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**SUMMARY OF RESPONSES TO THE PUBLIC CONSULTATION ON
FINANCIAL INCLUSION: ENSURING ACCESS TO A BASIC BANK
ACCOUNT**

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1. INTRODUCTION

On 6 February 2009 the European Commission published a consultation document on financial inclusion: ensuring access to a basic bank account, and invited the stakeholders to respond by 6 April. This document is a summary of the contributions received.

The results of the public consultation will help the European Commission to assess the need for and the scope of any policy action on ensuring access to a basic bank account.

2. CONSULTATION DOCUMENT

The objective of this consultation was to collect views from all stakeholders on how financial inclusion can be improved and, more specifically, on how best to ensure that by a certain date every EU citizen or resident has access to a basic bank account. The Commission services in particular welcomed input on how the responsibilities and competences between the public authorities and the private sector, and more broadly between the national and the European level, should best be shared to address financial exclusion, and on what instruments could be used.

The scope of the consultation was limited to the access to basic bank accounts, which include services such as payments and withdrawals but exclude overdraft facilities. Other financial services may be considered at a later stage.

3. RESPONSES TO THE CONSULTATION

The European Commission received 97 responses to the public consultation. This document provides a high level overview of the comments made by stakeholders.

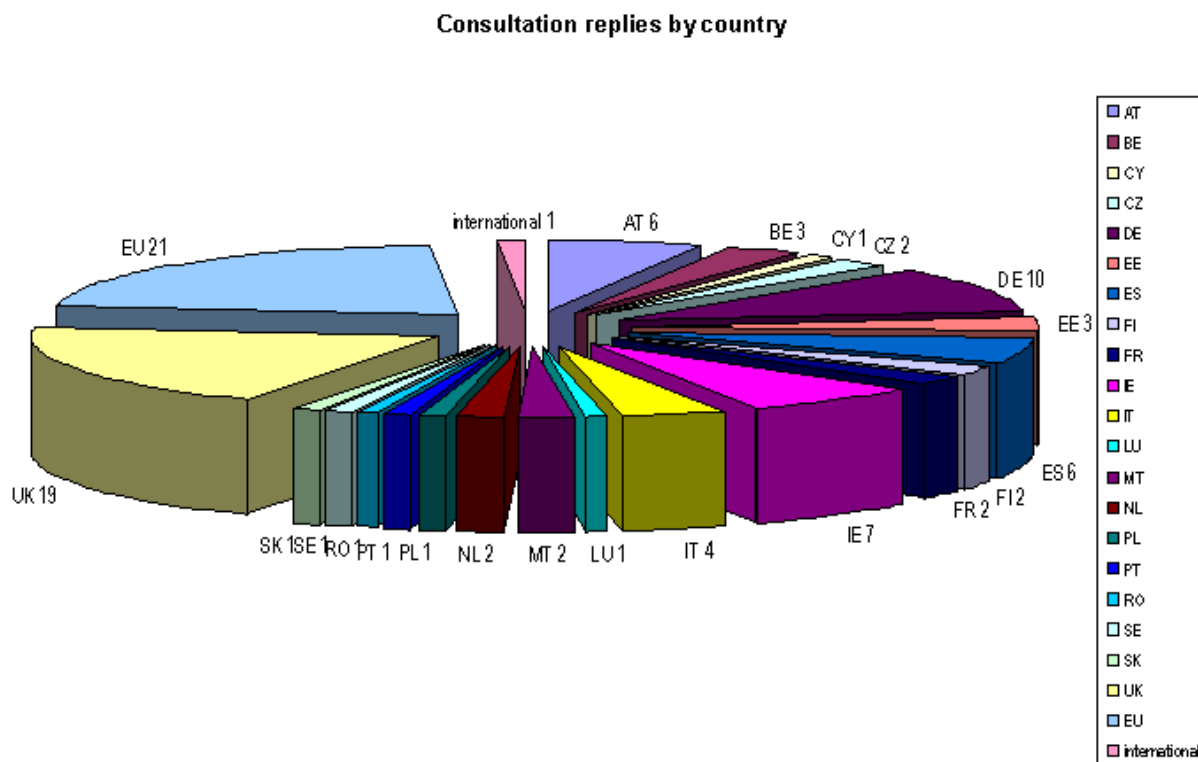
The respondents can be classified into seven main categories: public authorities, consumers/users, financial services industry, trade unions, civil society organisations, academics/think tanks, and individuals/others. The table below shows how the responses are split between these different categories.

Table 1: Contributions received by stakeholder category

Stakeholder category	Number of replies	Percentage
Public authorities	23, of which: 19 Member States authorities 4 municipal authorities	23.7 %
Consumers/users	11, of which: 9 representative bodies 2 expert panels	11.3 %
Financial services industry	29, of which 24 representative bodies 5 corporates	30 %
Trade unions	2	2.1 %
Civil society organisations	21	21.7 %
Academics and think tanks	5	5.1 %
Individuals and others	6	6.1 %
Total	97	

In total, contributions were received from stakeholders in 20 EU Member States as well as from representative bodies at EU and international level.

Graph 1: Numbers of contributions received by territorial origin



3.1. General

Most respondents welcome the Commission’s initiative giving an opportunity for all stakeholders to provide input on this issue. Access to a basic bank account is considered necessary for fully participating in the society. It is recognised that financial exclusion contributes to social exclusion and that denying access of some persons to basic financial services opens a gateway to denying them a host of other fundamental, social and economic rights. It is also accepted that financial exclusion is increasingly a problem in the EU, and considering the important societal role of financial services, the level of financial exclusion in Europe is alarming. Many respondents agree that increasing numbers of people are likely to be affected as a result of the ongoing financial crisis, and welcome the priority that the Commission gives to this public policy challenge that the EU is currently facing.

Access to a basic bank account is viewed by many as the most urgent issue to be tackled, while other financial services, such as savings, insurance, credit, microfinance, could be looked at in the future.

3.2. Objective and scope of the consultation

Stakeholders were asked the following questions:

- Do you share the Commission's overall objective to ensure that, by a certain date, every EU citizen or resident has access to a basic bank account? What could constitute the main challenges in meeting this objective?

Most **public authorities** share this objective, emphasising that access should be a right rather than an obligation. One public authority disagrees with the objective, stating that credit institutions should have the right to choose their clients. One respondent considers that access to a basic bank account should be judged through a comprehensive analysis of the existing barriers, not by the share of the 'unbanked'. The main **challenges** in meeting this objective listed by public authorities are the possible resistance from different stakeholders to introduce and promote basic bank accounts, both supply (e.g. price, geographical access) and demand (e.g. lack of necessary financial capability or IT knowledge) factors, legal requirements concerning customer identification and anti-money laundering regulation. Some respondents believe that it would be difficult to define minimum requirements and costs for a basic bank account across the Member States and ensure appropriate monitoring. Many believe that the current economic situation increases unemployment and mistrust of the service providers, thus increasing self-exclusion. Some consider that establishing a date by which access should be granted is difficult but nevertheless important. Cooperation between public authorities, the industry and civil society is considered as necessary, as are awareness raising campaigns.

Consumer/user stakeholders would like to see a universal EU-wide right to a basic bank account provided free of charge or at a minimum fee. Among the biggest **challenges** several respondents see the lack of political will as the majority of Member States have not yet fully recognised the problem. They also state that even in countries where access to a basic bank account is a legal right, it cannot always be exercised. Many fear that the crisis will decrease providers' willingness to provide basic bank accounts.

The **financial services industry** recognises the importance of basic bank accounts but believes that the freedom to contract should be maintained. Many respondents find that as the causes of banking exclusion are manifold and diversified, the strategy to combat it should be multifaceted. Many respondents mention the necessity to follow the subsidiarity principle. Several respondents see it as a business opportunity which enables the implementation of anti-money laundering rules since funds would circulate through formal channels. Some consider access also important for achieving the Single Euro Payments Area (SEPA). One respondent finds that the target date of right to a basic bank account should be set at ten years. As for the main **challenges** the industry points out the demographic curve which will be accentuated in the coming years and the financial landscape that is too uniform in some Member States, i.e. addressed to the more profitable segments of the population. Problematic is also the lack of debate in some Member States – the majority of respondents believe that all involved stakeholders should be encouraged to participate in the dialogue. Another challenge mentioned was the necessity to match the Commission objectives of regulation in this field to existing anti-money laundering requirements.

Civil society stakeholders consider access to a basic bank account as a universal right. The main **challenges** identified are the development of joint responses to causes of exclusion on the societal, demand and supply sides, the availability of competing banking services (e.g. provided by post offices) which do not meet minimum requirements for basic banking services, customer identification and address requirements. Another problem mentioned is the lack of access of indebted people to basic financial services. Some respondents see a need to develop new ways of engaging with individuals who never had accounts and do not see the use of them.

Academics/think tanks believe that banking should be considered a utility service and several of them support a legal requirement for it. They consider that minimum standards and fees of an appropriate account would need to be defined at EU level. As the main **challenge** they see the lack of political will and also the lack of interest of providers, several considering that delegating this task to providers has not been a success. Partnerships between all stakeholders are necessary. Some also point out that identification problems would need to be tackled.

Other stakeholders also suggest various measures already described above.

3.3. Causes and consequences of financial exclusion

Stakeholders were asked the following question:

- Do you agree with the description of the causes and consequences of financial exclusion? Please provide additional information if available.

The majority of **public authorities** agree with the description of causes and consequences. They believe that the problem is often the lack of information about products, not their availability. Problem for many consumers is also the provision of a valid address and high costs associated with accounts. Some mention that where the underlying problem is inadequate income, access to a bank account is not the solution. There is also a low level of economic awareness among certain social groups. Several respondents contend that self-exclusion cannot be addressed by financial education alone. One respondent is of the opinion that in the current economic crisis, factors of exclusion manifest themselves jointly and mutually penetrate one another, translating into a low quality of life which increases the range and intensity of exclusion. Recent negative publicity surrounding banking behaviour could also deter vulnerable people from becoming involved. Some public authorities do not agree with the description of causes and consequences by stating that in their countries there are no considerable obstacles to be eliminated in order to increase access.

Consumers/users' main concern is that the banking sector is not proactive about basic bank accounts as it mainly targets the most profitable part of the population because below a certain price equilibrium level consumers are not viable for banks. Some respondents believe that providers should be required to cross-subsidise lower income/less profitable consumers by providing access to bank accounts for all citizens on equal terms. Some respondents argue that documentation requirements needed to open bank accounts are restrictive. Several respondents point out that as social and income inequality are the root causes of exclusion, encouraging the financially excluded to engage with financial services needs to be part of a much broader strategy including new

rules at EU level. Lack of access to financial advice is considered an issue that also needs to be tackled.

The **financial services industry** believes that as the situation itself and the causes/consequences are very diverse, a differentiated analysis is necessary. In general the financial services industry supports access to basic bank accounts because transactions in cash and cheques have a cost on the efficiency and competitiveness of the economy. The majority of respondents believe that the diversity of the banking sector must be preserved. One argues that the danger of some citizens losing their sense of financial perspective should be taken more seriously. It is mentioned that in many Member States access to banking is universal and non-discriminatory. A number of respondents cannot agree that fees are too high since in several Member States basic bank accounts are even free of charge. Several respondents agree that the lack of trust in financial institutions makes it difficult to overcome self-exclusion. Some believe that the complexity of products affects even the well-educated socially integrated people. A few stakeholders point out that public sector solutions can contribute to people choosing to remain unengaged and that the absence of a national ID card in some Member States also hinders financial institutions to provide accounts. One respondent believes that a targeted approach to migrants is necessary.

Civil society organisations consider as the main causes of exclusion the lack of a commercial imperative, language barriers, financial literacy and customer confidence but also stricter anti-money laundering rules and ID requirements. Some argue that persons in judicial debt settlement procedures, with negative credit data or facing bankruptcy are often excluded from access to financial services. In addition several stakeholders bring out certain groups who have specific problems like persons with disabilities (e.g. physical access to the institutions, discriminatory attitudes in the banking sector), homeless people (e.g. lack of address), the elderly (e.g. the technological gap), people of migrant background (e.g. documentation requirements). One respondent also finds that ethnic minorities and women are discriminated. Furthermore, discrimination on the basis of race, religious belief and sexual orientation has been mentioned as a barrier to accessing financial services. One respondent considers that the question of selling wrong products should be tackled e.g. the use of incentive structures exclusively encouraging sales of products should be avoided.

Some **academics/think tanks** believe that the current crisis is resulting in many people finding themselves excluded, and that previous over-inclusion (i.e. access to high levels of credit) may have been a reason of greater exclusion. One respondent believes that the main reason for lack of accounts can be found in the termination of a contract by the supplier in the case of garnishment from third parties. Few respondents consider that marketing and customer relations strategies can both result in direct exclusion of certain groups of people. Some respondents suggest that the impact of financial exclusion on the economy and society as a whole needs to be further studied. One respondent finds that the Commission should focus on promoting savings over credit.

Other stakeholders mention as the causes of financial exclusion unemployment, low income, foreign nationality, negative credit data.

3.4. Role of financial services providers

Stakeholders were asked the following questions:

- Do you think that one can reconcile financial service providers' legitimate need to make profit with any social obligation they may have vis-à-vis excluded groups? Should financial service providers play a stronger 'social' role in the society, in particular in combating financial exclusion?
- In your experience, where voluntary codes of conduct are in place, are they well applied?
- Should all providers be obliged to offer basic bank accounts to all citizens throughout the EU?
- Should basic bank accounts be provided on a commercial or not-for-profit basis; i.e. should they be free of charge? In case you favour the latter option, who should bear the costs?
- Could the role of alternative commercial and not-for-profit financial services providers in addressing financial exclusion be enhanced? What could be done to encourage more such providers to help with access to basic bank accounts?

3.4.1. Reconciliation of the need to make profit with their social obligations

Public authorities believe that the financial service providers' legitimate need to make profit is or can be reconciled with any social obligation they may have vis-à-vis excluded groups. In particular, they stress that although such reconciliation exists or is possible, it should be pursued via own-initiatives in the context of promoting corporate social responsibility (CSR). A few respondents indicate that the state can have a role in encouraging/supporting industry's CSR initiatives, including financial inclusion. Several respondents favour encouraging the industry to act in the context of their CSR policies.

Consumer/user stakeholders are of the view that financial service providers can make profit, being at the same time socially responsible and contributing to financial inclusion. Most of the respondents call for a greater social role of banks, a few explicitly supporting the introduction of an obligation to be socially responsible and provide basic bank accounts. The common justification is that banks operate in the society, they offer services of general interest, and providing basic bank accounts will improve their profitability, at least in the medium and long term.

Industry stakeholders agree with the possibility to make profit while being socially responsible – corporate social responsibility is a key element for them. Some respondents point out that serving the financially excluded represents a growth and profit opportunity, a win-win scenario in the long run. Most of the respondents state that they are already promoting financial inclusion by various means, including a wide selection of products (including basic bank accounts) and microfinance, as well as financial education programmes for improving financial literacy. One respondent argues that banks must not be prevented from charging economically viable prices for any of their products, and that if certain clients cannot afford these prices, it is the task of general social policy to help them. Another respondent claims that each bank has to decide itself whether it can take

a specific social obligation with regard both to its business policy and mandate, and the competitive environment. One respondent argues in favour of a universal access to financial services, and to banking services in particular, finding that greater financial inclusion would reduce costs across the industry by moving to paperless transactions.

Civil society organisations stakeholders express the view that financial service providers can make profit, while being at the same time socially responsible. Some organisations argue in favour of regulation compelling banks to be socially responsible and provide basic bank accounts, while a few others are against such regulatory intervention. The idea that financial services providers should be encouraged to be more active concerning financial inclusion received general support, with the main arguments in favour being that financial services should be integrated in the services of general interest and accessible to any person living in the EU, that the activity will be profitable, that they owe it to the society after receiving considerable amounts of taxpayers' money during the crisis.

One **trade union** stakeholder believes that universal access and high quality of affordable financial services for everyone must be guaranteed. Most **academics and think tank** respondents agree that the two aims can be reconciled, while some believe either that the two are incompatible, or that there have to be trade offs. **Other** stakeholders argue that since access to a basic bank account involves low charges, not all banks are interested in providing them. Also, the availability of these services has no commercial visibility.

3.4.2. The effectiveness of voluntary codes of conduct

Many **public authorities** find that voluntary codes of conduct are well applied and have a positive contribution. Some of these respondents emphasise the importance of robust monitoring/reviewing, and updating arrangements where voluntary codes are in place. A substantial number of respondents either have no experience of such codes, or do not express an opinion on whether the codes in place are well applied and beneficial. A few respondents question the value and usefulness of voluntary codes, with one of them pointing out that such codes allow financial institutions to promote themselves as 'Corporately Responsible' by stating that they provide basic bank accounts, without the need to provide detailed evidence.

In general, most **consumer/user** respondents do not perceive voluntary codes in a positive manner. Many of them argue that they do not work well and others find a number of problems with them that, unless addressed effectively, render the codes of little or no value. Such problems include ineffective monitoring, lack of consumer information, lack of enforcement procedures in case of non-application, lack of application at branch level. Very few respondents expressly support the codes.

A large majority of **industry** respondents support the voluntary codes and find that they are well applied, delivering benefits particularly in terms of access to basic bank accounts. Some point out that successful codes must have targets that can be measured and monitored, and that the government should stimulate banks to self-regulate and create platforms for exchange of best practice. One respondent finds that codes are more appropriate than regulation as they are more flexible and can be better adapted to consumer needs. One respondent argues that a code could be accompanied by regulation, while another finds that the limited effect of existing codes could be remedied by drawing up clear guidelines regarding the design of basic bank accounts.

The majority of the respondents from **civil society organisations** do not consider voluntary codes effective. They do not believe that they are well applied, and indicate a preference for binding legislation. Some respondents point out the problems that compromise their effectiveness, such as differences in implementation, low awareness by bank staff and customers and low application of the code at branch level by client-facing staff.

Most of the **academics/think tanks** stakeholders are not in favour of voluntary codes as they consider them not well applied and not delivering real benefits. In particular, one respondent argues that the banks' commitment to offer basic bank accounts exists often only on paper, that some branches may even have a covert policy of not opening basic bank accounts, and that awareness of staff and information provision to customers is inadequate.

3.4.3. Obligation of all providers to offer basic bank accounts

The majority of **public authorities** disagree with the idea that all providers should be obliged to offer basic bank accounts to all citizens throughout the EU. Arguments cited include the respect for the commercial orientation of banks and their prudential and risk management considerations, preference for self-regulation, costs from additional regulation. On the other hand, some respondents support the idea of obliging all banks to offer basic bank accounts.

Most **consumers/users** answered this question in the affirmative. Several find that Community legislation should be introduced with a minimum harmonisation approach where a basic bank account profile is created based on best practice from around the EU. Some point out that the introduction of any such obligation would have to carefully consider how to avoid disproportional burdens on certain providers. A few respondents reject the idea of a compulsory basic bank account provision.

A large majority of the respondents of the **industry** answered this question in the negative, with most of them stating that the principle of contractual freedom is fundamental and must not be breached in a market economy. Many respondents offered a number of comments like stimulating banks to self-regulate is more productive, that the basic bank account should be offered at a reasonable cost that includes a reasonable profit margin, that electronic payments of salaries and internet use should be promoted, that different situations in different Member States do not justify a 'one size fits all' approach, and that such an approach can contradict with provisions related to money laundering, immigration, etc. A couple of respondents pointed out that such an obligation would not burden every provider or every Member State equally, i.e. there would be a higher burden on small providers and on countries with high migrant flows. One respondent questions whether a requirement to provide a basic bank account to non-residents is related to financial inclusion.

Most **civil society organisations** answered this question in the affirmative. The arguments put forward included the fact that basic bank accounts are a service of general interest, that there should not be a two-tier banking system where one tier serves the rich and another the poor, and that any potential disadvantages to specific providers could be addressed by a compensatory financing system. Those few respondents who did not agree cited problems related to anti-money laundering regulations.

Trade unions' stakeholders are in favour of an obligation on banks to offer basic bank accounts to all citizens throughout the EU.

Some of the **academics and think tanks'** stakeholders stated that an obligation to provide a basic bank account should be introduced. Some were more sceptical, one favouring a differently balanced approach, and another arguing that the focus should be on what the financially excluded really need.

Other stakeholders also consider that an obligation should be introduced.

3.4.4. Basic bank accounts on a commercial or not-for-profit basis?

Most **public authorities** do not support the provision of basic bank accounts free of charge. In their comments they state that the costs of basic bank accounts should be moderate and covered by the customer, and that market forces would lead anyway to low prices for such accounts. Some respondents expressly supported basic bank accounts free of charge, while others did not take an explicit position. Their comments were that governments could create a compensatory financing system to support basic bank accounts free of charge, and that their cost could be covered by the interest earned on any remaining balance as well as from the increase of the customer base and cross-selling opportunities.

The opinions of **consumer/user** stakeholders are split. About half of the respondents support the provision of basic bank accounts free of charge. Those who do not support it argue that fees must be affordable/low and cost-based, that such accounts are already free or very low priced, that part of the cost could be covered from foregone interest or cross-selling, and that in case where basic bank accounts are introduced free of charge, governments should provide subsidies. The supporters of basic bank accounts free of charge argued that the costs could be covered by the banks themselves (cross-subsidisation), by government subsidies, and most importantly, by foregone interest, cross-selling, increased customer base, and the likelihood of future migration of clients to higher margin products. One respondent argued that basic bank accounts could be based on the existing youth accounts, which provide similar features and have low fees.

The majority of **industry** stakeholders do not believe that basic bank accounts should be provided free of charge, commenting that such accounts should be accessible, simple, and inexpensive/reasonably priced with transparent fees. One respondent stated that there could be regulation setting minimum price for basic banking products. Another offered an option for covering the costs, such as 0 % balance interest, charging a reasonable fee, etc. In general, the respondents believe that in case a basic bank account has to be provided free of charge, the cost should not be covered by the banks themselves or their customers, but by the state.

The majority of **civil society** stakeholders believe that basic bank accounts should be provided free of charge, covered from the interest paid on the remaining balances and cross-selling. Others say that there can be government funding, especially given that governments will save money by transferring payments at a much lower cost. A few others believe that banks themselves could bear the whole or part of the cost. Those respondents that either disagreed or simply commented concerning the provision of free basic bank accounts said that they could be provided at a reasonable cost, that the government could subsidise part of the cost, and that it could be possible that those

accounts that are not loss-making to be free while the loss-making would have a reasonable cost.

The majority of **academics and think tanks** do not believe that basic bank accounts should be free of charge, but that a reasonable fee could be charged. One respondent said that if governments want to alleviate certain groups from the burden of these fees, they can make direct welfare payments to them in the amount of the fees.

3.4.5. The role of alternative commercial and not-for-profit financial services providers

Most **public authorities** believe that the role of alternative commercial and not-for-profit financial services providers can be enhanced. Proposals include greater participation in financial education programmes, promotion of their basic banking services and improving the image, support by public authorities, perhaps through a compensatory financial system, partnerships with mainstream financial institutions and provision of advisory services. Some of the respondents who were sceptical about the idea commented that this could result in a two-tier financial system, further stigmatising and leading to greater exclusion.

Consumers/users agree that the role of alternative commercial and not-for-profit financial services providers can be enhanced. Various proposals are put forward on how to achieve this: enhance competition between traditional and alternative providers, possibly draft rules to allow some non-banks to provide bank accounts, serve as intermediary between the banks and the financially excluded, partnership with main banks to operate basic bank accounts, be a support system for money and/or debt advice, provide the Commission and government support for the development of these alternative providers, encourage them to engage in greater awareness raising and sharing their expertise and best practice. One respondent pointed out that such enhancement should not allow banks to escape their responsibility of providing bank accounts for everybody. Another considers that the presence of these providers may not be sufficient at present.

The **industry** respondents generally do not oppose the enhancement of the role of alternative commercial and not-for-profit financial services providers. One respondent said that governments could guarantee loans, provide subsidies to help alternative providers to reach out to marginal groups to provide support and coaching, and also that subsidies could help to improve the distribution network in rural areas. A few respondents commented that the supply of basic bank accounts could be enhanced by creating appropriate/favourable regulation for alternative providers to allow them to operate bank accounts. One issue cited by many is that this action could create a two-tier financial system that would further marginalise and stigmatise. Another concern relates to the fact that the action could create a distorted playing field, favouring some to the detriment of others. Some respondents pointed out that some markets already offer a lot of support and facilitation, meaning that they do not need to go further and also that they could serve as benchmarks – one respondent gave the example of a partnership between a bank and a credit union, through which the latter can offer its members a full current account banking service. The respondents that explicitly supported the idea said that partnerships are a very good way to enhance the role of alternative/not-for-profit providers, and that institutions that enhance their role and support would be compensated from the benefits this would bring to the company's image.

The majority of **civil society** respondents believe that the role of alternative commercial and not-for-profit financial services providers can be enhanced, but some call for caution in order not to create a 2-tier financial system. Ways to enhance this role include the support and reinforcement of their role as facilitators (providers of advice, information), possibly by government funding, support to build on their experience and expertise, document and share skills, attain greater coverage. A few respondents pointed out that the role of credit unions and post offices should be enhanced, exploiting the latter's great geographical coverage.

Most of the **academics/think tank** respondents believe that the role of alternative commercial and not-for-profit financial services providers can be enhanced. One respondent said that these organisations could be financially assisted by the state, but this should not mean that basic bank accounts would end up being provided only by these organisations. Other opinions stated that these providers could enhance their role via operating basic bank accounts through partnerships with mainstream providers, and by assisting and supporting vulnerable consumers, and also that greater support should be given to such providers in order to develop and offer products that respond to people's needs.

Other stakeholders believe that such providers could help in information campaigns, fighting financial illiteracy and providing counselling.

3.5. Role of public authorities

Stakeholders were asked the following questions:

- Should regulators be required to consider the impact of regulation on financially excluded groups?
- What is the most effective role public authorities can play in combating financial exclusion – e.g. providing an understanding of the problem; assessing the efficiency of policy measures implemented and their impact on financial inclusion; promoting and supporting market initiatives; contributing to the provision of financial services; raising awareness; intervening in cases of exclusion (e.g. via tax incentives, subsidies or regulatory penalties); introducing legislation?

3.5.1. Considering the impact of regulation on financially excluded groups

A large majority of **public authorities** consider that every regulatory decision should be based on the results of an impact assessment, taking into account impacts on various target groups without discrimination. Several believe that financial inclusion must be integrated into other policy areas such as economic, employment and social policy, and that it must be taken into consideration in the European debate. Many respondents point out that cooperation between professionals, consumer associations and the civil society is crucial for developing policies directed at disadvantaged groups. One respondent considers it important to bear in mind that regulation will increase the difficulty in accessing financial services for some (e.g. anti-money laundering rules).

Most **consumer/user** stakeholders believe that regulators need to consider the social effects of proposed measures because regulation of financial markets considerably affects the everyday life of consumers. One respondent proposes the Commission to carry out a study on whether and to what extent regulation and complex conditions of basic bank accounts has impact on exclusion. Others feel that adequate instruments and objective indicators to be applied across the EU have to be developed. A few respondents believe that national regulators should be given a statutory objective to promote inclusion. Some suggest that authorities should evaluate CSR practices. Application of a compensatory financing system was also mentioned as a means to wider access to basic financial services. One respondent suggests the publication of statistics on the impact of regulation on vulnerable consumers.

Most **industry** stakeholders share the view of having to consider impact on vulnerable groups because in many cases exclusion is only the result of regulation that may be necessary but is not well executed. Some believe that stringent regulations can have unintended consequences and add complexity, further discouraging the take-up of basic bank accounts. They mention that some (especially cross-border) customers find it difficult to provide ID documents and fulfil anti-money laundering/financing of terrorism requirements. Many respondents consider that it is necessary to enhance the capacity of the sector to find best solutions and that a level playing field should be preserved for new entrants or alternative networks. One respondent finds that regulators should not be required but encouraged to consider the impact of regulation on financially excluded groups. Another respondent claims that there is no need of extra regulation for financially excluded groups as all social groups are already covered and people should be treated equally not depending on their economic status.

Civil society respondents believe that corporate social responsibility policies should be encouraged, and that competition distortion should be avoided between providers who serve the 'at risk' population and those who do not. To ensure proactive financial institutions, some believe that the 1977 US Community Reinvestment Act should be looked at according to which banking institutions are assessed according to their involvement in community reinvestment. One respondent finds that regulators should not only consider the unintended side effects of regulation on financially excluded groups but that they should actively combat exclusion. Another believes that regulators should provide supervision regimes and issue guidance materials to firms. One respondent feels that the impact of regulation on vulnerable groups should not only be assessed for new legislation, but regulatory performance would need to be reviewed and evaluated. Some suggest that the Commission should look at anti-money laundering legislation to see how the difficulties that it has caused could be overcome.

Many **academics/think tank** stakeholders find that regulators should have the obligation to promote the interests of all consumers and that they should be given a statutory objective to promote financial inclusion. Some respondents believe that anti-money laundering legislation creates barriers for some groups, e.g. ex-prisoners. A few think that legislation similar to the US Community Reinvestment Act should be implemented.

Other stakeholders also think that it is essential that regulators play an active role in what regards financial exclusion issues.

3.5.2. *The possible role of public authorities*

Public authorities' stakeholders consider their role as gathering information and setting indicators to measure inclusion, provision of consumer protection and free impartial financial advice, making sure that legislation is followed. Many also believe that they should be involved in long-term programmes like the provision of financial education and enhancing customer confidence, raising public awareness on financial inclusion with the help of the financial sector, promoting and supporting market initiatives, asking the sector to submit regular reports on their activities, assessing the efficiency of policy measures implemented and their impact on financial inclusion. Addressing anti-money laundering issues, ensuring cooperation and coordinating efforts of all stakeholders, supporting and developing local partnerships were also mentioned. One respondent believes that governments should put in place a system of extrajudicial settlement of disputes. Some consider that authorities could enhance inclusion by an electronic payment of state benefits.

Consumers/users are generally of the view that public authorities could do all the activities suggested in the question and in addition, the following was proposed: set up mechanisms for tracking the development of exclusion in the society, enter in discussions with all stakeholders on measures, verify market offer to vulnerable groups, regulate basic bank account fees (e.g. maximum fee). In drafting, implementing, monitoring and evaluating legislation public authorities should consult consumer associations. One respondent suggests a common regulatory framework throughout the EU, another prefers installing effective control measures with regard to soft regulation. Many respondents feel that awareness raising and education have limits as to their success in fighting exclusion because people most likely financially excluded also lack access to education. Good quality money advice services are felt by many as crucial. Several believe that better reporting on the numbers of consumers facing exclusion, and on the performance of banks is needed. Several find that the Commission should require Member States to grant access (e.g. by setting up a time limit to open accounts, establishing their functionality and charges). Some express the need for robust regulatory penalties for non-compliance with minimum standards. One respondent feels that the problem needs to be addressed from both the supply and demand perspective, and that innovative policy responses to exclusion problems should be supported. There was a general vision that where markets fail to address a public need, authorities need to intervene.

A large majority of **industry** stakeholders believe that voluntary codes are working well and that legislation should be considered as last resort only (one reason being that it would conflict with existing anti-money laundering, ID requirements etc). Legislation imposing fixed targets or prescribed account features on industry is not considered an ideal approach as it leads to minimalist implementation and stifled innovation. Some industry representatives have emphasised that since the situation is very different in each Member State, the most effective role of public authorities has to be defined at national level. Respondents support authorities to act as facilitators, raise awareness, support market initiatives, enhance financial capability (e.g. by adding it in school curricula). One respondent believes that maintaining a level playing field for new entrants is also important. A few respondents feel that in the transition period, contributing to financial services provision by subsidies is necessary. Another respondent considers that in the new Member States it is necessary to force banks and governments to service all customers, and to monitor that expenses are reasonable. Several find that as it is recognised that there is need for such a service, market driven initiatives will emerge.

One suggests authorities' role of boosting the proactive behaviour of market players by helping the circulation of bank products designed for the unbanked.

Several **civil society** stakeholders feel that authorities need to create a right environment in which financial exclusion is recognised as an issue, e.g. they should set up roles for all stakeholders, evaluate policy measures and their impact on exclusion and implement constraints. Some respondents believe that public authorities should request transparency from providers and consider tax rebates for investing in social projects. Others believe that a legal limit to income seizures should be considered, also taxation and subsidies to ensure availability of a basic bank account. Some believe that it needs to be defined that a basic bank account is a service of general economic interest. It was generally felt that NGOs should be involved in bringing expertise, training, also that local level initiatives are supported. Some favour Member States paying benefits directly to accounts. One respondent mentioned that in some Member States the banking code was triggered by a recommendation from the government. There was also a general vision that authorities should provide advice services and insert financial education in national school curricula.

Trade union stakeholders feel that regulatory measures to ensure consumer protection are needed. Service providers should be asked for more transparency, e.g. data on the number of accounts, the profile of customers and complaints, and yearly compliance reports on inclusion. These stakeholders also believe that the sales situation must be transparent to detect possible conflicts of interests, commissions, fees, incentive schemes.

Academics/think tanks are of the opinion that cities and communities could condition their banking contacts/contracts on the basis of whether the supplier discriminates against the population in their access to financial services (e.g. by publishing a blacklist of providers). They believe that there should be a statutory reporting on the numbers of consumers facing exclusion, and the performance of individual banks (following the US Community Reinvestment Act model). Effective partnership between stakeholders needed, and integration of initiatives of financial inclusion and education. It was suggested that the European Commission should play an active role in ensuring that all citizens do have access to a basic bank account by a certain date.

Other stakeholders believe that public authorities should act both as facilitators, raising awareness and as legislators.

3.6. Possible role for the EU

Stakeholders were asked the following questions:

- Should financial inclusion be addressed at EU level? How could the responsibilities and competences between the national and EU level be shared? What could/should be the Commission's role?
- What could the Commission do to address the potential difficulties in opening basic bank accounts cross-border?
- Should the concept of financial inclusion cover financial services other than the provision of basic bank accounts?

3.6.1. Addressing at EU level – the Commission’s role

All **public authorities** support EU action in this field which is shared with national authorities as the levels of exclusion vary significantly from country to country. The majority favour sharing of best practices or issuing of a Recommendation (with a monitoring mechanism), a few public authorities support EU legislation or self-regulation at EU level. Some respondents favour legislation only after other measures have failed. Several believe that EU activity should also offer cross-border solutions. It was pointed out that the main problems at EU level are the different costs and availability of financial services. Some believe that setting a date by which nobody in the EU is denied access to basic financial services would have obvious advantages in some Member States. One respondent suggests that the EU should give incentives to countries where problems persist to take the issue seriously, e.g. by peer reviews. Another considered that the Commission could also promote pilot initiatives in Member States to develop good practice. One stakeholder suggests the provision of guidance for and coordination of initiatives to combat financial exclusion within the existing expert groups (Expert Group on Financial Education and Government Expert Group on Retail Financial Services). Another supports Commission financial support to increase access in post-2004 Member States. Yet another suggests that a single definition of a basic bank account should be considered. In general Member States should be encouraged to make inclusion a political priority, e.g. by issuing annual reports on inclusion initiatives/objectives reached.

Consumer/user stakeholders are more evenly split between sharing of best practices, a soft law and legislation, and a few support self-regulation. Supporters of binding EU regulation find it necessary especially in the current financial climate where the interests of vulnerable consumers are unlikely to be the priority of the industry. It is generally felt that there is not sufficient will on part of many Member State authorities to tackle exclusion, that there has been too much reliance on self-regulation and market initiatives which have failed to deliver. Many support a general policy of EU on financial inclusion. It is believed that the Commission should define the main features of a basic bank account and tackle the issue of the validity of an EU address and set up a continuous monitoring system across the EU. One respondent feels that mandatory codes of conduct applicable to all institutions should be established. Another finds that the Commission should establish benchmarks regarding the monitoring of exclusion and encourage governments to bring national practice into line with best practice. A general view is that there must be no variations in regulations, approaches and attitudes to handling problems across the Member States. One respondent suggests carrying out an in-depth study on the opening of basic bank accounts, and on removing obstacles to access.

Industry stakeholders generally support the Commission’s role in monitoring national markets and promoting best practices, encouraging an EU code of conduct but emphasise that solutions need to be adapted to different Member States, and that it is therefore difficult to define basic products. They argue for an umbrella agreement approach by setting targets and timelines for the level of inclusion, measures to monitor closely the performance and, if required, soft law. The need to follow the subsidiarity principle is mentioned by many. It is believed that the Commission should act as a general facilitator, assure a level playing field, encourage the diversity of banking models, seek insight in the innovative schemes developed in other continents, provide financial education and work on cultural sensitivities that can prevent certain groups from engaging with service providers. To raise awareness, the Commission should also carry out surveys/evaluations/market studies on regional/local level at regular intervals on the

number of the unbanked. EU funds should be allocated to improve the skills of financial services staff, also infrastructure needed for the setup of account services. Some respondents see only action at national level and find that the Commission should assess various measures taken at Member States level. Others suggest that binding rules might be appropriate for cross-border exclusion, while soft law is recommendable at Member State level. Better coordination among Directorates-General is considered important. A study should be carried out on the impact of anti-money laundering legislation, terrorism and other customer due diligence measures which might have adverse effect on the excluded.

Some **civil society** respondents are of the opinion that increasing unemployment will increase the importance of financial inclusion. A common definition is needed. It was also recommended that each state should report to the Commission on its activities which may bring appropriate information to identify which political tool is the most effective. Some consider that a compensatory mechanism could prove useful. Several respondents support a recommendation, and only if it fails, the use of binding rules. Several favour a legislative proposal. Other actions mentioned are exchange of best practices, strengthening European networks in the field to give visibility to the issue, promoting exchange and links with the private sector. One respondent believes that self-regulations should be reported publicly. In general EU intervention is welcomed where there is failure at Member State level. The Commission could investigate more the reasons of exclusion. One respondent suggests determining whether soft or hard regulation has been more successful in actually reducing the number of the unbanked. One respondent argues that the Commission could distribute funds to inclusion activities.

Some **academics/think tanks** suggest a common framework and a regular reporting system on access to a basic bank account, for the time being in the form of soft law. Others favour legislation because there is no sufficient will to act on the part of many Member States authorities. It was proposed that minimum standards should be set and compliance should be measured. Some respondents feel that so far there has been too much reliance on self-regulation and market initiatives.

Other stakeholders consider the soft law approach as possibly the most effective for the time being, leaving room for each Member State to decide on the most appropriate measures.

3.6.2. Difficulties in opening bank accounts cross-border

Public authorities suggest that the Commission should monitor the situation, identify problems, draft a recommendation or a directive. Several respondents feel that it should cover both residents and non-residents. It is also mentioned that in some Member States there is no restriction of opening bank accounts cross-border. The Commission could ensure that Member States accept certain documentation from other Member States. The Commission could also promote and facilitate the use and operation of SEPA. Providers would need to ensure that consumers have the capability to transact on their account from outside their home Member State via internet banking/partnership arrangements. There is general belief that the initial emphasis should be on ensuring the access of residents of that Member State, as cross-border access is not significant to those currently without an account. Some respondents feel that the Commission should carry out research on the advantage of payment services providers in increasing non-cash payments, that it should encourage Member States to work with providers to ensure that they offer basic bank accounts limiting credit facilities, and encourage the development

of the Network for settling cross-border financial disputes out of court (FIN-NET) and alternative dispute resolution (ADR) schemes, and develop cross-EU data sharing protocols. One respondent is in favour of a regulatory approach.

Consumer/user stakeholders generally believe that minimum harmonisation is crucial to give right to open a basic bank account everywhere in the EU and remove all obstacles when living in another Member State (ID and valid address requirements). The Commission must ensure that all banks have the same conditions and approach to consumers, and encourage Member States to prohibit banks to refuse clients. One respondent believes that vulnerable groups should access all information in their mother tongue. Some are of the opinion that the Commission should promote and fund European exchange and networking to achieve a more integrated policy approach. Few respondents believe that cross-border issues would need to be further studied. Some respondents do not consider cross-border access a priority for the moment.

Industry stakeholders generally believe that the Commission's goal should be to design a framework in which banks can freely decide to offer their products to all citizens or not. Many respondents consider cross-border access not an inclusion issue because customers with basic needs would be less likely to engage in cross-border services. Several find that the main difficulties faced by cross-border opening of bank accounts arise from the obligation to identify the customer. One stakeholder believes that in addition to the already existing instruments attached to a bank account (card, internet, mobile), SEPA and the Payment Services Directive (PSD) will further enhance possibilities for the consumer, diminishing the need for the cross-border opening of accounts. Some respondents believe that the Commission could establish a website which details those institutions that open accounts cross-border, and sources of advice about banking frameworks and regulations in the Member States. One respondent considers that the Commission should refrain from measures until a comprehensive study into the existing technical and legislative barriers and a cost-benefit analysis on the potential take-up of basic bank accounts cross-border are undertaken.

Several **civil society** respondents propose the promotion and sharing of best practices through the use of the social Open Method of Coordination monitoring and setting targets for the Member States. One respondent favours a directive. Some believe that the Commission should invite stakeholders to more broadly accept the existing documents. Others consider cross-border issue of minor importance which should be tackled much later in the process. One respondent expresses hope that cross-border access would not result in providers feeling that they have to resort to increasing the minimum standards for account opening, which could have a detrimental impact on other excluded groups.

Some **academics/think tanks** believe that practices should be harmonised. Several find that the Commission's role could be to promote best practices as obstacles/restrictions in accessing an account for non-residents are very high in most Member States. Others emphasise the high level of cooperation needed among Member States' banking authorities.

Other stakeholders consider the Commission's role in promoting and sharing best practices.

3.6.3. *Extending the concept to other financial services*

Several **public authorities** believe that access is just a first step towards financial inclusion, and that affordable credit, micro-credit, appropriate savings and insurance products are important as well. Some suggest though that those would need to be looked in their own right as the reasons for exclusion from these products may have different causes/consequences (e.g. risk of over-indebtedness). Several respondents reiterate the importance of the quality of services, access to free and impartial money advice and raising financial capability. A few authorities are against extending the concept to other financial services.

The majority of **consumers/users** believe that the concept should be extended, i.e. the Commission could consider initiatives to stimulate the development of the microfinance and affordable credit market based on the principles of responsible lending, access to money and debt advice and provision for long-term savings, the introduction and improvement of legal debt settlement regulations. Some respondents are of the opinion that the present crisis could result in the lack of credit together with increased prices. One respondent finds that credit scoring is a method which can unrightfully exclude customers from being granted a fair credit. Strengthening financial capability is viewed as important by all.

Many **industry** stakeholders answer this question in the negative because they believe that access to other services will come naturally after a person participates in the formal financial system. Some believe that access to savings, insurance, credit, advice, proximity banking, internet banking, adequacy of products could significantly contribute to overall financial inclusion but that it should remain driven by customer demand and competition. One respondent mentions that the newly banked need to be financially capable. One respondent finds that access to credit should remain a business decision. Some find that raising awareness of the benefits of a basic bank account is important, as is the payment of benefits by public authorities to bank accounts. One respondent mentions the importance of partnerships with non-banking entities.

Civil society respondents consider as important access to mortgage, insurance, pension schemes, savings, investment, fair credit, microfinance, but also financial education, counselling and debt advice, budgeting, online services. In addition, the physical access to banks in rural areas and the special needs of people with disabilities were mentioned. One respondent finds that as the financial crisis was caused by an improper assessment of the risk of various financial instruments, greater financial literacy and public discussion on financial matters would benefit everyone. Another suggested the Commission to carry out a study on savings and investment products.

Many **academics/think tanks** believe that basic financial services should be considered as services of general interest, and therefore benefit from a different treatment from classic financial services, because they have become a necessary condition for the effective exercise of some fundamental rights like right to employment and salary. Some believe that poverty and inequality issues should be tackled together. Among the services that should be covered were mentioned affordable credit, insurance, savings, mortgages, debt and money advice and financial education. One respondent considered especially important the promotion of savings as key to actions to combat exclusion and poverty.