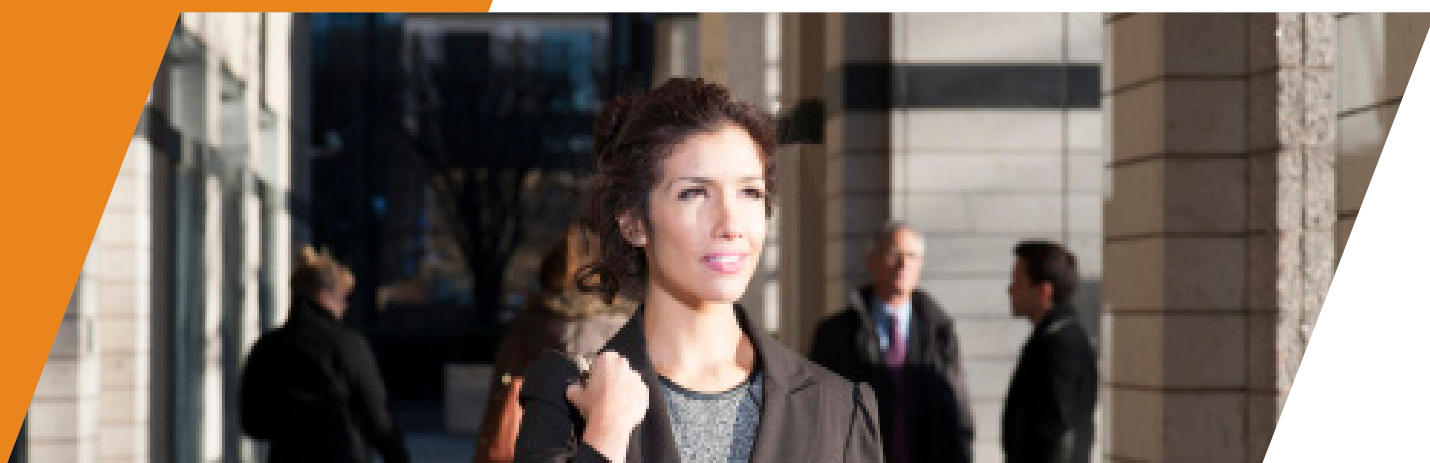


# Call for Input: Terms and definitions for services which are linked to payment accounts and subject to fees

Provisional list of the most representative services within  
the meaning of Article 3 of the Payment Accounts Directive  
2014/92/EU

June 2015





# Contents

Abbreviations used in this paper	3
<b>1</b> Overview	5
<b>2</b> Background and context	9
<b>3</b> Most representative services	15
<b>4</b> Terms and definitions	27
<b>5</b> What we will do next	34
<b>Annex</b>	
<b>1</b> List of questions	35
<b>2</b> List of terms and definitions which were tested with consumer focus groups	36

We are asking for comments on this Call for Input by 17 July 2015.

Please send any comments or queries to:

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Despite this, we may be asked to disclose a confidential response under the Freedom of Information Act 2000. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the Information Commissioner and the Information Rights Tribunal.

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## Abbreviations used in this paper

**CHAPS** Clearing House Automated Payment System

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**EBA** European Banking Authority

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**PAD** Payment Accounts Directive 2014/92/EU

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**EU** European Union

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**PSD** Payment Services Directive 2007/64/EC

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**PSP** payment service provider

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**RTS** regulatory technical standards

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# 1. Overview

## Introduction

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- 1.1** A core objective of the EU Payment Accounts Directive (PAD) is to improve the transparency and comparability of fee information in relation to payment accounts<sup>1</sup> for consumers. A key element is the introduction of standardised terms and definitions to describe some of the services linked to payment accounts.
- 1.2** The process of standardisation is to take place over a period of several years and involves actions at both national and EU levels. We are publishing this *Call for Input* as part of the standardisation process in the UK. The responses we receive will help to inform the UK position when terms and definitions are standardised at EU level.

## Who does this document affect?

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- 1.3** This *Call for Input* will primarily be of interest to banks, building societies, other providers of payment accounts within the meaning of the Directive (such as e-money issuers) and their trade bodies. It will also be of interest to consumers who have a current account or other type of payment account that falls within the scope of PAD, as well as to organisations representing the interests of consumers.

## Is this of interest to consumers?

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- 1.4** All providers of payment accounts will be required to use the standardised terminology in marketing, pre-contractual and contractual information provided to consumers in relation to payment accounts that fall within the scope of PAD. This paper is therefore of interest to all consumers who have a payment account or are considering opening one.

## Context

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- 1.5** PAD was adopted on 23 July 2014. It aims to:
- improve the transparency and comparability of fee information in relation to payment accounts

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<sup>1</sup> The payment accounts to which PAD applies are defined in Article 1(6) and recital 12 of PAD. We explain these provisions in paragraphs 2.3 and 2.4 below.

- facilitate switching of payment accounts
- ensure every EU resident has access to a basic bank account

### **Improving transparency and comparability of fee information**

**1.6** The part of PAD concerned with transparency and comparability of fee information applies to all payment service providers (PSPs) that offer payment accounts falling within the scope of PAD.<sup>2</sup> It introduces two new documents, the format of each of which is to be standardised across the EU:

- A pre-contractual 'fee information document' which lists the most representative services that are linked to payment accounts and are subject to a fee, and the cost of each service.
- A regular 'statement of fees' which lists all the fees and charges the consumer has paid for the services linked to their account during the relevant period.

**1.7** In these two documents, and all other documentation and marketing material, UK PSPs are required to use standardised terminology when referring to the most representative services linked to payment accounts that are subject to a fee. They must also make available to consumers a glossary that contains at least the standardised terms and their definitions.

### **Standardising terms and definitions**

**1.8** Article 3 of PAD describes the process by which the standardised terms and associated definitions are to be developed.

**1.9** First, each Member State is to establish a list of the most representative services linked to payment accounts in their territory.<sup>3</sup> This 'provisional national list' must consist of between 10 and 20 services that are subject to a fee and it must contain terms and definitions for each service. Each Member State must submit its list to the European Commission and the European Banking Authority (EBA).

**1.10** The EBA will then develop EU standardised terms and definitions for those services that appear on at least a majority of Member States' national lists.

**1.11** Following adoption of the EU terms and definitions by the European Commission, each Member State must integrate this EU standardised terminology into its provisional national list and publish the resulting final list for use by PSPs.

**1.12** In this way, the final UK list will contain standardised (EU or national) terms and definitions for those services that are on the UK provisional list. Terms and definitions for other services will not be standardised in the UK.

### **Our role**

**1.13** We are required to develop the UK provisional national list. This paper sets out the services we propose to include on the list as well as proposed terms and definitions to describe these services.

**1.14** We are keen to develop the list as transparently as possible. By taking the views of interested stakeholders into account, we believe we can reach better outcomes for UK consumers under PAD.

<sup>2</sup> The scope of PAD is set out in paragraphs 2.2 to 2.5 below.

<sup>3</sup> In determining which services are the most representative, Member States are required to consider the services that are the most commonly used by consumers and the services that generate the highest costs for consumers, both overall and per unit.



### **FCA objectives**

- 1.15** The final UK list of terms and definitions will contribute to our objectives of ensuring an appropriate level of consumer protection and promoting effective competition in the interests of consumers by improving the transparency and comparability of fees and charges in relation to payment accounts.
- 1.16** Transparency of costs in relation to payment accounts will be improved by requiring PSPs to provide consumers with a fee information document and a statement of fees which describe the most relevant services using standardised terminology. This will contribute to consumer protection to the extent that consumers become more aware of the fees and charges applied by PSPs. Increased awareness of fees and charges may also encourage some consumers to shop around for an alternative.
- 1.17** The availability of a standardised pre-contractual fee document will also make it easier for consumers to compare the payment account offerings of their current provider and other providers. Improved comparability could lead to more competition within the payment accounts market and better deals for consumers.
- 1.18** The contribution of the standardised documents to our objectives will depend on the language they use being accessible and consumer-friendly to encourage consumers to read and compare the documents. By taking a rigorous, evidence-based and transparent approach to the development of the terms and definitions we believe we can reach better outcomes for UK consumers.

### **Summary of the discussion**

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- 1.19** We are requesting feedback on our proposals for the provisional UK list of services, terms and definitions in relation to payment accounts.
- 1.20** In chapter 2, we provide more detail on the context of this *Call for Input*. This includes setting out the steps we have taken so far to develop the provisional list and how these fit into the procedure set out in PAD for the standardisation of terminology.
- 1.21** In chapter 3, we set out our proposals for the services linked to payment accounts that we believe are the most representative and should be included on the UK list. We propose to include ten services on the list and explain our reasons for including each of these.
- 1.22** In chapter 4, we present the findings of our consumer testing of the various terms and definitions in relation to payment accounts. We then explain how we have used these findings to develop the terms and definitions in relation to the ten services we propose to include on the UK list. Figure 1 below contains an overview of these ten terms and definitions.
- 1.23** Finally, in chapter 5, we set out what we will do next, including in relation to other aspects of PAD.<sup>4</sup>

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<sup>4</sup> The UK government must implement PAD into UK law by 18 September 2016. We understand that the Treasury aims to consult on new secondary legislation in the coming weeks. We expect some of the legislative changes to require amendments to our rules.

**Figure 1 – Proposed terms and definitions**

<b>Proposed term</b>	<b>Proposed definition</b>
<b>account fee</b>	A fee that you pay regularly for your account and anything else offered with it (for example travel insurance).
<b>arranged overdraft</b>	When we agree in advance that you can borrow up to a certain amount of money if you have no money left in your account.
<b>unplanned overdraft</b>	When we allow you to borrow money when you have no money left in your account or have gone past your arranged overdraft limit.
<b>refusing a payment due to lack of funds</b>	When we refuse a payment from your account because there is not enough money in it (or it would take you past your arranged overdraft limit).
<b>allowing a payment despite lack of funds</b>	When we allow a payment to be made from your account although there is not enough money in it (or it would take you past your arranged overdraft limit).
<b>sending money within the UK</b>	When you make a payment to another account in the UK.
<b>sending money outside the UK</b>	When you make a payment to another account outside the UK.
<b>receiving money from outside the UK</b>	When money is sent to your account from an account outside the UK.
<b>withdrawing foreign currency outside the UK</b>	When you withdraw foreign currency from a cash machine outside the UK.
<b>debit card payment in a foreign currency</b>	When you use your debit card to make a payment in foreign currency. This can be in a shop, online or over the phone.

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## **Next steps**

### **What do you need to do next?**

- 1.24** We are requesting feedback on the proposals set out in this *Call for Input*. In particular, we would welcome responses to the four questions listed in Annex 1.
- 1.25** Please send your feedback to us by 17 July 2015. You can submit your response by using the online response form on our website, by emailing us at [PADimplementation@fca.org.uk](mailto:PADimplementation@fca.org.uk) or by writing to us at the address on page 2.

### **What will we do?**

- 1.26** We will consider your feedback and publish a Feedback Statement during the first half of September 2015. The Feedback Statement will include the UK provisional list.
- 1.27** The provisional list will then be submitted to the European Commission and the EBA by the deadline of 18 September 2015.

## 2. Background and context

2.1 In this chapter, we explain the background to and context of this *Call for Input*.

### Scope of Payment Accounts Directive

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2.2 The provisions of PAD on fee information apply not only to credit institutions but to all PSPs as defined by the Payment Services Directive (PSD).<sup>5</sup>

2.3 As its title suggests, PAD is concerned with payment accounts. These are defined in Article 1(6) in terms of the functionality which an account provides. An account falls within the scope of PAD if it allows a consumer to:

- place funds in the account
- withdraw cash from the account
- execute and receive payment transactions to and from third parties, including credit transfers

2.4 Accounts which do not offer all these functions therefore fall outside of the scope of PAD.<sup>6</sup> Recital 12 of PAD refers to e-money accounts, savings accounts, current account mortgages, and credit card accounts (where the funds are usually paid in for the sole purpose of repaying a credit card debt) in this context. These are cited as examples of accounts which may have more limited functions and which, in principle, will not be in scope. However, should such an account offer the three functions listed and be used for day-to-day payment transactions then it will fall within the scope of the Directive.

2.5 All references in this paper to 'payment accounts' are to those types of payment accounts that fall within the scope of PAD as described above.

### Improving transparency and comparability of fees

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2.6 The part of PAD concerned with the transparency and comparability of fee information introduces five main measures:

- A **fee information document** is required. This must list the most representative services that are linked to payment accounts and are subject to a fee, and the cost of each of those

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5 Directive 2007/64/EC on payment services in the internal market:  
<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32007L0064&from=EN>

6 Article 1(6) provides that Member States may choose to extend the scope of all or part of PAD to other payment accounts. However, we understand that the UK government does not intend to make use of this option.

services. PSPs must provide consumers with the fee information document before entering into a contract for a payment account. A standardised format (for example layout and presentation) for this document is to be developed by the EBA.

- A **statement of fees** is also introduced. Consumers who have a payment account must receive statements of the fees they have paid for the services linked to their account and interest charged or earned on it. This information must be provided by PSPs to consumers at least once a year. The EBA is to develop a standardised format for the statement of fees.
- PSPs in each Member State will have to use the same, **standardised terminology** when referring to the most common services linked to payment accounts. This standardised terminology will be used in the fee information document, the statement of fees and all other documents and marketing material. Some of the terminology will be standardised across the EU.
- PSPs must provide consumers with a **glossary** that contains at least the standardised terms and their definitions.
- UK consumers must have access, free of charge, to at least one **comparison website**. The website(s) must provide an overview of the fees charged by a broad range of PSPs for at least those services related to payment accounts that are contained in the fee information document.

### Standardised terminology

- 2.7** This *Call for Input* is concerned with the standardised terminology that UK PSPs which fall within the scope of PAD will be required to use to describe the most representative services that are linked to payment accounts. This includes the terms used to refer to the services and their definitions.

#### Process of standardising the terminology

- 2.8** Article 3 of PAD describes the process by which the standardised terms and associated definitions are to be developed. This process is to take place over a period of several years and involves actions at both national and EU levels as detailed below.

#### Provisional national list

- 2.9** First, each Member State is to establish a list of the most representative services linked to payment accounts in their territory ('provisional national list'). The list is to contain a minimum of 10 and a maximum of 20 services for which a fee is charged by at least one PSP. A term and a definition must be provided for each service on the list.
- 2.10** In deciding which services are the most representative, Member States must consider which services are the most commonly used by consumers and which services generate the highest costs for consumers, both overall and per unit. More details on these criteria are contained in EBA Guidelines issued on 18 March 2015 and addressed to the appropriate national authorities ('the Guidelines').<sup>7</sup>

<sup>7</sup> EBA/GL/2015/01, Guidelines on national provisional lists of the most representative services linked to a payment account and subject to a fee under the Payment Accounts Directive (2014/92/EU): [www.eba.europa.eu/documents/10180/1018327/EBA-2015-GL-01+%28Guidelines+on+standardised+fee+terminology+for+EU+payment+accounts+in+the+EU%29.pdf](http://www.eba.europa.eu/documents/10180/1018327/EBA-2015-GL-01+%28Guidelines+on+standardised+fee+terminology+for+EU+payment+accounts+in+the+EU%29.pdf)

**2.11** Each Member State is to submit its provisional national list to the European Commission and the EBA by 18 September 2015.

***EU standardised terminology***

**2.12** On the basis of Member States' provisional national lists, the EBA is to develop EU standardised terminology for those services that appear on at least a majority of Member States' national lists. The EU standardised terminology is to comprise a common term and a common definition for each service identified and must be made available in all official EU languages.

**2.13** The EBA is to set out the standardised terminology as draft regulatory technical standards (RTS) which it must submit to the European Commission by 18 September 2016.

***Adoption of delegated act***

**2.14** The European Commission is to adopt the draft RTS by means of a delegated act. The decision to adopt the draft RTS will be made according to the usual procedure. This is laid down in Article 10 of the Regulation establishing the European Banking Authority.<sup>8</sup>

***Finalisation of national list***

**2.15** Each Member State is to integrate the EU standardised terminology into its provisional national list and publish the resulting final list. The final UK list will contain standardised (EU or national) terms and definitions for those services that are on the UK list. Terms and definitions for other services linked to payment accounts will not be standardised in the UK.

**2.16** Figure 2 below shows how the terms and definitions used in the UK to describe services linked to payment accounts will be affected by the EU standardised terminology.

**Figure 2 – Consequences of EU standardised terminology**

	<b>Service is on the UK provisional list</b>	<b>Service is not on the UK provisional list</b>
<b>Terminology is standardised at EU level</b>	Terminology on UK provisional list to be replaced with the EU terminology	No impact in UK (EU terminology is not to be added to the UK list)
<b>Terminology is not standardised at EU level</b>	Terminology on UK provisional list remains unchanged on UK final list	No impact in UK

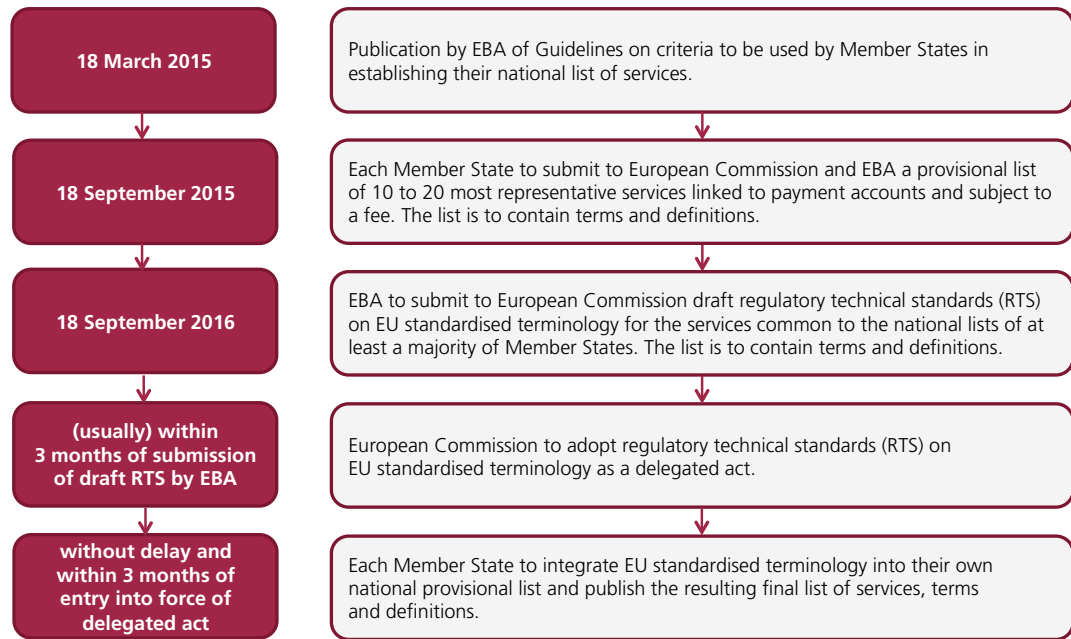
**2.17** Each Member State must publish its final national list without delay and at the latest three months after the European Commission delegated act has entered into force.

<sup>8</sup> Regulation (EU) No 1093/2010 establishing the European Banking Authority:  
<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32010R1093&from=EN>

### Overview of process

2.18 Figure 3 below provides an overview of the process of standardising the terminology.

**Figure 3 – Overview of process of standardising terminology**



### Provisional national list: What we have done so far

2.19 This *Call for Input* forms part of the process of developing the provisional national list for the UK.

2.20 Under recital 17 of PAD each Member State is required to indicate to the European Commission and the EBA by 18 December 2014 the national authority to which the EBA should address its guidelines on determining the most representative services. On behalf of the UK, the Treasury has indicated to the European Commission that the FCA is the appropriate authority.

2.21 The task of drawing up the provisional national list can be divided into two distinct parts:

- identifying the 10 to 20 most representative services linked to payment accounts that should feature on the list
- deciding on the most appropriate term and definition for each of these services

2.22 We aim to develop the UK provisional list in a structured, evidence-based way and to take into account the views of relevant stakeholders. We believe this will enable better outcomes for UK consumers. We set out below the steps we have taken so far in developing the list.

### Data collection

2.23 We asked 11 major payment account providers in the UK for quantitative data for 2014 covering a range of services linked to payment accounts. The aggregated data concerned the fees and charges applicable to each service, the revenue generated from each service, and the number of accounts that made use of each service.

**2.24** We supplemented our request for data by performing desk-based research on the payment account offerings of PSPs, the services associated with these accounts and the fees and charges applied. We also studied the terminology they use. We included banks, building societies and e-money account providers in our research.

#### **Initial draft list**

**2.25** We used our findings to compile an initial draft list of services. For each of these services, we noted the terminology that is currently used by PSPs or which could be used to refer to the service. We also added a simple definition of each service.

**2.26** We then informally invited a number of consumer organisations and financial industry trade bodies to comment on this list of services, terms and definitions.

**2.27** Both consumer and industry representatives responded positively to our informal consultation. As a result of suggestions we received, we extended the list of services and refined some of the terms and definitions. This updated list consisted of 24 services and formed the basis of our consumer testing. The list is in Annex 2.

#### **Consumer testing**

**2.28** To gain a better understanding of consumer preferences regarding the terminology, we commissioned Optimisa Research to conduct qualitative consumer research. Eight focus groups took place during March 2015. Each group consisted of six or seven consumers with a total of 54 consumers taking part in the research. Two groups were conducted in London, two in Leeds, two in Glasgow and two in Belfast.

**2.29** We aimed for a mix of consumers with regard to:

- age and gender
- socio economic group
- payment account provider
- type of account held (e.g. basic, standard, packaged, premium)
- financial knowledge and financial confidence
- the services linked to payment accounts that are regularly used
- the channels used to manage the payment account (e.g. online, in branch)

**2.30** We were also keen to gather the views of non-native English speakers living and holding payment accounts in the UK. We chose to conduct one of the eight focus groups exclusively with consumers whose first language is not English.

**2.31** For each of the 24 services identified, a number of different terms and a definition were tested with consumers. In particular, we sought answers to the following questions:

- Which of the suggested terms are clear and which unclear? Which do consumers most readily understand?

- To what extent is the suggested definition helpful? What modifications would make it clearer?

**2.32** Optimisa Research summarised the findings of the consumer testing exercise in a report 'Payment Accounts Directive: services linked to payment accounts'.<sup>9</sup> We have published the report alongside this *Call for Input* and would encourage stakeholders to consult the report for further details of the testing outcomes.

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<sup>9</sup> The report by Optimisa Research is available at:  
[www.fca.org.uk/your-fca/documents/research/payment-accounts-directive-services-qualitative-research](http://www.fca.org.uk/your-fca/documents/research/payment-accounts-directive-services-qualitative-research)



## 3. Most representative services

- 3.1** In this chapter, we set out our proposals for the services linked to payment accounts which we believe are the most representative and should be included on the UK list.
- 3.2** In formulating these proposals, we applied the EBA Guidelines that set out how competent authorities should go about determining which services are the most representative based on the criteria specified in Article 3(2) of PAD.<sup>10</sup> We also drew on the research we had performed and the results of the consumer testing.
- 3.3** The language used in this chapter to refer to a particular service is used only to identify the service concerned. It is not necessarily the preferred term to describe this service. We go on to discuss possible terms and definitions for the services in chapter 4.

### Defining a service

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- 3.4** Before considering potential services for inclusion on the draft provisional list, we needed to have a clear view of what constitutes a 'service' in this context.

### EBA Guidelines

- 3.5** The EBA Guidelines are accompanied by a final report ('the EBA final report on the Guidelines'). This report indicates some of the issues that might arise in defining what constitutes a service, and how these should be dealt with:
- More than one fee or type of fee might apply to the same service but each fee should not necessarily be deemed a separate service for the purpose of the national list.
  - PSPs may have different fee structures for the same service but this should not constitute more than one service on the national list.
  - One service may be deliverable via different channels, e.g. online, by telephone or in branch, but even if different fees apply to different channels of delivery there should still be only one service on the list.
- 3.6** These issues highlight that the key consideration in deciding what constitutes a service is the distinction between fees and services.
- Our approach**
- 3.7** We outline here how we intend to apply the principles contained in the EBA Guidelines when defining services linked to payment accounts.

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<sup>10</sup> We also drew on the EBA final report on the Guidelines which contains additional suggestions in this regard.

***Services with more than one type of fee or charge***

- 3.8** An example of a service for which more than one fee or charge regularly applies is an authorised overdraft. A fee is often charged for the use of the service as well as the interest that is payable on the amount borrowed. Nevertheless, the service provided to the consumer is the authorised overdraft.

***Fee and charging structures***

- 3.9** PSPs set their own fee and charging structures for the services they offer in conjunction with payment accounts. Similarities in these structures can often be observed, for example PSPs usually charge account management fees on a monthly (rather than daily or annual) basis.
- 3.10** However, some fee structures differ substantially between PSPs and also between the different payment accounts offered by a single PSP. For example, some PSPs charge monthly for the use of an authorised overdraft whereas others charge daily. Some daily charges are also capped at a certain amount per month or are only applied on a maximum number of days in any one month. While some PSPs charge a flat fee for the use of an authorised overdraft, others charge varying amounts depending on how much of the available overdraft has been used. Regardless of the fee structure used, the service concerned is the authorised overdraft. This would be the service on the national list.

***Services available via different channels***

- 3.11** Many services linked to payment accounts can be accessed by consumers using different channels. For example, transferring money to another account might be possible via online banking, mobile app, telephone banking or in branch. Some PSPs levy different fees and charges for a service depending on the channel used.
- 3.12** Some PSPs make this differentiation for sending money to an account outside the UK. The fee for using the service online is usually lower than in branch. Irrespective of the channel used, the service provided by the PSP remains the same and so should appear on the national list only once.

***A single service or several separate services?***

- 3.13** The EBA Guidelines and accompanying final report do not consider the point at which a service ceases to be a single service and should instead be regarded as two or more separate services. This is particularly relevant for the use of debit cards to make payments and for cash withdrawals.
- 3.14** For debit card payments, different fees are usually charged by UK PSPs depending on whether the consumer is making a payment in sterling or another currency. The question arises of whether to classify this as one service (making a debit card payment) or two different services (making a debit card payment in sterling, and making a debit card payment in another currency).
- 3.15** In the case of cash withdrawals, a further level of complexity arises from the fact that the fees charged regularly depend not only on the currency used but also on whether the transaction is carried out in or outside the UK. This creates the potential for cash withdrawals to be defined as up to four separate services (sterling within the UK, sterling outside the UK, another currency in the UK, and another currency outside the UK).<sup>11</sup>
- 3.16** We take the view that providing a consumer with the facility to use a debit card for transactions in other currencies in addition to sterling constitutes provision of a separate and distinct service from that of providing a debit card for sterling transactions only. Similarly, we believe that

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<sup>11</sup> Consumers may be charged by the provider of the cash machine when making a cash withdrawal. These fees are outside the scope of PAD because it covers only fees charged by the provider of the payment account.

facilities to withdraw cash in other currencies and from cash machines outside the UK provide the consumer with possibilities which are different in nature and scope from withdrawing sterling in the UK. The additional functionality suggests these are distinct services rather than parts of a fee structure.

**Q1: Do you agree with our approach to defining what constitutes a 'service'? If not, please explain why not and how we could apply the EBA Guidelines differently.**

### Identifying possible services for the list

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**3.17** The EBA final report on the Guidelines recommends that competent authorities consider three types of services for inclusion on their national lists:

- the provision of the account itself
- payment services as defined in the PSD<sup>12</sup>
- other services linked to the account, including penalties or charges that are levied based on the consumer's account behaviour or circumstances<sup>13</sup>

**3.18** We considered these types of services and identified a total of 24 services for possible inclusion on the national list. These are shown in Figure 4 below.

**Figure 4 – Services linked to payment accounts and subject to a fee**

#### Services linked to payment accounts and subject to a fee

account management	authorised overdraft
withdrawing pounds in the UK	unauthorised overdraft
withdrawing pounds outside of the UK	stopping a payment because of insufficient funds
withdrawing foreign currency in the UK	allowing a payment despite insufficient funds being available
withdrawing foreign currency when abroad	cancelling a cheque
debit card payment in pounds	copy of a paid cheque
debit card payment not in pounds	special presentation of a cheque
direct debit	paying in a foreign cheque
standing order	banker's draft
sending money to another account in the UK	banker's reference
sending money abroad	statements more often than standard
receiving money from abroad	copy of an old statement

<sup>12</sup> Article 4(3) of the PSD defines a payment service as 'any business activity listed in the Annex'. These activities include services enabling cash withdrawals, making payments with debit cards, credit transfers, standing orders and direct debits.

<sup>13</sup> This is expressly stated to include interest rates for overdrafts.

## Ranking the services

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**3.19** We then ranked the 24 services as foreseen by the EBA Guidelines.

### **EBA Guidelines**

**3.20** Guideline 1 provides competent authorities with help in assessing which of the services linked to payment accounts and subject to a fee should be deemed 'most representative' within the meaning of PAD.

**3.21** The services are to be assessed by ranking them against each of the two criteria in Article 3(2) of PAD:

- according to how commonly they are used by consumers ('by use')
- according to the costs they generate for consumers, both overall as well as per unit ('by cost')

### **Relevant factors when ranking services by use**

**3.22** Guideline 1.1. provides that when ranking the services by use, competent authorities should, to the extent deemed necessary, consider four factors:

- with regard to the level of diffusion of services, the general population of consumers
- the relative prevalence of the services in terms of how often they constitute a feature of payment accounts
- how often the services are used by consumers, taking into account, where possible, the proportion of consumers using the service and the number of times the service is used
- the need to include the provision of the account itself as a service

### **Relevant factors when ranking services by cost**

**3.23** Guideline 1.2. lists the factors that competent authorities should, where deemed necessary, consider when ranking the services by cost:

- When considering fees overall and per unit, not only services that fulfil both those criteria simultaneously should be considered but also services that fulfil just one of them.
- When considering the unit cost or the overall costs of services that might attract different types of fees, the fees should be considered cumulatively.
- Consideration should be given to the costs that are incurred, or could be incurred, by consumers on an annual basis.

### **Our approach**

**3.24** Using the factors listed, we ranked the 24 services in the two ways suggested by the Guidelines.

### **Ranking the services by use**

**3.25** In ranking the 24 services by use, we used mainly the quantitative data requested from firms. In particular, we considered the number of payment accounts whose holders had made use of each the services in 2014.

**3.26** While our consumer research was qualitative rather than quantitative, we consider that the views expressed by the focus groups on the relevance of the individual services to consumers

provided an additional indication of consumers' use of services linked to payment accounts. Where necessary, we therefore used consumers' overall views on relevance to supplement our analysis of the quantitative data.

**3.27** The ranking of the 24 services by use is shown in Figure 5 below:

**Figure 5 – Ranking of services by use**

	<b>Ranking of services by use</b>
1	withdrawing pounds in the UK
2	direct debit
3	debit card payment in pounds
4	standing order
5	authorised overdraft
6	sending money to another account in the UK
7	account management
8	unauthorised overdraft
9	withdrawing foreign currency when abroad
10	stopping a payment because of insufficient funds
11	allowing a payment despite insufficient funds being available
12	debit card payment not in pounds
13	sending money abroad
14	receiving money from abroad
15	cancelling a cheque
16	banker's draft
17	withdrawing foreign currency in the UK
18	copy of an old statement
19	withdrawing pounds outside of the UK
20	statements more often than standard
21	copy of a paid cheque
22	banker's reference
23	paying in a foreign cheque
24	special presentation of a cheque

**Ranking the services by cost**

**3.28** In ranking the 24 services according to their costs for consumers, we first ranked them according to the overall revenue generated from each service for the 11 firms which provided data. We then ranked the 24 services according to the average fee or charge for each use of the service. Finally, we combined the two rankings to create an overall ranking of services by cost.

**3.29** The overall ranking of the 24 services by cost is shown in Figure 6 below:

**Figure 6 – Ranking of services by cost**

	<b>Ranking of services by cost</b>
1	unauthorised overdraft
2	account management
3	authorised overdraft
4	sending money abroad
5	allowing a payment despite insufficient funds being available
6	stopping a payment because of insufficient funds
7	banker's draft
8	cancelling a cheque
9	withdrawing foreign currency when abroad
10	paying in a foreign cheque
11	special presentation of a cheque
12	sending money to another account in the UK
13	debit card payment not in pounds
14	withdrawing foreign currency in the UK
15	receiving money from abroad
16	banker's reference
17	withdrawing pounds outside of the UK
18	copy of a paid cheque
19	copy of an old statement
20	statements more often than standard
21	withdrawing pounds in the UK
22	debit card payment in pounds
23	direct debit
24	standing order

### Drawing conclusions from the rankings

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**3.30** We explain next how we used the rankings to draw conclusions about the representativeness of each of the 24 services, and to decide which of the services should be included on the UK list.

#### **EBA Guidelines**

**3.31** Guideline 2 provides a framework for the decision-making process by providing that:

- priority should be given to those services that satisfy both criteria, i.e. are both most commonly used by and generate the highest costs for consumers
- services should also be considered for the list that satisfy only one of the criteria
- other criteria can also be used but only as an exception, for market-specific issues

**3.32** As provided for by PAD, the EBA Guidelines also permit competent authorities to exercise judgement in deciding which services should be included on the list. The rationale for this is that national lists should reflect the specificities of national markets.

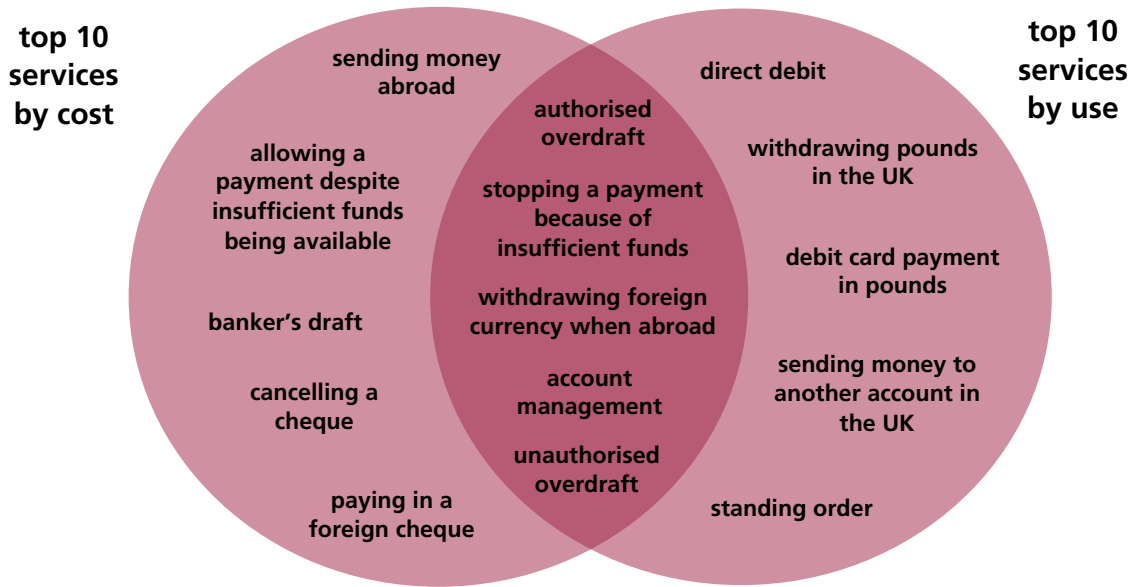
**3.33** The EBA final report on the Guidelines acknowledges that, in exercising their judgement in respect of the list, competent authorities might find it helpful to consider a number of factors. Potentially relevant factors include:

- the services with fees that are the most relevant to consumers when comparing payment accounts
- the intended uses of the fee information document and statement of fees, including their purpose as aids to comparison
- the risk of consumer detriment
- the potential for consumers – or certain consumer segments – to incur costs in the future and to possibly suffer detriment as a result
- the criterion of common usage can be fulfilled by services used by only a very small proportion of consumers but very often
- the proportion of PSPs that subject the service to a fee, e.g. all, a majority, the most representative or just one PSP

#### **Our approach: Services potentially satisfying both criteria**

**3.34** As foreseen by Guideline 2, we began by considering the services that could potentially satisfy both criteria. Any services falling into this category would be found high up both of our rankings. We started by comparing the top 10 services from each list. Figure 7 below shows this comparison:

Figure 7 – Comparison of top 10 services by use and top 10 services by cost

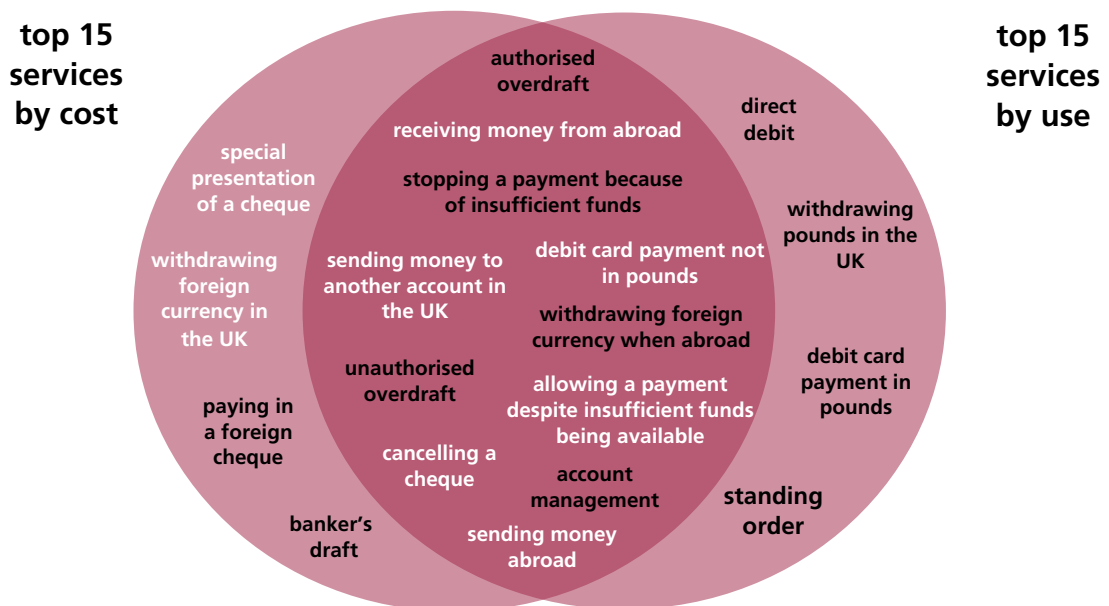


**Account management / authorised overdraft / unauthorised overdraft / stopping a payment because of insufficient funds / withdrawing foreign currency when abroad**

3.35 These five services are common to the top ten services of both lists, indicating that they belong both to the most commonly used services and the services that generate the highest cost for consumers. We concluded that these five services should be included on the draft list as they clearly satisfy both criteria.

3.36 We then extended the comparison to cover the top 15 services from each list. Figure 8 below shows the results, with the services that have changed location or have entered the comparison for the first time shown in white text:

Figure 8 – Comparison of top 15 services by use and top 15 services by cost





- 3.37** The six services shown in white text in the centre are those not already considered above which are common to the top 15 services of both lists.
- 3.38** Neither the Directive nor the EBA Guidelines provides an indication of how high a service must be ranked in order to be classified as satisfying a criterion. Guideline 2.2. is clear that services may be included on the list which satisfy only one criterion, so it is not necessary to decide whether or not a particular service fulfils both criteria.
- 3.39** Against this background, we came to an overall view of whether to include each of the six services shown in white in Figure 8 by considering the two rankings of each service in question. Where necessary and helpful in forming a view, we also drew on factors other than cost and use as set out in the EBA final report on the Guidelines and summarised in paragraph 3.33 above.

***Allowing a payment despite insufficient funds being available / sending money abroad***

- 3.40** These two services are ranked very highly by cost, and so generate high costs for consumers. While their rankings by use are lower, they are nevertheless both in the top half of services by use meaning that they are of more than average relevance to the general population of consumers.
- 3.41** In the interests of ensuring transparency of the relatively high fees associated with these two services, we propose to include them both on the draft list.

***Sending money to another account in the UK***

- 3.42** This service is ranked highly by use and is also in the top half of the list of services by cost. Although most consumers will only occasionally pay a fee for sending money to another account in the UK, for example when making a payment via CHAPS, the frequency with which many consumers transfer money (even if this is usually without paying a fee) suggests that it is a service which very many consumers would expect to find on the fee information document.
- 3.43** We therefore propose to include this service on the draft list.

***Debit card payment not in pounds / receiving money from abroad***

- 3.44** These services feature around the mid-point of both lists. Our consumer testing revealed that making debit card payments in foreign currencies is relevant to many consumers. While they expected there to be costs associated with the service, most were unsure about both the pricing structures and the level of costs that might be incurred.
- 3.45** With regard to receiving money from abroad, the focus groups revealed that the majority of consumers will not usually receive money into their accounts from outside the UK but that those segments of the population which do so will usually do so regularly. We believe that they will expect this fee information to be available.
- 3.46** For these reasons, we have concluded that these two services should also be included on the draft list of most representative services.

***Cancelling a cheque***

- 3.47** Although cancelling a cheque is ranked relatively highly by cost, it is a service that is not used regularly by individual consumers. It is therefore unlikely that consumers would wish to compare payment accounts on this basis. Our consumer research showed that younger consumers are already unfamiliar with cheques as a means of payment and it is to be expected that the use of cheques will decline further in the coming years.

**3.48** We have concluded that cancelling a cheque is not one of the most representative services and should not be included on the draft list.

**Our approach: Services potentially satisfying one criterion**

**3.49** We proceeded to the second step foreseen by the EBA Guidelines and considered services that potentially satisfy only one of the criteria. These services are to be found in the left and right segments of Figure 8.

**3.50** We considered the rankings of each of these services and also drew on additional factors where these were relevant and helpful.

***Direct debit / standing order / withdrawing pounds in the UK / debit card payment in pounds***

**3.51** These services are the top four services by use. They are used by almost all consumers and very frequently. However, the same four services are also the bottom four services by cost. This is because they are not subject to a fee in the vast majority of cases. While banks and building societies do not usually charge consumers for the use of these services, fees are levied in some cases by e-money issuers offering accounts for day-to-day payment transactions.<sup>14</sup> However, the total number of e-money issuers offering e-money accounts with the functionalities required for inclusion in the scope of PAD and used for day-to-day payment transactions is very low. We estimate it to be in single figures.

**3.52** Only a very small proportion of consumers are holders of e-money accounts falling within the scope of PAD. Furthermore, only some of these accounts require fees and charges to be paid for the use of the four services in question. As a result, the number of consumers facing these costs is considerably lower even than the number holding an e-money account for day-to-day payment transactions.

**3.53** These four services are of great importance to consumers in fulfilling their day-to-day transactional needs. However, since UK consumers are accustomed to 'free-if-in-credit' services linked to payment accounts, we believe consumers are extremely unlikely to compare the costs of these four services when shopping around for a payment account. Their inclusion on the UK list would therefore not contribute to improving the comparability of payment accounts.

**3.54** We therefore propose not to include these four services on the list.

**3.55** PAD requires that we 'assess and, where appropriate, update the list' every four years following publication of the final list. So, if developments in the UK market for payment accounts were to result in a substantial change in the cost of using these services, we would re-assess the decision not to include them on the UK list. This might be the case, for example, if the proportion of UK consumers using e-payment accounts for day-to-day payment transactions was to increase considerably.

***Banker's draft / paying in a foreign cheque***

**3.56** These services are ranked low and very low in terms of use by consumers. The use of the service tends to be a one-off occurrence triggered by an event in the life of the consumer, for example a house purchase. While the one-off fees levied are relatively high when compared to other services linked to payment accounts, it is improbable that a consumer would consider the fees charged for them when comparing payment account offerings.

<sup>14</sup> Consumers may be charged by the provider of the cash machine when making a cash withdrawal. These fees are outside the scope of PAD because it covers only fees charged by the provider of the payment account.

**3.57** For these reasons, we propose not to include either of these services on the draft list.

***Withdrawing foreign currency in the UK / special presentation of a cheque***

**3.58** These two services are also ranked low to very low by use.<sup>15</sup> The consumer focus groups we conducted revealed that many consumers were not even aware of their existence. In addition, neither service attracts especially high fees.

**3.59** In the absence of any further, relevant factors we have taken the view that these two services should not be included on the draft list.

**Our approach: Services satisfying neither criterion**

**3.60** There are five remaining services that we have not yet considered for inclusion on the draft list. These are:

- banker's reference
- withdrawing pounds outside of the UK
- copy of a paid cheque
- copy of an old statement
- statements more often than standard

**3.61** These five services did not appear in Figure 8 because they do not feature in the top 15 of either ranking. We have concluded from this that they are not among either the most commonly used services or the services that generate the highest cost for consumers.

**3.62** EBA Guideline 2.3. permits the use of other criteria 'as an exception, for market-specific issues'. There are no additional criteria which we consider should be applied to justify the inclusion of any of these services on the draft list. We do not believe that any of them fall within this exception.

**3.63** We therefore propose not to include any of these five services on the UK list.

**Summary**

**3.64** We assessed each of the 24 services in terms of ranking by use and by cost. In accordance with the EBA Guidelines, we also took into account any additional relevant factors. We have concluded that ten services should be on the UK list, based primarily on the representativeness of each individual service. A second consideration is that the fee information document will cover only those services on the national list, so that a shorter UK list will reduce the risk of information overload by providing UK consumers with relevant and targeted fee information on these ten services.

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<sup>15</sup> 'Withdrawing foreign currency in the UK' refers only to the withdrawal of cash from cash machines. This is to be distinguished from purchasing foreign currency using a debit card which would fall within the service we refer to as a 'debit card payment in pounds'.

**3.65** Figure 9 below shows the complete list of 24 services and whether or not we propose to include them on the draft list.

**Figure 9 – Services included and not included**

<b>Services included</b>	<b>Services not included</b>
account management	cancelling a cheque
authorised overdraft	direct debit
unauthorised overdraft	standing order
stopping a payment because of insufficient funds	withdrawing pounds in the UK
withdrawing foreign currency when abroad	debit card payment in pounds
sending money abroad	banker's draft
allowing a payment despite insufficient funds being available	paying in a foreign cheque
sending money to another account in the UK	withdrawing foreign currency in the UK
debit card payment not in pounds	special presentation of a cheque
receiving money from abroad	banker's reference
	withdrawing pounds outside of the UK
	copy of a paid cheque
	copy of an old statement
	statements more often than standard

**Q2: Do you agree with our proposed list of most representative services? If not, please explain why not. Are there services that you consider should be added to the list?**

## 4. Terms and definitions

- 4.1** In this chapter, we explain how we have used the findings from the consumer testing to develop the draft provisional list of terms and definitions.

### Main findings from consumer testing

- 4.2** We explored consumers' general level of understanding of the services and terminology tested and the factors influencing this. With a view to ensuring that the terms and definitions on the provisional UK list meet consumer needs, we also considered consumer preferences with regard to the type of language used.
- 4.3** The main findings are summarised in Figure 10 below.<sup>16</sup>

**Figure 10 – Main findings from consumer testing**

Topic	Main findings
<b>Level of understanding</b>	<ul style="list-style-type: none"> <li>• Good understanding of many services linked to payment accounts</li> <li>• Almost all consumers were completely unfamiliar with a number of services and terms</li> </ul>
<b>Consistency of understanding</b>	<ul style="list-style-type: none"> <li>• High consistency in understanding of and preferences for terms and definitions</li> <li>• Little difference in understanding between consumers with lower and higher financial confidence</li> </ul>
<b>Factors influencing understanding</b>	<ul style="list-style-type: none"> <li>• Differences in understanding mainly attributable to age and/or life stage or experiences of the individual</li> </ul>
<b>Non-native English speakers</b>	<ul style="list-style-type: none"> <li>• Generally had lower understanding</li> <li>• But had similar preferences and difficulties with particular services to other consumers</li> </ul>
<b>Variations in Scotland and Northern Ireland</b>	<ul style="list-style-type: none"> <li>• A few differences in terminology and use of services from other parts of UK</li> <li>• Differences had no material impact on findings</li> </ul>
<b>Role of language</b>	<ul style="list-style-type: none"> <li>• Terms and definitions should be:                             <ul style="list-style-type: none"> <li>• short - as few words as possible</li> <li>• communicate only key information</li> <li>• avoid abbreviations and use simple language constructions</li> </ul> </li> </ul>

<sup>16</sup> For more detail on the high-level findings of the consumer testing, see chapter 4 of the Optimisa Report available at: [www.fca.org.uk/your-fca/documents/research/payment-accounts-directive-services-qualitative-research](http://www.fca.org.uk/your-fca/documents/research/payment-accounts-directive-services-qualitative-research)

## Terms

**4.4** In this section, we set out the terms we are proposing to use to refer to the ten services on the draft list, and explain our choice of terms.

**4.5** For each of the 24 services, we tested up to eight different terms that could be used to refer to the service in question. The complete list of terms tested is in Annex 2.

### General themes in relation to terms

**4.6** A number of general themes emerged from our consumer focus groups. Figure 11 below summarises these.

**Figure 11 – General themes in relation to terms**

Theme	Main findings	Example
<b>Simplicity and clarity</b>	<ul style="list-style-type: none"> <li>• Preference for short, simple terms</li> <li>• But longer, more descriptive terms preferred if short term is hard to understand</li> <li>• Do not sacrifice clarity to simplicity</li> </ul>	<ul style="list-style-type: none"> <li>• ‘copy of statement’ is better than ‘copy of issued statement’</li> <li>• ‘stopping a payment due to insufficient funds’ is better than ‘unpaid item fee’ or ‘returned item fee’</li> </ul>
<b>Generally accepted terminology</b>	<ul style="list-style-type: none"> <li>• Very well-known terms generally accepted despite not being clear or descriptive of the service</li> <li>• Attempts to simplify well-known terms seen as unnecessary or patronising</li> </ul>	<ul style="list-style-type: none"> <li>• ‘standing order’</li> <li>• ‘direct debit’</li> <li>• no need to simplify ‘withdrawing cash’</li> </ul>
<b>Consistency</b>	<ul style="list-style-type: none"> <li>• Consistency between terms is very important</li> </ul>	<ul style="list-style-type: none"> <li>• ‘abroad’ or ‘outside the UK’</li> <li>• ‘non-sterling’ or ‘foreign currency’</li> </ul>

### Proposals for terms

**4.7** We now set out the terms we propose to use for the ten services identified in chapter 3 for the draft list of services. In reaching these proposals, we drew on both the general themes described above and the feedback from consumers on the specific terms we tested.<sup>17</sup>

### Account management

**4.8** Consumers clearly favoured the term ‘account fee’. Not only did they consider the other terms presented to be inaccurate or misleading descriptions of the service provided, e.g. ‘product fee’ or ‘subscription fee’, they also favoured the simplicity and clarity of ‘account fee’.

**4.9** Given that account fees do not apply exclusively to packaged accounts, any reference to packages in the term seems inappropriately narrow and insufficiently future-proof.

**4.10** We therefore propose to use the term:

- **account fee**

<sup>17</sup> For details of consumer feedback on the terms we tested, see chapter 5 of the Optimisa Report available at: [www.fca.org.uk/your-fca/documents/research/payment-accounts-directive-services-qualitative-research](http://www.fca.org.uk/your-fca/documents/research/payment-accounts-directive-services-qualitative-research)

### **Overdrafts**

- 4.11** In relation to overdrafts, we tested 'pairs' of terms, e.g. 'agreed' and 'unagreed', 'planned' and 'unplanned'. Although these pairs consisted of opposites the results differed substantially for the two services.
- 4.12** In the case of authorised overdrafts, 'agreed' and 'arranged' overdrafts were the preferred terms. By contrast, the terms which tested most favourably for unauthorised overdrafts were 'unauthorised' and 'unplanned'.
- 4.13** These differences were largely due to consumers' perceptions of the two types of overdrafts and the emotions they have about them. For example, 'unplanned' was thought to sound softer in unauthorised overdraft situations whereas 'planned' was considered too intentional to be an appropriate word to describe a mere possibility agreed with the PSP in advance. Similarly, some consumers thought that 'authorised' overdraft sounded overly formal compared to the other terms but deemed the formality of 'unauthorised' to be appropriate given that it describes something that should be avoided.
- 4.14** With regard to the terms 'authorised' and 'unauthorised' we have kept in mind the High Court judgment of 2008 in the case of *Office of Fair Trading v. Abbey National plc and Others*.<sup>18</sup> Andrew Smith J ruled that unauthorised overdraft charges are not capable of amounting to a 'penalty' at common law because liability to pay is not contingent upon breaches by the customers of their contracts. The Supreme Court<sup>19</sup> later held in the same case that such charges are not concealed default charges designed to discourage customers from overdrawing their accounts without prior arrangement.
- 4.15** Against this background we understand the continued sensitivity around the language used to describe overdraft charges and do not intend to re-ignite a debate about the use of this particular terminology in the context of PAD implementation. For the same reason, we also propose to avoid the terms 'agreed' and 'unagreed'.
- 4.16** In agreement with the Treasury, seven of the largest banks and building societies have established common terms in relation to overdrafts. They have been using these terms since September 2013 both when consumers open accounts and on annual statements. The common terms agreed include 'arranged overdraft'. If we were to use this term on the provisional list – and assuming this language can be maintained following any standardisation by the EBA - a degree of continuity could be maintained for consumers who already use the overdraft services of the seven PSPs concerned. The compliance costs for these PSPs when implementing the list might also be lower. We therefore propose to use the term 'arranged overdraft'.
- 4.17** However, we do not believe that it necessarily follows that the common term 'unarranged overdraft' used by the same seven PSPs should also be maintained. In addition to the preferences indicated by consumers in our focus groups, we believe there is merit in using terms in relation to overdrafts that are not 'pairs' or direct opposites. The use of two contrasting terms ensures that they are easily distinguishable from one another both orally and in writing thereby reducing the possibility of misunderstandings to the detriment of the consumer. We therefore propose to use the term 'unplanned overdraft'. This term was viewed very favourably by consumers and is also used by a number of payment account providers in the UK today.

<sup>18</sup> [2008] EWHC 875 (Comm); [2008] 2 All E.R. (Comm) 625.

<sup>19</sup> [2009] EWCA Civ 116; [2010] 1 A.C. 696.

**4.18** In summary, we propose to use the terms:

- **arranged overdraft**
- **unplanned overdraft**

***Allowing and stopping payments where there are insufficient funds***

**4.19** Our consumer testing revealed that in the main, only consumers who had personal experience with these fees understood the more technical terms such as 'unpaid item fee' and 'paid referral fee'. Consumers who has not experienced these fees were largely unable to infer anything about the service from these terms.

**4.20** The longer terms 'accepting a payment despite a lack of funds' and 'stopping a payment due to insufficient funds' were preferred on account of their self-explanatory nature. While 'paid item fee' and 'paid transaction fee' also tested well, consumers were clear that the terms chosen for the two services should be consistent. Because the opposite terms 'unpaid item fee' and 'unpaid transaction fee' did not test well, we propose to use the longer, more descriptive terms and to make minor adjustments to the language to ensure consistency and clarity.

**4.21** We propose to use the terms:

- **allowing a payment despite lack of funds**
- **refusing a payment due to lack of funds**

***Sending and receiving money***

**4.22** Some inconsistencies were observed around consumer preferences for terms to describe sending and receiving money. The terms 'sending money abroad' and 'receiving money from abroad into your account' were very popular with the consumer focus groups. Consumers liked the shortness and simplicity of 'abroad'. However, some consumers found 'abroad' less clear than 'outside the UK' and preferred the slightly longer term to ensure clarity. This is in line with our general findings on simplicity and clarity.

**4.23** Despite emphasising the importance of consistency of terminology, there was a clear preference in the context of sending money to another account in the UK for the term 'money transfer within the UK'. Almost all consumers were familiar with the concept and language of a money transfer. This included the non-native English speakers who had encountered it in the context of international money remittance services.

**4.24** In order to ensure simplicity and clarity as well as a high degree of consistency in the terms used to describe the three services related to sending and receiving money, we propose to use:

- **sending money within the UK**
- **sending money outside the UK**
- **receiving money from outside the UK**

***Foreign currency transactions***

**4.25** When considering terms referring to currencies other than sterling, the vast majority of consumers preferred the term 'foreign currency' over more complex wordings such as 'other than sterling' and 'not in pounds'. Once again, 'outside the UK' was preferred to the more ambiguous 'abroad'.



**4.26** Taking into account the need for consistency with other terms on the draft provisional list, including the use of the present continuous wherever possible, e.g. refusing, sending, receiving, we propose to use the following terms to refer to the two foreign currency transactions on the list:

- **withdrawing foreign currency outside the UK**
- **debit card payment in a foreign currency**

### **Summary**

**4.27** Figure 12 below shows the terms we propose to use to refer to the services we intend to include on the list.

### **Figure 12 – Proposed terms**

#### **Proposed terms**

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account fee

---

arranged overdraft

---

unplanned overdraft

---

refusing a payment due to lack of funds

---

allowing a payment despite lack of funds

---

sending money within the UK

---

sending money outside the UK

---

receiving money from outside the UK

---

withdrawing foreign currency outside the UK

---

debit card payment in a foreign currency

---

**Q3: Do you agree with the terms we propose to use to refer to the services on the provisional list? If not, please explain why not and suggest alternatives. If there are services you consider should be added to the list (see Q2), please suggest terms to refer to these services.**

### **Definitions**

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**4.28** In this section, we set out our proposed definitions of the ten terms that we have put forward for inclusion on the draft provisional list.

**4.29** We tested one definition for each of the 24 services. The focus groups discussed how clear they found each definition, which parts of it were particularly helpful and which parts were superfluous or could be improved. The list of definitions we tested is in Annex 2.

### **General themes in relation to definitions**

**4.30** In addition to the general language observations outlined above in Figure 10, a number of additional themes emerged from the consumer testing in relation specifically to the definitions we tested. Figure 13 below summarises these themes.

**Figure 13 – General themes in relation to definitions**

<b>Theme</b>	<b>Main findings</b>	<b>Example</b>
<b>Use of examples</b>	<ul style="list-style-type: none"> <li>• Including examples or contextual information deemed unhelpful</li> <li>• Use of examples can cause confusion or call into question why other situations have not been mentioned</li> </ul>	<ul style="list-style-type: none"> <li>• in context of debit card payments: 'for instance to buy goods or services in a shop, online or over the phone'</li> <li>• in context of transferring money to another account: 'normally a one-off payment'</li> </ul>
<b>References to fees</b>	<ul style="list-style-type: none"> <li>• Incorporating warnings about costs into definitions proved unpopular because they: <ul style="list-style-type: none"> <li>• give rise to unanswered questions about which costs would apply when and how high they might be</li> <li>• detract from the actual definition</li> <li>• make the definition longer and more complicated</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• in context of unplanned overdrafts: 'Costs might include overdraft usage fees and overdraft interest'</li> <li>• in context of sending money abroad: 'Different costs may be incurred depending on the currency and on the country to which you are sending the money'</li> </ul>

### Proposals for definitions

**4.31** We now set out the definitions we propose to use for the ten services identified for inclusion on the UK list of services.

**4.32** The definitions we tested with consumers form the starting point. These definitions were then modified in the course of the focus groups to present new, suggested definitions based on the overall feedback of consumers.<sup>20</sup> We have developed these suggestions still further by applying the general lessons learned on language, for example the need for consistency. In this way, we have used both the general and specific consumer feedback to refine the definitions.

<sup>20</sup> For details of consumer feedback on the definitions we tested, see chapter 5 of the Optimisa Report available at: [www.fca.org.uk/your-fca/documents/research/payment-accounts-directive-services-qualitative-research](http://www.fca.org.uk/your-fca/documents/research/payment-accounts-directive-services-qualitative-research)

**4.33** Figure 14 below contains the ten terms and corresponding definitions we are proposing.

**Figure 14 – Proposed terms and definitions**

<b>Proposed term</b>	<b>Proposed definition</b>
<b>account fee</b>	A fee that you pay regularly for your account and anything else offered with it (for example travel insurance).
<b>arranged overdraft</b>	When we agree in advance that you can borrow up to a certain amount of money if you have no money left in your account.
<b>unplanned overdraft</b>	When we allow you to borrow money when you have no money left in your account or have gone past your arranged overdraft limit.
<b>refusing a payment due to lack of funds</b>	When we refuse a payment from your account because there is not enough money in it (or it would take you past your arranged overdraft limit).
<b>allowing a payment despite lack of funds</b>	When we allow a payment to be made from your account although there is not enough money in it (or it would take you past your arranged overdraft limit).
<b>sending money within the UK</b>	When you make a payment to another account in the UK.
<b>sending money outside the UK</b>	When you make a payment to another account outside the UK.
<b>receiving money from outside the UK</b>	When money is sent to your account from an account outside the UK.
<b>withdrawing foreign currency outside the UK</b>	When you withdraw foreign currency from a cash machine outside the UK.
<b>debit card payment in a foreign currency</b>	When you use your debit card to make a payment in foreign currency. This can be in a shop, online or over the phone.

**Q4:** Do you agree with the proposed definitions of the services? If not, please explain why not and suggest alternatives. If there are services you consider should be added to the list (see Q2), please suggest definitions for these services.

## 5. What we will do next

### Follow-up to this Call for Input

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- 5.1** We will analyse responses to this *Call for Input* and consider any specific proposals for changes to the choice of services on the draft list or to the suggested terms and definitions.
- 5.2** We intend to publish a Feedback Statement during the first half of September 2015. We will summarise the feedback of respondents and explain how we have finalised the provisional list. The Feedback Statement will also include the provisional list to be submitted.
- 5.3** The UK provisional list will then be submitted to the European Commission and the EBA by the deadline of 18 September 2015.

### Further measures to implement PAD

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- 5.4** The UK government must implement PAD into UK law by 18 September 2016. We understand that the Treasury intends to make new secondary legislation and amend existing legislation. We expect some of these legislative changes to require us to amend our rules.
- 5.5** When the implementing legislation is in place, we will consult on proposals for consequential changes to our rules. In order to ensure that PSPs can comply with new rules by 18 September 2016, we will publish our final rules as soon as practicable.

# Annex 1

## List of questions

- Q1:** Do you agree with our approach to defining what constitutes a 'service'? If not, please explain why not and how we could apply the EBA Guidelines differently.
- Q2:** Do you agree with our proposed list of most representative services? If not, please explain why not. Are there services that you consider should be added to the list?
- Q3:** Do you agree with the terms we propose to use to refer to the services on the provisional list? If not, please explain why not and suggest alternatives. If there are services you consider should be added to the list (see Q2), please suggest terms to refer to these services.
- Q4:** Do you agree with the proposed definitions of the services? If not, please explain why not and suggest alternatives. If there are services you consider should be added to the list (see Q2), please suggest definitions for these services.

## Annex 2

### List of terms and definitions which were tested with consumer focus groups

Service	Terms	Definition
<b>Authorised overdraft</b>	<ul style="list-style-type: none"> <li>Arranged overdraft</li> <li>Planned overdraft</li> <li>Formal overdraft</li> <li>Agreed overdraft</li> <li>Formally requested overdraft</li> <li>Authorised overdraft</li> </ul>	When we agree in advance that you can borrow a certain amount of money once you have no money left in your account. Costs might include an overdraft set up fee, an overdraft renewal fee, overdraft usage fees and overdraft interest.
<b>Unauthorised overdraft</b>	<ul style="list-style-type: none"> <li>Unarranged overdraft</li> <li>Unplanned overdraft</li> <li>Informal overdraft</li> <li>Unagreed overdraft</li> <li>Informally requested overdraft</li> <li>Unauthorised overdraft</li> </ul>	When we allow you to borrow money if you have no money left in your account and you don't have a pre-arranged overdraft or you have gone past the limit of your pre-arranged overdraft. Costs might include overdraft usage fees and overdraft interest.
<b>Allowing a payment despite insufficient funds being available</b>	<ul style="list-style-type: none"> <li>Paid referral fee</li> <li>Paid transaction fee</li> <li>Accepting a payment despite a lack of funds</li> <li>Paid item fee</li> </ul>	When we allow a payment to be made from your account when there is not enough money in your account (or it takes you past your pre-arranged overdraft limit).
<b>Stopping a payment because of insufficient funds</b>	<ul style="list-style-type: none"> <li>Returned item fee</li> <li>Declined transaction fee</li> <li>Unpaid item fee</li> <li>Unpaid transaction fee</li> <li>Stopping a payment due to insufficient funds</li> </ul>	When we stop a payment because there is not enough money in your account (or it would take you past your pre-arranged overdraft limit).
<b>Withdrawing £ in the UK</b>	<ul style="list-style-type: none"> <li>Cash withdrawal in £ in the UK</li> <li>Sterling cash withdrawal in the UK</li> <li>Sterling ATM withdrawal in the UK</li> <li>Sterling cash machine withdrawal in the UK</li> </ul>	When you withdraw sterling using a cash machine, bank branch or Post Office branch located in the UK.
<b>Withdrawing £ outside of the UK</b>	<ul style="list-style-type: none"> <li>Cash withdrawal in £ outside of the UK</li> <li>Sterling cash withdrawal abroad</li> <li>Sterling ATM withdrawal abroad</li> <li>Sterling cash machine withdrawal abroad</li> </ul>	When you withdraw sterling from a cash machine or bank branch located outside of the UK

<b>Withdrawing foreign currency in the UK</b>	Cash withdrawal in the UK not in £ Foreign currency withdrawal in the UK Non-sterling cash withdrawal in the UK Non-sterling ATM withdrawal in the UK Non-sterling cash machine withdrawal in the UK Foreign cash withdrawal in the UK Foreign cash fee	When you withdraw money from a cash machine in the UK but in a currency other than sterling.
<b>Withdrawing foreign currency when abroad</b>	Cash withdrawal outside the UK not in £ Foreign currency withdrawal abroad Non-sterling cash withdrawal abroad Foreign ATM cash withdrawal Non-sterling ATM withdrawal outside the UK	When you withdraw currency other than sterling from a cash machine outside of the UK
<b>Debit card payment in £</b>	Sterling debit card payment Debit card payment in £ Paying by debit card in sterling	When you use your debit card to make a payment in sterling, for instance to buy goods or services in a shop, online or over the phone.
<b>Debit card payment not in £</b>	Non-sterling purchase fee Non-sterling purchases Debit card foreign exchange fee Currency conversion for using your debit card online or abroad in a currency other than sterling Foreign cash fee Non-sterling transaction fee for buying goods and services Non-sterling transaction fee Foreign currency card transaction	When you pay for goods or services in a currency other than sterling using your debit card.
<b>Sending money abroad from your account</b>	Sending money abroad Sending money outside the UK	When you send money from your account to an account outside the UK. Different costs may be incurred depending on the currency and on the country to which you are sending the money.
<b>Receiving money from abroad into your account</b>	Receiving money from abroad into your account	When someone sends money to your account from an account outside the UK. Different costs may be incurred depending on the currency and on the country from which the money is sent.
<b>Sending money from your account to another account in the UK</b>	Electronic payment within the UK Money transfer within the UK Credit transfer within the UK Sending money within the UK	When you make a payment (normally a one-off payment) to someone else's account in the UK.
<b>Cancelling a cheque</b>	Cancelling a cheque Stopping a cheque	When you ask us to cancel a cheque that you have written.

<b>Providing a copy of a paid cheque</b>	Providing a copy of a paid cheque Copy of a cheque	When you ask us for a copy of a cheque that has been paid from your account.
<b>Special presentation of a cheque</b>	Direct presentation Special presentation Express presentation	When you ask us to confirm that a cheque you pay in will be paid by the bank of the person that gave you the cheque.
<b>Issuing a banker's draft</b>	Issuing a banker's draft	When you ask us to issue a banker's draft. A banker's draft is like a cheque but is written by us and can only be paid in by the person you ask us to pay.
<b>Paying in a foreign cheque</b>	Clearing a foreign cheque Paying in a foreign cheque	When you pay in a cheque issued by a bank outside the UK.
<b>Account management</b>	Account fee Banking fee Subscription fee Product fee Packaged account fee	A fee that you pay regularly (normally monthly) to run your account and for anything else offered with the account in a package (e.g. travel insurance).
<b>Standing Order payment</b>	Standing order	When you ask us to make regular payments for a fixed amount to someone else's account.
<b>Direct Debit payment</b>	Direct debit	When you agree that someone else can take money from your account on agreed dates (normally to pay bills) although the amount paid may vary.
<b>Banker's reference</b>	Giving a reference Banker's reference	When you ask us to provide a written reference confirming that you hold an account with us and whether we consider you might be able to meet a certain financial commitment.
<b>Providing a copy of an old statement</b>	Copy of statement Duplicate statement Copy of issued statement Providing a copy of an old statement	When you ask for a copy of a statement that has already been provided previously.
<b>Receiving statements more often than standard</b>	Statements more frequently than standard Extra statements Receiving statements more often	When you ask for statements to be sent to you more often than we would usually send them.



Financial Conduct Authority



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