Payment accounts: comparability of fees, account switching and access to accounts with basic features

2013/0139(COD) - 08/05/2013 - Legislative proposal

PURPOSE: to improve and develop the single market for retail banking.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: the **lack of transparency and comparability of charges and the difficulty of switching bank accounts** continue to figure as obstacles to a fully integrated internal market for retail banking.

A survey conducted by Eurobarometer in 2012 showed that **only 3% of the respondents declared having opened a payment account cross-border.**

Consumers were dissuaded from purchasing retail financial products cross-border by unclear information (21%), lack of clarity of the rights available to the consumer (18%) or the process being too complicated (15%).

Surveys and complaints from consumers demonstrate that **many citizens have faced difficulties in opening a payment account** due to their lack of a permanent address in the Member State where the payment service provider is located. This problem affects a large number of EU consumers living in another Member State (12.3 million people in 2010).

Furthermore, the World Bank estimated that **about 58 million EU consumers do not have a payment account** and approximately 25 million of them would like to open one.

The fact that a large number of consumers does not currently participate in the internal market for financial services has negative consequences for both payment service providers and consumers.

Initiatives have already been taken in these areas: (i) the **Payment Service Directive (2007/64/EC)** provides certain transparency obligations with respect to the fees charged by payment service providers; (ii) following a request from the Commission in 2010, the banking industry at EU level proposed to develop, through **self-regulation**, a framework ensuring increased transparency on payment account fees; (iii) in July 2011 the Commission issued a Recommendation on access to a basic payment account.

However, **progress remains limited**.

The Single Market Act II adopted on 3 October 2012, identified **a legislative initiative on bank accounts in the EU** as one of the twelve priority actions to generate real effects on the ground and make citizens and businesses confident to use the single market to their advantage.

IMPACT ASSESSMENT: the Commission prepared an impact assessment of policy options. These options concerned: (i) the scope of the new provisions, (ii) the level of standardisation, (iii) the setting up

and functioning of measures on transparency and comparability of fees, switching between payment accounts, improved access to basic payment services and (iv) how to ensure their effective application for consumers.

Following an assessment of the available options, the Commission concluded that in order to improve the functioning of the switching process, it is necessary to **enact measures to give binding legal force to the provisions of the Common Principles on account switching.**

LEGAL BASIS: Article 114 of the Treaty on the Functioning of the European Union.

CONTENT: the draft directive aims to: (i) improve the transparency and comparability of fee information relating to payment accounts, (ii) facilitate switching between payment accounts, (iii) eliminate discrimination based on residency with respect to payment accounts and (iv) provide access to a payment account with basic features within the EU.

The directive will apply to payment accounts held by consumers. Consequently, accounts held by businesses are outside its scope. It will not cover savings accounts.

1) Transparency on fees: the proposal requires payment service providers to provide consumers with:

- a **fee information document** containing information on the most representative payment services in each Member State, using the terms and definitions established at EU level where relevant;

- a **glossary** drafted in clear, unambiguous and non-technical language, containing at least the list of payment services and the related definitions;

- information on **all the fees charged on the account** at least annually.

Consumers should be able to access comparison websites obtain to obtain impartial information on bank fees.

2) Changing accounts: the proposal:

- requires Member States enact a **general obligation** for payment service providers to make a switching service available to any consumer who holds an account with a payment service provider located in the Union;

- establishes the **specific roles and obligations** for the receiving and transferring payment service providers in the context of the switching service;

- establishes principles to guarantee that the **charges related to the switching services** are appropriate and in line with the costs incurred;

- establishes the obligation for payment service providers to **refund charges** incurred by consumers due to their mistake or delay during the switching service.

3) Access to a bank account: the proposal:

- requires Member States to ensure that consumers are **not discriminated against** on the basis of their nationality or residence when applying for a payment account or in their use of a payment account;

- €€€€€€€ establishes a **right of access to a basic payment account** for consumers in any Member State;

- €€€€€€€ requires Member States to designate **at least one payment service provider** to offer a basic payment account;

- €€€€€€€ requires Member States to ensure that services are offered by payment service providers **free of charge** or for a reasonable fee.

- €€€€€€€ recalls that Directive 2007/64/EC is applicable to payment accounts with basic features. However the proposal provides for a limited list of grounds that may justify the termination of the framework contract of a payment account with basic features by the payment service provider.

Lastly, the proposal requires Member States: (i) to establish specific requirements for the **settlement of disputes** between consumers and payment service providers; (ii) to establish rules on **sanctions** for breaches of the national provisions adopted to implement the directive.

BUDGETARY IMPLICATIONS: the proposal has no implications for the EU budget.

DELEGATED ACTS: the proposal contains provisions empowering the Commission to adopt delegated acts in accordance with Article 290 of the Treaty on the Functioning of the European Union.