Cross-border payments in euro: reducing bank charges

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To recall, the cross-border payment Regulation (No 2560/2001) gives EU consumers a guarantee that when they make a payment in euro to an account in another Member States, it will cost the same as it would to make a payment within their own Member State . The purpose of this report is to analyse and consider the impact of the Regulation **on bank charges for national payments**.

As a result, this evaluation report seeks to compare bank charges levied for national payments made in euro within a Member State after Regulation (EC) No 2560 came into force. In particular, it examines whether the obligation to charge the same fee for cross-border transactions as for domestic ones has increased domestic charges. The report also looks at the question of whether charges for cross-border payment transactions have become cheaper. The report covers credit transfers as well as ATM cash withdrawals via payment cards with a value up to € 12 500.

Prior to the Regulation, charges for cross-border euro payments were often excessive, with a € 100 transfer costing the consumer an average € 24. This evaluation report shows that charges for cross-border euro payments have reduced significantly since the introduction of the Regulation. A € 100 transfer now costs, on average, € 2.50. The European banking industry’s concern that the charges for “national” payments within the Member States would have to rise in order to subsidise the higher cost of cross-border euro payments has proved to be unfounded. The Regulation has not, in general, led to any substantial increase in charges for national payments. In addition, the Regulation has provided banks with an incentive to develop and invests more in an EU-wide payments infrastructures, which the Commission concludes will help reduce costs for all consumers and all payments – both domestic and cross-border.

In its findings, the Commission concludes that the cross-border payments Regulation has brought about a huge decrease of charges for cross-border payments in euro without provoking significant increases on charges for national payments. Moreover, it has provided an incentive for the payments industry to modernise its EU-wide payment infrastructure and as such represents an important step towards creating a Single Euro Payment Area (SEPA) for non-cash payments in the Internal Market.

The adoption and implementation of Regulation (EC) No 2560 has acted as a force for other measures including the proposed Payment Services Directive, the objective of which is to establish a harmonised set of rules for the provision of payment services across the EU. By mid-2007, the Commission intends to issue a full review and evaluation of the Regulation. Any follow-up for future modification will be determined by this review as well as the final text of the Payment Services Directive.