



**EUROPEAN COMMISSION**  
Directorate General Internal Market and Services  
Directorate General Health and Consumers

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# **Commission services working document**

## **Consultation on bank accounts**

The information contained in this document is only intended for consultation purposes and does not purport to represent or prejudge the final position that the Commission will take in relation to the three topics covered.

Unless otherwise stated (e.g. basic payment account), the subject of this document is current accounts. Savings accounts, securities accounts, investments, credits and insurance are therefore out of the scope of this consultation.

## INTRODUCTION

Retail banking market structures differ considerably among Member States and are still fragmented along national lines. The 2007 retail banking inquiry<sup>1</sup> pointed to the existence of obstacles to customer choice and mobility. These included the lack of transparency and comparability of bank fees and high switching costs incurred by consumers when they change their bank account providers. A third related problem concerns the difficulties faced by a number of EU citizens in accessing basic banking services.

In the last years, a number of initiatives have been taken at national level to: a) increase the **transparency of fees** linked to the operation of bank accounts, b) help consumers to smoothly **switch between account providers** and c) facilitate consumers' access to **basic bank accounts**. However, such initiatives have followed different approaches and have had varying degrees of success. Consequently, consumers in different countries enjoy different levels of protection and the resulting patchwork of rules and codes of conduct renders cross-border mobility of market actors more difficult.

Consumers should have access to bank account services anywhere in the EU, whatever their Member State of permanent residence is, and should be able to easily switch bank account providers, including on a cross-border mode. All this requires transparent and comparable information on fees related to bank accounts. The Monti report<sup>2</sup> put emphasis on the need to improve bank fees transparency, to ensure the availability of standardised and comparable information for retail financial products and to facilitate bank customer mobility. As a follow-up to this recommendation, the Commission announced in the Single Market Act its intention to continue the work on protecting consumers in the area of retail financial services and mentioned in particular the transparency of bank fees.

The object of this consultation document is therefore to assess the need for action at EU level and, if so, what measures could be taken in relation to one or all of the three issues mentioned above.

### 1. TRANSPARENCY AND COMPARABILITY OF BANK ACCOUNT FEES

Clear, easily accessible and comparable information on fees is key to allow the consumer to make an informed choice between the payment account offers available on the market. The Payment Services Directive (2007/64/EC) introduced certain transparency obligations for EU payment services providers. Before a payment service is undertaken, the payment service provider needs to provide the user with, among others, detailed terms and conditions, including information on the payment service provider itself, features of the payment service and its associated charges. After each payment, the user needs to be informed of the payment amount, its date, and related charges. However, the Payment Services Directive (PSD) does not contain specific requirements as to the manner of presentation or comparability of those charges.

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<sup>1</sup> *Report on the retail banking sector inquiry*, European Commission Staff Working Paper, 2007, [http://ec.europa.eu/competition/sectors/financial\\_services/inquiries/sec\\_2007\\_106.pdf](http://ec.europa.eu/competition/sectors/financial_services/inquiries/sec_2007_106.pdf).

<sup>2</sup> *A New Strategy for the Single Market*, 9.5.2010, p. 42, [http://ec.europa.eu/internal\\_market/strategy/docs/monti\\_report\\_final\\_10\\_05\\_2010\\_en.pdf](http://ec.europa.eu/internal_market/strategy/docs/monti_report_final_10_05_2010_en.pdf).

The evidence gathered by Commission services over the last years identifies persistent problems regarding the level of information on bank fees offered and the way in which this is presented by banks in the EU. Studies have found that consumers often do not know how much they pay for bank charges<sup>3</sup>. The use of opaque fee structures makes it difficult for consumers to compare different offers<sup>4</sup>. Evidence points to a correlation between higher charges and the lack of clarity in presenting information on bank fees<sup>5</sup>. Consumer organisations identify the use of different banking terminology as one of the reasons explaining the complexity and lack of transparency of bank fees<sup>6</sup>.

The difficulty in understanding and comparing bank account fees may create an obstacle to consumer mobility – both at national and EU level. A recent Eurobarometer survey found that one of the main reasons given by consumers for not purchasing financial products (such as current accounts) in another EU country was the lack of clear information<sup>7</sup>.

As a result, consumers may find themselves ‘locked in’ a relationship with their bank, paying prices that are too high and ‘benefiting’ from services that they do not always need. According to a recent survey by a French consumer organisation<sup>8</sup>, French consumers, who make little use of banking services, would pay up to 195 % more for a package than if they could choose ‘à la carte’ the bank account services which best suit their needs.

In order to address these shortcomings, in 2010, the Commission asked the European banking industry (EBIC) to develop practical and user-friendly solutions that would assist consumers in accessing, understanding and comparing information on bank account fees. A number of private and public efforts had been deployed at national level with different degrees of success and EBIC was invited to draw lessons from those experiences in coming forward with concrete practical solutions. Unfortunately, end-2011, this self-regulatory initiative could not be successfully concluded by EBIC.

It appears that a number of measures and instruments could help overcoming the problems identified. For example, developing **glossaries** of terms could tackle the problem of different/complex terminology used by banks to describe the same bank account services. Glossaries have been developed in a number of Member States but in different ways and following different approaches. In some countries, they are drafted at bank level, in others, e.g. in Belgium, a common glossary including standard terms for the whole financial sector is being developed. However, existing glossaries are rarely

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<sup>3</sup> E.g. *Personal current accounts in the UK*, Office of Fair Trading, July 2008. [http://www.oft.gov.uk/shared\\_oftr/reports/financial\\_products/OFT1005.pdf](http://www.oft.gov.uk/shared_oftr/reports/financial_products/OFT1005.pdf).

<sup>4</sup> *Data collection for prices of current accounts provided to consumers*, Van Dijk Management Consultants, 2009, [http://ec.europa.eu/consumers/rights/docs/study\\_bank\\_fees\\_en.pdf](http://ec.europa.eu/consumers/rights/docs/study_bank_fees_en.pdf).

<sup>5</sup> Cf. footnote 4.

<sup>6</sup> European Consumer Summit 2010, Workshop on Bank Account Fees, BEUC comments.

<sup>7</sup> *Special Eurobarometer on Retail Financial Services*, European Commission, February 2012, [http://ec.europa.eu/internal\\_market/finservices-retail/policy\\_en.htm](http://ec.europa.eu/internal_market/finservices-retail/policy_en.htm).

<sup>8</sup> *Tarification Bancaire: L'enquête annuelle*, CLCV – Mieux vivre votre argent, 27.1.2012.

specific to current accounts and usually they have not been developed or tested together with consumers.

In order to facilitate the understanding and comparability of bank account fees, **standardised lists of fees** have also been developed. Banks would then need to use the same format when providing consumers with the information on bank account fees. E.g. in France, a standardised list of the ten most common fees is used by banks. An extension of that list is currently under consideration.

**Comparison tools**, such as websites, may also assist the consumer in evaluating the best offer on the market by providing information on the current account fees of different banks. Such tools are present in almost all Member States.

However, for some consumers it is difficult to assess *ex ante* what are the functionalities of an account of which they will need to make most use. Others may not realise how high the costs linked to the occurrence of future events could be, such as unauthorised overdrafts or bounced checks.

**Representative examples** are a means to provide indicative estimates of the cost of holding a bank account based on account usage profiles that try to reflect typical client behaviour (e.g. active or passive user). Banks generally build them upon different criteria, e.g. holding a monthly minimum account balance or having your salary paid into the account or paying a minimum number of bills per month through direct debit.

Another means for banks to provide clarity and comparability of account fees is by making personalised **cost simulations**. The simulation takes into account the client's information on his/her own banking habits. This enables to estimate the likely cost of holding an account based on the type of services linked to it and the frequency with which the client will make use of them.

In some countries, **ex post information**, i.e. details on the bank account fees actually paid, is provided. For instance, in the UK, banks have committed to introduce annual statements detailing how much customers have paid for their bank account over the previous 12 months.

Finally, **monitoring** initiatives, such as the Bank Fees Observatory set up in France or **enforcement** measures complete the range of identified measures.

**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?

**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?

**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?

**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?

**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?

**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.

## 2. SWITCHING BETWEEN PAYMENTS ACCOUNT PROVIDERS

In 2007, after the inquiry into the retail banking sector revealed barriers to customer mobility, the Commission asked the European banking industry (EBIC) to make it easier for consumers to move their accounts from one bank to another in the same country. In response, in 2008, the European banking industry developed a ‘model’ switching mechanism defined by a set of self-regulatory *Common Principles for Bank Account Switching*<sup>9</sup>. Those principles were implemented by the national banking associations by the end of 2009.

The mechanism applies to switching of current accounts within a Member State, i.e. domestic switching and concerns in particular switching of direct debits, standing orders for credit transfers and recurring incoming credit transfers. As defined by the European banking industry, it does not apply to other products or services, like cards, overdrafts, savings or credit. However, some banking associations decided to adopt a broader coverage, including e.g. switching of a debit card.

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<sup>9</sup> <http://www.eubic.org/Position%20papers/2008.12.01%20Common%20Principles.pdf>

The Common Principles define the roles of the two banks involved in the switching process and provide information on the necessary tasks and steps involved in that process. Consumers who want to switch their bank account can choose the new bank as a primary contact point. In particular, the new bank will get the necessary information about the consumer's recurrent payments from the former bank and ask the latter to terminate these payments on the previous account. It will reinstall these recurrent payments on the new account and will either inform the third parties about the consumer's new account details or assist him/her in doing so. It will also assist the consumer in requesting the former bank to close the previous account and transfer the remaining balance. The consumer may, however, choose to keep his previous account open.

Clear deadlines are set for the former and new bank. The former bank has to provide all the available information about the consumer's recurrent payments within seven banking days upon receiving the request either from the new bank or from the consumer. The new bank has to set up recurrent payments on the new account within seven days of receiving the necessary information. Within the same seven days the new bank will either inform third parties (e.g. utility firms or the employer) about the consumer's new account details or assist him/her in doing so by providing sample of letters.

The provision of information on recurrent payments by the former bank to the consumer and to the new bank should be free of charge. The closure of the previous account should be also free of charge, in line with the Payment Services Directive. Fees, if any, for other switching related services should be appropriate and in line with incurred costs.

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<sup>10</sup> in 2011. In total mystery shoppers<sup>11</sup> conducted 1 350 enquiries in 27 Member States: 945 enquiries concerned only the availability and provision of information on the bank account switching service but 405 mystery shoppers went beyond an enquiry and actually tried to switch their bank account.

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. However, the level of information availability varied widely:

- 32 % of mystery shoppers could not find information about switching on the bank website.
- 45 % of mystery shoppers were not provided with step by step information by the bank staff.

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<sup>10</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).

<sup>11</sup> Mystery shopping is a tool used in market research to measure quality of a service or compliance to regulation. Mystery shoppers are asked to perform specific tasks and provide feedback about their experiences. As part of the study, mystery shoppers were asked to request information about switching or to switch bank accounts through face-to-face, online or telephone enquiries.

- 80 % did not receive any literature on switching.
- 14 % received no information about the switching service at all.

Among shoppers who actually attempted to switch their bank account:

- 19 % were able to successfully open a new bank account and switch a standing order (some problems concerned the opening of a bank account and not the switching service as defined in the Common Principles).
- In 71 % of cases the new bank did not provide the switching service and therefore did not follow the procedure outlined in the Common Principles on switching.

Among other problems encountered by mystery shoppers were:

- In 7 % of cases banks did not open an account (and consequently did not carry out a switch) within fourteen working days.
- In 3 % of cases the new bank refused to open a standard bank account as requested or asked for a payment to complete the account opening and transfer.

In general, 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?

**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.

**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?

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

**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?

**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?

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

### 3. ACCESS TO A BASIC PAYMENT ACCOUNT

Access to basic financial services ensures that consumers enjoy all the benefits of the internal market and fully participate in the economic and social life of today's modern society. However, a 2010 study estimated that 30 million Europeans above 18 do not have a bank account<sup>12</sup>. Among those, certain may not have a bank account because they do not need one or because they prefer so<sup>13</sup>. According to a recent UK Financial Inclusion Task Force research, 52 % of the unbanked respondents surveyed would like to have an account<sup>14</sup>.

The lack of a bank account generally implies higher costs due to the use of cash for consumers as well as for administrations (for example, when paying wages or benefits). Moreover, it also restricts consumer access to the larger variety of goods and services available on-line and to potential discounts, such as those offered by utilities companies when payments are done by direct debit. Consumers may also face difficulties in relation to employment or renting property. While it is generally the so-called 'vulnerable' consumers who have most problems to access a bank account, mobile individuals going cross-border (e.g. students, migrant workers, etc.) also face such difficulties, when denied access to a bank account, e.g. on grounds of residence. Both the freedom of movement of citizens, as well as, the free provision of goods and services within the internal market is thus hampered.

In order to address this situation, in July 2011, the Commission adopted a Recommendation<sup>15</sup> to Member States stating the fundamental principles that should be put in place to guarantee consumers' access to basic payment accounts throughout the EU. This basic account would include the facility to deposit and withdraw cash into and from the account. It would also enable the consumer to make essential payment transactions such as receiving income or benefits, paying bills or taxes and purchasing goods and services, including via direct debit, credit transfer and the use of a payment card. According to the Recommendation, the basic account could also give the opportunity to the consumer to initiate payment orders via the payment service provider's online banking facilities where technically possible. However, access to credit was not considered as an automatic component of or a right attached to a basic payment account.

The Recommendation affirmed the right of any consumer residing in the Union, irrespective of his/her financial circumstances, to open and use a basic payment account, even in a Member State where s/he does not permanently reside. The deadline for Member States to take the necessary measures was 21 January 2012. The Commission services are in the process of analysing the information received to date on the measures taken. However, many Member States still need to provide information in this respect.

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<sup>12</sup> *Study on the costs and benefits of policy actions in the field of ensuring access to a basic bank account*, CSES, 2010, [http://ec.europa.eu/internal\\_market/finservices-retail/inclusion\\_en.htm#study](http://ec.europa.eu/internal_market/finservices-retail/inclusion_en.htm#study).

<sup>13</sup> The same 2010 study estimated that, out of the 30 million Europeans without a bank account, only some 18 million (or 60 %) were at risk of financial exclusion.

<sup>14</sup> *Banking services and poorer households*, Financial Inclusion Task Force, December 2010, p. 6, [http://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).

<sup>15</sup> Commission Recommendation 2011/442/EU on access to a basic payment account, 18.7.2011, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:190:0087:01:EN:HTML>.

Furthermore, all Member States are expected to provide by July 2012 statistical information in relation to basic bank accounts. In this context, the Commission services consider relevant to ask the following questions:

**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?

**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?

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

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

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

#### **4. FINAL CONSIDERATIONS**

Stakeholders can send their responses to this consultation document **until 12 June 2012**. The contributions should be sent to [ec-bank-accounts@ec.europa.eu](mailto:ec-bank-accounts@ec.europa.eu).

In their contribution, stakeholders are also invited to give their views on whether there are other aspects that need to be tackled in order to ensure a properly functioning and competitive retail banking market.

Responses will be published on the European Commission's website. It is possible to request that a submission remains confidential. In this case, the contributor should explicitly indicate on the first page of their response that they do not want their contribution to be published.

Thank you for taking the time to respond to this consultation.