Study on EU Payment Accounts Market

Final Report

Written by Deloitte
April 2020

EUROPEAN COMMISSION

Directorate-General for Financial Stability, Financial Services and Capital Markets Union

Directorate B — Horizontal policies

Unit B.3 — Retail financial services

European Commission

B-1049 Brussels

EUROPEAN COMMISSION

Deloitte.

Study on EU Payment Accounts Market

FISMA/2 O I8 I 037 IB3/ST/OP

Final Report

Directorate-General for Financial Stability, Financial Services and Capital Markets Union

LEGAL NOTICE

Luxembourg: Publications Office of the European Union, 2021

ISBN 978-92-76-11009-5

DOI 10.2874/45634

Abstract

English

In accordance with Article 26(2) of the Treaty on the Functioning of the European Union, the internal market is to comprise an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured. The smooth functioning of the internal market and the development of a modern, socially inclusive economy increasingly depends on the universal provision of payment services.

To ensure the above objective, the Payment Accounts Directive 2014/92/EU (PAD) covers the following three areas:

- transparency and comparability of fees charged to consumers on their payment accounts held in the EU;
- switching of payment accounts within a Member State and facilitation of the cross-border opening of accounts by consumers within the EU;
- requirements for Member States to guarantee a right for consumers to open and use payment accounts with basic features in the EU.

Under Article 28 of this Directive, the Commission is required to carry out a review of the Directive. This report contributes to the collection of evidence, analysis and recommendations required for this review. The general objective is to provide qualitative and quantitative evidence of the evolution of the payment accounts market in the EU since January 2014.

Français

Conformément à l’article 26, paragraphe 2, du traité sur le fonctionnement de l’Union Européenne, le marché intérieur comporte un espace sans frontières intérieures dans lequel la libre circulation des marchandises, personnes, services et capitaux est assurée. Le bon fonctionnement du marché intérieur et le développement d’une économie moderne et solidaire dépendent de plus en plus de la fourniture universelle des services de paiement.

Afin d’atteindre l’objectif susmentionné, la directive 2014/92/UE sur les comptes de paiement («PAD») porte sur les domaines suivants:

- la transparence et la comparabilité des frais prélevés aux consommateurs sur leurs comptes de paiement détenus dans l’UE;
- le changement de comptes de paiement au sein d’un même État membre ainsi que la possibilité de rendre plus facile l’ouverture transfrontalière de comptes au sein de l’UE;
- L’obligation pour les États membres de garantir aux consommateurs le droit d’ouvrir et d’utiliser des comptes de paiement assortis de prestations de base dans l’UE.

Conformément à l'article 28 de la présente directive, la Commission est tenue de procéder à un réexamen de la directive. Ce rapport contribue à la collecte d'éléments probants, d'analyses et de recommandations nécessaires à ce réexamen. L'objectif général est de fournir des éléments qualitatifs et quantitatifs sur l'évolution du marché des comptes de paiement au sein de l'UE depuis janvier 2014.

Acronyms

Acronyms/Abbreviations	
General	
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
AMLD	Anti-Money Laundering/Combating the Financing of Terrorism Directive
API	Application Programming Interface
ANP	Account Number Portability
BDB	Bundesverband deutscher Banken
BEUC	Bureau Européen des Unions de Consommateurs
CCSF	Comité consultatif du secteur financier (Banque de France)
EACB	European Association of Co-Operative Banks
EBA	European Banking Authority
EBF	European Banking Federation
EC	European Commission
ECB	European Central Bank
EPC	European Payments Council
ESA	European Supervisory Authority
EU	European Union
FATCA	Foreign Account Tax Compliance Act
FID	Fee Information Document
FPS	Freedom to provide services
FSUG	Financial Services User Group
IBAN	International Bank Account Number
MCD	Mortgage Credit Directive
NCA	National Competent Authority
PAD	Payment Accounts Directive
PSD	Payment Services Directive
PSP	Payment Service Provider
ROE	Right of establishment
RTS	Regulatory Technical Standards
SDD	SEPA Direct Debit
SEPA	Single Euro Payments Area
SOF	Statement of Fees
ToR	Terms of Reference
TPP	Third Party Payment Provider

Acronyms/Abbreviations	
Country acronyms	
BE	Belgium
BG	Bulgaria
CZ	Czechia
DE	Germany
EL	Greece
ES	Spain
FI	Finland
FR	France
HU	Hungary
IE	Ireland
IT	Italy
NL	Netherlands
LU	Luxembourg
LV	Latvia
PL	Poland
SE	Sweden
UK	United Kingdom

Table of Contents

List of figures

List of tables

1 Introduction

1.1 Purpose of the document

This document is the Final Report of the Study on the EU payment accounts market, contracted by the European Commission (EC) and carried out by Deloitte. The study was launched in March 2019 and completed in March 2020, with data collection completed in October 2019.

In accordance with Article 26(2) of the Treaty on the Functioning of the European Union (TFEU), the internal market is to comprise an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured. The smooth functioning of the internal market and the development of a modern, socially inclusive economy increasingly depends on the universal provision of payment services.

To ensure the above objective, the Payment Accounts Directive 2014/92/EU[1] (PAD) was adopted in 2014, laying down rules which had to be incorporated by the EU Member States into national law by 18/09/2016. The PAD covers the following three areas:

- the transparency and comparability of fees charged to consumers on their payment accounts held in the EU[2];
- the switching of payment accounts within a Member State and facilitation of the cross-border opening of accounts by consumers within the EU;
- the requirements for Member States to guarantee a right for consumers to open and use payment accounts with basic features in the EU.

The measures aimed to incentivise the entry of payment service providers into the internal market and to ensure a level playing field, thereby strengthening competition and the efficient allocation of resources within the EU financial retail market to the benefit of businesses and consumers.

The reasoning was that transparent fee information and switching possibilities, combined with the right of access to basic account services, would allow EU citizens to move more easily

[1] Directive 2014/92/EU of the European Parliament and of the Council of 23 July 2014 on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features Text with EEA relevance, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014L0092

[2] As the UK was still a member of the EU at the time of the research for this study, references to the EU are to the EU-28 unless otherwise specified.

within the Union, allowing them to benefit from a fully functioning internal market in the area of retail financial services, contributing to the further development thereof.

The PAD was accompanied by Regulatory Technical Standards (RTS) on standard terminology for the most representative services linked to payment accounts to be used within the EU. For these RTS, the Commission worked together with the European Banking Association (EBA). The final version of the RTS was validated on 28 September 2017.[3]

The purpose of the report is to provide the outcome of the study activities and to present the study's main findings. Based on these findings, this report presents conclusions responding to the study questions and provides recommendations for future policy needs.

1.2 Structure of the document

This report is structured as follows:

- **Chapter 2: Background** provides an overview of the purpose and scope of the study, and the study questions that formed the basis of the study.
- **Chapter 3: Methodology** contains information about the methodological tools used to conduct the study, the methodology used to perform the analysis and synthesis, and the study's limitations.
- **Chapter 4: Study results** describes the outcome of the study for each of the topics that were the subject of the study, including the main findings.
- **Chapter 5: Conclusions** includes the study's main conclusions in response to the questions that formed the basis of the study.
- **Chapter 6: Recommendations** defines recommendations for future policy needs based on the conclusions set out in section 5.

This report is accompanied by a separate document containing the following Annexes:

- **Annex A:** Desk research
- **Annex B:** Targeted data request on compliance costs for banks
- **Annex C:** Stakeholder interviews
- **Annex D:** Results of the online survey to consumer and sector organisations
- **Annex E:** Results of the mystery shopping exercise

[3] Commission Delegated Regulation (EU) 2018/32 of 28 September 2017 supplementing Directive 2014/92/EU of the European Parliament and of the Council with regard to regulatory technical standards for the Union standardised terminology for most representative services linked to a payment account: https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A32018R0032; Commission Implementing Regulation (EU) 2018/33 of 28 September 2017 laying down implementing technical standards with regard to the standardised presentation format of the statement of fees and its common symbol according to Directive 2014/92/EU of the European Parliament and of the Council: https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A32018R0033; Commission Implementing Regulation (EU) 2018/34 of 28 September 2017 laying down implementing technical standards with regard to the standardised presentation format of the fee information document and its common symbol according to Directive 2014/92/EU of the European Parliament and of the Council: https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A32018R0034

- **Annex F:** Detailed features of payments accounts offered by the five main institutions in the selected Member States
- **Annex G:** Results from the analysis of the comparison websites
- **Annex H:** Complementary survey to expatriates.

2 Background

2.1 Purpose and scope of the study

The Payment Accounts Directive (PAD) entered into force in September 2014. Under Article 28 of this Directive ('Review'), the Commission is required to carry out a review of the Payment Accounts Directive and its effectiveness. This requires a comprehensive assessment of the application of the Directive, as well as an in-depth analysis of possible further improvements to its provisions.

This study contributes to the collection of evidence, analysis and recommendations required for the Commission review provided for in the Directive. The general objective is to provide qualitative and quantitative evidence of the evolution of the payment accounts market in the EU since January 2014.

The specific objectives of the study are to:

- provide the Commission with backward-looking analysis of the extent to which the objectives of the Payment Accounts Directive have been achieved;
- provide the Commission with analysis of other aspects of the EU payment accounts market not presently covered in the Directive, as well as of the initial impacts of the newly introduced fee transparency requirements;
- identify any further policy measures that should be envisaged in connection with the objectives of the Payment Accounts Directive, taking into account the changing technological and market context.

The Member States in scope were Belgium, Bulgaria, Czechia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Luxembourg, Netherlands, Poland, Spain and Sweden (see section 3.3 for more detail).

2.2 Overview of the study questions

Consistent with the Better Regulation Guidelines, the five evaluation criteria set for the study were effectiveness, efficiency, relevance, coherence and EU added value. On the basis of the Intervention Logic (figure below), we developed one or more evaluation questions for each evaluation criterion, and defined the corresponding judgement criteria. We then identified indicators and information needs with the corresponding sources.

The study questions that formed the basis of this study were the following:

Table 1: Overview of the study questions

Status quo
Which changes have occurred in the EU payment accounts market since transposition of the PAD in the Member States?
Effectiveness
Has the PAD ensured that consumers are able to compare payment account fees?
Has the PAD ensured that consumers are able to switch account easily?
Has the PAD ensured that all EU consumers have access to payments accounts with basic features?
Has the PAD brought about the expected changes or other unintended changes?
Efficiency
To what extent have the costs of the Directive as a whole been justified and proportionate, given the benefits that were achieved?
Relevance
How have the stakeholders' needs changed since 2014? To what extent are the objectives of the Directive still in line with the current needs at the EU level?
Coherence
How does the PAD interact with other EU policy measures?
EU added value
Is there added value in EU intervention, compared to action taken at national level in the fields covered by the Directive?

Figure 1: PAD Intervention Logic

Needs	**Low competition** in the retail payment sector due to the lack of transparency and comparability of fees and difficulties in switching payment accounts	**Barriers to the internal market** (especially for cross-border activities) created by the **fragmentation of regulatory frameworks**	Potential **demand for payment account services not fully exploited** (whereby **mobile and vulnerable consumers** cannot open an account)	**Low level of customer mobility** between service providers with respect to retail financial services
General objectives	To ensure a **level playing field** between market actors	To facilitate the **cross-border activity** of payment service providers	To broaden **consumer choice** both in terms of the **quality** and of the **price** of the products	To facilitate **financial inclusion** and **customer mobility**
Specific objectives	**Ensure that consumers are able to compare payment account fees**	**Ensure that consumers are able to switch account easily**	**Ensure that all EU consumers have access to payments accounts with basic features**	
Activities	**Comparability of fees**: - List of the most representative services linked to a payment account and subject to a fee at national level - Standardised terminology, Fee information document and Statement of fees - Comparison websites	**Switching**: - Switching service between payment accounts in the same currency and in the same Member State - Facilitation of cross-border account opening for consumers	**Access to payment accounts**: - Right of access to a payment account with basic features	
Inputs	**Direct compliance costs** and **enforcement costs** for Competent National Authorities	**Direct compliance costs** for Payment Service Providers	**Direct compliance costs** for operators of comparison websites	**Costs related to the offering of basic accounts** for credit institutions
Expected results	**Reduced obstacles** for **market entrants** to gain new clients	**Reduced obstacles** for **businesses operating cross-border**	**Reduced difficulties** for EU consumers to **relocate** and **seek the most advantageous retail banking products** within the Union	**Reduced difficulties for mobile and vulnerable consumers** to access a payment account
Expected impacts	Improve the proper **functioning of the internal market** and avoid **distortion of competition** in the retail banking	**Empower consumers** by enabling them to make **informed choices** and enable them to **take advantage of the single market**	**Allow all European citizens access to essential services** by promoting **economic and financial inclusion**	

External factors: regulatory initiatives, financial inclusion, diverging consumer needs, new players on the market, impact of new technologies

Source: Deloitte, based on 2013 Impact Assessment results

3 Methodology

3.1 Methodological tools

To collect the data needed to respond to the study questions, the following data collection activities were used:

- desk research (see annex A);
- a targeted data request on costs incurred by banks due to the implementation of PAD (see annex B);
- interviews with key stakeholders (see annex C);
- an online survey to sector and consumer organisations (see annex D);
- a mystery shopping exercise on the Fee Information Document (FID) (see annex E);
- an overview of the detailed features of payments accounts offered by the five main institutions in the selected Member States (annex F);
- an analysis of existing comparison websites (see annex G); and
- a complementary survey to expatriates (see annex H).
- expert workshops;

This data was validated using two methods for data validation: triangulation techniques and workshops with experts. The data collection activities were completed at the beginning of October 2019.

3.2 Analysis and synthesis

Data analysis was started during the data collection phase, combining qualitative and quantitative methods.

Following the analysis of all the qualitative and quantitative data collected, using a combination of methodologies, the evidence was systematically allocated to the study questions using an Evaluation Matrix. The findings were systematically cross-checked in order to ensure the internal coherence of the study.

The conclusions for each of the evaluation questions are the basis for the recommendations in this report on whether the policy intervention should ultimately be kept as it is, modified or discontinued. As far as possible, the conclusions also discuss possible challenges arising from market, technology and policy developments.

It should be borne in mind in reading this study that there are different definitions of the term vulnerable consumer/population in use in the EU depending on the topics discussed, the countries, etc. In this study, this term should be understood as it applies to payment accounts, i.e., in particular, the homeless, (im)migrants without a job, asylum seekers, and those with a very low income.

3.3 Limitations of the study

The geographical scope of this study did not cover all Member States. Nevertheless, the 16 Member States[4] selected enabled a balance between small and large Member States, Member States which joined the EU before and after 2004, Member States that had already taken the measures foreseen by the PAD and others still implementing them, and diverse levels of development of retail financial services markets. This enabled the study team to capture the consequences of the different ways in which the PAD has been implemented throughout the EU (innovative approaches to implementing the PAD versus implementation limited to the minimum requirements of the PAD).

The fact that during the study period, the FID and the Statement of Fees (SOF) were not yet available in some Member States because of late implementation and application of Regulations 2018/32, 33 and 34[5], had an impact on the study because:

- the mystery shopping exercise could only deal with the FID, as the SOF was not yet available in the majority of the Member States in scope;
- the mystery shopping exercise was necessarily limited to those Member States in scope where the FID was already available;
- The data collection activities on /involving the FID were limited to the payment service providers (PSPs) already providing the FID.

In addition, not all Member States in scope already had a compliant price comparison website in place during the study period. As a consequence, the data collection activities to answer

[4] Belgium, Bulgaria, Czechia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Luxembourg, Netherlands, Poland, Spain and Sweden

[5] Commission Delegated Regulation (EU) 2018/32 of 28 September 2017 supplementing Directive 2014/92/EU of the European Parliament and of the Council with regard to regulatory technical standards for the Union standardised terminology for most representative services linked to a payment account: https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A32018R0032; Commission Implementing Regulation (EU) 2018/33 of 28 September 2017 laying down implementing technical standards with regard to the standardised presentation format of the statement of fees and its common symbol according to Directive 2014/92/EU of the European Parliament and of the Council: https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A32018R0033; Commission Implementing Regulation (EU) 2018/34 of 28 September 2017 laying down implementing technical standards with regard to the standardised presentation format of the fee information document and its common symbol according to Directive 2014/92/EU of the European Parliament and of the Council: https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A32018R0034

the study questions on price comparison websites were limited to those Member States with a compliant price comparison website in place during the study period.

The assessment of the efficiency of the PAD, i.e. of its cost-effectiveness, mainly relied on a qualitative analysis. In fact:

- Since the PAD does not aim to induce specific SMART[6] behaviour, but to establish a favourable environment where consumers can make informed choices, and obstacles to the Single Market are removed, the benefits of the PAD cannot be quantified. Consequently, the assessment of the benefits under the efficiency criterion concentrates on qualitative input, but, when possible, some quantitative indicators are also used.
- The data on the costs incurred by payment service providers (PSPs) to comply with the PAD were collected, on the one hand, via a targeted data request to the five largest credit institutions, and, on the other, via a request about these costs to the sector organisations in each of the Member States in scope. However, not all the banks or sector organisations responded, or were able to respond, to the request, thus limiting the overview of the costs PSPs have incurred to comply with the PAD to those banks and Member States for which responses were received. Moreover, PSPs (within and across different Member States) have different operational models (including IT infrastructure and working procedures), and are at very different levels of development (e.g. flexible IT systems versus more rigid and/or legacy type of IT systems). This affects the level of needs and requirements (and subsequent investment) imposed by any change in legislation. This diversity of contexts and implementation can also be an explanation for the variety of (sometimes contradictory) perceptions of the stakeholders surveyed/interviewed throughout the study, which make it difficult to come to exact conclusions.

Finally, although various attempts were made to obtain responses to the survey from consumer and sector organisations, not all responded. Similarly, not all stakeholders agreed to an interview. However, the response rate to the survey (see annex D) was sufficiently high to make it possible to draw relevant conclusions and there is a reasonable balance between the consumer and sector points of view. A reasonable balance was also ensured in the interviews (see annex C), given that each Member State in scope was covered during the interviews and both the consumer and sector point of view were covered in each Member State.

[6] SMART stands for Specific, Measurable, Achievable, Relevant, and Time-bound.

4 Study results

4.1 Overview of the payment accounts market in the EU

4.1.1 Relevant actors, market drivers and commercial trends across the EU since 2014

Relevant actors on the EU payment accounts market

While the PAD applies the definition of Directive 2007/64/EC[7] of PSPs, which includes a wide range of actors[8], in practice payment accounts in the EU are offered in general by:

1. 'traditional' credit institutions;
2. post office giro institutions entitled to provide payment services under national law;
3. 'new' digital credit institutions, so-called "neo-banks";
4. electronic money institutions offering an e-wallet.

Below we describe the main role and characteristics of the different market players.

'Traditional' credit institutions

Traditional credit institutions are the biggest players in all the Member States in the scope of this study. They typically offer different types of account to satisfy a wide range of clients. Looking at the offers of the five largest credit institutions in each of the Member States, we were able to identify the following types of account[9]:

- standard payment accounts, based on the most common consumer typology;
- payment accounts with basic features, meeting the needs of the population with very limited needs and/or with low income;
- payment accounts for young people, generally for people between 18 and 25-30 years old, but in some cases also for people under 18;
- digital payment accounts, which include services only through digital channels (in some cases, this is a configuration of the "standard" payment account);

[7] Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market: https://eur-lex.europa.eu/legal-content/en/ALL/?uri=CELEX%3A32007L0064

[8] Namely: (a) credit institutions, (b) electronic money institutions, (c) post office giro institutions which are entitled under national law to provide payment services, (d) payment institutions, (e) the European Central Bank and national central bank when not acting in their capacity as monetary authority or other public authorities, (f) Member States or their regional or local authorities when not acting in their capacity as public authorities.

[9] Although they might not be offered by all credit institutions in all Member States.

- payment accounts for people with a minimum amount of assets with the PSP (usually these are packages in which the payment account is bundled with other services);
- payment accounts for retirees;
- payment accounts with more advanced features, targeting high-income consumers.

Although there are significant differences between Member States, as we explain in further detail later[10], traditional credit institutions tend to combine traditional channels (e.g. branches) with digital channels. Traditional credit institutions have introduced digital channels in recent years in order to adapt to advances in technology in the market, a trend confirmed in interviews and discussed in more detail later[11].

Some have also created digital subsidiaries (e.g. Hello Bank, ING Direct) or have acquired FinTech start-ups (e.g. BBVA – Holvi in 2016, BPCE – Fidor Bank in 2016, BNP Paribas – Compte Nickel in 2017) to target specific segments (e.g. small business or young people) with a fully digital offer.

Interviews confirmed that banks consider payment accounts to be a product to "affiliate" the client and then sell more remunerative products to the same client, such as loans, investment services, etc. This also works the other way round. Although in most Member States the payment account is not tied to other services, clients that do not yet have a payment account with the financial institution are strongly encouraged to open a payment account from the institution when they acquire other products or services, such as mortgage loans.

Post office institutions

In a small number of Member States in our selection, post offices have obtained a license to provide financial services (either directly or via an affiliated company), and also offer payment accounts to consumers (e.g. An Post in Ireland, Poste Italiane in Italy, and Post in Luxembourg). In some Member States, these institutions cover a significant market segment. Over the years these institutions have extended their offer of financial services beyond payment accounts to e.g. saving accounts, loans etc. Their offer of payment accounts is limited and, in most cases, only involves a payment account with basic features.

The case of Ireland's An Post in Ireland is a particular one. It offers payment accounts but is not covered by the Payment Accounts Directive because it is not regarded as a PSP by the national legislation. As a result, it does not offer a basic account, compliant with PAD requirements.

[10] Please see the next section on services offered as part of payment accounts in the Member States.

[11] Please see section below.

Neo-banks

Compared to 2014, when the PAD entered into force, neo-banks have emerged as a new market player. Neo-banks tend to focus on the financial needs of a large proportion of the population that are willing to accept a bank with no physical presence[12].

Their focus is a better, more user-friendly experience, via mobile phones and other virtual channels, as well as increased transparency, and lower commissions and fees.

The range of products offered typically includes a payment account with associated debit card and basic services (e.g. peer-to-peer payment) complemented with financial management tools (e.g. payment alerts, scheduling of recurring payments and optimised currency conversion).

Neo-banks have the advantage of being able to scale rapidly in new markets as they do not rely on a branch-based distribution network, and they are cost-effective as they serve cross-border customers from a single platform[13].

According to the A.T. Kearney *European Retail Banking Radar 2019*, neo-banks' customer base across Europe has grown from 0 in 2011 to 15 million in 2019. It predicts they could have up to 85 million customers – about 20% of the population of the EU-28 over the age of 14 – by 2023[14].

Considering their number of clients and their geographic extension[15], the most important neo-banks offering payment accounts in the EU-28 are: Bunq, Fidor Bank, Monzo, N26, Starling Bank and Revolut. Although they were launched in specific countries (Germany, Netherlands, and United Kingdom), their offer is cross-border.

Based on the information retrieved from their websites[16], it seems that all (except one) offer a 'simple' account free of charge (an account including only the basic services, such as wire transfers). So, although they do not explicitly offer payment accounts with basic features with all the different characteristics listed in Article 17 PAD, their payment accounts can be considered compliant with the Directive. This is because the Directive only requires credit institutions to offer the services in Article 17 as part of a payment account with basic features "to the extent that they already offer them to consumers holding payment accounts other than a payment account with basic features". In other words, if they do not offer these services as part of a normal account in their commercial offer, they are not obliged to provide

---

[12] BBVA Research – Digital economy Outlook – January 2016. Available at: https://www.bbvaresearch.com/wp-content/uploads/2016/01/DEO_Jan16_Cap5.pdf.

[13] Based on desk research, most neo-banks use IBANs based on the country which issued their banking license to serve customers in all the countries they are present.

[14] Daniela Chikova, Simon Kent, Roberto Freddi, *European Retail Banking Radar 2019*. Available at: https://www.atkearney.com/financial-services/article/?/a/european-retail-banking-radar-2019.

[15] Inteliace research, *Profiles of selected bank challengers in Europe*, 2019.

[16] Information retrieved from their websites in the period 1-15 August 2019. Although these banks should be compliant with the PAD, no Fee Information Document is available on their websites

them for the payment account with basic features. So, if these neo-banks only include 'simple accounts' in their commercial offer, they are not required to go further for the payment account with basic features. It is also not a requirement that the basic account with basic features should be a different account than the normal account in the commercial offer. Hence, by offering these 'simple accounts' free of charge to all potential consumers, the neo-banks are also complying with the requirement to offer payment accounts with basic features.

Electronic money institutions offering an e-wallet

Electronic money institutions (EMIs) can offer electronic money accounts (e-wallets) that make it possible to send and receive money instantly, and that qualify as payment accounts under the PAD[17].

The value of the electronic money is prepaid by the customer into their EMI account prior to making the transfer or collected from the customer's bank account by linking it (through e.g. the debit or credit card) to the electronic money account.

EMIs are important as they provide access to financial services to those who are mobile and very often face difficulty in accessing traditional banking services, such as (im)migrants, freelancers and young people on entering a country for work purposes. More importantly, EMIs use their competitive advantage in effecting instant payments to help facilitate e-commerce.

Market drivers and commercial trends

Since 2014 the payment accounts market in the EU has been affected by several changes, which have shaped how payment accounts are used, the services linked to them and their features. The progressive digitalisation of European society, the latest technological advances, and new regulatory initiatives are all interrelated factors that have contributed to these changes. These transformations have implications for the PAD objective of facilitating financial inclusion[18].

[17] EMI's are not deposit taking entities and would, thus, not naturally need to be compliant with PAD. However, the wording of recital 12 leads to an unclear categorisation of these entities and of the requirements on them to comply. Indeed, if they offer "payment accounts through which consumers are able to carry out the following transactions: place funds, withdraw cash and execute and receive payment transactions to and from third parties, including the execution of credit transfers", they would come within a category of e-money institutions who are not exempt from PAD, contrary to the rest of e-money institutions.

[18] Financial exclusion can be defined as the "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". European Commission, *Financial services provision and prevention of financial exclusion*, 2008. https://www.bristol.ac.uk/media-library/sites/geography/migrated/documents/pfrc0807.pdf

Digitalisation of European society

As shown by the new priorities of the 2019-2024 Commission[19], the digital transition is a key phenomenon which is currently driving our everyday lives, and which needs to be capitalised on to exploit its full potential for consumers and companies alike. Artificial intelligence/machine learning (AI), big data, blockchain, high performance computing, and data sharing and data usage tools, inter alia, will have a significant impact on how different sectors will evolve, on how providers develop and on the services which they provide to their clients.

In the context of the payment accounts market, digitalisation is driving expectations for fast, frictionless, and borderless payments and services. In the context of payment accounts we will look more closely at the evolution in how consumers interact with their payment account service provider and how they make payments, as these were the most important digital trends in the payment accounts market at the time of this study.

Continued shift from branches to mobile and online banking

In the EU-28, the use of internet banking increased from 45% in 2014 to 54% in 2018[20], with the highest usage in Denmark, Finland and the Netherlands – 89%, while in Bulgaria and Romania fewer than 10% of individuals were using the Internet for their banking in 2018. In parallel, the rise of "mobile-only" neo-banks has made mobile banking more familiar to EU consumers, reassuring consumers these apps are secure. Based on a yearly European survey by ING the usage of mobile banking has grown from 38% in 2014 to 69% in 2018[21].

The same survey indicated that 70% of the respondents also access banking services by going into their main bank's branch. The number of bank branches, however, continues to shrink, falling to about 174 000 in the EU-28[22] at the end of 2018. Compared to 2017, the number of branches in the EU-28 decreased by 5.6%, or about 10 000 branches, the largest drop since the financial crisis. The countries that experienced the largest contraction in absolute terms in 2018 were Germany (-2 185), Italy (-1 920) and Spain (-1 314). Only Bulgaria added branches (+82).

In line with this evolution, payment account service providers have adapted their commercial strategies to encourage consumers to switch to digital channels by introducing specific fees for services consumed at the branch or delivery of physical documents at home. In addition, the charges for these digital services have also been increasing.

The trend to higher prices for some financial services is the result of the pressure that banks are currently under. On the one hand they are going through a number of structural changes

[19] For more information, see the European Commission's Communication on "Shaping Europe's Digital Strategy": https://ec.europa.eu/info/sites/info/files/communication-shaping-europes-digital-future-feb2020_en_4.pdf
[20] Source Eurostat - https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=isoc_bde15cbc&lang=en.

[21] ING - https://think.ing.com/uploads/reports/IIS_Mobile_Banking_-_New_Technologies_2019_FINAL.pdf.

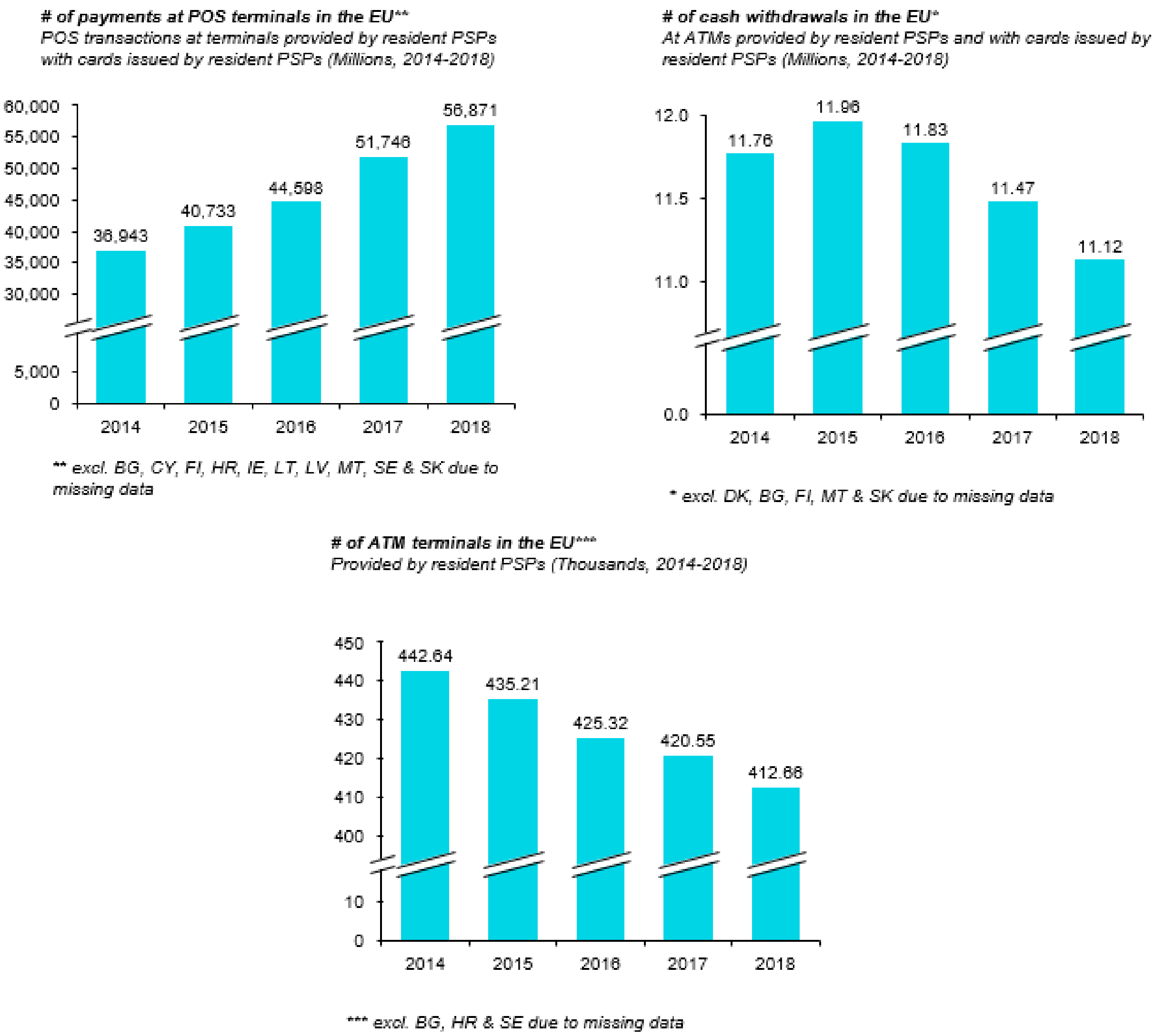
[22] European Banking Federation (EBF), *Facts and Figures, 2019*, structure and contribution of the banking sector - https://www.ebf.eu/facts-and-figures/structure-and-economic-contribution-of-the-banking-sector/.

in order to be innovative and remain competitive in the market; on the other there is a lot of pressure on interest rates. Banks are therefore looking for ways to reduce their costs and new sources of revenue, which may result in a shift and increase in prices of the financial services offered.

Increase in digital payments

While from 2014 to 2015 there was still an increase in the number of cash withdrawals, cash withdrawals have been decreasing since. At the same time the number of ATMs also decreased by 7% and is expected to further decrease with the closure of bank branches, while the number of point-of-sale payment terminals has increased significantly (Figure *2*).

Figure 2: Number of POS payments, cash withdrawals and ATM terminals in the EU

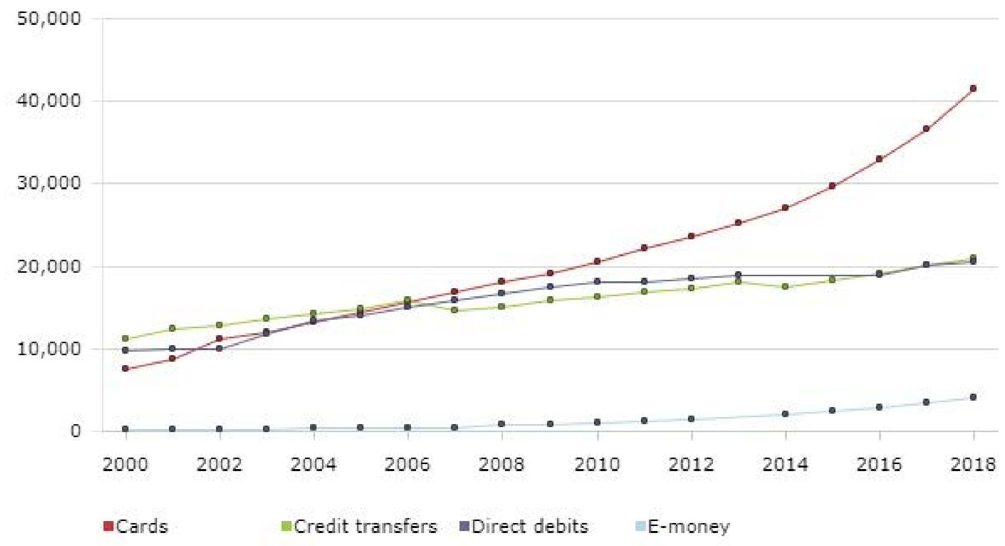


Source: Deloitte based on the EBA Consumer Trends Report 2018/19, 2019[23].

[23] EBA; EBA Consumer Trends Report 2018/19: https://eba.europa.eu/documents/10180/2551996/Consumer+Trends+Report+2018-19.pdf.

While there is a notable increase in and possible shift to digital and online electronic payment services, card payment is still the dominant payment method and the rate of increase is greater (Figure 3).

Figure 3: Use of electronic payment instruments in the euro area (number of transactions per year, in millions)



Source: ECB: https://www.ecb.europa.eu/paym/integration/retail/html/index.en.htm

Technological innovations

Technological innovations have changed the front-end devices used for financial services. Consumers can now interact with their payment account provider and make payments through a wide range of devices, such as personal computers, smartphones, tablets, wearables or voice-controlled devices.

Some examples of services that technology has made it possible to digitise and optimise include:

- **Delivery of statements and information documents through digital channels instead of on paper:** From our analysis of the services offered as part of payment accounts in the 16 sample Member States[24], we observe that all the institutions offer the possibility of receiving statements and information documents electronically, usually at a lower cost than the paper/ manual option.
- **Remote on-boarding**: Several technologies can be used for authentication:
  - **Biometrics:** Biometric payment is a technology which uses biometric means to identify a user and authorise an online payment using only a mobile device. Biometrics technology can identify a person's identity using physiological characteristics, such as fingerprint, face, palm vein and iris recognition, as well as behavioural characteristics, such as voice, gait and typing rhythms. These methods

[24] Please see section on the main features of payment accounts.

of authentication offer advantages in terms of user experience and security compared to traditional passwords that are only evidence of the user's knowledge and cannot verify the personal identity.

- **Unsupervised capture of identity document**: The customer scans or takes a photograph of their identity document and uploads it to the systems of the financial services provider. Checking the document can be manual, automated or both.
- **Cross-channel capture of identity document**: The online on-boarding application is complemented by an offline physical identification process, where the customer produces documentary evidence of their identity to the provider of the financial services, or to an approved third-party, such as a Post Office.
- **Application capture of identity document**: This is the controlled capture of the identity document through an application developed 'in-house', or an application developed by a third party, which is designed to guide the customer through the process of capturing an image of their identity document, and controlling the settings on the device to improve the image quality necessary to conduct relevant checks. These applications include the capture of the customer's face and a variety of approaches to make sure the facial image is of a live person – 'liveness test'.
- **App and NFC capture of identity document**: This is the controlled capture of an electronic identity document coupled with the reading of information from the chip embedded in the document, plus facial capture and liveness tests.
- **Video identification and capture**: This is a controlled online video identification session, currently involving human operational employees engaging with the customer, capturing evidence of identity, an image of their face and a liveness test. There are currently two approaches to the use of video ID, involving either real-time engagement with a live operational agent handling the call, or an unattended self-recorded video session that is later reviewed and validated by a live agent, or through an automated process. The approach involving live agents has delivered a very poor user experience, mostly driven by the complexity of managing the queues of incoming calls (as in a traditional contact centre), but with the customer not expecting to have to wait in the web/online channel. It also introduces significant costs for the financial institution, which is why the offline approach is gaining ground, but it requires measures to be taken to compensate for the additional risks.
- **eID**: The link is established between the prospective customer and their possession of an electronic identity token (e.g. a physical token, a mobile application, or a chip in an identity document) with the necessary level of assurance for the type of account being opened, thereby re-using evidence of a prior identification session with a trusted identity provider.
- **Personal ID Data**: Verification of the customer's identity from independent and reliable third-party sources, such as Credit Reference Agencies, where the customer's identity is assessed based on the quantity of reliable data held on file and

the link between the prospective customer and that data, reflected in quantitative form. The decision is based on automated rules and/or scores.

- **Mobile wallets**: Mobile wallets are the digital version of actual wallets. The features will differ depending on which mobile wallet consumers choose to utilise, and the version and model of their mobile phone. Although there are many different types of mobile wallet, most are multi-card wallet systems or bank mobile wallet apps provided by banks. Mobile wallets use Near Field Communication (NFC), Bluetooth or QR code technology. In addition to these types of mobile wallet, solutions such as Google Pay (previously Google Wallet) and Apple Pay also enable users to initiate payments through their mobile phone[25].

- **Instant payments**: Real-time payments are electronic retail payment solutions that are available 24/7. They result in instant interbank clearing of the transaction and crediting of the payee's account. The funds become available in the payee's account immediately after the payment has been initiated by the payer, and both the payer and recipient receive confirmation in real-time that the payment has been accepted or rejected by the recipient's bank. Instant payment services, which settle in seconds or minutes, are an industry response to changing customer expectations and, at the time of our research, services were already available in many EU-28 Member States (e.g. Belgium, Denmark, Italy, Netherlands, Poland, Spain, Sweden, and UK). The spreading of instant payments is supported by regulatory initiatives at EU level, namely EBA CLEARING's RT1 cross-border euro instant payments platform and the introduction of the Eurosystem's TARGET Instant Payments Settlement (TIPS) service.

  In parallel to there being a decrease in cash withdrawals over the past few years, real-time payments are on the rise with the potential to become the new normal in the euro area. In some countries instant payments are used by default for single transactions in online banking, while in others it is an option at an extra cost. However, the speed of implementation and adoption differs by country depending on the support of authorities and market participants, consumers' payment behaviour and the value-added services related to the instant payments (e.g. mobile payment services)[26].

Moreover, the following evolutions are also to be expected to continue in the future in the payment accounts market, although they were not at the time of this study expected to require changes to the PAD:

- The use of a "chatbox" in responding to client requests for information;
- "Smart speakers" as a new channel;

[25] European Commission, *Overview of the Fintech sector: challenges for the European players and possible policy measures at EU level*, 2019. https://publications.europa.eu/en/publication-detail/-/publication/d6b1ebc0-2379-11e9-8d04-01aa75ed71a1/language-en/format-PDF.

[26] European Central Bank, *Are instant payments becoming the new normal? A comparative study*, 2019. https://www.ecb.europa.eu/pub/pdf/scpops/ecb.op229~4c5ec8f02a.en.pdf.

- AI-personalised advice based on a customer's past transactions (e.g. spending behaviour);
- Open bank (digital) services offered by neo-banks.

Regulatory and legal developments

In parallel to technological innovation, regulation also aims to significantly improve the level of efficiency, integration and competition in the EU payments market, as well as consumer protection and security of payments[27]. The EU has been active in promoting various regulatory initiatives that have already had an impact on the payment accounts market. The following are the most important initiatives since 2014.

- **The Second Payment Services Directive (PSD2)**[28]

  A cornerstone of the attempt to establish a Single Market in financial services, the PSD2 has introduced common rules that are increasing efficiency, integration and competition in EU payment markets, inter alia by encouraging the use of innovative mobile and internet payment services. The PSD2 is disrupting the competitive edge previously held by banks in access to customers' bank account data. It obliges an account holder's bank to share account data, subject to the holder's consent, with open APIs (Application Programming Interfaces)[29]. Such obligations open up opportunities for new market players,[30] such as non-bank Fintech enterprises acting as third parties – also known as Third Party Payment Providers (TPPs)[31].

  The competitive pressure exerted by new players on incumbent banks is also pushing the latter to improve their financial services and introduce new ones, including by partnering with emerging Fintech companies. These trends affect the relationship between consumers and the payment account providers in three ways: first, consumers have access to a wider range of more personalised and innovative services than in the past; second, they can exploit the potential of digital technologies and thus take advantage of the increasingly diverse digitally-based value-added services offered by

---

[27] For a general overview of the regulatory approach to fostering competition in the financial services market: Center for Global Development, *Financial Regulations for Improving Financial Inclusion*, 2016. Available at: http://www.cgdev.org/sites/default/files/CGD-financial-regulation-task-force-report-2016.pdf.

[28] Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32015L2366

[29] See European Commission, *Overview of the Fintech sector: challenges for the European players and possible policy measures at EU level*, 2016, p. 122 and following. https://publications.europa.eu/en/publication-detail/-/publication/d6b1ebc0-2379-11e9-8d04-01aa75ed71a1/language-en/format-PDF

[30] The positive impact of the PSD2 was confirmed in interviews, where it was explained that the PSD2 was affecting the market even before full implementation of all its provisions.

[31] Either as Payment Initiation Service Providers (PISPs) or as Account Information Service Providers (AISPs).

many Fintech companies and banks; third, it is easier for consumers to use services provided by different institutions through single entry points (APIs).[32]

- **Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) Directive**

  The 5th AML/CFT Directive[33] has the following consequences for the payment accounts market:

  1. The Directive tightens the due diligence requirements for firms in relation to transactions or business relationships involving high-risk third countries. Among the additional measures, Member States might require firms to execute the first transaction through a payment account opened in the EU or in countries with comparable AML/CFT standards;

  2. The Directive abolishes anonymous bank and savings accounts. In parallel, it obliges the Member States to establish central databases allowing the identification of the natural or legal persons holding bank accounts.

- **Legal developments on consumer protection and security**

  The Retail Financial Services *acquis* has undergone some developments that increase consumer protection standards in the financial services market, leading up to the 2017 Consumer Financial Services Action Plan[34]. The following are notable examples:

  1. **PSD2** introduces strong customer authentication (SCA)[35] procedures to be implemented by financial service providers for customers using online services, through electronic means, or through channels vulnerable to fraud.

[32] See European Commission, *Overview of the Fintech sector: challenges for the European players and possible policy measures at EU level*, 2016, p. 132 and following. https://publications.europa.eu/en/publication-detail/-/publication/d6b1ebc0-2379-11e9-8d04-01aa75ed71a1/language-en/format-PDF

[33] Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and amending Directives 2009/138/EC and 2013/36/EU. https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32018L0843 . NB: As the deadline for transposition of this Directive was 10 January 2020, it was not applicable during the research for this study.

[34] COM (2017) 139 final, Consumer Financial Services Action Plan: Better Products, More Choice. Available at: https://eur-lex.europa.eu/resource.html?uri=cellar:055353bd-0fba-11e7-8a35-01aa75ed71a1.0003.02/DOC_1&format=PDF

[35] Strong customer authentication (SCA) is an authentication based on the use of two or more elements categorised as knowledge (something only the user knows), possession (something only the user possesses) and inherence (something the user is). More information can be found on https://eba.europa.eu/regulation-and-policy/payment-services-and-electronic-money/regulatory-technical-standards-on-strong-customer-authentication-and-secure-communication-under-psd2.

2. The extension of the "same charge rule" in **Regulation 924/2009**[36] to non-euro area Member States means that payment service users are not charged higher amounts for cross-border euro payments than for domestic payments in national currency, and introduces transparency measures to allow consumers to take informed decisions on foreign exchange conversion rates.

3. The **Court of Justice of the EU** (CJEU) has delivered several judgments on the interpretation of consumer protection rules in financial services, namely on the fairness of mortgage contracts,[37] on credit information duties,[38] and the creditworthiness assessment of customers[39]. In addition, in October 2018, the CJEU delivered its judgement on the interpretation of the term 'payment account' in the PSD and PSD2[40]. In this case, the Court looked at the definition of the PAD and adopted the same determining criterion, i.e. the ability to execute and receive daily payment transactions to and from a third party without an intermediary account, thus reinforcing the coherence between the PAD and PSD2. In 2017, the CJEU also clarified the concept of 'providing information on a durable medium'[41], in particular on the use of the customers' e-banking mailbox. In the same ruling, the CJEU clearly noted the difference between 'making information available' and 'providing information'. This could be relevant in the light of Articles 4 and 5 PAD on the requirement to provide the FID and SOF to consumers.

Financial inclusion

A number of implications for the financial inclusion of consumers stem from the changes described above, as payment accounts are deemed an essential product to enable people "to lead a normal social life in the society in which they belong". As underlined by representatives of consumer organisations during the expert workshop, financial inclusion is an aspect of social inclusion in the EU, where, for instance, it is necessary to have a payment account in order to receive wages, pensions, replacement income and social benefits. Financial exclusion

[36] Regulation (EC) No 924/2009 of the European Parliament and of the Council of 16 September 2009 on cross-border payments in the Community and repealing Regulation (EC) No 2560/2001. https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32009R0924

[37] Case C-415/11 *Aziz* v *Catalunyacaixa*.

[38] C-42/15 *Home Credit Slovakia, a.s.* v *Klára Bíróová*.

[39] C-449/13 *CA Consumer Finance* v *Bakkaus and others*.

[40] C-191/17 *Bundeskammer für Arbeiter und Angestellte* v *ING-DiBa Direktbank Austria Niederlassung der ING-DiBa AG.*

[41] C-375/15 *BAWAG PSK Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse AG* v *Verein für Konsumenteninformation*.

has an impact on people's ability to be part of the economic system and their ability to access goods and services smoothly compared to people with an account.[42]

A paper published by the Basel Committee on Banking Supervision argues that digital finance can improve access to financial services to under-served groups. "The promise of digital finance to reach scale, reduce costs and, if coupled with the appropriate financial capability, broaden access is unprecedented. Financial services could be provided to more people with greater speed, accountability, and efficiency."[43] By offering payment accounts that are free (or nearly free) of charge and easy to open and to use through a mobile application, neo-banks appeal to young, digital-savvy people. Moreover, their cross-border business model makes neo-banks' payment accounts attractive for people travelling abroad.

However, as discussed during the expert workshop, although Fintechs offer 'simple' accounts at very low prices, these do not seem to have increased financial inclusion, as cost is not the only barrier to financial inclusion – financial literacy, physical condition and trust in financial institutions were mentioned as other key elements. There is therefore debate on the extent to which digitalisation creates opportunities for financial inclusion. As underlined by representatives of consumer organisations during the expert workshop, the elderly, less digital savvy individuals, people without access to mobile phones or the internet, or people not able to use digital devices independently might suffer from more exclusion due to limited access to payments infrastructure, fewer bank branches and ATMs, and increased costs for manual transactions. The EBA *Consumer Trends* report[44] also underlines the possible barrier that the reduction in the number of ATMs might represent for vulnerable populations or people living in remote/rural areas in their access to financial services.

One possible solution mentioned by both sector and consumer organisations during the workshop is the mutualisation of services to share costs and ensure the provision of minimum services for vulnerable people (potentially supported by intervention/initiatives by public authorities).[45]

A study by Middlesex University London, focusing on users with disabilities in Estonia, Italy and the UK, shows a mixed picture of the impacts of digitalisation on access to financial services. Whereas it acknowledges that, if implemented carefully, digitalisation creates opportunities for vulnerable people across the European Union, it observed some limits in accessibility of digital services for people who are not able to use new digital devices

[42] Miguel Ampudia, Michael Ehrman, *Financial inclusion: what's it worth?* Working Paper Series, No.1990, 2017, European Central Bank. https://www.ecb.europa.eu/pub/pdf/scpwps/ecbwp1990.en.pdf.

[43] BIS, *Sound Practices: Implications of fintech developments for banks and bank supervisors*, 2018. https://www.bis.org/bcbs/publ/d431.pdf.

[44] op.cit.

[45] While this potential solution is mentioned in this report because it is considered interesting, it is not part of the aim of the study. For this reason, it will not be taken into account in the recommendations.

independently and thus require the involvement of a third party[46]. In the light of this, representatives of consumer organisations suggested that financial institutions should test the design of new digital tools with vulnerable people before their launch/deployment[47].

Bearing in mind these considerations, we observe that the share of EU citizens with at least one bank account. This increased from 87% in 2011 and 91.6% in 2014, to 92.4% in 2017. However, the extent of penetration varies by Member State, as the figure ranges from only 58% in Romania to 100% in Denmark, Finland, the Netherlands and Sweden[48].

Deep dive: the case of Romania

A *Financial Sector Assessment* report published by the World Bank and the IMF in 2018[49] investigates the issue of financial inclusion in Romania. In particular, it observes that:

- Only 22% of adults are financially literate, significantly lower than the figure for their peers.[50] Furthermore, 48% of adults mistrust the financial system. Trust dropped dramatically during the financial crisis and had not fully recovered.
- Access to financial services is supported by 3 000 credit unions serving employees (about 1.2 million members out of a total estimated of 4-5 million) and pensioners (about 1.4 million members out of a total estimated 5 million). They are non-deposit taking institutions funded through the members' social funds (member contributions) and mainly provide short-term small loans to individuals.
- Bank branch networks have been declining since 2008, and in 2016 there were 27.9 branches per 100 000 adults, lower than that of the peer countries;
- While the usage of digital payments is progressing and public authorities have put in place several initiatives to encourage it, it is still lagging by comparison with Romania's peers.

The Law on Comparability of Payment Account Fees, Change of Payments Accounts and Access to Basic Payments Accounts of 2017 (transposing EU Directive 2014/92/EU) introduces zero-fee accounts for vulnerable consumers, which in Romanian legislation are defined as those with salary levels lower than 60 percent of the average salary (about 50 percent of consumers). This law is thus expected to enhance inclusion. However, the report

[46] Middlesex University London, *Study on risks and opportunities of digitalisation for financial inclusion*, https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/fsug-study-181001-digitalisation-financial-inclusion_en.pdf.

[47] While this potential solution is mentioned in the report because it is considered interesting, it is not part of the aim of the study. For this reason, it will not be taken into account in the recommendations.

[48] The Global Findex Database, World Bank, 2017. The data are collected in partnership with Gallup, Inc., through nationally representative surveys of more than 150,000 adults in over 140 economies. The margin of error varies from country to country and it is 3.4%-3.9% for EU Member States. https://globalfindex.worldbank.org/

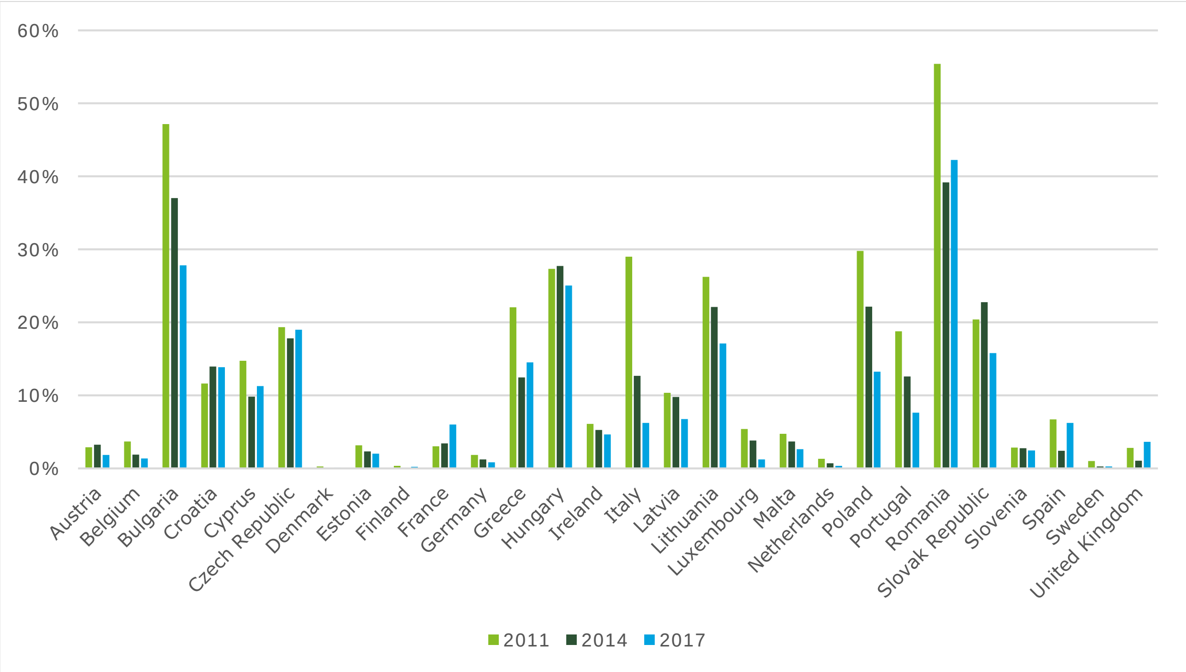
[49] World Bank – IMF *Financial Sector Assessment: Romania,* July 2018. http://documents.worldbank.org/curated/en/658491532921446622/Romania-Financial-Sector-Assessment. This report gives 60.8% as the figure for the number of people with bank accounts.

[50] Bulgaria, Croatia, Hungary, and Poland.

also highlights the possibility that this may have adverse side-effects, such as higher interest rates / fees for other clients, or the acceleration of banks' retrenchment from rural areas[51].

The Member States where the share of unbanked population has decreased most since 2014 are Bulgaria (-9 pp), Poland (-9 pp), Slovakia (-7 pp), Italy (-6 pp), Lithuania (- 5 pp) and Portugal (-5 pp). There are a number of likely reasons for this trends, from an increase in governments digitising payment pay-outs to an increase in consumers' financial literacy or an increase in the country's wealth. However, over the same period, the share of unbanked people reported by the *Global Findex Database* increased in Spain (+4 pp), France (+3 pp), UK (+3 pp), Romania (+3 pp), Greece (+3 pp), Cyprus (+1 pp), and Czechia (+1 pp). Overall, it seems that the main decreases in the proportion of unbanked came from countries which had a wider margin for improvement, while countries with longstanding high banking rates and which mainly have room to increase the number of unbanked have indeed done so. However, in the case of the increases, these are all within the statistical margin of error. Therefore, while on average the unbanked population in the EU has decreased, the situation remains disparate across the EU-28[52].

Figure 4: Unbanked individuals EU-28 (aged 15+)



Source: Deloitte based on Global Findex Database

[51] World Bank, IMF Financial Sector Assessment Program, *Financial Sector Assessment: Romania,* July 2018. http://documents.worldbank.org/curated/en/658491532921446622/Romania-Financial-Sector-Assessment

[52] *Global Findex Database*, World Bank, 2017. Margin of error between 3.4 and 3.9%. https://globalfindex.worldbank.org/

The global gap in account ownership between richer and poorer has changed little since 2011[53]. On average, high-income economies do not have a large gap in account ownership between richer and poorer adults. But a few EU Member States are exceptions, including Bulgaria, Croatia, Czechia, Hungary, Slovakia and Romania, all of which had a double-digit gap between adults in the richest 60 percent of households and those in the poorest 40 percent in 2017. France, Germany and the UK had no rich-poor gap in account ownership; in Italy it reduced from 14% in 2011 to 5% in 2017.

The data reported in the Findex Database suggests that education is a key driver of the gaps, as a similar gap in the level of account ownership is reflected in the account ownership of people with primary *versus* secondary education. Similarly, people living in rural areas show lower levels of account ownership.

When asked about the reasons for not having an account, the majority of unbanked people in Bulgaria, Greece, Romania and Slovakia mentioned an insufficient level of income or the fact that financial services are too expensive as the main barriers. Other important factors are the lack of trust in financial institutions (especially in Bulgaria, Cyprus, Czechia, Hungary and Romania), the fact that financial institutions are too far away (especially in Bulgaria, Hungary and Slovakia) and the fact that another person in the family has an account (especially in Greece and Slovakia). The lack of the necessary documentation to open an account (e.g. identity card, wage slip, etc.) was reported as one of the main barriers by around 30% of respondents in Greece and Poland.[54]

These elements are also confirmed by the findings of the European Banking Authority (EBA) in its *Consumer Trends* report[55]. Indeed, that document highlights the substantial share of the population aged 15 or over with a payment account in most EU countries (90%), but underlines the possible issues arising from the level of account management fees, and the refusal and blocking of accounts by financial institutions. In addition to the cost of such accounts, other factors leading to variations include the specific need (or lack thereof) to use payment accounts. The level of education and age emerge as key determinants: residents with a lower level of education and/or older in age are less likely to hold a payment account. This is in line with our observations that the changes in the market have facilitated the financial inclusion of young and digital-savvy consumers.

Indeed, in today's financial context, where increasingly more complex products and services are emerging every day, (financial) literacy and education are increasingly determinants of consumers being able to make informed decisions. Currently, consumers' level of understanding of financial matters has been assessed as low by a number of international

[53] *Global Findex Database*, World Bank, 2017. Margin of error between 3.4 and 3.9%. https://globalfindex.worldbank.org/

[54] Global Findex Database, World Bank, 2017; https://globalfindex.worldbank.org/

[55] EBA, *EBA Consumer Trends Report 2018/19*, 2019. https://eba.europa.eu/-/eba-publishes-consumer-trends-report-for-2018-19.

studies[56]. In the EU, the potential vulnerable population groups, i.e. who may need specific attention in accessing and understanding financial information, were identified as the following: the elderly, migrants, consumers with low levels of education and/or income, young people, and the unemployed[57].

In order to facilitate financial inclusion, the PAD establishes a right of access to a payment account with basic features for all consumers, including low income consumers and people "with no fixed address and asylum seekers, and consumers who are not granted a residence permit but whose expulsion is impossible for legal or factual reasons"[58]. In section 4.2.3 we investigate whether the provision of accounts with basic features has contributed to increasing the financial inclusion of these categories.

4.1.2 Main features of payments accounts in the selected Member States

In this section we provide an overview of the types of account offered by the five main institutions offering payment accounts in the 16 selected Member States. A detailed list of services offered by the five main institutions offering payment accounts in the 16 selected Member States as part of the standard payment account[59] and as part of the basic account[60], as well as of the features and the costs is in Annex F. The information is based on data retrieved in October 2019 from the following documents available on the websites of the five largest institutions:

- Fee Information Document (FID) for each type of account (when available);
- Additional pricing information, to be read together with the FID (this document can have several formats, e.g. a pricing list for the account, a pricing list for accounts in general, a pricing list for daily banking, a pricing table included in the terms and conditions of the account...)

[56] See for example, Leora Klapper, Annamaria Lusardi and Peter van Oudheusden, Financial Literacy Around the World: Insights from the Standard and Poor's Ratings Services Global Financial Literacy Survey: McGrawHill Financial (2015); https://responsiblefinanceforum.org/publications/financial-literacy-around-the-world-insights-from-the-standard-poors-ratings-services-global-financial-literacy-survey/;), *Financial Education in Europe: Trends and Recent Developments,* OECD (2016); https://www.oecd.org/education/financial-education-in-europe-9789264254855-en.htm/; *When will the penny drop?, International Pension Papers 1/2017*, Allianz (2017); https://gflec.org/wp-content/uploads/2017/01/Allianz-international-pensions-financial-literacy-2017-report.pdf?x74219.

[57] EBA, *EBA Consumer Trends Report 2018/19*, 2019. https://eba.europa.eu/-/eba-publishes-consumer-trends-report-for-2018-19.

[58] PAD, Article 16.

[59] Payment account offered to the average consumer and most commonly used, as defined in Article2(3) Directive 2014/92/EU (PAD).

[60] Payment account with basic features compliant with Article 17 Directive 2014/92/EU (PAD).

A list of the most representative payment services for each Member State has been used to interpret the concepts used in the FID, as the definition of a payment service in a given Member State can entail certain conditions/limitations on that payment service.

Nonetheless, the exercise of interpreting and comparing the data proved to be difficult, as the level of detail of the information provided and the way it is presented differs among Member States and among institutions. For example, some institutions present the fees linked to the account as a ”fixed price” with a set of other linked services described as “free” (instead of “included”). Other institutions present the account as “free” but ask for a fee “to maintain the account”. In addition, although the list of services we developed to make comparisons between payment accounts is limited to 26 services and includes the eight services defined as the most representative in the PAD[61], we were not always able to find information on all of them.

To ensure a representative comparison, we did not consider certain specific offers that are not available to the average consumer. These are personalised offers (that are only available to certain specific consumers under specific conditions), offers dedicated to specific target groups of consumers (e.g. offers that are directed to consumers within a certain age category, within a certain profession) or offers limited to a specific time period (e.g. offers that have a price advantage if the account is opened within a certain timeframe).

Types of payment account offered in the selected Member States

As Table 2 below shows, based on our desk research, all five institutions in all the Member States offer standard payment accounts and payment accounts with basic features. In some cases, notably Finland, Ireland, Latvia, Luxembourg, Netherlands and Sweden, there is no distinction between the two, as the standard account was deemed to satisfy the requirements of the basic account (both in terms of services and price).

Accounts targeting young people and/or students are very popular and usually offer favourable conditions. In some cases, institutions offer specific payment accounts targeting young people under 18 years old (teen-accounts). In Member States where no specific accounts for young people are offered (e.g. Finland), there are discounts and reduced prices on standard accounts for this category of consumer. Payment accounts targeting the elderly or pensioners are available only in four Member States: Bulgaria, Czechia, Italy and Poland.

Despite the increasing competition from neo-banks, banks among the five main institutions which offer “pure” digital accounts are the exception, and can be found only in Belgium, Italy, Luxembourg, Netherlands and Spain. Digital channels (i.e. internet and mobile channels) are included in all the standard accounts reviewed and the institutions encourage their use by applying lower fees to the transactions operated through digital channels compared to those operated through manual channels (on paper or at the branch).

[61] https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018R0032&from=EN.

Table 2: Overview of the types of account offered by the five main institutions in the Member States

Member State	Standard account	Basic account	Account for young people / student	Account for elderly / retired people	Digital account
BE	🟢	🟢	🟡	🔴	🟠
BG	🟢	🟢	🟡	🟡	🔴
CZ	🟢	🟢	🟡	🟡	🔴
FI	🟢	🟢	🔴	🔴	🔴
FR	🟢	🟢	🟢	🔴	🔴
DE	🟢	🟢	🟡	🔴	🔴
EL	🟢	🟢	🟡	🔴	🔴
HU	🟢	🟢	🔴	🔴	🔴
IE	🟢	🟢	🟡	🔴	🔴
IT	🟢	🟢	🟢	🟡	🟠
LV	🟢	🟢	🟡	🔴	🔴
LU	🟢	🟢	🟡	🔴	🟠
ND	🟢	🟢	🟡	🔴	🟠
PL	🟢	🟢	🟡	🟠	🔴
ES	🟢	🟢	🟢	🔴	🟢
SE	🟢	🟢	🟢	🔴	🔴

🔴 = None of the 5 offers it 🟠 = 1-2 institutions offer it 🟡 = 3-4 institutions offer it 🟢 = All 5 institutions offer it

Source: Deloitte, Website review of the five largest credit institutions per Member State in scope

Main features of standard payment accounts in the selected Member States

The analysis of the services linked to the standard payment accounts in the 16 Member States[62] shows that there are some commonalities across all Member States.

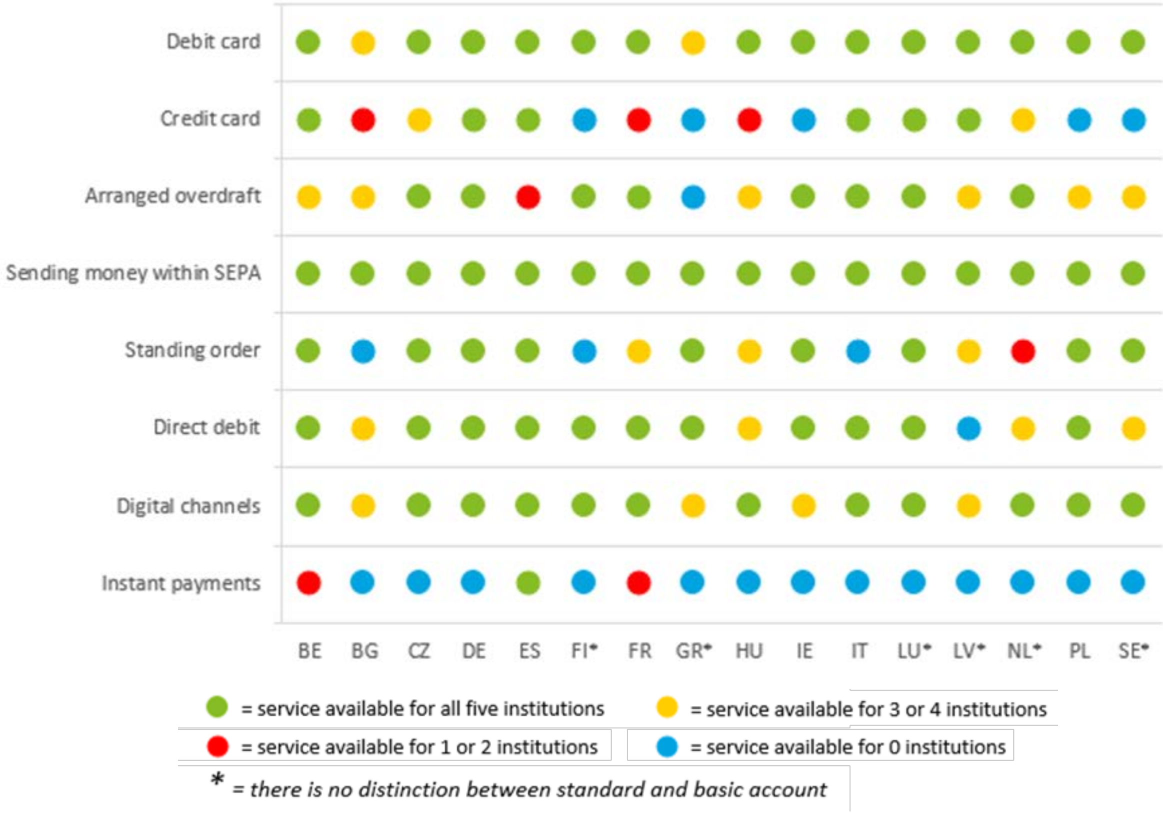
The main differences relate to:

- whether the standard accounts are offered as packages or not (i.e. different services relating to the payment account are included in one single price);
- whether debit and credit cards are included;
- whether other services, such as arranged overdrafts, direct debit or standing orders are included;
- whether instant (real-time) payments are available.

The services linked to each type of account tend to depend on the Member State. Financial institutions in some Member States (e.g. Belgium, Finland, Czechia, Italy) tend to offer “pre-defined” packages at a fixed cost, bundling or tying the payment account with other payment-related products (e.g. debit and/or credit card). In other cases, the various products are offered separately and there is a cost associated with each.

[62] Please see tables in Annex F.

Table 3: Overview of the main services available with standard payment accounts[63]



Source: Deloitte, Website review of the five largest credit institutions per Member State in scope

Consumers are increasingly tending to use cards[64]. While debit cards are usually included in the standard package (for free or at extra cost), credit cards are not always available for this type of account. In these cases, they are available only with "premium" accounts. The Member States where credit cards are made available (usually at extra cost) by all five institutions as part of the standard account are: Belgium, Germany, Italy, Latvia, Luxembourg and Spain.

As our analysis of market trends showed, instant payments are spreading across Europe and there are institutions offering this type of service in the following Member States: Belgium, Germany, Greece, Ireland, Italy, Latvia, Netherlands, Poland, Spain and Sweden. However, this service is hardly mentioned in the institutions' FIDs and price lists. Spain is the exception.

Main features of payment accounts with basic features in the selected Member States

The features of the basic accounts differ substantially among Member States as the requirement to offer an "account with basic features" has been interpreted in different ways: whereas some institutions do not distinguish between a standard and basic account, hence offering the same services as part of both (e.g. in Finland, Greece, Latvia, Luxembourg,

[63] Both services included in the fixed price and those that can be purchased at an extra cost or which require a fee per transaction.

[64] Please see section on market drivers above.

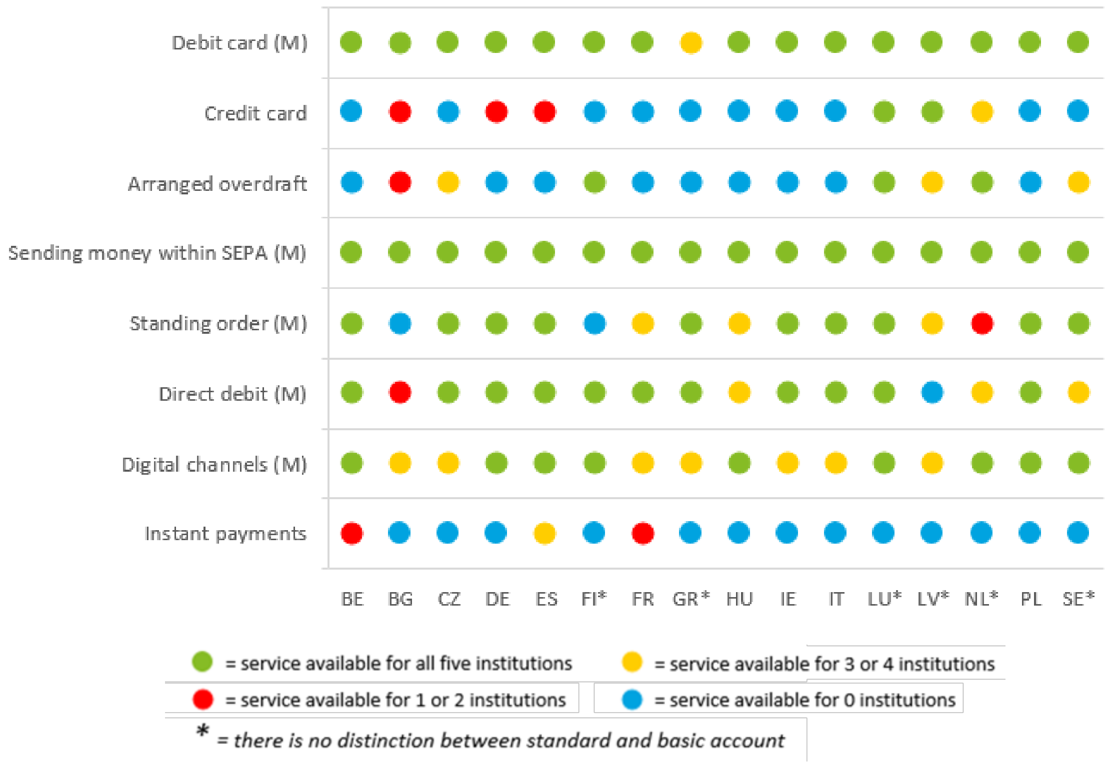
Netherlands and Sweden), other institutions offer only a restricted set of services and number of transactions, as envisaged by national legislation (e.g. in Belgium, Italy and Poland). In the former cases, Member States have deemed the characteristics of the standard payment account sufficient to cover the basic needs of consumers. In the latter cases, the account with basic features has been conceived as an ad-hoc product. As a consequence, the level of service available for this type of account varies considerably. The least comprehensive is Italy's (because only a limited number of operations are available). Where there is no distinction between the basic and the standard account, and the latter is a modular offer, more services can be added to the basic account at an extra cost.

As Table 4 shows, providing a debit card and sending money within the EEA are the two most common shared features, although the fees linked to these services can vary. In some cases, providing a debit card is included in the fixed price, while in others there is an extra charge. In some cases, a number of transactions to send money within the EEA is included in the fixed price (e.g. the first 36 transactions per year in Belgium, the first 6 per month in Italy, the first 5 per month in Poland); in others, only transactions through electronic channels or to the same bank are free.

Providing a credit card and an overdraft facility are services that are not usually linked to a basic account, except in Latvia where all the five institutions include both.

Digital channels are available as part of the features of a basic account in all 16 Member States. So are direct debits, but from a lower number of banks in total.

Table 4: Overview of the main services available with payment accounts with basic features[65]



(M) = this service is mandatory under the Directive as part of a payment account with basic features as long as it is part of the normal offer of the PSP

Source: Deloitte, Website review of the five largest credit institutions per Member State in scope

There are three situations where none of the five largest banks in a Member State offer one or more of the services that are mandatory as part of payment accounts with basic features:

- In Bulgaria, standing orders are not offered as part of payment accounts with basic features;
- In Finland, standing orders are not offered as part of payment accounts with basic features;
- In Latvia, direct debits are not offered as part of payment accounts with basic features.

However, when looking at the standard accounts for these Member States, it appears that these services are also never offered as part of a standard account. Article 17, paragraph 1 of the PAD provides that the mandatory services for payment accounts with basic features only need to be offered if the banks also offer these services as part of their standard payment accounts. This explains why in the three cases mentioned above these services are not offered as part of the payment account with basic features in these Member States.

According to our analysis of market trends, instant payments are spreading across Europe and there are institutions offering this type of service in the following Member States: Belgium,

[65] Both services included in the fixed price and those that can be purchased with an extra cost or which require a fee per transaction.

Germany, Greece, Ireland, Italy, Latvia, Netherlands, Poland, Spain and Sweden. However, this service is hardly mentioned in the institutions' FIDs and price lists. Spain is the exception.

4.1.3 Fee levels in the selected Member States for payment accounts falling within the scope of the Directive

This section provides an overview of the fee levels of standard payment accounts and payment accounts with basic features in the different Member States that are the subject of this study.

The fee levels shown below refer only to fixed costs[66]. Variable costs can impact the total cost of the accounts differently as the use of the services triggering the costs depends on the consumer's profile; they can also be calculated in different ways (fixed amount per transaction or a percentage of the value of the transaction) and can change depending on the means and channels used (electronic vs. paper, online vs. through ATMs vs. at the counter, etc.) Therefore, we did not consider variable costs for the purpose of this comparison.

To ensure a representative comparison, we did not consider certain specific discounts that are not available to the average consumer, e.g. discounts dedicated to specific groups of consumers (e.g. to young people), limited to a specific period (e.g. if the account is opened within a certain timeframe) or special conditions (e.g. valid for the first year from opening the account).

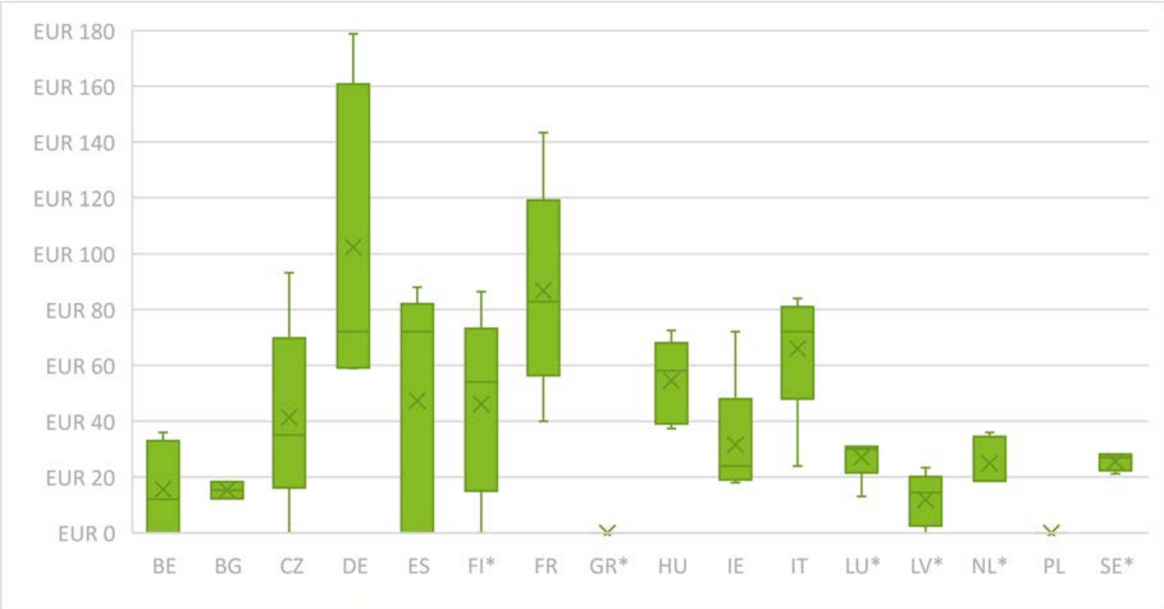
The box-and-whisker diagrams in Figure 5 and Figure 6Figure 1 depict five-number summaries for the sample of banks in 16 Member States. The top and bottom points marked by a dash ("—") correspond to maximum and minimum-priced accounts. The solid-coloured box provides the range of observations within the first and third quartiles. The line shows the median, while the cross shows the mean.

Fee levels for standard payment accounts offered in the selected Member States

Figure 5 shows very different prices both within and between Member States. We can distinguish two groups, one with lower fee levels (Belgium, Bulgaria, Czechia, Ireland, Latvia, Luxembourg, the Netherlands, Poland, Spain and Sweden), and one with higher fee levels (Finland, France, Germany, Hungary and Italy). The differences across Member States suggest that the payment accounts market is mainly national.

[66] In some cases, this corresponds to the fixed fee linked to the package of services; in other cases, it corresponds to the cost of maintaining the account. If an extra fee is required for a debit card, this fee has been added. Details of the services included in each account is in the tables per country in Annex F.

Figure 5: Fixed fees for maintaining a standard account (including a debit card) in 16 selected Member States – EUR/year



*** = There is no distinction between standard payment account and payment account with basic features.**

Source: Deloitte, Website review of the five largest credit institutions per Member State in scope

A 2018 Deloitte study on the fee levels applying to transactional services in seven Member States showed a similar situation.[67] The study analysed 120 different services (both through manual and digital channels) offered by four institutions (including one Fintech) in France, Germany, Italy, Netherlands, Portugal, Spain and UK and considered average customer behaviour. The results showed that the price of banking services varied from EUR 181 in Germany to EUR 20 in UK. Current account management and maintenance constitutes the largest proportion of the price in France, Germany and Portugal, while the provision of a credit card is the most expensive service in Italy and the Netherlands. However, variable costs such as cash withdrawals and transfers (paper or online) can also represent a significant cost for the average consumer.

Neo-banks' offering does not distinguish between country of residence within the EU, thus fees are the same for everyone. They thus in theory leverage and contribute to the creation of a single market for payment accounts. However, they are not yet major players and are not equally active in all Member States (e.g. according to interviewees, their presence in Bulgaria and Hungary is almost insignificant) and traditional institutions do not see them as direct competitors.

[67] Deloitte, *Estudio sobre los Servicios Bancarios en España en el contexto europeo*, 2018. https://www.ceca.es/wp-content/uploads/2018/07/20180723_Presentaci%C3%B3n-final-del-informe_vp12.pdf.

Although it is not possible to make an exact comparison between these fee levels and those reported by a study for the European Commission in 2009[68] because a different methodology was used[69], it is worth noting that the relative position of the countries is similar. There are some exceptions, namely: payment accounts in Latvia and Spain seem to be cheaper now than in 2009 compared to other countries, while Germany seems more expensive than other countries (with the most expensive standard account offered at around EUR 95). In general, representatives of credit institutions and consumer organisations interviewed in the Member States thought that the fee levels on payment accounts have not dropped in recent years, even though the new market entrants have increased competition in the market[70].

The fact that fee levels didn't decrease, can be due to an improvement in the quality and/or variety of services offered by traditional credit institutions, which can account for the absence of variation in fee levels. It could also be due to the fact that consumers have a tendency to remain loyal to a specific bank for different reasons (e.g. because it is their family bank, because they have their loan contracts and credit products with that bank, because they perceive that it is difficult to switch, etc.)

The degree of approximation of fee levels within a single Member State is also variable, with Czechia, Germany, Finland, France, and Spain displaying the largest delta between the highest and the lowest price. In these Member States, other factors, in addition to the price, may play a role in consumers' decision whether to switch their payment accounts to PSPs offering a cheaper product. These may include differences in services, bundling with other products, characteristics of the PSP, such as presence of a branch in the vicinity, etc.

Standard accounts with zero fixed fees are offered by at least one of the main credit institutions in Belgium, Czechia, Luxembourg, Poland, and Spain. Digital standard accounts are usually free of charge, irrespective of whether they are offered by traditional credit institutions or by neo-banks.

The fee levels for payment accounts with basic features offered in the selected Member States

Art. 18 par. 1 of the PAD states that basic bank account must be offered "free of charge or for a reasonable fee". The reasonable fee is to be set taking into account "national income levels" and "average fees charged" for payment accounts in the Member State. In the light of this, the Member States have chosen one of the following solutions:

- Prohibition on charging a fee. Thus the fee for the basic account is zero by law (although there might be a limit on the number of transactions included, as in Poland);
- A limit to the fee in general language – i.e. simply referring to it as having to be "reasonable". In this case the fee is set by the credit institution and consumers can claim unreasonableness before a court;

[68] European Commission, *Data collection for prices of current accounts provided to consumers, Final Report,* 2009. https://www.ceps.eu/download/publication/?id=8008&pdf=prices_current_accounts_report_en_0.pdf

[69] Among others, variable costs were also considered in the previous study.

[70] Please see section on market drivers.

- A precise limit to the fee or precise parameters for calculation of the fee to be established by the National Competent Authority.

Table 5 below shows how these rules are applied in the 16 Member States.

Table 5: Rules governing the fees linked to basic accounts

Member State	Precise limit to fee or precise parameters to calculate fee	Prohibition on charging a fee	Limit to the fee in general language - "reasonable"
Belgium	X		
Bulgaria	X		
Czechia			X
Finland			X
France		X	
Germany			X
Greece	X		
Hungary	X		
Ireland[71]		X ↔	X
Italy[72]	X	X	
Latvia			X
Luxembourg			X
Netherlands			X
Poland		X	
Spain[73]	X	X	
Sweden			X

Source: Deloitte, Stakeholder interviews

In practice, looking at the fee levels for the Member States where there is freedom to define the fee for the account with basic features (third category in the table above), a distinction can be made between the following situations:

- Member States where the payment account with basic features is the same as the standard account, and hence offered at the same price: Finland, Latvia, Luxembourg, the Netherlands and Sweden.
- Member States where the payment account with basic features is not the same as the standard account:

[71] In Ireland it is free of charge for the first 12 months, after which a reasonable fee may be charged if the account turnover is higher than the income of a full-time job at the national minimum rate of pay.

[72] Free for consumers with an income of less than EUR 18 000 EUR per year or a pension of less than EUR 24 000 per year.

[73] Free for consumers deemed to be in a special situation of vulnerability or at risk of financial exclusion. This is defined based on specific thresholds on the consumer's gross income and wealth (e.g. real estate), on an annual basis and per household.

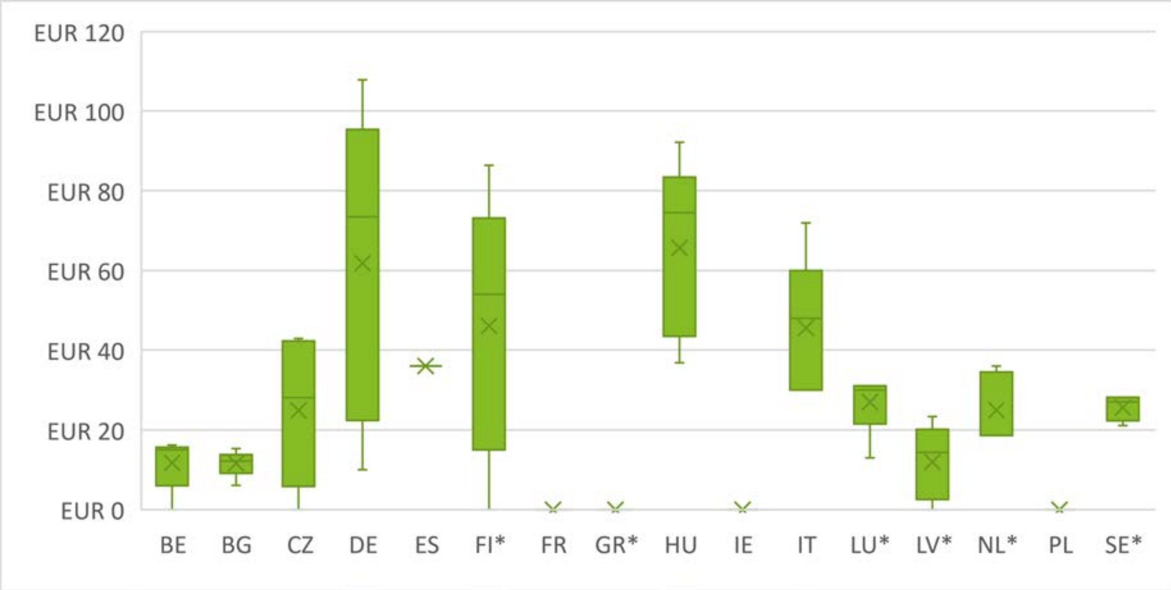
- in Czechia, the price of the payment account with basic features is generally lower than the price for a standard account, except for one case where the standard account is offered free and the payment account with basic features is offered at a reasonable price;
- in Ireland, the price of the payment account with basic features is zero during the first two years of the account ownership; after that, a fee will be charged depending on whether or not the client belongs to a category of vulnerable consumers;
- in Germany, the price for the payment account with basic features is in some cases lower than that of the standard account, but in some cases higher. In Germany, the fees linked to these basic accounts can exceed EUR 100 per year[74]. It appears that "a reasonable fee" is currently being interpreted as a fee that allows credit institutions to cover their costs as well as make a small profit.

The PAD provides two criteria for the Member States to establish what constitutes a "reasonable charge" for a basic payment account according to national circumstances[75], so it is not surprising that there are differences in the pricing of payment accounts with basic features across and within the different Member States.

[74] A case was brought by a German consumer association against the Deutsche Bank, which lost in the lower court and on appeal to the Higher Court Frankfurt/Main. Deutsche Bank had been charging EUR 8.99 per month for the basic account plus EUR 1.50 for a paper-based transfer. The Court ruled that the price clause was not reasonable because it did not take the consumer's behavior into consideration(OLG Frankfurt/Main, Judgment of 27.02.2019, Az 19 U 104/18. The judgment is not final as the Senate of the Court has approved consideration by the Federal Court of Justice. Please see: https://ordentliche-gerichtsbarkeit.hessen.de/pressemitteilungen/preisklauseln-f%C3%BCr-basiskonto-unangemessen).

[75] Article 18.3 of the PAD provides that: "Member States shall ensure that the reasonable fees (…) are established taking into account at least the following criteria:
(a) national income levels;
(b) average fees charged by credit institutions in the Member State concerned for services provided on payment accounts.

Figure 6: Fixed fees for maintaining a basic account in 16 selected Member States (disregarding special conditions for specific categories) – in EUR/year



**** = there is no distinction between the standard payment account and the payment account with basic features.***

Deloitte, Website review of the five largest credit institutions per Member State in scope

Conclusions on fee levels in the selected Member States

When looking at the fixed **fee levels linked to a payment account** (i.e. fees to maintain the account and to have a debit card), we note **different fee levels** not only between Member States, but also within the same Member State. This applies both to standard payment accounts and payment accounts with basic features. The gap can be as wide as EUR 85 within a single Member State between the cheapest offer and the most expensive.

There are a number of reasons why consumers do not switch their payment accounts to credit institutions with a cheaper offer, including differences in the service offering (including convenience of the location of physical branches), lower interest rates on mortgages, feeling tied to loan or other banking products and the characteristics of particular credit institutions.

In the case of the **fee levels linked to accounts with basic features**, the selected Member States have adopted **different approaches** (e.g. prohibition on charging a fee, specific parameters to set the fee, freedom for the credit institutions to set the fee provided that it is "reasonable").

Member States therefore fall into three groups in relation to the way the fees for these accounts are set: those where the payment account with basic features needs to be offered free of charge (always or under specific circumstances); those where banks have the discretion to define a reasonable price for these accounts and Member States where precise limits or parameters for defining the fee have been imposed. However, the fee levels in the latter two groups of Member States are relatively similar (with some exceptions). Overall, therefore, this results in significant **divergences in** the fees charged in the different Member States (ranging from none per year to EUR 106 per year).

4.2 Achievement of the objectives of the Payment Accounts Directive (Effectiveness)

In line with the Better Regulation Guidelines, the analysis of the effectiveness of the PAD needs to be based on the comparison between the objectives laid down in the legislation and the extent to which these have been achieved after implementation of the provisions. Effectiveness aims to define the extent to which objectives are met both from a strategic and an operational point of view. In this section, we focus on effectiveness from an operational point of view, and the impact on the specific objectives, as this assessment is more tangible and can be evaluated even in the short timeframe since the application of the Directive (while strategic results are more likely to arise in the long term). Nonetheless, due to the causal linkages between the different levels of objectives (operational objectives support the achievement of specific objectives which, in turn, contribute to achieving the general objectives), the assessment of the achievement of the specific objectives provides input to resolve the achievement of the general/strategic objectives.

As shown in Figure 1: PAD Intervention Logic, the 2014 specific objectives were:

- To ensure consumers are able to compare bank fees;
- To enable consumers to open and switch accounts easily;
- To enable consumers to open accounts with basic features.

Each of these aspects is analysed in the following sections. In addition, more general results deriving from the operational objectives will be investigated in the sub-section on expected and unintended changes.

4.2.1 Enable consumers to compare bank fees

As mentioned previously, there were delays in transposing the Directive and certain measures were not yet applicable in all countries at the time of the analysis. This is particularly relevant for the current section, which concentrates on the four main measures that were defined as part of the PAD in order to increase the ability of consumers to compare bank fees and improve transparency, namely the development and introduction of:

- Standardised terminology;
- FIDs;
- SOFs;
- Comparison websites.

The table below provides an overview of the measures and an overview on whether or not they were already in force when desk research was completed in October 2019, or when they will enter into force.

Table 6: Dates of availability of standardised terminology, FID, SOF and comparison website

Member State	Standardised terminology	Deadline for FID	Deadline for first SOF	Comparison website
Belgium	In force	In force	January 2020	In force
Bulgaria	In force	In force	In force	In force
Czechia	In force	In force	In force	In force
Finland	In force	In force	January 2020	In force
France	January 2020	January 2020	January 2020	In force
Germany	In force	In force	In force	Not yet implemented[76]
Greece	In force	In force	In force	Not yet implemented
Hungary	In force	In force	January 2020	In force
Ireland	In force	In force	November 2019	In force
Italy	In force	January 2020	January 2020	Not yet implemented[77]
Luxembourg	In force	In force	In force	In force
Latvia	In force	In force	In force[78]	In force
Netherlands	In force	In force	November 2019	In force
Poland	In force	In force	In force	In force
Spain	In force	In force	January 2020	Not yet implemented[79]
Sweden	In force	In force	In force	In force

Source: Deloitte, Website review of the five largest credit institutions per Member State in scope

While some of these measures were already in force in some Member States, the date of entry into force was generally recent. Nevertheless, by using the different data collection tools used in this assignment, the study team was able to collect a series of findings to provide (preliminary) conclusions on the effectiveness of the transparency and comparability brought in by the PAD.

For instance, the results of the study survey showed that approximately half the respondent consumer organisations and all the respondent sector organisations agreed that bank fees linked to payment accounts are transparent and easy to understand. This shows that, while

[76] At the time of finalising this report, Germany was looking for an operator to operate the comparison website.

[77] At the time of finalising this report, Italy was in the process of adopting a decree to set up a comparison website.

[78] A first SOF reporting exercise was carried out on the two last months of 2018 (November and December 2018). The second reporting exercise will include the full year 2019.

[79] Spain has a pre-existing comparison website that is not PAD-compliant; at the time of finalising this report; Spain was in the process of developing a version that would be PAD-compliant.

some additional improvements might still be required to achieve full agreement, there is a basis for transparency and comparability.

The following sub-sections focus on the findings linked to each of the specific transparency and comparability measures, and their success (or not) in feeding into the effectiveness of the Directive. In addition to these four sub-sections on measures, a fifth sub-section reflects on a specific aspect that has an impact on the effectiveness of part or all of the PAD measures, and should thus be considered when assessing the effectiveness of these measures, i.e. packages.

List of representative services with standardised terminology

While this has been a difficult and costly exercise for the PSPs (see section on efficiency), consumers need to be able to understand what their PSP is offering them as part of their payment account. Moreover, they need to be able to recognise the same services in different payment accounts from different providers. The standardised terminology provides a fixed lexicon that all PSPs are required to implement and includes definitions facilitating consumers' understanding.

Based on the data collected during this study, the standardised terminology for the representative list of services has been implemented and is generally being used both by PSPs[80] and those comparison websites that are already available. This means that there is now a minimum level of harmonisation which can facilitate the comparison of the same services across different accounts/PSPs. Nevertheless, stakeholder opinion on the effectiveness of this was mixed. As shown by Figure 7, which summarises the responses to the study survey, sector and consumer organisations had different opinions about the use of standardised terminology for consumers to compare payment accounts. The same divergence of views arose in the interviews.

Figure 7: Extent to which respondents agreed that standardised terminology allows consumers to compare payment accounts (by number of respondents)

Source: Deloitte, Survey of sector and consumer organisations

[80] At least those PSPs who were part of the five largest credit institutions whose websites were analysed for this study.

The main concerns voiced by the different stakeholders interviewed were in relation to the terms themselves. Some of these terms are not necessarily the same as the most commonly used in the industry. This means that consumers might not recognise and relate to them. In addition, while there has been an effort to standardise the list of terms across borders as well, the terms used are not necessarily the same in countries with the same language[81]. This can confuse mobile consumers, as well as consumers seeking to compare offers from different countries with the same language.

Fee information document

The FID has brought about a certain level of transparency, clarity and comparability. Making it mandatory to provide such documents means consumers can quickly and simply verify the fees that are linked to the account(s) they are considering. Moreover, thanks to its fixed template, once a consumer has been introduced to the document, they can recognise the structure, and differentiate it from other documents. This facilitates the comparison of payment accounts.

Overall, interviewees and respondents to the survey of consumer and sector organisations acknowledged the improvements and the positive impacts of this measure; however, some areas were identified as needing improvement. This also emerged from the mystery shopping exercise carried out on the FIDs (see annex E).

The areas for development were linked to:

- Format and structure
- Language and content
- Comparability
- Accessibility and awareness.

Format and structure

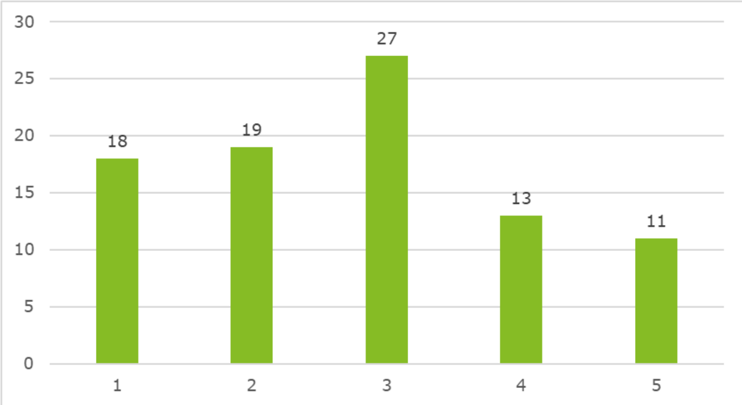
Although the standardised format and structure were considered beneficial by the mystery shoppers for facilitating the recognition of these documents compared to other bank documents, consumers need to have seen and heard of the FID previously to understand and recognise it. The results from the mystery shopping illustrated how, when provided with the FID and another document from the bank, consumers could identify the FID and see the difference with other documents. However, when seeing the FID on a standalone basis, consumers generally did not consider the symbols on the FID as helping them to distinguish the document from other banking documents (Figure 8).

Consumers were able to elaborate on their answer through the open text comments where some explained that they had never seen documents or symbols like those in the document

[81] This is the case with French in Belgium, France and Luxembourg; German in Austria and Germany; Dutch in Belgium and in the Netherlands; Swedish in Finland and in Sweden; and English in Ireland and the UK.

so they could not recognise them (some could not determine which symbols were supposed to be identifiable).

Figure 8: Extent to which mystery shoppers consider that the symbols on the document help distinguish it from other documents of the banks (from 1-not at all, to 5-completely) (n=88)



Source: Deloitte, Mystery Shopping

However, the clarity of the structure and sub-headings, and the readability of the font were considered good by consumers participating in the mystery shopping, with average scores of 3.9, 4.2 and 4.4 respectively (out of a maximum total number of 5 points). This compares with the average score of 2.5 for Figure 8.

However, interviewees and other stakeholders consulted indicated that they were not completely satisfied with the format, which was deemed somewhat rigid. For example, they did not understand the need for it to be in an A4 format, and felt that it was not fully compatible with today's communication methods (evolving to mobile communication, where information needs to be presented on a mobile phone screen). This format was considered even more problematic in relation to packages. We elaborate on this in the last sub-section.

Language and content

The mystery shopping exercise showed that consumers did not feel fully comfortable with the words used and considered the lexical complexity to be high. From those who provided written input, approximately half referred to acronyms being unclear, the language not being easy for a standard consumer, and the need to have definitions in addition to the concepts defined in the standardised terminology that is mandatorily included in the FID.

In terms of content, some stakeholders felt they needed additional information to be able to make more informed choices. In some cases, stakeholders considered that not including certain costs led to reduced transparency. For example, an unauthorised overdraft is not in the list of the most representative services and standardised terminology, and is hence not necessarily mentioned in the FID, although an unauthorised overdraft can entail high costs for the consumer. The consumer will therefore need to consult other documents to get the full picture of all relevant information. Other stakeholders noted that these documents do not allow the inclusion of other more "positive" aspects linked to the payment account, such as the advantages that come with it or the quality of the service.

The fees for individual services and products seemed to be understandable for the consumers who carried out the mystery shopping, but there were concerns about the level of breakdown of the fees per service in the case of a payment account package with other payment services (see sub-section on packages at the end of this section). Moreover, the level of understanding of the final price of the account was somewhat lower than the understanding of each of the individual fees linked to the services, mainly because this overall cost was not explicitly mentioned.

Comparability

While the FIDs provide a certain level of transparency, they are not the best tool for comparing and choosing between payment accounts once the number of accounts being considered is more than two or three. Above this number, the exercise becomes too complex and time-consuming, as a consumer needs to go on different websites (or branches) to collect FIDs and then align them to compare.

Moreover, the shortcomings in areas for development mentioned in conjunction with the use of packages (and how they are interpreted) can be barriers to the understanding and transparency of the fees linked to certain services and payment accounts.

Therefore, this approach does not ensure that the consumer will make an informed choice in optimal conditions based on comparing all the offers available (or as many as possible).

Accessibility and awareness

Accessibility and awareness are other aspects which are critical to having the desired level of effectiveness. Although stakeholders were not able to provide much input on this, the mystery shopping exercise provided the study team with an interesting perspective.

As explained in detail in annex E, the shoppers were requested to engage in a series of activities to collect the FIDs from different banks:

- Collection from the websites of four banks (online);
- Collection from the branch of one bank (in person);
- Collection from one bank through an ad-hoc procedure (phone or email request);
- Collection from one bank during an on-boarding (account opening) procedure.

The main findings from these exercises are:

- FIDs can be found on the websites of the banks in three out of four cases, but it can take some time to discover them (two thirds of the mystery shoppers took more than 30 seconds, while 42% took more than two minutes). Those that cannot be found through the website directly can generally be found through a specific Google search, although some cannot (slightly less than a third of those that could not be found from the start).
- Only one branch out of ten had copies of the FIDs available, and only three branches had other relevant information documents available. The fact that this number is low might be due to a choice to limit the consumption of paper, although the PAD requires

banks to have the FID available in the branch. When these consumers inquired about fee information to a staff member, only one managed to obtain the FID and then only after asking explicitly for it. None of the rest managed to collect a FID, even after explicitly requesting the document. In general, staff were not aware of what the document was.

- Around half the consumers who made the ad-hoc request received the FID after 24 hours, while the rest did not receive it, and some were simply redirected to the website for information.
- Finally, when initiating an on-boarding procedure, nine out of fourteen respondents (64%) did not receive the FID before concluding the agreement to open the account.

Awareness and accessibility of FIDs are not yet optimal. This might be because implementation of the Directive is in its early stages, but it could also be exacerbated because of the amount of information available and documentation on offer in some Member States. In fact, as will be discussed further in section 4.4, in some Member States, the FID and the SOF have been imposed in addition to pre-existing information documents that were already required. This was deemed problematic by a number of stakeholders, both industry and consumer. The variety of documents provided to consumers can become burdensome and confusing for them (as well as for the staff). Consequently, the transparency that the FID is supposed to bring is counteracted either by staff who are not able to keep up with the information requirements (or are not properly trained to do so) or consumers who lose their motivation in the face of the amount of information they receive and end up not reading the content.

Another reason why awareness and accessibility of the FID are not yet satisfactory could be linked to the visibility/promotion of the documents. While the Directive requires the documents and the information they provide to be made available to consumers, it does not provide clear guidelines in terms of the type and level of visibility the documents should have.

This means that, when available, the information (incl. FID and other documents) provided by PSPs are not as visible and easy to find as other promotional material. Consequently, the consumer's attention is not drawn to the FID (or other PAD-related information, such as terms and conditions, pricing sheets), but to the marketing material. Thus, consumers base their decisions on what they see and find more easily, and the effectiveness of the PAD measures is diminished.

Statement of fees

Although this document was not yet available in most of the Member States in this study's scope, the stakeholders interviewed were generally positive about the potential of the SOF. Consumer organisations especially welcomed this initiative as they considered that it would allow consumers to verify how much they were being charged and for which services. This aspect was confirmed by consumer organisations in countries where a similar document is already provided. Furthermore, this document should enable consumers to make comparisons with the FID for the account and, if not satisfied, to compare it to the FIDs of other accounts in the market and determine whether to switch.

Nevertheless, interviewees flagged some concerns and questions that they already have at this stage. For instance, as in the case of the FID, there is an overlap between the SOF and existing documents in certain countries. This can be burdensome for consumers and PSPs. It was also pointed out that the format of the SOF, as in the case of the FID, is not in line with new online tools (notably, smartphones). Consequently, this was considered as an obstacle for optimal use of and benefit from the document. This could also be an obstacle for new, online, service providers, as they do not have any other channels available to provide the document and hence this restriction might mean that they cannot meet the regulatory requirements of the PAD.

Another concern voiced was linked to the moment and frequency of provision of the SOF. Some PSPs and sector organisations interviewed questioned the need to provide the SOF automatically on a yearly basis, and suggested an "on request" format, especially when the fees are zero. In fact, some PSPs have interpreted provision of the SOF as being upon request from the client.

Finally, there are some open questions until the SOF is provided systematically and the results are being monitored, e.g.:

- whether the way the information is presented in the SOF will allow consumers to understand what they are being charged for. Some interviewees fear that some types of fees may be hidden under a generic cost heading such as "maintenance fee" (a concern also applicable to the FID).
- whether the document will allow for a comparison with the FID of the same account to understand if the fees match (and with other FIDs to compare options in the market and determine if switching accounts would make sense). As mentioned above, this is assumed as a given, but might in fact not be the case. It remains to be seen if the way the SOF is structured, filled out etc. in the different Member States and by the different PSPs, will allow for a good and useful comparison with the FID for the account and if the information will be easily comparable.

Comparison website(s)

Unlike the measures discussed above, the provision on comparison websites is less prescriptive in terms of the requirements that need to be adhered to when implementing it at national level. Nonetheless, of the four main measures implemented by the PAD with the aim of facilitating transparency and comparability (standardised terminology, the FID, the SOF and the comparison website), the comparison website can be considered the one with the most potential. For that reason, the study team also looked at additional aspects relating to the language used, design and content.

Comparison websites can provide a single gateway where consumers should be able to find enough information to make a quick and informed choice about the payment account to choose. Moreover, the existing measures in terms of standardised terminology and FIDs, if integrated into the comparison website, would provide an even more complete, while simple and efficient, tool. The list of standardised terminology makes it easier to ensure that there is at least a minimum of services that can be compared, and that these services are identifiable, while the FIDs can be used to complement and complete the overview of fees and services linked to an account, and the SOF enables consumer to run an up-to-date check on the cost of their payment account relative to the FID at the time they opened it and to other accounts.

However, the review of the comparison websites[82] together with the feedback from some of the stakeholders consulted[83] has shown that the websites are at very different levels of quality and functionality (regardless of whether they are public or private). The quality and functionality of the website was assessed in line with the requirements of the Directive, as well as by looking at other components linked to the usefulness and user-friendliness of the website.

When comparing the provisions of Article 7 PAD[84] with the existing comparison websites, the study team found that the websites comply in broad terms with all but one requirement of the directive (and in some cases two). This “gap” is not always the same for all Member States, however. On average, the three provisions where gaps were most commonly found were:

- the objective criteria on which the comparison is based;
- the procedure to report incorrect information on published fees; and
- information on the last time the website was updated.

Moreover, the study team identified that the following provisions need further analysis to be able to assess whether they are being applied in an effective way:

- ensuring that the website is operationally independent by ensuring that PSPs are given equal treatment in search results;
- including a broad range of payment account offers covering a significant part of the market and, where the information presented is not a complete overview of the market, a clear statement to that effect, before displaying results; and
- ensuring that information is made available online about the availability of websites.

[82] These comparison websites were those which were identified as being the official comparison websites compliant with PAD in the Member States within the scope of this study, and which are already available (see Table 6).

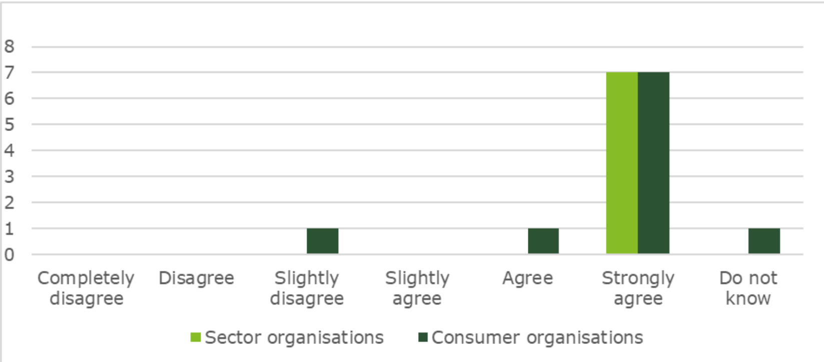
[83] Through interviews, workshops and the survey.

[84] 3. The comparison websites established in accordance with paragraph 1 shall:
(a) be operationally independent by ensuring that payment service providers are given equal treatment in search results; (b) clearly disclose their owners; (c) set out clear, objective criteria on which the comparison will be based; (d) use plain and unambiguous language and, where applicable, the standardised terms set out in the final list referred to in Article 3(5); (e) provide accurate and up-to-date information and state the time of the last update; (f) include a broad range of payment account offers covering a significant part of the market and, where the information presented is not a complete overview of the market, a clear statement to that effect, before displaying results; and (g) provide an effective procedure to report incorrect information on published fees.

Through the comparison of the data, the study team observed that these provisions can be interpreted in different ways, which might result in a less effective comparison website (in terms of transparency and comparability).

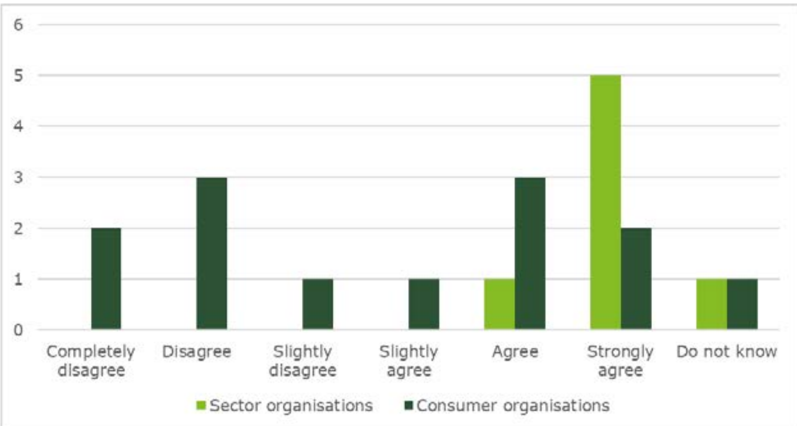
For instance, the majority of survey respondents considered their national website independent; however, this does not necessarily translate into a feeling of trustworthiness, impartiality and transparency. As shown by Figure 9: Extent to which respondents agree that comparison websites are independent (by number of respondents)Figure 9 and Figure 10, the consumer organisations were split down the middle as to the trustworthiness, impartiality and transparency of these websites, even though most of them considered the website to be independent. No explanation was provided for this paradox; possible reasons are aspects other than independence (e.g. concerns about the quality of the data used to compile the comparison or the comprehensiveness of offers presented).

Figure 9: Extent to which respondents agree that comparison websites are independent (by number of respondents)



Source: Deloitte, Survey of sector and consumer organisations

Figure 10: Extent to which respondents agree that the website information is transparent, trustworthy and impartial (by number of respondents)



Source: Deloitte, Survey of sector and consumer organisations

The wording of the requirement for a broad range of payment account offers to be represented does not make it possible to assess this criterion adequately because it is nonspecific and allows for interpretation. Although the number of offers on some websites might seem too limited in some cases for a consumer to make a comprehensively informed choice, there is no way of ascertaining that the website does not comply with the Directive. In fact, only a very few survey respondents (2 out of 17) considered that the website did not cover a significant part of the payment supply market, versus 12 of 17 who considered it did (the remaining 2 held no view).

Furthermore, it seems difficult to reconcile the requirement that "payment service providers are given equal treatment in search results", with the possibility of not having to provide information on the entire payment accounts market. If a PSP is not represented in the search engine, it is difficult to reason that it is treated equally.

Finally, the provision requiring "that information is made available online about the availability of websites" can also be interpreted in many ways and thus considered to be complied with without too much effort, but not necessarily in an effective manner. Indeed, the fact that the websites are published online (sometimes even on the website of the National Competent Authority (NCA) or a consumer organisation) and can be found via an internet search engine can be interpreted as providing information about it online. Accessibility and awareness of this information are not covered by this requirement, which can hinder the effectiveness of the website.

Based on the findings of the analysis of the comparison websites, only four websites were found on Google in under 30 seconds, while the rest took between 30 seconds and 5 minutes to find. In addition, the search results on Google often provided other comparison websites, which made it more difficult to identify the PAD-compliant site. Unless the person researching the website is already aware of which one it is or the website was clearly government owned, this would make identifying it more difficult. Moreover, not all have an indication of formal accreditation by the public authority, so there would be no simple way for a consumer to verify that the website complies with the PAD even by browsing it.

The majority of consumer organisations agreed only slightly that consumers had been informed about the existence of the website and that this was done through the appropriate channels. Moreover, the two development points provided through the survey in relation to the website were linked to the need to increase promotion around it.

The study team also assessed other aspects of the quality of the comparison website than those mentioned in the Directive, i.e. what language was used, design and content. These aspects were deemed important for the website to be an effective tool and facilitate transparency and comparability in the market. The six aspects considered were the availability of definitions, whether a language other than the local language/s was used, ease of navigation, the possibility for customised searches, clarity and the availability of content.

Aside from the requirements of the directive for plain and unambiguous language and the use of the standardised terminology, which were considered generally covered, the study team looked at the availability of definitions and what language is used for the website. These aspects were deemed important for consumers to understand the content of the website and be able to use it. Based on the assessment, the study team found that two of three websites included definitions, and most were mainly available only in the national language/s. Although there is no requirement to provide the comparison website in a language other than the local language, as is the case for the FID, not providing the option to have it in other languages limits the effectiveness of the comparison website for mobile consumers who do not speak the local language. While it could be argued that there are online internet browsers that can translate websites to the desired language, the quality of this translation depends on the source and destination language. In addition, these translations might not come up with the standardised terminology or even the commonly used terms, so this could cause confusion for the consumer.

Two design aspects were considered important in determining the user-friendliness of the website: ease of navigation, and the possibility for customised searches. Overall, the analysis of the existing comparison websites showed mainly positive results in terms of the ease of navigation. However, very few offered the possibility of customised searches, a feature considered key by a number of stakeholders interviewed. This type of functionality makes it possible to have a more accurate and useful comparison based on the real needs and behaviour of the consumer, even more so when the website provides a profiling option.

Finally, the content available on the comparison websites is critical for assessing them and identifying any improvement required to allow consumers to successfully assess the merits of different payment account offers in one place. The two main aspects analysed were the clarity and availability of the content in the websites. Only one third of the websites clearly provided the total cost of the account, the services included in the account, and the cost of the individual services included in the account. These websites were also the only ones that also provided information on the payment accounts with basic features, on other determinants in addition to fees, and on which the information was deemed to help in choosing an account (both in terms of type of account and type of provider).

Although the six elements discussed above are not explicitly required of the websites under the PAD, they are linked to some of the general requirements established in the Directive. Consequently, it would seem that some of the existing websites do not provide a full view of the information available and, thus, do not facilitate full transparency and allow an in-depth comparison of payment accounts available.

The same lack of information on the websites was also observed with respect to the existence of FIDs and the fact that these tools exist in every Member State. Neither of these aspects was reflected on these websites. FIDs are not supplied by comparison websites, even though they can complement and/or complete the data already provided; and comparison websites do not provide links to other existing material in other countries to support cross-border transparency and comparability.

Packages

Article 28[85] PAD requires the review of the Directive to assess whether any additional measures need to be taken with respect to "packaged offers". In addition to being mentioned in Article 28, the concept of packages is referred to in three PAD articles:

- Article 4 - Fee Information Document: "*3. Where one or more services are offered as part of a package of services linked to a payment account, the fee information document shall disclose the fee for the entire package, the services included in the package and their quantity, and the additional fee for any service that exceeds the quantity covered by the package fee*";
- Article 5 - Statement of fees: "*2. The statement of fees shall specify at least the following information:*

  (a) the unit fee charged for each service and the number of times the service was used during the relevant period, and where the services are combined in a package, the fee charged for the package as a whole, the number of times the package fee was charged during the relevant period and the additional fee charged for any service exceeding the quantity covered by the package fee;

  (b) the total amount of fees incurred during the relevant period for each service, each package of services provided and services exceeding the quantity covered by the package fee"
- Article 8 - Payment accounts packaged with another product or service: *Member States shall ensure that, when a payment account is offered as part of a package together with another product or service which is not linked to a payment account, the payment service provider informs the consumer whether it is possible to purchase the payment account separately and, if so, provides separate information regarding the costs and fees associated with each of the other products and services offered in that package that can be purchased separately."*

Through the data collected, the study team observed a series of issues with the interpretation of packages and, consequently, of the related provisions. The two main interpretations given to a package by stakeholders are:

1. A combination of a payment account with the different services linked to it that allow for optimal usage (a card, overdraft, etc.); and

[85]Article 28 - Review: "*3. The report shall also assess whether additional measures in addition to those adopted pursuant to Articles 7 and 8 with respect to comparison websites and packaged offers are needed, and in particular the need for an accreditation of comparison websites*."

2. A combination of a payment account (including the services linked to it that allow for optimal usage) with other types of financial product, such as insurance, a mortgage, etc.[86]

The study team believes that this dual interpretation could be due to the lack of a clear definition of package in the list of definitions, coupled with the use of the word "package" to refer to two different meanings (those referred to above). In fact, the Directive and the Implementing Regulations sometimes use the term package combined with "services"[87], sometimes with "products"[88] and sometimes with both[89].

These divergent interpretations can have an important impact on how the transparency measures are applied, and how easy or difficult it is to compare different offers. The interpretation and application of the provision linked to the FID will vary depending on what is considered a package.

Under the first interpretation, a PSP would be required to inform the client whether the individual payment services linked to the payment account (e.g. debit card, overdraft…) are available separately from the payment account, and what they would cost. Hence, due to the fact that the interpretation of "package" is unclear, it is also unclear when it can be deemed that the PAD provision on the FID is being applied correctly.

Taking the second interpretation, a PSP would have to inform the consumer whether the other financial products (mortgage, insurance, etc.) can be acquired separately from the payment account and how much each individual product would cost the client. However, the PSP would not need to specify the costs for each individual payment service linked to the payment account.

Moreover, for those Member States where the concept of "payment account package" does not exist, but where consumers make a selection from a variety of payment services linked to a deposit account, it is unclear which information should be presented by the PSP in the FID and in what way. This type of service provision could be a possible evolution in the future, requiring the relevant transparency aspects to be dealt with at EU level.

Some PSPs, sector organisations and consumer organisations indicated that when the first of the two interpretations is being used in the market (i.e. packages including payment accounts and related payment services), the FID is not required to differentiate the costs for each of the services provided as part of the "package". This practice is reducing transparency and making it more difficult to compare different payment accounts and fees. In fact, the

[86] If a consumer acquires a financial product while he/she already had or is acquiring a payment account in the same institution, and receives a favourable treatment (e.g. discount) for at least one of the two, this is also considered a package, regardless of whether they acquired each product at different moments in time or whether the PSP presents the products together.

[87] E.g. Article 4.3. of PAD and Article 8 of the Implementing Regulation for the FID.

[88] E.g. Article 5.2.(a). of PAD.

[89] E.g. Article 8. Of PAD.

possibility of simply listing the services in a payment account and giving only the overall fee for the payment account with packaged services does not provide the granularity needed to clearly compare different packaged offers.

Finally, some concerns were voiced in terms of the clarity of products or services optionally or compulsorily linked to a payment account. In other words, whether the package includes a bundle or a tie. As illustrated by the answers from the survey to consumer and sector organisations, approximately half of respondents disagreed that the information on whether the payment account could be acquired separately from the other product or service was clear for consumers, while only one fourth agreed or strongly agreed (the remainder either did not know or only slightly agreed).

Answer to the Question: Has the PAD ensured that consumers are able to compare payment account fees?

Although it is **too early** to make a substantive judgement, stakeholders generally considered that the measures put forward by the PAD **have the potential to improve transparency and consumers' ability to compare fees**. However, some aspects still **require improvement** (e.g. consumer awareness, over-information, the templates and the guidance for filling them in, etc.)

Cross-border transparency and comparison is **not yet possible** due to differences in interpretation of the terminology and language barriers.

Overall, the **most effective measure** for achieving the objective of transparency and comparison of fees seems to be **the comparison website**.

Finally, the concept of **packages** is **interpreted in different ways** by Member States and PSPs, which has an **impact** on the way **Articles 4, 5 and 8 are applied** and their **effectiveness**.

4.2.2 Enable consumers to switch account easily

In order to increase customer mobility in the payment accounts market and encourage more competition, the PAD introduced some provisions to make it easier for consumers to switch payment accounts and open accounts in another Member State[90]. This was a greater innovation in some Member States than others. The system is working well despite some shortcomings, but it is not widely used. Views are divided on whether Account Number Portability (ANP) would lead to more switching.

[90] Several studies have identified hassle costs as one of the sources of switching costs in retail financial markets, from current accounts to mortgages or insurance. See JRC, *BI-Switch, Applying behavioural insights to encourage consumer switching of financial products*, 2018.

Implementation of the PAD process

The European banking industry had already developed some *Common Principles for Bank Account Switching* in 2008,[91] but, as pointed out in the Impact Assessment in support of the preparation of the PAD[92], there were a number of limitations in the PSPs' implementation of this service (e.g. the process was not being applied uniformly, uncertainty of the duration of the switching process, difficulty in transferring standing orders and direct debits, lack of information on the process, etc.)

In addition, application of the Common Principles was voluntary. Nevertheless, many Member States already had switching procedures in place before the PAD. However, while some Member States only had to make minor changes[93] to their existing framework (Belgium, Czechia, Finland, France, Ireland, Latvia, Luxembourg, the Netherlands, Spain, and Sweden), others had to make more substantial changes (Greece and Poland). Finally, in some countries a new switching service was introduced at Member State level as a consequence of the PAD (Germany, Italy[94] and Hungary).

Unlike the situation in other Member States, there are two switching processes in Germany, as one was already in place before the PAD (called 'Umzugsservice'). According to one German sector association, this service is used more than that envisaged by the PAD because it is available through an application, is faster (it takes around 10 minutes) and is less cumbersome for consumers.

All the payment institutions who participated in the interviews[95], except one (which is not a traditional credit institution), maintained that they offer a switching process compliant with the PAD.

All the stakeholders consulted[96] were positive about the process as designed by the PAD and when they had complaints or issues, these were about technical aspects rather than the process itself as discussed subsequently.

---

[91] European Banking Industry Committee, *Common Principles for Bank Account Switching*, 2008. Available at http://v3.globalcube.net/clients/eacb/content/medias/publications/position_papers/consumers_affairs/EBIC_Common_Principles_Bank_Accounts_Switching.pdf.

[92] Impact Assessment, Accompanying the document, *Proposal for a directive of the European Parliament and of the Council on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features*, SWD(2013) 164 final. http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=SWD:2013:0164:FIN:EN:PDF.

[93] Although in practice the process did not change much, the costs to adapt it were sometimes significant. Please see section on "Assessment of the costs resulting from the Directive compared to benefits".

[94] In Germany and Italy, some banks had already a switching procedure, however, this was not a country-wide initiative.

[95] Please see section on methodological tools.

[96] Notably: sector organisations, PSPs, consumer organisations, and NCAs.

Exact statistics of the extent of switching at Member State level are generally not available. The data collected thus vary significantly depending on the Member State. For example, according to the CCSF study, the switching process applied to between 540 000 and 720 000 accounts in one year in France[97]. In Italy, as communicated through interview, the number of cases in which the switching process was applied is around 170 000, but it includes the transfer of accounts because of mergers, acquisitions or transfer of liabilities between banks (thus, not at the consumer's request). Finally, in 2018, 91 000 consumers and businesses used the switching process in the Netherlands (data from the Dutch Payment Association) and around 70 000 in Belgium, an increase of well over three quarters over the previous year according to data from Belgian banking association, Febelfin[98]. Discussions in our workshop with experts confirmed that switching frequency varies from Member State to Member State. In some Member States, switching is more infrequent and is mainly triggered by different life events (e.g. going to university, starting the first job, applying for a mortgage to buy a house.)

A JRC behavioural study on switching notes that, while data is still being gathered to examine the impact of the PAD provisions on switching, evaluation studies of a similar service, the UK Current Account Switching Service (CASS), which was launched in 2013 show that other aspects of the process (such as low awareness and confidence) may still be preventing consumers from switching[99]. According to a 2015 report on the effectiveness of the CASS, the service was operating well (99% of switches completed on time and 89% without errors) and was perceived by consumers as being of high quality, but had only led to a small increase in switching: in January 2015, not much more than a year after it was introduced, annual switching volumes were around 2% above the volumes for November 2012, which was the peak month under a predecessor switching system[100].

Similarly, if we compare the results of a Eurobarometer survey with fieldwork conducted in September 2011[101] with those of a Eurobarometer survey with fieldwork conducted in April 2016[102], the percentage of respondents who had switched their current account in the previous five years was almost unchanged (8% in 2011[103] and 7% in 2016). This data gives an idea of the trend in the level of switching in the EU. However, it is not representative of the

---

[97] The study refers to 1.2 million requests for "mobilité", of which between 45% and 60% included the request to close the previous account. Only the latter are considered relevant for this study.

[98] Available at: https://www.bankswitching.be/fr/chiffres.

[99] JRC, *BI-Switch, Applying behavioural insights to encourage consumer switching of financial products*, 2018.

[100] FCA, *Making current account switching easier*, 2015. Available at: https://www.fca.org.uk/publication/research/making-current-account-switching-easier.pdf.

[101] Special Eurobarometer 373, Retail Financial Services, April 2012; https://data.europa.eu/euodp/en/data/dataset/S990_76_1_EBS373

[102] Special Eurobarometer 446, Financial Products and Services, July 2016; https://data.europa.eu/euodp/en/data/dataset/S2108_85_1_446_ENG.

[103] This percentage is the sum of those who answered "You switched and it was easy" – 7% and those who answered "You switched and it was difficult" – 1%.

impact of the PAD as it had, as of April 2016, been applied only for a few months in most Member States.

While the number of switches is a relevant indicator for understanding the extent to which consumers make use of the process, increasing the number of switches was not, *per se*, an objective of the PAD. The objective was to enable consumers to switch account easily and this is the topic under investigation in this section.

Possible issues with the PAD process

All the stakeholders in the different Member States interviewed stated that the switching service is free of charge in their Member State[104]. However, according to consumer organisations at the EU level, additional difficulties and costs arise from the fact that the switching process is applicable only to services linked to the payment account and not to other products (e.g. investments, as per recital 12 of the PAD). Therefore, if these products are bundled with the payment account, the consumer might encounter additional difficulties and incur additional costs while trying to switch payment account.

Consumer organisations, although positive about the principle of the process, reported complaints about technical issues in applying it, most notably:

- lost payment transactions;
- former account closed before the new account becomes operational;
- new debit/credit cards delivered after deactivation of previous cards;
- transactions made with debit cards in shops and/or direct debits charged only weeks after the transaction, resulting in debt collections.

Representatives of consumer organisations in some Member States (notably Italy and Ireland), argued, for example, that, although the process is in place, PSPs discourage consumers from using the switching process (while suggesting that they carry out a manual transfer). Thus, the process is not applied in practice. A 2018 study by Altroconsumo[105], based on mystery shopping in 43 bank branches and three post offices in three big cities, revealed that staff in half the branches were not informed about the switching process and in the majority of the cases they suggested using the manual procedure, maintaining that the PAD switching does not work well and makes the transfer more complicated. Only in one case was the mystery shopper provided with the form to request the switching process. A mystery shopping exercise in 2017 in 200 branches had equivalent outcomes.

From the consumers' perspectives, studies from France and the Netherlands show that consumers who have used the service are satisfied with it. According to a survey

[104] Some minor exceptions were communicated, e.g. in Czech Republic if the account has been held since less than 1 year.

[105] Adelia Piva, "Conti Blindati", in *Soldi&Diritti*, N.159, Altroconsumo, March 2018.

commissioned by the Dutch Payments Association in 2016, "on average, users awarded the account switching service a customer satisfaction rating of 7.8 out of 10, which is high, also when compared with other sectors. While users aged under 35 were slightly less positive, awarding a 7.4 rating, those aged over 35 expressed higher satisfaction, awarding an 8.0."[106]

The survey identified as areas for improvement: more clarity on what is expected from consumers, more easiness of use and faster confirmation (especially for younger consumers) and updating of accounts payment systems with the new account numbers in case of direct debit mandates. Similarly, a 2018 study from the Comité Consultatif du Secteur Financier (CCSF) revealed that 85% of the French consumers who had used the switching process were satisfied with it because of its efficacy, fastness and the information available about it. 92% of the consumers who had used it, would recommend the switching process.[107]

Isilis, the company that designed the banking mobility platform in France to ensure automatic communication between clients who change banks and institutions that need to be informed, reports that the service provided remains incomplete since the majority of banks have not developed an offer to reach transmitters not connected to the SEPAMail messaging service. As a consequence, these issuers are not informed, and the transfers or debits concerned are not transferred. They estimate that about 1 file in 5 contains an IBAN issuer in another country that has never been informed.

However, Member State NCAs in scope of this study reported only very few complaints (e.g. five in Czechia). Some PSPs acknowledged that initially there had been some mistakes due to technical adaptations, but the service now seems to run smoothly in all the Member States in scope. All the PSPs interviewed maintained that the cases of non-compliance within the 14-day limit (set in the PAD) are very limited (fewer than 5%) and only consumer organisations in some Member States (notably in Italy) reported a substantial number of complaints because of delays in completing the process.

---

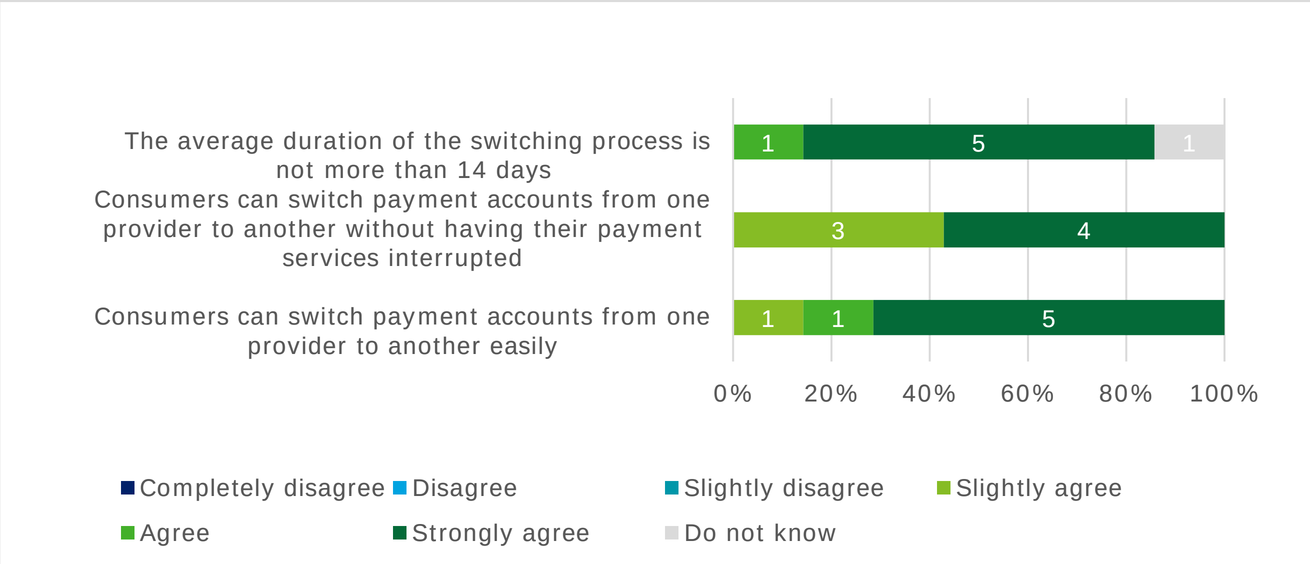
[106] Cited in NFPS, *The NFPS's vision on improving customer mobility in the retail payments market*, July 2016. Available at: https://www.dnb.nl/en/binaries/NFPS%20vision%20on%20mobility%20in%20the%20retail%20payments%20market%205%20July%202016_tcm47-343528.pdf.[107] CCSF, *Réforme de la mobilité bancaire: Le Bilan*, Juin 2018. Available at: https://www.ccsfin.fr/sites/default/files/media/2018/09/25/ccsf_reforme_de_la_mobilite_bancaire_le_bilan_11juillet2018.pdf. [108] CCSF, *Réforme de la mobilité bancaire: Le Bilan*, Juin 2018. Available at: https://www.ccsfin.fr/sites/default/files/media/2018/09/25/ccsf_reforme_de_la_mobilite_bancaire_le_bilan_11juillet2018.pdf.

[107] CCSF, *Réforme de la mobilité bancaire: Le Bilan*, Juin 2018. Available at: https://www.ccsfin.fr/sites/default/files/media/2018/09/25/ccsf_reforme_de_la_mobilite_bancaire_le_bilan_11juillet2018.pdf. [108] CCSF, *Réforme de la mobilité bancaire: Le Bilan*, Juin 2018. Available at: https://www.ccsfin.fr/sites/default/files/media/2018/09/25/ccsf_reforme_de_la_mobilite_bancaire_le_bilan_11juillet2018.pdf.

Positive views of the process and awareness

The results of our survey show that sector organisations have a positive opinion of how the switching process works, with all respondents maintaining that consumers can switch payment account from one provider to another easily.

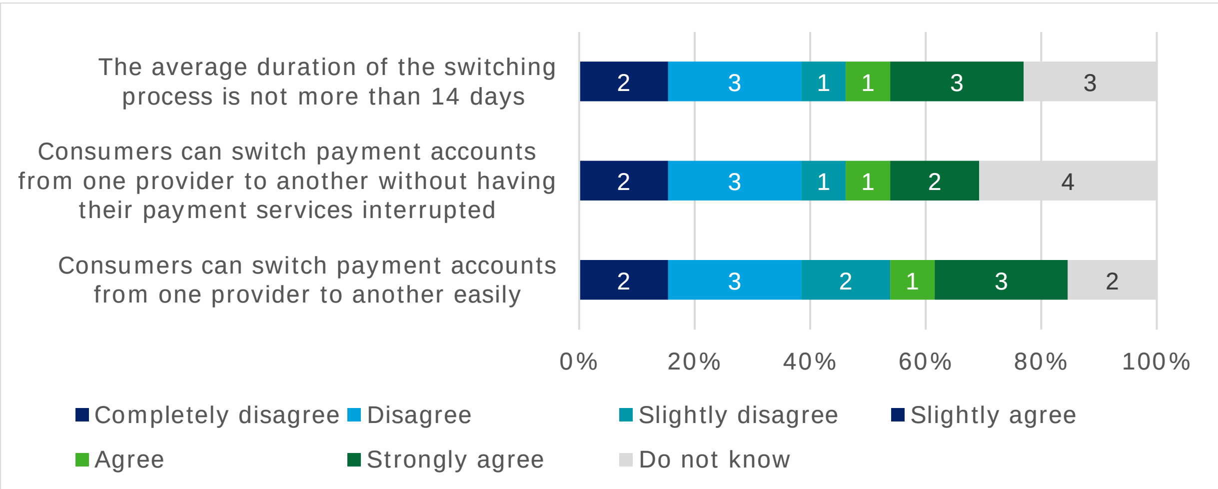
Figure 11: Sector organisations' view on switching (by number of responses and percentage)



Source: Deloitte, Survey of sector and consumer organisations

On the other hand, most consumer organisations surveyed have very different, more negative, views, although some consumer organisations did not have a view.

Figure 12: Consumer organisations' view on switching (by number of responses and percentage)



Source: Deloitte, Survey of sector and consumer organisations

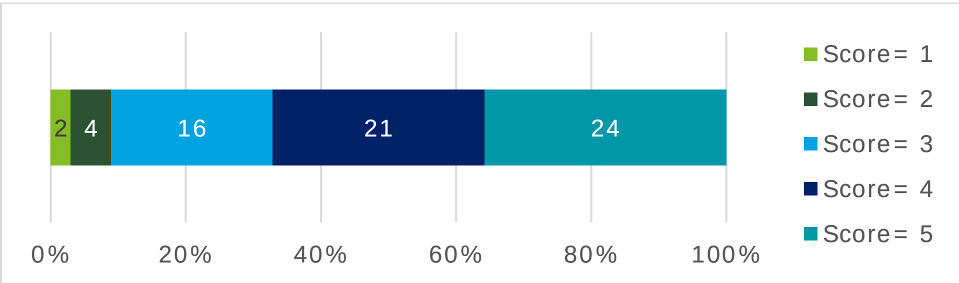
Results were similar when these organisations were asked whether consumers are adequately assisted with and informed about the switching process by their originating PSP.

Although, the switching process as envisaged by the PAD exists in all the Member States looked at by this study and, overall, seems to work well (with the exceptions mentioned above, and in spite of strong reservations from some consumer organisations), the number of requests for switching remains low.

In order to enable consumers to switch, Article 14 PAD requires Member States to ensure that PSPs make information available to consumers about the switching process. To assess this, this study reviewed the websites of the five leading credit institutions in the 16 Member States in scope in order to assess the availability of information. This exercise showed that it is possible to find information on the switching process on the websites of the vast majority of institutions (69/80). However, more than half of these (38/80), mostly in Czechia, Finland, Germany, Hungary, Ireland, Poland and Spain, present the process from the "switch-in" perspective and use it as a way to attract clients. Moreover, in some cases the process is presented on the same page as the offering of accounts and any consumer can easily find it; in others, it is included among the documents required by the regulator and the consumer needs to be specifically looking for it.

Figure 13 below provides an overview of the average time the study team spent on the website to find the information. It shows that in nearly one quarter of the instances where the information was found, it took less than 30 seconds.

Figure 13: Ease of finding information on the switching process (in time and percentages)



Score	**1**	**2**	**3**	**4**	**5**
Criteria	It took more than 10 minutes	It took between 5 and 10 minutes	It took between 2 and 5 minutes	It took between 30 seconds and 2 minutes	It took less than 30 seconds

Source: Deloitte, Website review of the five largest credit institutions per Member State in scope

Note: The information could not be found on 11 of 80 websites.

Consistent with this, the stakeholders interviewed in the different Member States agreed that the information made available to consumers about the switching procedure is sufficient and clear. A survey of 2 144 consumers published by the CCSF showed that 67% of French consumers are aware that their new bank must offer this service to them in the event of a change[108].

[108] CCSF, *Réforme de la mobilité bancaire: Le Bilan*, Juin 2018. Available at: https://www.ccsfin.fr/sites/default/files/media/2018/09/25/ccsf_reforme_de_la_mobilite_bancaire_le_bilan_11juillet2018.pdf.

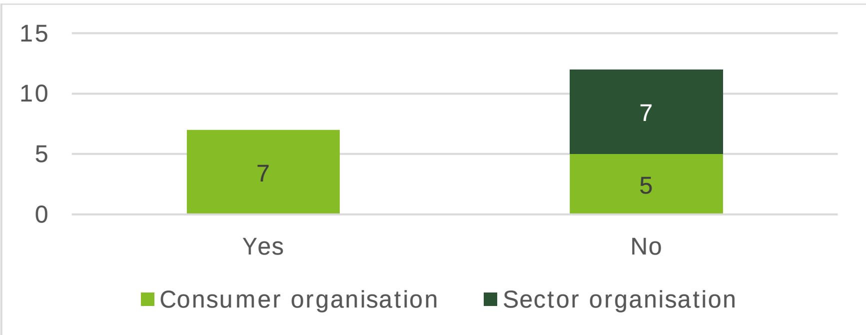
However, although the information is generally available, consumer organisations feel that awareness campaigns (e.g. by national authorities) are required to enhance consumers' willingness to make use of the switching service, as one of the problems is that consumers do not feel confident about the procedure and are worried about possible service interruption and hidden additional costs. The interviews with consumer and sector organisations revealed that consumers are not generally aware that the current switching service includes notification of the customer's counterparties (e.g. for direct debits).

Account Number Portability

Some sector organisations see uncertainty about whether the process is smooth as one of the reasons why consumers value positively the possibility of keeping their own bank account number when switching accounts. Moreover, a survey carried out for a Working Paper issued by the Dutch National Bank showed that the percentage of respondents who would definitely not switch decreases from 67% to 58% if ANP were possible.[109] However, while consumer organisations at the EU and national level consider ANP would be an improvement to the current switching process, sector organisations see very limited benefits, considering that, in the current system, the PSP is in charge of notifying the counterparties.

The results of our survey (Figure 14) show that while all the sector organisations responding to the survey do not consider ANP as a major game-changer for switching, notably cross-border, consumer organisations in the Member States have mixed views.

Figure 14: Consumer and sector organisations' view on whether EU wide portability of payment accounts would be a major game changer for switching, notably cross-border (by number of respondents)



Source: Deloitte, Survey of sector and consumer organisations

On the possibility of introducing ANP, the JRC behavioural study on switching concluded that "further research is needed to understand the extent to which the ANP would have an effect on actual consumer switching behaviour and if the potential benefits of ANP outweigh its costs."[110] Likewise, diverging opinions arose during the expert workshop and **all stakeholders**

[109] Carin van der Cruijsen and Maaike Diepstraten, *Banking products: you can take them with you, so why don't you?*, DNB Working Paper, N.490, December 2015. Available at: https://www.dnb.nl/binaries/Working%20paper%20490_tcm46-335348.pdf.

[110] JRC, *BI-Switch, Applying behavioural insights to encourage consumer* switching *of financial products*, 2018.

acknowledged that a cost benefit analysis would be needed on ANP. The use of aliases (e.g. a mobile number or the European Standardised Proxy Lookup (SPL) service) was mentioned by interviewees and in the workshop as an alternative to ANP. For instance, in Hungary, with the introduction of instant payments and secondary account identifiers (i.e. proxies, e.g. phone number, email-address, or tax ID) in March 2020, consumers can provide their proxies (e.g. phone number) to their financial partners and they can switch the accounts attached to this proxy without the need for further notification of their partners. Request-to-pay messages within the instant payment system might then substitute for direct debits in the long run.

The switching service envisaged by the PAD only involves switches between PSPs in the same Member State. When it comes to the possibility of **extending the PAD switching service to cross-border switches**, PSPs and sector organisations underlined that there is **no use case.** The argue that first, barriers due to language and physical distance cannot be overcome, and, secondly, consumers are not homogenous in the EU, they have different preferences and needs, thus it is very unlikely that they would prefer to open an account in another Member States (see section 4.2.3. below on access to payment accounts)[111]. In addition, a cross-border switching service would be difficult to implement due to:

- different regulatory rules governing account opening in various Member States;
- different data required for account opening in various Member States;
- foreign exchange complexities in the event of switching accounts in different currencies.

Consumer organisations for their part do not consider extension of the switching process cross-border as a priority, as measures to improve comparability across Member States are still needed to enable the consumer to shop around within the Single Market.

Answer to the Question: Has the PAD ensured that consumers are able to switch account easily?

The PAD has **achieved its objective of enabling all consumers in the EU to switch accounts easily** insofar as it made it mandatory for all PSPs, including neo-banks, to offer a switching service with standard characteristics. This makes life easier for consumers during the process (e.g. clear division of tasks between the two PSPs and the consumer, certainty of the duration of the switching process, obligation to provide information about the process). There is evidence that the **process is deemed to be satisfactory** by consumers who have used it and the shortcomings signalled mainly relate to **technical issues** in application (rather than to how the process was designed).

[111] See also annex H for an overview of the results of the survey conducted with expatriates, including the reasons why expatriates choose to keep their home account, why would they open another one in their host country, whether they've already opened an account in a country without living in it, and whether they would be interested in opening one in another country if the conditions were better.

While the switching process seems to work well, the **number of consumers choosing to switch their account remains low** (although in a few countries the number increased visibly after the introduction of the PAD service).

However, increasing the number of switches was not a PAD objective *per se.* The objective was to make the option easier. Nonetheless, it is worth mentioning that consumer organisations deem that the fact that the **switching service is applicable only to services linked to the payment account deters consumers from wanting to switch.** If other products are bundled with the account (e.g. investments, loans, etc.), these are outside the scope of the PAD (as per recital 12 of the PAD) and will be the source of additional difficulties and costs.

In addition, although our investigation shows that the switching process is indeed in place in all the 16 Member States, some consumer organisations argued **that PSPs sometimes discourage the use of the PAD switching process**. Similarly, while the information made available to consumers regarding the switching process is sufficient and clear (notably on the websites of the PSPs), the **level of consumer awareness about how the switching procedure works and what it entails is low in most Member States.**

Finally, whereas there are diverging opinions on whether introducing Account Number Portability would have a positive impact on switching, all the stakeholders agreed that there is currently no **use case to extend the switching service cross-border**.

4.2.3 Enable consumers to access payment accounts

Access to payment accounts in general

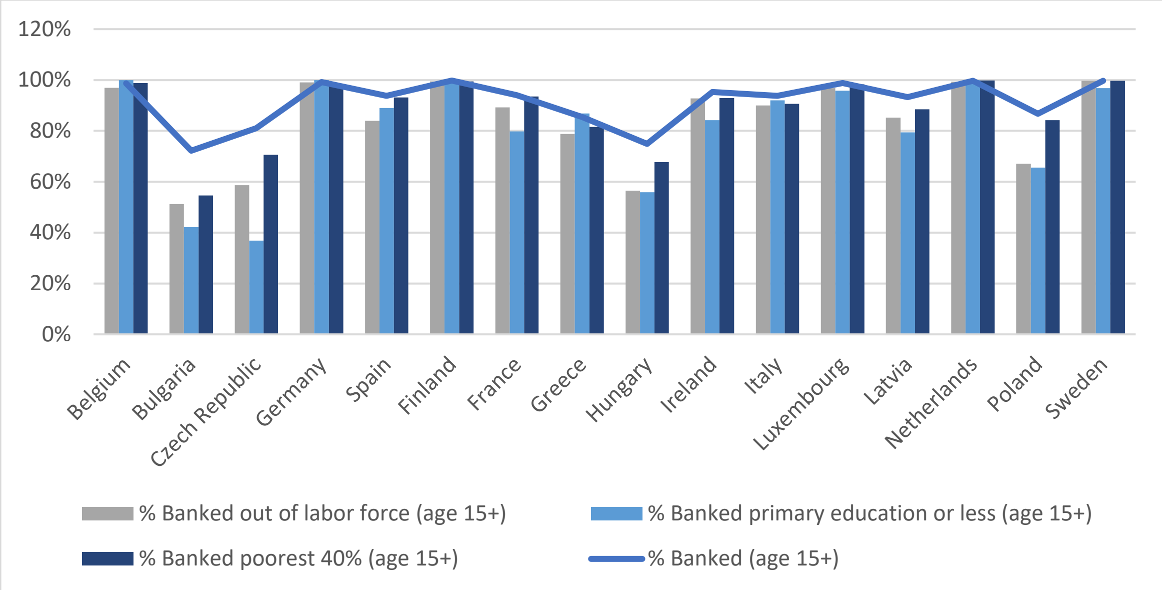
Access to payment accounts within the Member State

When looking at the percentage of people with access to a payment account, we can see that in 11 of the 16 Member States in scope of this study, more than 85% of citizens have access to a payment account. In 6 of these Member States, this percentage is above 95%.

The 5 Member States where fewer than 85% of residents have access to a payment account are Bulgaria, Czechia, Greece, Hungary, and Poland.

Figure 15 shows the differences between the overall percentage of people that have access to a payment account and the percentage of more specific, more vulnerable, groups of people that have access to a payment account, i.e. those not in the labour force, those having primary education or less and the poorest 40%.

Figure 15: Percentage of population with access to a payment account



Source: Deloitte based on Global Findex Database - 2017

In the Member States where the overall banking rate is above 95%, being in a vulnerable group does not have a significant impact on the level at which these people have access to a payment account[112]. This is also the case in Italy, although the overall percentage of people with access to a payment account is just below 95% (94%).

In other Member States, we see that some of these elements have a significant impact[113] on the level of access to payment accounts:

- Being out of the labour force has an impact on the level of access to payment accounts of:
    - between five and ten percentage points or more in France, Greece and Latvia;
    - between ten and twenty percentage points in Hungary and Spain;
    - twenty percentage points or more in Bulgaria, Czechia and Poland.
- Having primary education or less has an impact on the level of access to payment accounts of:
    - between five and ten percentage points in Spain;
    - between ten and twenty percentage points in France, Hungary, Ireland and Latvia;
    - between twenty and thirty percentage points in Poland;
    - between thirty and forty percentage points in Bulgaria; and
    - more than forty percentage points in Czechia.

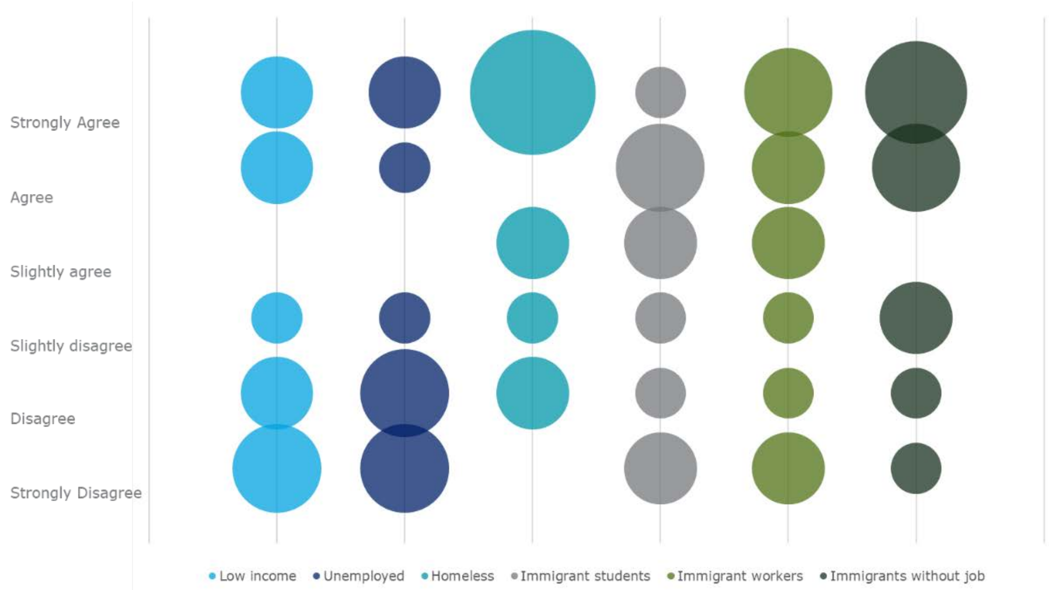
[112] A significant impact is interpreted as a difference of five percentage points or more compared to the overall percentage of people that have access to a payment account in the Member State concerned.

[113] A significant impact is interpreted as a difference of five percentages points or more compared to the overall percentage of people that have access to a payment account in the Member State concerned.

- Belonging to the poorest 40% has an impact on the level of access to payment accounts of:
    - between five and ten percentage points in Hungary;
    - ten percentages points or more in Bulgaria and Czechia.

From the survey of sector and consumer organisations, consumer organisations believe that being homeless or being an immigrant without a job (categories not in the Global Findex data) has the largest impact on having access to payment accounts, while being unemployed or having a low income is deemed to have less of an impact. Being an immigrant with or without a job also has an impact.

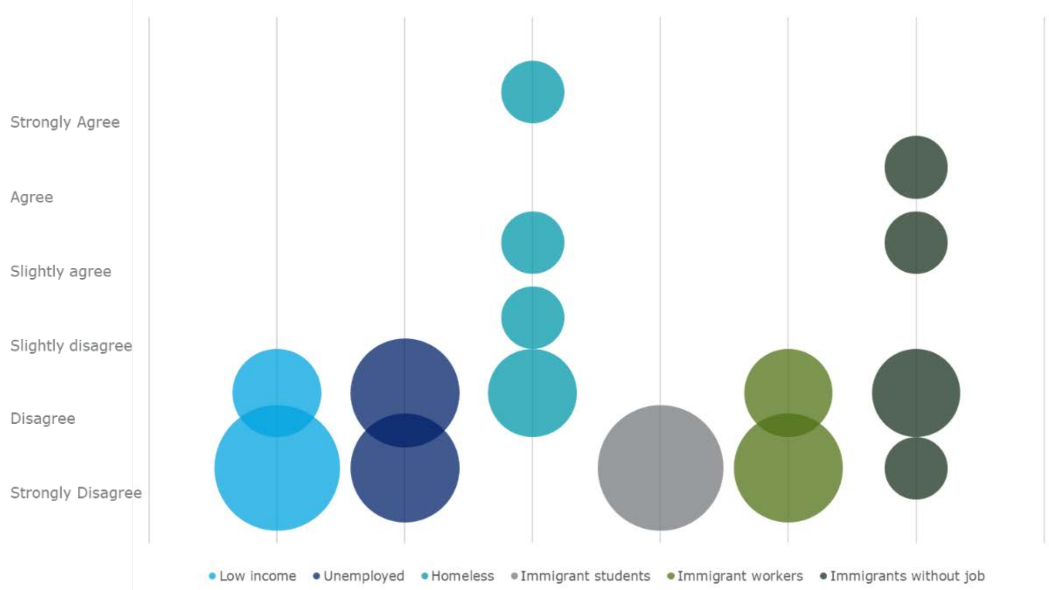
Figure 16: Consumer organisations' view on elements that impact the access to payment accounts (by number of respondents and category of population)



Source: Deloitte, Survey of sector and consumer organisations

Sector organisations are also of the opinion that being homeless or being an immigrant without a job has the largest impact on having access to payment accounts, but overall they deem that the impact of being in one of the categories in Figure 16 and Figure 17 is significantly lower compared to the view of consumer organisations.

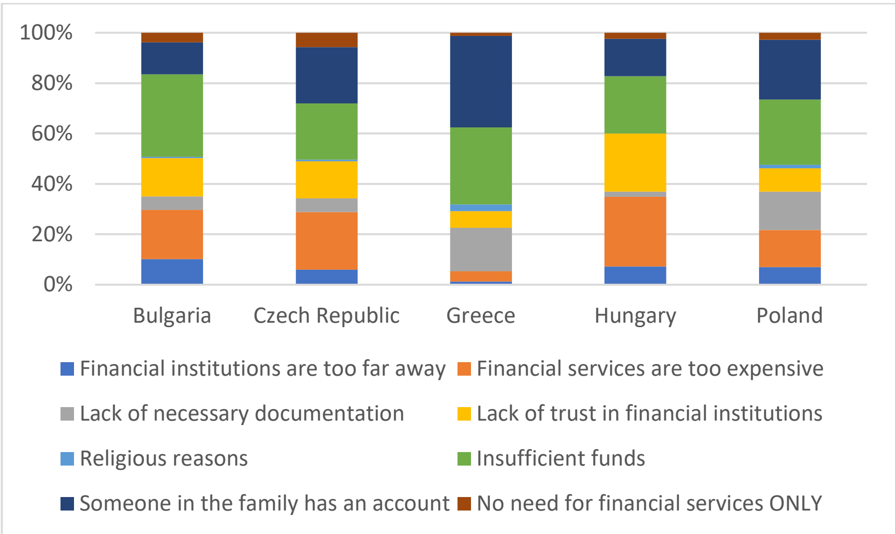
Figure 17: Sector organisations' view on elements that impact the access to payment accounts (by number of respondents and category of population)



Source: Deloitte, Survey of sector and consumer organisations

For the Member States where the percentage of people having access to payment accounts is below 85% in the Global Findex, Figure 18 shows the reasons given for not having an account at a financial institution.

Figure 18: Reasons for not having a payment account at a financial institution

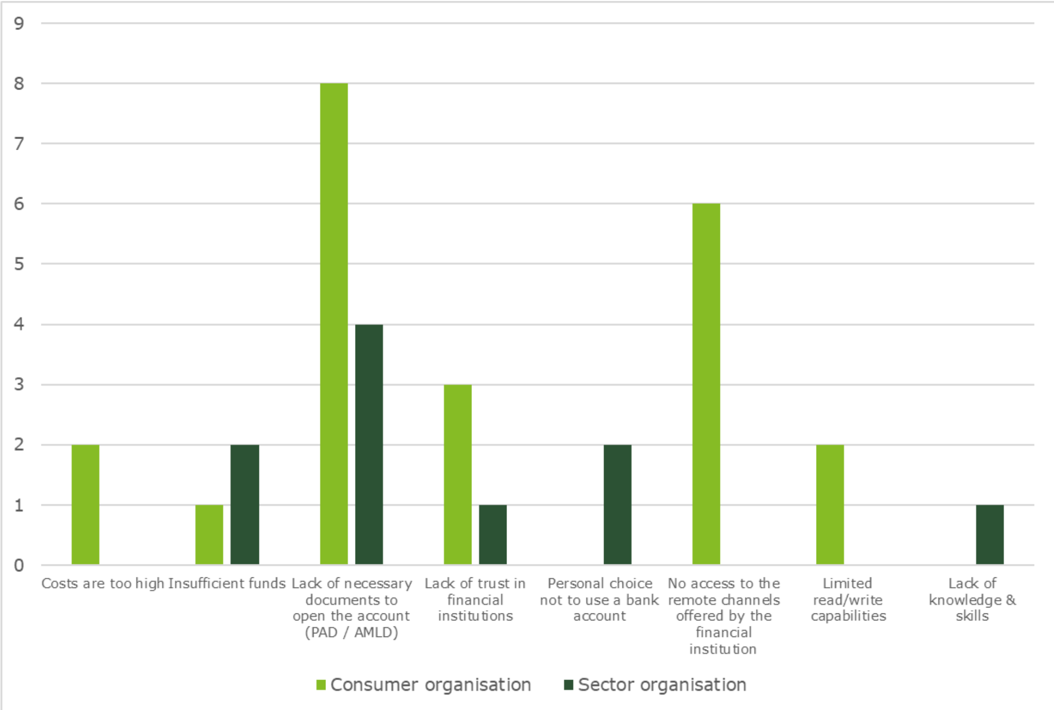


Source: Deloitte based on Global Findex Database – 2017 – percentage of people not having a financial institution account, age 15+

For these countries, based on the data above, it appears that someone in the family already having an account at a financial institution, the consumer having insufficient funds and financial services being too expensive, are the main reasons why consumers do not have a payment account.

When looking at the results from the survey, it appears that consumer and sector organisations see that a lack of documentation to open an account is the main reason for consumers not having an account. This point is elaborated on further under section 4.5. Coherence between the PAD and AMLD IV.

Figure 19: Main reasons why consumers do not have a payment account (by number of respondents, multi-choice question)



Source: Deloitte, Survey of sector and consumer organisations

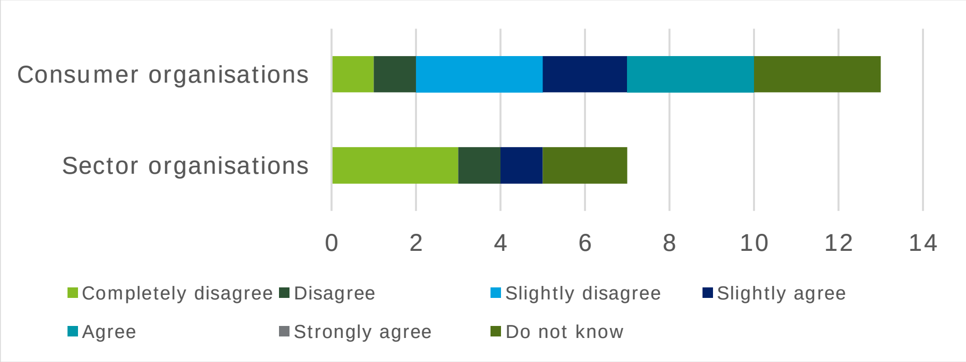
For consumer organisations, the second most important reason for not having access to payment accounts, is not having access to the remote channels offered by the financial institutions (such as online or mobile platforms), followed by the fact that consumers do not trust financial institutions. Sector organisations however think that having insufficient funds or choosing not to have an account are the second most important reasons for not having a payment account.

Cross-border access to payment accounts

Article 11 of the PAD lists some measures to facilitate cross-border access to payment accounts for consumers.

When looking at consumers' access to payment accounts in another Member State (cross-border access to payment accounts, either by visiting a branch of a financial institution in another Member State, or by using the remote channels of a financial institution in another Member State), we see that sector organisations tend to disagree that there is a difference between non-residents and residents trying to open a payment account. Consumer organisations are less positive in this regard, and are split on whether non-residents encounter more obstacles when trying to open a payment account in another Member State.

Figure 20: Extent to which respondents agree that non-residents encounter more obstacles when opening a payment account in a Member State (by number of respondents)



Source: Deloitte, Survey of sector and consumer organisations

Even though the survey showed a significant level of disagreement about whether banks apply more stringent criteria to non-residents, during the interviews, some of the banks that have cross-border clients indicated that they do apply more stringent conditions to account opening by cross-border clients than they apply to clients within the Member State (e.g. some banks in Belgium, Italy, Ireland, the Netherlands, Latvia, and Sweden).

There is one specific condition that was mentioned several times for traditional banks, and that is the fact that cross-border clients cannot always make use of remote account opening procedures. This is most likely due to the fact that some banks consider that otherwise they are not able to fulfil their requirements on anti-money laundering/countering the financing of terrorism, or that they are not willing to face the required level of complexity or costs to do so[114] (see section 4.5. Coherence). This results in differentiation in cross-border services for non-residents between those present in the Member State where they want to open an account and cross-border clients that want to make use of services in a Member State without being present there.

From the interviews it was also clear that there are banks that do not really target cross-border clients, for example because attracting cross-border clients is not really common in the country (e.g. Spain), or because the bank has a business model that is focused on the domestic market (e.g. some banks in Belgium).

Finally, when it comes to cross-border account opening, it became clear from the interviews conducted with different stakeholders in the different Member States subject to this study that consumers' level of interest in cross-border account opening is rather low, but is increasing thanks to neo-banks. According to a 2016 Eurobarometer around 3% of EU citizens had opened a payment account in another Member State, so this appears to be a long-term

[114] Recital 34 PAD reads "*Member States should guarantee that consumers who intend to open a payment account are not discriminated against on the basis of their nationality or place of residence. While it is important for credit institutions to ensure that their customers are not using the financial system for illegal purposes such as fraud, money laundering or terrorism financing, they should not impose barriers to consumers who want to benefit from the advantages of the internal market by opening and using payment accounts on a cross-border basis. Therefore, the provisions of Directive 2005/60/EC of the European Parliament and of the Council (1) should not be used as a pretext for rejecting commercially less attractive consumers.*"

trend for which it is unlikely that the mere entry into force of the PAD has brought any substantive changes.

Different reasons have been given by different stakeholders consulted for this low level of interest in cross-border account opening:

- consumers prefer having their bank close to them;
- some utility service providers still require a domestic account to pay for their services, although the CJEU has ruled this practice as illegal[115];
- consumers do not feel the need to look for a payment account outside the borders of their home Member State, as the offer in their Member State meets their expectations;
- there are practical difficulties in opening accounts on a cross-border basis, such as language barriers;
- consumers can use their domestic account throughout the entire European Union, they do not need an account in other Member States to be able to perform transactions in those Member States.

However, the stakeholders interviewed observed some trends suggesting that access to a payment account in another Member State has become easier in recent years. In particular, neo-banks operate in all the Member States with the same interface and offer payment accounts at low costs[116], thus mobile consumers tend to open a (second) account with them.

In addition, cross-border account opening is also subject to the CDD requirements, in application of the AML/CFT rules as foreseen by AMLD IV. Further insights into the co-existence of the PAD and AMLD IV is given in section 4.5. Coherence.

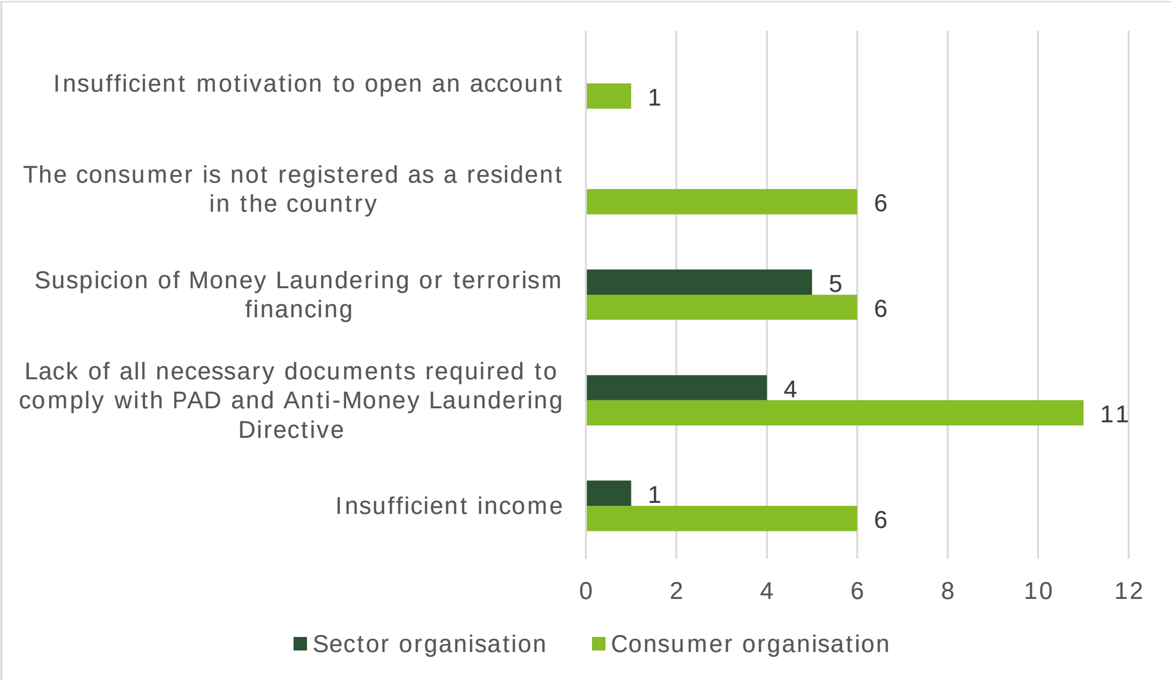
Refusal of access to payment accounts

Sector and consumer organisations believe that the main reasons why consumers are refused access to payment accounts are the fact that they do not have the necessary documents for account opening and/or they are suspected (Figure 21) (see also section 4.5 Coherence between the PAD and AMLD IV).

[115] In its Judgement of 5 September 2019 in Case C-28/18 *Deutsche Bahn AG,* the Court ruled that *"Article 9(2) of Regulation (EU) No 260/2012 of the European Parliament and of the Council of 14 March 2012 establishing technical and business requirements for credit transfers and direct debits in euro and amending Regulation (EC) No 924/2009 must be interpreted as precluding a contractual clause, such as that at issue in the main proceedings, which excludes payment by direct debit in euros under the European Union-wide direct debit scheme (SEPA direct debit) where the payer does not have his place of residence in the same Member State as that in which the payee has established his place of business."*

[116] See section 4.1 on overview of the payment accounts market.

Figure 21: Main reasons why consumers are refused opening of a payment account (by number of respondents, multiple choice question)



Source: Deloitte, Survey of sector and consumer organisations

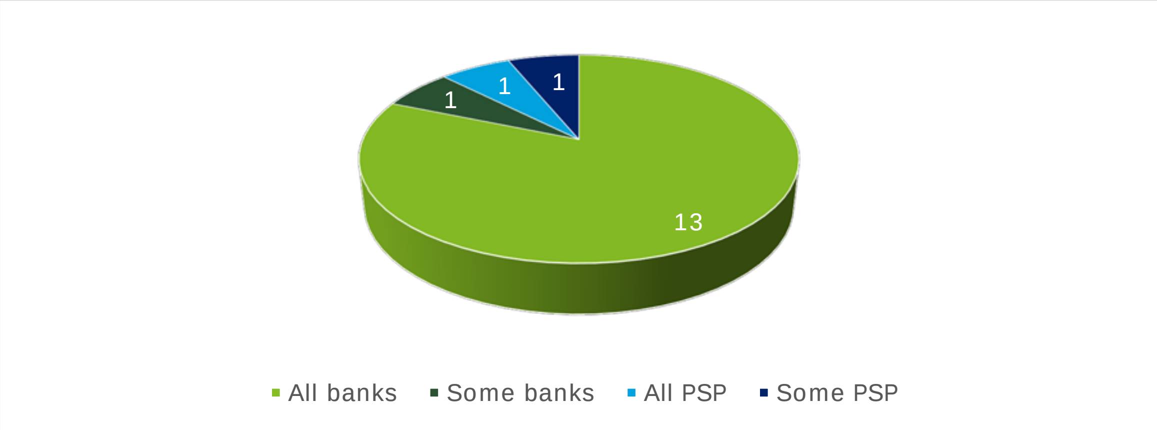
Consumer organisations also point to the fact that the consumer has insufficient funds and the fact that client is not a registered resident of the Member State where the financial institution is located, as reasons for which account opening would be refused.

Access to payment accounts with basic features

Financial institutions offering payment accounts with basic features

Figure 22 below shows that in most Member States in scope of this study all credit institutions that already offer payment services to consumers as part of their normal business activity must offer payment accounts with basic features. Other PSPs are not in scope of the requirement.

Figure 22: PSPs required to offer payment accounts with basic features in the different Member States in scope

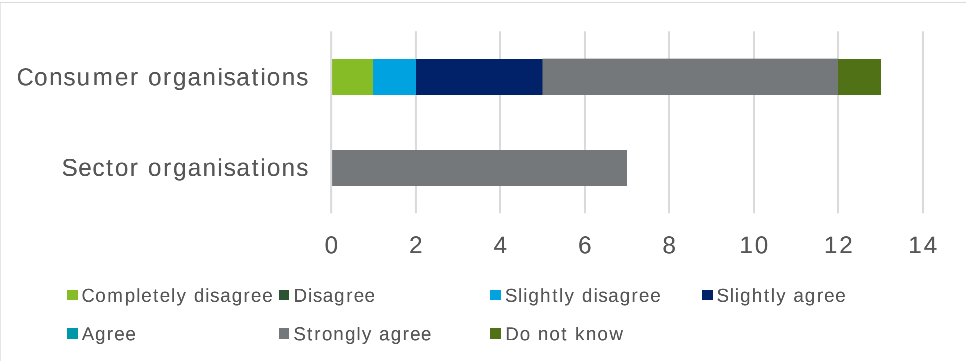


Source: Deloitte based on European Commission Article 27 information

The exceptions are Italy, Luxembourg and the Netherlands. In Italy and Luxembourg, the requirement to offer payment accounts with basic features refers to PSPs in general, and not only credit institutions. In Italy, all PSPs are required to offer payment accounts with basic features. In Luxembourg, additional conditions apply for PSPs to be subject to the requirement[117]. In the Netherlands, the requirement to offer payment accounts with basic features is limited to the five largest banks, as they almost cover the entire Dutch market.

Overall, both consumer and sector organisations agree that payment accounts with basic features are offered by a sufficient number of financial institutions in their Member State (Figure 23), but there is not the same unanimity among consumer organisations that is found in the sector organisations.

Figure 23: Extent to which respondents agree that a sufficient number of PSPs offers payment accounts with basic features in the Member State (by number of respondents)



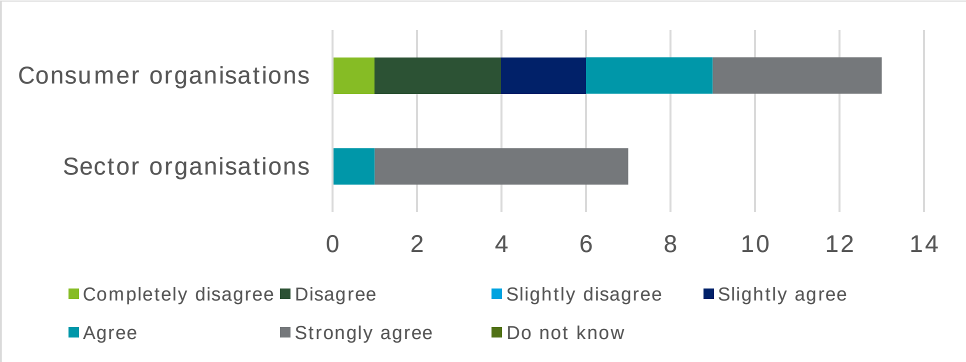
Source: Deloitte, Survey of sector and consumer organisations

[117] If the entity has at least 25 agencies in Luxembourg and it holds at least 2.5% of covered deposits as defined in Article 1, point 36 of the modified law of 18 December 2015 on "*the resolution, reorganisation and winding up measures of credit institutions and certain investment firms and on deposit guarantee and investor compensation schemes*", held by all concerned entities together which are established in Luxembourg.

Access and barriers to access to a payment account with basic features

When looking at the level of access to payment accounts with basic features, consumer and sector organisations agree in broad terms that consumers within the Member State have sufficient access to payment accounts with basic features.

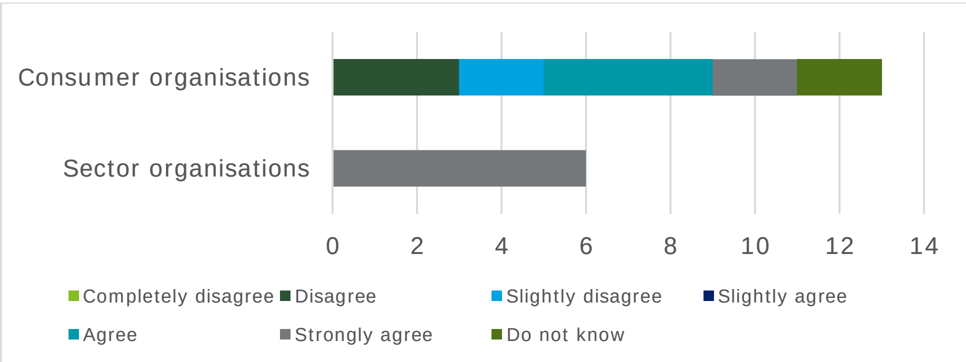
Figure 24: Extent to which respondents agree that consumers in the Member State have access to payment accounts with basic features (by number of respondents)



Source: Deloitte, Survey of sector and consumer organisations

However, consumer organisations appear to be less satisfied with the present level of access for EU residents to a payment account with basic features within their Member State.

Figure 25: Extent to which respondents agree that EU residents have access to payment accounts with basic features in the Member State (by number of respondents)



Source: Deloitte, Survey of sector and consumer organisations

For whatever reason, the take-up of the payment account with basic features has been rather low according to the stakeholders interviewed in the 16 Member States in scope. For example, in Italy only 20 000 payment accounts with basic features had at that time been opened since 2012[118] and in Hungary payment accounts with basic features represented fewer than 1 000 accounts out of a total of 7 million payment accounts. In Belgium and the Netherlands, the total number of payment accounts with basic features was also thought to be on the low side, compared to the total number of payment accounts. In France, however, payment accounts with basic features is thought to be relatively more important.

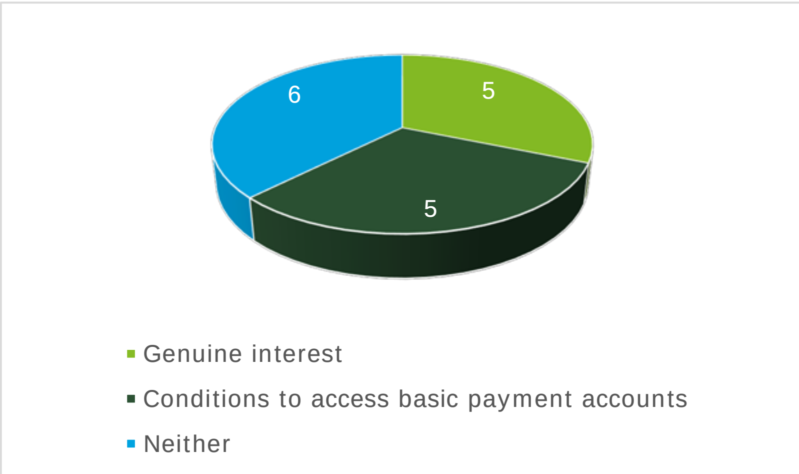
[118] Italy already had a regime of payment accounts with basic features before PAD, which has been changed to meet PAD – requirements in 2016.

Different reasons for a low level of payment accounts with basic features were given by the stakeholders consulted, such as:

- standard payment accounts are highly accessible (e.g. limited requirements for opening the account, low costs, etc.), so the number of people with a payment account has always been high (e.g. Czechia, Spain, and Sweden);
- there was already a similar regime in place in the Member State and that figure was already embedded in the number of people with a payment account (e.g. France, Netherlands);
- there are other offers in the market which are less costly and more in line with consumer needs (e.g. Italy, Hungary and Belgium)[119].

The PAD allows Member States to subject consumers' access to a payment account with basic features to the existence of a "genuine interest" in doing so[120]. Figure 26 gives an overview of those Member States in scope of this study where stakeholders indicated during the interviews that the Member States have made use of the concept of "genuine interest", imposed additional conditions to access a payment account with basic features or did neither.

Figure 26: Conditions imposed to access payment accounts with basic features (by number of Member States)



Source: Deloitte, Stakeholder interviews

In the interviews with stakeholders in the Member States in scope during which this information was collected, the study team uncovered considerable confusion about the concept of "genuine interest" as some stakeholders believed that it had been transposed into their national legislation when actually it had not.

Indeed, some stakeholders indicated that conditions to access payments accounts with basic features came from the national transposition of the concept of "genuine interest", while

[119] This is for example the case in Member States where certain financial institutions offer standard payment accounts for free. If consumers meet the acceptance criteria for these offers, they will prefer them over a payment account with basic features.

[120] Article 16.3 PAD: Member States may, in full respect of the fundamental freedoms guaranteed by the Treaties, require consumers who wish to open a payment account with basic features in their territory to show a genuine interest in doing so.

actually only five Member States in total have incorporated the concept of "genuine interest" in national legislation (Cyprus, Denmark, Greece, Lithuania and the Netherlands), of which three are not in scope of the study. In other words, some stakeholders are under the impression that their legislator has chosen to transpose the concept of "genuine interest" into national law, while this is actually not the case. It would thus seem that the transposition of the concept of "genuine interest" is not clear, and that some Member States have imposed other conditions to access a payment account with basic features, which do not relate to the transposition of the concept of "genuine interest".

For the 16 Member States in scope of the study, Table 7 gives an overview of the conditions that are imposed to access payment account with basic features, as indicated during the interviews with the different stakeholders. Member States that have made use of the concept of "genuine interest" in their legislation are indicated with a "*". The other Member States impose conditions to access payment accounts with basic features, but do not make use of the concept of "genuine interest". The requirements of AMLD IV apply ipso facto. A more detailed description of the co-existence of the PAD and AMLD IV is given under section 4.5. Coherence.

Table 7: Conditions imposed by Member States to have access to a payment account with basic features

	No other account	Part of vulnerable group	Relation-ship with the Member State	Request to open the account[121]	Transact in first 24 months	Max. amount of savings (EUR 6000)	No fraud / criminal offence	Legal resident of EU	Max. income
Belgium	X					X	X		
Finland							X		
Germany				X					
Hungary					X				
Ireland[122]	X							X	X
Italy								X	If free account
Latvia				X					
Netherlands*			X[123]						
Poland	X								
Spain	X	If free account							

Source: Deloitte, Stakeholder interviews

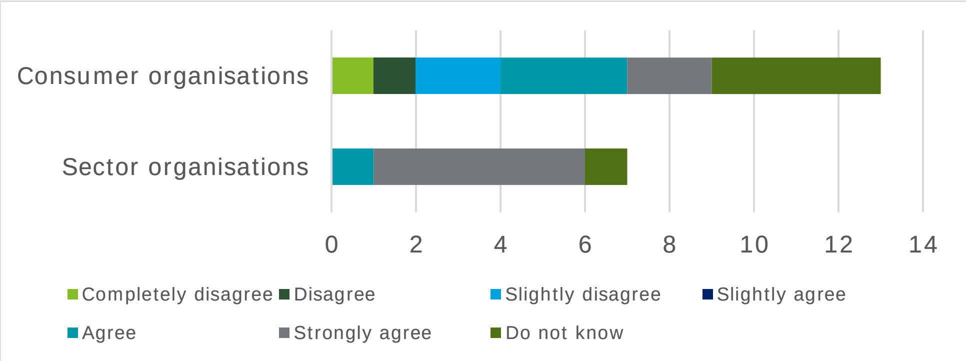
[121] In these Member States, the mere request to open a payment account with basic features is considered sufficient to meet the conditions for the account opening.

[122] In Ireland, banks are allowed to impose additional conditions, such as age.

[123] This is assumed to be the case if a consumer is lawfully resident in the Netherlands, has Dutch nationality, family ties, a professional practice, work placement or apprenticeship, is exploring employment opportunities or other professional activities, studying or in professional training, has residence or property in the Netherlands and also in cases where an application for asylum or immigration is still being processed.

When considering the documents required to open a payment account with basic features, sector organisations surveyed regard these as reasonable and accessible for all EU residents. Consumer organisations are overall not as convinced as the sector organisations. On balance they agree, but the difference between those that agree, those that disagree and those that do not know is very small.

Figure 27: Document required to open a payment account with basic features are reasonable and accessible for all EU residents (by number of respondents)



Source: Deloitte, Survey of sector and consumer organisations

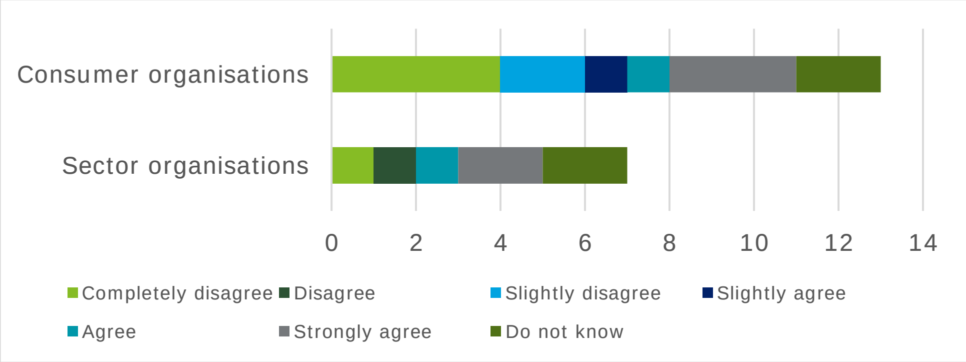
There are comparisons to be made here between the reasons given for refusal of access to payment accounts (Figure 21), where sector and consumer organisations think that the main reasons why consumers are refused access to payment accounts are that the consumer does not have the necessary documents for account opening and suspicions of money laundering or terrorism financing (see section 4.5. Coherence).

Sector organisations indicate that the documents required to open a payment account with basic features are reasonable and accessible (Figure 27), but nevertheless say that the main reason for refusal to open a payment account is (in general) the lack of documentation (Figure 21).

Cost is another element with an influence on the accessibility of these accounts (See section 4.1. Overview of the payment account market in the EU).

Consumer organisations tend to think that payment accounts with basic features are not that much cheaper than standard payment accounts, while the spread of opinion among sector organisations is wider, while nevertheless tending to the view that these accounts are no cheaper than standard accounts.

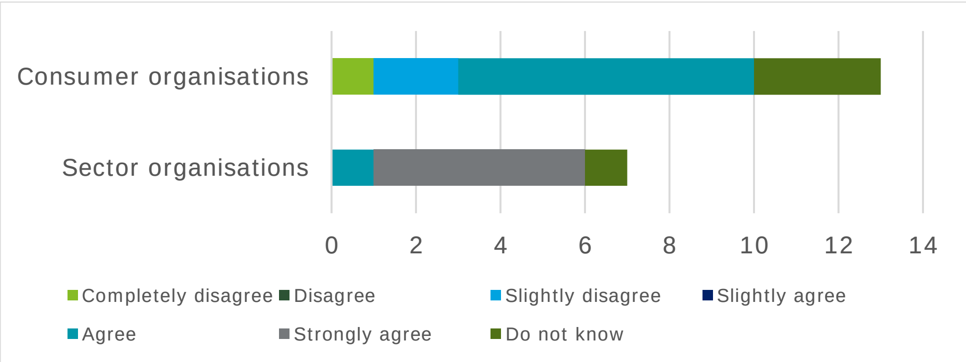
Figure 28: Extent to which respondents agree that payment accounts with basic features are less expensive than standard payment accounts (by number of respondents)



Source: Deloitte, Survey of sector and consumer organisations

Nevertheless, when looking at the opinion of consumer organisations and sector organisations on whether payment accounts with basic features are affordable for everyone, sector organisations on the whole believe strongly that they are; consumer organisations agree, but not with the same level of conviction.

Figure 29: Extent to which respondents agree that payment accounts with basic features are affordable for everyone



Source: Deloitte, Survey of sector and consumer organisations

Stakeholders interviewed in general agreed that it is not more difficult for vulnerable consumers to open a payment account with basic features than for other consumers. The only difficulties identified relate to the co-existence of PAD and the AML/CFT requirements as set forth by AMLD IV (see section 4.5. Coherence), especially for asylum seekers and migrants.

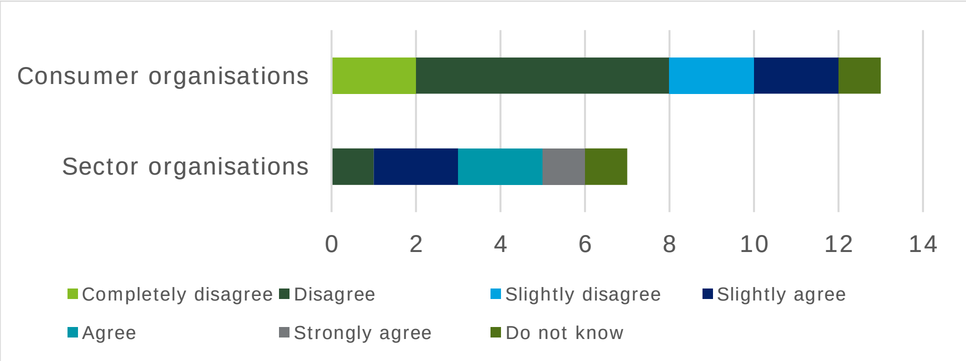
Interviews in Hungary suggested that there is an issue of affordability there. A significant gap was highlighted between the payment account coverage of vulnerable groups compared to the payment account coverage of other consumers. The reason given was that these are mainly consumers with a low income for whom the cost of a payment account, even if with basic features, is too high compared to their income.

Similarly, in Germany, consumer organisations indicated that the costs linked to payment accounts with basic features are too high (see also section 4.1. Overview of the payment account market in the EU).

Information to consumers about access to a payment account with basic features

Lack of information can in theory be a barrier to access to an account with basic features, and this may be in fact be an issue: consumer organisations largely feel that consumers are not sufficiently aware of the existence of these accounts, whereas sector organisations tend to be more positive.

Figure 30: Extent to which respondents agree that consumers are aware of the existence of payment accounts with basic features (by number of respondents)



Source: Deloitte, Survey of sector and consumer organisations

One way in which consumers could be better informed about the existence of payment accounts with basic features is via the Member States' comparison website(s) (see section 4.2.1. Enable consumers to compare bank fees). For the Member States in scope of the study that currently have a compliant comparison website, only 6 of 11 mention payment accounts with basic features (Table 8).

Table 8: The Member State's compliant comparison website mentions payment accounts with basic features

BE	BG	CZ	FI	FR	HU	IE	LU	LV	NL	PL	SE
Yes	No	No	No	No	Yes	Yes	No	No	Yes	Yes	Yes

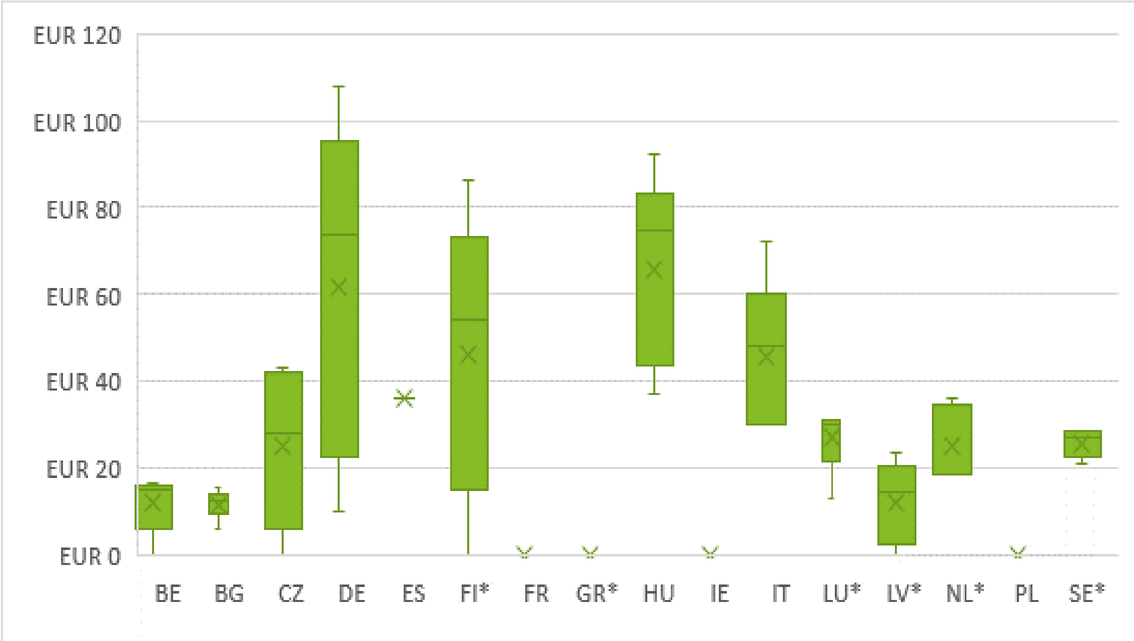
Source: Deloitte, Review of comparison websites

During the interviews, stakeholders indicated that consumers can access information about the payment account with basic features via different channels (e.g. website of the bank, government website, awareness campaigns organised by the government, via social services, etc.) However, several consumer organisations indicated that the level of awareness of consumers is rather low, although information is available. Also, in most cases, banks do not pro-actively offer the payment account with basic features to consumers, they need to ask for it.

Level of satisfaction with services included in the payment account with basic features

When looking at the services that are included in the payment account with basic features by the five largest banks in each of the Member States included in the scope of the study, we see that the main services that are not part of these payment accounts are arranged overdraft facilities, credit cards and instant payments[124].

Figure 31: Overview of the main services available with payment accounts with basic features[125]



* **= There is no distinction between standard payment account and payment account with basic features.**

Source: Deloitte, Website review of the five largest credit institutions

Three situations are identified where none of the 5 largest banks in a certain Member State offer one or more of the services that are mandatory as part of payment accounts with basic features:

- In Bulgaria, standing orders are not offered as part of payment accounts with basic features.
- In Finland, standing orders are not offered as part of payment accounts with basic features.
- In Latvia, direct debits are not offered as part of payment accounts with basic features.

However, when looking at the standard accounts for these Member States, it appears that the services concerned are also never offered as part of a standard account. Article 17, paragraph 1 of PAD foresees that the mandatory services for payment accounts with basic features only need to be offered by banks in case they also offer these services as part of their standard payment accounts. Hence, this explains why in the 3 cases mentioned above the

[124] Based on the information available in the FID and document including pricing information for the payment account with basic features for each of the banks, see section 4.1.2. on the main features of payment accounts in the selected Member States and annex F for a detailed explanation on the methodology and more details.

[125] Both services included in the fixed price and those that can be purchased with an extra cost or which require a fee per transaction.

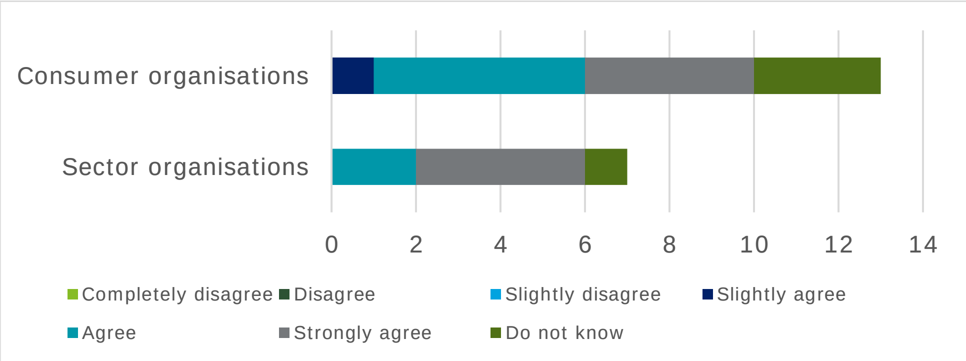
respective services are not offered as part of the payment account with basic features in the respective Member States.

As highlighted before, according to our analysis of the evolution of the market, instant payments are spreading across Europe and there are institutions offering this type of service in the following Member States: Belgium, Germany, Greece, Ireland, Italy, Latvia, Netherlands, Poland, Spain and Sweden. However, this service is hardly mentioned in the FID and price lists of the institutions (only in Spain).

The services that are part of the basic payment account with basic features in most of the cases, are the service to send money within the SEPA area and the service of having a debit card. Digital channels are also included in the payment account with basic features in most cases. For standing orders and direct debits, there are some more differences between the different Member States in scope.

When looking at the level of satisfaction with the minimum required list of services offered (Figure 32) following transposition of Article 17 of the Directive[126] and with the services actually offered (Figure 33) as part of the payment account with basic features, consumers and sector organisations believe that consumers are satisfied with the services on offer based on national requirements.

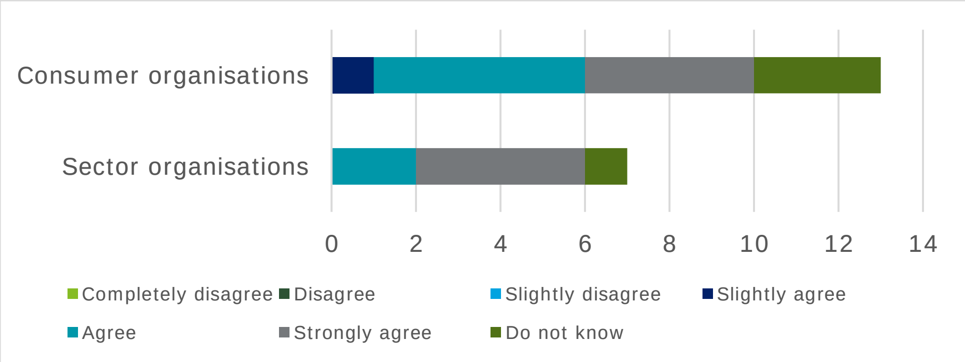
Figure 32: Extent to which respondents agree that consumers are satisfied with the minimum required services part of a payment account with basic features following transposition of Article 17 PAD (by number of respondents)



Source: Deloitte, Survey of sector and consumer organisations

[126] See Table 4 for an overview of those services by Member State

Figure 33: Extent to which respondents agree that consumers are satisfied with the services actually offered as part of a payment account with basic features (by number of respondents)



Source: Deloitte, Survey of sector and consumer organisations

During interviews stakeholders held the same view: consumers are in general satisfied with the services being offered as part of the payment account with basic features. This is also because in many cases the payment account with basic features includes the same payment services as the standard payment account (the main exceptions being arranged overdrafts and access to credit cards).

One issue raised for consideration is whether the services currently offered as part of a payment account with basic features allow full participation in society (social inclusion), not only in financial services (financial inclusion). For example, online shopping has become more and more "normal" in society, but not all online merchants accept a debit card payment, and some banks only offer debit cards with limited functionalities (e.g. that only allow cash withdrawals at the ATM but no payments to merchants).

Stakeholders also highlighted the importance of services linked to a payment account with basic features (but also to payment accounts in general) not shifting to being fully digital, as there are some groups of consumers that do need access to manual/paper channels to ensure financial and social inclusion.

Answer to the Question: Has the PAD ensured that consumers are able to open payment accounts?

Access to payment accounts in most Member States **is high** (> 85% in 11 of the 16 Member States in scope), but where this is not the case, it is clear that vulnerable groups are those which are the least banked.

Demand for cross-border access is low. The different reasons put forward to explain this cannot necessarily be mitigated by the PAD.

Payment **accounts with basic features** are offered by a sufficient number of financial institutions and the services meet consumers' needs. The **concept of "genuine interest"** which Member States can impose as a condition for access to these payments is unclear, and other restrictive provisions seen as similar or equivalent have been introduced by some Member States outside of the five which have transposed the concept into their national legislation.

The number of payment accounts with basic features is low**. Lack of information about the existence of these accounts** may be one reason, but others are cost/affordability and ability to supply the requisite documentation, in particular to meet AML/CFT requirements. These accounts appear to be opened predominantly by a **specific segment** (vulnerable consumers).

The range of services available through basic accounts appears to be satisfactory, but consumers appear to not always be aware about their right to request a payment account with basic features.

4.2.4 Expected and unintended effects

In general, stakeholders agree that the Payment Accounts Directive **has not brought any major effects so far**. There are two main reasons for this:

- Most Member States already had measures similar to the PAD.
- It is too early to see the impacts of certain provisions of the PAD as they have not been applied for long enough. This applies in particular to transparency and comparability.

Building on the analyses presented in the previous sections of this study, this section investigates the extent to which the expected results, as explained in the 2013 Impact Assessment[127], have been achieved. It also points out some unintended effects of application of the PAD.

Expected effects

According to the 2013 Impact Assessment, the PAD should have reduced obstacles for market entrants to gain new clients by encouraging customer mobility through an easy, efficient and standardised switching process. As explained above, the switching process is indeed now in place and it generally works well. However, with a few exceptions, the level of switching does not seem to have changed. Representatives of incumbent credit institutions interviewed do not perceive any trend of switching to new market entrants, but a low level of awareness of the switching process among consumers may be a factor. As shown in the market overview (Section 4.1), the new market entrants are gaining new clients thanks to the use of new technologies and new business models, and the PAD does not seem to be playing a role. In practice, consumers tend to have a second account with the new market entrants not switch their banking to them.

Sector organisations also pointed out in interviews that the transparency and comparability requirements of the PAD create compliance and administrative costs that might result in barriers for new market entrants of a more traditional nature, as these have higher

[127] Commission Staff Working Document Impact Assessment Accompanying the document Proposal for a Directive of the European Parliament and of the Council on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features; https://eur-lex.europa.eu/legal-content/en/TXT/?uri=CELEX:52013SC0164

compliance costs than new online players. Conversely, the PAD transparency and comparability provisions (most notably the comparison website) do seem to be good tools to help consumers seek the most advantageous payment account within the same Member State. However, results from these will probably only be fully evident in the next few years due to the recent application of this part of the Directive.

Similarly, when it comes to reducing obstacles for businesses operating cross-border and for consumers acquiring financial services in another Member State, the PAD has ensured a minimum level of harmonisation, notably by establishing a standardised terminology (which is partially uniform at EU level as explained in section 4.2.1), common templates for reporting on fees linked to payment accounts, a uniform switching process, and a right, at EU level, to access to payment accounts with basic features.

However, there are still obstacles to the Single Market that were not tackled by the PAD or that derive from how the Member States have applied it. The main concerns relate to the tools to improve comparability (e.g. standardised terminology, FID, comparison website) being provided only in the national language. Thus, language barriers might still be preventing consumers from benefiting from the Single Market.

Moreover, it is not clear from the EU legislation on retail financial services which rules apply when a consumer from another Member State accesses the services of an institution remotely (e.g. they open an account via phone banking or online banking) or which NCA is in charge of the supervision. A European Supervisory Authorities' (ESAs) Report on cross-border supervision of retail financial services has pointed out that: "There is no definition of cross-border provision of financial services in any of the [Directives and Regulations] reviewed[128]. The ESAs have noticed that the legislation reviewed lacks clear criteria for determining the location where the service is provided, which is key to determining whether there is cross-border provision of services and whether it falls under the FPS [freedom to provide services] and the ROE [right of establishment], and, as a consequence, which [Competent Authority] is responsible for its supervision. This lack of clear criteria is even more problematic when services and products are provided through digital means."[129]

The main concerns about how the Member States have applied the PAD relate to the tendency of Member States to create an additional layer of legislation while transposing the PAD, instead of substituting it for what was in place before. As a consequence, although the PAD has improved the level of harmonisation across the EU, there is still a degree of fragmentation of the regulatory framework in cases where there are co-existing national

[128] Report on cross-border supervision of retail financial services, 9 July 2019; https://eba.europa.eu/documents/10180/2551996/Final+Report+on+cross-border+supervision+of+retail+financial+services.pdf

[129] Report on cross-border supervision of retail financial services, 9 July 2019; https://eba.europa.eu/documents/10180/2551996/Final+Report+on+cross-border+supervision+of+retail+financial+services.pdf.

measures. This practice has caused a significant unintended effect: the duplication of documentation on payment account fees.[130]

The PAD was designed to result in fewer difficulties in mobile and vulnerable consumers accessing a payment account and there has been progress on both. On the one hand, mobile consumers are benefiting, albeit irrespective of the PAD, from market developments which have improved their access to payments through new products specifically fitting their needs (e.g. e-wallets).[131] On the other hand, as analysed in the previous section, the offering of accounts with basic feature has proved effective in enhancing the inclusion of vulnerable groups, notably asylum seekers.

Unintended effects

In interviews, stakeholders mentioned two unintended effects deriving from the transposition and/or application of the PAD. The more important of these is the duplication of documentation on payment account fee levels. In Member States where documents with the same information already existed, the relevant Member States have usually not required them to be replaced by the FID and SOF (e.g. Belgium, Ireland, Italy, Netherlands, Spain). In some cases, the pre-existing documents were deemed more comprehensive than the FID and SOF and, thus, the replacement would have lowered the Member States' transparency standards. However, this choice means that consumers may receive several documents with the same information displayed in different formats or different levels of detail. As highlighted by both consumer and sector organisations, there is a risk of this situation being counterproductive, either creating more confusion for the consumer or simply discouraging them from reading the documents.

In addition, some credit institutions mentioned as a possible unintended effect the impact of increased regulatory costs caused by financial legislation, including the PAD. With some financial institutions feeling pressure on their balance sheets and needing to modernise and remain cost-competitive, the result can be closure of unprofitable branches. This can be detrimental to financial inclusion, although, it should be noted that financial legislation is not the only cost that weighs on choices made by PSPs to cut costs. Other aspects such as wanting to modernise themselves and remain competitive can also play a role in these choices.

Answer to the Question: Has the PAD brought about the expected effects or other unintended effects?

The PAD has **not brought about any major measurable effects so far** since, on the one hand, most Member States in scope already had similar pre-existing measures, and on the

[130] Please, see below section on unintended effects.

[131] Please see section on market overview.

other, it is too early to see the impacts of certain provisions as they have not been applied for long enough (notably on transparency and comparability).

When looking at the effects of the PAD on reducing obstacles for market entrants to acquire new clients, we observe that **new market entrants have attracted customers because of their different business model and targeted offerings**, rather than because of the PAD. Indeed, the transparency and comparability measures have started being applied only recently and customers tend not to use the switching service when they open an account with a neo-bank, as this is considered an "additional" account.

When it comes to reducing obstacles for businesses operating cross-border and for consumers acquiring services in another Member State, the PAD has ensured a **minimum level of harmonisation.** However, there are **still obstacles to the Single Market** that cannot necessarily be tackled by the PAD (including those that are non-regulatory such as **language barriers or consumer home bias**).

Others derive from **how the Member States have applied the PAD**. In particular, some Member States created an additional layer of legislation when transposing the PAD, instead of substituting it for prior legislation, leading therefore to **fragmentation of the regulatory framework**. The most important unintended consequence of this is the **duplication of documents on fee levels** of payment accounts in Member States where documents with the same information already existed. In these cases, the provision of the FID and SOF together with other documents might be counterproductive, either creating more confusion for the consumer or simply discouraging them from reading the documents.

4.3 Assessment of the costs resulting from the Directive compared to the benefits (Efficiency)

The efficiency of the PAD has to be assessed in terms of ratio between the benefits achieved (based on the objectives defined for this policy intervention – see Figure 1: PAD Intervention Logic) and the costs borne by the stakeholders concerned to obtain these results.

When comparing costs incurred by and the benefits accruing to stakeholders as a result of the PAD, consideration needs to be given to the time lag between the costs and the benefits. Indeed, as the PAD was implemented only recently, stakeholders have already incurred (most of) the (one-off) costs to be PAD-compliant, while it is too soon for the benefits for consumers to already have shown themselves and to be quantifiable.

Table 1Table 9 shows the categories of benefit that should be considered when measuring the Directive's efficiency (in line with the results expected in the Impact Assessment). Because of their nature and because of the recent implementation of the Directive, these benefits cannot be quantified. However, based on the analysis conducted in the previous section, we will look at the extent to which the PAD has contributed to them.

Table 9: Categories of benefit potentially resulting from the PAD

Benefits for consumers
Improved conditions to make informed choices due to more transparency and comparability
Cost reductions due to increased competition in the market
Fewer difficulties in switching provider and relocating within the Union
Fewer difficulties in accessing payment accounts
Benefits for PSPs
Fewer difficulties in acquiring new clients because of increased mobility within the market
Reduced obstacles for businesses operating cross-border

In looking at the costs borne by the different stakeholders in order to apply the PAD and be compliant with it, consider the cost categories in Table 10. Annex B provides an overview of the approach carried out for the data collection, a list of shortcomings and the data collected through the targeted request for costs.

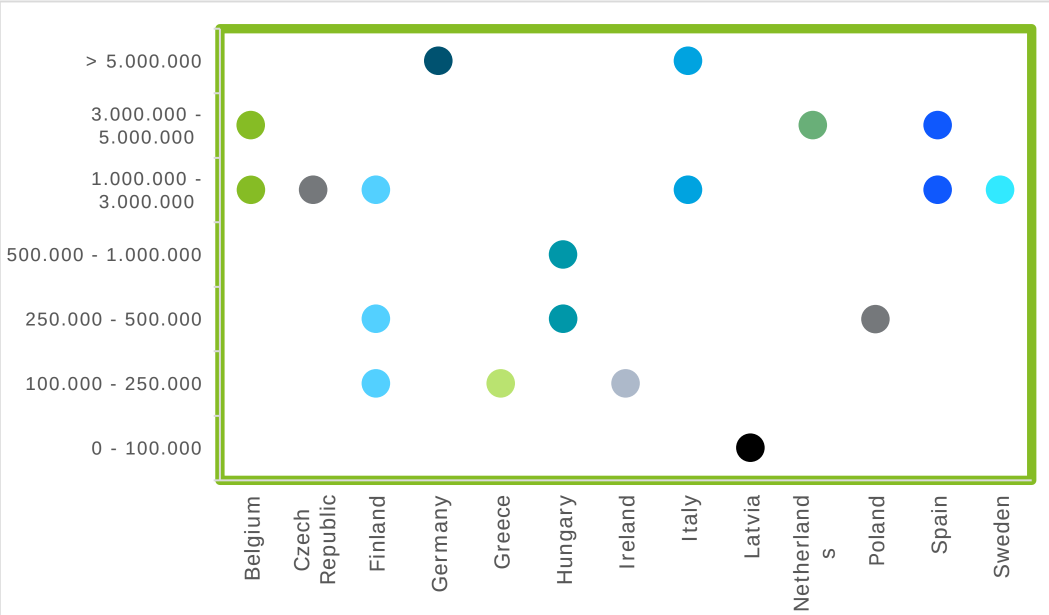
Table 10: Categories of cost potentially resulting from the PAD

Costs for National Competent Authorities
Transposition costs
Costs related to the application of the Directive (e.g. developing and updating common standards, setting up and running a comparison website or an accreditation system for it)
Enforcement costs (e.g. monitoring compliance, reporting to the EU)
Costs for PSPs
Costs to adapt contractual and information documentation to standardised terminology
IT costs related to updating or adapting information on their website
Costs of training on standardised terminology for personnel
Costs related to the implementation of the FID - including the IT costs to adapt the internal system to automatically develop the required document
Costs related to the implementation of the SOF - including the IT costs to adapt the internal system to automatically develop the required document
Printing and postal costs related to the FID and the SOF
Costs related to the implementation of the switching process - including the IT costs to adapt the internal system to enable exchanges of data with other banks
Costs for legal advice on the application of the Directive
Costs for credit institutions (in addition to those for PSPs)
Costs related to offering accounts with basic features (including negative impact on revenue)
Costs to provide information about the basic account
Costs for operators of compliant comparison websites[132]
Costs to meet requirements of the national accreditation systems (where relevant)

[132] When it is not the NCA that operates the comparison website.

Before presenting the analysis of the costs and benefits stemming from the provisions included under the three main Chapters of the Directive (i.e. transparency and comparability, switching, and access to accounts with basic features), it is worth taking a look at the overall costs reported by 19 of the main credit institutions in 13 Member States[133], as a very rough tentative estimation of the impact of the Directive.[134] It must be borne in mind, however, that the majority of the credit institutions consulted were not able to give a quantitative estimation of the costs, either because the process of adaptation had not been completed yet or because the costs are aggregated with other initiatives. Moreover, as a detailed monitoring plan/procedure was not envisaged with a view to the evaluation of the Directive, the different stakeholders have not collected data on the compliance costs systematically. Therefore, the study relies on whatever available data was reported by stakeholders.

Figure 34: Estimated overall costs of the PAD for each credit institution (EUR millions) (N=19)



Source: Deloitte, Data request to credit institutions and interviews

The data collected reveal that 11 out of 19 respondents estimated the costs deriving from the application of the PAD at more than EUR 1 million. However, when asked how they would assess the costs stemming from the PAD, the perceptions of the interviewees varied: for some credit institutions they are “very high”, while for others they are “reasonable”. A number of factors might account for these differences. First, in those cases where measures similar to those prescribed by the PAD were already in place, the extent to which the former had to be adapted to be compliant with the PAD impacted to a large extent on the overall costs. Second, the size of the bank might change the perception of how costly the PAD was (e.g. the impact of regulatory costs on smaller banks is often a relevant part of their budget). Third, the IT

[133] Belgium, Czechia, Finland, Germany, Greece, Hungary, Ireland, Italy, Latvia, Netherlands, Poland, Spain, and Sweden, of which, data for Czechia, Germany, Ireland and Poland came from the interviews.

[134] The data request was sent to the 5 largest credit institutions in the 16 Member States, but only 19 were able to quantify the costs stemming from the PAD. In the case of Netherlands, we received the cumulative costs borne by the sector. Thus, the figure has been estimated based on the number of institutions active in the sector.

systems an institution has in place might be more or less flexible, and thus it might be more or less costly to adapt them. Lastly, the costs deriving from the specific national transposition of the PAD might have had an impact on the breadth of the work to be carried out by PSPs in the different Member States due to gold-plating. While this type of “additional” work should not be attributed directly to the Directive, the choice of a directive over a regulation or of not setting more specific requirements that facilitate more harmonised transposition can be one of the causes of gold-plating, and thus relevant for this study. However, it is not possible to differentiate between costs linked to the duplication of legislation and costs linked to the replacement of documentation due to new legislation.

Considering the Member States covered by Table 10, we note that the fact that a Member State had measures on fee transparency and comparability already in place did not diminish the costs borne by the credit institutions. All the Member States listed above, except Ireland, the Netherlands and Poland were considered advanced in their initiatives on bank fee transparency and comparability in personal current bank accounts according to a European Commission’s 2012 market study.[135] However, in these Member States, credit institutions commissioned impact assessments to identify the gaps and differences between what was in place and the new requirements. These impact assessment studies resulted in additional costs for the institutions.

Asked about where the costs indicated above stem from, respondents to the data request estimated that the most significant were printing and postal costs related to the FID and the SOF, costs related to the implementation of the SOF – including the IT costs to adapt the internal system to automatically develop the required document, and to adapt contractual and information documentation to the standardised terminology.[136]

Of the NCA’s, two mentioned that the cost of transposing and applying the PAD was high for them. In particular, one NCA referred to the costs incurred in setting up the comparison website, while the other mentioned the time spent to develop the standardised terminology and the technical standards relating to the FID and SOF. All other NCAs deemed that the cost was reasonable. All NCAs indicated that supervision of PAD compliance was seen as part of their normal monitoring processes.

Transparency and comparability

The standardised terminology

Implementing the **standardised terminology** was raised as one of the main issues by credit institutions in interviews, as all their documents had to be updated (e.g. forms, marketing

[135] European Commission, Market study on the current state of play in Member States regarding initiatives in bank fee transparency and comparability in personal current bank accounts, 2012. Available at: https://ec.europa.eu/info/sites/info/files/study-on-initiatives-in-bank-fee-transparency_january2012_en.pdf

[136] The detailed breakdown is in Annex B.

materials, price lists, contracts). In practical terms, the implementation of the standardised terminology required PSPs to:

- analyse the requirements and identify the gaps with the terminology used;
- map and analyse the existing documents (forms/marketing materials/price lists/contracts) to identify use of the terms that needed to be changed;
- replace the old terminology in all the relevant documents, on the website, in internal IT systems generating the documents automatically, and user applications (e.g. online banking, mobile banking, ATM interface).

One credit institution reported that they had to check and, where necessary, change the terminology in more than 900 documents, while another estimated the costs of implementing the standardised terminology as up to EUR 6 million.

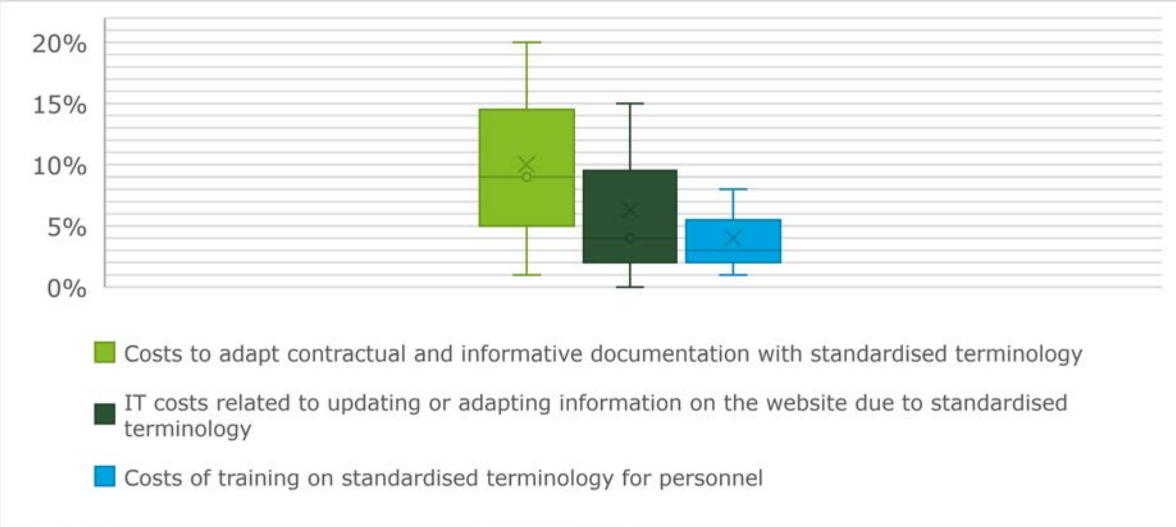
On the other hand, no or very few additional costs derived from the training of personnel, as this was usually provided in the course of normal business.

When asked about the weight of the costs linked to the implementation of the standardised terminology in the overall costs, the respondents to the data request estimated that they represented around 10-20% of the overall costs. This seems a small percentage compared to the qualitative feedback we received in interviews, but the data request respondents who provided quantitative data only represent a sample of credit institutions (and even in their case costs vary considerably from bank to bank). This may account for the difference, as may the fact that the other banks may not actually have the costs available and perceptions might not reflect true costs.

Table 11 shows the range per cost category.

Table 11: Estimated weight of the costs linked to the implementation of the standardised terminology

Category	Typology	Weight in total costs: average (min.–max.)
Costs to adapt contractual and informative documentation with standardised terminology	One-off	9% (1-20%)
IT costs related to updating or adapting information on the website due to standardised terminology	One-off	4% (0-15%)
Costs of training on standardised terminology for personnel	One-off	3% (1-8%)



Source: Deloitte, Data request to credit institutions and interviews

In general, we observe that:

- implementing the standardised terminology was costly even if there were few changes to be made, since all documents needed to be checked to ensure compliance;
- all the costs are one-off and they are mainly linked to adapting existing products, materials and tools. Any new materials and tools will be developed with the standardised terminology; thus, no additional costs are expected.
- the list of the most representative services and the standardised terminology change depending on the Member State (even if the same language is spoken). Therefore, it was not possible for businesses operating cross-border to leverage synergies; they had to perform the exercise to implement the standardised terminology twice regardless of using the same language.

However, there were a number of benefits from the implementation of the standardised terminology. The standardised terminology brought a minimum level of harmonisation in the terms used by institutions in the same Member State. Therefore, as interviews with representatives of consumer organisations confirmed, this makes it easier for consumers to understand the services linked to a payment account[137] and to compare the offers of different providers.[138] However, as representatives of sector organisations observed, when the term chosen in the standardised terminology is different from the one previously in use in the same Member State, customers would need some time to get used to it. In these cases, a transition period might be needed before the benefits arise.

In addition, the development of a list of the most representative services and of a standardised terminology does not seem to bring benefits when buying financial services in another Member State, as the language and the list of services differ.

Thus, implementing the standardised terminology was costly, but contributed to achieving the objective of increasing transparency and comparability of payment account services. There could have been efficiency gains Member States where a common terminology existed had used the same terms. However, this is not a function of the PAD, as the Member States are responsible for establishing the list of terms and definitions of the most representative services identified (PAD, Art.3.1).

These factors suggest, however, that, in their assessment to review and, where appropriate, update the terminology every four years (PAD Art. 3.6), Member States will need to consider carefully the effects any changes would have both in terms of costs for PSPs and in terms of benefits for the consumers (since, as consumer and sector organisations observed, changes might be counterproductive and create confusion).

Implementing the FID and the SOF

Implementing the FID and the SOF required IT developments in order to adapt the systems to automatically develop the documents, with the required information and format (A4 format, font size, order, spaces). The costs of this were assessed as "reasonable". It was the production of the SOF that entailed the highest costs for PSPs, as their systems need to be able to capture and analyse the data required to feed the SOF for each client. The implementation of the SOF was particularly difficult where the categories used in the document do not correspond exactly to those used in the other databases in the institution. In these cases, the institutions had to develop IT solutions to ensure the data required to complete the SOF could be aggregated (e.g. by using an API for aggregation). These difficulties are the reason that implementation of the SOF had not been concluded in most Member States at the time of the research for this study.

As an example of the different costs of implementing the FID and the SOF, the Dutch sector organisation reported that, all together, banks in the Netherlands spent around EUR 1.5 million to implement the FID and EUR 5 million to implement the SOF.

Another major cost concerning the two documents regards the printing and postal costs, which are recurrent. In this regard, some interviewees from credit institutions underlined the

[137] The presence of the glossary is crucial to avoid differences in interpretations.

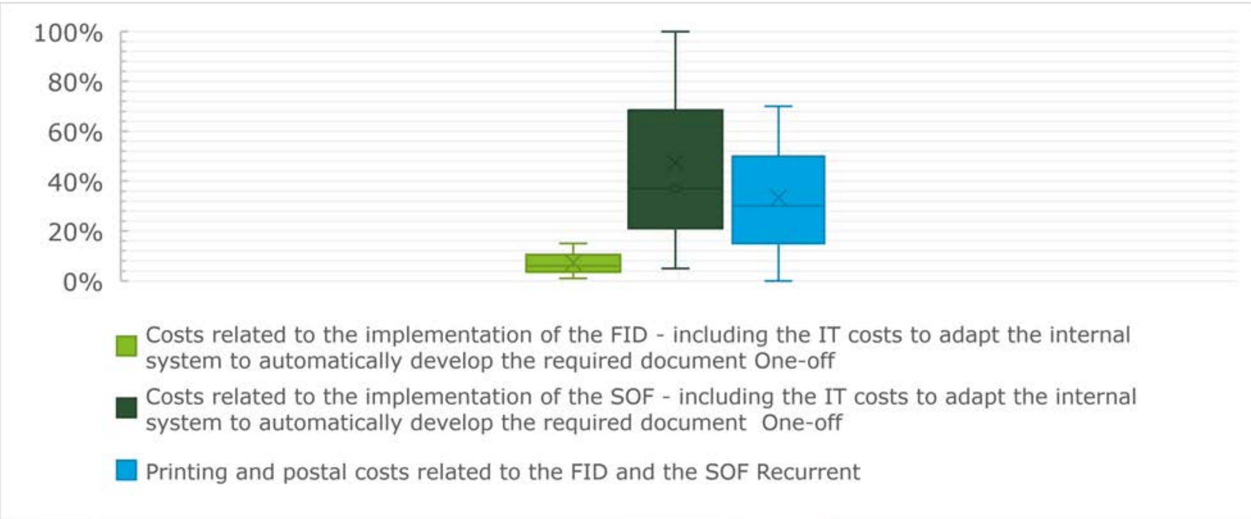
[138] Please see the analysis in the section "Achievement of the objectives of the Payment Accounts Directive".

fact that the SOF needs to be sent to the client at least once a year even when no fees have been charged, and PSPs from some Member States had never encountered that obligation so did not have that recurring cost in their balance. In their opinion, this constitutes a cost that could be avoided. However, it should be reminded that PAD does not prescribe an obligation to send the SOF in paper, but states that: "The communication channel used to provide the statement of fees shall be agreed with the consumer. The statement of fees shall be provided on paper at least upon the request of the consumer".[139] The FID, however, has to be provided on paper or another durable medium, which was not necessary in the past.

The table below shows the estimated weight of the costs linked to the implementation of the FID and SOF on the overall costs.

Table 12: Estimated weight of the costs linked to the implementation of the FID and of the SOF

Category	Typology	Weight on the total costs: average (MIN – MAX)
Costs related to the implementation of the FID - including the IT costs to adapt the internal system to automatically develop the required document	One-off	6% (1% - 15%)
Costs related to the implementation of the SOF - including the IT costs to adapt the internal system to automatically develop the required document	One-off	37% (5% - 100%)
Printing and postal costs related to the FID and the SOF	Recurrent	30% (0% - 70%)



Source: Deloitte, Data request to credit institutions and interviews

At the same time, a number of elements, investigated in the previous section[140], should be taken into account when considering the benefits deriving from the FID and SOF:

---

[139] PAD, Article 5.

[140] Please see the analysis in the section 4.2 "Achievement of the objectives of the Payment Account Directive".[141] Please see the analysis in the section "Achievement of the objectives of the Payment Account Directive: expected and unintended changes".

- Consumers benefit from the fact that all the banks have to use the same template to present the fees linked to a payment account as this facilitates the comparison.
- However, the benefits decrease substantially when the information contained in the FID and SOF are duplicated in other documents with a different terminology (because of national legislation)[141], with the risk of having opposite effects.
- In the case of the FID, there are some limitations to the benefits deriving from it because: a) the information is limited to a pre-defined number of services, so that it is not always comprehensive; b) consumers often base their decisions on marketing material although the FID is available; c) the FID is an instrument useful when the consumer wants to choose between two or three PSPs, or when the account they are interested in is not part of the scope of the comparison website. Otherwise it is time-consuming to go onto the website or to the branch of all the PSPs in the Member State and look for the FID. Therefore, this approach does not ensure that the consumer will make an informed choice in the best conditions (i.e. comparing all the offers available). The comparison websites seem to be a more effective solution in this respect.
- In the case of SOF, it is a substantial improvement in those Member States where nothing similar was in place. It makes it possible to increase the awareness of consumers on how much they pay for the services linked to their payment account and this information might drive their decision to switch payment provider. However, as in it is not applied yet in most Member States, we cannot conclude whether it achieved its objectives or not.

While the costs of implementing the FID seemed reasonable to respondents to the data request, the benefits in terms of transparency and comparability are rather limited and it brought some added value only in some Member States. The costs of implementing the SOF seem high as this required significant IT development. This does appear potentially to be a good tool to increase consumer awareness of what they are paying and allow them to make informed decisions. Until the benefits can be measured, however, it is not possible to assess the efficiency.

Implementing comparison websites

Conversely, the development of compliant comparison websites did not, according to respondents to the data request, seem to bring considerable costs. This was especially the case where comparison websites were already running. Ireland is the most striking example as the operator did not need to adapt anything to be compliant. The fact that a large amount of data was already being compiled for the FID or other information purposes also alleviated the time and financial effort to feed the comparison website. Only one NCA regarded the costs associated with the development of the compliant comparison website as "high".

[141] Please see the analysis in the section "Achievement of the objectives of the Payment Account Directive: expected and unintended changes".

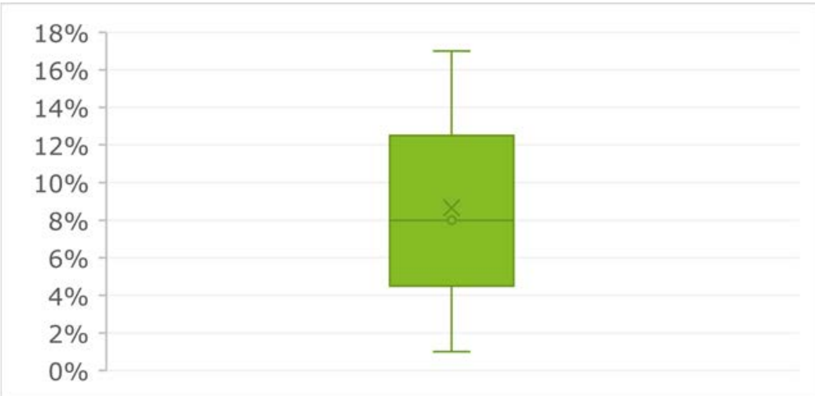
While the extent to which comparison websites help consumers identify the best offer depends on a number of variables (e.g. their quality, possibility of profiling the search, possibility of creating scenarios), comparison websites were regarded by both consumer and sector organisations as the most effective tool to compare the fees of multiple providers. Providing the more complex functionalities comes with a cost, but it should bring significant benefits.

Switching

To implement the PAD, some PSPs had to create or adapt IT systems to exchange information with other PSPs in order to ensure a smooth switching service within 14 days. The depth of the work and cost depended on the amount of changes required for PSPs to be compliant. The costs associated with the introduction of the PAD switching service were estimated by the respondents to the data request as around 10% of the total costs incurred because of the PAD (Table 13). However, one credit institution, which decided to externalise the management of switching requests, calculated this cost as 58.25% of the total costs.

Table 13: Estimated weight of the costs linked to the implementation of the switching service

Category	Typology	Weight on the total costs: average (min.-max.)
Costs related to the implementation of the switching process - including the IT costs to adapt the internal system to enable exchanges of data with other banks	One-off	8% (1%-17%)[142]



Source: Deloitte, Data request to credit institutions and interviews

From the consumer perspective, there has been a benefit in reduced difficulties for and burdens on consumers who want to switch[143]. From the sector perspective, however, the new

[142] The credit institution, which decided to externalise the management of switching requests, has been kept out of the table as it is considered as an outlier.

[143] DG FISMA has contracted a study on switching of financial services and products which provides estimates about the percentage of population benefiting from being able to switch payment accounts, and by how much.

procedure had so far transferred the burdens from consumers to the credit institutions (e.g. the requirement for the receiving institution to inform all the counterparties) without any corresponding benefit from increased customer mobility or competition in the market. However, it seems reasonable not to expect that such a recent measure would already be demonstrating clear benefits. Nonetheless, no particular complaints emerged during the interviews about the efficiency of the switching service as it did not lead to unexpected or unnecessary costs [144]. The costs of implementing the switching process were thus proportionate to the opportunity given to consumers to switch account easily (notwithstanding the actual number switching).

Access to accounts with basic features

When it comes to the impact of offering the basic account on the revenues of credit institutions, most banks indicated that the impact is only minor and will depend on:

- the business model of the credit institution: where there is no distinction between the “standard” account and the basic account, the institution bears no additional costs.[145]
- the institution may be able to transfer the costs of maintaining the account to the client. In cases where national transposition allows institutions to charge a fee for the account and national requirements on the “reasonable price” are flexible enough to cover the costs incurred by the bank, then some banks are able to transfer the costs to the customer through the price of the account, even when that price is still reasonable. In Member States where the account must be offered (to some population groups) for free or for a very limited (specific) price set by law (e.g. Ireland, Poland, Spain), banks have to bear the costs without transmitting them to the client.

However, even in cases where the institutions have to bear the costs of maintaining the account, the impact on their revenues is only marginal, as the number of payment accounts with basic features is extremely low and spread over different banks.

When consulted in the interviews, only a minority of banks indicated that the fact that they have to offer a basic account has a negative impact on their revenues.

Based on their analysis in 14 Member States, 10% of the population aged 18 to 64 holding a payment account have switched payment accounts, of which, 47% stated that they benefited from this switch. The average self-reported savings per year amounted to EUR 79 each.

The study on switching and this one on the payment accounts market have different scopes and different methodologies, each with their constraints. Consequently, this study does not consider it methodologically sound to make a direct comparison/link between the two studies as part of the analysis. The other study is signalled here in order to provide a comprehensive view of the available data.

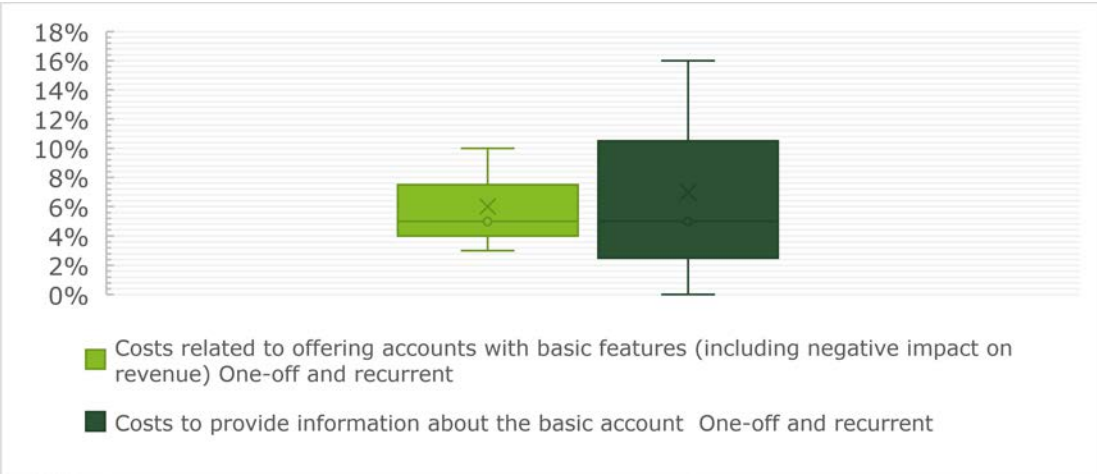
[144] Some institutions in one Member State mentioned difficulties in calculating the liability due to financial loss to be paid to consumer from non-compliant switching. However, the calculation as such falls under national law, not the PAD (Article 13 PAD).

[145] Please see the section on the overview of the payment account market.

Consistent with the results of the interviews, the respondents to the data request assigned a low weight to the costs related to offering accounts with basic features or to providing information about it, compared to the overall costs (Table 14). The cost of providing information significantly outweighs the cost of providing the account.

Table 14: Estimated weight of the costs linked to the offering of accounts with basic features

Category	Typology	Weight on the total costs: average (min.-max.)
Costs related to offering accounts with basic features (including negative impact on revenue)	One-off and recurrent	5% (3-10%)
Costs to provide information about the basic account	One-off and recurrent	5% (0-16%)



Source: Deloitte, Data request to credit institutions and interviews

The earlier analysis in this study[146] demonstrated that the benefits of offering these accounts are limited as use of payment accounts with basic features is generally low. Nevertheless, these accounts do appear to be suited to specific categories of the more vulnerable consumers. These groups include (im)migrants, asylum seekers and the homeless. Since these are also the categories that are more likely to be excluded from financial services, the costs of achieving the PAD objective of more financial inclusion seem proportionate.

Nonetheless, there is room for more efficiency in those Member States where credit institutions are required to have a different, dedicated product with limited characteristics. A more efficient alternative could be to set some minimum accessibility, services and pricing criteria and leave it open to credit institutions to use one of their accounts as a "basic" account, provided that it respects the criteria. At present, credit institutions have had to bear more costs to offer an additional product that is used by a small portion of consumers, while consumers who can access only a basic account may be excluded from having a better product in terms of features and price.

[146] See section 4.2.3.

Answer to the Question: To what extent have the costs of the Directive as a whole been justified and proportionate, given the benefits that were achieved?

The **costs stemming from the PAD mainly impacted PSPs.** The impact on NCAs' costs was minimal. PSPs had to review all forms of written documentation and make changes to IT systems.

The PAD review process does not require monitoring of costs, and many PSPs interviewed were not able to quantify costs deriving from the PAD. Assessment of whether costs are proportionate must rely on qualitative assessments and the data received from 19 credit institutions and/or their representatives of **estimated costs that varied widely from EUR 100 000 to EUR 5 million or more**. Factors affecting costs include whether similar measures had been adopted before, what was already in place and what needed to be adapted, how flexible the institutions' IT systems were, and the size of the institution.

When looking at whether costs are proportionate to benefits, we observe that:

- implementing the **standardised terminology was costly**, but it **contributed substantially to achieving the objective of increasing transparency and comparability** of payment account services;
- in those Member States **where a common terminology existed**, it would have been more efficient if the Member States had used the same terms. (The PAD establishes the requirement for common terminology, but Member States are responsible for establishing the list of terms and definitions of the most representative services identified);
- it is **too early to assess whether the costs stemming from the FID and SOF are proportionate to the benefits**, as they have become available too recently. However, the **benefits of both documents can be questioned when there are other documents containing the same information;** overlapping can translate into an information overload that can confuse consumers and raise PSP costs;
- the development of compliant **comparison websites has not entailed unreasonable costs**, especially where comparison websites were already running, and they seem to be the most efficient tool for comparing payment account fees;
- **the costs of implementing the switching process were proportionate to the benefits** arising from being able to switch accounts easily (notwithstanding the actual number of switches);
- the requirement to **offer a payment account with basic features did not entail significant costs** for credit institutions, even when the accounts are provided free of charge, as the number of payment accounts with basic features opened is low and spread over different banks. The **benefits accrue to specific categories** of consumer, notably (im)migrants, asylum seekers and people without an identity card, who are the **most relevant when tacking financial exclusion**. Therefore, the costs of achieving the PAD's objective of more financial inclusion through access to accounts with basic features seem proportionate. Nonetheless, there is **room for more efficiency** if those Member States where national transposition of the Directive requires credit institutions to have a dedicated product with limited characteristics would set instead some **minimum criteria for accessibility, services and pricing and leave it open to**

the credit institutions to use one of their accounts as a "basic" account, provided that it complies with the criteria.

4.4 Alignment of the Directive with the policy needs (Relevance)

As per the European Commission's Better Regulation Guidelines, due to the "early" stage in this intervention's lifecycle, an in-depth assessment of the relevance criteria may not yet be due. In fact, the timing and the (un)reliability of certain data do not allow for a solid relevance check yet. Nonetheless, stakeholder feedback can provide an indication of whether needs have changed and the relevance analysis also requires consideration of how the objectives of an EU intervention correspond to wider EU policy goals and priorities [147]. Consequently, the assessment of the alignment of the objectives of the PAD with the (current) needs presented in this section, mainly concentrates on feedback from stakeholder consultation and the EU's goals and priorities, combined with the study team's judgement.

Current and previous needs

As shown in the Intervention Logic, four key issues and needs were identified for the EU intervention to cover:

- Low competition in the retail payment sector due to the lack of transparency and comparability of fees and difficulties in switching payment accounts;
- Barriers to the internal market (especially for cross-border activities) created by the fragmentation of regulatory frameworks;
- Potential demand for payment account services not fully exploited (hampering mobile and vulnerable consumers in opening an account);
- Low level of customer mobility between service providers with respect to retail financial services.

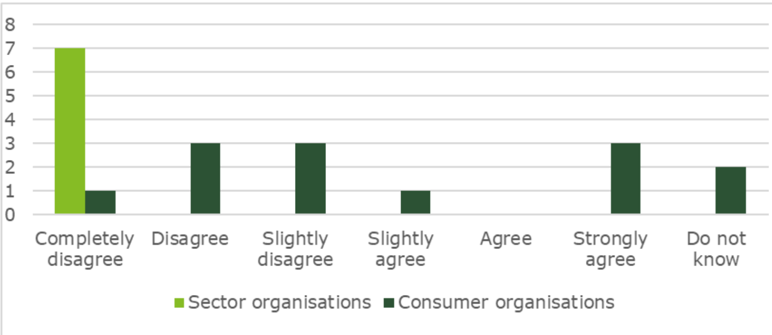
Overall, the feedback provided by interviewees depicted an unequal context in the different Member States resulting in different types and levels of issues and needs. Indeed, while some stakeholders claimed that their Member State was advanced with respect to the needs identified, others admitted that nothing had yet been done to address these. Moreover, some stakeholders mentioned that since 2014 there have been a series of developments in the market that have facilitated the coverage of some of the needs either by other legislation, new actors or new technologies. Nonetheless, more than half the stakeholders in all the Member States in the study's scope acknowledged that EU intervention was necessary to ensure that needs are met equally all over Europe, and that citizens are sure to receive the same treatment in another country as they do in their own. Furthermore, some of the interventions not only cover needs of citizens in specific countries, they also correspond to

[147] European Commission, Better Regulation « Toolbox », Tool #47. https://ec.europa.eu/info/files/better-regulation-toolbox-47_en

wider EU policy goals and priorities which, as per the Better Regulation Guidelines, should be considered when assessing the relevance criterion.

"Low competition in the retail payment sector due to the lack of transparency and comparability of fees and difficulties in switching payment accounts" is an example of an issue that was considered more relevant in some countries than others. In fact, stakeholders from some Member States stated that similar transparency measures already existed in their country, so this was not a need. This might also be why, of the survey respondents, all of the sector organisations and half the consumer organisations disagreed that there is a need for further EU intervention because there is low competition in the retail payment sector due to lack of transparency and comparability of fees (Figure 35). It is possible that these respondents did not agree with the premise of the issue statement presented to them in the survey. Their response could have been impacted by their opinion not only on which issues require further EU action, but also on which they perceive as prevalent in their national sector and in need of a policy response. This premise would thus, also apply to the subsequent questions on the topic of needs, in response to all of which consumer organisations were more likely to think that further EU intervention is needed than were the sector organisations.

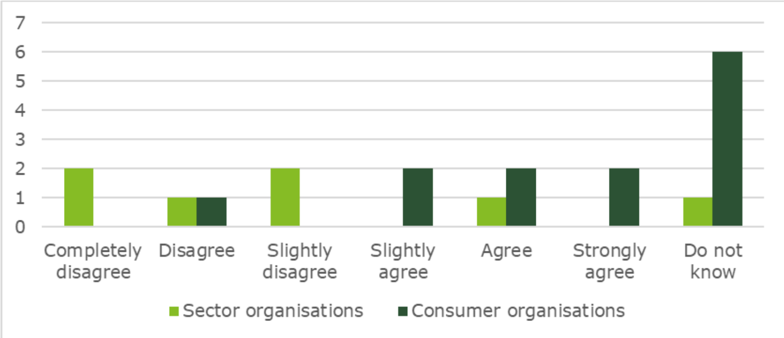
Figure 35: Extent to which respondents agree that the low competition in the retail payment sector due to lack of transparency and comparability of fees still requires EU intervention (by number of respondents)



Source: Deloitte, Survey of sector and consumer organisations

Nevertheless, it was noted from the consultations that some Member States still lagged behind in terms of transparency, and that it is necessary to achieve a minimum level of protection at EU level for consumers in all Member States. This aspect was considered by the study team to be closely linked to the issue of whether EU intervention is required to address "barriers to the internal market (especially for cross-border activities) created by the fragmentation of regulatory frameworks". Indeed, diverse consumer protection requirements can represent barriers to the internal market, as PSPs and consumers lack legal certainty about their rights and obligations. This applies to the provision of services for the former, and to the access and use of services for the latter. This view was shared by some of the stakeholders interviewed and who responded to the survey, although not by all, as the figure below exemplifies.

Figure 36: Extent to which respondents agree that there are barriers to the internal market (especially for cross-border activities) created by the fragmentation of regulatory frameworks that require further EU intervention (by number of respondents)



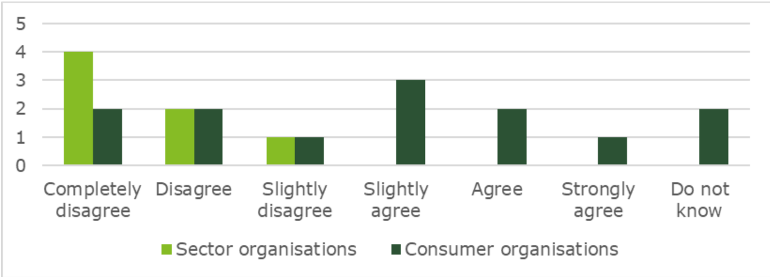
Source: Deloitte, Survey of sector and consumer organisations

This may be due to the belief, expressed by the majority of stakeholders, that consumers are not interested in accessing retail services across borders. However, the stakeholders consulted for this study are not representative of the population who would be directly targeted by such issues (e.g. citizens living in another EU country from their own (“expatriates”), cross-border workers, etc.) In fact, the short complementary survey launched for this population showed that expatriates generally retain accounts in their home country for very practical reasons, but more than half would open an account in another country if it was possible and they found a better offer[148]. Moreover, this need is in line with one of the key EU policy goals and priorities, the internal market, in terms of both the free movement of people and capital.

A similar context applies to whether there is still a need for EU intervention to meet the “potential demand for payment account services not fully exploited (whereby mobile and vulnerable consumers cannot open an account)”. Although not all stakeholders agreed with the relevance of this need (Figure 37), it impacts very specific populations which were not part of the stakeholders most represented in this study, who voiced their opinions. One of the main reasons behind the disagreement of certain stakeholders was linked to the perception that these groups could be covered by other non-traditional actors in the market. Moreover, be that as it may, consumer protection and equal treatment are also EU policy goals and priorities.

[148] See Annex H for an overview of the results of the survey, including the reasons why expatriates choose to keep their home account, why they would open another one in their host country, whether they have already opened an account in a country without living in it, and whether they would be interested in opening one in another country if the conditions were better.

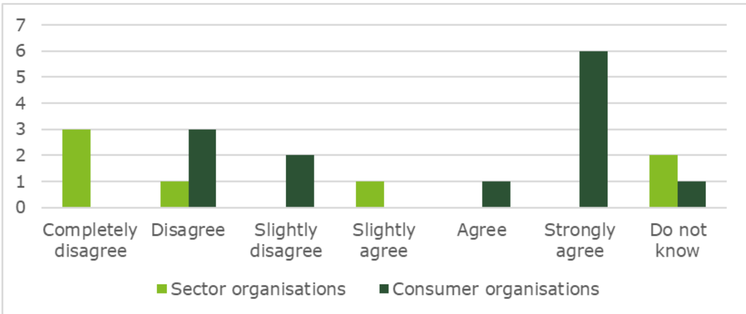
Figure 37: Extent to which respondents agree that the potential demand for payment account services is not fully exploited because mobile and vulnerable consumers cannot open an account still requires EU intervention (by number of respondents)



Source: Deloitte, Survey of sector and consumer organisations

Finally, the "low level of customer mobility between service providers with respect to retail financial services" was acknowledged as an existing problem still needing EU intervention, although not by all stakeholders and not to the same extent (see Figure 38).

Figure 38: Extent to which respondents agree that there is a low level of customer mobility with respect to retail financial services still requires EU intervention (by number of respondents)



Source: Deloitte, Survey of sector and consumer organisations

The issue of low levels of customer mobility, which is linked to switching, is one where stakeholders are divided about the need for EU action. However, a low level of customer mobility can be a symptom of low competition in the market; as competition is a core EU policy priority, this makes the issue still relevant if the basic premise is accepted. There is evidence that the basic premise of insufficient competition still holds in the fact that prices for payment accounts in some Member States remain high[149] as this is likely to be an indicator of weak competition. Where switching is difficult and there are no tools available for easy comparison of terms and conditions (or consumers are not aware of them), this removes an incentive for banks to compete[150]. Thus, the low level of customer mobility may be a need to be addressed at EU level if this situation persists once comparison tools are fully available.

Although a series of technological/social/economic/regulatory changes impacting the payment accounts market have emerged since 2014, the initial needs identified during the

[149] As shown by the market analysis (Section 4.1.1) and mentioned by some stakeholders.

[150] Late transposition of the PAD means that availability is incomplete. Awareness also appears to be low.

Impact Assessment for the PAD are deemed to remain relevant. The research process for this study did not identify any additional needs relevant for this Directive.

Alignment between needs and objectives

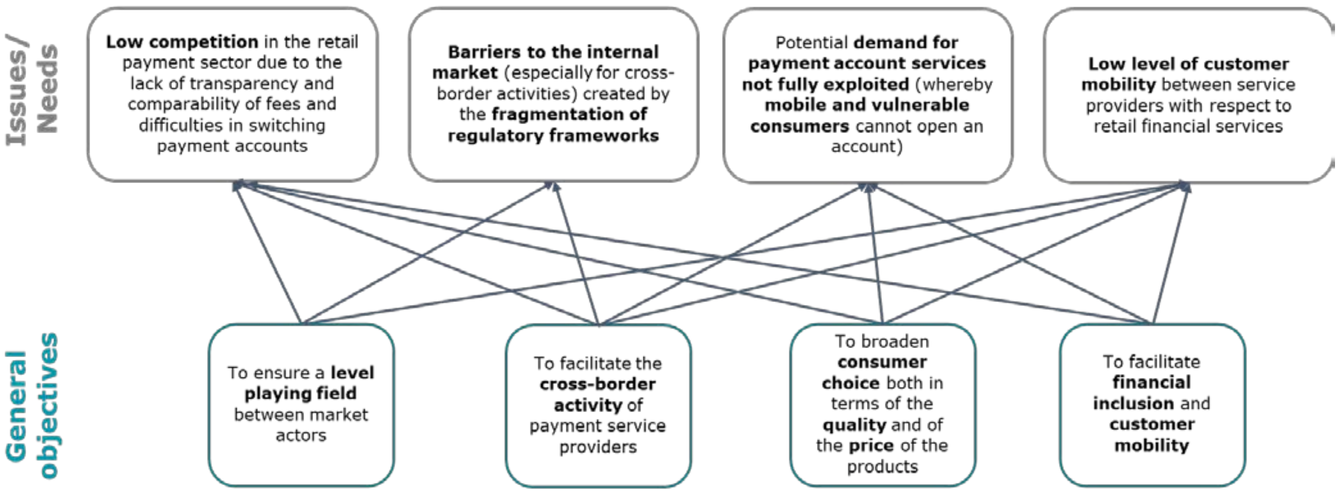
As the second step of the relevance analysis, this section looks into the alignment of the objectives of the PAD with the needs discussed above, i.e. low competition, barriers to the internal market and fragmentation of regulatory frameworks, demand not fully exploited/unmet needs of mobile consumers and vulnerable groups, and low level of customer mobility.

The Directive explicitly refers to its objectives as being to "facilitate the transparency and comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features". These are the specific objectives of the Directive. However, the intervention logic identifies an additional level: the general objectives. These are:

- to ensure a level playing field between market actors;
- to facilitate the cross-border activity of PSPs;
- to broaden consumer choice both in terms of the quality and of the price of the products;
- to facilitate financial inclusion and customer mobility, including across borders.

As Figure 39 illustrates, each of the four general objectives aims to tackle at least three, if not four, of the problems and needs identified as relevant.

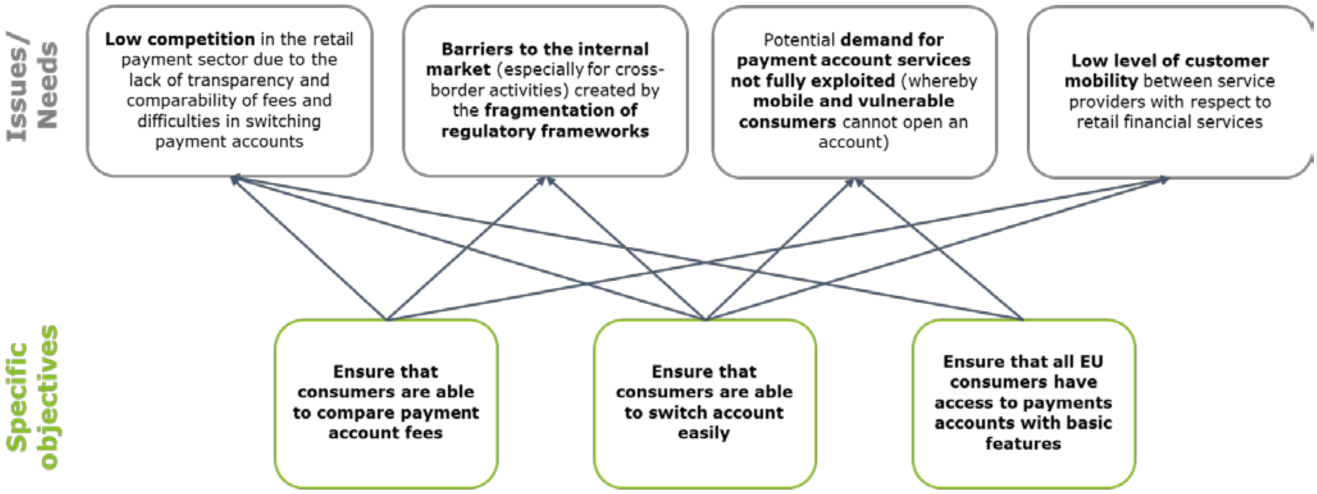
Figure 39: Alignment between general objectives and issues/needs



Source: Deloitte

The same can be observed from the specific objectives. As illustrated by Figure 40, all of the specific objectives address at least two issues/needs, if not three or four.

Figure 40: Alignment between specific objectives and issues/needs



Source: Deloitte

These Figures illustrate that there is alignment between the objectives of the intervention and the (current) needs or problems, which are still considered relevant. Nevertheless, the answers to the effectiveness and efficiency questions have identified areas where additional efforts are required to ensure that the objectives are met efficiently and the relevant needs are satisfied.

Answer to the Question: How have the stakeholders' needs changed since 2014? To what extent are the objectives of the Directive still in line with the current needs at the EU level?

The **objectives** of the directive are generally **in line with the past problems and needs**, all of which are still relevant today, although there is no unanimity by Member States or among stakeholders as to the extent to which these needs have remained unchanged and to which further EU intervention is required, as follows:

- "**Low competition** in the retail payment sector due to the lack of transparency and comparability of fees and difficulties in switching payment accounts." This aspect seems to have been more relevant in some countries than others, although the greater transparency and comparability brought about by more standardisation (discussed in previous sections) appears to have been beneficial for consumers in all Member States.
- "Barriers to the internal market (especially for cross-border activities) created by the **fragmentation of regulatory frameworks.**" Developments in the market since 2014 have removed some barriers ipso facto. However, some barriers have risen due to the application of PAD, such as the co-existence of the new measures with national measures and the duplication of documentation (discussed in previous sections). Other barriers, notably consumer inertia, as well as lack of legal certainty for consumers and PSPs about utilising or providing cross-border services respectively, and lack of awareness of existing tools and services also play a role, but are outside the scope of the PAD. A combination of changes needs to come together before the PAD can achieve its full aspect.

- “**Potential demand** for payment account services **not fully exploited** (whereby mobile and vulnerable consumers cannot open an account).” Based on the input from stakeholders, this need should be covered by the current objectives and measures of the PAD. However, not enough time has elapsed to confirm this, and there is not enough data on the target population of both groups. There is an identifiable group with a justifiable need for an internal market in retail financial services (expatriates, cross-border workers, etc.), whose expectations are not yet fully met. In fact, the short complementary survey to expats has shown that there is limited awareness of consumers’ rights when it comes to cross-border opening of accounts, and their potential benefits, and that consumers would be interested in such mobility. Moreover, this need is in line with the EU policy goals and priorities, which needs to be considered for the relevance analysis, as per the Better Regulation Guidelines.
- “Low level of **customer mobility** between service providers with respect to retail financial services”. Current data show that customer mobility remains low and there is no evidence of a pressing need to address this, other than through greater awareness. However, the barriers to moving financial products, such as loans and mortgages (discussed in earlier sections) are always likely to be a disincentive to switching for many and that is outside the scope of the PAD. To the extent that a low level of customer mobility can be a symptom of low competition in the market, there is an ongoing need to ensure that where switching is advantageous to consumers, they avail themselves of the possibility.

In each of the above cases, there is some degree of remaining need and that need is aligned with one or other EU policy objective, including free movement of people and capital, equal treatment of all citizens and competition.

Based on the above, and considering that no new needs have been identified as relevant for the future, the objectives of the Directive should be broad enough to be relevant for current and foreseeable needs. Nevertheless, as previously mentioned under the questions on effectiveness (section 4.2), **additional efforts** are required to ensure that the **objectives are met and the relevant needs are satisfied**.

4.5 Interaction with other EU policy measures (Coherence)

In line with the Better Regulation Guidelines, the “evaluation of coherence involves looking at how well or not different actions work together”[151]. This section addresses the overall coherence of the PAD with other relevant EU legislation. It aims to provide evidence of where and how the PAD and other relevant EU legislation are working well together or point to areas where there are tensions (e.g. objectives which are potentially contradictory, or approaches

[151] European Commission, Staff Working Document SWD (2017) 350 – Better Regulation Guidelines, see https://ec.europa.eu/transparency/regdoc/rep/10102/2017/EN/SWD-2017-350-F1-EN-MAIN-PART-1.PDF

which are causing inefficiencies). The key areas where coherence with the PAD appears to be important based inter alia on feedback from stakeholders, and indeed critical in some cases, are:

- the fourth Anti-Money Laundering Directive (AMLD IV)[152];
- the second Payment Services Directive (PSD2)[153];
- the Mortgage Credit Directive (MCD)[154];
- other EU policy measures (the SEPA Regulation[155], the Cross-Border Payments Regulation[156] and the e-Money Directive[157].

The assessment of the coherence of the PAD with national legislation was not in scope of this study. However, if any relevant points were raised during the interviews with the different stakeholders in each of the Member States, this was further investigated and is mentioned in this report in the relevant sections.

The PAD and the fourth Anti-Money Laundering Directive (AMLD IV)

The PAD foresees that credit institutions may not discriminate against consumers legally resident in the Union by reason of their nationality or place of residence or by reason of any other ground as referred to in Article 21 of the Charter of Fundamental Rights of the European

[152] Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC. https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32015L0849

[153] Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC.; https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32015L2366

[154] Directive 2014/17/EU of the European Parliament and of the Council of 4 February 2014 on credit agreements for consumers relating to residential immovable property and amending Directives 2008/48/EC and 2013/36/EU and Regulation (EU) No 1093/2010; https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=celex%3A32014L0017

[155] Regulation (EU) No 260/2012 of the European Parliament and of the Council of 14 March 2012 establishing technical and business requirements for credit transfers and direct debits in euro and amending Regulation (EC) No 924/2009; https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A32012R0260

[156] Regulation (EU) 2019/518 of the European Parliament and of the Council of 19 March 2019 amending Regulation (EC) No 924/2009 as regards certain charges on cross-border payments in the Union and currency conversion charges; https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32019R0518

[157] Directive 2009/110/EC of the European Parliament and of the Council of 16 September 2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions amending Directives 2005/60/EC and 2006/48/EC and repealing Directive 2000/46/EC; https://eur-lex.europa.eu/legal-content/en/ALL/?uri=CELEX%3A32009L0110

Union[158], when those consumers apply for or access to a payment account within the Union[159].

The PAD states that, while it is important for credit institutions to ensure that their customers are not using the financial system for illegal purposes such as fraud, money laundering or terrorism financing, they should not impose barriers on consumers who want to benefit from the advantages of the internal market by opening and using payment accounts on a cross-border basis. Therefore, the provisions of Directive 2005/60/EC of the European Parliament and of the Council[160] should not be used as a pretext for rejecting commercially less attractive consumers[161].

In addition, the PAD foresees that payment accounts with basic features need to be offered to consumers legally resident in the Union, including consumers with no fixed address and asylum seekers, and consumers who are not granted a residence permit but whose expulsion is impossible for legal or factual reasons, irrespective of the consumer's place of residence[162]. Without prejudice to the requirements adopted in conformity with Directive 2005/60/EC to prevent money laundering, physical attendance at the premises of the credit institutions should not be required to open a payment account with basic features[163].

The PAD requires credit institutions to refuse an application for a payment account with basic features where opening such an account would result in an infringement of the provisions on the prevention of money laundering and the countering of terrorist financing laid down in Directive 2005/60/EC[164]. In this case, the PAD requires that the credit institution adopt appropriate measures pursuant to Chapter III of Directive 2005/60/EC[165].

Finally, the PAD foresees that, after taking its decision, the credit institution must immediately inform the consumer of the refusal and of the specific reason for that refusal, in writing and free of charge, unless such disclosure would be contrary to objectives of national security, public policy or Directive 2005/60/EC[166].

Although the PAD still refers to Directive 2005/60/EC, this has been repealed and superseded. At the time of the research for this study, the fourth Anti-Money Laundering Directive (AMLD

---

158 https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A12012P%2FTXT

159 Article 15 PAD.

160 Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing. This is cited in the PAD, but has been repealed and superseded by the AMLD IV.

161 Recital 34 PAD.

162 Article 16, §1 & 2 PAD.

163 Recital 37 PAD.

164 Article 1, §7 & article 16, §4 PAD.

165 Article 16, §8 PAD.

166 Article 16, §7 PAD & consideration 43 PAD.

IV)[167] was applicable in the Member States. The fifth Anti-Money Laundering Directive (AMLD V)[168] has been in force since 10 January 2020, which was also the deadline for transposition in national law.

When looking at the question whether there is potential incoherence between the PAD and the AMLD IV, it is immediately clear that the AML/CFT requirements are the framework within which the PAD requirements on access to (basic) payment accounts should be applied. But the PAD also clearly states that the AML/CFT requirements cannot be used as a pretext not to comply with the PAD requirements on access to (basic) payment accounts and to reject commercially less attractive customers. This provision becomes even more relevant in a remote on-boarding context, particularly when cross-border[169].

However, credit institutions are operating in a context where the regulatory and supervisory focus on anti-money laundering and counter terrorism financing has been steadily increasing. Financial institutions are facing ever more and stricter scrutiny on their customer due diligence measures and have been subject to enhanced scrutiny from their supervisory authorities in the domain of anti-money laundering (AML) and combating the financing of terrorism (CFT).

Supervisory authorities and judicial authorities have imposed heavy penalties on several financial institutions in recent times, leading to large financial, but also reputational, impacts for those financial institutions.

All of these elements have led to the fact that anti-money laundering & counter terrorism financing is high on the regulatory agenda of financial institutions, and their risk appetite in this domain has fallen as a result.

We have identified two situations of tension between the PAD and AMLD, based on the interviews conducted with stakeholders in the 16 Member States in scope of this study:

---

[167] Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC. https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32015L0849

[168] Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and amending Directives 2009/138/EC and 2013/36/EU. https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32018L0843

[169] Recital 34 PAD reads "*Member States should guarantee that consumers who intend to open a payment account are not discriminated against on the basis of their nationality or place of residence. While it is important for credit institutions to ensure that their customers are not using the financial system for illegal purposes such as fraud, money laundering or terrorism financing, they should not impose barriers to consumers who want to benefit from the advantages of the internal market by opening and using payment accounts on a cross-border basis. Therefore, the provisions of Directive 2005/60/EC of the European Parliament and of the Council (1) should not be used as a pretext for rejecting commercially less attractive consumers*."

1. Those applying for a payment account with basic features in many cases do not possess a “standard” identification document from the Member State in which they apply for the payment account with basic features. Often, they find themselves in a situation where they only possess a temporary identification document or a very specific type of registration document in a Member State (e.g. because they are asylum seekers, migrants, etc.)

   Financial institutions sometimes do not accept these types of identification documents, as it is unclear whether these documents are sufficient for them to meet their AML/CFT requirements to identify the customer and verify their identity[170].

   There have already been initiatives[171] to clarify to financial institutions which identification documents are acceptable when verifying the identity of a potential customer, but a need for (national) guidance is apparent, given that different types of identification document are in use in different Member States.

2. Under AMLD IV, financial institutions are required to apply a risk-based approach[172], both to assess the AML/CFT risk at the level of the institution and to assess the AML/CFT risk linked to a specific customer.

   Different factors need to be considered to define the AML/CFT risk linked to a customer, including the fact that the business relationship is conducted in unusual circumstances[173]. An element that is often identified as being unusual is the fact of wanting to open a payment account in a country with which the customer has no links. This interpretation can conflict with the PAD objective of increasing cross-border account opening, as financial institutions may refuse to open the account when they do not see any link between the client and their Member State, while they deem the AML/CFT risk to be too high to be able to accept the customer.

Nevertheless, sector and consumer organisations in general do not seem to think that financial institutions are using their obligations under AMLD IV as an excuse not to offer access to payment accounts to consumers (Figure 41), that AML/CFT requirements are making it difficult to comply with the requirement to grant access to payment accounts (Figure 42) or that it is more difficult to grant cross-border access to payment accounts due to the AML/CFT requirements (Figure 43). However, consumer organisations are consistently less convinced in their views than are the sector organisations.

---

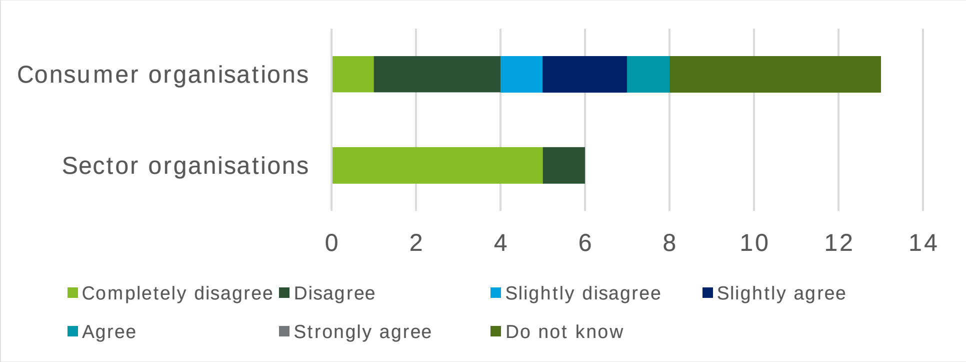
[170] Article 13 & following AMLD IV.

[171] Such as the EBA opinion on the application of customer due diligence measures to customers who are asylum seekers from higher-risk third countries or territories of April 2016. https://eba.europa.eu/eba-publishes-opinion-on-the-application-of-customer-due-diligence-measures-to-customers-who-are-asylum-seekers-from-higher-risk-third-countries-or-te

[172] Article 8 AMLD IV.

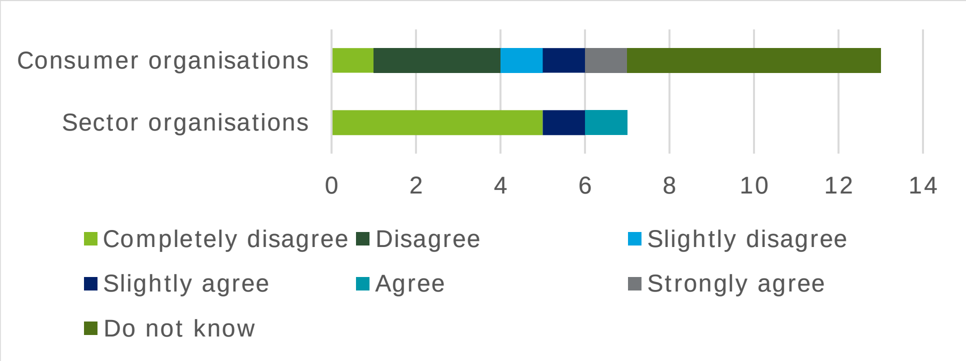
[173] See annex III of the AMLD IV.

Figure 41: Extent to which respondents agree that PSPs use AML/CFT requirements as an excuse to create obstacles to open a payment account (by number of respondents)



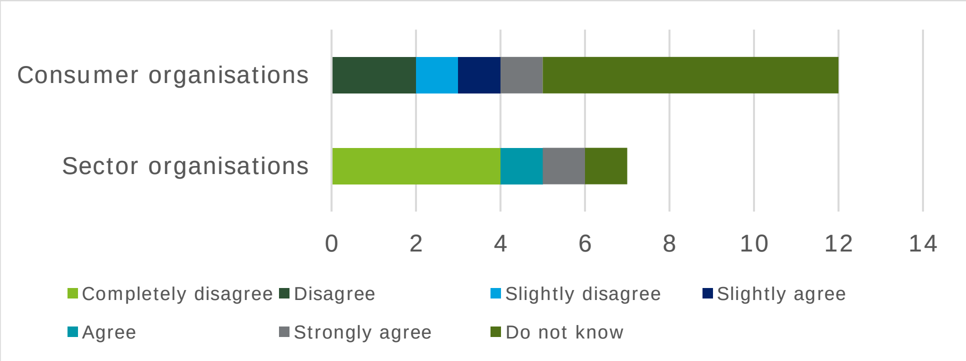
Source: Deloitte, Survey of sector and consumer organisations

Figure 42: Extent to which respondents agree that it is difficult to comply with the right to access a payment account due to the AML/CFT requirements



Source: Deloitte, Survey of sector and consumer organisations

Figure 43: It is difficult to comply with the right of cross-border access to payment account due to the AML/CFT requirements



Source: Deloitte, Survey of sector and consumer organisations

What makes it difficult to assess whether or not the refusal to accept a customer by a financial institution is genuine, taking into account the AML/CFT requirements with which financial institutions have to comply, is the prohibition of "tipping-off"[174]. In other words, under the AMLD, financial institutions may not inform customers that they have money laundering suspicions about them. Hence, consumers refused access to a (basic) payment account may not know exactly why and can also not verify whether the reason for refusal is legitimate.

The PAD and the second Payment Services Directive (PSD2)

The objectives of PSD2 are to make payments safer, increase protection for consumers, and foster innovation and competition while ensuring a level playing field for all players, including new entrants[175].

PSD2 brought the following main changes to the payment services market:

1. Acceptance of new players accessing consumer payment accounts. These players will now be registered, licensed, and regulated at EU level. Barriers will be removed for these companies, thus increasing competition, which should translate into lower costs for customers.
2. Increased security of internet payments using Strong Customer Authentication (SCA). PSD2 aims to reduce the risk of fraud in electronic transactions and enhance the protection of customers' data.
3. A broader geographical reach. All transactions including those with 'one leg out'[176] are in the scope of PSD2, as are all official currencies (cryptocurrencies are excluded). This will offer customers better information and better protection of the European part of the transaction.
4. The European Payments Council (EPC) SEPA Direct Debit (SDD) Core scheme rule of the unconditional right of refund for direct debits becomes a formal legal requirement (until up to 8 weeks after the payment).
5. A ban on surcharging for most card payments (those subject to interchange fee caps under the Interchange Fee Regulation).[177]
6. In case of unauthorised payments, the customer will not pay more than €50 (vs. €150 before), except in certain situations such as fraud or gross negligence

---

[174] Article 39.1 AMLD IV: "Obliged entities and their directors and employees shall not disclose to the customer concerned or to other third persons the fact that information is being, will be or has been transmitted in accordance with Article 33 or 34 or that a money laundering or terrorist financing analysis is being, or may be, carried out."

[175] European Payments Council – PSD2 explained. https://www.europeanpaymentscouncil.eu/sites/default/files/infographic/2018-04/EPC_Infographic_PSD2_April%202018.pdf

[176] At least one party is located within the EU, and no longer both.

[177] Regulation (EU) 2015/751 of the European Parliament and of the Council of 29 April 2015 on interchange fees for card-based payment transactions; https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32015R0751

Finally, PSD2 also introduced two new types of payment services, payment initiation services and account information services.

A payment initiation service is a service to initiate a payment order at the request of the payment service user with respect to a payment account held at another PSP[178], while an account information service is an online service to provide consolidated information on one or more payment accounts held by the payment service user with either another PSP or with more than one PSP[179].

These services could be provided by the account-servicing PSP (i.e. the PSP providing and maintaining a payment account for a payer) or by a TPP.

In either case, these services are linked to a payment account and in future they might become part of the list of most representative services linked to a payment account, entering into the scope of the PAD.

We note when looking at the alignment between both directives, the PAD still refers to PSD1[180] for some of the concepts used within the PAD (such as PSPs, payment service, services linked to the payment accounts & payment instrument)[181].

Banks and sector organisations are currently still very much occupied with the application of PSD2 and are waiting to see the impact PSD2 will eventually have on the payment services market, while consumer organisations are curious to see the impact that PSD2 will have on consumers, both from a service level aspect and from a consumer protection (mainly privacy) aspect.

The objectives of PSD2 are in essence very similar to those of the PAD. Both directives aim to increase competition, decrease price levels linked to payment services and ensure that consumers have access to payment services throughout the European Union.

However, the two directives use different types of measures to obtain these objectives. While PSD2 focuses on licensing, consumer protection by increasing security and the scope of the legislation, and imposing specific price caps, the PAD focuses on transparency, increasing consumer mobility and granting consumers access to payment accounts.

There is also a difference in scope between PSD2 and the PAD. PSD2 looks at all PSPs and all types of payment services, while the PAD only deals with payment accounts and the services linked to them, covering only the PSPs that (are allowed to) offer payment accounts. In

[178] Article 4, 15° PSD2.

[179] Article 4, 16° PSD2.

[180] Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market amending Directives 97/7/EC, 2002/65/EC, 2005/60/EC and 2006/48/EC and repealing Directive 97/5/EC; https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:02007L0064-20091207

[181] Article 2, 4°, 6°, 7° & 9° PAD.

October 2018, the CJEU delivered its judgement on the interpretation of 'payment account' in the PSD and PSD2[182]. In this case, the Court looked at the definition of the PAD and adopted the same determining criterion, i.e. the ability to execute and receive daily payment transactions to and from a third party without an intermediary account, thus reinforcing the coherence between the PAD and PSD2.

The PAD and the Mortgage Credit Directive (MCD)

In addition to AMLD IV and PSD, there is one other EU legislative measure that has a link with the PAD, but only in the area of packages (tying/bundling).

The PAD recognises[183] that PSPs commonly offer a payment account in a package with products or services other than services linked to a payment account. That practice can be a means for PSPs to diversify their offers and to compete with each other. That is ultimately beneficial for consumers. However, according to the PAD, "the Commission's 2009 study on tying practices in the financial sector[184], as well as relevant consultations and consumer complaints, have shown that PSPs may offer payment accounts packaged with products not requested by consumers and which are not essential for payment accounts, such as household insurance. Such practices may reduce transparency and comparability of prices, limit purchasing options for consumers and negatively impact account mobility. Therefore, Member States should ensure that when PSPs offer packaged payment accounts consumers are provided with information on whether it is possible to purchase the payment account separately and if so, provide separate information regarding the applicable costs and fees associated with each of the other products or services included in the package that can be purchased separately."

When a mortgage credit agreement is tied to or bundled with a payment account, the PAD becomes applicable and the transparency requirements as set out in Article 8 PAD need to be applied.

Mortgage loans appear (amongst others based on stakeholder interviews) to be the most common financial service/product bundled or tied with a payment account, and for that reason are the focus here rather than on cross-selling rules included in other regulatory frameworks. Bundling or tying of other financial services/products, such as investment services or products, insurance services or products with payment accounts was not identified as a common practice.

---

[182] C-191/17 *Bundeskammer für Arbeiter und Angestellte* v *ING-DiBa Direktbank Austria Niederlassung der ING-DiBa AG;* http://curia.europa.eu/juris/liste.jsf?language=en&num=C-191/17

[183] Recital 24 PAD.

[184] *Tying and other potentially unfair commercial practices in the retail financial service sector*, *Final Report* http://ec.europa.eu/finance/consultations/2010/tying/docs/report_en.pdf

The Mortgage Credit Directive (MCD) states that while "a combination of credit agreements with one or more other financial services or products in packages can benefit consumers, it may negatively affect consumers' mobility and their ability to make informed choices, unless the credit agreement is also made available to the consumer separately (but not necessarily on the same terms or conditions)." The Directive recognises that "practices such as tying certain products may induce consumers to enter into credit agreements which are not in their best interest, but does not restrict product bundling which can be beneficial to consumers."[185]

As a general rule, tying practices are not allowed "unless the financial service or product offered together with the credit agreement could not be offered separately because it is a fully integrated part of the loan, for example in the event of a secured overdraft. In other instances, it may be justified for creditors to offer or sell a credit agreement in a package with a payment account, savings account, investment product or pension product, for instance where the capital in the account is used to repay the credit or is a prerequisite for pooling resources to obtain the credit, or in situations where, for instance, an investment product or a private pension product serves as an additional security for the credit."[186]

As highlighted above, the MCD allows Member States to allow bundling of mortgage credit agreements with payment accounts, and even allows tying in some exceptional cases[187].

The European Court of Justice (ECJ) is likely to rule on this in 2020. In the case before it[188], the questions asked are: (i) whether (inter alia) the relevant parts of the MCD preclude the closure of an account opened by the borrower with the creditor (for the purposes of depositing his income with that creditor as consideration for an individual advantage as part of a credit agreement) from resulting, if it occurs before the expiry of the period fixed in that agreement, in the loss of that advantage, including more than a year after the opening of the account; and (ii) whether those provisions prevent the duration of that period extending to ten years or the total duration of the loan.

The interpretation of the Advocate General in his opinion issued in February 2020 was that the MCD does not allow national legislation that accepts the sale of a mortgage tied to a payment account into which all salaries and similar income must be paid for a fixed term defined by the credit contract in return for an individual advantage, if that account can be used for daily payment operations (such as depositing, transferring and withdrawing cash). However, it does accept a tied sale if the national legislation ensures that, on the one hand, the sale presents a clear advantage for the consumer and, on the other hand, the assessment

---

[185] Recital 24 MCD.

[186] Recital 25 MCD.

[187] Article 12 MCD. However, it also requires the Member States to continue monitoring retail financial services markets closely to ensure that bundling practices do not distort consumer choice and competition in the market (see recital 24 MCD)

[188] Case C-778/18 - *Association française des usagers de banques* v *Ministre de l'Économie et des Finances*; http://curia.europa.eu/juris/liste.jsf?lgrec=fr&td=%3BALL&language=en&num=C-778/18&jur=C##

of these advantages is done duly considering the availability and price of the concerned products as they are offered on the market.[189].

Despite the focus here on the MCD because mortgages are frequently tied to payment accounts, it is likely that cross-selling will always need to be considered in a broader context, covering all financial services/products, as mortgage loans are often tied to or bundled with other products (such as insurance products). These in turn can also be tied to or bundled with other financial products, such as investment products. Each of the regulatory frameworks governing each of these financial services and products contains measures on cross-selling. The European Supervisory Authorities have already drawn attention to the need to take the potential links and overlaps into account to align cross-selling practices for all types of financial services and products[190].

The PAD and other EU policy measures

In this section, we briefly discuss the coherence of the PAD with three other EU policy measures in the domain of payments, the SEPA Regulation[191], the Cross-border Payments Regulation[192] and the E-money Directive[193].

The **Single Euro Payments Area** (SEPA) harmonises the way cashless euro payments are made across Europe. The Regulation allows European consumers, businesses and public administrations to make and receive credit transfers, direct debit payments and card payments under the same conditions, including on reachability, interoperability, identifiers, payment messages and bundling of transactions.

As such, there is no problem of coherence between the general objectives of the SEPA Regulation and the general objectives of the PAD, as the PAD does not deal with payment transactions, but on access to payment accounts, transparency of fees linked to payment accounts (and related services) and switching of payment account providers.

There are two ways, however, in which the two interface:

---

[189] http://curia.europa.eu/juris/celex.jsf?celex=62018CC0778&lang1=en&type=TXT&ancre=

[190] ESAs' Joint letter to the European Commission on cross-selling of financial products in the EU of 27 January 2016. https://eba.europa.eu/esas-submit-a-joint-letter-to-the-european-commission-on-cross-selling-of-financial-products-in-the-eu

[191] Regulation (EU) No 260/2012 of the European Parliament and of the Council of 14 March 2012 establishing technical and business requirements for credit transfers and direct debits in euro and amending Regulation (EC) No 924/2009; https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A32012R0260

[192] Regulation (EC) No 924/2009 of the European Parliament and of the Council of 16 September 2009 on cross-border payments in the Community and repealing Regulation (EC) No 2560/2001; https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32009R0924

[193] Directive 2009/110/EC of the European Parliament and of the Council of 16 September 2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions amending Directives 2005/60/EC and 2006/48/EC and repealing Directive 2000/46/EC; https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32009L0110

- In the fact that account holders in countries within the SEPA area (which includes some non-EU countries) can use their payment account to send and receive payments throughout the entire Union, since this has an impact on consumers' needs/advantages in opening payment accounts in other Member States: they can transact with consumers or businesses in another Member State without having an account in that Member State[194].
- In the switching process, and more specifically the technical feasibility of cross-border switching. A technical assessment of the (cross-border) switching process is not in scope of this study but is to be the subject of a separate ongoing study by the European Commission[195].

The **Cross-border Payments Regulation** requires banks to apply the same charges for domestic and cross-border electronic payment transactions in euro and requires that consumers be informed of the cost of currency conversion before they make a payment abroad in a currency different from that of their account. There is no reason to believe there is any conflict between the transparency and non-discrimination objectives of this Regulation and the PAD's objectives on payment accounts, fee transparency and switching. They are complementary.

The **E-money Directive** sets out the rules on the business and supervision of e-money institutions. The Directive includes the prudential requirements for E-money institutions, while the PAD includes specific conduct requirements that need to be applied by a PSP when they offer payment accounts; this includes e-money institutions.

The PAD and the E-money Directive have a different scope, so they are complementary.

[194] See Section 4.2.3.

[195] "Study on tools designed to facilitate switching and cross-border opening of payment accounts on the EU payment accounts market".

Answer to the Question: How does the PAD interact with other EU policy measures?

The main areas of possible overlap, and thus coherence, with the PAD are in **AMLD IV, PSD2 and MCD.**

The PAD interacts with AMLD IV and AML/CFT requirements. The interaction **may prejudice the achievement of the objectives of the PAD**, especially in the granting of access to accounts for **people that have atypical identification documents or in granting access to account opening cross-border**.

There is an overlap in scope between PSD2 and the PAD. They are not fully aligned, though a step forward has come from a ruling of the ECJ on the interpretation of the concept "payment account".

The MCD allows **tying of payment accounts** to mortgage credits in some circumstances, but tying can limit consumer account mobility, which is contrary to one of the goals of the PAD. The ECJ is likely to rule in 2020 on this issue.

The PAD interfaces with the SEPA Regulation, but without any conflict arising (subject to the results of a forthcoming study on the technical feasibility of switching) and complements the Cross-Border Payments Regulation and the E-money Directive.

4.6 EU added value of the Directive (Added value)

The aim of the following section is to assess the EU added value of the PAD. In particular, the analysis answers the question whether the objectives of the intervention could have been better achieved by actions at national level in the fields covered by the Directive.

In accordance with the Better Regulation Guidelines, the following EU added value analysis corresponds to the subsidiarity analysis conducted in the Impact Assessment (IA) accompanying the 2013 Proposal for the PAD.[196] When considering the arguments of the IA it is important to consider that, while the Impact Assessment and the draft proposal for a Directive were being developed, Member States were able to anticipate the upcoming EU intervention. As a reaction, some governments and industry stakeholders introduced relevant measures in the period between the Impact Assessment and the adoption of the Directive. Such actions could not be part of the analysis of the Impact Assessment and might also give the impression to stakeholders at a later stage that the measures introduced through the PAD were in place in some Member States before the transposition of the Directive.

The EU added value analysis uses the results from other sections of the report to assess whether the reasons identified in the Impact Assessment for justifying EU intervention are valid. This includes drawing conclusions on the causality between the impacts identified and the EU intervention. The section also provides a comparison with a hypothetical situation of

[196] Impact Assessment, Accompanying the document, Proposal for a directive of the European Parliament and of the Council on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features, SWD(2013) 164 final; http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=SWD:2013:0164:FIN:EN:PDF.

no EU intervention or intervention at national level only, where possible and relevant. The section first revisits the arguments from the Impact Assessment before assessing each of the arguments based on the qualitative and quantitative evidence collected.

We rely on a number of indicators to carry out this assessment. They refer to changes, developments and improvements compared to the period before the transposition of the PAD, evidence that the issues addressed continue to require action at EU level, and evidence that the same results and impacts could not have been achieved without an EU intervention.

EU added value as assessed in the Impact Assessment

As defined by the principle of subsidiarity, action at EU level may only be taken if the envisaged objectives cannot be achieved by Member States alone. Following the Commission's Better Regulation approach, the IA from 2013 clearly spells out the reasons for an EU intervention in the case of the PAD.

The objective of the PAD is to improve the functioning of the internal market and to enhance competition by establishing common criteria for payment accounts. This reduces market fragmentation and decreases obstacles to market entry for new competitors. In addition, the establishment of common standards aims to enable consumers to make informed choices and contributes to the creation of an EU-wide market for payment services. Furthermore, the PAD seeks to ensure equal access of consumers to essential payment account services, thus promoting economic and social inclusion.

According to the conclusions of the Impact Assessment, only an intervention at EU level could achieve these objectives. The IA provides sufficient evidence suggesting that the Member States would not otherwise take action to address the problems identified. Specifically, it was deemed unlikely that Member States would implement the Commission Recommendation on access to a basic payment account[197] or undertake self-regulatory actions without further intervention by the EU.

The implementation of the Recommendation on access to a basic payment account is assessed as "largely inadequate" in the Impact Assessment. Only three Member States (Belgium, France and Italy) were broadly compliant. The majority of Member States had not established any framework at all[198]. Only one Member State (Ireland) had implemented the Common Principles for Bank Accounts Switching, developed as a self-regulatory initiative by

[197] Commission Recommendation of 18 July 2011 on access to a basic payment account, 2011/442/EU; https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32011H0442.

[198] Impact Assessment, SWD (2013) 164 final, p.12; http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=SWD:2013:0164:FIN:EN:PDF

the European Banking Industry Committee (EBIC)[199]. This underlines how unlikely action at national level seemed at the time of the Impact Assessment.

In addition to the lack of self-initiatives at national level, the Impact Assessment suggests that addressing the problems identified at national level could have led to market fragmentation. This would have had a negative impact on further integration of the single market and could have led to differences in levels of consumer protection across the Member States. For example, at the time of the Impact Assessment a law on basic account services was developed in Slovakia that could have resulted in restricting those services to Slovakia alone[200]. As both consumer protection and the internal market are shared competences of the EU, intervention at EU level was expected to provide added value.

Thus, based on the analysis of the Impact Assessment from 2013, the implementation of the PAD should have resulted in EU added value. In the following sub-sections we analyse to what extent this can be confirmed by our findings by reference to the expected impacts of the PAD (see Figure 1: PAD Intervention Logic).

EU added value of the PAD in enhancing the functioning of the Single Market

Despite slight differences of opinion across the stakeholder groups consulted, there was overall agreement that the introduction of the PAD as an EU intervention contributed to improving the functioning of the Single Market. The PAD enhanced competition due to increased transparency that otherwise might not have been promoted by all Member States. The Directive further contributed to market harmonisation due to the establishment of common standards possible only at EU level.

Enhancing competition

Looking into the perspective of different groups, consumer organisations and NCAs share the view that EU intervention was necessary in order to **enhance competition** within the Single Market by lowering barriers. It was suggested by these stakeholders that some Member States would not have opened their markets without such an intervention. This is in line with the conclusions of the Impact Assessment.

Although improvements are still needed[201], stakeholders interviewed believe that the PAD is having and will further have a positive impact on transparency and consumers' ability to compare fees. This should further enhance the level of competition. A concrete example supporting this claim is the fact that, of 13 Member States analysed, 11 have a comparison

---

[199] http://www.eacb.coop/en/position-papers/consumers-affairs/ebic-common-principles-for-bank-accounts-switching.html

[200] Impact Assessment, SWD (2013) 164 final, p.55. Further information on the legislative proposal: https://www.nrsr.sk/web/Default.aspx?sid=zakony/zakon&MasterID=4018

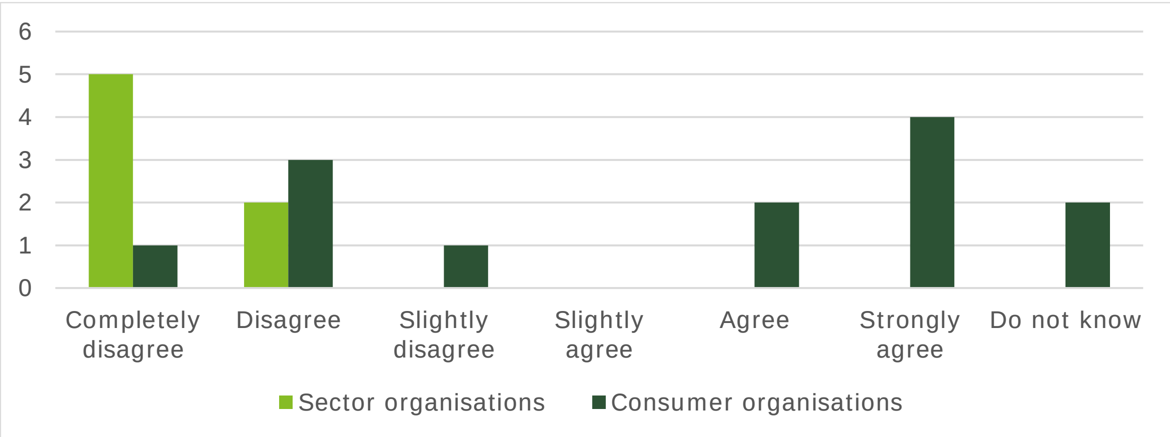
[201] See section 4.2.1.

website broadly compliant with the Directive. Comparison websites in some Member States might have been in place before the PAD, but the standards set by the Directive contribute to the neutrality and quality of the information provided.

However, the majority of representatives of financial institutions highlighted in the interviews that the introduction of the PAD, and notably the increased price transparency, had not led to changes in the level of competition that they face on the market. This finding is reinforced by the fact that they had not observed changes in the number of clients as a result of entry into force of the Directive. In addition, Figure 35 shows that all sector organisations completely disagree with the statement that further EU action is required to improve the level of competition in the retail payment sector caused by lack of transparency and comparability of fees.

However, the implementation of the PAD is still arguably at a very early stage. Therefore, the actual effects on competition of the transparency it introduced might take longer to become fully visible. It is also possible that the Directive addresses some technical barriers that hinder competition, but not all. For example, the process of switching payment accounts is perceived (except by most consumer organisations) as functioning well[202]. However, the number of switching procedures is still low. This might be because of a lack of consumer awareness about this service, which is another barrier to competition. In this vein, almost half the consumer organisations that participated in the online survey agreed that further EU action is required to address difficulties in switching payment accounts because this is linked to low competition in the retail payment sector.

Figure 44 Extent to which respondents agree that low competition in the retail payment sector is due to difficulties in switching payment accounts and still requires EU intervention (by number of respondents)



Source: Deloitte, Survey of sector and consumer organisations

Harmonising standards

Even if financial institutions seem to be sceptical of the impact of the PAD on competition, they tend to agree that EU intervention in this field is justified because it enables further integration of the single market. Interview partners admit that the establishment of common

[202] See section 4.2.2.

standards has led to harmonisation in the provision of services across Member States. Some acknowledge that this could not have been achieved with national laws because of differences in level of implementation and definition of standards. This line of argument supports the conclusions of the Impact Assessment on the danger of market fragmentation in the event of no EU intervention.

Another positive aspect of harmonisation of standards that some stakeholders pointed out is the possibility of Member States learning from each other and adopting best practices. This ensures equal treatment of consumers across the Union and contributes to an overall improvement in the quality of the provision of services.

Effect on cross-border activities

The establishment of common standards and the decrease in technical barriers should reinforce cross-border activities, which would result in EU added value through more integration and competition in the internal market. The majority of interview partners agreed that EU action to facilitate cross-border interaction is justified. However, they also point out that the actual demand for cross-border services (access to payment accounts, switching or Account Number Portability) is low[203]. This would imply that they do not perceive substantial EU added value from cross-border interaction in these areas at this stage of implementation of the PAD. Nonetheless, the complementary survey for expatriates showed that the majority of these consumers choose to keep their home payment account and open a new account in the host country because of a (perceived) third-party requirement[204]. And, while most have not yet actively tried to open an account in a Member State where they do not live, almost two thirds would be interested in opening one if they received a better offer. Moreover, some interviewees acknowledged that the use of standard terminology across all Member States enhances the level of recognition of standard services for people in other Member States. This contributes to cross-border mobility and thus results in an EU added value.

Although it might seem that the provision of cross-border services might potentially affect only a small target group (e.g. mobile workers, expatriates), which is why the perceived demand might be lower than the actual demand, the short complementary survey for expatriates has shown that this might not be the case. The findings from this data collection exercise have revealed that there is a lack of awareness/understanding of consumers' rights when it comes to opening/holding cross-border accounts. In fact, this aspect could be extended to other traditional consumer profiles (i.e. non-expatriate) as it could be applicable to anyone looking for a better "deal", particularly within the euro area. In addition, enabling cross-border interaction is essential for the functioning of the internal market and this can be best achieved at EU level.

Looking ahead, almost half the consumer organisations that participated in the online survey believe there is a need for further EU action on reducing barriers to the internal marked

[203] See Sections 4.2.2and 4.2.3.

[204] Because they e.g. need to pay for purchases in their home country, have a savings account in the home country, require a national account to be paid in their current country of residence, have to pay rent, etc.

created by regulatory fragmentation. Even though only one sector organisation agreed with this statement, the level of disagreement of sector organisations in this case is substantially weaker compared to other statements. Only two sector organisations completely disagree (Figure 36).

EU added value of the PAD in empowering consumers and allowing access to essential services

As discussed in the previous sections of the report, the PAD is at an early stage of implementation so that evidence suggesting improvements in the access of vulnerable groups to essential services or consumer empowerment through comparability of fees or facilitated switching of payment accounts is still limited. The majority of interview partners recognise the potential of the measures in the PAD to address certain problems, but admit that there is not enough factual data yet to assess the results, and therefore, the EU added value of the intervention. In this case, further monitoring of the effects is required to identify the EU added value of the PAD in terms of empowering consumers and allowing access to essential services.

Differences in national context and situation before the introduction of the PAD might be responsible for the division of opinion that we observe in the results of the online survey. The need for action at EU level could be perceived differently from different starting points. For example, half the consumer organisations that participated in the online survey agree that there is still a need for EU action in increasing the level of customer mobility, whilst the other half disagrees with this statement (Figure 38).

However, we note little difference between the overall perception of interviewees with regards to the added value of the PAD, regardless of the national context and level of maturity of the financial markets of their Member State:

- Interview partners from Member States that have introduced some or all of the measures required by entry into force of the PAD see the potential of this EU intervention to improve financial service provision in their Member State, but highlight the need for further data to assess this at a later stage;
- Interview partners from Member States where certain measures such as provision of payment accounts with basic features, switching procedures and provision of information were either completely or partially in place before the EU intervention, perceive EU added value deriving from the harmonisation of services across Member States. They see EU intervention in Member States with less developed markets for financial services as especially justified. For example, some of the stakeholders interviewed believed that not all Member States would have introduced such measures as long as they remained voluntary. The Directive has thus led to better services for the citizens of all Member States and ensures equal level of protection across the Union.

Based on the perceptions of the stakeholders consulted, clear EU added value is expected once more data is available. At this stage, stakeholders agree that broadening the choice of services for consumers and lowering access barriers will logically result in more options in quantity and quality. Combined with increase in transparency and comparability of fees, these measures should reduce power and information asymmetries between consumers and PSPs, and promote competition.

Answer to the Question: Is there added value in EU intervention, compared to action taken at national level in the fields covered by the Directive?

Based on the results of the Impact Assessment for the Directive, it was deemed unlikely that Member States would all have implemented the Commission Recommendation on access to a basic payment account without further intervention by the EU.

The introduction of **the PAD has enhanced the functioning of the Single Market** as it has had positive impacts on **transparency**, and therefore **competition**, and has also contributed to the **harmonisation of standards**, and therefore has **reduced market fragmentation**. This could be achieved only through an EU intervention.

The impact of the Directive on aspects relating to consumer choice and protection as well as equal access to services is difficult to assess because the evidence available at this early stage of implementation of the PAD is limited. However, EU added value deriving from **improving financial services in Member States with less developed payment accounts markets and ensuring equal protection of consumers across the Union is expected in the future**.

Sector organisations do not perceive a need for further EU action, while consumer organisations **mainly see the need for EU intervention in areas such as enhancing consumer mobility and facilitating switching procedures**. The results of the survey to expatriates reinforce the relevance of further **EU action at cross-border level** in these areas. This aspect will require further detailed analysis to ensure whether and how possible changes to PAD in the future could provide further EU added value.

5 Conclusions

This study aimed to provide insights on the evolution of the payment accounts market in the EU since 2014, looking in particular at:

- the technological and market developments since 2014 (including the main features and prices of the payments accounts offered in the Member States);
- the impacts of the PAD in terms of achievement of its objectives, costs deriving from it, coverage of past and current needs in the market, alignment with other EU policies, and added value compared to the measures taken at Member State level.

With regard to the technological and market developments, **new actors** have emerged since 2014, the so called "**neo-banks**". Neo-banks tend to target consumers that do not need sophisticated products and are willing to accept a bank with no physical presence. A key characteristic of their offer is the fact that their services are offered via mobile phones and other virtual channels, and that the fees are usually close to zero. Thanks to the Single Market, neo-banks are able to **operate in multiple Member States** and have thus **enhanced competition** in many Member States (though not all them). Neo-banks are **covered by the PAD's scope**, although from our findings it seems that they are not (fully) compliant with it.

Other changes in the market that have shaped how payment accounts are used, the services linked to them and their features include: the progressive **digitalisation of European society –** with an increase in online and mobile banking and use of digital payments, the latest **technological advances** (e.g. mobile wallets and instant payments), and new **regulatory initiatives** (primarily PSD2 and AMLD V). These developments have implications for the way **financial (and social) inclusion** of citizens should be ensured. Although these are important changes in the market, and there are likely to be others in future, they are not expected to require specific changes to the PAD. An area that might require some changes is the issue of access to cash: while there is a trend to move away from cash, there are still specific groups of consumers, particularly among the most vulnerable, that require access to cash in all regions / that is geographically balanced.

Notwithstanding these changes, the **past problems and needs that the Directive was meant to address**, namely low competition in the retail payment sector, barriers to the internal market (especially for cross-border activities) created by the fragmentation of regulatory frameworks, and low levels of customer mobility between service providers, **can still be relevant today**, although they might require further analysis and fine-tuning as they can be expected to evolve. Consequently, the objectives of the Directive are broad enough to be relevant for the future as well.

Looking at the types of account offered in the Member States, we see that **payment accounts with basic features are offered in all the Member States** in scope. In some cases (notably in

Finland, Ireland, Latvia, Luxembourg, Netherlands, and Sweden), credit institutions offer their "standard" account as a basic account, while in other cases they have created a product ad hoc. The services that are, as required by the Directive, part of the basic payment account with basic features allow consumers , in most cases, to send and receive money within the SEPA area and to have a debit card. Digital channels are also included in the payment account with basic features in the majority of cases and, when this is not the case, it is generally because these services are not provided by the PSPs as part of their normal or "traditional" offers. Other services, such as overdraft facilities, credit cards and instant payments, which are not required by the Directive, are usually not included. Asked about their level of satisfaction with the services offered as part of the payment account with basic features, consumers and sector organisations are under the impression that **consumers were satisfied with the services that are currently part of payment accounts with basic features** based on national requirements.

When looking at the fixed **fee levels** linked to a payment account (i.e. fees to maintain the account and to have a debit card), we notice a **lack of harmonisation** between Member States, which suggests the payment account market is mainly limited to the national level. Moreover, within the same Member State, there is sometimes a big gap (up to EUR 85) between the cheapest and the most expensive offer. In these cases, when questioning why consumers do not switch their payment accounts to PSPs with a cheaper offer, other factors should be taken into account (e.g. difference in services, lower interest rates on mortgages, ties with other banking products, characteristics of the PSPs, etc.)

As far as the **fee levels linked to accounts with basic features** are concerned, **different approaches** have been adopted by Member States (e.g. prohibition on charging a fee, specific parameters to set the fee, freedom for credit institutions to set the fee provided that it is "reasonable"). As a result, we observed **significant variations** between the fees charged in the different Member States (ranging from EUR 0 per year to EUR 106 per year).

With regard to the impacts of the PAD, it is worth mentioning that the PAD's provisions had at the time of the research **only recently been transposed and applied** in the Member States. This was especially true of the requirements in terms of transparency and comparability. Therefore, the results discussed in this study, which are based on the evidence available at the time of the research, may evolve over time following a longer application of the measures imposed by the PAD.

In particular, it seems **too early** to make a substantive judgement on whether consumers are able to compare payment accounts, but it seems that the measures put forward by the PAD (in particular comparison websites) **have the potential to improve transparency and consumers' ability to compare fees**. However, some aspects still **require improvement** (e.g. clarity on the concept of "package", consumer awareness, information overload, templates of standardised documents and the guidance for filling them in, etc.) **Cross-border** transparency and comparison are **not yet possible** due to differences in the terminology used, the interpretation of terminology and language barriers.

The PAD has **achieved its objective of ensuring all consumers in the EU can switch accounts easily** insofar as it made it mandatory for all PSPs to offer a switching service with standard characteristics, which supports consumers with the process (e.g. clear division of tasks between the two PSPs and the consumer, certainty of the maximum time it will take, obligation to provide information about the process). The process was **deemed to be satisfactory by consumers** who used it. While the switching process seems to work well, the **number of consumers who have chosen to switch their account remains low**. However, increasing the number of switches was not a PAD objective per se and the low numbers may depend on a number of factors (including the fact that consumers may be satisfied with their accounts at their current PSP). However, the **low level of consumer awareness** about how the switching procedure works and what it entails, as well as the fact that in some cases PSPs do not encourage customers to use it, might also play a role. Finally, whereas there are diverging opinions on whether introducing Account Number Portability would have a positive impact on switching, the stakeholders consulted agreed that there is currently no **use case to extend the switching service cross-border**.

As regards the objective of ensuring consumers can access payment accounts, we note that the **access to payment accounts in most Member States is high** (> 85% in 11 Member States in scope), while the demand for **cross-border access is low** (though the reasons for it cannot necessarily be mitigated by the PAD). Nonetheless, based on a survey consultation to expatriates, it would seem that the reasons behind the low demand for cross-border access could be the lack of clarity linked to the rights and obligations of consumers with respect to their accounts.

Although the number of credit institutions offering payment accounts with basic features appear to be sufficient and the services offered to meet consumer needs, payment accounts with basic features are **predominantly opened by a specific audience** (vulnerable consumers). Therefore, as this category is the most relevant when considering financial inclusion, offering payment accounts with basic features seems to be an **adequate measure** for tackle this. Nonetheless, the fee level linked to the payment account with basic features, on the one hand, and the (overly) broad interpretation by some PSPs of PAD requirement to fully comply with AML/CFT requirements, on the other, as well as a low level of consumer awareness about their rights, might still be limiting consumers' access to this type of account.

In general, when looking at the changes brought about by the PAD, we observe that the PAD has ensured a **minimum level of harmonisation,** notably by establishing a standardised terminology (partially uniform at EU level), common templates to report on fees linked to payment accounts, a uniform switching process, and a right, at EU level, to access to payment accounts, including those with basic features. However, there are still obstacles to the Single Market, including some that were not or could not be tackled by the PAD (for instance because they are not of a regulatory nature, e.g. language barriers, consumer home bias) or that derived from how each Member States has transposed and applied the PAD. In particular, **some Member States created an additional layer of legislation when transposing the PAD**, instead of substituting the pre-existent legislation, contributing therefore to the fragmentation of the national and EU regulatory framework. The most important unintended consequence of this is the **duplication of documents on fee levels of payment accounts** in Member States where documents with the same information already existed.

Overall, while there have been some achievements in terms of **ensuring equal treatment of consumers**, and the intervention is expected to have a positive impact on transparency, which will support competition, there is still room for improvement (especially in cross-border access). As mentioned previously, at this early stage, the results are still limited, and it seems that there are still further efforts to be made to attain full EU added value. Nevertheless, the **intervention is considered to have EU added value**.

Considering whether the PAD was cost/effective, we notice that the **costs stemming from the PAD mainly impacted PSPs**, which had to make the necessary changes and introduce the required tools in order to comply with it. While it is difficult for PSPs to quantify the costs deriving from the PAD, the data collected revealed that **estimated costs varied** from EUR 100 000 to more than EUR 1 million (reaching in some cases more than EUR 5 million). A number of factors may account for these differences, including whether similar measures had been adopted previously, how much of what was already in place needed to be adapted, how flexible the institutions' IT systems were, and the size of the institution. **The costliest provisions are those related to the standardised terminology and the implementation of the SOF**. However, **the benefits deriving from the standardised terminology** in terms of the ability of consumers to compare payment accounts **seem to balance the high costs**.

As the **SOF had** still to be applied in most of the Member States in scope at the time of the research, it was **too early to assess its cost/effectiveness** (although the benefits of the FID and SOF decrease substantially when there is duplication of information in other documents).

Likewise, the **costs of implementing the switching process were proportionate to the benefits** that might arise from the opportunity for consumers to switch accounts easily (notwithstanding the actual number switching).

Finally, the requirement of offering a **payment account with basic features did not entail significant costs** for credit institutions, even when the accounts are provided without charges, as the number of payment accounts with basic features opened is extremely low and spread over different banks. **The benefits are enjoyed mainly by specific categories** of consumers, notably migrants, asylum seekers, people without an identity card, who, are the most relevant when dealing with financial inclusion. Therefore, the costs of achieving the PAD's objective of more financial inclusion through access to accounts with basic features seem proportionate. Nonetheless, there is **room for more efficiency** in those Member States where credit institutions are required to have a different, dedicated product with limited characteristics, instead of setting some minimum criteria and leaving the credit institutions the possibility of using one of their standard accounts as a "basic" account, provided that it respects the criteria in terms of accessibility, services and pricing.

As regards the **coexistence of the PAD with other EU legislation**, it is worth mentioning, on the one hand, that the (overly) broad interpretation by some PSPs when complying with

AMLD CDD rules might negatively affect the achievement of the objectives of the PAD itself, especially when it comes to granting access to accounts for people with atypical identification documents or granting cross-border access to accounts. No solution on how to overcome this has yet been found[205]. Moreover, the ECJ has issued a ruling on aligning the interpretation of 'payment accounts' in the scope of the PAD and **PSD2,** and has been asked to rule on the issue of tying between the PAD and **MCD.** The coherence of the PAD with other legislation such as the SEPA Regulation, the Cross-border payments Regulation and the E-money Directive was also assessed, and no potential concerns were identified.

[205] The EC noted in its Action Plan on AML/CFT of 7 May 2020 that "*How to reconcile the obligation under the Payment Account Directive to provide a basic account to any customer with the AML/CFT obligation to terminate the business relationship if obliged entities have suspicions about the customer or cannot obtain updated client information would also merit further consideration*."

https://ec.europa.eu/finance/docs/law/200507-anti-money-laundering-terrorism-financing-action-plan_en.pdf

6 Recommendations

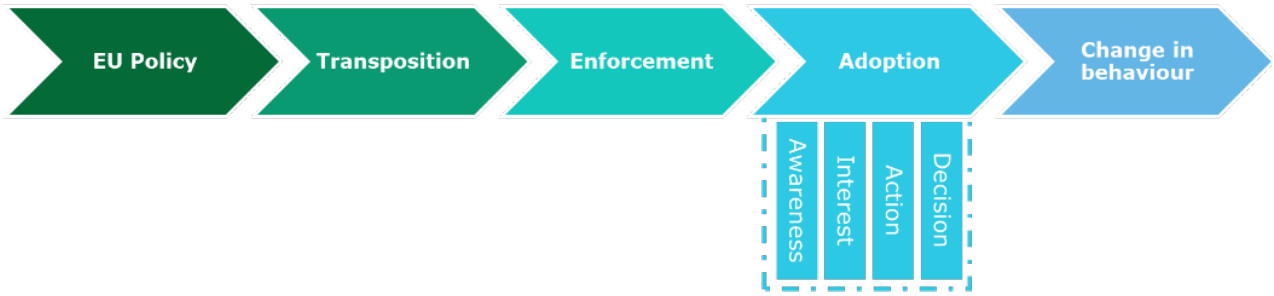
This section gives an overview of the recommendations stemming from the conclusions as described above for each of the study questions. As the transposition of the Payments Account Directive (PAD) was very recent for some Member States and/or for some provisions, these recommendations are based on the assessment of the situation at the time of the research. This is likely to evolve further over time with longer application of the measures imposed by the PAD. A new assessment may then be required in a couple of years. For the FID (Fee Information Document) and SOF (Statement of Fees), an assessment of their cost-effectiveness could be envisaged once it is possible to measure the benefits stemming from them (after they have been in place for some years). However, the fact that a detailed monitoring plan/procedure was not envisaged with a view to the evaluation of the Directive will remain a shortcoming in ensuring that reliable data on compliance costs is available. This should be considered for any future review of the Directive including a possible role for EBA.

When considering any of the recommendations below, attention should be given to involving the right stakeholder groups, to performing a cost/benefit assessment of the change to be introduced, and to choosing the most appropriate policy measure for achieving the objective of the recommendation. Notably, the study team would recommend:

- A more detailed analysis of the needs of specific target groups that are directly affected by (or could benefit from) the activities, such as the needs of specific mobile population segments (expatriates, cross-border workers, etc.) or simply people who would like to make the most of the Single Market (e.g. by accessing the best services at the best prices, even if these are in another Member State, and who might not be interested by neo-banks), concretely in terms of cross-border activities (cross-border switching, cross-border transparency and comparability, etc.)
- Ensure that other actors (e.g. neo-banks) or legal texts (e.g. the Payment Services Directive - PSD2) are not already covering the needs identified.

The recommendations are grouped on the basis of one of the three first stages of the regulatory lifecycle, as presented in the figure below, completed with recommendations on awareness, which is part of the fourth stage.

Figure 45: Regulatory lifecycle



Source: Deloitte

6.1 EU policy

We include in this section recommendations on the shortcomings and opportunities for improvement identified in the design of the Directive.

Concept of “package”

Given the difficulties in terms of transparency and comparability stemming from different interpretations of the term “package”, the study team recommends **clarifying the use of the term in the Directive and Implementing Regulations, and also to ensure it is consistent with the definition in the Mortgage Credit Directive (MCD).** The Directive should **clearly differentiate between:**

- a combination of a payment account with the different services linked to it that allow for its usage (a card, overdraft, etc.); and
- a combination between a payment account (including the linked services that allow for its usage) and other types of financial product, such as insurance, a mortgage, etc. (in line with the Directive).

For instance, each type could have a different name without resorting to the term package**.** In any case, it would be important to **define the two different concepts in the list of definitions**, identify which provision is relevant to which term, and make sure that every occurrence of one or the other term is clear, and there is no room for mistaking them for each other.

In parallel, in order to facilitate transparency and comparability, it might be beneficial to **include in the FID the cost for each of the payment services that are linked to the payment account**, **together with a total annual cost**. This could make it clearer for the consumer what the cost would be for the usage of the payment account for one year, and the breakdown of how much each payment service component represents out of the total cost. In general, it is recommended that **additional guidance be provided to Member States and Payment Service Providers (PSPs) on how the FID should be completed**.

In addition, it is recommended that the outcome of the ruling of the ECJ on the coherence between the PAD and MCD be considered when it comes to tying practices allowed under

MCD to verify whether a review of both Directives would be required to improve switching rates.

Compliant[206] comparison websites

Based on our analysis of the existing comparison websites and on the best practices, the study team suggests **adding the following requirements** in order to increase the usage and improve the quality of the comparison websites:[207]

- Include a link to the compliant price comparison website(s) on the webpages of the PSPs and the National Competent Authority (NCA), to enable consumers to easily find the compliant price comparison websites.
- Require a visual symbol/label that certifies that the website is a price comparison website of the Member State that complies with article 7 of the Directive and can be easily recognisable by consumers.
- Require that compliant price comparison websites base the comparison of payment accounts on the needs and behaviour of the consumer (clarifying that this does not consist of financial advice). This could already be done based on profiling methodologies. In the future, other methodologies could be envisaged (such as artificial intelligence). In line with this, comparison websites could consider including other selection criteria such as quality of service[208] or benefits linked to the payment account.
- Require that compliant price comparison websites show the total price per year for each of the payment accounts presented to the consumer.
- Require that compliant price comparison websites include payment accounts with basic features in their results, when such accounts can satisfy the needs that the consumer has in terms of account features.
- Include in compliant price comparison websites (a link to) the FID for each of the payment accounts presented to the consumer in the comparison.
- Include in compliant price comparison websites a link to information on the switching procedure.

Additional suggestions based on the in-depth analysis on comparison websites and on **identified best practices** are in **Annex G** "Results from the analysis of the comparison websites".

Moreover, in order to enable the cross-border use of FIDs and price comparison websites, it would be useful that these tools be **available in multiple languages** or to require that the information available on the different compliant price comparison websites be consolidated

[206] Websites that comply with article 7 of the Directive

[207] Please refer to Annex G to see details on our analysis of best practices of comparison websites.

[208] In order to define the quality of service in an objective way, it could be useful to develop a user journey exercise to define what is considered key for a qualitative service and define an objective assessment to reach a score that can be added to the different accounts.

into one **EU price comparison website**, available in all local languages and allowing a cross-border comparison. Alternatively, links from one website to other local websites could be included.

Access to payment accounts

As AML/CFT (Anti-Money Laundering/Combating Financing of Terrorism) requirements appeared as a crucial issue when investigating the right to access payment accounts, the study team recommends **considering alternatives in order to ensure that the application by some PSPs of the AML/CFT CDD requirements do not prevent consumers from having access to payment accounts** (with basic features) within their Member State or cross-border.

When it comes to access to payment accounts (with basic features), this could be done by requiring NCAs to clarify which identification documents are acceptable under EU AML legislation (at a national level). This could be combined with a risk-based approach, which would clarify to PSPs that it is acceptable to on-board a client with a lighter identification and identity verification process, if this client cannot perform transactions with an increased risk (e.g. no wire transfers from/to high-risk countries, no cash deposits).

When it comes to cross-border access to payment accounts, the study team recommends **clarifying under EU AML legislation the conditions according to which a business relationship is deemed to take place in unusual circumstances, possibly via additional guidance**. If the consumer does not have a link with the Member State where they would like to open a payment account, but indicates that they are more interested in the offer in this Member State, and the application of Customer due diligence measures does not reveal any other elements present that would indicate that the opening of the account might be related to money laundering purposes, the PSPs would be allowed to assume that there is a sufficient link. This could also be combined with a risk-based approach, increasing monitoring and customer due diligence.

In addition, it should be clarified in the PAD which conditions may be applied by Member States on access to payment accounts with basic features. As the concept of "**genuine interest**" is unclear and leads to confusion, the study team recommends **reconsidering this concept and also clarifying which (other) conditions can be imposed**, such as:

- Conditions on the number of accounts owned by the consumer
- Conditions on the income of the consumer
- Conditions on the total wealth of the consumer
- Conditions on the use of the account
- Conditions on the link of the consumer with the Member State
- etc.

These aspects, together with a **clarification in the PAD itself of the home/host regime applicable to the PAD** (i.e. which national regulatory framework applies in case of cross-border provision of services, either by free provision of services or by free establishment in another Member State), would provide additional legal certainty for both PSPs and consumers, hence facilitating cross-border mobility.

The study team also recommends that the services included in the payment account with basic features lead to social inclusion, not only financial inclusion (e.g. allowing consumers to make payments to online merchants). For this to be possible, the PAD would need to **specify that the payment methods foreseen as part of the payment account with basic features should include at least the most common payment methods on the market** in each of the Member States (excluding credit cards).

In this regard, the study team suggests that the PAD should **explicitly state that credit institutions are allowed to use one of their existing traditional accounts as a "basic" account**, provided that it respects the criteria in terms of accessibility, services and pricing.

Finally, it is recommended that the **legal references in the PAD be updated**, as the PAD still refers to old versions of the PSD and AMLD.

6.2 Transposition

When it comes to transposition, the study team suggests **providing more guidance on how Member States should transpose** potential new provisions of **the PAD when there are similar requirements already in place. This will notably make it easier** to avoid duplication of documentation and should reduce fragmentation of the regulatory framework. Alternatively, a higher level of harmonisation could also ensure this.

It is recommended that **Member States be required,** in their assessment to review and update the standardised terminology every four years, **to carefully consider the effects any changes would have both in terms of costs for PSPs and in terms of benefits for the consumers** (as consumer and sector organisations observed that too frequent changes might be counterproductive and create confusion).

6.3 Enforcement

Considering the flaws that have emerged in the application of the Directive (e.g. cases of discouraging consumers from using the switching process, no availability of FID in branches, etc.), the study team recommends **requiring that the mystery shopping methodology be part of monitoring and supervisory exercises** to assess the application of the PAD (e.g. the actual application of the switching process, quality of information provided, etc.)

Moreover, it would be appropriate to invite the **Member States to act** on the following three points:

- **Monitoring that the compliant price comparison website covers a significant part of the market.** If a significant part of the market is not covered, this should be mentioned as part of a disclaimer to be added in the website. If shortcomings are identified, measures need to be taken.

- **Monitoring that non-traditional PSPs know that they have to comply and actually do comply with the requirements set out in the PAD** to ensure a level playing field. NCAs should include this in their supervisory practices.
- **Monitoring that credit institutions define an objectively reasonable fee to consumers for access to payment accounts with basic features**, based on national income levels and average fees charged by credit institutions in the Member State for services provided with payment accounts, and not based on the costs incurred by the **credit institution**s in offering such payment accounts. In other words, there is a need to monitor that fee charges for payment accounts with basic features are reasonable from the consumer's point of view and not from the **credit institution's** point of view.

6.4 Awareness

It was noted in the conclusions on the different objectives of the PAD that there is a lack of consumer awareness about all the tools made available by the PAD (e.g. FID, comparison website, switching process, payment account with basic features), as well as the rights granted to consumers. The study team recommends thus that the PAD require **Member States to take action to enhance consumer awareness about their rights and advantages under the PAD**. A possible effective action would be recurrent information campaigns by the Member States.

GETTING IN TOUCH WITH THE EU

In person

All over the European Union, there are hundreds of Europe Direct information centres. You can find the address of the centre nearest you at: https://europa.eu/european-union/contact/meet-us_en

On the phone or by email

Europe Direct is a service that answers your questions about the European Union. You can contact this service:

- by Freephone: 00 800 6 7 8 9 10 11 (certain operators may charge for these calls),

- at the following standard number: +32 2 299 96 96, or

- by email via: https://europa.eu/european-union/contact_en

FINDING INFORMATION ABOUT THE EU

Online

Information about the European Union in all the official languages of the EU is available on the Europa website at: https://europa.eu/european-union/index_en

EU publications

You can download or order free and priced EU publications from:

https://publications.europa.eu/en/publications.

Multiple copies of free publications may be obtained by contacting Europe Direct or your local information centre (see https://europa.eu/european-union/contact/meet-us_en).

EU law and related documents

For access to legal information from the EU, including all EU law since 1952 in all the official language versions, go to EUR-Lex at: http://eur-lex.europa.eu

Open data from the EU

The EU Open Data Portal (http://data.europa.eu/euodp/en) provides access to datasets from the EU. Data can be downloaded and reused for free, for both commercial and non-commercial purposes.

EV-02-19-732-EN-N

Publications Office
of the European Union