

# Competition: sector inquiry on retail banking

2007/2201(INI) - 06/05/2008

The Committee on Economic and Monetary Affairs adopted the own initiative report by Gianni **PITELLA** (PES, IT), in response to the final report on the inquiry on retail banking launched by the European Commission in June 2005.

MEPs support the integrated approach of the Commission, which comprises supporting internal market policies with well-targeted sector inquiries. However, they regret that the sector inquiry does not take sufficient account of the specificities of the strictly regulated banking sector and the importance of culture, habits and languages in consumer choices and protection for financial products.

The report recalls that competition policy is a powerful tool for completing the internal market but that aiming for more competition should neither lead to weakened risk management in the banking sector nor endanger the stability of the sector. MEPs also point out that a highly fragmented regulatory framework is an impediment to the development of the cross-border supply of banking services. They support, therefore, the Commission initiative to reopen consideration of Directive 2002/65/EC concerning the distance marketing of consumer financial services, which must also involve the review of the directives on electronic commerce and electronic signatures, in order to enable these effectively to achieve their stated aims.

**Consumer mobility:** the Commission is called upon to work towards facilitating consumer mobility and to monitor Member States' progress in allowing consumers more easily to change provider. According to MEPs, the simplification of financial service regulations and the dismantling of barriers to consumer mobility should not lead to lower standards of consumer protection in the Member States.

The report recommends permitting only fully justified charges for closing accounts, if any. The banking industry is called upon to develop best practices on swift and efficient procedures for account switching. MEPs also consider that access to basic financial services, such as opening a bank account, is a right. They call on the Commission to identify the obstacles to the exercise of that right and the best practices followed in the retail financial sector in that respect.

**Information and transparency:** emphasising that information for consumers is fundamental for ensuring competition among banks, MEPs request information that is of a better quality, more readable and hence accessible to consumers. The Commission is called upon to work towards ensuring that the industry, as a supplement to existing national provisions, provides consumers, before they open an account, with a succinct compilation detailing all costs, including closing costs, if any, in way that is comparable across the European Union. The Commission should also put forward legislative proposals in that respect in the event that the industry fails to respect its commitment.

The report also recommends the creation of a single European standard for providing information to the customer by the supplier on their basic products, related costs and conditions.

**Consumer education:** MEPs call for the development of financial education programmes aimed at increasing the awareness of consumers as regards their money-management options. They recall the importance of developing financial education, especially in the field of retail banking (for instance as regards loans, mortgages, diversified and safe saving and investment). Member States are called upon to take and coordinate measures to raise financial literacy among citizens and to consider setting up an institution of independent national ombudsmen responsible for financial services.

**Credits - registers and intermediaries:** the report stresses the importance of reliable credit and fraud data for banks and other credit providers, accessible on a fair and transparent basis.

The Commission is called upon to: (i) identify obstacles to data sharing and to make proposals for the interoperability of data registers while respecting consumers' private lives and their rights of access and rectification; (ii) intensify its work on credit intermediaries (agents or brokers) in order to ensure consumer protection and avoid opaque practices; (iii) clarify and harmonise the responsibilities and liabilities of credit intermediaries following the principle 'same business, same risks, same rules'.

**Cooperation between banks:** MEPs welcome the Commission's further examination of the cooperation between banks in order to assess where such cooperation could result in economic and consumer benefits and whether it could lead to a restriction of competition. They also emphasise that savings and cooperative banks, as well as other credit institutions, contribute substantially to the financing of the local economy and the development of the endogenous potential of regions and facilitate access to financial services for all consumers.

**Payment systems:** MEPs are confident that the SEPA (Single European Payment Area) and the Payment Services Directive should provide solutions for the fragmentation and lack of competition identified by the sector inquiry concerning payment infrastructures.

The report also highlights the need for better clarification concerning the methodology and rules for the management of multilaterally agreed interchange fees for card payments and for the mechanism to calculate interbanking fees for automated teller machines and non-card payments.

Lastly, MEPs urge the Commission to: (i) establish and communicate to all stakeholders the criteria for the definition by market operators of the methodology to be used to calculate all multilaterally agreed interchange fees; and (ii) achieve greater transparency of the industry by communicating to the consumers the characteristics of payment products and services and their rights and obligations as users.