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Payment Accounts Directive consultation  
Banking and Credit team  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

31 July 2015

Dear Sir/Madam,

## **Implementation of the EU payment accounts directive**

This is the Financial Services Consumer Panel's response to HM Treasury's proposals for implementing the EU payment accounts directive. The Panel would like to comment specifically on the proposals relating to packaged accounts and the provision of basic bank accounts.

### Packaged accounts

Complaints to the Financial Ombudsman Service in relation to packaged accounts increased in the year to March 2015 by 278% on the previous year, with 21,348 complaints. Some of these complaints were from consumers who didn't know they had a packaged bank account. Others were from consumers who either weren't clearly told the cost of the packaged bank account, or didn't fully understand the features and/or limitations of the account.

As a result, we disagree that the proposals for packaged accounts should relate to new customers only. Payment service providers should be required to disclose information to existing consumers, at any time on request, and with their annual statement, to ensure the consumer is aware of the following:

- Whether or not it is possible to continue using the account without purchasing, or continuing to pay for, the add-on products; and
- Whether the add-on products are available for purchase separately. Where some or all of the products are available to purchase separately, the consumer should be informed about the cost of each element.

Cost and availability of elements of packaged products change from time to time, and consumers should be made aware of such changes when they occur. In any event, consumers should be provided with disclosure information annually. This would remind consumers to consider the value of their packaged product. The Panel believes failure to make such disclosures could adversely affect competition.

### Basic bank accounts

The Panel has supported the introduction of the voluntary agreement between the banks on the provision of "free-of-charge" basic bank accounts, although we have raised issues about the lack of cost transparency. We are pleased that implementation of the Directive

will give consumers a clear legal right of access to a basic bank account, and a route to challenge firms' decisions before a court if they do not grant access.

However, we would like to know how the government intends to ensure adequate measures are in place to raise awareness about the availability of, and consumers' right to, a payment account with basic features. Staff within firms should also understand and support the promotion of basic bank accounts.

In addition, we would like to see more transparency about who will be paying for 'free' basic bank accounts. While, on the face of it, this development looks like a progressive cross-subsidy, it will not be possible to tell, without understanding who, ultimately, is bearing the cost.

We do not support the optional requirement for consumers who wish to open a basic bank account to "show a genuine interest in doing so". It is difficult to see how a "genuine interest" test would be applied consistently and fairly across providers. There is a risk that such a clause would be exploited by firms to avoid opening basic bank accounts.

We do not believe firms should be able to use any other criteria than those proposed in the Directive, to refuse to open a basic bank account, or terminate a framework contract. In addition, it should not be possible for firms to 'migrate' customers from a basic bank account to a standard account against their wishes, even if their circumstances have changed. It is important to recognise that some consumers will value the simplicity of a basic bank account, and the security of knowing they will not face any unexpected charges.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S. Lewis', written in a cursive style.

Sue Lewis  
Chair  
Financial Services Consumer Panel