



The Consumer Voice in Europe

Consultation on Bank Accounts

Commission services working paper
BEUC response

Contact: Team Financial Services - financialservices@beuc.eu

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Summary

Transparency and comparability of bank account fees: adopt EU legislation requiring standardisation of all terminology linked to current accounts; develop glossaries of terms covering all the terminology linked to current accounts; fully standardise the presentation of the lists of fees: terminology used in these lists must be exactly the same as those provided in the glossary; prevent banks from levying any fees and charges not stated in the lists of fees; develop regularly updated independent price comparison websites accessible to all consumers.

Switching between payment account providers: adopt EU legislation on switching and ensure its proper enforcement and supervision; allow cross-border switching of bank accounts; set up an account number portability system to achieve a seamless and hassle-free switching experience for all European consumers; take into account existing best practices to improve the switching service; provide better information and training of bank staff.

Access to a basic payment account: adopt EU legislation to ensure access to a basic payment account for all of Europe's consumers (a significant number of consumers experience difficulties in opening bank accounts at national and cross-border level; past experience in different Member States shows that self-regulation is not proving effective; the Commission Recommendation adopted last year has not led to significant changes at Member State level); ensure that basic payment accounts are accessible to all consumers, including those who do not need additional services attached to a conventional account; harmonise the interpretations of anti-money laundering and anti-terrorist financing rules at the EU level.

BEUC welcomes the opportunity to contribute to the European Commission consultation on bank accounts. Financial inclusion, transparency and comparability of bank fees and account switching are among BEUC's priority topics. We also invite you to read our previous contributions to public consultations, hearings and workshops organised by the European Commission and Parliament¹.

We appreciate the fact that the obvious link between the three topics have been taken into account by the Commission to ensure coherence between the policy measures which should follow the consultation.

The Commission consultation document summarises very well the expectations of consumer organisations with respect to bank accounts: *"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."*

It is widely acknowledged that in order to live a normal life, integrate into society, and reap the benefits offered by the Single Market, any consumer needs to be able to open a payment account with all the essential services attached to it, such as a debit card, credit transfer, direct debit, account statement, online banking, cash depositing and withdrawal both at the counter and ATM; etc. Furthermore, in most cases consumers do not even have a choice as salaries, social security benefits and pensions are usually paid into bank accounts, in the same way as taxes are increasingly paid out electronically. Basic 'no-frills' (i.e. low-cost) payment services may potentially meet the needs of a large number of consumers who do not necessarily make use of all the services included in conventional (and often expensive) packaged offers.

There is also plenty of evidence of non-transparent and difficult to compare bank tariffs, where most people do not know how much they are paying for banking services, packages and additional services not included in the package, various penalty charges, where information is often not consumer friendly and timely. Furthermore, in the absence of the transparency and comparability of offers across providers within national boundaries, as well as across-border, markets cannot be competitive and consumers cannot be expected to shop around for better deals.

Last but not least, if all the obstacles to account switching are not removed so as to achieve a harmonised, seamless and hassle-free switching experience for all European consumers, comparability of offers will have only a marginal effect.

Please find below BEUC's responses to the consultation questions which contain national examples and survey figures carried out by BEUC members.

¹ BEUC position papers and studies are available [here](#)

1. Transparency and comparability of bank account 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?

BEUC answer

For many years, consumer organisations have pointed to a lack of transparency of bank fees. On several occasions, BEUC has provided examples of bank practices in different countries and how those practices harm consumers². We are pleased to see the European Commission data confirm those of consumer organisations³.

On 18 March 2010, the Commission organised a workshop to discuss the causes of the lack of transparency and incomparability of fees and what measures should be taken to enable consumers to shop around for better deals and spur competition.

The main causes identified by BEUC were as follows:

- Complex and variable business models of banks across countries;
- Cross-subsidisation;
- Existence of packaged offers;
- The level of charges and charging structures;
- Useless innovations and varying terminology across banks;
- Lack of a clear legislative framework.

As a follow-up to the workshop, in August 2010 Commissioner Barnier invited the European Banking Industry Committee (EBIC) to develop and implement appropriate solutions to ensure proper understanding and comparability of bank fees throughout the EU. The Commission requested that consumer representatives be closely associated with this project. Regrettably, almost two years after the kick-off meeting and numerous technical meetings between EBIC, BEUC and the Commission, the banking industry has failed to deliver an acceptable proposal which meets the requests of BEUC and of the European Commission⁴. This decision did not come as a surprise to us, considering the failures of self-regulation in the financial services area in the past.

² BEUC comments to the workshop are mentioned in the Commission consultation paper.

³ See DG SANCO study in 2009

⁴ See BEUC requests with regard to the "[transparency and comparability of bank account fees](#)", Oct 2011

Below are some examples of the situation at national level:

France

Since 2005 banks are obliged to provide consumers with free access to their lists of fees at their premises. However, an UFC-Que Choisir study in 2010 showed that 40% of banks did not comply with this obligation. Moreover, the lists of fees are not at all readable: around 20 pages, with more than 300 fees! Consumers cannot easily determine which service is the most suitable⁵.

Since the 1st of January 2011, French banks have agreed to provide a list of 10 basic fees and details on bank account fees actually paid annually (since 2009) and monthly (since 2011). However, there are persistent shortcomings:

- The consumer is unaware of what he actually pays (fees are debited from his bank account without prior information); as he doesn't know the amount of the bank fees, he cannot anticipate the debit. In addition, it is extremely difficult to challenge an unlawful fee *ex-post*, which would become easier if information was provided to the consumer prior to the debit.
- There is no harmonised way of informing consumers about bank fees, i.e. each bank chooses its particular way to do it and even within the same bank, the way to present fees varies according to the service provided. In the same prices list, fees can be presented in 5 different ways: monthly, for a quarter, for a semester, annually and for each operation. As a result, it is very difficult for consumers to compare prices.

Italy

The Bank of Italy has intervened several times on the issue of transparency and comparability. As of January 1 2010 it has introduced a synthetic indicator of the cost (ISC) of different packaged accounts for six different user profiles (seven, considering the ordinary account). For each profile, two ISC are indicated, with transactions made mainly at the bank counter and online. However, this ISC current account has limitations and cannot be considered a comprehensive indicator of the account cost. For example, it does not consider tax burdens (stamp duty), interest income or interest expense.

The Bank of Italy has also introduced a standard prices list, with the same items mentioned in the same order, to facilitate comparison between different offers⁶. All dated and updated prices lists must be available to the public at bank branches and on the websites.

⁵« *Tarifs et mobilité bancaire: Le désolant palmarès des banques* », UFC-Que Choisir, octobre 2010

⁶ http://www.bancaditalia.it/vigilanza/normativa/norm_bi/disposizioni-vig/trasparenza_operazioni/Allegato-4A.pdf

Belgium

In general, the information on fees provided by the banks is insufficiently clear and transparent. It is not at all easy to compare offers between different banks. There are numerous fees and it is often difficult or even impossible for a consumer to predict how much it will cost to use an account. Indeed, this depends on the customer profile, from those making several small cash value withdrawals or those taking fewer but larger withdrawal amounts; printing account statements at self-bank or receiving them by post; withdrawing money from your bank or other banks' ATMs, etc.

Moreover, account statements do not indicate the fees corresponding to each operation. The consumer's attention is not drawn to these accumulating costs. Even based on yearly account statements, it is difficult for consumers to draw conclusions and adapt their behaviour accordingly. If information on costs was provided at the right time (e.g. when making a withdrawal) or in the right form (appropriate account statements), it would help consumers to reduce their costs.

The packages proposed by banks make comparison even more difficult. For example, with packages which include 36 free withdrawals from other banks' ATMs, the consumer is not informed when he goes over the limit of free withdrawals and he is unaware that further withdrawals will cost him 0.50 Euros (see e.g. ING packages).

In addition, sometimes banks deliberately make their terms unreadable (see Test-Achats' letter to ING in Annex 1).

Portugal

Currently, information is provided in a harmonised manner by all banks. In their leaflet 'Fees and Expenses', banks indicate the maximum fees of products and services which can be charged to consumers. This document is subject to supervision by the Portuguese Authority – Banco de Portugal. Banks cannot charge any fees not included in this leaflet.

Our Portuguese member DECO reports a large disparity between banks as regards the level of fees. In addition, banks are not always able to provide information about the existence or not of a real equivalence between a fee and the cost of this service – which leads to non-transparent fees. It has also been observed that, within the defined model of the leaflets, each institution determines its own fees and its designation. So, despite the established framework, a lack of consistency certainly still exists among some concepts, e.g. the same services have different names.

Germany

It is not easy to compare the prices of bank accounts and related services in Germany. A lot of offers bundle services, some even for 'free', but often these offers carry conditions – mainly a minimum amount of money to be credited to the account per month - otherwise monthly fees apply.

A huge set of extra fees, which may be quite specific to each group or institution, may be charged either occasionally like extra fees for repeated bank account statements, additional charges for using different bank cards and credit cards at third party ATMs with partner networks of varying dimensions, fees for the use of non-Euro payments etc. While some fees are high and only apply occasionally, others may be small but frequent. Terms and conditions may differ strongly creating a first barrier to comparability. Practices also vary widely. For example, while some institutions charge only postage for re-sending a bank account statement, others cash in up to 15 Euros per single bank statement.

Prices lists are not accessible in the same way everywhere. A recent sweep study showed that only 52% of financial institutions actually published at least some basic prices lists on their web page⁷. Often only the general fees of the bundled offers are indicated, without the extra costs. Some institutions referred to the price lists at their local branches, but it might be difficult even there to find a list and get a copy to compare different offers⁸.

United Kingdom

In the UK, 85% of consumers hold a current account that is fee-free when in credit⁹. However, an investigation by the OFT in 2008 found that charges levied by banks for unauthorised overdrafts were excessive, with banks generating £2.5 billion in insufficient funds charges and a further £450 million in arranged overdraft charges¹⁰. In addition, banks also generated £4.1bn from interest foregone. An updated study published in 2010 found that banks had generated £2.52bn in insufficient funds charges in 2009¹¹.

In the period between the studies, the OFT tried to address the causes leading to the outcome of the study by working with industry and consumer groups to make these charges more transparent. Although consumer groups contributed to this work they always made it clear that they were not convinced that transparency alone would resolve the issue, but that the regulator also needed to be in a position to address the level of charges.

The outcome of the second study published in September 2010 showed that despite a significant number of changes introduced by banks to make the charges more transparent, this did not result in a significant reduction of insufficient funds charges.

Which?, our UK member, carried out consumer testing on the transparency of charges in November 2011 and published an article in February 2012. In the test, 12 consumers, including someone studying for a PhD in mathematics, were

⁷<http://www.verbraucher.de/mediabig/190871A.pdf>

<http://www.verbraucher.de/UNIQ133216930523242/link1041971A.html>

⁸ See also a [survey](#) run by Stiftung Warentest on fees applied by 1610 banks by December 2011

⁹ Mintel: Packaged and Current Accounts – UK, June 2011.

¹⁰ OFT: Personal current accounts in the UK – a market study.

¹¹ OFT: Personal current accounts in the UK Progress update September 2010

asked to calculate the overdraft charges levied by four different banks for a specific scenario. Consumers only managed to accurately calculate the charges for 7 out of the 48 calculations (see Which? article in Annex 2)¹².

As mentioned in the Commission consultation paper, the **Payment Services Directive (PSD)** does not contain specific provisions as to the manner of presentation of information to the consumer, notably as regards price information. Furthermore, the PSD does not cover all services linked to a current bank account. Amendments to the transparency obligations in the PSD would not be sufficient: there is a need for detailed legislation, as this is the only means to ensure the information is adapted to consumer needs, at both the pre-contractual stage to help consumers choose their bank, and later on¹³.

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?

BEUC answer

Varying terminology among banks to describe the same products and services is one of the main reasons why it is difficult for consumers to understand and compare prices. In France for example, "*frais de tenue de compte*" vs. "*frais de services bancaires*"; "*commission d'intervention*" vs. "*commission de forçage*". In Portugal, different names are also used for the same fee: dossier fee, process fee, contract fee. In Belgium, an interest rate which includes penalty charges is called an interest charge by ING. This bank also uses a double definition of electronic transactions (see Annex 1).

Varying terminology is also used by banks to avoid the application of court rulings. That is what happened in France with the "*frais de forçage*" and "*commission d'intervention*" further to a Court of Cassation's judgment forbidding the application of "*frais de forçage*" in instances of overdraft and stating that such a fee should be directly integrated in the overdraft rate. Banks, in order to avoid this ban have changed the terminology and replaced "*frais de forçage*" by "*commission d'intervention*", whereas the operation is strictly the same.

Therefore, standardisation of terminology would definitely help provide more transparent and comparable information on fees. The scope should cover all the fees linked to a current account. Otherwise, financial institutions will always find

¹² Which? Money, February 2012 "Bank charges: how clear are they?"

¹³ See BEUC response to the PSMEG consultation on the review of the Payment Services Directive and of the Regulation 924/2009 on cross-border payments, Apr 2012.

a way to circumvent the rules by dissimulating various fees and charges which would jeopardise the outcome of the whole initiative.

Moreover, even if a majority of consumers in a particular country use the same services, all consumers, including the most atypical, are entitled to access clear and comparable information for the services they use.

In each Member State, only one name must apply to each service or product and 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.

Standardisation of the terminology at EU level should be set as medium to long term goal to achieve the Single Market for financial services and enable consumers to shop around at cross-border level. Nevertheless, taking account of differences among the Member States and even within each country as regards current bank account offers, the first step should be to standardise the terminology at national level. Next step should be to standardise or approximate the terminology at 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?

BEUC answer

Standardised glossaries of terms must be developed in each Member State with gradual harmonisation at EU level. Glossaries must include all the terminology linked to current accounts, be simple, short and clear. 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 to consumers (e.g. Belgium and France). In France, a glossary exists since 2005, but not by law: it is the outcome of an agreement between banks and consumer associations. However, this glossary is very difficult to find at bank branches and on the internet. Moreover, banks' information leaflets do not include the glossary. In Belgium, a glossary proposed by Febelfin (Belgian Financial Sector Federation) was discussed at the Consumption Council. The discussion has ultimately been interrupted at the request of Febelfin. In Italy, the glossaries currently found in contracts and information sheets provided by banks are also considered too complicated.

The **presentation of lists of bank fees** must also be fully standardised (text format, organisation of fees into chapters, highlighting) and terminology used in these lists 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. Tariff brochure must not be a commercial document but only serve informational purpose.

Currently at Member State level, lists of fees vary in size and presentation format, making them difficult to compare.

Standardisation should cover all fees, 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 lists of fees. This is the only way to ensure that consumers receive timely information on all fees and charges before entering a contract and during the contractual relationship. For example, an overdraft fee (and its level) should never be a surprise to the consumer.

Partial standardisations would not be acceptable, as this would not address the issue of comparability. For example, in France as an initial step towards full standardisation of the tariff list as of 1st January 2011 banks have to provide a standard list of 10 services. Industry representatives argue that the list is composed of the 10 most used services. It is however doubtful that account balance information by SMS is among most requested services.

We strongly refute the argument that full standardisation would stifle financial innovation. Indeed, current bank account offers with all the products and services attached (payment cards, direct debit, credit transfer, ATM withdrawal, internet and mobile banking, overdraft facility, etc.) are among the simplest financial products and are quite similar across banks. Applying different names to the same services and fees with the purpose of dissimulating those fees is not a socially useful innovation. Furthermore, with full standardisation banks will not be prevented from using 'brand names' next to the standard names of each service.

Relevant national public authorities must lead the project at each national level. The national authorities must consult consumer representatives and the financial sector and carry out consumer testing of glossaries and lists of fees to ensure they are user-friendly and deliver on consumer expectations. Account must be taken of existing best practices when developing the glossaries and standardised lists of fees. Work carried out at national level should be coordinated by the European Commission in order to achieve future harmonisation at EU level.

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?

BEUC answer

Regularly updated **comparison websites** accessible to all consumers should be made compulsory. The websites should be run by public bodies or in cooperation between public bodies and consumer organisations so that information reaches as many consumers as possible. Banks should be bound to regularly provide data on bank accounts so as to ensure their responsibility for the reliability of the data.

The comparison websites should offer two types of information:

- General information - lists of fees of individual banks;
- Personalised information based on the needs of individual consumers. 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, as identified by the Commission inventory, including the databases run by consumer organisations¹⁴.

A **centralised EU website** must provide links to the national comparison websites. Information should be provided for people on the move (students, workers), as well as for consumers who would like to open accounts in a country where they do not live or work. Possibilities for comparative testing should be examined.

Extensive and continuous information campaigns must be run by financial institutions, EU and national authorities and consumer organisations to raise consumer awareness of the comparison websites. The websites 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.

As regards **cost simulations to be provided by banks**, they would raise the question of the methodology used: banks would include their most competitive

¹⁴ "Market [study](#) of the current state of play in Member States regarding initiatives in bank fee transparency and comparability in personal current bank accounts", European Commission, Jan 2012

services in their simulations. A harmonised questionnaire to be used by all banks would not be a solution either as it can be easily diverted: banks would probably change their pricing structure so that they can appear cheaper than their competitors with regard to the fees included in the questionnaire. In tandem, they would increase fees not covered by the questionnaire, e.g. overdraft fees.

Standardised representative examples to be provided by banks would be biased, as a representative client does not exist. This could mislead consumers who are not in a position to clearly see whether the example provided could be transposed to their own situation. If the lists of fees are made fully standardised, they would become more consumer-friendly and more usable for independent comparison databases.

In the UK, banks agreed to provide standardised representative examples of unauthorised overdrafts. However, so far no evidence has been provided that the provision of these examples has enabled consumers to choose the right bank account. UK consumer groups raised concerns that without the provision of data on a consumer's bank account usage, most consumers would find it difficult to identify the scenario which applied to them

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?

BEUC answer

Transparent and comparable information is needed at both pre-contractual and post-contractual stages. Indeed, very few consumers know how much they pay for bank fees on a yearly basis. This may include the price for packaged accounts; additional services not included in the package, such as ATM withdrawals abroad, exchange rate charges, interest and penalties for authorised and unauthorised overdrafts, etc. Therefore, consumers are not in a position to assess whether their bank is cheaper or more expensive in comparison to other offers available on the market.

Hence, consumers must receive monthly and annual fee statements free of charge. These statements must have standard format for presentation of all fees and charges the consumer has 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 UK¹⁵. This information would warn consumers about potential revenue they could earn by e.g. depositing their excessive credit balance on a savings account.

¹⁵ See OFT [study](#) on "Personal current accounts in the UK", July 2008

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.

BEUC answer

As enforcement of legislation is essential to really protect consumers, we consider that all national financial supervisors should be equipped with sufficient resources and powers in order to ensure an appropriate level of supervision of future legislation on bank accounts¹⁶.

2. Switching between payment account providers

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.

¹⁶ See BEUC [study](#) and position paper "*Financial supervision – Protecting consumer interests in the retail financial services area: need for independent and efficient national supervisors everywhere in the EU*", December 2011

BEUC answer

BEUC has been actively involved in the account switching issue since the development of the Common Principles for Bank Account Switching by the European Banking Industry Committee (EBIC) in 2008. This code-of-conduct was an excellent opportunity for the banking sector to demonstrate that self-regulation in the financial services sector achieves the objectives set and is a preferable alternative to binding legislation, as is usually claimed by industry stakeholders.

The results of the Commission monitoring report three years after the entry into force of the EBIC code evidenced the opposite conclusion. We share the statement made by Commissioner Barnier on the day of the report's publication:

"The results of the study published today explain why consumers change their banks so rarely. If consumers are not able to easily switch bank accounts, they cannot take advantage of better and cheaper banking services on offer elsewhere. The single market is thus deprived of the competitive drive that leads to innovation, cost savings and better quality banking services. This, in the long-run, can prove to be an obstacle to growth."¹⁷

It is worth mentioning that mystery shoppers were instructed to switch at least one standing order from an old bank account to a new bank account. However, in practice consumers often have more than one standing order and direct debit with their account. This means the risk of unsuccessful switching of direct debits and standing orders is higher.

The results of the Commission's mystery shopping study basically replicated BEUC's earlier findings. In 2010, BEUC and its members carried out a monitoring of banks' compliance with the Common Principles for Bank Account Switching in a selected number of Western and Eastern European countries. The monitoring consisted of the following three steps: monitoring of bank websites (covering the EU27 and Norway), collecting consumer testimonies about their recent switching experience and 'mystery shopping' exercises. Non-compliance by banks with the Common Principles was found in many countries with regard to the availability of consumer information on bank websites and at bank branches, bank staff preparedness to inform and help consumers with the switching service; transfer of direct debit mandates between banks and switching delays¹⁸.

More recently, a survey carried out in **France** found out that 40% of French consumers have problems when switching bank accounts: the time gap for switching credit transfers and direct debits (29%), errors made by the new bank (13%), and cheques drawn on the old account (10%)¹⁹. 31% of consumers did

¹⁷ The European Commission [press release](#) "Consumers: Switching bank accounts – 8 out of 10 mystery shoppers faced difficulties", 24 Feb 2012

¹⁸ "[Easy switching?](#) – A long way to go", BEUC Monitoring Report of the Common Principles for Bank Account Switching", Jan 2011

¹⁹ In France, the old bank is not obliged to inform the consumer in case a transaction is done on his old bank account, whereas the consumer has switched to another bank.

not finalise the switch (33% considered the process to be too long or too complicated, 18.7% felt trapped by their mortgage)²⁰.

In **Italy**, one of the main problems is related to the delayed transfer of the account balance from the old account to the new one and late closure of the old account. This could result in payment incidents on the old account and unjustified account management fees charged by the old bank. Furthermore, according to Altroconsumo's survey of consumers who switched accounts in the past 10 years, 44% did experience difficulties, of which 15% of cases were related to the transfer of direct debits.

In January and February 2012, our **Belgian** member Test-Achats ran an online survey to assess whether the situation had changed since their last survey 2 years before. 1004 persons responded to the survey. The responses were rather positive: 72% of respondents who had switched considered switching as easy or very easy and a little less than 10% think the process is difficult or very difficult. The most frequently stated problems were linked to the transfer of direct debits and standing orders, very long switching periods, lack of cooperation by the old bank, and charges imposed by the old bank. The overwhelming majority of consumers were in favour of account number portability, which would make the switching process much easier and seamless (see article by Test-Achats in Annex 3).

As reported by our **Portuguese** member DECO, since the EBIC code is not subject to public authority supervision, few banks have signed up to it, e.g. Caixa Geral de Depósitos, one of the most important banks in Portugal. DECO's inquiry has identified the following main reasons for mobility problems: slowness imposed by the old bank, delays in the restoration of the services on the new account, the transfer of standing orders and debit cards and delayed closure of the old account.

In **Germany**, one of the major potential hassles for consumers when switching accounts is the transfer of all direct debits from the old account to the new one. Given that direct debit is among the most popular means of payment among German consumers, account switching implies informing numerous third parties about the new account credentials.

BEUC requests in relation to bank account switching are below. Most of them were already provided in our Monitoring Report of the EBIC code and are further substantiated by the Commission's mystery shopping study:

²⁰ « La [portabilité](#), une attente de 61% des consommateurs à prendre en compte », UFC-Que Choisir, March 2012

- ***Adopt binding legislation on switching and ensure its proper enforcement and supervision***

The monitoring of the EBIC switching code shows that almost 3 years after its entry into force many financial institutions in several Member States still do not comply with it. This is not surprising since the code is not binding and does not foresee any penalty in case of non-compliance. Therefore, legislation is the most appropriate way of addressing the switching issue. The relevant national competent authorities should supervise and take appropriate measures in case of non-compliance. In this respect, all national financial supervisors should be endowed with sufficient resources and power in order to better protect consumers²¹.

- ***Allow cross-border switching of bank accounts***

The scope of the EBIC code is limited to switching bank accounts at national level. If the Commission's ultimate goal is to build a Single Market for financial services, promote competition, offer wider choice, better quality and more competitive prices to consumers, if basic payment accounts become available to all consumers at cross-border level, cross-border switching should also become possible. One may argue that implementation of the SEPA End-Date Regulation allows consumers to use their national payment accounts for all national and international payments in Euro²². However, SEPA will not open up national payment account markets to EU-wide competition, which can only be achieved by the removal of obstacles to cross-border consumer mobility. Furthermore, the SEPA project is limited to Euro currency transactions, whilst cross-border account opening and switching would cover all EU Member States and currencies.

- ***Establish account number portability***

One of the main reasons for consumers' painful switching experiences and their unwillingness to switch is the fear of losing some incoming and outgoing payments to the 'new' account. This issue obviously goes beyond the consumer-bank relationship and involves creditors (e.g. utility companies, lenders) and debtors (e.g. employers, fiscal authorities) who often fail to update new account credentials in their databases in a timely manner. Ultimately, recurring payments continue to come out of the old account which may be insufficiently provisioned or the old account may have been closed. As a result, the consumer may temporarily lack funds to pay bills and also incur high overdraft charges and penalties.

²¹ See [BEUC study](#) and position paper "Financial supervision – Protecting consumer interests in the retail financial services area: need for independent and efficient national supervisors everywhere in the EU", December 2011

²² [Regulation](#) (EU) No 260/2012 of the European Parliament and of the Council of 14 March 2012 establishing technical and business requirements for credit transfers and direct debits in euro and amending Regulation (EC) No 924/2009

An effective remedy to this issue would be **full account number portability**, to enable consumers to keep the same account number when they move, similar to mobile phone number portability. Account number portability (ANP) would avoid significant inconvenience to consumers and would reassure them that no payment will be lost while switching accounts. Thus, warnings like the following would become unnecessary: *“Make sure you ask for your credits to be redirected after your transfer date (We'll let you know when this is). To avoid overdraft charges on either account, try to keep sufficient funds in both accounts until your transfer date to pay bills/settle payments as they become due.”*²³

In different countries ANP has been considered in the past. The main argument usually used by the opponents of ANP is the alleged huge cost of such a project. For example, the Dutch banking sector considers the cost of ANP in the Netherlands (€300-500 million) to be disproportionately high when compared to the expected benefits²⁴. So, in 2003 they introduced the Interbank Switch Support Service (Overstapservice), which enables a **13 month automatic re-routing** to the new account of all direct debits and credit transfers destined for the old account²⁵. This allows sufficient time for creditors and debtors to update their databases and ensures a seamless switching experience. According to BEUC's Dutch member Consumentenbond, 80-100,000 use the service each year and the satisfaction rate is 8.5 on a scale from 0 to 10²⁶.

In Norway, a working group appointed by the Ministry of Finance assumed that implementing a full ANP would be too costly (up to €500 million), and rather considered cheaper alternatives, such as the shell model, where the extended number would be hidden for the customer, and will only be used within the infrastructure, thus working as a shell. In this model all transactions must pass through a central entity²⁷.

A solution similar to the Dutch one will be implemented in the UK. Following the report of the Independent Commission on Banking (ICB), which provided recommendations on how to improve the account switching service and consumer experience in this respect²⁸, the UK banking community has taken the commitment to improve the switching service by adopting measures which will be implemented before September 2013. The measures match the recommendations within the ICB report and include establishing a 'redirection service' for all direct debits and standing orders from the old account to the new account during a 13 month period to ensure that incoming and outgoing payments are not lost when making the switch²⁹. Our UK member Which? believes the recommendations by the ICB do not go far enough.

²³ [Switching information](#) provided by Lloyds TSB:

²⁴ <http://www.simonl.org/docs/TheDutch.pdf>

²⁵ <http://www.nvb.nl/publicaties/switchsupportmay20061.pdf>

²⁶ [World Consumer Rights Day 2012](#), Campaigning for a 'real choice' in financial services, p. 5

²⁷ [“Switching packs: An outline of country experience”](#), OECD, January 2009, p. 10

²⁸ [Final Report](#), Recommendations, Independent Commission on Banking, September 2011, pp 2018-222

²⁹ The UK Payment Council's [response](#) to Independent Commission on Banking's Consultation on reform options, July 2011

For the time being, the only portable number system is the **Swedish Bankgiro system**. Bankgiro is not really an account number, but 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 that 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 available only to corporate customers. There are however no technical barriers which would prevent the service from being extended to consumers³⁰.

To our knowledge, at European level there is no feasibility study into ANP. The Commission Communication in 2003 simply referred to the studies carried out by the banking sector in the Netherlands and the UK, concluding that *"the balance between the practical problems which would need to be solved and the advantages which would arise for the Payment Service User does not justify a portability solution."*³¹ It stated that ANP implementation would not be compatible with the IBAN and BIC system and would therefore prove excessively costly. On the other side, the Communication suggested that the IBAN and BIC numbering system is complicated and may need to be simplified in the long-run. It should be mentioned here that implementation of the SEPA End-Date Regulation will phase-out the use of BIC by consumers by February 2016³². In response to a Parliamentary question in September 2011, the Commission pointed out that the cost of an EU-wide ANP system is estimated at 14.7 billion Euros, which is deemed disproportionately high relative to the objective of enhancing customer mobility and reducing the transaction costs of the payments switching process³³. However, it is unclear whether all the potential benefits of such a system were considered by the Commission and factored into the calculation. BEUC recommends that an EU-wide ANP system be implemented. We call on the Commission to launch an in-depth feasibility study to assess all the stated barriers (compatibility of ANP with IBAN system, lack of a central routing system i.e. clearing house, the necessity to close the old account before opening the new one because of a single account number, huge costs, etc.) and the expected benefits (hassle-free switching, enhanced competition, cheaper prices, etc.). The implementation of an ANP system would in the long run allow cross-border account switching, which is outside the scope of the EBIC code. As a viable alternative, the Swedish model could be considered (it would also be compatible with the IBAN/BIC standards³⁴), while the Dutch re-routing system could be an intermediary solution. We fully support the recommendation made in

³⁰ [Comment](#) on the report from the Expert Group on customer Mobility in relation to Bank Accounts, BGC, August 2007

³¹ [Communication](#) from the Commission to the Council and the European Parliament concerning a New Legal Framework for Payments in the Internal Market (Consultative Document), COM/2003/0718 final

³² [Regulation](#) (EU) No 260/2012 of the European Parliament and of the Council of 14 March 2012 establishing technical and business requirements for credit transfers and direct debits in euro and amending Regulation (EC) No 924/2009, Art 16

³³ <http://www.europarl.europa.eu/sides/getAllAnswers.do?reference=E-2011-005875&language=ET>

³⁴ [Comment](#) on the report from the Expert Group on customer Mobility in relation to Bank Accounts, BGC, Aug 2007, p. 5

this respect by the consumer experts within the Commission Expert Group on Customer Mobility in Relation to Bank Accounts³⁵.

- ***Take existing best practices into account***

The switching service can be improved on the basis of existing best practices. For example, while the EBIC code provides for 14 working days switching, the UK Payments Council has taken the commitment to reduce the switching time to 7 working days, which takes into account the provision of debit card, PIN, chequebook, activation of the re-routing service, and transfer of the account balance to the new bank³⁶. This commitment provides evidence that switching time can be considerably shorter. Another aspect of the switching service that needs improvement is the role of the new bank. The EBIC code provides consumers with the option to choose the new bank as their primary contact point, in which case the new bank takes charge of the switching process. Some consumers however face difficulties due to the ambiguous nature of this option. For example:

- (i) They are not always informed about the option;
- (ii) They often do not know which tasks the new bank must perform³⁷.

In our view, the primary contact point role of the new bank should be the default option, which would provide clarity and improve the switching experience.

- ***Provide better information and training to bank staff***

The EBIC code monitoring demonstrated that the consumer experience in relation to bank account switching depends on the level of staff preparedness and training of a particular bank branch, whilst all banks must comply equally with the same guidelines. Accordingly, better information and better training of bank staff would benefit banks and reduce the random variable which impacts on consumer experiences of switching and, more generally, the relationship between banks and their customers.

We believe that the adoption of binding legislation would be decisive in obliging banks to better train their staff and offer consumers a harmonised switching experience across financial institutions. That being said, if an ANP system is implemented, the impact of human factors on the consumer switching experience would be considerably lessened.

³⁵ [Report](#), Expert Group on Customer Mobility in Relation to Bank Accounts, June 2007, p. 33

³⁶ http://www.paymentscouncil.org.uk/files/payments_council/improving_current_account_switching_-_oct_2011.pdf

³⁷ For example, according to the EBIC code, the new bank is not obliged to inform third parties about new account credentials.

3. Access to a basic payment account

To a large extent, BEUC agrees with the Commission analysis in the consultation paper:

- Without access to basic financial services, consumers cannot enjoy all the benefits of the internal market. Without access to a basic payment account, a great deal of important financial services remains inaccessible. Moreover, bill payments can be more time-consuming and costly without a payment account, while charges can be higher for basic financial transactions such as cashing cheques. People without access to various means of payment are unable to take advantage of the lower prices of goods and services that internet sales can offer.
- Financial exclusion may be caused by supply and demand factors. Certain consumers can decide not to have a bank account because they do not need one. Consumer freedom should not be limited in this respect: access to a basic payment account should be a right, not an obligation. Therefore, removing barriers to accessing a basic payment account both at national and cross-border level should be the central issue.
- The barriers are most often faced by vulnerable consumers (low-income consumers, people with disabilities, etc.) and mobile individuals going across borders (students, migrant workers, etc.). This suggests that the number of financially excluded persons in the EU is potentially much higher than 30 million³⁸.

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?

BEUC answer

Barriers to accessing a basic payment account may be of different natures:

- Access to a basic payment account could be limited by rules on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing. Interpretation of anti-money laundering legislation varies across countries, thus leaving room for the exclusion of financially unattractive clients³⁹. Therefore, we see an urgent need for harmonising the interpretation of anti-money laundering legislation.
- Recent research carried out in the UK into the most vulnerable consumers and their exclusion from banking showed that identification requirements remain a barrier for some people from marginalised groups to become a client at a bank. This was particularly the case for new migrants, but also for

³⁸ This figure is often stated by policymakers and different stakeholders.

³⁹ See BEUC [response](#) to the Commission consultation on access to a basic payment account, Nov 2010

ex-offenders and homeless people who do not have a fixed address and were not in receipt of welfare benefits⁴⁰.

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?

BEUC answer

France, Belgium, Denmark, Finland, The Netherlands and Italy have passed legislation providing for access to a basic account.

In France and Belgium the decision to adopt laws granting universal access to a basic account followed self-regulation which did not live up to expectations. In **France**, the law was adopted in 1998. According to a study by CREDOC, 99% of French consumers have a bank account⁴¹. However, according to French BEUC members, the legal right exists only on paper and does not work in practice:

- Not all people are provided with a real bank account with all the needed basic services. Sometimes they only have the basic savings account (called 'Livret A'), where consumers can only withdraw money and issue bank cheques. But these consumers have to pay around 10 Euros for each cheque!
- More than 2 million French people need a basic bank account, but only 35,000 use this right each year.
- There is no communication available at bank branches regarding the legal right to a bank account.
- According to the law, when the bank account is denied, the bank has to provide the consumer with a certificate of refusal so that the consumer can submit his request to the Banque de France. However, in practice, banks are rarely providing such a document, thus depriving consumers of the possibility of accessing a bank account.

In **Belgium**, the law was adopted on 24 March 2003⁴² and the level of financial inclusion is close to 100%.

In **The Netherlands**, citizens have a right to a bank account as a result of an agreement between the banks and the authorities. In **Sweden**, a legislated right to a deposit account exists, however it does not provide for electronic payments⁴³.

⁴⁰ Consumer Focus [research](#), UK, June 2010

⁴¹ « Les conditions d'accès aux services bancaires des ménages vivant sous le seuil de pauvreté », [Rapport](#) réalisé par le CREDOC pour le Comité consultatif du secteur financier, février 2010

⁴² http://www.belgium.be/fr/economie/commerce_et_consommation/protection_du_consommateur/services_financiers/service_bancaire_de_base/

⁴³ "Basic banking services", European Parliament, Internal Market And Consumer Protection, 2011

Germany provides another notable example in favour of a binding legislation. More than half a million people in this country do not have a bank account⁴⁴. Seven Federal States grant legal access to basic bank accounts for their inhabitants through Sparkassen (Municipal savings banks). BEUC's German member VZBV has reported many fewer problems in accessing a basic account in those seven Federal States compared to other States, which merely rely on a code of conduct adopted by bank associations in 1995⁴⁵. Previously, a nationwide bank account service had been run by Post Offices which were open to everyone as part of a state-run service. Today Postbank is a private bank owned by Deutsche Bank.

In **Italy**, the newly-adopted law provides for a universal right to a basic bank account⁴⁶. The account includes essential products and services (debit card, cash withdrawals at the counter and from ATMs, bill payments, cash and cheque payments, account statements, etc.) and must be available as of June 2012. It will be offered free of charge and without stamp duty to consumers with an annual income of less than 7,500 Euros. For others there will be a comprehensive fee that will be defined independently from the bank or the post office, be reasonable and take into account the financial inclusion objective. If the average account balance is greater than 5,000 Euros, stamp duty of 34.20 Euros will also apply. However, the legislation does not contain specific requirements to banks and post offices to promote the basic account and inform consumers about their right. It is therefore likely that the product will remain unknown to most consumers.

In countries where there is no legal right to a bank account we do not expect substantial changes as a result of implementation of the Commission Recommendation on access to a basic payment account adopted last year. Our expectations have been confirmed by the Commission at the conference on financial inclusion organised by the European Financial Inclusion Network on May 25th. At present, around 50% of Member States do not comply with the Recommendation, 25% comply partially and the remaining 25% fully comply, but their measures were already in place before the adoption of the Commission Recommendation (but see above the remarks made by our members on existing measures).

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

BEUC answer

Non-residents face difficulties in accessing basic payment accounts. In France, for example, the opinion of the Consultative Committee of the Financial Sector (CCSF, Comité consultatif du secteur financier) on the Commission

⁴⁴ IFF [report](#) on overindebtedness, 2011

⁴⁵ See VZBV response to the Commission consultation on access to a basic payment account, November 2010

⁴⁶ Article 12 paragraph 3 of Decree-Law 201/2011 converted by Law 214/2011

Recommendation on access to a basic payment account stated that “CCSF has reservations about extending the right to an account to non-residents, given the legal and technical difficulties unresolved to date.”⁴⁷

Non-residents may face difficulties when trying to open bank accounts in Belgium due to the need to provide a valid ID recognised in Belgium. The issue arises because of varying interpretations by banks of anti-money laundering rules⁴⁸.

There are also cases of EEA nationals who are resident in the UK, struggling to open bank accounts.

Other witnesses equally suggest that non-resident consumers face difficulties and refusals on behalf of banks⁴⁹. This is all the more reason to harmonise at EU level the interpretations of anti-money laundering and anti-terrorist financing rules.

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

BEUC answer

According to the information from organisations whose specific aim it is to represent various groups of vulnerable consumers, the following issues cause problems:

- Lack of appropriate identification. For example, in the UK and Belgium, ID cards and passports do not show the address of the individual. Therefore the identification and verification of addresses can be a challenge.
- Lack of acceptance by banks of identification. Although, there are guidelines as to what documents constitute acceptable proof of ID, not all banks apply the guidelines in the same way.
- Lack of knowledge by individual bank staff;
- Consumers who should have a basic payment account are upsold to a fee-paying account. These consumers still end up with a bank account, but because it is so costly there is a risk that they will drop out of the system again.
- Lack of residence; requirement to have several years of residence in the country.

⁴⁷ [Avis](#) du Comité consultatif du secteur financier sur la recommandation de la Commission européenne relative au compte de paiement de base, 24 February 2012

⁴⁸ [Rapport](#) Inclusion Financière 2011, Réseau Financement Alternatif, p. 17

⁴⁹ http://europa.eu/youreurope/citizens/shopping/banking/opening-bank-account/index_en.htm

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

BEUC answer

BEUC favours the adoption of EU legislation in this area. We are disappointed by the fact that after the previous two public consultations in 2009 and 2010 the Commission merely adopted a non-binding Recommendation. BEUC and several of our members did send letters to the Commission to express our concerns and urge the Commission to reconsider its decision.

To a large extent, we support the content of the Commission Recommendation, which should be improved and could serve as the basis for draft legislation⁵⁰. In this regard, we would like to mention that the legislation should take different national specificities into consideration. For example, in Greece there are two kinds of current accounts: accounts opened on the initiative of a company wishing to pay salaries through current accounts; and deposit accounts opened by consumers themselves. Thus, both types of accounts should be included in the definition of a 'basic payment account' and fall under the scope of the upcoming legislative proposal.

BEUC also supports the main provisions of the European Parliament's legislative own-initiative report on access to basic banking services.

END

⁵⁰ See [BEUC recommendations](#) in our response to the Commission consultation on access to a basic payment account, November 2010

ANNEX 1

Test-Achats' letter to ING regarding non-transparent information

Test-Achats plaide et a toujours plaidé pour que l'information donnée aux consommateurs soit claire et les tarifs transparents afin de leur permettre d'agir de manière avertie.

En l'espèce, ce devoir de clarté ne répond pas seulement à notre souhait mais également à celui du législateur:

- L'art. 16§1^{er} de la loi relative aux services de paiement (concernant les modifications du contrat-cadre) renvoie à l'art 13§1^{er} de la même loi qui stipule que « ...Ces informations et conditions sont fournies dans des termes aisément compréhensibles et sous une forme claire et intelligible, ... »
- Les art. 88 et 90 de la loi sur les pratiques du marché et la protection du consommateur qui sont trop longs pour être reproduits ici traitent des pratiques et des omissions trompeuses interdites dans le cadre d'un contrat. Ces articles exigent, eux aussi, que les informations substantielles soient fournies de manière intelligible, non ambiguë, ...

Or, dans le courrier d'information que vous avez adressé à tous vos clients en octobre, vous écrivez simplement: « Lcs taux débiteurs annuels sur les comptes à vue passeront, quant à eux, à 12,45% dès le 1er janvier 2012 ».

Lisant cela, nous vous avons contactés par mail le 25 octobre en vous interrogeant: « We hebben vernomen dat ING de debetrente op een zichtrekening vanaf 01/01/2012 zou optrekken naar 12,45%. Graag hadden wij vernomen of dit effectief zo zou zijn en zo ja voor welke gevallen dit

geldig zou zijn (vanaf welk bedrag, (on)geoorloofde debetstand, welke zichtrekeningen,...) ». Madame Gelders nous a donné, le 27 octobre les précisions demandées.

Dans le tarif 2012 on trouve ces précisions mais les 12.45% sont toujours qualifiés d'intérêts *débiteurs* auquel cas nous maintenons qu'ils dépassent le TAEG maximum qui est de 12% dans cette hypothèse. Le taux n'est donc pas légal. Si par contre, comme vous l'affirmez dans votre courrier du 27 décembre 2011, vous ne dépassez pas ce taux mais y ajoutez une pénalité, vous ne pouvez omettre de le préciser dans votre tarif, les consommateurs doivent en être informés. Le terme « intérêts débiteurs » est trompeur.

Tant qu'à parler de clarté et de transparence, cette lettre est l'occasion de vous dire que nous sommes plus que choqués par la manière dont vous comptabilisez les frais d'opérations de retrait dans les comptes à vue et dont vous l'indiquez aux pages 6 et 7 de vos tarifs (que nous joignons à la présente, pour votre facilité,).

Dans votre courrier qui annonçait les modifications on pouvait lire: « À partir de cette même date, les retraits effectués dans un espace «self bank» non ING ou à un distributeur de billets (zone euro) non ING sur un Compte à vue ING ordinaire ou un Compte Vert ING seront facturés à 0,50 € TVAC. Ces retraits feront cependant désormais partie des opérations comptabilisées dans les paquets de base et ne seront donc facturés qu'à partir de la 101e opération pour le Compte à vue ING ordinaire et de la 37e opération manuelle pour le Compte Vert ING. »

On croit avoir compris... Votre tarif précise clairement sur la gauche de la page 6 quelles opérations sont manuelles et quelles opérations sont électroniques.

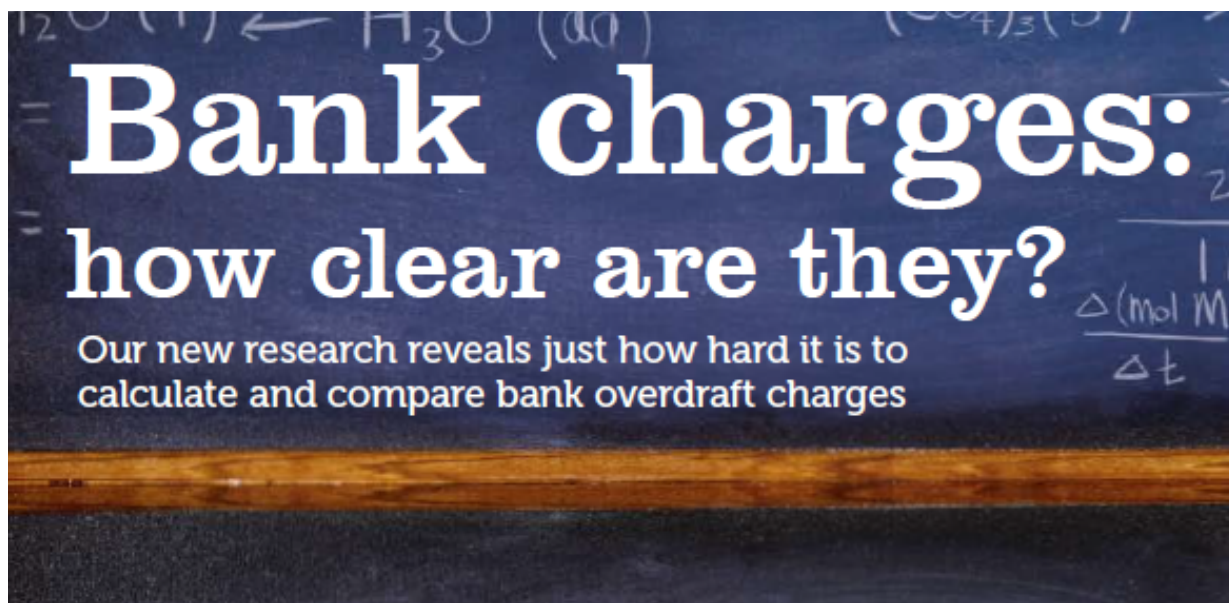
Quelle n'est pas la surprise du consommateur, muni d'une loupe, qui consulte la note 3 en bas de page 6: « Les retraits dans un espace self bank non ING ou à un distributeur de billets non ING sont aussi considérés comme des opérations manuelles » !

Traduction: les retraits aux machines non ING sont (et c'est logique) classés dans les opérations électroniques MAIS « on disait » que ce sont des opérations manuelles quand c'est pour comptabiliser les 36 premières opérations d'un titulaire d'un compte vert ! Ce qui change tout !

Pour Test-Achats, vos méthodes de calcul et d'information ne sont pas correctes à l'égard des consommateurs. En outre, elles contreviennent aux instructions du législateur citées ci-dessus.

ANNEX 2

Article by Which? "Bank charges: how clear are they?"



WHAT YOU'LL LEARN

■ Which banks did best in our test ■ The cost of using an overdraft ■ How to avoid high charges

Too high, too complex and impossible to compare: a line we could have written about bank charges five years ago, but which sadly still applies as much today as it did then. Since the bank charges court case of 2009, many banks have changed their unauthorised overdraft charges. But while this leaves some customers paying less, others will pay more. So can you tell which bank has the most expensive fees?

We wanted to find out how easy it is to compare bank charges, so we enlisted the help of 12 Which? members, to see if they could calculate the cost of an unauthorised overdraft for four different banks each. Out of the 48 calculations we asked them to do, they got just seven right between them.

We believe that the financial regulator should be responsible for putting a stop to unfair overdraft charges (see Which? Works for You, p16, for more on our new 'Watchdog not Lapdog' campaign).

Too hard to compare

We gave each of our Which? members a mock bank statement and asked them to see if they could calculate the unauthorised bank charges they would pay. We also asked them to time how long it took them to find the information online.

We then compared the answers our volunteers gave us with those calculated by the banks. Not one of the volunteers got all the calculations right, proving just how hard it is for consumers to compare charges. One volunteer, despite currently studying for a PhD in

maths, only got two out of the four calculations right.

While another of our volunteers commented: 'I like to think I'm reasonably intelligent, but I couldn't get my head round this information and found it impossible to calculate.'

According to yet another: 'Details on rates and charges should be accessible, be in plain English and in a standard format, so that banks can be easily compared. At the moment you need to be both a detective and have a PhD in maths to work out what you may owe.'

Our table, opposite, shows how many of the calculations the volunteers got right for each of the eight banks tested.

How unauthorised overdraft charges work

Banks charge unauthorised overdraft fees when you spend beyond your authorised overdraft limit, or if you go overdrawn without having an arranged overdraft in place.

You'll pay very different amounts for the same unauthorised overdraft, depending on who you bank with. For the scenario we used in our test, fees ranged from £60 (Haltax) to £160.33 (First Direct). That's not to say that First Direct will always be the most expensive, it's more complicated than that; as our table, 'The cost of going into the red, on p16, shows.

The reason why the charges are so hard to compare is that banks charge in a variety of different ways.

Which? research

In November 2011, we asked each of our volunteers to calculate charges for an unauthorised overdraft spanning 14 days and involving 10 transactions

“ I like to think I'm reasonably intelligent, but I couldn't get my head round this and found it impossible to calculate' *Which? member*



Daily fees

Of the eight banks we looked at in our test, Santander, Halifax and NatWest charge daily fees (£5, £5 and £6, respectively) on their main current accounts. They may appear easy to compare, but there are other factors you need to take into account.

Santander, for example, caps its daily fee, so you'll be charged a maximum of 10 daily fees in a charging period (typically a month). But it also charges an additional £5 for each item it pays while you're overdrawn, and £10 for each

item it returns unpaid. Halifax doesn't have a cap, but doesn't charge any further fees. It has a £10 buffer, meaning you don't pay any fee if you're overdrawn by less than £10. NatWest only charges the £6 daily fee for each day you're overdrawn by more than £6, and it also charges a £6 fee for each item it returns unpaid, up to a maximum of £60 in one charging period.

Lloyds TSB muddies the water further by charging a daily fee of £5 for unauthorised overdrafts of more than £10 but less than £25, and £10 a day for overdrafts over £25. It caps these fees at eight in a monthly billing period, but it also

Which? Conversation

Are you confused by overdraft charges? Share your views and experiences at www.which.co.uk/bankcharges

How many times our volunteers got their sums right

This table shows the number of times, out of six, that our volunteers calculated the unauthorised overdraft charges correctly for each bank.

We show the total number of right answers (to within £1) for the interest calculation, the fixed charge calculation (like daily charges and

fees for payments processed while overdrawn) and the total charge. It also shows how many times, out of six, our volunteers took less than four

minutes to find the bank charges information online. Four minutes is the average length of time it took them to find the information for all the banks.

WORKING OUT THE COST OF AN UNAUTHORISED OVERDRAFT

	FINDING CHARGES ONLINE	INTEREST	FIXED CHARGES	TOTAL COST	OVERALL SCORE
NATWEST/RBS Select Account	5/6	5/6	3/6	3/6	15/24
NATIONWIDE BS FlexAccount	6/6	4/6	2/6	2/6	14/24
HALIFAX Reward Account	4/6	6/6	0/6	0/6	10/24
SANTANDER Preferred Account	5/6	4/6	0/6	0/6	9/24
LLOYDS TSB Classic Account	3/6	3/6	1/6	1/6	8/24
FIRST DIRECT 1st Account	4/6	1/6	1/6	1/6	7/24
HSBC Bank Account	4/6	3/6	0/6	0/6	7/24
BARCLAYS Bank Account	3/6	2/6	1/6	0/6	6/24

Overdraft charges

charges a £5 monthly usage fee if you use an unauthorised overdraft of more than £10 a month, plus an unpaid item fee of £10 (up to three a day) for unpaid items of over £10.

Confused? It gets worse. The other four banks in our test charge interest (with the exception of Barclays) on your unauthorised overdraft, plus a variety of different fees.

Other ways of charging

HSBC and First Direct charge a £25 arrangement fee for each day a payment is processed on your account while you're in an unauthorised overdraft, unless it's the first overdraft you've requested in the past six months. However, even if it is your first request for an overdraft in the past six months, there's no way of avoiding that extra £25 in the long run, as HSBC makes all its customers have an annual overdraft review, which counts as an overdraft application. In reality, this is simply an automated letter telling you that you can keep your existing overdraft facility, but we think it serves to make a mockery of the bank's promise that you get one free strike a year.

You'll also pay unpaid item fees, which vary according to the amount of the unpaid item. On the upside, HSBC doesn't charge if you go past your overdraft limit by £10 or less.

Nationwide BS charges 18.9% interest and £15 for unpaid or paid item fees, plus a £20 monthly usage fee, but it caps these fees (not interest) at £95 in a statement month.

Barclays goes for a different approach. It lets you apply for a personal reserve, which is effectively, and rather confusingly, a pre-authorised unauthorised overdraft limit. If you go into unauthorised overdraft you will be charged a reserve usage fee of £22. You can then make payments or withdrawals up to your reserve limit for five consecutive working days. If you're still overdrawn at that point you pay a further £22. If you go over your personal reserve your items are returned unpaid and charged at £8 up to a maximum of five a day.

Perhaps it's not surprising that our volunteers found it hard to calculate the cost of the overdraft we gave them.

The problem with daily fees

Daily fees should make it easier to compare one account with another, but, as we've seen, they're often charged with other fees, which makes comparison difficult.

The main problem with them, however, is that they make it harder to control your overdraft than if you're charged fees for each transaction. Daily fees rack up regardless of whether you spend more or not while overdrawn.

So, you can't stop the fees simply by stopping payments from your account. They can also be expensive: £6 a day on a £100 unauthorised overdraft (charged by RBS/NatWest) is the equivalent of 2,190% APR.

Control features

Some banks now offer text or email alerts to warn you if your balance falls below a pre-set amount. Others have new accounts or features you can add to existing accounts preventing you from going into unauthorised overdraft. HSBC's Pay Monthly account, say, charges a monthly fee of £15 for this service, and in exchange you won't be charged any returned item fees. Be aware that payments will be returned unpaid, including important ones, such as your mortgage or utility bills, so you need to watch your account closely.

Money Helpline

If you have questions about your overdraft charges, or other financial matters, call our helpline on **01992 822848**

The cost of going into the red

The table shows how much each bank charges, in fees, for a small, medium or large unauthorised overdraft per month (each scenario occurs only after you've made a payment that takes you into your unauthorised overdraft). The priciest bank for each overdraft is highlighted in pink. **Small overdraft:** you make one payment

from your account while overdrawn. **You're overdrawn for two days in a row in a month. Medium overdraft:** you make nine payments from your account while overdrawn. **You're overdrawn for 10 days in a row in a month. Large overdraft:** you're overdrawn for 21 days in a row in a month and make 12 payments while overdrawn.

UNAUTHORISED OVERDRAFT COSTS	SMALL OVERDRAFT	MEDIUM OVERDRAFT	LARGE OVERDRAFT
	BARCLAYS Bank Account	£22	£44
FIRST DIRECT 1st Account ^a	£25	£125	£150
HALIFAX Reward Account ^b	£10	£50	£105
HSBC Bank Account ^c	£25	£125	£150
LLOYDS TSB Classic/Classic Plus	£25	£85	£85
NATIONWIDE BS FlexAccount	£50	£95	£95
NATWEST/RBS Select Account	£12	£60	£126
SANTANDER Preferred Account ^d	£20	£100	£115

Figures do not include interest. ^a Assumes this is first overdraft request in the past six months. For subsequent requests, an additional £25 charge will apply to the small and medium overdraft scenarios. ^b Halifax credits your account with £5 for every month you pay in £1,000, our figures do not take this into account. ^c Santander charges higher fees for other accounts. *Correct as December 2011*

which? WORKS FOR YOU

Despite changes banks have made to their unauthorised overdraft charges in the last few years, we believe they're still too high and disproportionate to banks' costs. In 2010, banks earned £2bn in unauthorised overdraft charges, slightly down on the £2.56bn earned in 2006,

according to the Office of Fair Trading. Competition won't bring down unauthorised overdraft rates, as, as our research shows, comparing them from bank to bank is nigh on impossible.

We think the regulator needs the power to assess bank charges for fairness. We've

identified a way the law could be changed to allow this and have been lobbying politicians to make that change. In November, the government announced a voluntary agreement with banks to improve overdraft charges, but the measures don't address the high charges, or the complexity

and difficulty of comparing them.

We plan to step up the pressure on politicians to create a regulatory body that has the power to challenge banks on unfair overdraft charges, as part of our new 'Watchdog not Lapdog' campaign. You can find out more information at www.which.co.uk/watchdog.

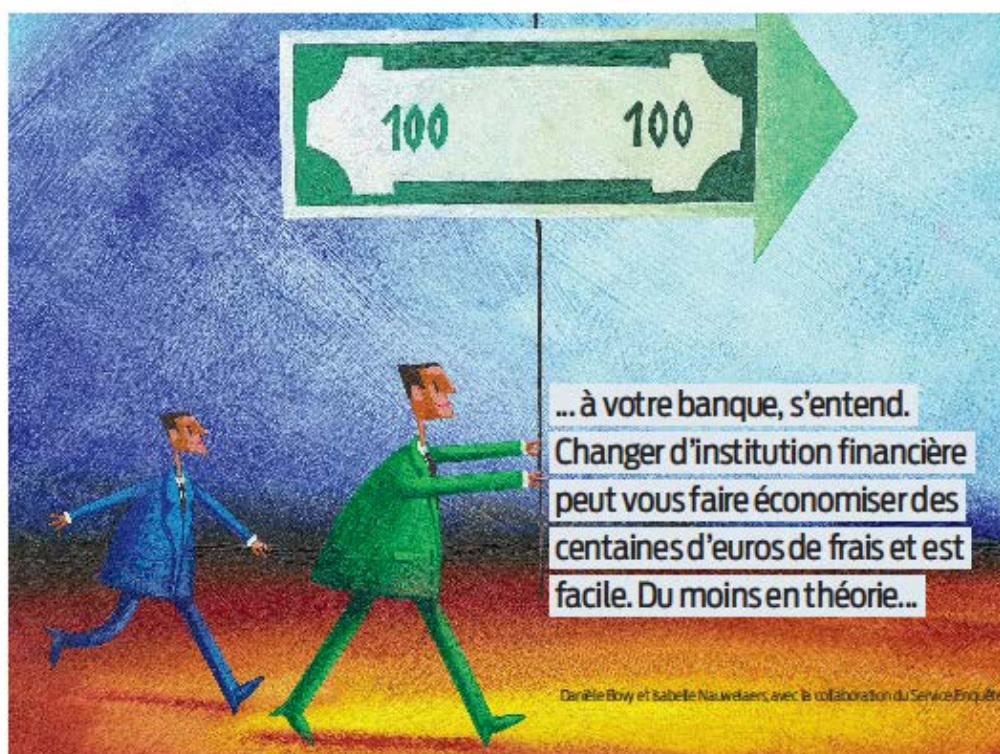
ANNEX 3

Article by Test-Achats "Soyez infidèles"

30 Budget&Droits 222 - mai/juin 2012

BANQUES | compte à vue | mobilité | frais

Soyez infidèles !



Danièle Bow et Babelle Nauwelaers, avec la collaboration du Service Enquêtes

En matière bancaire, l'infidélité paie. Si la banque que vous avez préférée au départ constitue un mauvais choix, votre compte à vue vous coûte peut-être jusqu'à 200 € au total par an, voire davantage, selon votre profil d'utilisation (carte de paiement, carte de crédit, retraits aux distributeurs propres et à ceux d'autres banques, retraits à l'étranger, opérations manuelles éventuelles, etc.). En abandonnant cette banque au profit d'une nouvelle partenaire, vous ne devrez peut-être plus déboursier un centime!

Vous êtes sceptique ? Faites un tour sur notre site internet et utilisez le comparateur que nous avons développé en collaboration avec le SPF Economie, et qui calcule le coût de quelque 80 comptes à vue (de plus de 30 établissements différents). Quel que soit le profil que vous

introduisez, vous trouverez probablement des comptes à vue totalement gratuits ou presque. Changer de banque pourrait donc vous faire réaliser de belles économies.

Mov€ your mon€y

Fin 2011, Febelfin, la fédération belge des banques, déclarait que 49 900 transferts de comptes avaient été opérés en 10 mois. Nous ajoutons ...pour 13 millions de comptes à vue en Belgique. Seuls 0,4% des Belges ont donc bougé!

Ce n'est guère étonnant : nous avons en effet déjà constaté à plusieurs reprises que les consommateurs sont extrêmement fidèles à leur banque. Cette inertie ou peur du changement n'est évidemment pas propre aux Belges. Une campagne internationale initiée par Consumers International a d'ailleurs eu lieu en début d'année, avec pour thème "Mov€ your mon€y". Dans son prolongement, la Journée mondiale des consommateurs de ce 15 mars 2012 avait pour thème central la mobilité bancaire. Test-Achats y a largement participé par l'action

IL Y A EU À PEINE 49 900 TRANSFERTS DE COMPTES EN 10 MOIS, SUR 13 MILLIONS DE COMPTES À VUE

baptisée "Réveillez votre argent". Deux belles occasions de refaire le point.

Plus de 1000 consommateurs témoignent

Lors d'une enquête que nous avons effectuée en 2010, nous avons constaté que le "Service de mobilité interbancaire", mis en place en 2009 par le secteur pour faciliter le changement de banque, était encore très méconnu, tant du public que des banques elles-mêmes. Par ailleurs, nous continuons à recevoir régulièrement des plaintes de membres qui dénoncent la difficulté qu'ils éprouvent à déménager d'une banque à l'autre; à les entendre, la procédure relève parfois d'un véritable parcours du combattant!

Nous avons voulu savoir si, deux ans plus tard, la situation s'est améliorée.

Premier constat très positif: alors qu'en 2010, nous n'avions reçu que 199 réponses, vous êtes cette fois 1004 à avoir participé à notre enquête. Cette différence montre à quel point restait toute une vie fidèle à sa banque, voire à celle de ses parents, est une attitude qui ne va plus de soi pour nombre de citoyens.

Précisons d'emblée que les résultats de l'enquête sont eux aussi, globalement plus positifs, même si des barrières doivent encore être levées et que, sur le terrain, tout ne se déroule manifestement pas encore comme il le faudrait...

On change surtout pour des motifs d'ordre économique

Près de deux tiers des participants à notre enquête ont franchi le pas et effectivement changé de banque. On est bien au-dessus du chiffre de 0,4 % cité plus haut mais, cela s'explique par le fait qu'il s'agit ici de personnes qui s'intéressent à la problématique et non de la population belge globale.

En affinant notre question, nous constatons que les différentes initiatives prises par le secteur ou le législateur pour favoriser la mobilité (essentiellement en 2004 puis 2009) ont chacune conduit à une augmentation du nombre de "migrants". Nous y voyons un encouragement à réclamer que les règles soient encore améliorées.

Les répondants qui ont changé de banque l'ont fait essentiellement pour des motifs d'ordre économique: pour payer moins de frais et/ou pour bénéficier d'un meilleur taux d'intérêt. Suivent ensuite des motifs de nature plus relationnelle ou commerciale: pour cause de désaccord avec la banque ou l'agence et/ou pour disposer d'un meilleur service. Les autres motifs invoqués sont plus marginaux, mais notons néanmoins que 7 % disent avoir quitté leur ancienne banque par crainte qu'elle fasse faillite!

Trop compliqué ou trop long ?

Ceux qui n'ont pas changé de banque étaient eux aussi invités à motiver leur choix (de ne pas agir). La justification la plus fréquemment invoquée est leur crainte que la démarche soit trop compliquée, trop longue, source d'ennuis ou de frais. A la lecture de l'avis de ceux qui ont franchi le pas, cette crainte ne devrait pourtant

SERVICE DE MOBILITÉ INTER BANCAIRE

Pas mal de progrès en 7 ans

Nous nous sommes toujours mobilisés pour que soient prises des mesures de nature à faciliter le changement de banque. Voici les progrès acquis à ce jour :

- 2004: sous la pression ministérielle, le secteur bancaire crée le "dossier personnel de mobilité bancaire". Si le client le lui demande, l'ancien ne banque doit inventorier, en un dossier, la liste des ordres permanents, domiciliations, cartes, services dont le client dispose (Proton, autres comptes, home banking)... C'est au client à remettre cette liste à sa nouvelle banque et à faire toutes les démarches de changement. Ce système fonctionne très mal, notamment à cause d'un manque d'information: à peine 200 dossiers de mobilité sont établis au bout de 18 mois!
- 2007: une nouvelle loi exige que la clôture d'un compte à vue soit gratuite et que les frais payés par forfait en début d'années soient remboursés au prorata des mois restants.
- 2008: la commission européenne se saisit de la question et demande au secteur européen de développer un code de principes communs pour le changement d'une banque à une autre.
- 2009: la Fédération belge du secteur financier (FebelFin) reprend ces principes dans un Code de Conduite contraignant qui organise ce qu'on appelle "Service de mobilité inter bancaire". Si le client le souhaite, il lui suffit de signer un formulaire de demande de ce service pour confier à sa nouvelle banque le repartir des démarches à effectuer. Elle se chargera de transférer les domiciliations et les ordres permanents et/ou fera procéder à la clôture de l'ancien compte.

pas peser aussi lourd: près de trois "migrants" sur quatre estiment en effet que le transfert a été facile à très facile.

Viennent ensuite ceux qui pensent que l'herbe n'est pas plus verte ailleurs. Peut-être sont-ils effectivement bien lotis mais ils seraient néanmoins bien inspirés de le vérifier en jetant un coup d'oeil à la concurrence.

Une autre réponse intéressante est celle des clients qui précisent qu'ils ne peuvent pas changer car ils ont, auprès de la même banque, des produits liés à leur compte à vue et pour lesquels il est prévu une sanction s'ils mettent fin à ce compte (par exemple: prêt hypothécaire dont le taux remonterait, assurances...). Nous nous sommes toujours opposés à ces pratiques de produits liés qui limitent considérablement la liberté du consommateur. Il reste du pain sur la planche, car cette situation est très répandue.

La case "parce que je suis satisfait de ma banque" n'a été cochée que 31 fois! Bien entendu cela ne signifie pas que les autres consommateurs soient mécontents de leur banque, mais

cela confirme que la fidélité des clients résulte plus souvent d'un non-choix que d'un choix.

Quels sont les problèmes rencontrés ?

Un peu moins de 10 % des répondants qui ont changé de banque sont d'avis que le transfert fut difficile à très difficile. Les problèmes rencontrés concernaient le plus fréquemment des soucis dans l'exécution des ordres permanents et/ou des domiciliations. En effet, lorsque le timing n'est pas parfait, on peut se trouver face à un ordre de paiement qui arrive sur un compte non encore provisionné ou une facture payée de ux fois. Des désagréments et même des frais peuvent en résulter pour le client. Si, comme nous le demandons, les débiteurs de revenus (employeur, caisse d'allocation familiales, office des pensions...) étaient prévenus par la nouvelle banque, la synchronisation serait sans doute meilleure.

Les deux reproches qui viennent ensuite sont la durée trop longue de la procédure de changement et le manque de coopération de la banque quittée. D'après le Code de conduite, le transfert devrait être bouclé en 8 jours. Selon FelbelFin, ce délai est respecté dans 99 % des cas. Un chiffre étonnamment optimiste puisque, dans notre enquête, il ne le fut que dans 23 % des cas! Un quart des répondants ont même dû patienter plus d'un mois pour que la procédure soit terminée.

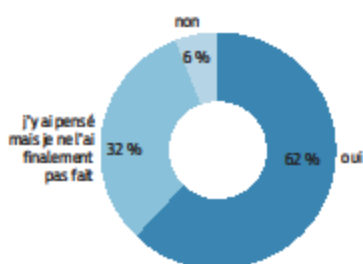
Adieu surtout à deux grandes banques

Nous avons présenté aux répondants une liste de banques, en leur demandant

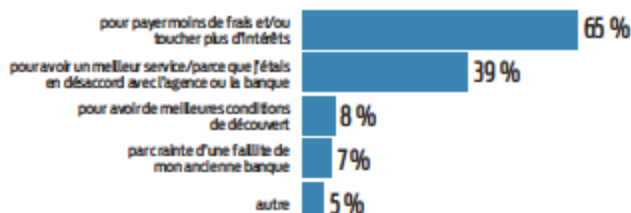
CEUX QUI N'ONT PAS OSÉ CHANGER DE BANQUE CRAIGNENT SURTOUT QUE CE SOIT LONG, COMPLIQUÉ ET CHER

BANQUES | compte à vue | mobilité | frais

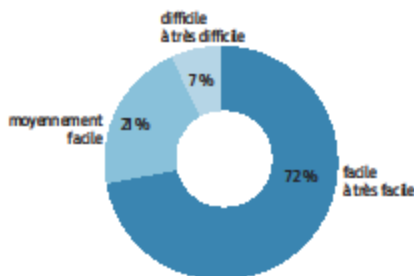
AVEZ-VOUS CHANGÉ DE BANQUE ?



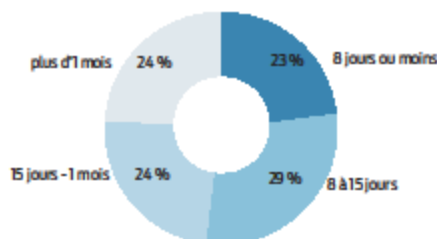
pourquoi avez-vous changé ?



LE TRANSFERT A-T-IL ÉTÉ...



LA PROCÉDURE A DURÉ AU TOTAL



NOTRE PÉTITION

83 800 signatures !

■ Mi-décembre dernier, nous lançons notre pétition "Nous ne banquons pas deux fois". Les signataires, qui estiment avoir déjà largement payé la crise, n'acceptent pas la hausse des frais bancaires (principalement ceux qui sont liés aux retraits à des distributeurs) dans certaines banques ni la baisse des taux et primes de dédit des comptes épargne. Ils expriment leur souhait de voir reconnu comme un droit le fait de disposer gratuitement de son argent et veulent obtenir un taux unique de rémunération de leur compte épargne qui engloberait la prime de dédit.

■ Cette pétition rencontre un vif succès puis que nous avons récolté pas moins de 83 800 signatures en deux mois. Nous l'avons remise mi-février au ministre de l'Économie et des Consommateurs.

▶ laquelle ou lesquelles ils avaient quitté ou rejoint. Hasard ou pas, les banques qui ont perdu le plus de répondants sont celles qui ont défrayé à maintes reprises la chronique lors de la crise financière et encore tout récemment : BNP Paribas Fortis et Dexia (devenue entre-temps Belfius). KBC et ING ont elles aussi été quittées par une proportion non négligeable de répondants.

Une demi-surprise en revanche au niveau des banques auprès desquelles les répondants ont ouvert un compte à vue. Certes, le fait que beaucoup se soient tournés vers Argenta et la Deutsche Bank n'est pas étonnant puisque les proposent des comptes à vue gratuits. Ces banques étaient d'ailleurs les Maîtres-Achats lors de notre dernière étude sur les comptes à vue.

Par contre, nous pensions qu'étant donné les progrès des nouvelles technologies, un mouvement se dessinait vers des banques travaillant presque exclusivement par internet, qui sont

elles aussi financièrement intéressantes. Ce n'est manifestement pas (encore) le cas.

L'information de la part des banques laisse encore à désirer

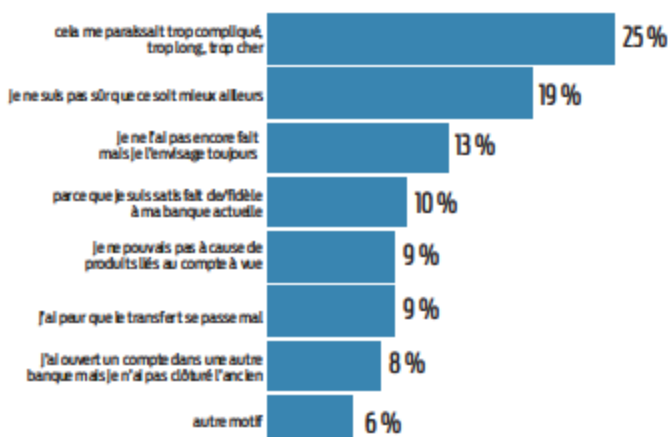
Bien que le Service de mobilité interbancaire existe depuis trois ans, un bon tiers des répondants qui ont changé de banque n'ont pas été informés de ce service ! C'est déjà mieux que lors de notre enquête de 2010, où... 75 % des banquiers n'avaient pas parlé spontanément de ce service, mais cela reste un chiffre très décevant. Lorsqu'une banque voit arriver un nouveau client, il est élémentaire, selon nous, qu'elle lui propose toujours ce service.

Cela dit, même lorsque la nouvelle banque a proposé de s'occuper de tout via le service de mobilité interbancaire, une série de répondants ont malgré tout préféré effectuer les démarches eux-mêmes.

Parallèlement à notre enquête auprès de nos membres, nous avons jeté un œil ▶

UN QUART DES RÉPONDANTS ONT DÛ PATIENTER PLUS D'UN MOIS POUR QUE LE TRANSFERT SOIT TERMINÉ

pourquoi n'avez-vous pas changé ?



LE SERVICE DE MOBILITÉ EN PRATIQUE

- Contactez la nouvelle banque**
 - Remettez-lui la "Demande de Service de Mobilité Inter bancaire". Vous avez le choix entre le simple transfert des ordres de paiement, la seule clôture de votre ancien compte à vue, ou les deux.
- La nouvelle banque se met en rapport avec l'ancienne**
 - Elle lui envoie votre formulaire de demande dans les quatre jours.
- L'ancienne banque agit**
 - Si la demande concerne le transfert des ordres permanents et domiciliations, l'ancienne banque envoie à la nouvelle les données des ordres concernés, elle exécute tous les ordres jusqu'à la date de transfert, et elle arrête ceux dont l'exécution tombe après cette date.

■ S'il faut également liquider le compte à vue, elle annule les cartes bancaires liées à ce compte et elle arrête les ordres de paiement et opérations dont l'exécution, sur ce compte, tombe dans le futur. Elle transfère ensuite le solde vers le nouveau compte à vue après en avoir déduit vos éventuelles dépenses payées par carte de crédit et non encore portées en compte, ainsi que les frais bancaires (opération payantes, intérêt pour découvert...). Enfin, elle clôture l'ancien compte à vue, sauf si cela donnerait un solde négatif ou si ce n'est pas possible (compte bloqué suite au décès de votre conjoint, p. ex.). Le cas échéant, elle vous en informe. Elle vous avertit une fois ses démarches terminées.

- La nouvelle prend le relais**
 - Si tout s'est déroulé comme prévu, la nouvelle banque introduit dans les sept jours suivant la date de transfert, tous les ordres de paiement sur le nouveau compte (si vous avez demandé ce transfert). Elle vous signale lors que c'est fait et avertit les créanciers dont vous payez les factures par domiciliation.

