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ING response to the European Commission's consultation on bank accounts

About ING

ING is a global financial institution of Dutch origin, offering banking, investments, a variety of life insurance, non-life insurance and retirement services to meet the needs of a broad customer base. Going forward, we will concentrate on our position as an international retail, direct and commercial bank, while creating an optimal base for an independent future for our insurance and investment management operations.

With more than 94,500 employees, we serve over 67 million private, corporate and institutional customers in over 40 countries in Europe, North America and Latin America, Asia and Australia.

We draw on our experience and expertise, our commitment to excellent service and our global scale to meet the needs of a broad customer base, comprising individuals, families, small businesses, large corporations, institutions and governments.

Executive Summary

ING welcomes the opportunity given by the European Commission to comment on the issues raised in the consultation paper and is pleased to report that this response is based on the feedback from ING's retail banking entities in Poland, Romania, France, Germany, Italy, Spain, Belgium, Luxembourg and the Netherlands.

Considering existing and planned solutions for consumers to operate their cash management activities across Member States, one could argue that insufficient measures are in place to facilitate this behaviour. Nonetheless we do see room for improvement in certain aspects.

1. Transparency and comparability of bank account fees

Transparency and comparability of bank account fees at the national level will only partly facilitate consumers in their choice of choosing a bank account provider. Consumers base their choice of bank account not only on the fee element but also on other factors which include location, service, products/product features, distribution channels, sustainability and reputation. Within our retail bank entities across Europe we do not see a consumer demand for cross-border fee comparisons.

2. Switching between payment account providers

Every consumer should be able to switch payment accounts within their Member State in an orderly manner preferably facilitated in this process by its future payment account provider. In some countries this facilitation process is already in place where in other countries the process needs further attention. This is rightly addressed by the Commission.

Nevertheless, this should not automatically result in some form of regulatory intervention. It is the task of local supervisors and banks themselves to see the switching process is taken seriously. On the other hand certain improvements in the switching process itself are still feasible.

According to the results of the mystery shopping study, the EBIC *Common Principles for Bank Account Switching* do not meet the expectations of the Commission. However, switching payment accounts is not a product in itself but more an administrative process facilitating switching in an efficient manner. Providing information and creating awareness of switching possibilities should be a responsibility of the banking industry.

Looking at cross-border switching we do not detect a valid business case supporting such a process. Imposing such a requirement on banks would result in considerable investments resulting in higher fees for consumers, only to meet a demand that is essentially not evident.

In our view, focus should be on enforcement of the existing Common Principles by local supervisors at a national level followed by continuing development of underlying products and services. SEPA credit transfers and direct debits will as of 2014 enable cross-border usage of a single EU bank account. At a later stage, standardization of cards, internet and e-payments will further enhance the mobility of existing bank accounts. As soon as this level of standardisation has been reached the discussion of a need for switching of bank accounts can begin.

3. Access to bank accounts

Every EU citizen should have a right to a basic bank account in his or her home Member State under certain conditions. These conditions should be defined by means of a code of conduct as is already in place in some Member States. However, one should consider not all consumers require payment accounts.

To provide non-residents access to bank accounts in each Member State is something of a completely different magnitude and requires thorough analyses before jumping to preliminary conclusions. The process of opening bank accounts for non-residents is subject to a range of existing regulatory requirements per Member State that need to be harmonized first.

ING Bank detailed response

Transparency and comparability of bank accounts

1. *Do you consider that the information provided by banks on bank account fees is presented to consumers in a sufficiently clear manner and easy to compare between banks? What good practices could you identify? What are the persisting shortcomings? Do you think that amendments to the transparency obligations in the Payment Services Directive (2007/64/EC) could address those shortcomings?*
2. *Do you think that standardising bank account fee terminology could help to provide more*

transparent and comparable information on fees? If terminology were to be standardised, should that standardisation cover all fees or only some of them? If only some of them, on the basis of which criteria should they be chosen? Should terminology be standardised at national or EU level?

3. *Do you think that glossaries of terms and standardised lists of bank fees would facilitate comparability? If so, what format and content should this information have? What body/forum would you consider appropriate to develop such a glossary/standardised list of fees?*
4. *In order to further increase bank account fee transparency and comparability, which of the following tools should be considered:*
 - i) comparison websites managed by public authorities*
 - ii) standardised cost simulations to be provided by banks*
 - iii) standardised representative examples to be provided by banks*
 - iv) surveys by consumer organisations/financial ombudsman*
 - v) any other tools you consider relevant?**Should any of them be made compulsory? What would be the likely costs?*
5. *What level of detail should the information on actual fees paid have and how frequently should it be provided to the account holder? Would having comparable information on the fees actually paid encourage consumer mobility, including on a cross-border basis?*
6. *What other measures/instruments should be considered in order to improve the transparency and comparability of bank fees? Please describe and indicate at which level (national or EU) you consider they should be taken.*

1. In some countries, e.g. the Netherlands, information on bank account fees is presented in a clear manner allowing easy comparison between banks. Such information is easily obtained for example through online channels such as a payment cost overview document.

Surveys and comparisons of bank account fees are performed annually by the Dutch Consumers' Union (Consumentenbond). This annual survey provides a clear view of the account fees across the (major) Dutch banks. Furthermore, bank account fees are continuously monitored through various comparison websites like:

<http://www.mistermoney.nl/bankieren>

<http://www.bankenoverzicht.nl/betaalrekening>

<http://www.bankenvergelijking.nl/prive-bankrekening/>

France:

<http://www.banketto.fr/comparatif/comparatif-frais-bancaires.html>

<http://www.quechoisir.org/comparateur/banque>

An area of **improvement could be in the communication of certain non-EU transaction fees e.g. cross-border transactions, non-EU cash withdrawals etc.** Although this is stated in the cost overview of the bank, a comparison of these rates between banks could provide consumers a more complete overview of the fees.

2. Standardization of bank account fee terminology will help to provide more transparent and comparable information on fees. The terminology should preferably be set at national level first enforced by national supervisors. Furthermore, the **terminology should be limited to the basic bank account services as needed for consumers to enable them to take care of their daily basic cash management needs allowing them to participate and contribute to the real economy.**

Aligned terminology will help to provide a view of the basic cost of a bank account, but will not provide sufficient comparison material to compare the total costs of all cash management services for a consumer. Consumers base their choice of a bank account not only on fees but on other factors such as location, service, product characteristics, distribution channels, sustainability and reputation.

3. Please refer to the answer given on question 2 on standardization of fees. Regarding an appropriate organization to develop a standardized list one could start by consulting national organizations like the banking and consumer interest groups. Such standardized **lists of bank account fees would only partly provide balanced consumer choice.**
4. First of all we **do not see a need for public authorities to manage comparison tables of bank account fees.** This should be left to independent market forces. The tools, (i) standardized cost simulations, (ii) standardized representative examples and (iii) surveys by consumer organizations, are considered of practical use and already used by banks in some Member States. In general, banks should be responsible for providing **transparency tools to assist consumers in making a balanced choice.**
5. The **information on actual fees paid should be self-explanatory.** The level of detail of actual fees paid should be **based on the actual products used and should be as detailed as possible.** Creating awareness of what consumers actually pay for bank account services should eventually encourage consumer mobility although it is possible that **price is not the sole driver behind bank account switching.**

With the broad acceptance of online banking tools, account holders should be able to access this information in their online banking environment. In addition, bank receipts should also provide information on fees. The frequency should in all cases be dependent on the arrangement between the bank and its customer.

The **effect on mobility is expected to be minor.** Most retail banking markets are already highly competitive, encouraging competitive pricing strategies. Because bank accounts are increasingly seen as commodity products, providers compete on fees and pricing. Cross border mobility is not very likely due to all kind of requirements - e.g. identification requirements - for opening an account performed by the bank.

6. Banks could make **more use of customer forums** to increase transparency in communication in general, in this case specifically on account fees. Another recommendation would be to have **comparison websites**; surveys by consumer organizations include all transaction fees, next to the bank account fees. Creating **consumer profiles explaining bank account needs aligned with standard family**

structure or consumer models could improve the transparency and comparability of bank account fees as well.

Switching between payments account providers

7. *Do banks in the Member State where you have a bank account offer a switching service? If yes, is it in line with the Common Principles on bank account switching described above? Is information on the conditions of switching presented in a consumer friendly manner?*
8. *If a switching service in line with the Common Principles is offered by banks in the Member State where you have a bank account, does it remove all obstacles to bank account switching? If not, what obstacles remain? Provide examples of good practices and persisting obstacles encountered.*
9. *Should the Common Principles remain voluntary? What do you consider are the advantages or disadvantages of making them compulsory at EU level? What would be the likely costs?*
10. *Should switching principles/measures also cover cross-border switching of bank accounts?*
11. *According to you, how important is the risk of having receipts, bills and payments misdirected when switching bank accounts? What measures could be considered to make the switching process safer?*
12. *What obstacles, if any, are still faced by account providers that are smaller or established in another Member State to expand their client base or to enter new markets? Are these connected to problems with switching facilities?*
13. *What other measures should be considered to improve bank account switching? Please describe.*

7. ING offers in almost every Member State a switching service. In Romania there is very low interest in offering bank account switching services. Nonetheless, ING Romania is in the process of adopting the national switching procedure.

Examples of the switching service can be found at:

<http://www.ing.nl/particulier/betalen/betaalpakketten/overstapservice-de-tijdslijn.aspx>,
<http://www.overstapservice.nl/>
<http://www.ingbank.pl/indywidualni/konta-osobiste/przenoszenie-rachunku>,
<http://www.ingdirect.fr/compte-courant/index.jsp> (click on *Changer de banque avec ING Direct : la démo*)

The conditions of switching are presented in an easy and accessible way, mostly via ING websites.

8. ING considers the most relevant obstacles to switching bank accounts within (most) Member States have been removed. Nonetheless, one important obstacle to a fluent

switching process is the lack of cooperation from third parties (e.g. utility firms, employer) in adjusting their administration.

9. The Common Principles should **preferably remain voluntary but in some cases a light form of regulation at EU level would support a more swift adoption of the principles** in some Member States. In our opinion having such principles should be in the nature of the bank account product itself.
10. ING does **not consider switching principles/measures to cover cross-border switching** of bank accounts. Cross-border switching should not be a goal in itself. In our view it is more about facilitating payment transactions on a cross-border level. A first step should be to have the full advantage of European payments standards in place, sparing consumers the burden of opening and managing bank accounts in each Member State.

Facilitating cross-border switching in the existing environment would be highly complex both from a legal (e.g. tax, customer due diligence, privacy, money laundering) and a technical perspective. Before raising the option of cross-border switching, these obstacles should be considered first. Looking at the demand side, or rather the lack of demand, would be the logical starting point of the discussion.

11. The **risk of misdirected transactions is eminent**. Third parties are next to banks an important part in minimizing the risk of misdirected transactions and should therefore be part of measures in making the switching process safer. In the Netherlands a complete set of measures are implemented and monitored with guidance from the Dutch Banking Organization to minimize the risks. In Poland the so-called OGNIVO application (<http://www.kir.com.pl/main.php?p=OGNIVOsystem>) is in place to safeguard a correct redirection of transactions.
12. Whether there exist any obstacles for smaller or foreign providers to expand their client base or to enter new markets is difficult to say and depends on the Member State involved.

What we can say is that by far the main obstacles will be investment costs (e.g. IT cost, clearing cost) and low profitability. Most smaller banks simply do not have the willingness to invest the huge amounts required to enter the payments market, especially as offering payment accounts in itself is not a profitable business.

Clearly there are strategic obstacles linked to the business model, and it is the cost involved in putting in place such cross border banking services that will eventually negatively impact the level of fees paid by the consumers.

13. Measures that would improve bank account switching are **mainly in the field of communication** (e.g. mass-media campaign), more prominent presentation of switching documentation as well as detailed documentation of switching time-lines.

From a third party perspective more could be done in streamlining the administrative process. A bank is only one player in the payment transaction domain and can only fulfill its customers' needs to a certain level. For transfers between

accounts for instance there is no real incentive for the party processing the debit to make the necessary transaction in a swift manner. Pressure from the customer is sometimes needed to speed up this process.

Access to a basic payments account

- 14. Do you dispose of information on consumers encountering difficulties in access to a basic bank account? What types of obstacles are signalled by the consumers preventing them from having access to a basic bank account?*
- 15. Are you aware of any measures taken by banks or other institutions in the Member State where you have your residence to facilitate access to a basic payment account? Have these initiatives been successfully enforced?*
- 16. Do these measures also facilitate access to a basic payment account for non-residents?*
- 17. If consumers still have difficulties in opening a bank account, what are the reasons for that?*
- 18. If more needs to be done what additional measures should be envisaged? Should the problem be tackled at national or EU level??*

14. We do not see any difficulties in accessing basic payment accounts. In the Netherlands every customer has the opportunity to open a payment account. Only customers with a history of criminal activity can be refused access to a payment account.

In Poland access to a payment account is not perceived as difficult either. Regarding the issue of sufficient consumer choice, there are many free or very cheap accounts available on the Polish market. In Poland and most probably other countries some consumers simply do not need a payment account.

Clearly, ING does not consider a payment account as a low-risk product. Payment accounts are frequently used in financial and economic crime cases including money laundering activities.

15. In the Netherlands the main retail banks have already implemented basic banking services. (<http://www.basisbankrekening.nl/>, <http://www.nvb.nl/home-nederlands/nieuws/nieuwsberichten/website-basisbankrekening.nl-gelanceerd.html>)

The basic account is in fact a regular bank account but without any debit facility or access to credit cards. Other characteristics are:

- The basic account is implemented as a basic package.
- The vast majority of transactions is unlimited and free of charge (debit card payments, cash withdrawals on ATM, credit transfers using electronic payments/internet, direct debits etc.).
- The opening of a new bank account is free of charge.
- Quarterly fee for bank account costs – Dutch payments costs are considered as being one of the lowest in EU.

- Physical presence of the customer required in the process of opening a new bank account.
- Besides a valid identification card, a civil ID-number is required in the opening process. This implies the customer is situated in the Netherlands or has been earlier. This ID-number is required for tax reconciliation and is one of the mandatory requirements of the Dutch Tax and Customs Administration.
- Even customers without a fixed address can be serviced with a basic account enabling them access to a limited number of social security and welfare organizations.

16. Measures facilitating access to basic bank accounts do not necessarily take into account providing payment accounts to non-residents. **The main arguments about the difficulties taking non-residents into account lie within the legal, technical and operational complexity of the identification process** and of servicing a low demand product with a **high risk/cost element**.

The basic banking service is available for local (Dutch) residents. Currently ING in the Netherlands will not provide a basic bank account to any EU citizen regardless of the Member State of residence.

Offering payment accounts to non-residents will raise the following issues:

- Procedures for opening bank accounts abroad are not in place: potential customers are and will be asked to visit a local ING office.
- Service delivery is based in the Member State where the account is held: this limits the customer in using a number of products – all branch based products like cash servicing and urgent payments.
- ING terms and conditions are in the local language only. Also the call agents in the call center are only native speakers.
- The current cost levels for both potential customers and ING are not suitable for an EU-wide deployment.
- All retail banks – not only the main large banks – will be forced to implement this basic bank account service as well.

17. ING's clients **do not encounter specific difficulties in opening a payment account** although banks in some countries have the possibility to refuse a customer access to a (new) payment account in case of previous fraud or other criminal activities performed by this customer. The Dutch banks for example maintain a shared register of those persons (EVA) but in certain cases even people with an EVA registration can be granted a payment account.

18. Looking at possible measures to improve access to basic payment accounts we firstly do not see any further? measures needed in providing consumers a right to a basic payment account. On the other hand we do see that for non-residents it is not always easy to open a basic bank account in another Member State. The reasons for that have been described throughout this response and we would like to repeat that it is of importance to look at the demand side before creating solutions for a small percentage of the market with the side-effect of increasing costs for both the supplier as well as the account holder.

Markets for payment accounts throughout the Member States differ too much to have a one-size-fits-all solution. The main goal of the Commission should be to **ensure that EU citizens have a right to open a payment account within their country of residence.** We therefore would like to advise the Commission to look at best practices within Europe for opening and servicing bank accounts to residents and non-residents.

ING is aware of the Commission's desire to foster competition in payment accounts, aiming for lower fees. This desire is in some Member States understandable. Imposing some form of regulation in **providing payment accounts to non-residents to boost competition will nonetheless have a detrimental effect on fees.** The objective of the Commission should therefore be to ensure that each EU citizen has a right to a payment account for a reasonable fee. We believe that the objectives of lower fees for basic payment accounts and non-resident access to bank accounts should therefore not be mixed.

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