

“Transparency and comparability of bank account fees” project

BEUC Requests

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Terminology used

In so far as the main objective of the European Commission is completing the single market in financial services, a corresponding approach should be adopted with regard to transparency of bank account fees. Nevertheless, account taken of differences between Member States, at this stage harmonisation of the terminology/labelling at national level rather than at EU level seems to be more appropriate. Next step should be to harmonise the terminology at EU level (or at least find equivalence between different national terminologies).

The following guiding principles must be adopted at EU level and implemented at national level:

- *Scope*: each fee and charge linked to current account must be covered by the project. Otherwise, financial institutions will always find a way to circumvent the rules by dissimulating various fees and charges which would jeopardize the outcome of the whole project.
- *Harmonisation of terminology*: in each Member State, only one name must apply to each service or product.
- *Technical and legal terms and jargon* must be avoided as much as possible.
- *Consumer testing of the terminology* must be carried out to verify their understanding and improve the terminology if necessary.
- *Bank account glossary* must be developed in each Member State. It must include all the terminology linked to current account, be simple, short and clear (comprehensible). Glossaries are already available in many Member States (e.g. Denmark, France, Portugal, Belgium, etc.). However they are not always considered by consumer organisations as really helpful for consumers (e.g. Belgium and France). Therefore, account must be taken of existing best practices in accordance with consumer organisations' criteria when developing the glossaries.

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Tariff brochure (ex-ante information)

- *Format of the tariff brochure:* general principles (text format, organisation of fees into chapters, highlighting) must be adopted at EU level and details at national level.
- *Full harmonisation of the tariff brochure at national level:* Currently at Member State level, tariff brochures vary in size and presentation format which makes them difficult to compare. Tariff brochure must not be a commercial document but only serve informational purpose. It must have standard size and standardised presentation format (full harmonisation at national level). Account must be taken of existing best practices.
- *Tariff brochure must include all tariffs in relation to current account,* including insurance premiums linked with some bank services (e.g. overdraft insurance, credit card insurance) and interest paid on credit balances. Banks should not be allowed to levy any fees and charges not stated in the brochure. This is the only way to ensure that consumers receive timely information on all fees and charges before entering into a contract and during the contractual relationship. For example, an overdraft fee (and its level) should never be a surprise to the consumer.
- *Terminology used in the tariff brochure* must be exactly the same as provided in the glossary.
- *Unit prices* (e.g. direct debit, credit transfer, debit card, credit card, overdraft fees, etc.) must appear at the top of the tariff brochure, i.e. before packages. It would be a way to inform consumers that they have a choice between 'à la carte' services and packages.

Pricing databases (ex-ante information)

- *Regularly updated pricing databases* should be accessible to all EU consumers to help them compare various bank fees. These databases should be independent from banks. Banks should be bound to regularly provide data on bank accounts so that to ensure their responsibility for reliability of the data.
- *The databases should be run by public bodies.* Depending on current practices in different Member States, databases could be run by the central bank or any other relevant authority. Cooperation between public bodies and consumer organisations should be encouraged so that information reaches as many consumers as possible.
- *Developing pricing databases* should consist of two steps:
 - Collecting tariff brochures of individual banks (general information) and making them available to consumers via a unique portal;
 - Setting up tools to enable consumers to compare prices of different banks based on their needs (personalised information). Consumers would be asked several questions to identify their needs in relation to current accounts, e.g. monthly number of payment transactions through debit card, credit transfer, debit card, etc. Account must be taken of existing best practices (such tools are already in place in several Member States, e.g. Spain, Belgium, Slovenia, Italy).

- *A centralised EU webpage/portal* must provide links to the national pricing databases. Information should be provided for people on the move (students, workers), as well as for consumers who would like to open an account in a country where they don't live or work. Possibilities for comparative testing should be studied.
- *Extensive and continuous information campaigns* must be run by financial institutions, EU and national authorities and consumer organisations to raise consumer awareness of the pricing databases. Pricing databases must also be promoted together with account switching services in order to help consumers who would like to switch their bank accounts to find better deals elsewhere.

Fee statement (ex-post information)

- *Current account customers must receive monthly and annual fee statement free of charge.* It must have standard format for presentation of all fees and charges the consumer had paid during the past period. Account must be taken of existing best practices.
- *The annual fee statement must also include foregone interest income* based on a best performing savings account that consumers 'lose' by keeping high credit balances on their current account. In fact, net interest revenue constitutes an important source of banks' income in certain Member States, e.g. the UK¹. This information would warn consumers about potential revenue they could earn by e.g. depositing their excessive credit balance on a savings account.

Enforcement and monitoring

- *National public bodies should be in charge of enforcement* of the code of conduct. Depending on current practices in different Member States, it could be done by the central bank or any other relevant authority.
- *Deterring sanctions for non-compliance* with the adopted rules must be foreseen to ensure that all banks comply with the code. Otherwise, the rules will not be respected by all financial institutions.
- *An independent complaint mechanism* must be put in place in each Member State.
- *Monitoring surveys* to check compliance with the rules must be run both by national public authorities and the European Commission.
- *Advisory/steering committees that involve consumer representatives in each Member State* must provide their feedback with regard to compliance with the code of conduct.

¹ See OFT study on "Personal current accounts in the UK", July 2008:
http://www.of.gov.uk/shared_of/reports/financial_products/OFT1005.pdf