

EBA - Request to national and EU
consumer associations

Consumer Trends Report 2018/19

30 May 2018

EBA request for the Consumer Trends Report 2018/19 – information about the issues most relevant for consumers and EBA’s FinTech work

1. The European Banking Authority (EBA) promotes a transparent, simple and fair internal market for consumer financial products and services. The EBA seeks to foster consumer protection in all EU Member States, by identifying and addressing consumer detriment in the financial services sector. By assessing the **retail conduct of financial firms**, the EBA also seeks to contribute to the **stability, integrity and effectiveness of the financial system**.
2. One of the tasks of the EBA is to collect, analyse and report on consumer trends. In carrying out this task, the EBA regularly publishes a *Consumer Trends Report*, in which it sets out the trends it sees in the market and the issues that have arisen, or might arise, for consumers, and which forms the basis of its work priorities going forward.
3. For the next iteration of the Report, to be published early 2019, the EBA would like to ask national and EU consumer associations to provide information about the most common issues, as identified by the EBA, affecting consumers in different jurisdictions across Europe and about any other issues relevant for consumers, which the respective consumer association has observed in their respective jurisdictions. The issues nominated should fall within the remit of the EBA, which includes residential mortgages¹, personal credit², deposits, payment accounts, payment services and electronic money.
4. Finally, under a separate topic, the EBA intends to collect information on potential national barriers for FinTech firms that provide services cross-border. As a background information, on

¹ Residential mortgages under MCD.

² As provided by credit institutions, electronic money institutions or payment institutions (e.g. overdraft, credit line provided with credit cards, other).

15 March 2018, the EBA published the document ‘The EBA’s FinTech Roadmap – conclusions from the consultation on the EBA’s approach to financial technology (FinTech)’. The document aims at enhancing consumer protection, promoting a sound, effective and consistent level of regulation and supervision, preventing regulatory arbitrage and promoting equal competition, and contributing to the monitoring of new and existing financial activities. In this Fintech Roadmap, the EBA sets out 6 priority areas of work, which include consumer and conduct specific issues, disclosure and cross border provision of services in particular.

5. For the purposes of the above-mentioned FinTech related work, the EBA would like to collect input from national and EU consumer associations on the issues that arise or may arise for consumers as a result of potential national barriers for FinTech firms that provide services cross-border.
6. You can find the questions related to the EBA’s FinTech work in Section 2 of this questionnaire. For more detailed information about the terms used in the questions in Section 2, please refer to the EBA’s Discussion Paper (DP) on FinTech (<https://www.eba.europa.eu/-/eba-publishes-a-discussion-paper-on-its-approach-to-fintech>). Please note that the definitions of ‘FinTech’, ‘financial services’ and ‘innovation’ are set out respectively in paragraphs 28, 33 and 34 of the DP on Fintech.
7. National and EU consumer associations are kindly requested to provide responses to the questions set out below and each consumer association is asked to return one form.
8. We would be grateful if you could complete and return the questionnaire to ConsumerTrends@eba.europa.eu **by 31 July 2018, cob.**

Respondent's identification

Member State: **BELGIUM**

Consumer association: **BETTER FINANCE (with the contribution of BETTER FINANCE's national member organizations).**

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Section 1 - Survey questions related to the Consumer Trends Report

1. Which, if any, of the most common issues below that fall within the remit of the EBA or that are linked to the EBA’s scope of action do you consider to be amongst the top-3 issues that are/may be most relevant for consumers in your jurisdiction? *Please select 3 options from the list below.*

- Responsible lending;
- Creditworthiness assessment;
- Distance and cross-border selling of products and services;
- Product development arrangements;
- Fees and charges;
- Transparency and disclosure of pre-contractual information and changes to contractual terms and conditions;
- Indebtedness;
- Financial literacy and education;
- Data breaches and cybersecurity;
- Alternative forms of financing;
- Low interest rate environment (credits and/or deposits);
- Unauthorised and/or fraudulent payment transactions;
- Anti-money laundering requirements;
- Complaints management by financial institutions;
- Sales of non-performing loans;
- Other:
- Other:
- Other:

2. What is your rationale behind choosing each of the issues indicated in Question 1? Why do you consider these issues relevant for the purposes of the EBA’s Consumer Trends Report 2018/19?

Issue 1- Fees and charges:

Financial institutions are always trying to find new sources of revenue (maybe as a result of decreasing interest rate income). Fees and charges on payment accounts and loans seem to be an effective solution for them. There are still very high prices for credit transfers in foreign currencies (EUR also) provided by banks, even after the Commission’s proposal regarding this issue.

One of the main issue faced by banking users is the currency conversion. In that regard the European Commission proposed in March 2018 a regulation amending the regulation on cross-border payments (924/2009) to:

- ensure that fees charged for cross-border transactions in the eurozone are the same as those that would be imposed for equivalent transactions between a euro area and non-euro country. This initiative does not include transfers made to third countries.
- require that consumers be fully informed of all costs of a currency conversion before they make the payment.

The European Banking Authority (EBA) will be in charge of designing the Regulatory Technical Standards (RTS). BETTER FINANCE agrees with the choice but urges the EBA to design those RTS in a way that the full costs of

currency conversion services and the costs of alternative currency conversion services be presented in the clearest way prior to the payment in order to allow the user to clearly understand how much this transaction will cost.

Fees and charges applied by banks to consumers in cross-border operation (between euro and non-euro Member States) are high and customers are not properly warned of the costs prior to the payment/ operation.

The main issue currently faced by users of banking services is the opacity of information regarding fees and charges.

The FinTech alternative solutions (TransferWise, TransferGo, Revolut, etc) improved consumers' choice, but they remain limited in some countries, e.g. in Romania.

In Czech Republic, following several consumer organisations' actions and campaigns, a lot of banking fees were minimized or even cancelled. Today, it seems however that some fees and charges are "coming back", and are rising.

Even though the EU legislative framework has evolved, there is still a lack of transparency and information on fees.

The introduction of or increase in fees and charges may result finally in the high cost of some instruments, which is reported to be due to hidden or unclear fees.

Issue 2 – Transparency and disclosure of pre-contractual information and changes to contractual terms and conditions

A majority of EU bank savings accounts holders are losing the purchasing power of their bank savings without knowing it. Despite EU Law there is still no information on the real return of bank savings accounts after fees and after inflation.

Also we could not find any prominent warning by banks that the bank savings terms they offer will generate a real loss after fees and inflation (not even mentioning taxes) and this lack of information is clearly infringing EU law. This has been causing enormous detriment to EU citizens for several years now.

Issue 3 Indebtedness

In Czech Republic, consumers have been gradually increasing their level of debt in the last few years. Within last 2 years some legal provisions related to consumer credit came into effect including higher creditworthiness assessments; the real impact of the amended legislation should be assessed at a later stage. It seems however that the business practices of lenders still remain a problem for the consumers in the Czech Republic.

Issue 4- Low interest rate environment

Deposits are still affected by the former low interest rate environment, because most banks are still offering very low levels of interest rate for deposits (under 1 % per year).

In France, the interest rate for the 2 main saving accounts (PEL and Livret A) was set at 0.75% for 2018.

For instance in Romania, for credits denominated in national currency – RON – the market index rate used by banks (ROBOR) sharply increased starting with last September (from 0,7% to around 3,5%). This very rapid increase will generate important problems for those consumers who borrowed money when the interest rates were at historically low levels – there are signals that some of them cannot pay the monthly instalments in good conditions, because banks accepted high levels of debt to income.

Issue 5- Sales of non-performing loans

This is an important issue mentioned repeatedly by consumer organisations, starting with 2009. Banks sold their portfolios of NPLs with huge discounts (up to 95-97% of the outstanding debt) to some debt collectors, on bilateral basis, without a transparent selling procedure.

At the same time, banks refused to offer similar deals (or even less beneficial) to consumers, preferring to work with the debt collectors, even after details of those transactions were made public. The debt collectors made very good profit from this business – with the recovery rate being between 25% and 40%.

Issue 6: Financial literacy and education;

The financial literacy of consumers is considered to be an issue that is particularly pertinent as regards loan products and which prevents consumers from making well-informed decisions. Charges and fees and the general risks to which consumers are exposed, are also topics which should be permanently kept in focus.

In Czech Republic, the problem is that consumers are generally very resistant to advice and education. A lot has been done within last 15 years the concerning consumer financial literacy and education but results of some research (by the Czech Banking Association) show that the level of consumer self-awareness has not risen accordingly.

It means that more and more efforts must be put into financial literacy and education. For instance, in Czech Republic, the Ministry of Industry and Trade that is responsible for the distribution of subsidies to consumer organizations did allocate some funds for this purpose in 2018.)

3. How relevant are the issues indicated in Question 1 to consumers? (Please rate from 1 to 5, '1' being less relevant and '5' being very relevant)

Issue 1 – Fees and charges: 4

Issue 2 – Transparency and disclosure of pre-contractual information and changes to contractual terms and conditions 4

Issue 3 Indebtedness 4

Issue 4 - Low interest rate environment: 5

Issue 6- Sales of non-performing loans 4

Issue 8: Financial literacy and education; 4

4. What evidence of risks for consumers, or actual detriment, related to the issues indicated in Question 1 are you aware of? Please also provide references to any source material you are aware of to support your response.

Issue 1

Issue 2

Issue 3

5. Is there any additional information you would like to convey with regard to the issues indicated in Question 1, including the impact the issue has or may have on particular vulnerable groups of consumers?

Issue 1

Issue 2

Issue 3

Section 2 - Survey questions related to the EBA’s FinTech work

6. From your knowledge, how often do consumers purchase the innovative services that are provided from a financial institution located in another EU Member State? (Please choose a frequency from ‘never’, ‘rarely’, ‘regularly’, ‘often’ and ‘always’, and provide the rationale for your choice)

Residential mortgages	never	banks don’t accept consumers from another EU Member State
Personal credit	never	banks don’t accept consumers from another EU Member State
Deposits	rarely	
Payment accounts	rarely	
Saving accounts ³	regularly	
Payment services	rarely	
Electronic money	rarely	

7. From your knowledge, which financial services do consumers mostly purchase from another EU Member State? (Please choose from residential mortgages, personal credit, deposits, payment accounts, saving accounts, payment services and electronic money)

Thanks to FinTech solutions, financial services consumers mainly use payment transfers services.

8. Are you aware of any obstacles consumers face or may face when purchasing a financial service from, or using it in, another EU Member State? (e.g. failed attempt to open a savings account or obtain personal credit due to more stringent consumer protection rules in the Member State of residence of the consumer) If your answer is ‘yes’, please specify the service, the obstacles faced and whether you would consider the service to be innovative and why.

Banks do not accept to offer credits to another Member States’ citizen.

For instance, Romanians citizens couldn’t benefit from the better interest rates or products existent on other markets. It is a clear example of failure to establish a Single Market for financial products and services.

9. From your knowledge, is there evidence of cases where the cross-border provision of financial services that fall within the scope of action of the EBA caused detriment to consumers residing in your jurisdiction? (e.g. as a result of arbitration of consumer protection rules)

Yes. For example, Belgian residents are prevented from subscribing to the best yielding bank savings accounts in the eurozone using internet services like raisin.com. This seems to be due to gold plating by Belgian Authorities which would require such platforms to have a branch in Belgium.

³ Accounts for savings without any associated payment functionalities.

10. Are you aware of an increase level of dissatisfaction by consumers in respect of the provision of financial services through digital channels or trough other financial innovations (please refer to the definition of the [DP on Fintech](#) on paragraph 34) both at domestic level and/or cross-border? (e.g. insufficient disclosure compared to traditional paper based or face to face information, less stringent consumer protection requirements, etc.) Please specify and provide the most relevant examples.

No

Thank you for your cooperation.