

POSITION PAPER



ESBG Comments on the European Commission's Consultation on

“Financial Inclusion: Ensuring access to a basic bank account”

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Question 1: 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?

Answer 1: For the purpose of this consultation, the ESBG would first of all define the basic bank account as an account which enables the account holder to receive a salary and/or social benefit, and make a certain number of essential payments and withdraw cash. The basic bank account can also serve as savings account or enable the account holder to make deposits onto a savings account. Access to an overdraft, a credit facility or a payments instrument including the granting of credit, e.g. a credit card or a deferred debit card are not considered part of the basic bank account.

The ESBG welcomes the Commission's aim to encourage the further development of access to financial services to all EU citizens and residents. Every initiative to promote and foster access to a basic bank account which is undertaken by stakeholders in society at national and local level is highly appreciated. National governments, the financial industry and consumer oriented organisations have already been very active in offering specific, targeted programmes and products to ensure that also the most vulnerable parts of the population have access to necessary basic financial services.

As stated by the Commission, only 2% of consumers do not have access at all. However, this does not evidence a distortion of the internal market and therefore, no regulatory action at European level is required. The subject of financial inclusion should continue to be dealt with at national and local level. However, the ESBG sees the Commission playing a role in maintaining awareness on the subject and facilitating the sharing of information and best practices.

Question 2: Do you agree with the description of the causes and consequences of financial exclusion? Please provide additional information if available.

Answer 2: The ESBG in general agrees with the description of the causes of financial exclusion. It is important to note that the reasons for financial exclusion are indeed manifold and differ widely from country to country. In addition, the ESBG would like to point out that financial exclusion is one element of the broader problem of social inclusion and therefore often closely linked to low income, age, education and ethnic minorities or migrants. It is thus not an isolated issue and the effects of the exclusion will therefore also differ. The ESBG and its member have a longstanding experience to ensure that also the most vulnerable parts of the population have access to necessary basic financial services and are convinced that access to financial services can and should be increased in various ways: by offering specific products and services, by adequate information and by financial education and improving the level of financial literacy.



Question 3: 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?

Answer 3: Yes. ESBG members all have a strong and longstanding experience of reconciling social responsibility with the functioning of a market economy. This means that also by providing services to a more needy segment of customers, profit should be pursued as the benchmark for efficiency and as an enabler for continued innovation. This is expressed in various ways and reflects the existing diverse legal and social traditions in their home markets. While functioning as fully fledged retail banks, the social commitment has remained at the heart of the savings banks' mission. Caring for the general interest is the savings' banks initial vocation and is an integral part of their identity, as a long-term commitment towards meeting the critical needs of society through the way their daily business is conducted.

Question 4: In your experience, where voluntary codes of conduct are in place, are they well applied?

Answer 4: The situation differs in the Member States. No overall answer can be provided but where members of the ESBG participate to voluntary codes there is satisfactory evidence that they are well applied.

Question 5: Should all providers be obliged to offer basic bank accounts to all citizens throughout the EU?

Answer 5: No! Financial providers should, by no means, be obliged to provide basic bank accounts. Any obligation for providers to offer financial products or services would not only interfere with the principle of contractual freedom, private autonomy and the obligation of each provider to perform risk management. It would also hamper the innovation of products and services, in particular in the markets where citizens already have easy access to bank accounts. Against the background of the different levels and reasons of financial exclusion in the Member States, a one-size-fits all approach would not be an appropriate solution. Again, the answer to tackle the problem of financial exclusion has to be found at national level.

Question 6: 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?

Answer 6: No. The ESBG and its members are convinced that all products and services should in general be offered under market conditions. To make consumers aware that every service and every product have its price is part of financial education and should also be part of the European Commission's effort to promote financial literacy. Fundamentally, financial products and services should not be cross-subsidised. However, it could be the policy of a Member State to recognize the public good and value of



banking inclusion and therefore to subsidise the operation of the basic bank account in one way or another. The occurring costs would then have to be carried by the government, unless the financial providers would decide to bear them themselves, under their social responsibility approach. In any case, this would always be on a voluntary basis and should by no means be imposed on banks.

Question 7: 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?

Answer 7: All providers have to be subject to the same rules in and fulfil the legal requirements in order to ensure a level playing field in the provision of financial services. The aim of enlarging the provision of financial services is to (re-)integrate vulnerable groups into the regular banking system and not to force them into a “second-class” financial market.

Question 8: Should regulators be required to consider the impact of regulation on financially excluded groups?

Answer 8: Financial exclusion is a complex topic that should be tackled in a holistic approach. Regulators should at least consider that new regulation will not have an adverse impact on financially excluded groups.

In addition, the bankarization of citizens is not only desirable in terms of economic and financial stability as enlarges the market and the scope of potential customers as stated in answer 3, but also enables the implementation of anti-money-laundering regulation since funds would circulate through legal and formal channels.

Question 9: 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?

Answer 9: Fundamentally, regulation that increases the costs of the service offered requires at the same time to take a balanced approach to consumer protection. The ESBG is convinced that public authorities can contribute in various ways in order to fight financial exclusion. The better understanding and assessment of the problem in their domestic markets is an important step which will certainly lead to different results in the old and new Member States. The promotion and support of market initiatives, the introduction of tax incentives or subsidies, and financial education as tool to prevent and combat financial exclusion are important and efficient tools.



Question 10: 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?

Answer 10: The ESBG welcomes the discussion on financial inclusion at EU level to raise awareness of all parties involved, but strongly advocates for dealing with the fight against financial exclusion first and foremost at the level of the Member States. The levels of inclusion differ significantly in the Member States, due to different cultural and historical backgrounds, economic and social circumstances. The most suitable way of handling the problem of financial exclusion is therefore by measures at national level in the countries where the problem of financial exclusion arises, and tailored to the context and traditions of each country. As mentioned in answer 1, the European Commission could play a role in maintaining awareness on the subject and facilitating the sharing of information and best practices. By any means, the Commission should not solely rely on the Eurobarometer figures. For the purpose of objectively assessing the current situation, we urge the Commission to balance the Eurobarometer findings with market studies undertaken at regional and local level according to transparent methodologies.

Question 11: What could the Commission do to address the potential difficulties in opening basic bank accounts cross-border?

Answer 11: In the ESBG's point of view, the discussion about opening a basic bank account cross-border does not at all reflect the reality of financially excluded citizens and is therefore misleading. The issue of cross-border opening a basic bank account is not the first and foremost obstacle to overcome financial exclusion where it exists. The market and regulatory initiatives underway to facilitate cross-border account opening will also facilitate cross-border basic bank accounts where required and as stated in answer 5, financial providers should by no means be obliged to provide basic bank accounts, neither in their domestic market nor cross-border.

Question 12: Should the concept of financial inclusion cover financial services other than the provision of basic bank accounts?

Answer 12: It is important to acknowledge that financial inclusion does not only cover the access to a basic bank account but also a wide range of other aspects such as financial education programmes, the support of debt counselling institutions, the question of proximity banking and the adequacy of products and services.

The access to a basic bank account serves to receive and make payment. Any access to a credit and/or overdraft facility via the account would entail that the account can not be regarded as, what is strictly understood by a basic bank account. In order to protect the target groups and to avoid over-indebtedness, no such overdraft facility should be foreseen. Against this background, the discussion about the access to basic banking services and fostering financial inclusion should by no means be taken as a first step to widening the scope and extending the current assessment to other services, such as credit or insurances.



About ESBG (European Savings Banks Group)

ESBG (European Savings Banks Group) is an international banking association that represents one of the largest European retail banking networks, comprising about one third of the retail banking market in Europe, with total assets of € 5215 billion (1 January 2006). It represents the interest of its members vis-à-vis the EU Institutions and generates, facilitates and manages high quality cross-border banking projects.

ESBG Members are typically savings and *retail* banks or associations thereof. They are often organised in decentralised networks and offer their services throughout their *region*. ESBG Member banks have reinvested *responsibly* in their region for many decades and are one distinct benchmark for corporate social responsibility activities throughout Europe and the world.



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International not-for-profit association

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