

**EFIN's ID number: 34746653033-74**

### **Consultation on Access to a Basic Payment Account**

Comments and suggestions on the Commission consultation document 6/10/2010

#### **Introduction:**

EFIN is very supportive to the Commission's project to develop a future legislative initiative on access to a basic payment account throughout the Union.

Indeed, regulation is on this matter essential to reach an effective and homogeneous access to basic payment accounts. Past research<sup>1</sup> results have shown the limits of self-regulation.

Regarding the main principles envisaged :

- Broad principles aiming at ensuring that consumers have access to basic payment accounts in the EU at a reasonable cost; the principles would be designed so as to take into account, to the extent possible, the specificities of the national contexts, habits and markets.

**EFIN : OK**

- An objective of availability – to ensure that basic payment accounts are offered by providers in each Member State. Basic payment accounts could potentially differ from regular accounts to the extent that they would be defined through a list of related basic payment services. Access to credit, savings, insurance and pensions would be excluded from the scope of the initiative.

**EFIN : We recommend to explicitly mention that all the providers should comply to this basic payment account, in order to avoid altogether competition distortion and risk to stigmatise client if the supply of this provision is limited to specific providers (Post bank, ...) A very important issue is the list of transactions attached to the account that should be offered with basic bank account. Without such a list the basic account may not be adequate.**

- An objective of wide accessibility to a targeted type of payment accounts: conditions to open the payment account could not discriminate on the basis of the nationality or the place of residence of the consumer.

**EFIN : In order to comply to the anti laundering and terrorist financing measures, every Member State should be invited to provide to all people who legally live on their territory an adequate document of proof of identity (ID cards or proof of identity through other documents) than will be effective for the banking industry.**

- Certain aspects such as the characteristics of a basic payment account and the issues to be taken into consideration when determining the cost of such an account for the consumer could require the development of more detailed technical guidance or clarification at a later stage.

**EFIN : A reasonable cost should be considered as a cost non dissuasive for people experiencing poverty. Also, there has to be absolute clarity about fees that are chargeable , e.g. for money transfers, for going overdrawn or similar.**

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<sup>1</sup> Mutual Learning on Financial Inclusion project (2008-2009) and Financial services provision and prevention of financial exclusion (2006-2007)

- In order to ensure a consistency of approach regarding the national implementation of potential rules under the envisaged action, some broad principles could be put in place with respect to such issues as the national competent authorities, the possibility of applying sanctions and consumers' recourse to alternative dispute resolution.

**EFIN : We wonder how far the Commission could go in order to support the implementation of a common base for an assessment tool. At the very end, the number of consumer recourses could become a common indicator, if the right to access a basic bank account is implemented and advertised properly in each Member State. A European Ombudsman for financial services could be an option.**

#### **Principle**

A harmonised framework could be established to guarantee the right of access to a basic payment account to any consumer.

This framework would be without prejudice to Community rules, in particular on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing.

#### **EFIN : AGREE**

- **'Basic payment account' should be replaced by 'basic transaction account' : we consider the latter term more appropriate to express the spirit of this financial provision, because it has to include the capacity for the consumer to receive and to place money, and not only to pay.**
- **As it has already been said, it will be an important recommendation that all Member States provide the relevant document to their legal citizen in order to prove their identity when they will open a basic bank account.**

#### **Characteristics of a basic payment account**

##### **List of services and functionalities**

A basic payment account could consist of the following functionalities: the opening and the closing of a payment account; the means for the consumer to receive, place, transfer and withdraw funds, both physically and electronically; the provision of a debit card allowing for the withdrawal of cash and the carrying out of electronic payments.

However, an overdraft facility or overrunning would not be part of a basic payment account.

Access to credit would not be considered as a component of or a right related to a basic payment account, whatever the purpose or the form of the credit.

##### **Flexibility for adaptations**

The purpose of the list would be to guarantee a common base throughout the EU and would not per se prevent Member States or payment services providers – depending on the national systems – from extending the range of services or functionalities offered together with a basic payment account, provided that the latter is also offered on a stand alone basis. In any case, access to basic payment account could not be made conditional on the purchase of additional services.

Setting the characteristics of a basic payment account could require the development of more detailed technical guidance or clarification at a later stage.

**EFIN : Included in the basic provisions, we should guaranteed the capacity for all to have a precise view on his/her bank balance (regular statement) and to use standing order/direct debit or any new coming technology that would become popular in the future.**

**When national regulation provides particular "minimum income protection" against garnishment or seizure when the money is placed on an account, this protection should be maintained for the basic bank account.**

**The debit card that comes with the account should also be useable at any cash machine, subject to withdrawal fees as customary in each country. For example, in Germany, withdrawals from several banks that make up the CashGroup are free when taking out money from any of these banks involved in the cash group, but incur charges when used at other banks' ATMs. Also, in the UK, withdrawals from any bank or post office ATM is free, but there are many "private" ATMs that charge up to £2.50. Many basic bank accounts are restricted in that money can only be taken out at ATMs where the account is held, causing massive problems with accessibility.**

**Accounts should also be accessible inside a branch (this is not the case with all banks in the UK where BBA costumers are banned from using branches). Internet, mobile phone and telephone banking should also be available.**

**There should also be a small buffer zone to allow people to take out money from ATMs. For example, if an account holds only £9.50, but the ATM will only dispense £10 notes, the money cannot be withdrawn. If people are allowed to use branches, this would not be such a problem, but in areas with low branch density (e.g. the UK), travelling to a branch can be costly. To allow for this, there is a ca £10 buffer zone with some banks in the UK.**

#### **Access to a basic payment account**

##### **Accessibility**

Any consumer could have the right to access to a basic payment account, whatever his nationality or the place of his residence in the European Union.

Criteria such as the level or regularity of income, employment, credit history, level of indebtedness, individual situation regarding bankruptcy or future activity of the account could not be taken into account for the opening a basic payment account.

##### **Possible restrictions to the access to basic payment accounts**

Access to basic payment accounts could be restricted in the event that the consumer who chooses to open a basic payment account already has one payment account in the same Member State. Access to basic payment accounts would be provided unless such access is contrary to public policy or public security obligations. The principle of access would be without prejudice to the European legislation on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing, in particular regarding due diligence requirements concerning the identity of the client.

#### **EFIN :**

- **Giving access to a basic payment account should be considered as a service of general interest.**
- **Ensuring access is not enough, to reach a complete inclusion, the provision should be provided by all providers, including mainstream banks.**
- **Because the basic payment account will probably generate a lower rate of profit (in comparison with other provision), and in order to avoid competition distortion between banks which will provide this service at a higher versus lower level than their actual market shares, a compensation system<sup>2</sup> should be implemented.**

## Issue of cost

### Cost for the consumer

A basic payment account should be available at a reasonable cost.

The notion of reasonable cost could require the development of more detailed technical guidance or clarification, at a later stage.

**EFIN : The cost for the consumer should not invalidate the whole legislative process: it should not be dissuasive for people in poverty. The reasonable cost shall take into account the level of household income. For people in poverty or at-risk of poverty it should be run for free.**

## General information concerning basic payment accounts

### Raising awareness

Measures to raise awareness among the public about the availability and the features of basic payment accounts could be required, thus contributing to a more effective access to basic payment accounts.

### General information on basic payment account

When choosing to open a payment account, consumers should be given understandable information by payment services providers on, at least: the availability and the features of a basic payment account; the content and the conditions of use of a basic payment account, in particular the fact that the purchase of any additional service is not required in order to obtain a basic payment account; the cost of the payment transactions.

Measures on general information should be without prejudice to the requirements laid down by Directive 2007/64/EC concerning the provision of information to consumers.

**EFIN : AGREE. The lack of appropriate, well-designed public campaigns to the target groups could lead to a significant failure in the assessment of the right to a basic bank account. France's past experience is relevant to illustrate this. A Belgium research<sup>3</sup> has also underlined this key finding. UK research also underlines the importance of help and guidance during the opening process.**

**Many people who never had a bank account before are intimidated by banks or mistrust them, and thus do not use their offer. Similarly, bank staff needs to be trained to help people and the opening of basic bank accounts should not impact negatively on their performance scores (e.g. Sales quotas).**

## Monitoring and out-of-court dispute resolution

### Monitoring

Competent authorities would be appointed and rules on penalties should be laid down at national level.

### Out-of-court dispute resolution mechanism

Transparent, non-discriminatory, simple and inexpensive out-of-court procedures should be available for dealing impartially with unresolved disputes between consumers and providers,

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p.126 - <http://www.fininc.eu/gallery/documents/final-report-2007-and-summary/financial-services-provision-and-prevention-of-financial-exclusion-final-report.pdf>

3 Child benefit support and method of payment: Evidence from a randomized experiment in Belgium - Eva Lefevere (University of Antwerp) Marieke Huysentruyt (LSE, SSE)

without prejudice of any legal protection afforded by national law. These procedures could not hamper the establishment of complaint offices to facilitate access to dispute resolution by consumers. In case such disputes involve parties in different Member States, Member States should coordinate their efforts.

**EFIN : AGREE.**