

Bank accounts

Transparent fees,
easy switching and
access for everyone

BACKGROUND, FACTS, AND CONSUMER NEEDS



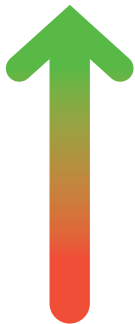


Access to a bank account

The World Bank estimates approximately **58 million European consumers** over the age of 15 do not have a bank account, 25 million of which would like to open one¹.

In 2010, the UK Financial Inclusion Taskforce reported that **1.14 million households** and **1.54 million people** were without access to a transactional bank account in the previous year³.

Snapshot: Population without a bank account²



Denmark:	0
Finland:	0
Netherlands:	130,000
Belgium:	170,000
France:	490,000
Portugal:	510,000
Germany:	670,000
Spain:	720,000
Czech Republic:	910,000
Hungary:	1,690,000
Bulgaria:	3,190,000
Poland:	3,290,000
Italy:	6,300,000
Romania:	8,000,000

11 EU Member States have no measures on the right to open an account – in total disregard of a European Commission recommendation adopted in July 2011.

There is a legal requirement in Belgium, Denmark, France, Finland, Italy, The Netherlands and Sweden to provide access to a bank account. Nonetheless, in some of those countries many people still remain without.



1 Source: European Commission 2013

2 Source: http://ec.europa.eu/internal_market/finservices-retail/docs/inclusion/abba_cses_en.pdf

3 Source: Financial Inclusion Taskforce, Fourth Annual Report on Progress Towards the shared goal for Banking, October 2009, pg. 3 - 4

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requests:

- Every EU resident (not just citizen) should have access to a basic bank account.
- A basic bank account should extend the following functions:
 - ▶ To receive, deposit, transfer and withdraw money (physically and electronically) for SEPA as well as non-Euro transactions.
 - ▶ A debit card enabling cash withdrawals and electronic payments.
 - ▶ Account management and accessing account statements.
 - ▶ Online banking.
 - ▶ Consumers should not be penalised for situations outside their control e.g. insufficient account funds due to late incoming payments (e.g. social benefits, pensions etc.) causing problems for recurring direct debits and credit transfers debited at fixed dates.





Access to a bank account

Benefits of access to a payments account for consumers⁴

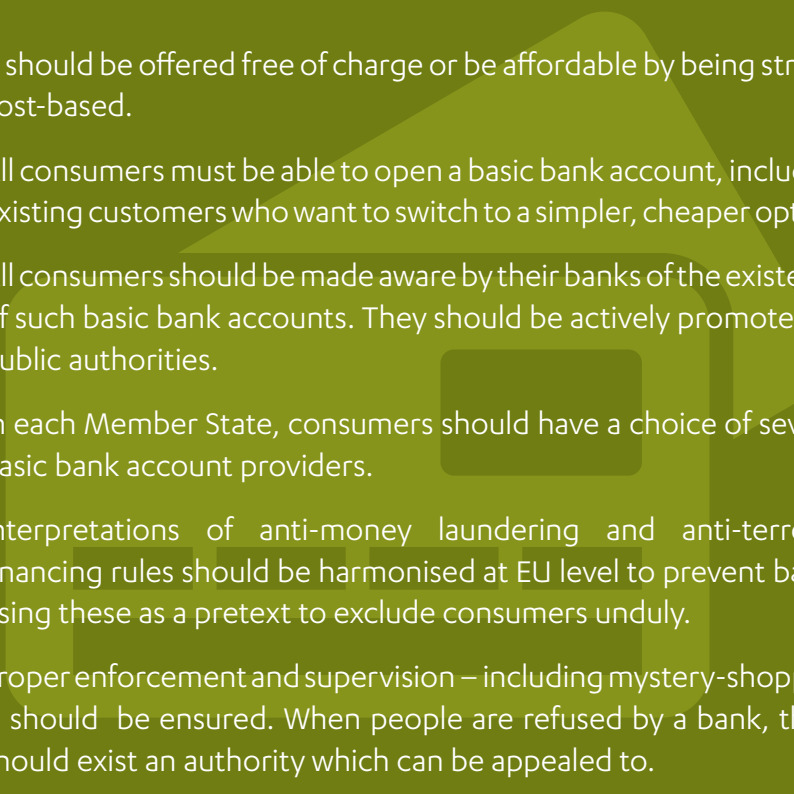
- The ability to receive a salary, pay rent for property etc.
- Access to monetary transmission services.
- Consumers with an account do not need to use prepaid cards or alternative payment providers (which are generally more expensive).
- Access to discounts for electronic payment.
- Quicker access to funds.
- Increased security as a reduced need to keep cash at home.
- Increased choice of goods and services on the internet where electronic payment is required.
- Reduced sense of financial exclusion.

A Single Market for bank accounts

The opening of a payment account in another Member State is today often refused by providers on the mere fact the consumer is not a resident of the Member State concerned.

A significant number of banks refuse to open payment accounts for non-residents, citing a risk of fraud and money laundering.

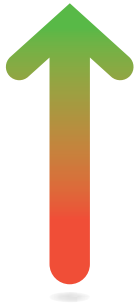
⁴ 'Study on the costs and benefits of the policy actions in the field of ensuring access to a basic bank account', European Commission, July 2010
http://ec.europa.eu/internal_market/finservices-retail/docs/inclusion/abba_cses_en.pdf

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- It should be offered free of charge or be affordable by being strictly cost-based.
 - All consumers must be able to open a basic bank account, including existing customers who want to switch to a simpler, cheaper option.
 - All consumers should be made aware by their banks of the existence of such basic bank accounts. They should be actively promoted by public authorities.
 - In each Member State, consumers should have a choice of several basic bank account providers.
 - Interpretations of anti-money laundering and anti-terrorist financing rules should be harmonised at EU level to prevent banks using these as a pretext to exclude consumers unduly.
 - Proper enforcement and supervision – including mystery-shopping – should be ensured. When people are refused by a bank, there should exist an authority which can be appealed to.



Bank fee transparency

Snapshot: Prices of current non-online accounts in the EU (for the average customer)⁵:



Bulgaria:	€26.94
Netherlands:	€45.95
Belgium:	€58.15
Germany:	€89.13
Czech Republic:	€95.37
Slovenia:	€100.40
UK:	€103.20
Austria:	€140.47
France:	€154.11
Spain:	€178.21
Italy:	€253.14

Terminology chaos

In the UK, fees associated with unauthorised overdrafts are called:

- Maintenance charges.
- Paid referral fees.
- Charges for paid items.
- Unpaid item charges.

Which? (our UK member) research published in February 2012 demonstrated the difficulty consumers face in comparing overdraft charges due to the complexity of how banks calculate these.

None of the volunteers surveyed were able to answer all questions correctly, including one studying for a PhD doctorate degree in mathematics⁶.



⁵ Source: European Commission, 2009

⁶ Source: 'Bank charges: how clear are they?', Which? Money, February 2012

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requests:

- Have EU rules in place which require – at national level – the standardisation of all terminology linked to bank accounts. Varying terminology for the same products and services is one of the major difficulties facing consumers who want to compare prices.
- Make it mandatory for banks to develop glossaries covering all terminology.
- Fully standardise how the list of fees is presented.
- Ensure terminology used in these lists is identical to that provided in the glossary. The list of fees must not be a commercial document, but only serve as information.





Bank fee transparency

In France, banks use a variety of terms for unauthorised overdrafts:

- Commission d'intervention.
- Frais de dépassements.
- Commission de forçage.
- Incidents de fonctionnement.
- Situation débitrice irrégulière.

A UFC-Que Choisir (our French member) study from 2010 showed that **French banks used more than 300 fees** which are detailed on a 20 page long document.


More recently, in January 2013 UFC-Que Choisir evaluation⁷ of the price differences across banks found:

- The difference between minimum and maximum prices for young customers such as students to be €105.
- Consumers aged 26-60 **could save up to €227**.
- Active seniors could save up to €421.

A recent sweep by Verbraucherzentrale Bundesverband (our German consumer member) showed that **only 52% of financial institutions** published at least some basic price lists on their website.

A comparison of yearly bank account operating costs for an average consumer conducted by our Slovene member, the Slovene Consumers Association (ZPS) in April 2013 showed the **minimum and maximum cost difference** across banks amounting to a saving of **€62.24** annually for online bank users **and €165.74** for consumers who do not have an online bank.

⁷ 'L'UFC-Que Choisir rouvre son comparateur et en appelle aux pouvoirs publics', press release, 22 January 2013: <http://www.quechoisir.org/argent-assurance/banque-credit/service-bancaire/communique-tarifs-bancaires-l-ufc-que-choisir-rouvre-son-comparateur-et-en-appelle-aux-pouvoirs-publics>

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- Prohibit banks from levying any fees and charges not stated in the list of fees.
 - Prescribe the development of regularly updated, independent, price comparison websites accessible to all consumers. A centralised EU portal must provide links to the national comparison websites.
 - Provide consumers with at least an annual fee statement, free of charge. The statement must have a standard format for the presentation of all fees and charges paid by the consumer over the preceding period.
 - Guarantee national authorities ensure proper enforcement and supervision (for instance with onsite inspections and regular checks on the accuracy of fee information).





Switching bank accounts


A recent Eurobarometer showed that **only 16% of the respondents** who already owned a financial product had opened a new payment account in the past 5 years.

A 2012 European Commission study which assessed the implementation of the banking sector's code of conduct (EBIC Common Principles) concluded:

- Switching information provided to consumers is incomplete: In 32% of enquiries the mystery shoppers could not find any information on the bank's website about switching.
- 45% were not provided with step by step information by the staff member they spoke to.
- 80% did not receive any information brochures or leaflets.
- On the extent to which the new bank supports the switching process: 81% of the banks assessed did not open the account and switch as follows:
 - ▶ 71% would not assist the transfer and therefore did not follow the procedures outlined in the EBIC Common Principles.
 - ▶ 7% did not open the account (including the switch) within 14 working days (as outlined in the Common Principles).
 - ▶ 3% did not open an account, because the bank refused to open the standard bank account as requested.

 For example, the switching rate of UK consumers is very low. In 2012, **only 3.1% of consumers switched** their current accounts. 75% of consumers surveyed said they had never switched their account⁸.

 In 2011 and 2012, only 2.44 and 2.27 million French people respectively switched their account. This means, of 67 million open bank accounts, **3.6% and 3.4% of bank mobility**. Of those who switched, only 257,000 (10.53%) and 272,000 (11.97%) used the banks' switching service (service de mobilité bancaire). The account switching rate is actually much lower than the 2010 figures⁹.

 In 2012, **25% of UK consumers reported problems with transferring direct debits** from their former bank to their new one¹⁰.



8 'Review of the personal current account market', Office of Fair Trading, January 2013: <http://www.of.t.gov.uk/OFTwork/markets-work/othermarketswork/pca-review/#.LUUBf7GHcc9Q>

9 Source : CCSF - Comité consultatif du secteur financier - March 2013

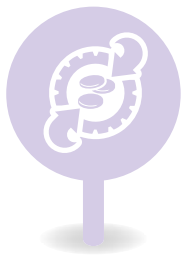
10 Source: Office of Fair Trading, January 2013

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requests:

- A bank account number portability system should be established to achieve a seamless and hassle-free switching process for Europe's consumers. A re-routing system should at least be introduced.
- Legislation on switching must address the following points:
 - ▶ The client's new bank should be the contact point taking care of the entire switching process.
 - ▶ The switching process should take no longer than 7 working days.





Switching bank accounts

Portable account number

61% of French respondents said they would switch banks if an account portability system, similar to cell phone number portability, was put in place¹¹.

59% of people surveyed by Which? said they would be more likely to change bank if they could keep their bank account number. 63% support the introduction of portable account numbers in the UK and 76% believe this would make switching accounts easier.

Portable account numbers in Sweden¹²: For the time being, the only portable number system available is the Swedish Bankgiro system. Bankgiro is an address that points to a bank account. All participating banks provide their customers with a universal Bankgiro number, which can be linked to any bank account and functions as a reference point to direct transactions. Companies who change their banking relationship do not need to inform all their business partners about the new account credentials. For the time being, the service is offered to corporate customers. There are however no technical barriers which would prevent the service from being extended to consumers.



According to the Belgian banking association Febelfin, in 10 months of 2011, 49,900 current accounts were switched. This means **only 0.4% of Belgians switched their account** from one bank to another (there are 13 million current accounts in Belgium).




BEUC's Belgian member Test-Achats carried out an online survey¹³ in January-February 2012 of 1,004 respondents, 72% of which who had switched considered it 'easy' or 'very easy' and a little less than 10% think the process 'difficult' or 'very difficult'.



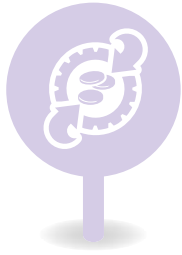
¹¹ Source: UFC-Que Choisir, March 2012

¹² http://www.bgc.se/Default_5057.aspx

¹³ "Budget & Droits", Test-Achats magazine, No 222, May/June 2012

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- ▶ Costs incurred due to mistakes made during the switch should not be borne by the account holder.
 - ▶ Banks should not charge for switching.
 - ▶ The possibility to switch should be actively promoted by public authorities.
 - ▶ The closing of the 'old' account must be done swiftly.
 - ▶ Tying should be banned. Consumers should be able to buy bank account ancillary services separately.





Switching bank accounts



A UFC-Que Choisir survey in March 2012 found that **40% of French consumers have problems when switching bank** accounts with¹⁴:

- The time gap for switching credit transfers and direct debits (29%);
- Errors made by the new bank (13%);
- Cheques drawn on the old account (10%);
- 31% of consumers did not finalise the switch (33% considered the process too long or complicated, 18.7% felt trapped by their mortgage).



According to the Belgian code of conduct, the switch must be finalised within 8 days. This was respected in only 23% of cases. In 25% of cases the switching took more than a month¹⁵.



As many as 56% of account holders who responded to an Altroconsumo (Italian consumer organisation) questionnaire had not changed their current account in the last 10 years.

44% had changed their account, the reason being 56% citing high costs of their current account and 40% looking for a better service.

44% of the account holders who changed their bank had a range of difficulties: problems with standing orders, a very long time taken to close the former account and unjustified expenditure.

For 31% of the respondents the closing of the account took more than a month¹⁶.




Dutch bank switching services: In late 2011, Consumentenbond conducted a survey of 1,918 users of the switching service in co-operation with the Dutch Banking Association. The survey found that use of the service had remained static at between 80,000 - 100,000 a year and consumers reported a satisfaction rate of 8.5 on a scale of 0-10 (up from 7.1 in 2006)¹⁷.

14 La portabilité, une attente de 61% des consommateurs à prendre en compte », UFC-Que Choisir, March 2012: <http://www.quechoisir.org/argent-assurance/banque-credit/service-bancaire/communiquer-mobilite-bancaire-la-portabilite-une-attente-de-61-des-consommateurs-a-prendre-en-compte>

15 Source: Test-Achats, January/February 2012

16 Source: Altroconsumo – February 2012

17 <http://www.consumersinternational.org/media/894988/wcrd%202012%20-%20member%20briefing%20on%20competition%20in%20financial%20services.pdf>

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- ▶ Provide better training of bank staff to be better informed. Easy switching depends on the level of preparation of bank staff.
 - ▶ Make cross-border switching of bank accounts possible. People should be able to open a bank account in every country of the EU, also without a residence there. Cross-border switching needs to be made possible.
- Proper enforcement and supervision should include mystery-shopping by national authorities.

The Consumer Voice in Europe

AT - Verein für Konsumenteninformation - VKI
AT - Arbeiterkammer - AK
BE - Test-Achats/Test-Aankoop
BG - Bulgarian National Association Active Consumers - BNAAC
CH - Fédération Romande des Consommateurs - FRC
CY - Cyprus Consumers' Association
CZ - Czech Association of Consumers TEST
DE - Verbraucherzentrale Bundesverband - vzbv
DE - Stiftung Warentest
DK - Forbrugerrådet
EE - Estonian Consumers Union - ETL
EL - Association for the Quality of Life - E.K.PI.ZO
EL - Consumers' Protection Center - KEPKA
ES - Confederación de Consumidores y Usuarios - CEUCU
ES - Organización de Consumidores y Usuarios - OCU
FI - Kuluttajaliitto - Konsumentförbundet ry
FI - Kilpailu- ja kuluttajavirasto - KKV
FR - UFC - Que Choisir
FR - Consommation, Logement et Cadre de Vie - CLCV
HU - National Association for Consumer Protection in Hungary - OFE
HU - National Federation of Associations for Consumer Protection in Hungary - FEOSZ

IE - Consumers' Association of Ireland - CAI
IS - Neytendasamtökin - NS
IT - Altroconsumo
IT - Consumatori Italiani per l'Europa - CIE
LU - Union Luxembourgeoise des Consommateurs - ULC
LT - Alliance of Lithuanian Consumers' Organisations
LV - Latvia Consumer Association - PIAA
MK - Consumers' Organisation of Macedonia - OPM
MT - Għaqda tal-Konsumaturi - CA Malta
NL - Consumentenbond - CB
NO - Forbrukerrådet
PL - Federacja Konsumentów - FK
PL - Stowarzyszenie Konsumentów Polskich - SKP
PT - Associação Portuguesa para a Defesa do Consumidor - DECO
RO - Association for Consumers' Protection - APC Romania
SE - The Swedish Consumers' Association
SI - Slovene Consumers' Association - ZPS
SK - Association of Slovak Consumers - ZSS
UK - Which?
UK - Consumer Futures

