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Subject: COMMISSION STAFF WORKING DOCUMENT
EXECUTIVE SUMMARY OF THE 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

Delegations will find attached Commission document SWD(2013) 165 final.

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EXECUTIVE SUMMARY OF THE 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**

{COM(2013) 266 final}
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1. INTRODUCTION

Every citizen of the European Union should have the right of access to basic banking services throughout the EU, irrespective of their nationality and / or place of residence since access has become an essential condition for participation in economic and social life. Such access is not available to all. Improved access to basic banking services would enable every consumer to fully benefit from the internal market, by for example, encouraging the free movement of persons and facilitating the purchase of goods cross-border.

Furthermore, unclear bank fee information makes it difficult for consumers to make informed choices about which account is best-value for them. Since offers are difficult to compare, EU consumers tend to refrain from switching payment accounts, potentially to an account better suited to their needs. Finally, EU consumers who seek to acquire banking services across borders are often hindered by requirements or practices in domestic markets that place non-residents at a disadvantage. As a consequence, competition in the retail banking sector is hindered. Clearly, these issues and their effects are interrelated, both for the individual and the wider economy. This impact assessment aims to address these problems and thereby:

- i. **Improve the proper functioning of the internal market and avoid the distortion of competition in retail banking.** The uneven playing field between market actors results in reduced competitive rivalry and missed opportunities. Without intervention, there is a risk of further fragmentation in the provision of payment accounts, threatening long-term market integration.
- ii. **Empower consumers by enabling them to make informed choices.** In a competitive and efficiently functioning single market with a high level of consumer protection, EU citizens would have all the tools necessary, and thus be empowered to search for the best product for their needs, whether in their own or in another Member State.
- iii. **Allow all European citizens the opportunity to benefit from the single market by promoting economic and financial inclusion and through EU-wide access to basic banking services.** Access to basic account services will facilitate financial inclusion enabling all consumers to participate and benefit from the internal market (including its digital environment). Improving access to this key service constitutes an action of the European Platform against Poverty and Social Exclusion (a flagship initiative of Europe 2020), which is designed to combat social exclusion.¹

The focus of this impact assessment is on payment accounts held by consumers. Accounts held by businesses including small or micro enterprises, unless held in a personal capacity, are outside the scope of this impact assessment. This impact assessment does not cover savings accounts, which may have more limited payments functions.

2. CONTEXT

Previous efforts have been made to address these issues. In 2007, the Commission asked the European Banking Industry Committee (EBIC) to make it easier for consumers to move their accounts from one bank to another. In response, EBIC developed the Common Principles for Bank Account Switching.² Implementation by national banking associations was to be completed by the end of 2009. However,

¹ The European Platform against Poverty and Social Exclusion: A European framework for social and territorial cohesion [COM(2010) 758], and accompanying document [SEC(2010)1654].

² *The Common Principles for Bank Account Switching*, <http://www.eubic.org/Position%20papers/2008.12.01%20Common%20Principles.pdf>.

research has shown that their implementation is inadequate³ and that the Common Principles fail to properly address all barriers to cross-border mobility.

In August 2010, the Commission asked EBIC to improve the clarity, comparability, and transparency of account fees and ensure that fee information is easily available to consumers. Despite significant efforts being made until the end of 2011 to agree a principles-based self-regulatory code for payment services providers, the initiative failed to produce any results.

In July 2011, the Commission adopted a Recommendation on access to a basic payment account⁴ which set out principles guaranteeing consumers access to an account throughout the EU. Despite being asked to comply with the Recommendation by January 2012, only three Member States⁵ have a framework in line with the Recommendation. Accessing account services is also key to fighting social exclusion.⁶

Against the background of these self-regulatory and regulatory failures, the European Council and Parliament have underlined the importance of ensuring that the single market works for all citizens. In particular, in its Resolution on a single market for Europeans⁷, the European Parliament called *on the Commission to submit by June 2011 a legislative proposal on guaranteeing access to certain basic banking services and to improve the transparency and comparability of bank charges by the end of 2011*. The March 2012 European Council welcomed the Commission's intention to propose a new round of measures on payment accounts designed to open up new growth areas in the Single Market. Similarly, a recent European Parliament report with recommendations to the Commission on Access to Basic Banking Services⁸ asks the Commission to come forward with a legal proposal in this area by January 2013.

In addition, the Single Market Act (SMA) II adopted on 3 October 2012 identified a legislative initiative on bank accounts in the EU as one of the 12 priority actions to generate real effects on the ground and make citizens and businesses confident to use the Single Market to their advantage.⁹ Its aim is to "*give all EU citizens access to a basic payment account, ensure bank account fees are transparent and comparable, and make switching bank accounts easier*".¹⁰ Furthermore, the Commission announced proposals in the area of transparency and comparability of bank fees and bank account switching as part of the Commission's Work Programme for 2013.¹¹

3. PROBLEM DEFINITION

3.1. Access to a basic account services

Research estimates the number of EU citizens with no payment account at between 30 and 68 million.¹² Many of those without a payment account do not need or want one.¹³ This may be caused by psychological factors in part, as many consumers may simply be scared away by the price, bureaucratic

³ *Consumer Market Study on the consumers' experiences with bank account switching with reference to the Common Principles on Bank Account Switching*, GfK, January 2012, BEUC and national studies in UK, Ireland and Austria.

⁴ Commission Recommendation 2011/442/EU of 18 July 2011, 2011/442/EU, 18.7.2011.

⁵ Belgium, France and Italy.

⁶ COM(2010)758 and SEC(2010)1654.

⁷ European Parliament Resolution 2010/2278(INI)

⁸ European Parliament Resolution 2012/2055(INI).

⁹ http://ec.europa.eu/commission_2010-2014/barnier/headlines/news/2012/10/20121003_en.htm

¹⁰ "Single Market Act II - Together for new growth", COM(2012) 573 of 3 October 2012, page 16.

¹¹ "Commission Work Programme 2013", COM(2012) 629 of 23 October 2012, Annex I, page 5.

¹² *Study on the costs and benefits of policy actions in the field of ensuring access to basic account – Final Report* (CSES, July 2010, p. 14) and calculations based on the *Special Eurobarometer on Retail Financial Services* (European Commission, February 2012).

¹³ *Special Eurobarometer on Retail Financial Services*, European Commission, February 2012, p. 31.

complications of accounts, etc. It is however, estimated that around half of those who do not have an account want one.¹⁴ The reasons why consumers cannot access an account vary.

Ineffective, inconsistent or non-existent regulatory framework

Despite Member States being asked to comply with the Recommendation on access to a basic payment account¹⁵ by January 2012 and a Commission review being announced for mid-2012, as illustrated by reports by the European Commission and Parliament,¹⁶ regulatory failures have made the Recommendation's application sub-optimal and its effects on the marketplace non-existent.

Limited bank profitability from certain groups of consumers

Misaligned incentives between the account provider and the consumer lead to rejection of the consumer's application for a payment account. This is particularly true for both vulnerable consumers who may be perceived by banks as unprofitable and for many mobile consumers on who little information may be available.

Limited and more costly access to products and services

A consumer without an account may find it more difficult and expensive to purchase any other financial product as payment accounts often act as a gateway to other financial products and services, e.g. home insurance. Such consumers have limited opportunities to make use of e-commerce as the majority of transactions require a credit card or bank transfer. Other means of payment usually more expensive and inconvenient.¹⁷ Indeed, a study shows that 22 % of newly banked consumers had shopped by telephone or internet since opening their account.¹⁸

Low awareness of availability of basic payment accounts

In those Member States where basic payment accounts exist, they are often not actively marketed due to the misaligned incentives between providers and consumers.

Discriminatory rules on accessing payment accounts

The main reason why consumers are rejected for an account is the absence of any regular income; 40 % of consumers who were refused cited this as the reason. Other common grounds for refusal are non-residence and lack of appropriate documentation.

Low consumer confidence in the financial system

Some vulnerable consumers may refrain from opening an account because of the risk that, if in debt, any positive balance will be seized.

Restrictions on the use of basic payment services

The different characteristics of a basic payment account create a barrier to the internal market, e.g. a basic payment account can only conduct 'domestic' transfers or use 'domestic' ATMs. For mobile and vulnerable consumers living in border areas or working and living in more than one Member State, this represents a significant problem.

¹⁴ Commission services calculations based on Eurostat, *Measuring Financial Inclusion, The Global Findex Database*, the World Bank, April 2012, and *Special Eurobarometer on Retail Financial Services*, European Commission, February 2012.

¹⁵ Commission Recommendation 2011/442/EU, 18.7.2011.

¹⁶ European Parliament Resolution 2012/2055(INI)

¹⁷ *Banking services and poorer households*, Financial Services Taskforce, December 2010.

¹⁸ *Nothing is free: A survey of the social cost of the main payment instruments in Hungary*, National Bank of Hungary, p. 27.

3.2. Presentation and ease of comparison of bank fees

There is an inherent level of complexity in the features of payment accounts and in their pricing structures, which leads to information asymmetries and hinders consumer choice and competition amongst providers.

A wide range of services and fees

Payment accounts cover a wide range of services and charging structures may be complex. Fee complexity impacts upon a consumer's ability to understand what fees represent. Yet understanding fees is a prerequisite to comparing different offers.

Pricing models

Some pricing models appear to have simpler charging structures (e.g. package based, indirect revenue-based) than others (transaction based, account-based). Although national markets often exhibit a prevalence of one pricing model over others, more than one model is in use in a number of Member States. While this diversity provides a broader choice of products and is not a negative feature, it further adds to the complexity of choosing an appropriate product.

Simplicity and transparency of fees

The use of differing terminology referring to the same type of services may make it difficult to compare bank offers. Research¹⁹ found that while two thirds of financial institutions provided fee information on their websites, 69 % of banks did not provide clear information and further contact was needed to obtain clarifications on the fees as disclosed.

Price dispersion in payment accounts within and across Member States

Wide price variations have been observed for payment accounts, calling into question the degree of price competition in the market. Price variations also feed the perception that payment accounts are not fairly priced, denting consumer confidence and trust in the sector.

Customer price discrimination

Price discrimination occurs between different customers so that their cost for a product with comparable features would not be the same. Further, introductory pricing offers adds another barrier to clear and comparable bank offers and makes it more difficult for a consumer to understand longer-term costs associated with holding an account.

Ineffective, inconsistent or non-existent regulatory framework

The current regulatory framework varies widely across Member States, in terms of scope and depth. While credit institutions are required to provide consumers with contractual terms and conditions when opening an account, many Member States do not mandate specific presentation requirements. Requirements on ex-post information also differ widely. Uncoordinated national actions results in an uneven playing field within the internal market, meaning that EU citizens do not enjoy the same level of consumer protection.

¹⁹ *Preparing the monitoring of the impact of the Single European Payments Area (SEPA) on consumers*, Van Dijk Management Consultants, 2008.

3.3. Payment account switching

Potential and actual customer mobility creates competition between providers and encourages them to offer better quality and cheaper products. However, research²⁰ has shown that this is not the case for payment accounts. The factors currently limiting switching are as follows:

Inadequate information

The Common Principles²¹ require the provision of information on the switching process, but this does not happen. Research²² found that whilst in 86 % of the cases, information was provided either in a branch, online or by telephone, the level of information provided varied widely. In a third of enquiries, no information on switching was available on the bank's website. In 45 % of cases, no detailed information on the process was provided and in 80 % of cases, no explanatory documentation was given.

Complexity of switching process

Difficulties transferring standing orders and direct debits represent one of the major barriers to account mobility; research²³ found that in two thirds of cases, consumers were told that the bank could not assist them with the transfer of standing orders. Account switching costs consumers time and effort. In 2009, around 21 million consumers did not switch accounts because the cost and effort involved was too large.²⁴ It is often unclear how long the process will take and what will happen to direct debits/credits in the 'transitional period'. Research also shows that the deadlines set in the Common Principles are not respected.²⁵

Direct financial costs

Consumers switching current accounts bear direct financial costs such as the cost of maintaining two accounts, for the duration of the switching process. Other direct costs that may be incurred are an account balance transfer fee and correspondence costs.

Psychological factors

Consumer perceptions can deter switching. In the Netherlands, despite there being an account redirection system since 2004, switching rates are low. One reason is there remains a perception that the process is difficult, despite the fact that those who have switched using the redirection service found it easy.²⁶

Restricted cross-border switching

The self-regulatory Common Principles do not apply to cross-border switching, which continues to be characterised by separate opening and closing of account procedures at a cost to switchers. Yet a cross border switching service would have considerable benefits. About 12.3 million EU citizens above the age of 15 permanently reside in another Member State and a switching service would facilitate their mobility. Considering the high price dispersion of payment accounts, all consumers – mobile and non-mobile – would have the opportunity to shop around and save money by opening a payment account in another Member State.

²⁰ *The Consumer Market Study on the consumers' experiences with bank account switching with reference to the Common Principles on Bank Account Switching*, GfK, January 2012 and studies by BEUC and at national level (UK, Ireland, Austria).

²¹ http://ec.europa.eu/internal_market/finservices-retail/docs/baeg/switching_principles_en.pdf

²² *Consumer Market Study on the consumers' experiences with bank account switching with reference to the Common Principles on Bank Account Switching*, GfK, January 2012.

²³ Ibid.

²⁴ *Consumers' views on switching service providers*, Eurobarometer 243, European Commission, p. 18.

²⁵ Cf. footnote 21; *Tarifs et mobilité bancaires: le désolant palmarès des Banques*, UFC Que Choisir, 2010; *Kontowechsel: Wie funktioniert er?*, VKI, March 2010.

²⁶ *ICB Final report recommendations*, ICB, September 2011, p. 220.

4. INTERLINKS

Access to a payment account is essential in the modern economy. In a truly functioning internal market, access should be available across domestic borders, anywhere in the EU. If an EU citizen from Poland moves to the UK, but is unable to open an account, transparent information on fees and an effective switching process will be of no value to them.

The Commission inquiry into the retail banking sector²⁷ found that low levels of customer mobility was directly related to higher bank profitability and that the impact of customer mobility in the payment account market on market power, (measured on total retail banking profitability), was such that a 1% increase in market churn²⁸ gave rise to a corresponding similar decrease in banks' pre-tax profitability ratio.

Opaque fee structures raise barriers to a smooth switching process, making it difficult or even impossible in the case of cross-border comparisons, to seek out a better product. The actual switching of accounts can only take place once the consumer has made a choice of product, based on transparent and easy to understand fee information. Barriers to switching can therefore be the final straw for many consumers at the end of a long process. Put another way, cross-border fee transparency and/or switching mechanisms cannot be truly effective unless barriers to accessing markets across borders are removed for consumers.

Combined, the problems identified in these three areas, financially exclude certain consumers and inhibit consumer mobility, competition and efficiency in payment account markets. However, they also create very practical problems in terms of time, effort and financial costs for consumers and industry alike seeking to move across the EU, creating impediments to growth and undermining the flexibility of the economy.

5. OBJECTIVES

The over-arching objective of this initiative is to create an efficient and competitive Single Market (Article 114.1 of the Treaty) with a high level of consumer protection (Article 114.3 of the Treaty) that fosters balanced economic growth with greater economic inclusion. The objectives of this Impact Assessment are described in the table below.

General	
<ul style="list-style-type: none"> • To enhance consumer confidence • To broaden consumer choice both in terms of the quality of the products available and in terms of price reductions • To facilitate financial inclusion and thereafter customer mobility • To facilitate the cross-border activity of payment account providers • To ensure a level playing field between market actors 	
Specific	Operational
<i>Access to basic account services</i>	
To facilitate access to basic account services (not oblige everyone to have a payment account)	<ul style="list-style-type: none"> ▪ Reduce the number of unbanked Europeans by 6.4 million by 2020²⁹ ▪ Ensure access to all basic payment means for all consumers with basic payment accounts ▪ Facilitate cross-border access to basic banking services for 3.5 million consumers by 2020³⁰ ▪ Improve consumers' awareness on basic payment accounts
<i>Presentation and ease of comparison of bank fees</i>	

²⁷ Report on the retail banking sector inquiry, SEC(2007) 106, European Commission, 31.1.2007; http://ec.europa.eu/competition/sectors/financial_services/inquiries/sec_2007_106.pdf

²⁸ Defined as the share of customers who change providers in a given year.

²⁹ EU 2020 strategy aims to reduce a number of poor and socially excluded by at least 20 million by 2020 through, among others, improved access to essential services and tackling financial exclusion. <http://ec.europa.eu/social/main.jsp?catId=751&langId=en>

³⁰ Ibid.

To ensure that EU consumers receive clear, complete and comparable information on bank fees	<ul style="list-style-type: none"> ▪ Consumers are able to understand bank offers and assess value for money ▪ Payment account offers are easily comparable ▪ Help consumers choosing the offer best matching their needs ▪ Increase consumers awareness of charges actually paid ▪ The burden of switching to consumers is reduced
<i>Switching of payment accounts</i>	
To ensure that EU consumers are able to switch payment accounts with ease and in a timely manner.	<ul style="list-style-type: none"> ▪ Switching is a smooth and easy process ▪ Consumers are assisted and informed of the switching process in an adequate manner ▪ The number of misdirected/missed payments during switching process is reduced to less than 5% of recurrent transactions ▪ The direct financial costs of switching to consumers is reduced ▪ The duration of switching process is maximum 14 days ▪ The mobility of payment account users is increased

6. NEED FOR EU ACTION

As payment accounts are the financial services product most likely to be purchased cross-border,³¹ identifying adequate solutions to the problems outlined above is vital. The consequences of inaction are serious, including the inhibited development of a fully-functioning internal market with significant impacts upon consumers, business and the wider economy.

The regulatory and self-regulatory initiatives discussed in section 2 above have failed. Despite public announcements that a review of the account markets was underway³², there are few, if any, initiatives in the pipeline at the national level to improve the situation. The Commission has committed to acting in the event of a failure of these initiatives.

According to the subsidiarity principle, EU action may only be taken if the envisaged aims cannot be achieved by Member States alone. Whilst it may be the case that EU intervention cannot easily address some of the more intangible features of cross-border take-up of banking services, such as language or distance, EU intervention is justified to achieve the outlined objectives for several reasons:

To improve the proper functioning of the internal market and avoid the distortion of competition in retail banking

An EU initiative will best address factors that prevent the pursuit of business or raise the cost of doing business in another Member State relative to the costs faced by domestic providers. This will maximise efficiency gains, prevent the creation of new barriers and strengthen the retail financial market. The current uneven playing field between market actors results in reduced competitive rivalry and missed opportunities. This is compounded by low customer mobility and inefficient switching mechanisms that create obstacles to market entrants gaining new clients. Action/inaction from Member States alone is likely to result in different sets of rules, leading to uncompetitive markets and unequal levels of consumer protection in the EU. Finally a common approach is needed to define requirements for the presentation of bank fees in a comparable manner that encompasses both domestic and cross-border markets as separate standards focussing only on cross-border activity may further fragment domestic markets.

To empower consumers by enabling them to make informed choices and enable them to take advantage of the single market

The problems identified lead to consumer detriment through low consumer confidence, higher costs and reduced customer mobility, both domestically and cross-border, and thus represent a cost for society as a whole. In a competitive and efficiently functioning single market with a high level of consumer

³¹ Cf. footnote 9.

³² Cf. footnote 4.

protection, all EU citizens will have the tools necessary to search for the best product for their needs anywhere within the EU.

Allow all European citizens access to essential services and the opportunity to benefit from the single market by promoting economic and financial inclusion

Without EU action it will be difficult to bring the advantages of the single market to all EU citizens. A level playing field at EU level will help consumers reap the full benefits of the integration of the European financial sector by facilitating financial inclusion enabling all consumers to fully benefit from the internal market (for example by participating in e-commerce and, therefore, in the digital market, including more competitive cross-border goods and services). Access to essential services including basic account services³³ contribute to active inclusion strategies aimed at the re-integration of the people furthest from the labour market. Therefore, it forms part of the delivering actions identified by the European Platform against Poverty and Social Exclusion, one of the flagship initiatives of Europe 2020 aimed at achieving inclusive growth in the EU.

An initiative based on Article 114 of the TFEU would help to achieve the objective of the establishment and proper functioning of the internal market with a high level of consumer protection and to avoid distortion of competition in the field of retail banking. It will respect the principles of subsidiarity and proportionality, as it is clear that the envisaged aims cannot be achieved by Member States alone. EU intervention in the areas of payment accounts is justified on this basis.

7. POLICY OPTIONS, IMPACT ANALYSIS AND COMPARISON

The tables below summarise the policy options. The retained options are highlighted.

7.1 Access to basic account services

Option	Summary
1	No EU action
2	Ensure that the provisions of the Recommendation are applied.
3	Modify the provisions of the Recommendation relative to the beneficiaries A: Introduce a universal right to a basic payment account B: Introduce a right to a basic payment account for national residents C: Introduce a right to a basic payment account to non-residents with a link to the country where they wish to open an account
4	Improve the features of the basic payment account A: Enlarge the list of basic services to include internet banking and online purchasing B: Enlarge the list of basic services to include a small overdraft or a ‘buffer’ facility C: Indicate a minimum account balance that cannot be seized D: Ensure that the features of the payment account are not of a discriminatory nature.

It is crucial to ensure access to a basic payment account for all citizens, particularly vulnerable consumers. The introduction of Option 2 would be most effective for both residents and non-residents. It is assumed that Options 4A, B and C would attract a number of unbanked consumers and improve access to different means of payment because each of them provides for an additional account feature. Option 4A would be most likely to attract additional consumers and Option 4D would also attract many unbanked consumers, and especially mobile consumers, since it would allow for the account to be used in the same way all over the EU. The combination of Options 2, 4A and 4D are the most effective in tackling the problems in the market and achieving the objectives set. Options 4A and 4D are in line with the European Parliament recommendations, “*The legislation should enable the user of a basic payment account to make any essential payment transactions such as receiving income or benefits, paying bills or*

³³ Together with various enabling services, such as healthcare, childcare, social housing, or life-long-learning.

taxes and purchasing goods and services via both physical and remote channels using mainstream national systems.”³⁴

7.2 Presentation and ease of comparison of bank fees

Option	Summary
1	No EU action
2	Introduce a standard price list as part of account opening procedures. Fees common to all Member States would be identified at EU level and supplemented nationally to cover the 20 most representative fees or at least 80 % of key charges incurred.
3	Introduce the requirement to develop glossaries for bank fee terminology <u>A:</u> Non-harmonised terminology <u>B:</u> Not based on fully harmonised terminology
4	Introduce the requirement to set up independent fee comparison websites at Member State level <u>A:</u> a single official website in each Member State <u>B:</u> Comparison sites licensed under an accreditation scheme
5	Introduce the requirement to provide representative examples of the cost of holding a payment account <u>A:</u> Banks set up own representative examples <u>B:</u> Member States prescribe representative examples
6	Establish customer usage profiles and provide a cost simulation to prospective personal current account holders <u>A:</u> Banks set up own customer profiles <u>B:</u> Member States prescribe customer profiles
7	Introduce EU standardised forms for the provision of ex-ante information on fees
8	Introduce an obligation for banks to provide ex-post information on fees incurred
9	Introduce EU standardised forms for the provision of ex-post information on fee

Option 2 obliges the provision of lists of account fees. These would be developed at EU level and supplemented at national level, using standardised terminology. This would facilitate the comparison of different offers and empower consumers to verify, understand and compare fees. It will contribute to a level playing field between providers competing in the market as all EU providers would need to comply with the same requirements. Option 8 is considered effective, especially if packaged with Option 2, as it will provide ex-post information on the same fee items, which will allow consumers to understand their fees and empower them to make the right choices. With the information provided through Options 2 and 8, Option 4B, the comparison website tool, reduces search and switching costs to consumers and allows them to compare account offers. Option 4B is more effective for Member States than 4A, as it does not force Member States to set up a new website, but reinforces existing websites.

7.3 Payment account switching

Option	Summary
1	No EU action
2	Ensure that the switching services follow the Common Principles
3	Improve the effectiveness of the Common Principles <u>A:</u> Improve the existing Common Principles at domestic level <u>B:</u> Broaden the scope of the improved Common Principles to EU-wide cross-border switching
4	Introduce an automatic redirection service for all receipts and payments <u>A:</u> Domestic <u>B:</u> EU
5	Introduce payment account portability <u>A:</u> Domestic

³⁴ Cf. footnote 15.

The most effective long-term set of options would be Option 3B combined with Option 5B. This would represent an efficient step towards a better integrated, functioning internal market. However, further research should be conducted to analyse the technical possibilities and risks related to the introduction of 5B. For this purpose, a mandate could be given to European Banking Authority to engage in further analysis to elaborate a technically feasible and efficient way within a certain time period. The current preferred option is Option 3B.

8. THE PACKAGE OF POLICY OPTIONS

The rationale for selecting a 'package' comprising policy options covering the three areas covered by this impact assessment is strictly and fundamentally linked to the general objectives. Only a combination of actions in the three areas can establish the right to a basic payment account to EU citizens, provide common standards to ensure transparent and comparable bank account fees and make (cross-border) switching of bank accounts easier. The impact assessment considers four packages that group policy options reflecting different degrees of EU intervention. The resulting preferred package groups the preferred sets of policy options identified for each of the three areas in section 7 above. Above all options assessed, this package is considered to better enhance the functioning of the internal market, ensure a high degree of equivalent consumer protection to all EU citizens and foster economic growth alongside greater financial inclusion.

A package of options that omits even one of these elements may risk creating a single market that is not accessible to all EU citizens, further entrenching market fragmentation, endangering competition and restricting efficiency gains.

9. CUMULATIVE IMPACTS

The three tables below provide a disaggregated overview of costs and benefits for the preferred options in each of the three areas. Several types of costs generated by the preferred set of options for credit institutions and Member States are expected to be cumulative (e.g. updating of IT systems and cumulating recurring costs of additional compliance staff). The methodology to assess the efficiency of options considers both quantified and non-quantified costs and benefits to stakeholders, as described in this section.

Access to a basic payment account

Total EU benefits (million EUR/year)	Option 2	Option 4(A)	Option 4(D)	Total EU costs (million EUR/year)	Option 2	Option 4(A)	Option 4(D)
Consumer:	542-2711	236-1179	68-339	Consumer:	108-542	22-108	22-108
One off benefits	Non quantifiable			One off costs	0	0	0
Recurring annual benefits	542-2711	236-1179	68-339	Recurring annual costs	108-542	22-108	22-108
Payments services provider:	18-89	2-11	-1.8 to -9	Payments services provider:	71-356	15-74	19-94
Recurring annual benefits	18-89	2-11	-1.8 to -9	One off costs	Not	0	0
Member State:	18-89	2-11	2-11	Recurring annual costs	71-356	15-74	19-94
One off benefits	Non quantifiable			Member State:	3.02	0	0.38
Recurring annual benefits	18-89	2-11	2-11	One off costs	1.13	0	0.14
Enterprises	32-160	16-80	4-20	Recurring annual costs	1.89	0	0.24
Recurring annual benefits	32-160	16-80	4-20	Enterprise:	0	0	0

**Ease of comparison of bank fees and requirements covering presentation
Payment account switching**

Total EU benefits (million EUR 2013-2022)	Option 2	Option 4.B	Option 8
Consumer benefits:			
Change switching behaviour	584.87	731.08	1 462.16
Better account management			2 702.57
Credit institution:			
Cross-border cost savings	Not quantifiable	Not quantifiable	Not quantifiable
Business opportunities			
Total EU costs (million EUR 2013-2022)			
Credit institution:			
one-off	95.95-163.03	0.32-0.65	192.42-326.31
recurring	183.17-245.40	4.77-9.53	260.37-492.45
Member State:			
one-off	0.05-0.08	0.36-0.66	0.07-0.11
recurring	0.06-1.17	3.48-6.74	0.81-1.59

Total EU benefits (million EUR 2013 -2022)	Option 3B
Consumer:	
Change switching behaviour	3 655.4
Reduction direct/indirect costs	Marginal
Credit institution:	
Cross-border cost savings	Not quantifiable
Business opportunities	
Total EU costs (million EUR)	
Credit institution:	
one-off	67 – 129
recurring	2 041 – 2 649
Member State:	
one-off	3
recurring	19

The assessment of a preferred policy instrument favoured a binding policy instrument for all areas. This assessment does not change when preferred options are packaged. On a cumulative basis the three sets of preferred options are complementary and do not result in diverging impacts.

The package of preferred options will make a real difference for **consumers**. The measures on access will reduce the number of unbanked citizens while at the same time creating a fully functioning internal market for payment accounts that is efficient and competitive. Consumers will benefit from improved access to their funds regardless of their geographic location; experience an increased level of security through lower levels of cash transactions; an increased choice of goods and services where electronic payments are obligatory; the possibility to access employment and accommodation more easily and a reduced sense of financial, economic and social exclusion. A strong positive effect on consumer confidence will underpin demand for payment accounts and encourage consumer mobility both at national and cross-border level.

The expected effects of competition will include cost efficiencies for **credit institutions** (since they could implement the same IT systems, processes, staff training procedures etc. in all Member States within which they operate, resulting in economies of scale), easier market entry for foreign providers, and greater potential for market expansion of competitive providers. Non-quantifiable benefits for credit institutions will include: an increased customer base to which to market other products (e.g. home insurance); the reduced cost of and risks from cash based payments; and the benefits from a contribution to capital and funding.

The preferred policy options will entail costs for **credit institutions**, but the overall impact will be reasonable. Providers are projected to incur more costs – or at least quantifiable costs – than benefits, in the short term. These costs will be limited by several factors. First, a number of the policy options are already implemented in several Member States. Second, substantial synergies are expected between the different policy options (e.g. adapting IT systems, internal communication and staff training). Third, providers would be able to cover their costs by adjusting prices of payment accounts. Fourth, the more accounts opened over time, the lower the incremental costs of access, switching and transparency.

Member States and wider society as a whole would benefit from lower costs for social security payments or less fraud related to benefits and tax. More generally, promoting competitive banking markets would improve the efficiency of the single market, which, at a time of economic crisis, would be particularly

valuable. These benefits would reinforce each other improving and stimulating consumer and business confidence thus stimulating growth.

This proposal has no implication for the budget of the EU or those of EU agencies. This package will benefit **EU businesses** significantly. They are unlikely to incur any costs but could benefit substantially from improved access to payment accounts. The preferred options will create the conditions for a bigger market for their goods and services. Moreover, non-discriminatory instruments and online facilities in relation to payment account services would trigger a potential increase in cross-border trade.

The main **administrative burden** will arise from the internal processes of credit institutions being adapted to cater for information requirements for both consumers and authorities. This comprises mainly the cost of adapting information systems and materials. There will be the cost to Member States of organising and running public information campaigns to raise consumer awareness of their rights. The administrative burden placed on consumers should reduce as they will no longer need to provide as much documentation and evidence to open an account.

10. CONCLUSION

A legislative package on payment accounts that accommodates national specificities while ensuring access to basic payment services, the comparability and transparency of account fees and facilitates payment account switching will meet the objectives set out in this impact assessment and satisfy the resolutions of the European Parliament and the call for action in the Single Market Act II. The Commission should review the appropriateness and effectiveness of the package after its implementation. This review could include a public consultation, mystery shopping exercises and analysis of consumer complaints. Regard would also be given to indicators such as the number of unbanked consumers, use of electronic payment methods and the number of consumers switching.