



European Banking Industry Committee

European Banking Federation (EBF) • European Savings Banks Group (ESBG) • European Association of Cooperative Banks (EACB) European Mortgage Federation (EMF) • European Federation of Building Societies (EFBS)
European Federation of Finance House Associations (Eurofinas)/European Federation of Leasing Company Associations (Leaseurope)
European Association of Public Banks (EAPB)

EBIC Common Principles on Bank Account Switching

PREAMBLE

The aim of the following Preamble is to explain the political background and the banking realities that led to the adoption of the Common Principles on domestic personal current account switching, as well as the objectives and scope of this initiative. The Preamble also explains and clarifies some of the issues contained in the Common Principles. This Preamble, which shall not be dissociated from the Common Principles, will be sent together with the Common Principles as a package to the national banking associations in order to support the implementation of the Common Principles.

I. A European approach to bank account switching

The European banking industry is committed to promoting a competitive environment for Europe's retail banks given that competition improves banks' efficiency, lowers prices and drives product diversity and innovation. Competition is crucial in ensuring that Europe's banks offer the best possible services and products and continuously strive for improvement. Therefore, the banking industry holds the view that, as an important condition for competitive retail banking markets, consumers have to be able to seize the best offers on the market.

Although the ease with which consumers can change banking services provider is crucial for competition, it does not necessarily translate into high observed customer mobility. This can be due to consumers' banking habits and their preferences for holding multiple bank accounts. First and foremost, however, it is due to the fact that most relationships between consumers and banks are long standing and based on, as well as determined by, consumers' trust in and satisfaction with their bank. Since for most banks the loyalty of their customers is an absolute priority, low observed turnover, even in markets where switching is particularly easy, can reflect banks' success in maintaining customer satisfaction.

In the daily business of banks, the importance of mobility of consumers has long been recognized. Since current account switching has always been a national issue, it has been approached from different angles in the different Member States. As a result, at the present stage, in a number of Member States current account switching is facilitated by a wide range of independent switching arrangements grown out of banking practice, where in six Members States these arrangements are the achievement of self-regulation. Also, whether the result of self-regulation or banking practice,

existing switching arrangements are always conditional on domestic legal and technical circumstances.

For the first time, the European Banking Industry Committee (EBIC) has now laid out common standards on the role of banks in facilitating domestic current account switching, which will be met by banks within the European Union, thereby creating a common benchmark for supporting consumers in all Member States. Therefore, the present set of Common Principles is the result of an unprecedented initiative to set European standards for arrangements concerning current account switching.

Against the background of the diversity of national switching arrangements, the European banking industry has been careful to ensure that the present set of Common Principles shall be compatible with existing switching services, also taking into account the different legal and technical constraints in individual Member States. Hence the Common Principles are an output oriented set of common standards that will be applied, and if necessary adapted, at national level.

II. Common Principles in the political context

The European banking industry has developed this set of Common Principles in light of the European Commission's focus on bank account switching. The banking industry therefore takes into account concerns voiced in the *Report of the Expert Group on Customer Mobility in Relation to Bank Accounts*, as well as challenges identified by the *Single Market Review*. However, the European banking industry notes that no comprehensive "better regulation" exercise, and no impact study was conducted by the European Commission.

In January 2008, the European Commission invited EBIC to develop, via self-regulation by mid 2008, a Code of Conduct for banks in the case when customers wish to switch bank accounts. EBIC decided to respond to this request and created a special task force with national experts from the banking industry, who proposed high-level rules at European level. The Common Principles are the result of the work of this task force.

III. Objectives and scope of Common Principles

The Common Principles underline the strong commitment of the European banking industry to competition, and the determination at European level to establish rules which create national switching arrangements or enhance existing ones. Therefore, the first objective of these Common Principles is to ensure that bank account switching is not onerous to consumers and that their mobility shall not be constrained by any unnecessary delay or by a lack of support by their banks.

Secondly the Common Principles seek to increase the awareness of consumers of the switching-related services that they can expect and that help them benefit from competition among retail banks. In particular, by providing clear information on the necessary tasks and steps of the switching, as well as lay out the respective roles and responsibilities of banks and consumers alike (including in relationships with third parties), the banking industry aims at reducing consumers' apprehensions with respect to bank account switching.

In line with these two objectives, the banking industry's first and foremost priority is to help consumers by addressing those points where the switching of accounts can indeed lead to frictions and to the disruption of important services and relevant payment flows. While fulfilling these objectives, the Common Principles also seek to strike a fair balance between the costs and the administrative burden imposed on banks and the benefits which result for consumers.

Therefore, the Common Principles establish a common denominator for the support to be enjoyed by all consumers throughout the European Union, who are customers of banks that are adhering to these principles. Individual banks or banking communities can give additional support to consumers during the switching process or maintain or introduce switching-related services going beyond this set of Common Principles.

The Common Principles cover all personal current accounts, provided there are no impediments, like, for example, agreements between consumers and banks, based on which a current account is linked to other products or services, and constituting obligations of consumers which conflict with the switching. Other impediments may arise for accounts which serve as security or carry guarantees or other obligations. The Common Principles apply to domestic switching of current accounts and recurring direct debits, standing orders for credit transfers and recurring credit transfers, which are linked to these current accounts.

IV. The 'new' bank as the engine of switching

Banks will provide consumers with clear and complete information.

The banking industry holds the view that the most efficient and fair arrangement for consumers and banks alike is for the 'new' bank to have a pivotal role in the switching. Consequently, the 'new' bank will support the consumer in switching and present to the consumer the relevant services including to serve as the primary contact point, taking note of data protection issues

With the new bank serving as the primary contact point, there still is the necessity of minimum contact between the consumer and the 'former' bank. This holds in particular for the closure of the 'former' account, where direct contact between the 'former' bank and the consumer can save valuable time to the consumer and also be more efficient. This also is the natural outcome in a situation where a consumer, while deciding to close his current account at the 'former' bank, may still wish to remain in contact with the 'former' bank, for example if he keeps a savings account or is interested in other banking products at the 'former' bank.

V. Retail-banking realities

As mentioned above (Section I) "multibanking" is a common practice in many Member States, and the banking industry's initiative explicitly takes into account the possibility of "multibanking" in the provisions for account switching. The Common Principles therefore allow for the case where the consumer wishes to simply switch (some) payments operations and to keep his former account open (i.e. "multibanking"), as well as for the case where the consumer wants to switch all payments operations and close his previous account. In both cases, as explained above, the 'new' bank may serve as the primary contact point for the consumer.

The banking industry is committed to facilitating current account switching and therefore vouches that consumers shall have access free of charge to all information relevant for the switching, be it general (including switching guide and draft letters) or personal (related to standing orders and direct debits), if this information is available through an automated process at his bank and does not reach back more than 13 months. When the new bank is used as primary contact point, the former bank will also send all such information to the new bank without imposing a charge on the consumer, so that the principle of consumers' free of charge access to such information is maintained. Furthermore fees, if any, for switching related services will be transparent, appropriate and in line with costs; for example: postal costs may be charged.

In addition, also driven by market competition, market practice is such that existing current account switching services proposed by banks to new consumers are most of the time free of charge according to their own commercial policy.

VI. Implementation and monitoring

The implementation process of the Common Principles shall be initiated upon approval by EBIC and the implementation date will be 1st November 2009. On a national level, national banking associations, or other relevant bodies, will coordinate the implementation by banks and oversee the adherence process.

EBIC will undertake a review process 1 year after the entry into force of the Common Principles at national level in order to assess whether the Common Principles meet their objectives. National banking associations (or relevant bodies) will monitor the implementation of and compliance with these Common Principles. In particular there will be an evaluation process initiated by the national banking associations, but not exclusively conducted by the banking industry.