

Consumer Panel response to DG Markt consultation document: access to a basic payment account

The Financial Services Consumer Panel was established under the Financial Services and Markets Act 2000 by the Financial Services Authority to represent the interests of consumers. The Panel is independent of the FSA. The main function of the Panel is to provide advice to the FSA, but it also looks at the impact on consumers of activities outside the FSA's remit. The Panel represents the interests of all groups of consumers.

This is the Panel's response to DG Markt's consultation paper on access to a basic payment account.

We agree with the main conclusions of the Commission's analysis of the importance of access to payment services for EU citizens. Consumers need to have access to and have confidence in a resilient transactional payment service, as those without a means of electronic payment find themselves denied the benefits of online or direct debit purchases, and more widely will not be able to take full advantage of the benefits of the single market. We welcome action by the Commission to ensure that basic payment accounts are made available to all citizens. We support the development of a harmonised framework with a minimum set of functions and services as a template for affordable basic payment accounts in all Member States, but with matters of detail being dealt with at national level.

We would not wish to see pre-payment cards sold as a means of fulfilling the obligation to make a basic payment facility available to all citizens. Pre-payment cards can be convenient for consumers, particularly those with no or a poor credit history, but the costs associated with this means of payment can be high.

Services and functionalities

We agree with the proposed list of services and functionalities for basic payment accounts set out on page 7 of the paper. We support too the proposal that individual Member States and individual account providers should have flexibility to offer basic-type accounts with additional services, provided that those who wish to open only a basic payment account are able to do so.

Accessibility

All citizens should have access to a basic payment account, including those who are undischarged bankrupts and those with financial difficulties or an adverse credit history. Clearly, access to an account cannot therefore be dependent on a satisfactory credit check. Account providers must of course meet all the regulatory and other due diligence requirements that impact on account opening, but there may well be a need for account providers to be as flexible as they can in terms of proof of identity, for example, so as not to discourage those without an existing account, driving licence or passport from opening an account.

Cost

The success of the Commission's measures in terms of financial inclusion will be largely dependent on the cost to the consumer of using a basic payment account. It will be difficult for some consumers to meet up front payment charges in cash, even when this should be offset over time by lower product costs, such as lower tariffs on energy supplies. Consumers will simply not be able to make use of basic payment accounts if they cannot afford the fees or charges. If such accounts cannot be provided free of specific charge – account providers will, after all, be earning interest on credit balances on the accounts – the charge should be directly related to the cost to the bank or other institution of providing the specific service in question. The Panel is aware that fixed account or payment charges can be regressive and that is not an approach that we would recommend, but nevertheless the charging structure should be simple and clearly explained to the consumer.

Information and awareness

We agree that a structured programme to raise awareness among citizens about the availability, costs and benefits of basic payment accounts will be essential if individuals are to be encouraged to consider opening an account. There may be other consumers with other more sophisticated/expensive bank accounts who in fact only use their accounts for handling credits and debits who might want to switch to a basic payment account. The UK Consumer Financial Education Body would no doubt have a valuable role play in this area.

Customers interested in opening a basic payment account should be provided with clearly worded documentation setting out the services the account provides, the fact that they are not tied to purchasing other products or services, and the cost. It should also be made clear that the account should always be kept in credit. There should be no "small print".

Monitoring and dispute resolution

We agree that competent authorities should be appointed in all Member States and that affordable out-of-court procedures should be available for

dealing with unresolved disputes. We would expect this function to be undertaken by the Financial Ombudsman Service in the UK, using the services of FIN-NET where appropriate.

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17 November 2010