



# Basic banking services

Presentation to the European Parliament  
by  
London Economics

25 January 2012

# Presentation outline



- ❑ Study objectives
- ❑ Basic facts
- ❑ EC recommendation on access to basic payment account
- ❑ Basic banking services and benefits
- ❑ Recommendations

# Study objectives



## Study objectives

Current state of  
access to banking  
services

EC recommendation  
on access to basic  
payment account

Basic banking  
services and benefits

Recommendations

## □ Background

- Access to basic banking services is essential in modern society, especially as society moves toward paperless environment
- But, estimate that more than 30 million over 18 in the EU do not have access to a bank account

## □ Objectives

- Current state of play re access to banking services
- Overview of the expected benefits of provision of basic bank account

# Current state of access to banking services



## Study objectives

- ❑ Legal framework governing access to basic banking services varies markedly across Europe

## Current state of access to banking services

- ❑ In 12 MS, some type of requirements for banks to provide some form of account – BE, DE, FR, FI, DK, IE, LU, NL, SL, SW

## EC recommendation on access to basic payment account

- ❑ No such provisions in 15 other MS

## Basic banking services and benefits

## Recommendation

# Current state of access to banking services



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## ❑ Legislation/regulation

- Belgium, France, Finland and Denmark: legislation providing for access to a bank account (basic or regular)
- Sweden: legislated right to a deposit account (does not provide for electronic payment)
- Netherlands: right to a bank account - agreement between the banks and the authorities

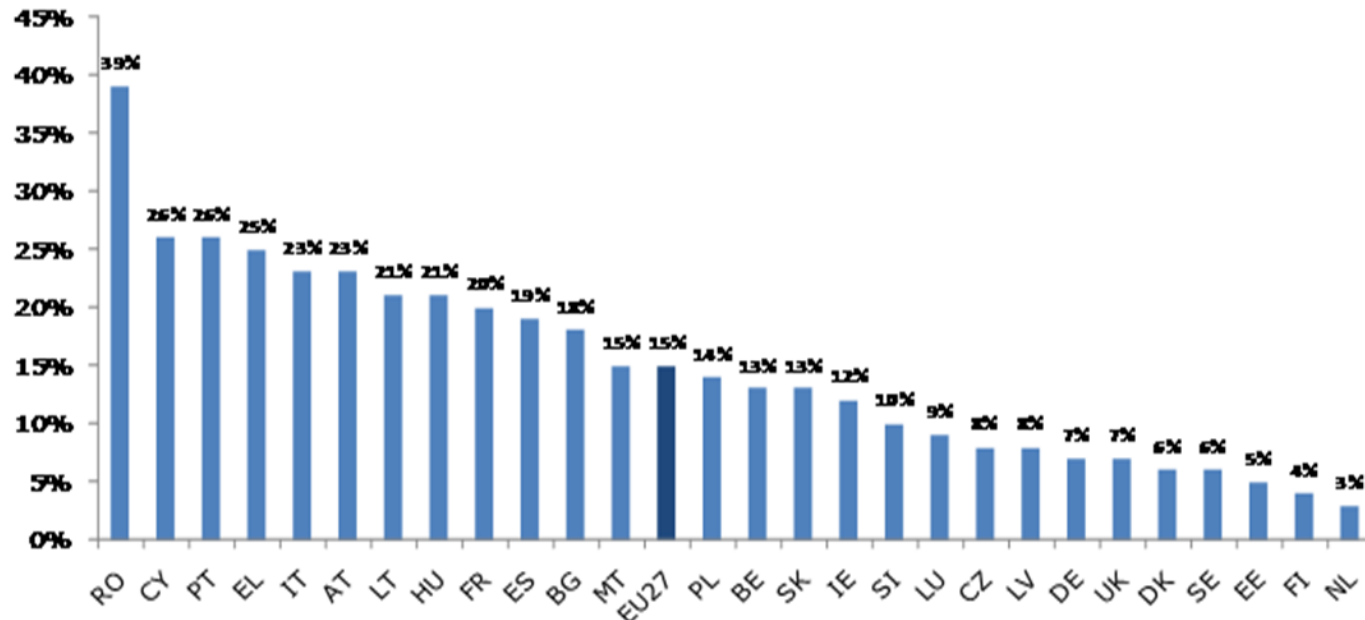
## ❑ Voluntary codes

- Germany, Ireland, Luxembourg and Slovenia: voluntary codes foresee that banks open accounts for anybody fulfilling standard requirements concerning proof of identity and address, and compliance with anti-money laundering rules
- UK: code foresees offer of a special basic bank account to those customers who cannot obtain a regular bank account.
- Italy: banking code stipulates the provision of a payment account

# Current state of access to banking services



Percentage of individuals that found it difficult to gain access to a basic bank account (Special Eurobarometer 355(210))



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# EC Recommendation on access to basic payment account



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**EC Recommendation on access to basic payment account**

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Recommendations

- ❑ Reason: market failure
- ❑ Principle: all consumers, who are legal residents within the EU should be able to open and use a basic bank account in any Member State, if they do not already have an account in that State
- ❑ Two objectives: financial inclusion + Single Market
- ❑ Implementation: flexibility to MS subject to:
  - condition that basic bank account be free or cost be reasonable
  - awareness raising obligation
- ❑ Effectiveness: mainly a strong signal

# Basic banking services and benefits



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- ❑ Ideally, the following services should be provided by a basic bank account
  - ability to open, operate and close a payment account
  - ability for money to be placed in and withdrawn from a payment account
  - ability to allow the execution of payment transactions by direct debit, a payment card or credit transfers
- ❑ Services should not be tied to the purchase of other services or products such as insurance from the institution offering the basic bank account
- ❑ An overdraft facility should not be provided with this type of account

# Basic banking services and benefits



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Recommendations

- EC Recommendation consistent with ideal basic bank account (Section III)
  - Services enabling all the operations required for the opening, operating and closing of a payment account
  - Services enabling money to be placed on a payment account
  - Services enabling cash withdrawals from a payment account
  - Execution of payment transactions, including transfers of funds in and out of a payment account with the consumer's payment service provider or with another service provider following:
    - the execution of direct debits
    - the execution of payment transactions through a payment card that does not allow the execution of payment transactions that would exceed the current balance of the payment account
    - the execution of credit transfers



# Basic banking services and benefits

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Recommendations

- ❑ Benefits for a) financially excluded individuals, b) mobile individuals, c) cross-border trade and e-commerce, d) society
  
- ❑ Immediate benefits for unbanked individuals
  - The ability to take jobs or rent property where a bank account is required
  - Access to money transmission services –welfare payments,...
  - Lower transaction costs on payments and receipts
  - Access to discounts for electronic payment
  - Quicker access to funds
  - Increased security through lower level of cash transactions
  - Increased choice of goods and services through the internet
  - Reduced sense of financial exclusion

# Basic banking services and benefits



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Recommendations

- Immediate benefits for mobile individuals - will find it easier to operate in other Member States due to the improved ease of opening bank accounts in other Member States – >will enhance mobility
  - Mobile consumers in general less likely than financially excluded consumers to be affected by psychological, cultural or educational factors.
  - Instead, mobile consumers face problems on the supply side
    - Proof of identity can be a problem for immigrants who may not have the standard documents required, particularly in countries that do not use a national ID card.
    - Legal requirements relating to fraud being interpreted by some banks in such a way that allows them to refuse service to non-residents who are seen by the bank as commercially unattractive customers.
    - 2011 Eurobarometer study – one potential obstacle faced by citizens in Internal market is opening a bank account in a different MS

# Basic banking services and benefits



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Recommendations

- ❑ Immediate benefits for cross-border trade and e-commerce
  - 12% of those who did not use the internet to order goods or services online in the 12-month period preceding a recent survey by Eurostat gave the lack of a payment card as a reason
  - Availability of payment cards and electronic money transfer channels are crucial factors underpinning e-commerce, particularly as they offer to the consumer protection and credibility
  - E-commerce is the principal channel through which consumers can engage in cross-border trade
  - Without banking access, consumers cannot fully benefit from the full range of products offered within the Single Market and cannot reap the benefits of online purchasing



# Recommendations

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**Recommendations**

- ❑ Proposed service characteristics of the basic bank account set out in EC Recommendation are consistent with the views of most stakeholders
- ❑ They would clearly benefit “unbanked” individuals and cross-border mobile individuals
- ❑ However, no guarantee that the Recommendation will be followed up by actual change at the M.S. level
- ❑ Strongly recommend that, in one or two years time, in-depth review of the situation across M. S. be undertaken in order to identify whether desired effect is achieved
- ❑ If no progress, consideration be given to a Directive which ensures the introduction of legislation relating to access to basic banking services across the EU
  - Should take account of fact that the specific needs of the “unbanked” may vary across Member States depending on the payment practices and usages in the country – Minimum Harmonisation Directive



# Thank you!

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