



*European Association of Co-operative Banks
Groupement Européen des Banques Coopératives
Europäische Vereinigung der Genossenschaftsbanken*

EACB Comments

Proposal for a Directive on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features

Brussels, 3 September 2013

The **European Association of Co-operative Banks (EACB)** has been the voice of co-operative banks since 1970. It represents, promotes and defends the common interests of its 28 member institutions and of co-operative banks in general. Co-operative banks form decentralized networks which are subject to banking as well as co-operative legislation. With 4,000 locally operating banks and 72,000 outlets, co-operative banks play a major role in the financial and economic system. They serve more than 217 million customers, mainly consumers, SMEs and communities. Europe's cooperative banks represent 56 million members and 860,000 employees and have an average market share of about 20%. Their resilience during the crisis make co-operative banks a key driving force in the economic recovery

The voice of 4.000 local and retail banks, 56 million members, 217 million customers

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Brussels, 03/09/2013
B4/MVB/ACP/EGB

**EACB position on the Proposal for a Directive of the European Parliament and of the Council on the Comparability of Fees related to Payment Accounts, Payment Account switching and Access to Payment Accounts with basic features
"Payment Accounts Directive"**

Following the Commission's publication of a proposal for a Directive on Payment Accounts (fees, switching and access) the 8th of May, the European Association of Co-operative Banks (EACB) has made a general analysis of the proposal. You will find it in the below sections.

EACB's General comments and analysis of the proposal

I. Co-operative banks' general view on financial inclusion, customer mobility and fee transparency and - comparability

The European Association of Co-operative Banks (EACB) appreciates the Commission's initiative that aims to enable citizens to participate actively in the single market, enhance transparency and comparability of payment account fees and make switching payment accounts easier. In particular, and with a reference to recital 28 of the proposal on minimising the risk for consumers to become financially excluded, the European Association of Co-operative Banks (EACB) would like to emphasise that co-operative banks attach great importance to financial inclusion.

Indeed, co-operative banks have long experience of welcoming all types of clients and financial inclusion is embedded in their co-operative values.

First of all, their specific business model allows people who do not have access to a commercial-based offer for financial services to unite their forces in a co-operative society and mutually help each other. Also the 2011 European Parliament Report on *Basic Banking Service*¹ recognised co-operative banks as socially-oriented financial service providers.

Secondly, through their geographical presence in areas that tend not to be considered as profitable by commercial banks they enable the very access to the financial system.

The EACB is of the view that all EU legal residents should have the possibility to access payment accounts in the Member State where they reside or with which they have a relevant link (be it for studies, work). It would like to underline, however, that in the context of the discussion on access to payment accounts, a fundamental distinction must be made between customers for whom solutions are already available without further need for legislative intervention (which is the case for by far the most customers), and those who do – for various reasons -not have access to or use payment accounts.

With regard to the switching-chapter of the proposal, the EACB would like to underline that co-operative banks tend to have long term relationships with their customers. Indeed it is long term relationships that build trust and knowledge about the client and allows for a better servicing of the client needs. More-over clients of co-operative banks can become members of their banks thereby taking a stake in and obtaining a say in the policy of the banks. In addition, co-operative banks often operate at local and regional level with few clients requesting to switch an account cross border. If they do move cross border, they tend to open a new account abroad and then closing down the old one after a while. This being the case, cooperative banks – while not preventing consumers from switching, mobility or multi-banking and even having contributed to

¹<http://www.europarl.europa.eu/document/activities/cont/201111/20111118ATT31909/20111118ATT31909EN.pdf>



and implemented the EBIC² Common Principles for Bank Account Switching, do not see the need for, in particular, cross-border switching as being relevant.

Finally, as regards the fee transparency chapter, the EACB would like to express regret to the fact that there is so little attention for other aspects of the bank customer relationship. Indeed, the comparison exercise only considers the fee for the payment services offered. No value is attached to for example the availability of branch networks or numbers of ATMs offered by different banks. We consider that the result of such limited exercise is that the consumer will still not be provided with a good picture of the offer of the one or the other bank and oversimplifies the payment account offering to a pure price issue.

II. Co-operative banks' view on problems identified versus solutions proposed

EACB has carefully reviewed the proposal as well as its accompanying documentation. Despite its support of what the proposal aims to achieve, it would like to make a number of comments with regard to the various solutions proposed by the directive to overcome the problems identified.

Access to a basic payment account

- When looking at the broader picture, the World Bank's data³ show that in the majority of Member States, more than 90% of consumers have a payment account. Also, from the 56 million EU citizens who do not have a payment account, 3 million are considered "mobile consumers" (moving cross-border) whereas the vast majority of 53 million EU citizens were considered "vulnerable consumers" (*citizens with few economic resources victims of poverty and social exclusion*). Having said that, those 53 million are not at all evenly spread across Member States. From 55% of the national population being unbanked in some countries, to 1% in others. This being the case, EACB believes that the problem of the "vulnerable customers" would be best served by measures taken at national level as this would allow tackling the specific problems that explain the differences between the number of unbanked people between Member States as opposed to taking a generalised approach across all Member States
- In this context, the choice of the legal instrument is an important one and EACB would like to outline the value that can be brought by a serious implementation of the Commission Recommendation 2011/442/EU which targets country specific approaches. The approach of the Recommendation, contrary to the proposed Directive, will allow those Member States with a large amount of unbanked people to take the measures they need whilst at the same time not overburdening for example the countries which only need to take specific measures to close the last mile.
- Secondly, there does not seem to exist a cross-border problem as identified by the Commission on page 4 of its proposal Directive, being: "eliminate discrimination based on residency with respect to payment accounts". For example, "residence criteria" have been hardly used to refuse EU consumers to open a payment account. Indeed, according to the Global Findex database of April 2012, in 22 of the 27 Member States this is not an issue at all: the percentage of EU consumers who tried to open a bank account but were refused because they were non-residents was 0%.

² European Banking Industry Committee

³ Measuring Financial Inclusion- Global Findex Database of April 2012 (p.51)
http://www.wds.worldbank.org/external/default/WDSContentServer/TW3P/IB/2012/04/19/000158349_20120419083611/Rendered/PDF/WPS6025.pdf



- As concerns the problem of migrant workers and students, EACB recognises that they have the tendency to want to open an account in the country where they want to work/study and sometimes experience difficulties mainly because of PSPs' legally mandatory customer identification checks. When looking at the numbers, however, the European Commission survey⁴ on Erasmus and exchange students across Member States revealed that only 1.9% of the group of students who took part in the consultation indicated that they had been unable to open an account because they were non-residents. Indeed, the numbers do not seem to indicate that there is something that currently prevents students and migrant workers from opening a payment account.
- In the Euro-area, the problems of 1.9 % of surveyed students that did have a problem will be taken away by Regulation 260/2012 (SEPA Regulation) which:
 - makes it possible to manage your payment needs in euro from one single account, no matter which Member State you are in
 - obliges payees (such as landlords and electricity companies) and payers (authorities paying out grants or social benefits) to accept euro payments from/to accounts in any Member State
- In addition, should there nevertheless still be problems relating to customer identification, EACB feels that they would be better addressed in the presently on-going review of Directive 2005/60/EC on Money Laundering and Terrorist Financing. In this context, we would like to refer to the EBIC position paper on the proposal for a 4th Anti-Money Laundering Directive, where the banking industry calls for a non-exhaustive list of EU-wide recognised identity documents to be developed at European level.

In conclusion, although the EACB is supportive of what the proposal aims to achieve, it questions the need to intervene at EU level, in particular when looking at the figures at hand.

Switching

The EACB notes that the Commission has used some basic elements of the EBIC Common Principles on Bank Account Switching in the current proposal. Although criticised sometimes as not being sufficient, this would seem to confirm that the initial self regulatory approach taken by the industry was the right one. Having said that, we would have appreciated being given more time to make the self regulatory code a success. As it stands, EACB would have a few comments on the specific wording proposed in the directive but would most of all, like to express its concern with regard to the introduction of the cross-border switching service.

- As explained also under chapter 1, co-operative banks do not oppose measures to facilitate switching – and indeed implement the self regulatory industry code: the EBIC Common Principles for Bank Account Switching – but they do not see the need for in particular cross border switching as being relevant.
- Looking at Eurobarometer research⁵, it seems that no figures have demonstrated a convincing need for such service. In fact, the Special Eurobarometer 373, Retail Financial Services- report published by the European Commission in 2012 demonstrated that 85% of European current account holders have not tried to switch as they do not need to because they are satisfied with their bank while 7% say they switched and it was easy and 3% say they have not tried to switch as it is too difficult. Just 1 % switched and found it difficult, and 1 % tried to switch but gave up. It also has to be stressed that for those customers who do want to take their financial services to another country, other solutions exist:

⁴European Commission, Impact Assessment proposal Directive Payment Accounts (p.110) http://ec.europa.eu/internal_market/finservices-retail/docs/inclusion/20130508-impact-assessment_en.pdf

⁵ Special Eurobarometer on Retail Financial Services, 2012 http://ec.europa.eu/internal_market/finservices-retail/docs/policy/eb_special_373-report_en.pdf



- Regulation 260/2012 will implement – as of 1 February 2014 – several rules:
 - making it possible to manage your payment needs in euro from one single account, no matter which Member State you are in
 - obliging payees (such as landlords and electricity companies) and payers (authorities paying out grants or social benefits) to accept euro payments from/to accounts in any Member States
- For those customer moving between a euro country and a non-euro country, multi banking is a very commonly used practice whereby customers open a new account abroad and at the same time maintain their old account, or only close it if – after a while – all their obligations with local providers have been ended. In any case, switching in particular a Direct Debit from a non-euro country to a euro country or vice-versa is not possible as the standards and legal requirements are different (as per Regulation 260/2012).
- It is expected that the costs that have to be borne to set up a cross-border switching service (adjusting for language and exchange rate in case of different currencies, educating the staff in the branches, updating IT systems, compensate for different standards between euro and non-euro zone) largely outweigh the benefits that such switching would bring about. Both in terms of proportionality (no proven demand, hence no expectations of achieving the internal market aims) and subsidiarity (subsequently, no added value of regulating at EU level) the cross-border element of the switching service seems hard to justify.

In conclusion, EACB is afraid that the proposed measures – while being very heavy in terms of implementation costs, will only serve a very, very small part of the EU citizens, which – in addition – could make use of alternative solutions such as multi-banking (be it temporarily or not). It would like to urge the regulatory to take the cross border provision out of the present text and revisit the question, 5 years after the SEPA implementation has come into place.

Fees

- The EACB wants to remind that the Directive 2007/64/EC (“Payment Services Directive”) was meant as a tool to improve fee transparency for payment accounts thereby increasing competition. In this context, it introduced quite a number of transparency requirements as regards fees. This Directive is presently under review. It is not clear to EACB why the review of PSD is not used to address the issues under consideration.
- Also, EACB would like to stress that payment habits are still quite different between Member States as a result of historically grown patterns. The PSD approach allows incorporation of such difference whereas the listing process described in the present proposal (first: development of lists at national level, then: collection and determination of EU standardised terms, finally: re-integration of EU-standardised terms in national lists) will make this difficult. In any case, the described listing process will by nature result in different lists per Member State. Adding the dimension of differences in language, there remains little ground for comparison. Indeed, it is questionable whether this process will lead to a greater level of comparability for the consumer.
- The terminology standardisation process implies important administrative costs without delivering real benefit. What is more worrisome, however, is that the standardisation process could have as negative and unintended consequence an impoverishment/innovation stop of the payment services offer for the consumer, precisely because the services could be limited to the pre-determined terminology.
- Finally, we object to the Commission statement that “the actual switching of accounts can only take place once the consumer has made a choice of product, based on transparent and easy to understand fee information”. Indeed, such statement encourages the consumers to look at price only when considering his payment account whereas co-operative banks have other values to offer (such as proximity, membership) and even the

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World Retail Banking Report of 2013⁶ indicates that the quality of the overall service is the primary factor that drives customers to leave their bank.

III. A clarification on the proposal as a whole

In order to avoid confusion about the scope of the proposal, the European Association of Co-operative Banks (EACB) would like to stress that – in discussing the proposal as such or when referring to it – a consistent reference should be made to payment accounts instead of “bank accounts” and “payment services” instead of “banking services”. As described in the MEMO that was published by the European Commission on Payment Account Directive proposal: “payment account” means an account held in the name of one or more customers which is used for the execution of payment transactions. The concept is wider than that of bank account, as payment accounts can be offered by payment service providers other than banks, such as post office giro institutions. In practice however, most payment accounts are provided by banks. Bank accounts that can only be used as deposit accounts (without the possibility to do payment transactions) are not considered as payment accounts.”

⁶ Capgemini and Efma, World Retail Banking Report 2013, http://www.capgemini.com/sites/default/files/resource/pdf/wrbr_2013_0.pdf

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