into account their needs and financial situation.

These explanations include the clarification of the content of information and communications to which this order as well as an indication of the consequences of entering into a contract for banking services for the client may have.

You can find the rest of the Order at [http://app.bde.es/clf\\_www/leyes.jsp?id=104791&tipoEnt=0](http://app.bde.es/clf_www/leyes.jsp?id=104791&tipoEnt=0).

## **2. Access to a basic payment account**

Another negative point in Spain is the application of regressive fees: several financial institutions have imposed higher fees for lower balances, thus penalising the lowest incomes and making a traditional banking product like bank accounts more and more elitist, especially with the current high Spanish unemployment rate, the foreclosures and the restructuration of the Spanish financial system. Access to financial services for citizens is a basic need for development in a society. In Spain, in 2009, 2.8 % of the municipalities of more than 1 000 people did not have any bank branch. The ongoing restructuring of the Spanish banking system, particularly the disappearance of savings banks sector, it must establish measures to prevent an increased risk of financial exclusion, which inevitably leads to social exclusion. Reducing the branch network could mean financial exclusion of almost 3 % of the population.



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### Definitions of financial exclusion

“The inability to access basic financial services in an appropriate manner. May arise as a result of problems with access, conditions, pricing, marketing or self-exclusion in response to different experiences or negative intuitions.” (Gardener et al, 2005)

“The situation for certain individuals or disadvantaged groups have, as a result of their geographical location, economic status or social condition, disability or difficulty to access the procurement of products and services sold by the various financial intermediaries and/or markets.” (Carbó and López del Paso, 2005)

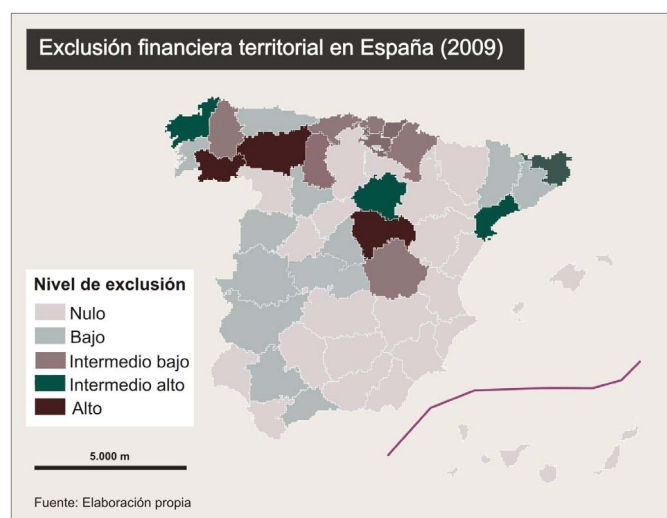
### Territorial Financial Exclusion

- 2.8 % of Spanish municipalities with populations of over one thousand people without financial branch (0.35 % of the population, 2009).
- Direct relationship between the dispersion of the population and higher levels of financial exclusion. The same is true with higher immigrant population.
- The coverage population/bank branch is worst in the major cities, so the risk of financial exclusion linked to social exclusion is higher in urban areas.
- A large majority of the regions with zero levels of exclusion have income levels below the national average: financial inclusion effort must be more complete and homogeneous by financial institutions in these areas.

### Territorial Bailout for Consumers

- The risk of territorial financial exclusion affects 2.69 % of the Spanish population in municipalities with more than a thousand inhabitants.
- The effort to bailout territorial consumers was led by the savings banks, followed by credit unions, and is much higher than by banks. Importance of linking financial institutions with the territory for its development.
- There are regions with difficult access to remote banking (online), by a low penetration of telephone lines and broadband. Some high potential risk of territorial financial exclusion.

Given the current restructuring of the Spanish banking system is necessary to establish measures to prevent an increased risk of financial exclusion, in particular, territorial type.



Null:	0 %
Low:	$0 \% < x \leq 0.5 \%$
Intermediate low:	$0.5 \% < x \leq 1.5 \%$
Intermediate high:	$1.5 \% < x \leq 2.5 \%$
High:	$2.5 \% < x$

# FSUG response to the Consultation on Bank accounts

## United Kingdom

### 1. Transparency and comparability of bank account fees

Which? published recently a report on the complexity of unauthorised overdraft charges which are the main type of charge applicable to current accounts in the UK.

### 2. Access to a basic payment account

The cost structures of basic bank accounts are an important contributor to the success or failure of such accounts. Recent research commissioned by the UK Government showed that penalty charges associated with over limit fees and failed credit direct debits are some £35 million p.a., borne disproportionately by those on the lowest incomes. Although BBAs in the UK do not have overdraft facilities, banks still levy unpaid item charges which can push BBA users into financial difficulties.

A recent UK Government research carried out on basic bank accounts also contains the information on the cost of penalty charges for BBA users, *Realising banking inclusion report*,

[http://www.hm-treasury.gov.uk/fin\\_consumer\\_fininclusion\\_taskforce\\_research.htm](http://www.hm-treasury.gov.uk/fin_consumer_fininclusion_taskforce_research.htm).

#### Future of cheques (Treasury Select Committee)

A report by a committee of MPs welcomed the 'belated' decision of the Payments Council to retain cheques: but it warned the Council of the need to ensure that the banks did not attempt to abandon cheques by stealth, or deter customers from using cheques. It recommended that the Payments Council should be brought formally within the system of financial regulation,

[www.publications.parliament.uk/pa/cm201012/cmselect/cmtreasy/1147/1147.pdf](http://www.publications.parliament.uk/pa/cm201012/cmselect/cmtreasy/1147/1147.pdf).

#### Access to bank accounts through the Post Office (Consumer Focus)

The consumer rights watchdog said that the Post Office had the potential to become a 'neighbourhood bank' – offering access to bank accounts for all, regardless of provider, and improving access to face-to-face banking services, [www.consumerfocus.org.uk/files/2011/08/ConsumerFocus-CounterMeasures-2011-08.pdf](http://www.consumerfocus.org.uk/files/2011/08/ConsumerFocus-CounterMeasures-2011-08.pdf).

#### Payment systems and financial inclusion (Age UK)

A report said that the government and the payments industry should explicitly recognise payment systems as essential services, and ensure that consumers and others had a convenient, safe and affordable way to pay.

#### Tackling financial exclusion through 'jam jar' accounts (Social Finance)

A report examined the commercial viability of new banking products that actively supported people to manage their money – reducing the risk of debt and bill payment arrears, and at the same time enabling access to lower-cost products and services through automated bill payments and online shopping, [www.socialfinance.org.uk/sites/default/files/SF\\_JamJarAccountReport\\_FULLREPORT.pdf](http://www.socialfinance.org.uk/sites/default/files/SF_JamJarAccountReport_FULLREPORT.pdf).

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### Banking services and low-income households (Financial Inclusion Taskforce)

A report examining attitudes and behaviours towards banking and financial management among low-income households, including those who are unbanked and those who had recently opened an account, calls on the government to engage with banks, e-money service providers, bill payment organisations, retailers, and the Post Office to pursue new ways to tackle financial exclusion and to improve the opportunities for low-income households to make the most of their money, [www.hm-treasury.gov.uk/d/fin\\_inclusion\\_taskforce\\_poorerhouseholds\\_dec2010.pdf](http://www.hm-treasury.gov.uk/d/fin_inclusion_taskforce_poorerhouseholds_dec2010.pdf).

The Money Advice Service guide to basic bank accounts provides information about the features of basic bank accounts currently available in the UK. It was last updated in November 2011,

[www.moneyadviceservice.org.uk/\\_assets/downloads/pdfs/your\\_money/a5\\_guides/basic\\_bank\\_accounts.pdf](http://www.moneyadviceservice.org.uk/_assets/downloads/pdfs/your_money/a5_guides/basic_bank_accounts.pdf).