

Impact Assessment
accompanying
the **Commission Recommendation on**
Access to a Basic Payment Account

Presentation to the IMCO Committee,
European Parliament
Brussels, 5 October 2011

Scale of the Problem

- **Access to a bank/payment account key** to participating fully in economic and social life.
- **7% of the EU adult population**, i.e. around 30 million people, **without a bank account**. Among those, 6 to 7 million persons either deprived of or do not dare ask for a bank account;
- **Contrasted situation across Member States**: on average 91% of the adult population in EU 12 holds a bank account compared to 97% in EU 15. In the case of Bulgaria and Romania, this percentage falls to around 50%;
- Citizens complain about **difficulties to open a bank account in another MS** than that of their residence;
- **Scarcity of data**. Consultations and studies led by COM concur as to the existence of a problem. Actual size and level of evidence disputed.

Reasons for lack of access to bank accounts

- **Demand side**

- Psychological and behavioural reasons (“not for us”, mistrust, budget control, etc)
- Low financial literacy;
- Lack of awareness re advantages of using banking services (e.g. electronic payments).

- **Supply side**

- Level of development of banking sector;
- Limited availability of basic products; pricing conditions
- Restrictive conditions of access (legal or industry practices), e.g. residency (domestic & cross-border), profitability, risk, asymmetry of information.

Consequences of lack of access

- For consumers:
 - Difficulty of access to e-Internal Market;
 - Higher transactions costs;
 - Possible stigmatisation;
 - Barrier to x-border movement of persons
- For industry:
 - Loss of opportunity (including for utility service providers);
- For public administrations:
 - High transaction costs for payments of benefits.

Objectives

- To promote full participation of all EU citizens in the internal market by ensuring that:
 - a suitable offer of banking/payment services is available;
 - related conditions of access are inclusive (viz income, economic situation, credit history or residency status of potential customers).
- To promote financial and social inclusion
- To improve access to bank/payment accounts and electronic means of payment throughout the EU

Need for EU action

- Majority of MS have not addressed the issue of access at national level and those who have (BE, FR, DE, AT, NL, UK, DK, SE, FI, IT, SL) do not provide for X-border access (except FI);
- Sub-optimal functioning of the Internal Market and unnecessary burden to x-border mobility;
- Overall situation unlikely to change if no political signal, given effects of financial crisis on cost-cutting and national market retrenching

Cost/benefit impact

- Distribution effects across banking industry, consumers and Member States:
 - Dependent on level of price of the bank account and uptake by consumers:
 - At 55 euros (above cost with a net profit of 3 euros for providers) p.a. all 3 classes win (marginally for banks €12 mio; substantially for consumers €1 to 2 billions, MS €25 mio);
 - At 13 euros (BE ceiling) or below, industry to lose between €400 and 500 millions; consumers to save 2.2 to 3 billions, no impact on MS)

Conclusion: Policy Option & Instrument

Chosen policy option

- **Product and Services:**
 - A basic payment account with an electronic payment card but no overdraft facility (prohibited)
- **Conditions for access:**
 - Open to any consumer residing in the EU who does not already hold a bank account in the MS where s/he lodges her/his request. Covers domestic as well as cross-border access
- **Pricing conditions:**
 - Either free of charge or at a reasonable price for the consumer.

Chosen Instrument

- **Recommendation** - most flexible tool, clear and early message to MS (who can appoint 1 or more providers, define assessment criteria re reasonable price)

Potentially less effective than a Directive. But in synch with results of 2009 and 2010 public consultations. To be revisited by summer 2012; if not enough teeth, then possible legislative proposal