



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

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**SUMMARY OF RESPONSES
TO THE PUBLIC CONSULTATION
ON BANK ACCOUNTS**

1. INTRODUCTION

On 20 March 2012, the European Commission published a consultation document on bank accounts and invited stakeholders to respond by 12 June 2012. This document is a summary of the contributions received.

The objective of the consultation was to collect stakeholders' views on the transparency and comparability of bank fees, bank account switching and access to basic payment accounts in order to assess the need for action at European Union level and identify what measures, if any, should be taken in relation to one or all of the three issues.

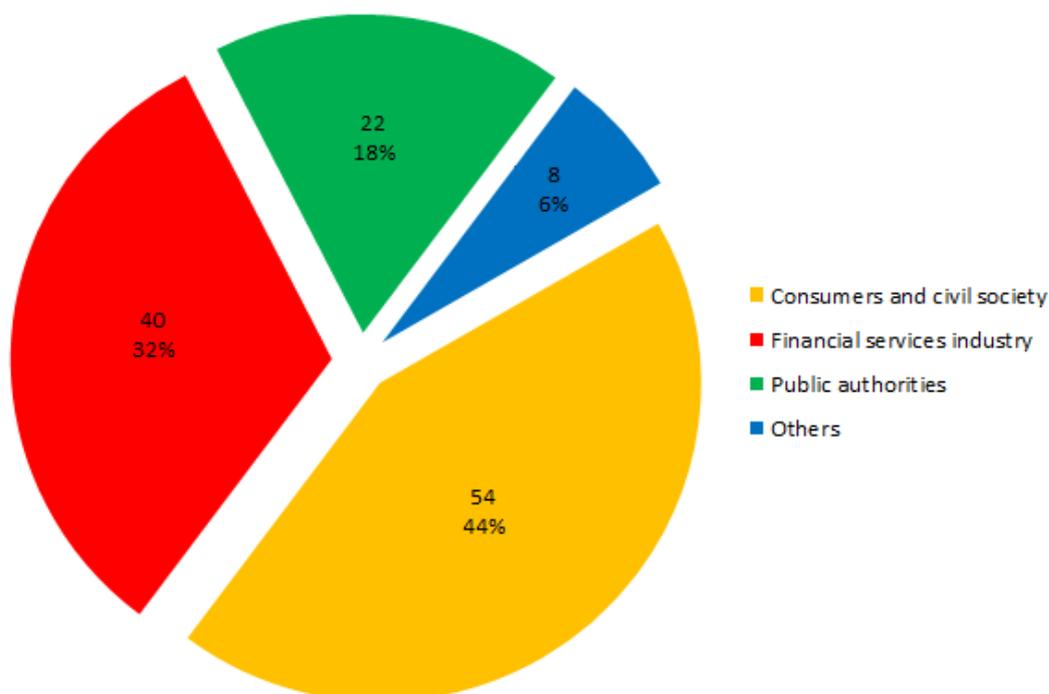
The European Commission received 124 responses to the public consultation. This document provides an overview of the comments made by the stakeholders.

The respondents can be classified into the following main categories:

- (1) 'consumers and civil society', which includes citizens, consumer associations and organisations representing civil society
- (2) 'financial services industry', which includes banks and bank associations
- (3) 'public authorities' from EU Member States and EEA States
- (4) 'others', which includes chambers of commerce and all other respondents not falling in any of the above categories.

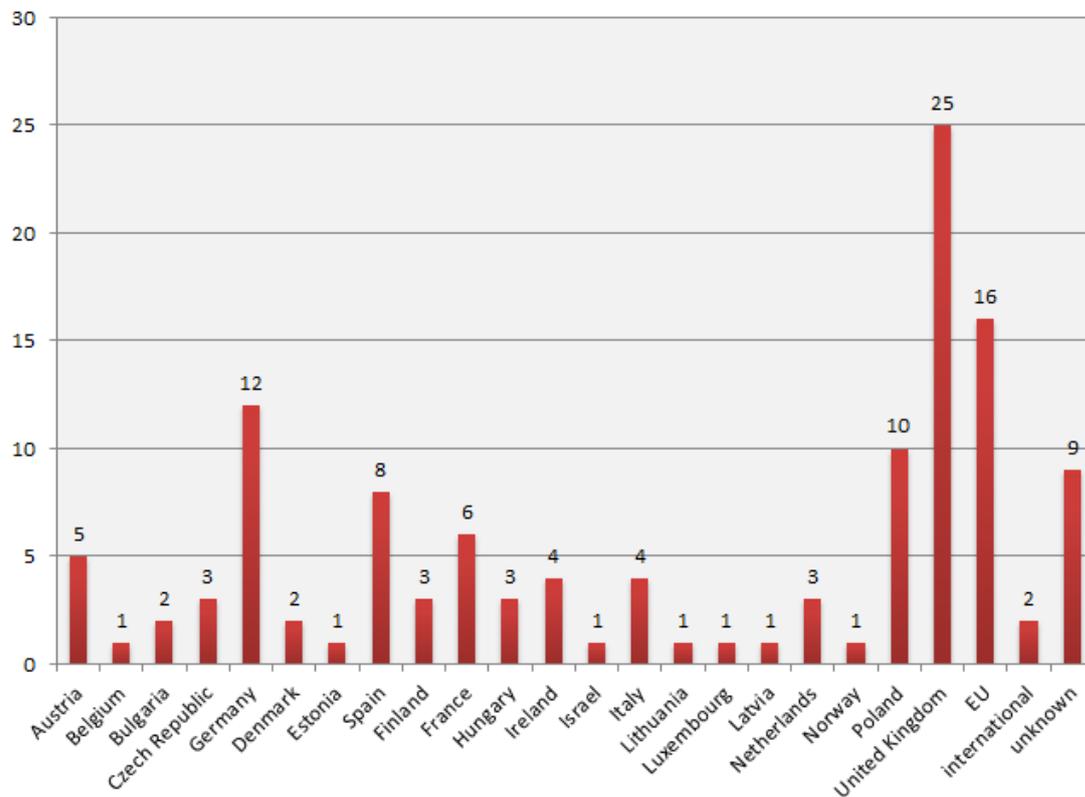
The table below shows how the responses are split between these different categories.

Graph 1: Contributions by stakeholder category



In total, contributions were received from stakeholders in 19 EU Member States and one EEA member as well as from representative bodies at EU and international level as described in Graph 2 below.

Graph 2: Contributions by country



Six stakeholders requested their entire submissions to be treated confidentially. All the other stakeholders' responses have been published on the website¹ of the European Commission.

2. STAKEHOLDERS' FEEDBACK

The consultation showed that consumers, consumers associations and associations representing civil society would generally be in favour of further action at EU level with respect to bank accounts. The predominant view across the financial industry is, however, that no further EU action is needed as the current legal framework already guarantees sufficient protection of the interests of consumers and, if any action were to be taken in this area, it should be at national level. Finally, mixed views were expressed by public authorities on whether the EU should intervene and which additional measures would be appropriate.

¹ http://ec.europa.eu/internal_market/finservices-retail/policy_en.htm#consultation and http://ec.europa.eu/consumers/consultations/bank_accounts_consultation-2012_03_20_en.htm

2.1. Transparency and comparability of payment accounts fees

Stakeholders were invited to comment on the level of transparency with respect to the fees charged on payment accounts as the evidence gathered by the Commission over the last few years identifies persistent problems regarding the level of information on bank fees offered and the way in which bank fees are presented by banks in the EU. The public consultation also invited stakeholders to comment on what possible measures could be envisaged and at which level (national or EU) to enhance transparency and comparability of bank fees.

A majority of respondents in all categories of stakeholder reported that problems were encountered in the retail banking sector with respect to the presentation and comparability of bank account fees.

Unanimous support emerged among consumers for EU level action aimed at ensuring a level playing field in these areas. More diverging positions emerged on possible interventions to tackle these issues. Varying positions were expressed by Member States: some supported EU action or considered this possibility, while recognising the inherent difficulties of such an approach; others considered that further measures should be conducted at national level initially; one respondent did not see any grounds at present for EU intervention. The majority of stakeholders from the financial services industry did not see the need for legislation at EU level and expressed the view that, if EU action were to be pursued, it should be flexible and take account of efforts made at national level. It was also stressed that EU action in these areas will be required when an EU retail financial market is truly achieved. Among other respondents, some industry representatives envisaged a more cautious approach.

2.1.1. Presentation of fees

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?

2.1.1.1. Consumers and civil society

Almost all consumer groups reported difficulties in obtaining clear and simple information about charges and fees of bank accounts. Even with regulatory or voluntary measures, it seems problematic to understand '*how relevant and useful*' the information is for consumers and to ensure consumers' financial awareness.² Information is not hidden, but it is not presented in a clear way enabling consumers to make informed choices. Often, too much burden is put on consumers, who are expected to upgrade their financial knowledge. Limits of existing national measures include the disregard of vulnerable consumers' needs.

² Low impact of legal obligations was reported by consumer organisations in France (provision of brochures to customers) and in Italy (standardised leaflet on current accounts' costs introduced by the Central Bank).

Consumer and civil society organisations underlined the following main persisting shortcomings: complex and different business models used by banks across countries; issues linked to the offer of packaged services; varying charging structures and terminology across banks; the speed with which new and innovative products enter the market; cross-subsidisation within retail banking; and a lack of clear legislation in this area.

It was generally indicated that changes to the Payments Services Directive would not impact on these areas, given the different scope of this legal instrument.

2.1.1.2. Financial services industry

The financial services industry recognised that existing or forthcoming national legislation or self-regulatory measures aim at enhancing transparency and clarity of information related to bank account fees. The predominant view is that good practices are mainly drawn from industry-led and targeted actions that reflect the specificities of national markets. Stakeholders from this group suggested, as a possible means of action, informing customers about all fees related to each separate product.

Further legislative measures seem unnecessary. Some respondents indicated that improvements in transparency and comparability across the EU are not required as long as the market for bank accounts is predominantly national and cross-border mobility remains difficult. Others saw EU coordination in specific areas (e.g. glossaries) useful, although inherently difficult to establish. Adequate flexibility is required to reflect particularities of and developments in the national markets. It was generally recalled that consumer choice also depends on qualitative elements (e.g. knowledge of the local market, quality of the personal contact). Any possible intervention should keep the right balance by avoiding that excessive standardisation affects market-driven diversity. Changes to the Payments Services Directive would provide a useful contribution, but should be coupled with national regulatory and non-regulatory initiatives, with consumers' input.

2.1.1.3. Public authorities

Member States' contributions indicated persisting difficulties as regards presentation and comparability of bank account fees. Main reasons included differences in presentation formats as well as services offered, 'product packaging', opaque practices (different terminology for same services) and possible cross-subsidisation.

Most respondents identified national legislation or self-regulatory initiatives addressing these problems. However, it was recognised that even with the aid of such approaches, bank fees often remain complex.

The general view (except for one respondent) is that the Payment Service Directive is not the appropriate instrument to deal with all problems in transparency and comparability.

2.1.1.4. Others

Some respondents from this group indicated that national actions (regulatory or voluntary) are providing appropriate responses to these issues.

2.1.2. Terminology of fees

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?

2.1.2.1. Consumers and civil society

Consumers unanimously considered the standardisation of bank account fee terminology a priority step to facilitate comparison and highlighted that it should be based on simple wording. Most consumer groups supported legislative action. A majority stressed the importance of EU level action to ensure a level playing field in the EU single market. At the same time, any EU action should reflect national situations. EU intervention would establish a medium term goal to achieve fully the Single Market for retail financial services on the basis of harmonised national actions. Some proposed a system of regular reporting and publication of bank account fees through public bodies, such as Central Banks.

While some raised the importance of covering all fees, it was generally recognised that harmonisation of terminology should be limited to core terms. This would ensure the flexibility required by national markets' characteristics. Appropriate and sufficient details in clear language would allow consumers to make an informed choice. Due attention should be given to avoiding risks of excessive information for consumers.

2.1.2.2. Financial services industry

According to most of the financial services industry's replies, bank fee standardisation could enhance consumer financial education but would have a less direct effect on comparability. Ease of comparison should not lead to excessive standardisation affecting the variety of offers. The majority of respondents stressed that possible standardisation should focus on the most commonly used services. A few others could not see any need for standardisation of terminology.

Any action should be taken initially at national level. A European approach could be envisaged by some respondents, although it would be inherently difficult and should take account of key criteria, such as adequate flexibility and a monitoring framework.

2.1.2.3. Public authorities

Several Member States referred to existing regulatory or voluntary initiatives on standardised terminology of bank account fees.

Diverging positions were expressed on the scope of standardisation, as some would favour focusing on the most common and used fees, while others prefer covering all fees. Even more diversified views emerged with respect to the level of intervention. Many replies would favour national standardisation (if needed, through regulation) to reflect local characteristics. EU level action was supported by five respondents. Others agreed on the usefulness of EU actions, while recognising the difficulties of such an approach. For others, different national markets inhibit the need for action at EU level. In general public authorities stressed the importance of coordination across the border.

2.1.2.4. Others

Other respondents stressed the need for simple and easy-to-understand jargon, which could also improve cross-border comparability. An initial approach at national level seems more appropriate to prepare the ground for EU coordination.

2.1.3. *Glossaries and standardised lists of fees*

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?

2.1.3.1. Consumers and civil society

Consumers generally considered standardised glossaries covering all terminology and lists of bank fees as key initiatives to improve transparency of payment account fees. These actions should reflect particularities of national markets and lead to gradual EU level harmonisation. It is crucial to ensure that glossaries present the information in an adequate manner and reach the consumers. National coordination and consultation of stakeholders is also crucial.

Many supported standardised lists of bank fees. For many, the list should cover all fees, since consumers may not find the relevant terms in a selective list of terms. One consumer organisation suggested that banks be prevented from levying fees not stated in the standardised list.

2.1.3.2. Financial services industry

Most financial services industry's replies considered glossaries a useful tool mainly in terms of promotion of consumer financial education. Some banks and representative organisations, however, indicated that glossaries could enhance comparability. Respondents indicated that glossaries should be limited to the most common services and coordinated by public bodies and industry representatives. It was also stressed that harmonised presentation will be useful with a fully functioning cross-border bank account market.

More cautious views were expressed on the standardised list of bank fees. In most respondents' views, it would be more difficult to develop such lists. Even if some banks' groups agreed on the role of fee lists to facilitate comparability, the risk of any initiative negatively affecting competition and hampering product innovation was stressed.

2.1.3.3. Public authorities

Member States expressed diverging views on the use of glossaries. Most public authorities indicated that glossaries of terms constitute a useful tool and should be developed at national level, under national competent financial authorities and with the involvement of all stakeholders. Some public authorities encouraged the development of glossaries, involving EU banks, to be published in all EU languages. Some respondents supported EU level intervention in this area, while noting the difficulty to accomplish it. Others, however, considered any intervention to improve glossaries unnecessary.

2.1.3.4. Others

For other respondents, generally any action should be developed initially at national level and should avoid resulting in excessive information to customers.

2.1.4. Possible tools to increase transparency 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?

2.1.4.1. Consumers and civil society

Comparison websites accessible to everybody and run by public bodies constituted the preferred tool for most consumers. Some supported a centralised EU website. Many considered it crucial to ensure the independence of such websites through management and supervision by national authorities and underlined the importance of all stakeholders' involvement in their development. Many would provide national competent authorities (e.g. central banks) with the task of establishing comparison tools and monitoring their action.

Cost simulations and representative examples raised some doubts as they could be generic.

Some respondents suggested improving information on banking fees by making it available in various formats and through different channels, including through the training of the banking staff.

Citizens' replies welcomed the establishment of comparison websites and consumer surveys. Representative examples and cost simulations should be considered more carefully.

2.1.4.2. Financial services industry

Several replies of the financial services industry and its representatives supported the development of comparison websites, which should, however, remain voluntary. Public authorities' intervention is opposed, in particular, if existing voluntary initiatives are well functioning. A few respondents supported public intervention on websites, with a supervisory or management role.

Most banks believe that cost simulations and representative examples would be useful tools, but highlight that such measures have already been developed by the industry. No intervention would therefore be required in countries where these tools already exist. However, several representatives of banks did not support the development of standardised cost simulations and representative examples, raising concerns on effectiveness and cost implied.

Many banks and representative groups supported survey tools, as a voluntary instrument. Some raised concerns on methodology followed for such studies.

2.1.4.3. Public authorities

Member States generally stressed the importance of specific tools enhancing transparency and comparability, although subject to careful assessment of costs and effectiveness. The importance of supervision (also at EU level) was also underlined, notably for comparison tools and the need for regulatory intervention (as self-regulation often appears to be insufficient).

For most respondents, comparison web-sites would help consumers by complementing the obligation to provide clear information, but would need to be based on comparable data. For a few respondents, public authorities should manage them, while their costs should be assessed carefully. Others pointed to the fact that non-price elements of products would not be covered, and did not consider the intervention of public authorities' necessary to manage comparison websites.

Some Member States stressed that representative examples and cost simulations provide useful and affordable tools. A public authority from one Member State appeared less convinced by these tools as they could be generic.

Consumer organisations' surveys were hardly mentioned in the responses of this group. Member States suggested other tools, which could be considered at EU level, mainly aimed at improving consumer financial education.

2.1.5. *Information on the actual fees paid*

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?

2.1.5.1. Consumers and civil society

Consumers unanimously stressed the key role of clear and timely information on actual fees paid. They called for actions to ensure, in particular, that monthly information (or more frequent if given through electronic means) is provided to customers and that annual information aims to allow comparability and provides an overview of all costs. Stakeholders from this group also suggested including foregone interest income. Citizens stressed the need to present interest rates in a clear and comparable manner.

2.1.5.2. Financial services industry

Most of the financial services industry referred to the current practices of providing consumers with statements on a regular basis (with a frequency ranging from once a month to once a year). Respondents reiterated the need for a balanced solution between being transparent with customers about charges and providing them excessive and complex information.

A direct correlation between comparable information and consumer mobility was generally put into question, with some exceptions.

2.1.5.3. Public authorities

Some Member States referred to existing regulatory approaches or practices concerning information on actual fees paid by customers. For some of them, frequent and accurate ex-post information would enhance comparability and foster consumer mobility. For public authorities in three Member States, the provision of information on fees should be improved, if necessary through legislation. For some Member States, however, other factors play a role in cross-border mobility.

2.1.6. *Possible other measures to improve transparency and comparability*

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.

2.1.6.1. Consumers and civil society

All respondents from consumers groups were in favour of EU legislative action to tackle persisting issues in this area, building on and harmonising national initiatives. Some suggested enforcing new legislation through reinforced national supervisors. Other suggestions included preventing banks from levying any fees and charges not stated in the list of fees. Many respondents, in particular civil society representatives, stressed the importance of financial education.

Citizens pointed to the importance of bank supervision, separate information for each service and timely information about incurred costs and foreseen changes of fees.

2.1.6.2. Financial services industry

For the financial services industry further EU and national level coordination among relevant policy actors would pave the way to more comprehensive and effective actions. Representatives of banks were less convinced of the need for further measures. Banks put forward several ideas aimed at customising their services in light of consumer behaviour (e.g. receiving a warning text when the account balance falls below a certain level, overdraft fee simulator as well as financial education programmes).

2.1.6.3. Public authorities

Member States reiterated their diverging views on possible further measures: for one respondent there are no grounds at present for EU intervention, while two Member States indicated that, where necessary, possible actions should start at national level. Four other respondents recognised the possibility of addressing these issues through new measures, to be taken initially at national level. Three Member States considered the possibility of EU coordinated approaches, while recognising the difficulties to accomplish them due to national specificities. Several Member States stressed the importance of coordination across the border and supported EU level initiatives on specific areas.

As further concrete tools, many respondents suggested improving financial education.

2.2. Switching between payments account providers

Stakeholders were invited to comment on the provision of switching services by banks and other payment account providers. While there is no legislative measure in place at EU level with respect to switching of bank accounts, the European Banking Industry Committee (EBIC) developed a set of Common Principles which describe a ‘model’ switching mechanism and the roles of the parties involved. Such principles are, however, not binding but can be voluntarily adhered to by banks.

Consumers and representatives of civil society argued that banks do not always offer switching services and even where such services are provided, they do not fully comply with the provisions of the Common Principles. However, the financial services industry considers that most providers offer a switching service in line with the Common Principles. Public authorities tend to fall between these two groups, stating that while most banks across the EU offer a switching service, this service is not always entirely compliant with the Common Principles.

There were mixed views as to whether the Common Principles should be made compulsory. Several Member States as well as the financial services industry believe that the Common Principles should remain voluntary. Respondents from other Member States are more open to making the Common Principles compulsory, as this would guarantee a more effective enforcement of the provisions. Consumers and representatives of civil society strongly believe that the Common Principles should be made binding. Stakeholders are also split as to whether any initiative should also cover cross-border switching.

2.2.1. *Presentation of the switching service at national level*

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?

2.2.1.1. Consumers and civil society

Most respondents confirmed that banks offer a switching service, but also indicated that the service provided is often insufficient or ineffective. A minority stated that the service is not offered at all and consumers need to go to the former bank to cancel mandates and then set them up on the new account. The majority commented that the switching service offered is not fully in line with the Common Principles. The most common problems concern: the availability of information on bank websites and bank branches; bank staff awareness and readiness to inform and help consumers; transfers of direct debit mandates between banks; and non-compliance with the deadlines set by the Common Principles. Some noted that the presentation of the information on switching is not user-friendly and, in general, banks do not promote switching services. Others commented that it varies from bank to bank.

2.2.1.2. Financial services industry

All respondents in this group who commented on this issue indicated that banks across the EU have put in place measures to carry out switching procedures. Moreover, stakeholders almost unanimously indicated that such measures are compliant with the Principles. Some financial services providers indicated that the measures adopted (or in the course of adoption) go further than what is prescribed by the Principles. For example, as indicated by several banks, the UK Independent Commission on Banking (ICB) recommended for the UK, a standardised seven-day switching process with an additional automatic debit redirection service to be implemented by September 2013. A similar system is already in place in the Netherlands.

2.2.1.3. Public authorities

The vast majority of respondents confirmed that banks, in general, offer a switching service. However, some public authorities remarked that not all banks follow the Common Principles and that it would be desirable to increase this number. In certain Member States, for example, less than half of the credit institutions comply with the principles. Other authorities remarked that although banks offer switching services, obstacles for consumers still remain.

Others indicated that the principles adopted at national level differ to some extent from the Common Principles: for example the principles adopted in one Member State mandate a different maximum duration for the switching process, and require consumers to go to the former bank to close the account. In another Member State, the issue of switching fees is not regulated by the national recommendation on switching.

Some respondents remarked that sufficient information on switching is not always offered. These stakeholders pointed out, for example, that no information about switching is generally given on the websites of banks, and consumers are not informed about the switching services prior to their decision to open a new account.

2.2.1.4. Others

Three respondents from this group indicated that measures with respect to switching are currently in place and that they comply with the Common Principles.

2.2.2. *Possible remaining obstacles and good practices*

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.

2.2.2.1. Consumers and civil society

Among those consumers who switched, problems with direct debits and standing orders were mentioned as the biggest source of difficulty. Other problems mentioned concern: the complexity of switching; no help in informing third parties; and the length of switching, including lengthy procedures for closing an account (e.g. on average 35 days in Italy). Some noticed that the risk connected with switching is placed entirely on consumers and third parties (to whom the consumer pays). Some respondents stressed that the combination of the risk of errors with doubts over benefits is discouraging

consumers from switching. The complexity and lack of transparency of the market for current accounts makes consumers unwilling or unable to make effective choices, as consumers cannot be sure that the bank they would switch to would be better or less expensive than their current bank.

Tying and bundling of products were mentioned by stakeholders as serious obstacles, making switching impossible or very expensive. Examples were given of mortgage loans granted under the condition of opening a current account or the need to close a securities account when switching a current account. Some indicated that consumers in difficulty with repayments on a loan find it difficult to switch, due to impaired credit history. Another remarked on low confidence in non-binding rules with no sanctions for banks.

2.2.2.2. Financial services industry

Respondents from this group consistently indicated that the measures adopted so far effectively overcome potential issues with the switching process. However, some respondents (from both financial services providers and representative associations) indicated that inconveniences in the process might still be encountered, particularly with respect to the misdirection of payments. Certain respondents also indicated that such issues might be due to insufficient communication between the parties involved in the transaction. In order to address these issues, some of the responding banks proposed good practices such as the automatic rerouting of payments, the provision to customers of a guarantee of speedy resolution of the switching process or a refund mechanism of the fees paid by customers due to bank mistakes (for a certain period of time after the switch).

2.2.2.3. Public authorities

Among the remaining obstacles to switching, public authorities listed:

- lack of bank staff awareness/training
- insufficient information provided to consumers
- problems with originators of direct debits not updating their databases
- misdirection of payments third parties not available to deal with the new bank instead of the customer
- delays possible negative impact on a consumer's credit should a direct debit be denied or unpaid
- loss of existing banking relationship loyalty programmes used by banks to prevent consumers from switching lack of transparency of costs consumers' inertia.

Public authorities from one Member state consider the Common Principles as half-way measures and argued that only full-fledged account number portability would remove obstacles to switching.

2.2.2.4. Others

Three respondents indicated that the measures in place with respect to switching are adequate to solve current issues. However, one respondent also referred to a mystery

shopping exercise carried out in Austria, which revealed shortcomings in the banks' information policy and the quality of their advice.

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?

2.2.2.5. Consumers and civil society

Many respondents from this group did not have an opinion. One consumer representative indicated that in the current system consumers are discouraged from experimenting with different providers since they have to face substantial risks and complexity. As a result, problems with attracting consumers constitute a significant barrier for new entrants. Other respondents mentioned obstacles not connected with switching. One respondent indicated problems faced by co-operative and social banks with access to infrastructure, like ATMs. Another indicated that smaller banks entering new markets need to gain the trust of consumers and attract them with quality and fair treatment.

2.2.2.6. Financial services industry

Respondents from the financial services industry consistently indicated that the most difficult aspect of entering the market is acquiring a market reputation and creating a brand (which also requires newcomers to make substantial investments). Moreover, several respondents addressed problems such as language barriers and the need to integrate in different commercial cultures.

The great majority of stakeholders from this group indicated that problems with the account switching procedure do not have a substantial impact on smaller companies' ability to enter the banking market. One financial services provider, however, indicated that the complexity of the switching process contributes to making it more difficult for smaller entities to enter the banking market or to expand.

2.2.2.7. Public authorities

Authorities from Member States pointed out the following problems: building a reputation; initial investments; customer's loyalty to the bank; bundling and tying of products; language barriers; distrust of new providers especially amongst the older generation; regulatory barriers; and access to IT infrastructure or payment systems or ability to achieve the necessary scale of business.

The majority of the stakeholders from this group did not consider that problems related to switching are among the major obstacles to entry for new account providers. One respondent noticed that low switching rates (together with high brand loyalty and preference for extensive branch networks) constitute barriers to expansion more than to entry.

2.2.2.8. Others

One respondent from this group provided feedback, indicating that the main obstacles are language barriers and the need for newcomers to integrate to a different banking culture.

2.2.3. *Future of the Common Principles on switching*

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?

2.2.3.1. Consumers and civil society

The great majority of respondents stressed that the Common Principles should not remain voluntary, arguing that they have been in place for already three years, but were implemented poorly. Therefore, they should become binding with proper enforcement and supervision.

A majority was also in favour of cross-border switching if the aim is to create a single market for accounts. Some considered that in the short term one needs to ensure effective domestic switching, while cross-border switching constitutes rather a longer-term project and should be tackled once SEPA is fully operational. One respondent was also concerned about possible distortions of local standards and practices after the introduction of cross-border switching.

2.2.3.2. Financial services industry

The great majority of respondents from this group were of the view that the Common Principles should remain voluntary. These stakeholders pointed out that compulsory legislation would not adequately address the specific needs of national banking markets and it would not allow sufficient flexibility to adapt to changes which might occur in the future. A minority of financial services providers, however, would be favourable to making the principles compulsory, as this would contribute to establish a higher EU-wide level playing field with respect to switching procedures.

Most stakeholders from this group also seemed to oppose the extension of the relevant measures or principles to cross-border switching. In particular, it was argued that the demand for such service is too low and would not justify the costly and complex measures needed to provide it. A minority opinion among financial services providers was, however, that cross-border switching could be considered a viable option, provided that the differences between national legislations are duly considered.

2.2.3.3. Public authorities

Competent authorities from several Member States were of the view that the Common Principles should remain voluntary. Among the advantages of leaving the principles voluntary, respondents highlighted that non-legislative measures can be better adapted to national needs and involve lower costs. Other respondents, however, were of the view that the principles should become compulsory or appeared open to this option. Competent authorities from two Member States showed mixed opinions.

With respect to the inclusion of measures on cross-border switching, competent authorities from several Member States opposed this option. These respondents stressed that there is no demand for cross-border switching and addressed differences in the banking and legal systems, language barriers, costs of communication and translation.

Other respondents, however, agreed that in order to fully accomplish the objectives of the Single Market, switching principles should cover cross-border cases. Competent authorities from three Member State expressed mixed views.

2.2.3.4. Others

Two respondents from this group indicated that the principles should remain voluntary. Moreover, two other respondents from this group indicated that the measures should not extend to cross border switching. One respondent expressed the opposite view. The other stakeholders did not provide feedback on these points.

2.2.4. *Possible other measures to improve bank account switching*

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?

2.2.4.1. Consumers and civil society

The great majority of consumers and civil society representatives were of the view that the misdirection of payments constitutes a high risk. Many respondents proposed automatic re-routing as a solution to this problem. Others argued that the problem would be fully solved only with bank account number portability. Recognising the costs of full bank account portability some proposed, as an intermediate solution, the portability of the user number, like in the Swedish ‘Bankgiro’ system.

2.2.4.2. Financial services industry

With respect to possible misdirection of payments, the consultation showed mixed views from financial services providers. Several respondents from this group indicated that the misdirection of payments does not constitute a relevant risk in the context of the switching process. However, an almost equal number of financial services providers indicated that misdirection of payments in the switching process constitutes a problem. Some of these respondents even addressed payments misdirection as a key factor in determining consumers’ aversion to payment account switching.

A similar divergence in views was recorded among associations representing the financial services industry at national level. While a majority of respondents in this group supported the view that the misdirection of payments does not constitute a major risk, a minority took the opposite view that this issue can raise some concern.

2.2.4.3. Public authorities

Half of the respondents from this group agreed that the misdirection of payments constitutes a significant problem for consumers. Respondents proposed different measures, e.g. requiring banks to refund any interest or charge incurred by consumers as a result of errors or failures, introducing an automatic redirection system, forcing banks to rectify consumers’ impaired credit ratings or improving the handling of complaints.

2.2.4.4. Others

Two respondents from this group indicated that the risk of misdirection is very low. One respondent was of the opposed view that there is a high risk. The other stakeholders from this group did not provide feedback on this point.

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

2.2.4.5. Consumers and civil society

The majority of the stakeholders that replied to this question indicated that the introduction of bank account number portability offers the best solution, as it would eliminate the risk of misdirection of payments as well as most of the complications for consumers and third parties and would require only the banks concerned to make changes. As an intermediate solution, consumer organisations proposed to introduce a re-routing system, like the one currently in place in the Netherlands and in course of adoption in the UK. Stakeholders indicated that any long-term measure should focus on the portability of bank account numbers or the portability of customer account numbers linked to the underlying bank account numbers (like in the Swedish ‘Bankgiro’ system). Respondents also addressed the importance of ensuring compatibility between account number portability and the SEPA and IBAN frameworks, and called on the European Commission to launch an in-depth feasibility study on this topic.

Some stakeholders indicated also the need for better training for bank staff, deadlines for the closure of the former account or more focus on financial education.

2.2.4.6. Financial services industry

The great majority of financial services providers indicated that no further measure is needed with respect to switching. The general view expressed by these respondents is that banks’ widespread compliance with the Common Principles, coupled with the legislative measures established (or in course of implementation) in certain Member States provide sufficient measures to guarantee the functioning of bank account switching. Such a position is endorsed also by most of the industry representative associations. A minority of respondents, however, suggested that further progress could be obtained through additional measures, such as the enhancement of the level playing field established by the Payment Services Directive and more effective information campaigns to increase consumers’ awareness about the switching process.

2.2.4.7. Public authorities

Several respondents appeared in favour of measures to improve the level of customers’ information on the Common Principles and the transparency of the switching process.

Several public authorities supported bank account portability. One respondent reports, in this respect, that number portability could solve several issues with respect to switching but also that problems might arise because of the high costs involved and anticipated the possibility of the Commission evaluating the real economic impact of such a measure.

One Member State suggested rules to strengthen banks’ responsibility in the context of the switching process, such as refunds of fees/charges incurred due to misdirection of debit payments as a result of errors or failures of the bank.

Some respondents were of the view that no further measures are needed.

2.2.4.8. Others

Two stakeholders from this group suggested an increase in financial education.

2.3. Access to basic payment account

According to the provisions contained in Article 20 of the European Commission Recommendation of July 2011³, Member States were invited to put in place measures to ensure the application of the Recommendation within six months after its publication. Together with the consultation, stakeholders were called to comment on the existence, as well as the effectiveness, of such measures and to propose further action where needed.

The financial services industry as well as a number of Member States argued that there are no major obstacles for consumers to access a basic account and that the financial services industry adheres to either a national or the EU Recommendation to ensure access. They therefore concluded that no action should be taken in this area. The financial services industry further emphasises that if any measure were to be taken, it should be at national level to accommodate the different legal and regulatory landscapes across the EU. Any extension of access to basic account services to non-residents is particularly opposed by the banking industry.

Consumers, representatives of civil society and some Member States however, took the view that the current situation is unsatisfactory and that difficulties exist in accessing basic account services. Consumers in particular would support an initiative that will ensure access to an account with a range of functionalities likely to enable them to live a normal life. Consequently, they argue in favour of legislative measures at the EU level albeit with some flexibility for national circumstances.

2.3.1. *Obstacles to access basic payments accounts*

Stakeholders were invited to comment on the main obstacles encountered by consumers when trying to get access to a basic payment account. Overall, respondents from different stakeholders groups provided diverging views. However, almost all the respondents to the consultation identified at least one issue encountered by consumers with respect to accessing a basic payment account. Among the obstacles reported, stakeholders indicated that it can sometimes be difficult for consumers to provide banks with adequate proof of ID and that access to a basic payments account is often denied to certain consumers in light of their financial conditions. Respondents also identified additional issues such as the excessive fees charged by banks, the lack of branches in certain geographical areas and the low level of financial education of consumers from certain social groups.

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

³ Commission Recommendation on access to a basic bank account, 2011/442/EU, 18.7.2011.

2.3.1.1. Consumers and civil society

Respondents from this group almost unanimously reported difficulties with accessing a basic payment account.

According to the contributions received, the most recurring obstacle encountered by consumers is the provision of adequate proof of identity, necessary to comply with anti-money laundering and terrorist financing legislation. Some European consumer representatives also highlighted the difficulties arising from the fact that anti-money laundering rules are subject to different interpretations at national level.

Consumers' financial conditions are another common reason for banks to deny access to a basic payment account. An example is that of undischarged bankrupts (who, for example, are denied access to an account by most UK banks). Moreover, both representatives of consumers and of civil society indicated that access to a basic payment account could be refused because of insufficient income or poor creditworthiness, overdrawn bank accounts or the failure of the customer to maintain loan payments with their main bank.

Several respondents from this group also highlighted problems related to the high costs of basic accounts, which are sometimes charged in the form of penalty fees (e.g. overdraft fees). Consumer associations also indicated that it is common practice for banks to invite customers who ask for a basic payment account to take a regular (fee-based) bank account. As pointed out by the respondents, this situation has a particularly strong impact on disadvantaged groups.

Representatives of civil society also addressed problems related to the unavailability of branches in certain geographic areas, which constitutes a strong disincentive to opening a bank account, especially for certain categories of customer (such as elderly people).

2.3.1.2. Financial services industry

Most of the respondents in the financial services sector indicated that no major obstacle exists for consumers to access basic payment accounts, as banks in most cases adhere to the provisions of the Recommendation or to similar provisions established at national level. As explained more in detail below, respondents highlighted that initiatives have been taken in various Members States either at a legislative level or by means of industry codes of practice to enhance consumers' access to basic payment accounts.

However, some of the stakeholders from this group identified persisting obstacles to complete access to basic payment accounts. In particular, they indicated that customers might be refused access if they cannot provide adequate proof of ID or more generally where the risk of illegal use of the account is foreseen. Moreover, some UK banks reported that access to a basic payment account could be denied to certain categories of consumers, e.g. undischarged bankrupts and persons with a relevant criminal record, but also highlighted that such issues are being addressed at national level through targeted legislative initiatives. Finally, some European representative associations of banks acknowledged the existence of social factors relevant to financial exclusion, although they highlighted the importance of separating consumers who are unbanked because they are excluded from those who have simply decided not to use a bank account.

2.3.1.3. Public authorities

Public authorities offered mixed views with respect to the obstacles to accessing a basic payment account. The majority of respondents indicated that no major obstacles are generally encountered by consumers, while some stakeholders indicated that the current situation is still unsatisfactory.

Several respondents in this category, however, identified at least one remaining issue. Stakeholders reported that, in some cases, consumers were refused access to a basic payment account because of their financial conditions or indicated that evidence of educational disadvantage was found amongst unbanked citizens. Others listed issues such as consumers' lack of confidence in the banking system, unsuitability of the products offered by banks, insufficient financial education and problems with respect to providing proof of ID.

2.3.1.4. Others

Three respondents from this group indicated that obstacles were encountered in accessing a basic payment account, and in particular issues related to anti-money laundering legislation and customers' financial conditions. Two respondents indicated that customers did not encounter major difficulties.

2.3.2. *Measures taken at national level*

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?⁴ Have these initiatives been successfully enforced?

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

Measures in place in Member States are diverse.

Binding measures to increase access to basic payment accounts are in place in several Member States. For instance, some Member States have already adopted legislative measures to facilitate consumers' access to payment accounts. In other Member States the law provides for a general principle on access to accounts.

Other Member States undertook measures of a non-legislative nature, for instance in the form of industry codes of practice, while banks in certain Member States took voluntary, individual initiatives to increase financial inclusion.

The measures described above are in most cases aimed only at residents.

With respect to the effectiveness of the measures taken, the views of the different stakeholders' groups are described below.

⁴ The information provided in this paragraph was gathered from both the contributions of the stakeholders to the public consultation and a Commission report on the national measures in place in the area of access to basic payment accounts, based on information provided by the Member States (not yet published).

2.3.2.1. Consumers and civil society

Most respondents believe that the measures put in place at national level with respect to basic payment accounts are inadequate. Some respondents indicated that the amount of information provided to consumers about the existence and functioning of basic payment accounts is insufficient. Moreover, some respondents complained that industry codes of practice in certain countries are adopted by only a minority of banks or are insufficiently enforced. However, consumers acknowledged that in countries where measures of a legislative nature were adopted, the number of unbanked citizens has fallen sharply.

2.3.2.2. Financial services industry

Respondents from the financial services industry consistently expressed the view that the measures adopted with respect to access are sufficient and have been properly enforced. In support of this view, these respondents highlighted that in most Member States only a very low percentage of the population is unbanked.

Representatives of the industry also took a strong stance against the general extension of basic payment account services to non-residents. The main argument proposed in this respect is that the demand for bank account services for non-residents is too low, while the procedure for setting up such a service would be long and complex, mainly due to the obstacles posed by the anti-money laundering and terrorist financing legislation, and the need to take into account different local legislations at the same time.

2.3.2.3. Public authorities

Most respondents gave positive feedback on the current situation. Some public authorities, however, noted that the local industry code of practice has been followed only by a small percentage of the local banks. One respondent pointed out that internet access to basic payment services should be improved. Others highlighted that the relevant national measures are yet to be implemented and it is not possible to assess their efficacy.

2.3.2.4. Others

Two respondents indicated that the measures in place are sufficient while one respondent expressed the opposite view.

2.3.3. Possible additional measures to improve access to bank accounts

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

2.3.3.1. Consumers and civil society

The vast majority of consumers were in favour of additional legislative measures at EU level. In particular, respondents from this group largely endorsed measures establishing an obligation to guarantee consumers' access to a basic bank account. Respondents also suggested EU legislative measures providing a better definition of the services included with a basic payment account and measures to reduce fees. Some respondents also argue that the provision of a basic payment account should be considered as a Service of General Economic Interest and should be regulated as such.

Some of the respondents in this group also highlighted the importance of increasing the level of financial education, especially for socially disadvantaged citizens. This would contribute to a better protection of consumers' interests while also stimulating demand of basic financial services.

2.3.3.2. Financial services industry

The prevalent view among stakeholders from the financial services industry is that no further measure should be taken, with respect to access, at EU level. In particular, respondents pointed out that the legal and regulatory landscape across the Member States is extremely diverse. As indicated above, while some countries have already adopted complete legislative measures with respect to access, others only issued industry codes of practices or rely solely on voluntary action from financial services providers. Respondents argue that action at European level would not be able to take into account the diversity of the current legislative scenarios and should therefore be avoided. They added that, if any measure were to be taken, it should be established at national level.

A minority of respondents from this group, however, suggested the adoption of measures to enhance financial education among consumers. Some respondents supported the adoption of measures specifically aimed at favouring the inclusion of excluded social groups. Finally, one respondent suggested that alternative means of financial inclusion should be envisaged, and particularly the use of pre-paid cards.

2.3.3.3. Public authorities

Diverging opinions were expressed by Member States. Several respondents in this group believe that at present there is no need for additional measures at EU level. Some of these stakeholders pointed out that these issues could be tackled at national level, in order to take into account the peculiarities of the Member States' legislative and economic scenarios.

However, some of the respondents indicated that further action at EU level could be considered. Among the possible measures, stakeholders suggested establishing a right for all citizens to have a basic account, addressing the insufficient level of consumers' information on basic payment accounts and adopting more detailed rules to identify what services should be provided with a basic payment account and how to define the concept of 'reasonable fee'.

2.3.3.4. Others

Most respondents from this group are in favour of establishing an obligation to provide basic payment accounts to all customers, although one respondent highlighted that smaller financial providers do not have sufficient financial means to support this practice. Two respondents indicated that further measures are not needed. Finally, one respondent suggested that alternative means of financial inclusion should be envisaged, and particularly jam-jar accounts.