European Commission

EUROBAROMETER

EUROBAROMETER 2003.5

PUBLIC OPINION IN THE CANDIDATE COUNTRIES

Fieldwork: November-December 2003

Publication: May 2004

FINANCIAL SERVICES AND CONSUMER PROTECTION

SUMMARY REPORT

This survey was requested by the Directorate General Health and Consumer Protection and coordinated by the Directorate General Press and Communication

Candidate Countries Eurobarometer 2003.5 - *Magyar Gallup Intézet*

Introduction

The Candidate Countries Eurobarometer (CC-EB) gathers information from the societies that are to become members of the European Union in a way that is fully comparable with the Standard Eurobarometer. The CC-EB continuously tracks support for EU membership in each country, and records attitudes related to European issues.

This report covers the results of the wave of survey conducted in November-December 2003, in the 10 countries that were set to join the EU in May 2004: Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Romania, Slovakia and Slovenia.

An identical set of questions was asked of representative samples of the population aged 15 years and older in each accession country. The sample size in Candidate Countries Eurobarometer surveys is at least 1000 people per country, except for Cyprus and Malta, in which the sample size is 500 respondents each. The achieved sample sizes of the 2003.5 wave are:

Cyprus	500	Latvia	1005	Slovakia	1000
Czech Rep	1000	Lithuania	1017	Slovenia	1003
Estonia	1000	Malta	500		
Hungary	1015	Poland	1000	Total	9040

The survey is carried out by national institutes associated with and coordinated by The Gallup Organization, Hungary, in each of the countries. This network of institutes was selected by tender. All institutes are members of the “European Society for Opinion and Marketing Research” (ESOMAR) or comply with its standards.

The figures shown in this report are weighted by sex, age, region, community size, education level and marital status. The figures given for the ten new member States (MS-2004) and are weighted on the basis of the adult population in each country.

Due to the rounding of figures in certain cases, the total percentage in a table does not always add exactly to 100%, but to a number very close to it (e.g., 99% or 101%). When questions allow for several responses, percentages often add to more than 100%. Percentages shown in the graphics may display a difference of one percentage point in comparison to the tables because of the way previously rounded percentages are added.

Types of surveys in the Eurobarometer series

The European Commission (Directorate-General Press and Communication) organizes general public opinion, specific target group, as well as qualitative (group discussion, in-depth interview) surveys in all member states and, occasionally, in third countries. There are four different types of polls available:

- Traditional standard Eurobarometer surveys with reports published twice a year
- Telephone Flash EB, also used for special target group surveys (e.g., Top Decision Makers)
- Qualitative research (“focus groups”; in-depth interviews)
- Candidate Countries Eurobarometer

The face-to-face general public standard Eurobarometer surveys and the EB Applicant Countries surveys, the telephone Flash EB polls and qualitative research serve primarily to carry out surveys for the different Directorates General and comparable special services of the Commission on their behalf and on their account.

The Eurobarometer Web site address is:
http://europa.eu.int/comm/public_opinion

Highlights

This Candidate Countries Eurobarometer measures public opinion in the 10 acceding countries and the 3 candidate countries on several issues related to personal, social and political values and orientations as well as various other issues related to the financial services they obtain.

12,082 people were interviewed face-to-face between November 20 and December 24, 2003.

The data reveals that:

- Citizens in the new member states are generally less likely to use financial services compared to their EU-15 counterparts; generally speaking only Slovenia, Malta and Cyprus show similar patterns to the previous member states of the European Union.

- New Europeans are much more concerned on simply surviving on their salaries instead of maintain a certain quality of living out of it, compared to EU-15 citizens. People in the new member states are more likely to find their personal finances “intimidating” and “depressing” compared to the previous EU countries, where most people say that there finances are “complicated”. Curiously, the most positive characterisations were at least as frequent in the new members compared to the previous ones; more people in the new member states find their finances “enjoyable”, while the same proportion in the two parts of Europe agree that there personal finances are “comfortable”.

- With the exception of Malta and Cyprus (where market economy is much more organic and deeply rooted compared to the post-socialist group of the new member states) as well as the rapidly developing Slovenia, citizens in the new member states are much less likely to use almost each of the most widespread financial services compared to the EU-15 average. About three times as many citizens in the EU-10 than in the NMS have credit cards, more than two times as many have other bank card, and virtually no one in the newly acceded countries have a chequebook – a development stage that was skipped by the countries where market economy was re-introduced only after 1990. However, in some respects the market penetration is very similar. In other financial products (types of insurance, long term loans, etc.) the gap is much smaller. European in general tend look for financial advice; they make the decisions for themselves.

- Consequently, cash is the primarily preferred form of payment, both in the case of a domestic or a foreign purchase, in the new member states. Paying with cards or other non-cash payment is more prevalent in purchases made in another EU country – we should not forget that all new members are outside of the euro zone, so they cannot use their domestic cash to purchase products elsewhere, which is an important reason why people find it easier to use non-cash payment methods in making a foreign purchase.

- Electronic payment methods are rarely used in the new member states (e.g. via telephone or internet) which is primarily caused by the lack of the necessary infrastructure or tools (no bank card, no internet access, etc). Still, the reluctance to utilise such, otherwise very comfortable, payment or banking methods is at least partly a product of the high level of mistrust and/or lack of information in relation with the security of electronic transfers.

- Citizens in the new member states – probably signalling a relatively lower trust in domestic financial institutions – are both more likely to have currently obtained, and at the same time more willing to (further) obtain financial services from another EU country, compared to previous member states. Majority of citizens see no obstacles in cross-border trade of personal financial services; those who do, cite language issues, high investment needs and general lack of information as factors that prevent people from obtaining foreign financial services. Systematically, citizens in the previous member states perceive much higher level of uncertainty surrounding such cross-border businesses: about twice as many in the EU-15 zone believe that it is “too risky”, or there is nor proper legal protection in such cases. Only 1 in ten citizens in the new member states share such concerns.

- In the new member countries (unlike in the EU-15 zone) fewer citizens regard credits to be more dangerous than useful. The overwhelming majority perceives that the credit rating system that banks employ does in fact limit (over)borrowing, but at the same time these is a perception that the problem of indebtedness does exist in their countries as well.

- Citizens feel rather defenceless in their relation with financial institutions, as their responses indicate. Most citizens complain about the clarity of information they receive from banks and insurers, especially as far as insurance policy coverage, mortgage conditions and risks are concerned. People tend to agree that it is easier to find out the cost of a loan beforehand, and to learn about the costs related to banking accounts. The majority believes that the marketing techniques of the financial institutions are aggressive, and that the information they provide is generally not understandable. Citizens are very sceptical whether it is possible to win or settle a dispute with a financial institution (bank or insurance company); however they find it relatively easy to change banks. Concerning their rights, citizens are equally split in judging whether their rights are adequately protected in their dealings with financial institutions, or not.

- Even if the relative majority trusts that financial transactions are secure and personal data is properly protected, a relatively significant proportion, one in four citizens, are sceptical in respect as well.

- In line with the results above, newly joined European call for harmonised consumer protection standards across Europe with only a small minority opposing such an initiative. Citizens do not differentiate between general consumer protection and the strictly financial service-related one: the overwhelming majority would like to see European regulations harmonised (and – supposedly – there rights to be more adequately protected) in both the general and the more specific problem.

Europeans' top financial priorities

In both parts of Europe, the most important financial priority is simply paying the bills. At the same time, our data also reflect that the new members of the Union - as regards financial issues - are more concerned about work inability and illness than are current members, and therefore they attribute a higher importance of allocating savings for such occasion.

Those living in the EU-15 countries look at their own financial resources as tools of enhancing their current living standards: 49% consider financial matters to be about “how to get the most out of my money”, that is, living as well as I can on my current income. This attitude is much less characteristic of the new members’ population: only 29% looks at financial matters this way.

Among the new members, *paying the bills*, and *savings for emergencies* were both mentioned among the first three considerations in each of the ten new member countries. In eight countries, “*living as well as I can on my current income*” was also mentioned among the most important three items. On the other hand, in Poland and Hungary this consideration was replaced by the priority of protecting the family by *savings for the case of an inability to work or illness*.

Personal finances

In the new member countries, people mostly find thinking about their financial situation and financial services to be *intimidating* (37% of them picked this expression as the most characteristic). The second most frequent expression was “*depressing*” (31%). Besides these, many (28%) viewed their financial matters as *complicated*.

In the previous fifteen member countries (EU-15) most people used the expression “*complicated*” to describe their finances (23%), and compared to the new entrants, significantly less people found their personal finances and financial issues in general to be *intimidating* (20%) or *depressing* (19%).

In the new member states, finances are most enjoyable (16%) and most interesting (23%) for those under the age of 25. Financial matters are most often regarded as complicated by the age group between 25 and 54 years (29-30%). In the new member countries, in all age groups among those above 25 years, 39-40% characterize finances as intimidating, and 31-34% as depressing.

More than every one in five managers (22%) consider their financial matters and financial services to be comforting, while less then one in ten (9%) housepersons feel likewise. The self-employed are most likely to regard their finances as enjoyable (19%) and interesting (27%). A similar proportion of managers (26%) and other white collar workers (20%) also regard their finances as interesting, while only 8% of the retired share this opinion.

In the new member countries, 16% of the people believe their personal financial matters are *interesting*, and 9% *dull*. 9% of the population in the previous member countries find their financial matters *enjoyable*, while this proportion is, interestingly, 11% in the new member countries.

One word was regarded as much characteristic of the financial situation in both the older and newer member countries: 15% said in both groups of countries that their financial situation was *comforting*.

Financial products and services used

The use of any financial product is significantly less prevalent among the citizens of the new members than among the citizens of those countries which have been members of the Union before 2004. Only 45% of the people living in the new members have a current account, and only 14% have deposit account. (For comparison, a full 80% of the population of the EU-15 countries have a current account, and 44% of them have a deposit account.)

In the previous member countries, 45% possess credit card, while in the new members only 15% do. In the previous member countries 49% are in possession of another type of card, while only 17% of the new members have such a banking product.

We found rather significant differences between the two country groups regarding possession of chequebooks (42% in the previous member countries, and 8% in the new ones), overdraft facilities on a current account (35% and 17%, respectively), as well as mortgages (19% and 4%).

For some financial products and services the citizens of the new members are hold similar possession to the population of the older member countries, for instance, life insurance (new members, 33%; older members, 39%) and private pension plans (17% and 23%). Other services are also fairly similar: 11% of the EU-15 countries and 5% of the new member countries population have loans lasting more than 12 months to buy a car, and 9% and 7%, respectively, have loans lasting more than 12 months to buy goods (other than a house or a car).

Current accounts with a card or chequebook are possessed most commonly by the Slovenians (85%), Estonians (63%), and the Czechs (56%). Such banking products least characterize the Lithuanian (32%), Latvian (33%), and Polish (39%) consumer banking market.

The Maltese (56%) and Cypriots (46%) are most likely to possess a **deposit account** without chequebook or card. The least likely to possess such banking products are the Polish (8%) and Latvians (9%). The prevalence of this banking product does not exceed 27% in any of the countries with a once planned economy. Among these countries, the highest proportions were measured in Slovakia (26%) and the Czech Republic (27%).

The Slovenes (35%), Cypriots (33%), and the Maltese (25%) are most likely to have **credit cards**. Lithuanians are the least likely to hold credit cards (8%). A **card without credit facility** is owned most frequently again in Slovenia (74%) and Malta (57%). The lowest proportion of a plastic card without credit facility is registered in Poland (7%), Cyprus and Hungary (both 16%).

The greatest amount of **life insurance** penetration is found in Slovenia, the Czech Republic, Slovakia, and Cyprus (42-43%). On the other hand, the least amount of this service is in Estonia (12%), and Latvia and Lithuania (both 15%).

In the new member countries, 17% have a **private pension plan**, while in the EU-15 countries 23% have such insurance policy. The highest proportion of private pension plan ownership is in the Czech Republic (29%), Hungary (27%), and Estonia (23%). The lowest proportions were recorded in Malta (7%), and Latvia (10%).

Considering private pension plans, 31% of the 25-39 year age group, 24% of the 40-54 year age group, but only 7% of those above this age have this type of insurance.

Stock and shares are owned by only 5% of the new member countries population. In the EU-15 members, this proportion is threefold, at 15%. Among the new member countries, the proportion of shareholders is highest in Cyprus (34%), Slovenia (32%), Malta (12%), and the Czech Republic (10%). In the rest of the countries, only 2-7% of the population own shares. The lowest proportion was measured in Poland with 2% claiming to have such investment.

In the new members, the most likely to hold a **mortgage** loan are Cypriots (31%), and Maltese (12%). They are followed by Hungarians with 8%. In all the other countries, the proportion of mortgage loans does not exceed 4%. Second or further mortgage loans are owned by less than half a percent of the population in the new member countries. This proportion is 2% in the EU-15 countries.

Considering other loans, 5% of the new member countries have a **loan lasting more than 12 months to buy a car**. In the older EU members, this proportion is more than twice as high, at 11%. The most likely to have this type of loan are Cypriots (20%) and Slovenians (12%). The least likely are in the three Baltic states (1-2%).

Of the new members, 7% have a **loan lasting more than 12 months to buy something other than a house or a car**. This type of loan is owned by only 9% of the people even in the EU-15 countries. The most likely to have this type of credit are Cypriots (15%), Slovenians (15%), and Slovakians (10%). The least likely were measured among the Maltese (2%).

Preferred means of payment

We asked our respondents to tell us which means of payment they prefer for important purchases (at least 100 euro) in their own country and which they prefer to use in other European Union countries.

More than two thirds (69%) of the new member countries' citizens prefer to pay in cash, even for important purchases, in their own country. Paying with credit card is the most preferred payment method for 18%, bank or postal transfer for 6%, and paying by cheque for only 1%. Among the EU-15 less than half (46%) of the population prefers cash for significant purchases. Over one third (36%) prefer credit card payment, which is exactly twice the percentage preferring credit cards in the new member countries.

Bank and postal transfers are not a favoured means of payment in either the previous or the new member states; only 5% selected these. The use of cheques, however, is ten times more likely to be the payment method of choice in the EU-15 countries than in the new member countries: 10% said that in the case of a 100 euro purchase in their own country they would pay by cheque.

When paying in another EU member country over one third (38%) of the new member countries' population use cash, one fourth (24%) prefer credit card, 5% transfer, and 2% cheque. Yet at the same time, 20% responded that they have never purchased / would never purchase abroad, and another 11% could not answer the question.

Among the EU-15 member countries, a slightly smaller proportion prefer to use cash abroad (34%), and 33% use a credit card. Only 4% prefer bank or postal transfer, but only 3% use cheque abroad (compared to 10% in one's own country).

Among the citizens of the new member countries, the Slovenians (35%), Estonians (33%), Czechs (25%) and Maltese (23%) are most likely to use credit cards in their own country. The least likely to do so are the Polish (14%), Latvians (15%) and Slovakians (16%). Therefore, we see a difference of two and half times between the highest proportion and the lowest proportion of domestic credit card preference.

There is significantly less variation between countries when discussing purchases made abroad, in another EU country, with a credit card. The difference between the most likely (31%, Slovenia) and the least likely (21%, Poland) to prefer credit card payment in this situation is only one and a half, while the difference regarding payments in one's own country was two and a half times.

This suggests that even in those new member countries where credit cards are not preferred as a primary means of payment in one's own country, people tend to use cards in other EU member countries. One should not forget that all newly joined European citizens are outside the euro zone, while most EU-15 citizens are already using the currency that they can easily use for cash payments in other EU countries.

The table below clearly demonstrates that in the countries where citizens least prefer a cashless means of payment for domestic purchases, these citizens would generally not prefer using cashless payments in another country either.

There are only two exceptions. The first is Slovenia, where compared to the relatively high tendency to prefer cashless payment at home, people use these means of payment abroad less often. The other is Slovakia, where in spite of the fact that people are less likely to prefer cashless payment methods at home, they prefer using them more frequently while abroad.

<table>
<tr><th colspan="4">Preference of means of payment for purchases in one's own country and in another EU member country</th></tr>
<tr><td></td><td></td><td colspan="2">Own country</td></tr>
<tr><td></td><td></td><td>Credit card, cheque or transfer below 30%</td><td>Credit card, cheque or transfer at or above 30%</td></tr>
<tr><td rowspan="2">Another EU member country</td><td>Credit card, cheque or transfer below 35%</td><td>CYPRUS
HUNGARY
LATVIA
LITHUANIA
POLAND</td><td>SLOVENIA</td></tr>
<tr><td>Credit card, cheque or transfer at or above 35%</td><td>SLOVAKIA</td><td>CZECH REPUBLIC
ESTONIA
MALTA</td></tr>
</table>

Most respondents mentioned simplicity and ease of the given payment method as a reason for using the preferred means of payment, should it be cash or non-cash. Cheapness was the second most important reason for using the preferred payment method. Among the arguments for paying with cheque or cards, in addition to simplicity and ease of use, it is important to respondents that cash-free payment protects them from loss or theft. It is also significant to respondents that the PIN code of a credit card renders it more secure, and even if one is attacked, it provides higher safety. It is important to note, however, that those preferring cash, cheque or credit card all used simplicity and ease of use as their strongest arguments for using it both in their own country and in another EU member countries.

The Slovenians, Slovakians, the Czechs, and the Polish are most likely to consider cash-free payment methods as easy to use. On the other hand, Lithuanians, Cypriots, Latvians and Hungarians are least likely to regard non-cash payment systems as easy to use.

Using ICT tools for financial transactions

In the new member countries, 27% of the population has ordered a product or service (from pizza to catalogue clothes) over the phone and 10% has done so over the Internet. In comparison, among the older EU member countries, almost half (43%) of the population has ordered a product or service on the telephone, and nearly one fourth (23%) has done so over the Internet.

Of those living in the new member countries, only 6% have paid for products or services (e.g. books, hotel or travel reservations, etc.) over the telephone, and only 5% have done so over the Internet. On the other hand, in the EU-15 countries, four times this number has performed these activities (23% over the phone, 18% over the internet).

Among new members, only 7% of the population has used the telephone for a bank transaction, and 6% have done the same via the internet. These proportions are more than twice as high in the previous member countries population: 17%, and 15%, respectively.

In the new member countries, only 4% of the population used the telephone and a mere 3% used the Internet to perform other financial transactions. The same proportions are 11% and 9%, respectively, in the older EU member countries.

Ordering products and services over the telephone is most widespread in Slovenia (48%) and Malta (42%), and is least utilized in Lithuania (11%), Latvia and Hungary (both 23%). Slovenes (24%) and Maltese (18%) pay over the telephone the most frequently. While the Lithuanians (1%), Slovakians (3%), Latvians (4%) and Hungarians (5%) do so least frequently.

Those who have never paid for anything such as books, hotel or travel reservations over the telephone, were most likely (50%) to explain this fact by their disinterest in doing so ("I'm not interested in paying that way").

Besides disinterest, lack of payment card is the greatest burden in telephone payments. The second most frequent explanation was the lack of a card to facilitate over the phone payments (18%). A further 12% said that they have never had the opportunity to pay in this manner. The issue of security was raised by 7% ("I do not think it is safe"). It should be noted, however, that a similar doubt in the security of such transactions likely underscores the large number of respondents who stated their disinterest in this form of payment. In the older EU member countries, significantly more (20%) respondents mentioned the issue of security, while only 10% reasoned that they did not have a card making such a payment possible.

The most often cited **reason of not using e-payment** methods is that citizens do not use the Internet, In the new member countries, more than half of those who have not yet made payments over the Internet most frequently explained this by the fact that they do not use the Internet at all (55%). In the previous member countries this explanation for a lack of Internet payments was also provided by 55%.

The greatest difference between citizens of the older EU member countries and the new members, regarding reasons for not making Internet payments, is that the EU-15 countries show a greater awareness of the dangers of making payments over the Internet (13%, compared to the 6% among new members).

To perform bank transfers, the Internet is used in an exceptionally high proportion by the Estonians (36%). In the rest of the countries, this proportion never exceeds 10%. In light of this, the proportion measured in Estonia is six times higher than the new members average (6%).

Similarly, the Internet is used for financial transactions not related to money transfers in an outstanding proportion by the Estonians (18%). In the other new member countries this proportion lies between 2% and 6%, that is, the Estonian proportion is exactly six times higher than the average of the new member countries (3%).

Lack of trust in telephone and Internet banking transactions

Although the general opinion about the security of financial transactions (that are generally made via electronic transfer systems) is positive, using the telephone or the Internet for banking transactions is not well trusted by respondents. Forty-three percent of the accession countries population do not trust this method of banking, while only 13% of them do. The EU-15 citizens, interestingly, are both more distrusting and trusting of telephone banking: 61% do not trust telephone banking, while nearly one fourth (24%) do.

Among the new member countries, the citizens of Cyprus were most able to take a stand in the issue. Cypriots are also most dis**trust**ing of **telephone banking**; almost three fourths (73%) of Cypriots do not trust this method, while 14% do. The population of the other new member island country, Malta, is sceptical of telephone banking in a 61% proportion. Third come the Hungarians, of whom 58% distrust telephone banking. Slovenians, on the other hand, are the most trusting of this type of banking transaction. Every fourth Slovenian shares this trust while 18% of Czechs, and 17% of Estonians feel likewise. (*ANNEX TABLE 12a*)

Somewhat smaller proportions are able to decide whether or not to **trust banking** and paying **over the Internet**. Thirty-seven percent of the new members said they do not trust, and 12% said they do trust the internet for such transaction (the rest have no clear opinion). 58% of the EU-15 citizens do not trust, and one fifth (20%) do trust transactions over the Internet.

The most surprising data was measured among the Estonians. While only 17% of Estonians trust telephone banking, a much higher proportion, 44% trust transactions over the Internet, significantly more than in the other countries. Following the Estonians, we find that 21% of Slovenians and 18% of Czechs trust internet banking. We measured the greatest scepticism in the two island countries and

Hungary: 71% of the Cypriots, 54% of the Maltese and 51% of the Hungarians said they do not trust banking transactions over the Internet.

Less than half (46%) of the new member countries population, and two thirds (67%) of the EU-15 member countries population could *judge* whether these **Internet banking transactions are secured** in general. A majority in both groups of countries think these transactions are not secure: one third (33%) of the new member citizens share this view, while 13% find banking transactions over the Internet secure. In the EU-15 countries both the proportion of those who do not regard Internet banking in general to be secure (45%) and the proportion of those who think the opposite (22%) are higher than among new members.

Again, Estonians are most likely (44%) to regard Internet banking to be safe, while 20% disagree. Yet, significantly less within the other new member countries feel as confident as do the Estonians. One fourth (25%) of the Slovenians, and nearly one fifth (18%) of the Latvians feel internet banking is safe. While a strikingly high proportion of Estonians trust the security of banking transactions over the Internet, as strikingly low a proportion of Cypriots do. Only 4% of Cypriots trust the security of the internet for banking, and two thirds (66%) do not. Forty-three percent of Maltese and 42% of Hungarians distrust the security of banking over the Internet.

For our last statement - **in the case of transactions done over the Internet it is more difficult to sort out problems** – 15% of new members' citizens agree and 22% disagree. In this group of countries, therefore, less than two fifths of respondents could take a stand in this issue. Among the EU-15 citizens the proportion of uncertainty is also high, but not so significantly. Thirty percent of the citizens of EU-15 countries agree and, and 30% disagree with the statement.

Slovenians are most likely to think that it is indeed more difficult to sort out problems in the case of Internet transactions: one third of Slovenians share this opinion. They are followed by the Czechs (30%), and the citizens of the two island countries, Maltese and Cypriots (both 28%). On the other hand, we find among the Cypriots the highest proportion of disagreement: 35% of Cypriots do not agree with the statement. Among the new member countries, citizens of the Mediterranean island were most able to form an opinion in the issue (63%).

Cross-border trade in financial services, and obstacles to trade

We asked if citizens of the new member countries have obtained financial services from a European Union firm that is not operating in their country of residence. Five percent have a bank account at a company located in another EU country. Interestingly, somewhat fewer in the previous member countries claim to have such a current account (4%). It seems that cross-border trade of financial services is a bit more prevalent – although quite infrequent – in the accession countries where citizens were probably less confident in national financial institutions.

As to future plans there seems to be a bright future for cross-border trade of financial services in the newly acceded countries, 15% of the new member countries' population said they would consider opening a bank account through a bank located in another EU country within the next five years, and a further 12% would consider applying for a credit card at a bank operating in another EU member country. The population of the previous member countries are less likely to consider purchasing "foreign" financial services in the future (8-9%).

The Slovenians (19%) and the Hungarians (18%) are most likely to be willing to open a bank account in a bank located in another EU member country. The Slovenians (18%), Latvians (14%), Czechs (14%), and Hungarians (13%) have the most intention to obtain a card in another EU member country in the future. The Lithuanians care least about using banking services in another EU member country (bank account: 4%, credit card: 3%).

When asked about obstacles to seeking financial services in other EU states, 30% of the citizens of the new member countries share the opinion that there is **no obstacle** to his or her personal use of financial services anywhere within the European Union. This is very similar to the impression of pre-

2004 EU members, where 28% see no obstacle to the use of foreign financial services (the difference is not significant).

Slovenians are most likely to believe that there are no obstacles within the European Union to obtaining financial services in another EU country (41%). Among the Czechs and Lithuanians, however, less than half as many (19%, and 18%, respectively) agree.

Language barriers top the list when considering specific obstacles to foreign financial service obtainment for the new member countries. Twenty-six percent consider this to be a possible obstacle. In comparison, only 22% of the older EU member countries regard this as a possible obstacle. This is likely due to a lesser knowledge of foreign language throughout the new member region than within the EU-15.

In addition to language, citizens of the new member countries perceive two other significant obstacles to obtaining financial services throughout the EU. Twenty-three percent believe it is necessary to have *large amounts of money* to invest for financial matters abroad, and 22% regard their *lack of information* to be a significant obstacle. Lack of information is also perceived as a major obstacle by the EU-15 citizens (24%). But only one third as many respondents (a mere 8%) believe that a necessity for large amounts of wealth acts as an obstacle to their investment abroad.

Difficulties stemming from *geographical distance* were mentioned by 19% of the EU-15 citizens, and 15% of the new member citizens. On the other hand, citizens of the previous member countries recognize various problems that the citizens of the new member countries do not (yet?) perceive. Twenty-three percent of the previous members believe it is "*too risky*" to obtain financial services in another EU member country. This worry is shared by only 11% of new members.

From the viewpoint of the new members, therefore, using financial services in another EU member country does not involve particular risks. It is even probable that people regard investing in another EU country to be less risky than doing so domestically.

Poor legal protection in the event of problems in other EU member countries is considered to be an obstacle by 15% of the EU-15 member countries' population. Yet, this is perceived to be a problem only by 8% in the new member countries.

Poor information was not mentioned in either group of countries as a significant problem. In the new member countries, 7%, and in the older EU members, 9% of the population mentioned this as an obstacle to investment.

Barriers in using financial services

We asked citizens in the accession countries how difficult or easy they would find eight things to do in relation with banks and insurance companies. We asked them to evaluate these activities on a scale of very easy, fairly easy, fairly difficult, and very difficult. The proportion of those who felt that they could not answer was rather high. In the accumulated average of the eight questions, every fifth respondent (20%) in the new member countries answered that he or she did not know whether or not the given bank or insurance company administration task is easy or difficult to carry out. The least unsure respondents were found in Hungary, where 12% said that they did not know. In the remainder of the countries, however, this percentage was much higher. Slovakia and Slovenia followed Hungary with 19%, which reached the average don't know percentage for the whole of the new members. The proportion of uninformed was strikingly high in Lithuania (42%), and Latvia (30%). (*ANNEX TABLE 8a*)

In the ten accession countries, on average, respondents consider the eight tasks related to banking and insurance to significantly vary by how easy they are to complete.

According to over two thirds (68%) of citizens it is easy or very easy to **change banks**. This is the only activity where the majority considers the task to be easier than it is difficult. Still more than one third of the population of the new member countries believe that it is easy or very easy to **compare information from banks about bank account charges and features** (39%). This exceeds by only 2 percent those who consider this task to be difficult. Also, more than one third find it easy *to* **know beforehand how much it is going to cost to borrow money** (37%). In this case the difference between those who find it easy to know how much it will cost to borrow money and those who find it difficult is 10 percentage points.

The next three activities are considered to be much more difficult than the previous ones: according to only one fourth to one fifth of the citizens, it is easy to know in advance **how well one is covered by insurance policies** (27%), to **understand the information given by financial institutions about the way their mortgages work and the risks involved** (24%), and **to compare information about different mortgages** (21%). Understanding the information given by financial institutions about the way their mortgages work and the risks involved proved to be difficult or very difficult in the view of over half (57%) of the respondents, while exactly half (50%) of the respondents believe it is difficult or very difficult to know in advance how well one is covered by insurance policies, and to compare information about different mortgages. People equally believe that it is **difficult or very difficult to win in a dispute with an insurance company** or **to win in a dispute with a bank** (78%).

Considering all questions, among the citizens of the new member countries Hungarians are most likely to feel that the administration of tasks related to banks and insurance companies is difficult. (Partly because Hungarians were the most willing to express any opinion in this question.) For all eight examined tasks we find that Hungarians are the most likely to find them difficult, and with only two exceptions the Hungarians are least likely to find the tasks to be easy (to change banks and comparing mortgages is the least easy to do in Lithuania).

We also surveyed the opinion of the accession countries' citizens in various aspects related to banking and financial transactions: financial transactions in general, credit, legal disputes with banks, and technology-supported banking methods including telephone and Internet banking.

On average for the ten new member countries, the majority (47%) feels that financial transactions in general are **secure** (26% disagree). The majority (42%) also feels that **confidential information** provided to banks and insurance companies **is properly protected** (25% disagree).

Less, but still a majority, are of the opinion that having **a bank account is not expensive** (44% agree and 38% disagree). Most (44%) also feel that **information from these institutions is not understandable** (33% disagree), and that **marketing techniques are aggressive** (44% agree and 21% disagree).

A relative majority of the population regards financial **transactions to be secure**: 47% of citizens in the new member countries agree with this opinion, while one fourth (26%) disagree. The citizens of the EU-15 countries have a somewhat more positive view on the situation. According to 55%, transactions are generally secure; 24% disagree with this.

The majority are also convinced that **confidential information is secure within financial institutions**. In the opinion of 42% of the new member countries, confidential information provided to banks or insurance companies is properly protected. One fourth (25%) said they disagree. In the EU-15 countries, 51% feel that confidential information is secure within financial institutions, while 27% are not certain of this.

The Maltese do not only trust the security of banking transaction, but, among the new member countries, they are the most trusting of confidential data protection. Almost three fourths (72%) of the Maltese has confidence in the protection of their data, while one tenth is not so confident. They are followed by the Slovenians (57% trust the protection of data, 17% do not). The Hungarians are the most likely to disagree that confidentiality of information is protected (30%). Cypriots are similarly sceptical in this regard (29%).

More respondents in the new member countries disagree than agree with the statement: it is **expensive** to have a bank account. According to 44% having such an account not expensive, while 38% believe it is. In the EU-15 there is also a slight majority of those who believe it is not expensive to have a bank account (48%, while 45% believe it is expensive).

Still, in three of the new member countries a majority feels that having a bank account is expensive. Of all new member countries the Czechs are most likely to believe that having a bank account is costly (48%, while 35% disagree). The country which reports the second greatest percentage with this position is the other country from the former Czechoslovakia. Forty-five percent of Slovakians agree that an account is expensive, while 39% disagree. The third most likely to consider an account to be expensive is Hungary, where according to 43% it is expensive to have a bank account, while 42% disagree.

In the new member countries, people are somewhat more satisfied with the **clarity** and understandability **of information** provided by financial institutions than the citizens of the EU-15 countries. Still, a majority of both groups feel this information is not clear enough. One third (33%) of the new member countries agree that information received from financial institutions is clear and understandable, while 44% disagree. Among the EU-15 citizens, however, 29% agree, and 58% of those do not.

Whether marketing techniques of financial institutions are aggressive or not; many respondents were hesitant in forming an opinion. In the accession countries the proportions of those unable to decide range between 22% and 61%. The EU-15 member citizens are much more certain that such marketing techniques are indeed aggressive (57%) than the population of the new member countries are (44%), while each group has 21% who disagrees.

The Visegrad countries perceive these marketing strategies to be most aggressive: 49% of Hungarians, 48% of Slovakians, 46% of Polish, and 44% of Czechs share this view. The Slovenians (31%), and Maltese (27%) disagree with this statement in the greatest percent.

We asked our respondents to tell us whether they tend to agree or disagree with three statements about *credit*:

In the new member countries (unlike the EU-15 finding) fewer citizens regard credit to be more dangerous than useful. The overwhelming majority perceives that credit rating system that banks employ does in fact limit borrowing, but at the same time these is a perception that the problem of indebtedness does exist in their countries as well.

The EU-15 citizens and the new members feel differently about the utility and risk of buying on credit. The relative majority of EU citizens regard this form of payment to be more dangerous than useful. On the other hand, the relative majority of the new member countries citizens find loans to be rather useful. In the EU-15 countries over half (52%) of the population agrees that it is dangerous to buy on credit, while 35% think credit purchase has more utility. In the new member countries, however, the proportion of those who regard buying on credit to be useful is 43%, while 36% think this type of purchase is dangerous.

We found three accession countries where at least half of the population considers buying on credit to be more useful than dangerous: 57% of the Latvians, 51% of the Maltese, and half of the Slovenians agree with the statement. On the other hand, Hungarians are most concerned about this method of buying: 59% do not agree with the statement that buying on credit involves more advantages than dangers, and only 28% of them agree. This is the only country where those who regard this method of payment to be dangerous are in a clear majority.

The statement: “one can borrow as much as he would like, there are no real checks on borrowing” is, of all the statements tested, least agreed with. In the new member countries, one tenth (10%) of the citizens agree, while 68% do not. The responses of the EU-15 member citizens are rather similar: according to 12% there are no real checks in the course of credit evaluation, while 70% believe this statement to be false. In other words, the majority believe that there is proper credit evaluation.

Somewhat more than one fifth (22%) of the 2004 citizens do not believe that indebtedness is a problem in their own country, and half (50%) of the population feels that it is. In the EU-15 countries almost three fourths (73%) of the citizens believe indebtedness is a problem in their own country, while 14% say it is not.

Rights and disputes

We have investigated how well safeguarded and protected people feel that their rights in the case of financial services are. According to 35% of the new member countries and 34% of the EU-15 members, these rights are properly protected. However, while among the new entrants a sizable 34% think they are not protected, in the Union even more, 41% are similarly sceptical.

The Maltese are outstandingly the most satisfied among the new member countries population: almost two thirds (62%) perceive their *rights to be properly protected* in the case of financial services, and 15% are not so sure. After Malta, the proportion of those agreeing with the statement is highest in Slovenia (43%) and Estonia (42%). The proportion of people who think consumer rights are not properly protected in the area of financial services is highest in Cyprus (48%), Hungary (42%), and Poland (35%). The proportions of those satisfied and not satisfied with the protection of their rights is exactly balanced in Poland, and nearly balanced in Lithuania (29% vs. 28%). (*ANNEX TABLE 11a*)

Across the board, a majority does not feel “*it is easy to settle disputes with banks and insurance companies*”. The proportion of disagreement is practically identical in the two groups of countries (EU-15 – 58%, new members – 59%), but in the EU-15 countries a higher proportion agree with the statement (17%) than in the new member countries (9%).

The greatest disagreement was measured in Hungary: in the opinion of 84% of the citizens there are no easy ways of settling disputes with banks and insurance companies, while only 4% think it is an easy task. What’s more (similarly to what we have seen with some of the previous questions) public opinion is not only the most critical in Hungary, but here the proportion of uncertainty is also lowest.

Hungarians are followed by Slovakians (69% disagree with the statement and only 4% agree), and then by the Polish (59% disagree, 10% agree). On the other hand, every fourth citizen (25%) in Malta is of the opinion that it is easy to settle disputes with banks and insurance companies (36% express an opposing opinion). Slovenians are next most likely to believe that it is easy to come to terms with banks and insurance companies (20%), followed by Cypriots (17%). The greatest uncertainty in this respect was measured in Lithuania: only 39% of the Lithuanian respondents could take a stand.

Financial decisions and advices

The majority of the population, both in the EU and the new member countries, make their own decisions about what to do with their money: 92% of the EU-15, and 88% of the new member citizens make these decisions for themselves.

Among the new member countries, in only one country do more than 10% say that they do not make their own financial decisions: 13% of the Slovakians do not exclusively make these decisions for themselves.

Even if citizens reserve final decisions for themselves, they sometimes would like to listen to expert opinions regarding their personally finances. The various accession countries' citizens feel quite differently about whether or not they expect financial advice from financial institutions. Half of the group has a majority who do not expect this help, while the other half holds a majority of citizens who do. The countries not expecting advice includes Hungary and Cyprus (59% do not expect advice in both countries), the Czech Republic and Latvia (both 56%), and Lithuania (43%). The other group, where those expecting financial advice are in the majority, consists of Slovenia (89% expect advice from financial institutions), Poland (77%), Slovakia (70%), Malta (66%), and Estonia (61%).

Citizens of the new member countries are less trusting of the advice received from financial institutions than citizens of the EU-15 countries. Half of the new member countries' population (52%) does not trust and one-third (32%) does trust this type of advice. In the EU-15 countries, on the other hand, nearly half (47%) of the population trusts and 38% do not trust advice from financial institutions.

Among the population of the new member countries, Slovenians (66%), Estonians (50%), and Slovakians (44%) are most likely to trust this type of advice. In the rest of the new member countries the distrustful hold the majority. The largest proportions of distrust were recorded in Cyprus (68%), Hungary (63%), and the Czech Republic (56%).

Harmonised consumer protection is desirable

We asked the respondents for their opinion on the harmonization of consumer protection standards throughout the European Union. Specifically, we asked to what extent they regard harmonization of consumer protection, regarding both general consumer protection and that related to financial services, between individual countries and the European Union to be necessary.

Over two thirds (69%) of the EU-15 citizens support partial or total harmonization of consumer protection standards in general, and one tenth (11%) are opposed. Citizens of the accession countries support it in greater proportion: nearly three-quarters (73%) of them support, and only 7% refuse it. The greatest support for partial or total harmonization of consumer protection standards are found in Slovenia (87%) and Slovakia (81%).

Only 7% within new member countries and 11% of the EU-15 population refuses any extent of harmonization of consumer standards. Among the ten new members, Estonians expressed the strongest rejection to this proposal (13%), while Slovenians and Lithuanians showed the least opposition (both 2%).

The greatest number of respondents expressed that they would like to see the total harmonization of these standards. Nearly half of the citizens in the new members, (48%) and previous EU citizens (45%) share this opinion. Among the citizens of the ten new member countries, the Slovenians and the Maltese are most likely to support complete harmonization (both 58%). Partial harmonization (whatever it means for the respondents) received 25% support in the new member countries, and 24% in the EU-15 countries. Slovakians are the most likely to support partial harmonization (39%).

In a separate question we examined the harmonization of consumer protection standards specifically related to financial services. Citizens do not seem to have different views in that particular area, and they are clearly in favour of harmonised legislation and standards across Europe.

Nearly half (48%) of the new member countries support total harmonization of consumer protection standards in financial services, and a further one quarter (24%) support partial harmonization. In total, therefore, somewhat less than three-quarters (72%) of the citizens would prefer some kind of harmonization, while a mere 7% refuse it. On EU-15 level marginally less, 68% of respondents support harmonisation, while 10% do not.

Slovenians (84%) and Hungarians (79%) are the most likely to feel that some level of harmonization (total or partial) of consumer standards is necessary for the financial service sector. Lithuanians (64%), Estonians and Polish (both 68%) show the weakest support, and we find the greatest opposition among the Estonians (11%). Among the citizens of the ten new member countries, Maltese and Slovenian respondents are the most likely to support total consumer protection harmonization in relation with financial services (55-55%).