



FINANCIAL INCLUSION INDICATORS REPORT

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1 Methodological presentation

1.1 Geographic coverage and expert partners

Within the framework of the Mulfi project, we carried out a collection of information concerning financial inclusion in twelve countries, including eleven Member States of the European Union (Belgium-BE, Bulgaria-BG, Germany-DE, Greece-EL, Spain-ES, France-FR, Ireland-IE, Italy-IT, Netherlands-NL, Poland-PL, Slovakia-SK) and Norway-NO. The data collection was carried out with the help of the project national experts:

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1.2 Data gathering

The national report was conducted in the form of a large questionnaire. Developed in a spreadsheet format, it was structured in order to submit to the experts, in 6 specific fields, a selection of closed questions accompanied by large spaces for comments. Due to the lack of direct, precise and comparable data regarding financial inclusion, the questioning developed was interested in the elements having a direct influence on quality of the banking offer and thus on its capacity of being able to satisfy in an adequate way the request (level of administrative prerequisites, legislative framework, structure of the market, responsible practices, use of the databases and measurement of solvency...). This approach allowed the identification of various good practices at all these levels, in addition to a direct collection of good practices in the form of descriptive sheets, compiled in a specific database.

It seemed important to be able to identify the principal gaps in the data which are fundamental to fully apprehend and understand financial exclusion. This was done to allow for the formulation of suitable recommendations.

The following six fields were explored:

1) The general context relating to social and financial inclusion:

Population

National statistics

European investigations (Eurobarometre 60.2, SILC)

2) Access to a bank account:

Existence of a right or other favourable elements for banking inclusion

The level of knowledge of the problem of banking exclusion (volume? study carried out? reason of

access refusal?...)

Level of administrative and legal pre-requisites to open an account

3) The market structure and consumers payment habits

Banking intensity and penetration

Type of operators present on the market and market share

Payment practices

4) Access to credit

- Level of administrative and legal pre-requisites relating to opening an account
 - Methods of measuring solvency
 - Role of databases (positive and negative)
 - Other measures employed
- Responsibility of lenders
- Publicity framework
- Framework for credit intermediaries
- Specific problems (national)

5) Types of credit available on the market

6) Good preventive and curative practices regarding financial exclusion: compiled in an online database (<http://www.fininc.eu/bestpractice,fr,48,96.html>)

1.3 Finalised indicators

On the basis of the collected data, and after carrying out compilation and checking correction work, the indicators were gathered under the following headings:

- Level of access to bank accounts for people who want it
- Supply side elements that can impact financial inclusion
- Identified reasons why people do not use bank accounts
- Potential capacity to live a normal life without a bank account
- Bank account relative accessibility
- Elements that impact credit access
- Opportunities to find credit with lower interest rate and/or better terms and conditions than mainstream commercial profit-oriented products
- Regulation elements that impact adequate credit supply
- Credit and debts database context

This report reviews each one of these in order to underline the principal learning from them.

2 Key learnings - Access to bank accounts

2.1 Level of access to bank accounts for people who want it

2.1.1 Level of use: first stage to measure the banking level of penetration

The measurement of banking exclusion is generally understood as the measurement of non-access to a bank account, and, consequently, is measured or is estimated by the number of people (even of households) not having a bank account.

It is precisely under this heading that the question is raised through the Eurobarometer 60.2 investigation. However, the experts of this study strongly called into question the reliability of the results obtained, and it was decided not to use them again, except in exceptional circumstances, when in a given country, the data obtained is cross-checked with other sources.

This questioning of the results rests partly on the formulation of the question used¹, which can confuse respondents and consequently induce inadequate answers. Moreover, it was underlined within the framework of the workshop of December 11, 2008 "Monitoring financial inclusion in EU: building a frame of relevant indicators" that the Eurobarometer is up to now a measuring tool of consumer patterns, and therefore, it should not be confused with a measuring tool of exclusion.

2.1.2 Level of exclusion: lack of comparable European data - only some comments were collected

On the basis of the following definition: "Financial exclusion refers to a process whereby people encounter difficulties accessing and/or using financial services and products in the mainstream market that are appropriate to their needs and enable them to lead a normal social life in the society in which they belong.", it will be understood that banking exclusion is not reduced solely to non-access to a bank account, but also that it is possible that the access is not accompanied by a satisfactory usage. This last point can be called into question by a series of various elements: cost, lack of satisfactory information, complexity of use...

It is to deal with this reality that precise questions were asked relating to the existence of studies or investigations led at a national level in order to measure this phenomenon. However, with regard to the question: "What is the level of access to bank accounts for people who want it?", it became evident that only one country could claim to answer this in a relatively adequate way. However, the comments collected on this matter in all the studied countries are very enlightening.

Countries where information (comment and/or conclusion) was collected: 10 out of 12
BE, BG, DE, ES, FR, EL, IT, NO, PL, SK

Type of collected information:

- Rate of access to a bank account of the adult population is higher than 95%: BE, ES, FR, NO, SK
- Rate of access to a bank account ranges between 80% and 95% of the adult population: BG, EL, IT
- Rate of access to a bank account is lower than 70% of the adult population: PL
- Rate of access to a bank account is uncertain, taking into account the discordance of the estimates available: DE. The results seem to be between 3% and 12%.

Some experts underlined the problems of access to banking which remains difficult for immigrants as well as for those in debt.

¹ Q.11-1 Do you personally have a current account which comes with a payment card or a chequebook?

See also:

- Indicators 2 to 5 supplement this first information in a useful manner.
- Some interesting facts:
 - Countries where there exists a right to a bank account: BE, BG, FR, EL, NO, SK
 - Countries where there exists a pro-account banking self-regulation: DE, ES, FR, IT, NL
 - Countries where there exists an insufficient banking cover: EL, IE, PL, SK
 - Countries where there exists administrative pre-requisites superior to the legal minimum necessary by the EU (anti-laundering measurements): BG, DE, FR, IE, NL, PL
- The online database of good practices.

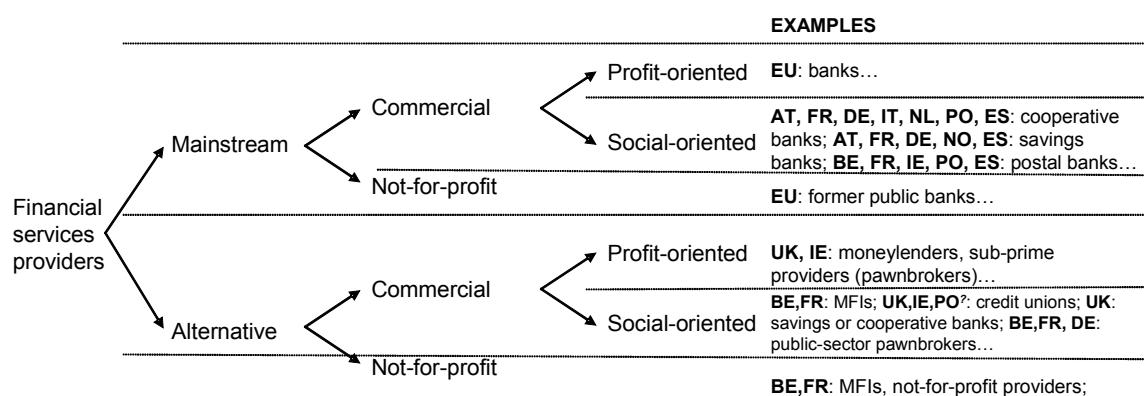
2.2 Supply side elements that can impact financial inclusion

2.2.1 Structure of the banking market

It is very useful, to understand the level of financial inclusion of a country, to study how the offer is structured. The presence of certain operators can be revealing of banking exclusion (e.g.: *Credit Unions* which are implemented where communities are excluded, public or parapublic operators dedicated to the excluded people...) insofar as the excluded people constitute all or part of their target. The presence of co-operative banks, savings banks or postal banks, whose missions are sometimes to satisfy the broader demand, can impact the quality of banking inclusion significantly. This is to be put in parallel with the existence of a right to a bank account, which can, in some cases, give to each operator the mission to serve everyone.

The typology employed in this study is that which is elaborated in the report "FINANCIAL SERVICES PROVISION AND PREVENTION OF FINANCIAL EXCLUSION"² VC/2006/0183.

Countries where information was collected: the great majority of the studied countries have data on the presented indicators.



² <http://www.fininc.eu/gallery/documents/final-report-2007-and-summary/financial-services-provision-and-prevention-of-financial-exclusion-final-report.pdf>

2.2.2 Type of information collected

Only the presence/absence of operators was exploited, because information relating to the respective market shares was far too sparse. This constitutes an important handicap and leads us to ask for a standardized *reporting* at national level (banking federation) according to a common typology and a suitable methodology in order to make comparisons on an EU level possible.

The extent of the variety of the banks present does not predict the quality of the offer. The legal framework or the regulations of the sector can bring a significant corrective role as can the density of the geographic coverage.

- Market rather diversified (at least three types of operators present): DE, ES, FR, EL, IE, IT, NL, NO, PL
- Market rather less inclusive (less than three types of operators present): BE, BG, SK
- The only criterion of banking diversity does not make it possible to show inclusion - or not - a market offers. Let us quote for example the Belgian and Slovak markets. On this only criterion, the market structures are not very diversified, but taking into account the obligation of opening a bank account for anyone who requests it, these markets are *in fine* rather inclusive.

Some experts stress that some operators sometimes play a “public service” banking role without making this an official mission (FR - Crédit municipal, PL - co-operative banks located in rural zones, NL - Municipal banks).

2.2.3 Level of concentration and competition

Although there is no direct link with the level of financial inclusion, the two indicators used (market share of the top 5 credit organisations and the Herfindahl index³) allow us to better understand the environment in which good practice and/or answers to reduce financial exclusion develop. As one can note hereafter, some countries set up effective answers in these contexts.

Among the countries studied, three are - according to these indicators - considered very concentrated and not very competitive: BE, NL and NO. It is interesting to underline the links which can exist between this reality and the answers precisely developed in these three countries, where banking inclusion is high. In BE and NO, a right to a bank account exists and in the NL, there is a constraining self-regulation of the sector.

2.2.4 Geographic coverage by type of supplier (by agencies and ATM⁴)

This element is a completely relevant indicator of an objective measurement of the accessibility to banking services. The people a priori in risk of exclusion indeed often encounter problems of mobility, problems of access to Internet technologies ... and the physical absence of an agency then becomes a real handicap to any banking inclusion.

2.2.5 Type of collected information

The answers were based quasi exclusively on the knowledge base of the experts, without them having an identical measuring tool and thus are not comparable at the European level. Here also, a standard allowing comparison on an EU level would be very useful: average number of kilometres to be travelled to reach the banking infrastructures, or even, better still, a map listing

³ The Herfindahl index is an indicator of the degree of competition. It represents the sum of the squared percentages of the market shares of the companies present on a market. In the event of a monopoly, the index is 10.000. In the event of perfect competition, when the number of companies tends towards the infinite one, the index value is close to zero.

⁴ *Automated Teller Machine* - Automatic banking counter allowing carrying out of basic operations.

infrastructures, which would allow a differentiated treatment of rural and urban zones.

Countries in which the existence of un-serviced geographical areas were identified: EL, IE, PL and SK.

See also:

- Indicators 1, 3, 4 and 5 which supplement this information usefully.
- The online database of good practices.
- And in particular:
 - Countries where there exists a right to a bank account: BE, BG, FR, EL, NO, SK
 - Countries where there exists a pro-bank account self-regulation: DE, ES, FR, IT, NL
 - Countries where administrative pre-requisites exist which are superior to the legal minimum required by the EU (anti-laundering measurements): BG, DE, FR, IE, NL, PL, SK

2.3 Identified reasons why people do not use bank accounts

2.4

We knew, by putting this question in a very structured way (18 precise reasons were proposed plus one open answer known as "others"), that we would only collect, with some exceptions, information based on the general knowledge of the experts, due to lack of thorough studies available on this subject.

Our will was at the same time to underline the lack of investigations carried out with the public all the while enabling us to get a round-up, in each country, of the existing opinions on these questions. These opinions are indeed sometimes carried at the political level and can be at the origin of original answers or good practices. Moreover, there were many experts who provided precise comments on questions that are a problem in their country.

Countries where information (comment and/or conclusion) were collected: BE, BG, DE, ES, IE, IT, NL, NO, PL

Type of information collected:

In the majority of cases, as already mentioned, the answers rest exclusively on the knowledge of experts. This appears sufficient to us to identify the existence of the difficulty, but is on the other hand insufficient to know the extent of it. The comments carried out generally speak of specific studies (IE, IT, ES, DE, BE).

The answers and comments collected underlined:

- Exclusion and/or misuse by elderly people (worsened if they are living in rural zones): BG, ES, IE, IT, NL, PL... This validates the data collected relating to the preferences of people to use cash.
- Costs related to accounts in debt: BE, DE, IT, PL, SK. For IT and PL, this point is regarded as very problematic. At the time of the workshop of December 11, a British participant insisted on the existence of this problem in the UK.
- Issues with migrants, related at the same time to the cultural differences and the difficulty in providing proof of identity: BG (problem specific to the Roma communities), IT (where the problem was studied⁵). We know in addition that in ES, interesting answers were developed by co-operative and savings banks.

⁵ Our experts refer to a study undertaken by the Association of Italian Banks in 2007.

- the weakness of income as a cause to deny opening or closing accounts: BG, EL, IE, IT, PL, SK. This reason is not really justified for accounts not integrating an overdraft possibility. On this point, in IE, it was stressed that customers can be offered accounts with “reduced” services.
- the fear of seizure of sums paid on an account (in the event of debts): BE, ES, IE, NO, SK.

Among the very specific information collected:

IE: where auto-exclusion seems strong, because some people in precarious situations do not see themselves as prospective bank customers. This phenomenon was the subject of many studies.

2.5 Potential capacity to live a normal life without a bank account

The phenomena of exclusion being very often of a relative nature, it seemed necessary to approach what one can regard as being the intensity of financial exclusion. Our assumption being that the lack of access to a bank account is all the more a source of exclusion, when the banking penetration is important and the use of banking services is necessary in many daily acts. With this intention, we used the average number of bank accounts, ATM and agencies, the level of use of consumer credit (for which it is often necessary to have a bank account) as well as the rate of use of wages payment on a bank account. Many more data is likely to back up this indicator, but one must note that the *reporting* ways of working can be very thorough in some countries, but very sparse in others.

Country where information was collected: the great majority of the studied countries have data on the indicators presented. The collection was more indirect (via comments) for ES and NL.

- Countries where the intensity of bank account use is > than 85%: BE, DE, FR, IE, NO, SK
- Countries where the intensity of bank account use is < than 85%: BG, EL, IT, PL
- Countries where the network of banking agencies is rather high: BE, BG, DE, FR, EL, IT, PL, ES
- Countries where the network of banking agencies is rather low: IE, NO, SK
- Countries where the network of ATMs is rather high: ES, BE, DE, FR, EL, IE, IT, NL
- Countries where the network of ATMs is rather low: NO, PL, SK
- Countries where almost all the wages are paid on a bank account: BE, FR, NO
- Countries where more than 75% of the wages are paid on a bank account (except category “almost all”): EL, PL
- Countries where more than 50% and less than 75% of the wages are paid on a bank account: BG, IT, SK

When compiling the preceding answers, it seems that banking exclusion can make everyday life particularly difficult in the following countries: BE, DE, FR, NO, ES, and this, which ever public concerned.

Regarding the public concerned (old people, inhabitants of rural zones...), it is possible that banking non-access is not always the origin of difficulties in everyday life in BG, EL, PL, and SK.

2.6 Bank account relative accessibility

This indicator allows to identify elements which can respectively block or facilitate access to banking. Any policy of financial inclusion must be able to take into account these elements to achieve its goals.

We will describe the contents in the following paragraphs.

Right to a bank account

- Countries in which a right to the account exists: BE, BG, FR, EL, NO, SK
- Right which is supplied with a precise definition of the guaranteed services: BE, BG, FR, NO, SK
- Right which has various constraints in the event of non-observance: BE

Self-regulation of the banking environment

- Countries in which a right to an account exists: DE, ES, FR, IT, NL
- Right which is supplied with a definition specifying guaranteed services: none
- Right which has various constraints in the event of non-observance: NL

The collected answers and comments underlined:

- DE: the existence of difficulties, because the sectoral agreement is not respected, due to lack of real constraints.
- ES: the important part played by the savings banks in the welcoming a large public, but also the level of maturity of the Spanish banking market where competition is important and the search for niche markets is rather thorough.
- FR: a sectoral charter was signed in August 2008⁶.
- IT: a banking group was constituted to propose a base banking account (BBA). However, the developed solution does not seem to bring satisfaction: one still observes in particular very high management fees. Moreover, the BBA is not defined with precision.
- NL: a convention was signed by the principal Dutch banks (accounting for 95% of the market) to provide a BBA (not complying to the convention leads to sanctions). There is also a solution adapted to asylum seekers. The principal difficulty lies in the lack of communication/information of the targeted public on the existence of these solutions.

To build an adequate answer and to avoid the noted pitfalls, it will be admitted that the law or self-regulation will have to:

- apply to all the operators;
- rely on a specific definition of suggested banking services and fix a maximum cost for them;
- have a control mechanism easily accessible by the consumer;
- be constraining in the event of non-compliance;
- communicate efficiently to reach the target public.

Means to prove identity...

The identity proof question caused many comments and allowed the experts to identify a series of very precise difficulties. The proof or, on the contrary, the difficulty in bringing a proof of identity is in some countries a major problem, either because the "identity card", as such, does not exist, or because important migrant populations do not have legal residence permits.

Country where information was collected: the great majority of the studied countries have data on the indicators presented.

Collected information stressed that:

- BE: the proof of identity is one of the principal reasons of non-access, but on a limited scale, i.e. the people in regular situations have the necessary documents (identity card, residence permit).
- IE: this is a major difficulty and for more significant volumes. There is no identity card system of the same type as those in place in FR or BE. The other documents allowed are plentiful, but sometimes complex and their nature is unknown to the public. Several studies were devoted to this issue.
- IT: a rather broad spectrum of documents is accepted as proof of identity, but the public is not

⁶ <http://textes.droit.org/JORF/2008/12/26/0300/0043/>

always informed (driving licence, right to possess a firearm, various administrative documents...)

- NL: a new law clarifies this question, but the documents of proof of identity are not yet defined there.
- NO: a rather broad spectrum of documents are accepted as proof of identity, such as the latest models of driving licences, identity cards that a postal bank provides or the bank cards that other banks provide.

During this study, we increased our comprehension of the problem: the variety of the number of documents available to prove one's identity is not in itself an excellent indicator. The crucial question thus rests more on the accessibility of the identity proof documents to people in regular situations than on their variety.

Need to prove residence...

In the case of opening a bank account, the EU does not require a proof of residence. One can therefore consider the request to prove residence as a less inclusive practice. Taking into account the multiple documents which can be used, and owing to the fact that some mix at the same time proof of identity and of residence, a case by case analysis is useful⁷.

Countries where information was collected: the great majority of the studied countries have data on the indicators presented.

Countries where proof of residence must be brought: BG, DE, FR, IE, NL, PL, SK

This point is closely related to the precedent. Up to what point is the proof of residence given from the same document as that which proves identity? When it is not the case, what are the other accepted documents? Problems exist, in particular when the proof is brought by the statement or invoices of consumption of energy, for couples or tenants of housing with "all bills included".

At this stage, it seems preferable to give up this requirement of proof of residence within the framework of opening a bank account, which would be limited to the proof of identity.

Other pre-requisites?

This question, which left the door open for others practises, allowed us to identify:

- NL: a number, delivered by the tax authorities and mentioned on identity cards, a driving licence and passport, are also necessary.
- IT: same idea, a tax number must also be provided.

No particular conclusions to draw from this point, due to sufficient information, apart from, undoubtedly, making sure that these tax numbers are found on all the documents intended to bring proof of identity, in order not to impact negatively banking accessibility.

Relative density of the mainstream bank network

When one regards banking inclusion as the access to and the use of banking services in a non-stigmatizing way, the existence of geographical areas not - covered by the mainstream bank network becomes an important indicator.

Country with low density of ATMs: NO, PL, SK

Country with low density of agencies: EL, IE, NO

Country where zones deprived of mainstream bank agencies were reported: IE, PL

As we already evoked, a cartography of services (agencies and ATMs) offered according to the presented typology would be the best monitoring and measuring instrument.

Existence of a supplier proposing a universal service as a mission

⁷ For more information, follow the link: <http://textes.droit.org/JORF/2008/12/26/0300/0043/>

Without a legal framework, or self-regulation, and in the absence of a good mainstream network, it is still possible that a specific and adequate answer to the problem of financial inclusion was implemented by an operator or a specific programme. These programmes seem however to be more largely developed to give access to credit.

- Countries with a particular plan:

NL, via the municipal banks

ES, via the savings banks

It was noticed that these programmes were set up in countries with high banking penetration.

- Moreover, in IE, a bank account is being set up through *Credit Unions*, but it is still done as pilot experiment. Also, some operators have been reported as filling the obligations of a public service, without having a statutory obligation to do so.

Potential impact of a negative scoring on the access to bank accounts (offer side)

This indicator allows to identify what one could regard as a bad banking practice. An account "without possibility of an overdraft" should still be available to people with a negative scoring with regards to credit or other debts. Indeed, banking exclusion, as a response to a badly controlled debt, can be a second weakening stage which brings an individual towards potential social exclusion.

- Countries where negative scoring was reported as likely to limit the access to an account.

Banking history: BE, DE, ES, EL, IE, IT, NL, SK

Credit history: BE, DE, ES, FR, EL, IE, IT, NL, PL, NO, SK

Over-indebtedness: DE, ES, FR, EL, NO, SK

- This practice, taking into account its importance and its impact on banking inclusion, must be able to find a satisfactory and harmonized response at the EU level. Guarantee that a basic banking service remains accessible to all, and this, in spite of a troubled period, is thus fundamental.

2.7 Conclusions/recommendations relating to the access to and the use of a bank account

- **Facilitate access to all, in each country of the EU, to documents which are useful to prove identity and residence** - the difficulty of access to these documents constitutes a major cause of non-access to a bank account, for nationals and also, of course, for migrants, because proof of identity is a legal obligation on the scale of the EU (anti-laundering law).

This recommendation does not relate to the financial sector directly. It is up to each State to determine which documents it regards as valid for proof of identity and to implement procedures which guarantee access to these for any person living legally in the country. This question is particularly crucial for migrants.

- **In the long-term, eliminate geographical areas not served by the bank network.** This measure is essential to guarantee access to all. It is not conceivable today to consider a complete banking service without agencies and ATMs available on all the territory. The bank industry must be able to propose suitable solutions (automated agencies, shared structures...).

Access via Internet is indeed not universal: for at-risk groups such as underprivileged households, the elderly, some types of handicapped people (sight...). As long as such zones exist, banking exclusion will remain an issue in non-access or misuse of accounts.

- **Implement a basic bank account, offered by all players**, allowing current financial transactions. This account must be proposed at a reasonable annual cost (fixed price?) and should not have an overdraft facility.

A basic bank account allows to solve, if it is well conceived:

- the non-access related to the excessive costs;
- the non-access related to the complexity of management;
- the non-access on a geographical level, as suggested by all active operators, when the preceding point is filled out;
- the non-access related to a history of problematic debt: refusal is not justified for an account without possibility of overdraft.

Accompanying measures must be taken to guarantee the offer of an account to all. By a regulation or a professional charter, one notes that effective measures have as common points:

- to constrain or to be able to become constraining in the event of negative evaluation;
- to be evaluated - have the measures solved non-access/disuse problems;
- to communicate to the target public by adapted campaigns;
- to be adopted by all the sector and, if it is not the case, have measures aiming to pool the existing load via possible activation of a compensation funds.

- **Avoid solving the problem of non-access to a bank account by an alternative offer:** in particular when the latter goes against a non stigmatizing social inclusion rationale. This answer must remain exceptional and be understood as an “urgent” response to a problem which should implement a more durable solution by means of an offer suggested by the banking environment. Only Ireland quotes an pilot project implemented by *Credit Unions*, but is this an answer model for the EU?
- **Organise a direct data collection regarding financial exclusion** (investigation of the excluded public), in particular with regard to reasons of non-access or misuse (“request” aspects) and with regard to the difficulties relating to usage.
- **Complete**, thanks to common standards of EU Member States (typology of the operators and products), **the banking reporting with useful data regarding the coverage offer and its quality**. This should be implemented by national supervisory authorities.

3 Key learnings - Access to credit

Financial exclusion relating to credit comprises two aspects which, first of all, appear paradoxical:

- the question of access to credit, which one wishes to be broad and inclusive;
- the question of usage that should not raise important difficulties.

Under these conditions, possible reconciliation undoubtedly consists in guaranteeing an access to credit which is broad for the consumers who are solvent and who have access to products adapted to their needs. Research was thus concentrated on objectified data elements, which impact:

- general access to credit (prerequisite conditions - types of lenders present - spectrum of interest rates used);
- targeted offer of credit under more favourable conditions (from a social point of view);
- the existence of regulation having an impact on the responsible practices in place;
- the part played by the presence of databases (negative and positive files).

3.1 Elements that impact credit access

Means to prove identity...

There is no significant difference concerning this point, whether it is for credit or opening an account. We thus invite the reader to refer to the previous section for more information.

Need to prove residence...

This element can be considered *a priori* as more appropriate in the list of administrative pre-requisites to grant credit, since it is decisive in the procedure of recovering bad debts.

- Countries where information was collected : the great majority of the studied countries have data on the indicators presented.
- Countries where proof of residence must be brought : DE, FR, IE, IT, NL, PL
- In other countries, it may be that the general practice is also to request proof of residence, but that is not an obligation. The question asked can lead to differences in comprehension. Lastly, the situation was evoked where proof of identity involves proof of residence (BE).

Other pre-requisites?

This question did not help to collect additional information. Of course, the proof of identity and the proof of residence are not the only necessary elements to obtain a credit. However, it seems essential that any policy favouring credit access implements -above all- administrative procedures which allow any legal resident to obtain the documents which the lenders will require from him/her. Necessary information to analyse the credibility and solvency are left to the lenders' discretion.

Diversity of the active suppliers on the market

Seven types of lenders were identified (cf. presented typology + a category exclusively reserved to postal banks). The starting idea was to study the possible link between diversity and offer volume, but it was not possible to collect sufficiently precise information regarding granted credit (by type of lender) to carry out further this analysis.

- Countries where information was collected : the great majority of the studied countries have data on the indicators presented.

- Market where the 7 types of lenders are present (very diversified): IT
- Market having 5 types of lenders (fairly diversified): DE, FR, EL, IE, NL, NO, PL
- Market having 3 types of lenders (little diversified): BE, BG, ES, SK

As such, information on diversity underlines the important differences which always exist from one national market to another. It can supplement the general measure of the European market integration. In addition, it is interesting to note that the most diversified markets are not inevitably those where financial inclusion is higher.

Variety of the interest rates available on the market

One can consider a priori that the larger the difference between suggested interest rates is, the more the credit offer allows an easy access to credit – this assumption without taking into account problems which can arise from very expensive and inappropriate products. Higher interest rates make riskier credits profitable even if they have a higher default rate.

Only the IE has higher rates than the average observed. It is also the country that harbours *subprime* lenders and *doorstep lenders* ... who put on the market expensive products. These types of products are considered in other countries as contrary to public order, since they tend to generate financial difficulties and permanent -even trans-generational- debt.

An analysis of market shares according to the type of credit (of which one of the principal criteria would be the APR⁸) would be quite useful to appreciate credit access and use. This however could not be implemented in a complete way within the framework of this study.

3.2 Opportunities to find credit with lower interest rate and/or better terms and conditions than mainstream commercial profit-oriented products

This indicator seeks to achieve two goals: on the one hand, to underline by the presence of such practices the existence of groups of people who are not served by the general public offer and, on the other hand, to identify potential good practices regarding prevention or treatment of financial exclusion.

Presence of a preferential offer suggested by mainstream social-oriented banks: DE, ES, EL

Behind these practices, it is savings banks, postal banks or co-operative banks that operate on a mainstream level, that have the potential to impact significantly on a country level and that do not generate stigmatization of their customers.

Presence of a preferential offer suggested by postal banks: EL, IT

The postal bank status reveals contrasted realities (100% private - mixed - public). The term "postal banks" thus covers various commercial practices. When they have an important network on a national level, they are likely to play an important role with regard to financial inclusion.

Presence of a preferential offer suggested by alternate operators (without lucrative aims): FR, IT, NL, ES, PL

In this category, practices often develop on more limited scales and their transferability is not always proven, because they are adapted to their institutional, economic and social context. Some examples are municipal banks (FR, NL), *Credit Unions* (IT, PL) and credit co-operatives (ES).

A significant part of information on these practices is described in more detail in the already quoted database "Good practices".

3.3 Regulation elements that impact adequate credit supply

⁸ Annual percentage Rate

This section reviews regulatory practices concerning the registration of lenders and intermediaries, the existence of a ceiling rate, the reliability and solvency measurement framework and the effectiveness of these measures (how are they controlled?), the publicity framework, the risk analysis transparency and the existence of objective measurements of the customers' capacity to refund.

- Countries where information was collected: the great majority of the studied countries have data on the indicators presented.
- Registration and control of lenders:
All lenders must be registered, and control is considered to be satisfactory except for DE and IE.
- Regulation of the intermediaries:
Yes: BE, BG, EL, FR, IE, IT, NL, SK, NO
No: DE, ES, PL
One can be astonished by the total absence of regulation of the intermediaries in three of the studied countries. The reading of national reports will be able to bring to the interested readers further information. In many countries, the regulation is much lighter concerning the intermediaries, which raises many questions when the significant part they play is known regarding credit offer (opening of credit in department stores...)
- Prohibition of usage (or equivalent):
Yes: BE, DE, ES, FR, IT, NL, PL, SK
No: BG, EL, IE, NO
Fixing a legal ceiling interest rate can, on the one hand, limit the credit offer to overall less solvent populations and, on the other hand, reduce the risks of credit use which then appear too expensive and that could lead to over-indebtedness. However, during exchanges with the experts it appeared that when these ceilings are fixed in an adequate way (together with a suitable control mechanism), they do not cause a significant rise in illegal practices.
- Regulatory invitation of lenders to measure the reliability and the solvency of their customers
Yes, applicable to all, and likely to have sanctions: BE, BG, FR, NL, NO, SK
Yes, not applicable to all, but likely to have sanctions: ES, PL
No: DE, EL, IE, IT
The presence of regulation centred on responsible practices for credit is still far from being harmonised. Whereas in some countries, objective criteria has been developed for a possible application of sanctions, in others, this question is still completely non-existent.
- Regulatory invitation of the intermediaries to measure the reliability and the solvency of their customers
Yes, and likely to have sanctions (in bold): **BE, BG, EL, NO, SK**
No: DE, IE, IT, NL
Here regulation is rarer and seems less constraining. In addition, this information seems to have been more difficult to gather by the experts (data missing for many countries).
- Regulation of publicity
Obligatory mention of relative information:
 - cost + the refunding plan + under the terms and conditions + APR: BE, ES, FR, EL, NL, NO, SK;
 - cost + the refunding plan + under the terms and conditions: BG, IE;
 - cost and APR: PL;
 - APR: DE, IT.There still exists important disparities regarding the minimum informative contents which a publicity must have regarding credit in the EU.
The four fields of information most often used previously and presently could be used as a basis for harmonization.
- Existence of tools to guarantee the transparency or the control of credit risk analysis

Currently, in the studied countries, no procedure exists allowing to guarantee the transparency of the analysis processes of credit risk implemented by the industry – that is type of data used, control of the respect of privacy, absence of discriminatory criterion. This is undoubtedly an element which will have to be studied if one wants to consolidate the inclusive capacity of the banking and financial market.

- Existence of the use of objective measurements regarding the customers' capacity to refund the banks

As already mentioned, the credit offer based on an adequate measure of the capacity of the consumer to refund is essential to maintain a large offer while limiting the risks related to inappropriate use. If the general principles of responsible credit are known, it is still advisable to identify objective measurements of this capacity to refund, which would allow, when creditor and debtor are in dispute, to work out responsibilities.

- Existence of a minimum income to receive credit: BG, ES, NL, SK

The NL approach is undoubtedly the most thorough, since it rests on the use by the lenders of budgetary references worked out by an independent organization. Even if BE is not mentioned, the protection of a minimum amount of income against all seizure however plays this role. The lenders are indeed unable to recover the minimum guaranteed by the law. This reality might be the case in other countries where such a protection exists, but research did not collect direct data on this point.

- Use of ratios between income and the maximum amount to refund for:

- Mortgages
Yes: BG, FR, IR, IT, PL, SK
No: BE, DE, ES, IE, NO
- Personal loans
Yes: BG, ES, FR, IT, NL, PL, SK
No: BE, DE, EL, IE, NO

The real influence these ratios have remains unclear. For most of the countries in which they are used, they relate to specific practices of lenders, without obligatory functions, and referring to *credit scoring*. At most, they seem to supplement a risk analysis and constitute an indication for the public (an example is the rule of thumb that maximum 30% of resources should go to refunding mortgage).

3.4 Credit and debts database context

The principle of credit and various debts (energy, insurance, telephone...) databases (negative and/or positive scoring) and its potential use by lenders in their credit activity raises many questions. Are these files truly effective to reduce over-indebtedness? Which guarantees are given to private individuals in terms of private data protection, quality and how often the data is updated? Are all credits listed there? By all lenders (in order to reduce the risks of distortion of competition)? Does the lender have to check the database before granting credit? Is this the only method to carry out a risk analysis?

The present study does not attempt to answer all these questions. It however allowed to identify in which countries such databases are present (positive/negative), if they are used by (all) lenders, if the latter must or not check them before granting a credit, if debt databases apart from credit are accessible to the lenders and if consumers have a right to view and modify the data (in the case it is erroneous).

- Countries where information was collected: the great majority of the studied countries have data on the indicators presented.

Databases - review:

- Positive database - mortgage: BE, BG, DE, EL, IE, IT, NL, NO, PL, SK
- Positive database - personal loans: BE, DE, EL, IE, IT, NL, NO, PL
- Positive database - cash advance: BG, DE, EL, IT, NL, NO, PL, SK
- Negative database - mortgage: BE, BG, DE, ES, FR, EL, IE, IT, NL, NO, PL, SK

- Negative database - personal loans: BE, DE, ES, FR, EL, IE, IT, NL, NO, PL, SK
- Negative database - cash advance: BE, BG, DE, ES, FR, EL, IE, IT, NL, NO, PL, SK

These databases must be checked before granting credit: BE, BG, NL

Other negative databases that lenders can access:

- Telephone: DE, ES, NL, NO, PL, SK
- Insurances: DE, ES, NO, SK
- Energy: DE, ES, NO, PL, SK
- Others: DE, ES, PL

Modifiable data by the consumer:

- Mortgage database: BE, DE, ES, EL, IE, NL, PL, SK
- Personal loans database: BE, DE, ES, EL, IE, NL, PL
- Cash advance database: BE, DE, ES, EL, NL, PL, SK

It is remarkable to note the existence of negative credit databases in all the studied countries. However, these database and their ways of working are, most of the time, not well-known by the project's expert (who writes them? Is it the whole of the profession?).

The consultation of these files is obligatory in the pre-contractual phase in BE, BG and NL: this can be regarded as one of the objective elements implemented to check solvency of the credit applicant.

The positive databases are also developing significantly.

Considering the development of the positive and negative credit databases, it seems important to make the following recommendations to guarantee, in each Member State:

- data protection relating to private life;
- entirety of data (all lenders, all credits) in order to show a complete view of the credit debt position;
- reserved access to prevent over-indebtedness: consultation by credit professionals, anonymous data available for research... but in no case for commercial purposes;
- management ensured by a public or parapublic organization;
- clear information of the consumer and a simple and effective procedure to allow corrections in the event of error (which is not systematically the case!)

3.5 Conclusions/recommendations relating to the access and the use of credits

- **Facilitate access to all, in each country of the EU, to documents which are useful to prove identity and residence** - the difficulty of access to these documents constitutes a major cause of non-access to a bank account, for nationals and also, of course, for migrants, because proof of identity is a legal obligation on the scale of the EU (anti-laundering law).

This recommendation does not relate to the financial sector directly. It is up to each State to determine which documents it regards as valid for proof of identity and to implement procedures which guarantee access to these for any person living legally in the country. This question is particularly crucial for migrants.

- **The credit offer and consumer protection is still not homogeneous throughout the EU.** The Credit Directive 2008/48/CEE of April 23, 2008 should allow for the first significant step in many countries of the EU, but also risks to raise questions on the quality of the protection already implemented in some countries.
- **Support the offer of adequate credit for all, and especially adapted to the households excluded from the traditional banking offer.** It is still too early to imagine the implementation of "basic credits", which would be easy to use, transparent in terms of cost and refunding, adapted to the required financings (small amounts) and not involving permanent debt (opening of credit). However, it should be noted that on financial markets where savings, co-operative, or postal banks exist (when they have not become a pure and simple commercial bank), or a structured network allowing offers in a social dimension

(municipal banks - *Credit Unions*) exist, access to adequate credits by a generally excluded public is easier.

- **Support objective measurement practices of credit applicant solvency**, by increasing the responsibility of the applicant as well as the one of the credit supplier. This will allow to consolidate the responsible practices of the credit sector institutions, which lower at the same time the risks of credit exclusion (a refusal due to lack of solvency is not a source of exclusion) as well as the risks related to the difficulties in concluding the credit refunding.
- **Support database management** (positive and negative databases of lenders, but also of potential other actors of the economic sector) **which is transparent, respectful of civil rights, independent and centred on the prevention of over-indebtedness.**

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