



Finance Watch

Making finance serve society

Breaking down barriers to basic payment accounts

A study of the obstacles to basic payment accounts in Germany, Spain, and Romania, with recommendations for updating the EU Payment Accounts Directive (PAD)

A Finance Watch Report



April 2024



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Acknowledgement: We would like to thank ASUFIN, the institut für finanzdienstleistungen e.V. (iff), Monica Calu and Iraide Manzanos Peña for their invaluable input for this report. We would also like to thank Finance Watch members for their feedback during the drafting process.

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Finance Watch has received funding from the European Union to implement its work programme. There is no implied endorsement by the EU or the European Commission of Finance Watch's work, which remains the sole responsibility of Finance Watch.



**Co-funded by
the European Union**

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I. Executive Summary

In order to fully and equally participate in society, citizens require access to a bank account, whether it is to perform essential tasks such as receiving a salary or social benefit, paying rent, or paying taxes. In addition, having a payment account is a prerequisite to access other essential financial services such as general insurance or pensions products. Therefore, access to a payment account is key for both financial and social inclusion.

However, the percentage of people without a payment account is still high in some EU Member States, meaning that many citizens in the EU are currently not sufficiently financially and socially included. The highest number is recorded in Romania where almost 31% of the population aged 15 or more did not own a bank account in 2021¹. In Bulgaria and Hungary 12-16% were unbanked in 2021 while in Croatia, Cyprus, the Czech Republic, Greece, Hungary, Lithuania, Poland and the Slovak Republic the unbanked population accounted for 4-8% in 2021. Although the situation has improved in recent years, these numbers are still alarming, especially given that having access to a bank account is essential to be included in everyday life.

At the same time, the number of EU citizens falling into the category of vulnerable has increased in recent years and is set to increase due to the consequences of the COVID and cost-of-living crises. Data shows that the number of EU citizens at risk of poverty or social exclusion in the EU is high. In 2022, 21.6% of the EU population, accounting for 95.3 million people, fell into this category.²

Thus, there is a strong need in the EU for basic payment accounts that are affordable and accessible for vulnerable consumers. The Payment Accounts Directive (PAD), which entered into force in 2014, was introduced to meet this objective. It provides all citizens in the EU, including vulnerable consumers such as people on low incomes, homeless and refugees, with the right to access a payment account with basic features. A basic payment account allows a consumer to place funds, withdraw cash, make direct debits and credit transfers and make payment via a payment card and online. To ensure that vulnerable consumers have access to basic payment accounts, PAD stipulates that these products must be widely available, consumers must be made sufficiently aware of their existence and they need to be affordable.

The persistently high number of unbanked consumers mentioned earlier as well as anecdotal evidence from consumer associations and a European Commission report on the implementation of the PAD from 2023³ indicate, however, that the PAD may be falling short in meeting its objective of ensuring access to basic payment accounts

1 [WSBI-ESBG Press release on the number of unbanked adult EU citizens](#), July 2022.

2 Eurostat, [Persons at risk of poverty or social exclusion by age and sex](#), 2022.

3 [Report from the European Commission on the application of PAD, COM\(2023\) 249 final](#), May 2023.

for all consumers. One of the key concerns raised by policymakers and consumer representatives in recent years has been that it is difficult for consumers lacking proper identification documents such as refugees, asylum seekers and the homeless to access basic payment accounts due to anti-money laundering/terrorist financing (AML/CFT) concerns.⁴ Another frequently cited access barrier from consumer associations over the years has been that basic payment accounts are not always affordable and that vulnerable consumers are often not aware of the existence of basic payment accounts due to banks not proactively offering and raising awareness about them. To date, however, there has been a lack of studies providing hard data to clearly evidence most of these concerns and quantify their magnitude.

To fill in this gap, Finance Watch conducted a study of the EU basic payment account market based on a mystery shopping exercise and qualitative research in three EU Member States (Spain, Germany and Romania). The objective of the study was to gather hard data in the field regarding the effectiveness of PAD and to identify possible changes needed to the directive. The data collection was done in September-December 2023.

The study findings show that there is a need to revise the PAD to ensure that it can meet its full potential. Many vulnerable consumers do not have access to affordable basic payment accounts in the EU due to a number of factors, including: affordability, awareness, documentation/ excessive de-risking issues as well as a lack of willingness by financial institutions to proactively offer and inform consumers about these products.

This report highlights the findings of our study, draws a number of conclusions based on these findings, and provides evidence-based recommendations for the necessary revisions of the PAD on the specific issues of focus.

⁴ [EBA Opinion and Report on De-Risking and its impact on access to financial services](#), January 2022.

II. Key recommendations

1 Mandate basic payment accounts to be free for vulnerable consumers

2 Mandate the offering of basic payment accounts as the default option

3 Enable the opening of basic payment accounts for consumers lacking proper documentation with the proviso that their accounts have more limited features and stricter monitoring requirements

4 Introduce robust and more prescriptive awareness raising measures by firms and Member States

III. Methodology

For the purposes of identifying the main causes for access barriers to basic payment accounts for vulnerable consumers, Finance Watch commissioned a mystery shopping exercise of the EU basic payment account market. The focus of the study was on possible access barriers that are currently being widely debated but for which there has been a lack of hard data available such as the affordability of these accounts, the documents required to open them, and the availability of information about these accounts, their features and fees.

As part of this exercise Finance Watch collected 53 real case studies from 3 different EU Member States: Spain, Germany and Romania (see Annex 1). These three Member States were chosen to represent three different geographical areas (South, Center and East) of the European Union. Finance Watch collaborated with external consultants in each of these countries to collect the data.

The focus of the mystery shopping exercise was the experience of vulnerable groups, the target market for basic payment accounts. The specific types of vulnerable consumers examined vary from country to country, however, they are all part of low-income groups. In the case of Spain, we looked at young people, immigrants, housekeepers and refugees (Ukrainian and Venezuelan). For Germany, the profiles range from a young German homeless person with no fixed address, an Iranian citizen with temporary residency and a volunteer helping out a Lebanese refugee. Finally, in the case of Romania, the experience of a pensioner, an unemployed person and a Ukrainian refugee were analysed. The data gathered was sourced from both online and offline information. The mystery shoppers in each country were asked to go to the banks' branches, assume a profile of a vulnerable consumer and, by these means, gather the information for the study.

The mystery shopping exercise tested if vulnerable consumers are able to access a basic payment account, how onerous the process to open such an account is for these consumers, and how information about these accounts is made available to them. The data collected via the mystery shopping exercise was complemented by data gathered from a qualitative questionnaire which the consultants from the three Member States were asked to complete. The qualitative questionnaire provided more information on some important topics that could not be fully captured by the mystery shopping exercise such as the awareness raising measures for basic payment accounts by public authorities. Furthermore, discussions with experts who have direct contact with consumers in the field refined the main findings of the analysis.

The exercise was conducted between September and December 2023. The consultants were asked to gather the following data/information on basic payment accounts:

- Fee information (affordability)
- Availability of basic payment accounts

- Awareness raising measures by firms and public authorities concerning the right and availability of basic payment accounts
- Access conditions and level of burden to open an account (e.g. level of bureaucracy, documents needed)
- Characteristics of basic payment accounts offered by financial institutions
- The quality of comparison websites

Within the limits of its scope, the findings of the study provide reliable insights into the current state of the basic payment account market in the European Union as a whole.

IV. Key findings

The findings of the mystery shopping exercise are presented in four sections, each of which begins with a reference to the relevant article in the current PAD regulation:

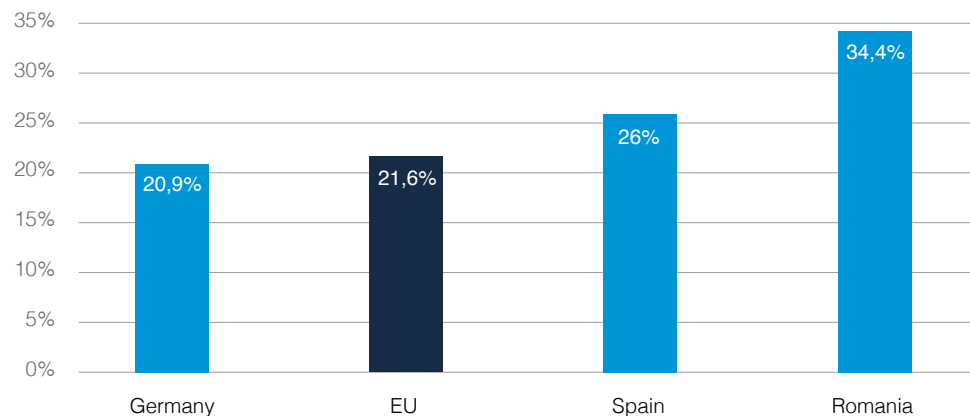
A. Affordability

PAD Article 18. Associated fees

This article states that the services linked to the basic payment account must be offered free of charge or for a reasonable price taking into account the national income levels and the average fees charged by credit institutions in the respective Member State.

To ensure that vulnerable consumers are able to access a basic payment account, it must be affordable for everyone. This is particularly important against the background that the number of vulnerable households on low incomes has increased in recent years and is set to increase as a result of the cost-of-living crisis. As illustrated in Graph 1 below, data shows that the number of EU citizens at risk of poverty or social exclusion in the EU is high. In 2022, 21.6% of the EU population, accounting for 95.3 million people, fell into this category.⁵ This is an issue across all Member States, including economically stronger Member States such as Germany where the percentage is a staggering 20.9% of the German population.

Graph 1 - Percentage of people at risk of poverty or social exclusion in 2022



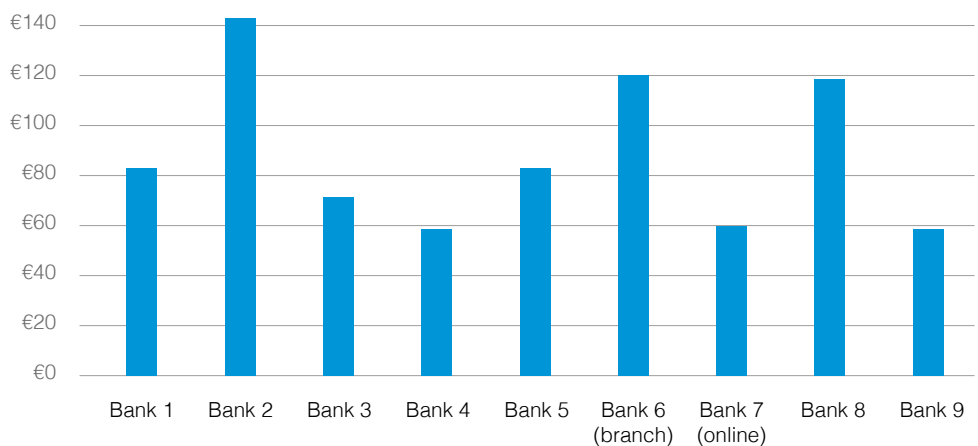
Therefore, we looked into the issue of whether basic payment accounts offered in the three countries covered by our study are affordable, i.e. whether consumers are

⁵ Eurostat, *Persons at risk of poverty or social exclusion by age and sex*, 2022.

able to pay the basic payment account fees without this being a financial strain for the consumer. Our findings show that basic payment accounts are in fact not affordable, in particular for vulnerable consumers, in some Member States.

In Spain, the basic payment account can be considered affordable. The fee for basic payment accounts is nationally regulated at 36€/year, and is free if a consumer's gross household income is less than 25,200€/year⁶ which is reasonable considering the national income levels in Spain. In Germany, on the other hand, the price of basic payment accounts is an access barrier for vulnerable consumers. The data from our mystery shopping exercise indicates that basic payment accounts in Germany can be quite expensive, with fees across financial institutions ranging from 58.80€/year and 143.40€/year. Moreover, information communicated from the consultants for the study suggest that a continuous increase of the fees on the market can be witnessed. As a result of this, the cost of a basic payment account in Germany is sometimes the same as a standard account or even more expensive. In addition, in Germany, unlike in Spain, there aren't any special pricing schemes depending on the level of vulnerability of the consumer.

Graph 2 - Fees in Germany for the basic payment account



In Romania, cost is also an issue. According to the Romanian law that transposed the PAD into Romanian legislation, basic payment accounts are free for consumers deemed vulnerable. A consumer is considered vulnerable if (1) their monthly income does not exceed the equivalent of 60% of the gross average salary in Romania, predicted in the last macroeconomic forecast, i.e. the autumn forecast, published by the National Forecasting Commission in the current year for the following year or (2) their income from the last 6 months does not exceed the equivalent of 60% of the average gross salary in Romania. However, if the consumer has had an income that is higher than this threshold in one month or more within the last six months, they are not eligible

⁶ Proof of income is requested by the credit institutions.

to access the basic payment account. This creates a potential barrier for consumers with low irregular incomes. Furthermore, some credit institutions mistake the average national income with the minimum income (which is lower) so people who could benefit from the free basic payment account are sometimes misinformed and denied access to a basic payment account.

In addition, even though the basic payment account in Romania is as such free of charge for vulnerable consumers, in reality having a basic payment account sometimes comes at a cost, given that these accounts are sometimes sold as part of a package along with other products such as an overdraft, insurance, or access to instalment shopping facilities at certain merchants. If vulnerable consumers want a basic payment account without these additional services, they have to explicitly request it, however, consumers are usually unaware of this possibility and are not proactively informed about it by financial institutions.

Our findings on affordability therefore indicate that there is an urgent need to revise the provisions regulating the price of a basic payment account in PAD to ensure that these accounts are always affordable for all citizens, including vulnerable consumers on low or no income. The high fees in Germany and the Romanian law barring/making it difficult for some consumers on irregular incomes to access basic payment accounts are possible because PAD allows for 'reasonable fees' to be charged for the basic payment account in each Member State without defining what a 'reasonable' fee is. PAD provides Member States with a lot of leeway with regards to determining what a 'reasonable' fee is.

Therefore, there is a need to introduce more prescriptive regulation regarding what constitutes a 'reasonable' fee in PAD. A proportionate and reasonable solution would be to introduce a system where the total fee for the basic payment account (i.e. the fee for the provision of the account as well as the fees for any of the basic services of a basic payment account as listed in Article 17(1) of PAD⁷) equals zero for vulnerable consumers with reasonable criteria to determine vulnerability. Vulnerability should be determined by a harmonised approach set out in the level 2 by the European Banking Authority (EBA). Some vulnerable consumers do not have any income at all (e.g. unemployed or homeless citizens) and therefore it is unreasonable to charge them a fee for an essential service. Furthermore, for citizens on low incomes, even what on paper could seem like a small charge can be a huge financial burden in proportion to that consumer's income. Given a payment account is an essential service, these consumers should not be prevented from having an account due to it constituting

7 The basic services of a basic payment account as listed in Article 17(1) of PAD are as follows:
(a) services enabling all the operations required for the opening, operating and closing of a payment account;
(b) services enabling funds to be placed in a payment account;
(c) services enabling cash withdrawals within the Union from a payment account at the counter or at automated teller machines during or outside the credit institution's opening hours;
(d) execution of the following payment transactions within the Union: (i) direct debits; (ii) payment transactions through a payment card, including online payments; (iii) credit transfers, including standing orders, at, where available, terminals and counters and via the online facilities of the credit institution.

a substantial financial sacrifice. A basic payment account is not a profit-generating product as such but is part of the social role of banks in society, to play their role in financial inclusion.

For consumers that are not vulnerable, on the other hand, a reasonable regulatory approach would be to leave it to Member States to allow financial institutions to levy a fee as long as this is actually reasonable taking into account the national income levels of each country. To ensure that this fee is in fact reasonable, however, PAD should introduce a specific harmonised methodology that Member States must follow when setting this price. For these purposes, PAD should include a mandate to the European Banking Authority (EBA) to issue a regulatory technical standard (RTS) on a harmonised methodology (minimum harmonisation) for determining the cap on account fees.

B. Availability and accessibility

PAD Article 16. Right of access to a payment account with basic features

This article lays down rules to ensure that EU consumers have access to a basic payment account. For one, it stipulates that Member States must ensure that a sufficient number of credit institutions offer a basic payment account on their territory. All vulnerable consumers, including asylum seekers, consumers with no fixed address and consumers who are not granted a residence permit but whose expulsion is impossible for legal or factual reasons must be able to access basic payment accounts.

The article also states that the account opening process should not be burdensome for the consumer. Access can only be denied where opening such an account would result in an infringement of the anti-money laundering and countering of terrorist financing rules as laid down in Directive 2005/60/EC.⁸

1. Number of institutions that offer the basic payment account

In all Member States for which data was collected, the availability of basic payment accounts on paper is good. All major credit institutions, and thus a sufficient number of credit institutions, offer the basic payment account. However, in practice, the availability of basic payment accounts is effectively lower given that there are serious issues with regards to accessing these accounts.

Most financial institutions are very reluctant to offer these accounts to anyone. Our data shows that financial institutions normally only offer a basic payment account if the consumer explains that they are vulnerable or once the consumer explicitly asks for it, i.e. banks do not offer it proactively in the vast majority of cases. In Spain, the basic payment account is proactively offered only 48% of the time; in Germany, 53%;

⁸ European Commission, *Directive 2005/60/EC*, October 2005.

and in Romania 31% of the time. Even after stating that the consumer is a vulnerable consumer, a basic payment account is rarely offered in Germany and Romania. This is a problem as most consumers in the EU are not aware of the existence and their right to a basic payment account and will thus not proactively ask for one as the awareness raising measures for these accounts by financial institutions and Member States are very poor. This will be explored in more detail in a subsequent section of this report.

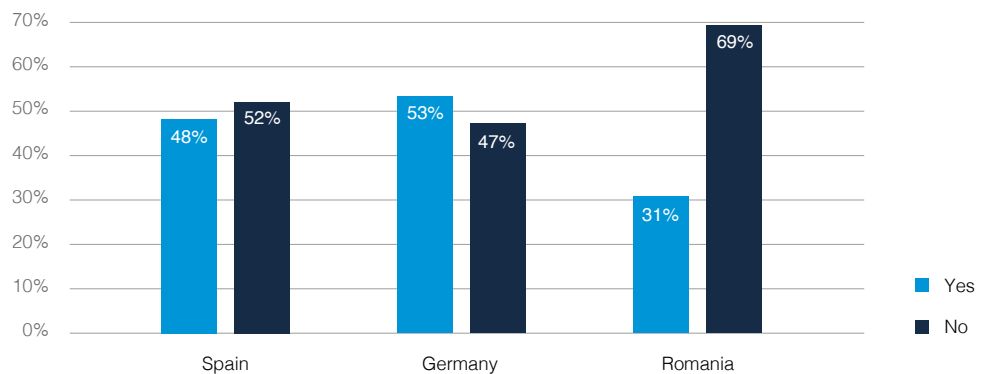


When I went to the branch to open a basic payment account the staff was dismissive, the conversation was held without privacy and they even laughed at me between them thinking I didn't understand German.



Testimony of mystery shopper presenting as an Iranian citizen with temporary residence in Germany

Graph 3 - Percentage of times consumers are proactively offered a basic payment account in each country



Accessibility is further limited through the fact that in most cases, these types of accounts cannot be opened online, requiring consumers to go to a physical bank branch to open the account. As Table 1 below shows, in Romania and Spain, only one institution in each country offers the possibility to open these accounts online and in Germany, most institutions do not provide for this possibility either. This is a problem given that, in most Member States, the number of bank branches has rapidly decreased in recent years⁹.

In addition, our study findings show that eligible consumers struggle to open a basic payment account in the EU because staff of the financial institutions that officially offer

⁹ *The number of bank branches in operation in the European Union decreased steadily from 2008 to 2022.* As of 2022, there were roughly 133,000 bank branches in the European Union. This was a total decrease of approximately 92,000 bank branches across Europe between the height of 2008 and 2022.

these accounts are often unaware of the existence of it and/or the eligibility criteria to be offered a basic payment account.

In addition, in Germany, there are roughly 1.7 million so-called “citizen accounts” offered by savings banks which are not basic accounts, even though they give the impression to be just that and therefore can cause confusion for the consumer.

To remove these access barriers, a provision should be introduced in PAD mandating the offering of a basic payment account as the default offer. In addition, PAD should introduce a provision explicitly stipulating that appropriate knowledge and understanding of basic payment accounts, their main target audience and their conditions are included in the minimum knowledge and competence requirements of the staff of financial institutions that offer basic payment accounts. This would eliminate the current problem where staff are not even aware of their basic payment account offers and/or their access conditions. Moreover, a rule should be introduced in PAD mandating that a financial institution must allow the account opening entirely remotely (through the use of distance selling channels) if the consumer requests it. Finally, there is a need to require a harmonised name for the basic payment account in each member state to avoid any confusion for consumers wanting to have a basic payment account.

Table 1. Availability of the basic payment account

	Spain	Germany	Romania
Financial institution proactively offering it	48%	53%	31%
→ Once you state vulnerability	83%	Rarely	Rarely
→ Once you explicitly ask for it	72%	96,7%	Sometimes
Harmonised name for the basic payment account	✓	✗	✗
The account opening process can also be done online	✗ (only in one bank)	✓ (it is possible but not in most institutions)	✗ (only in one bank)

2. Information requested by credit institutions to open a basic payment account

If the account opening process is too burdensome, this can create a barrier to access a basic payment account. For this reason, PAD stipulates in Article 16(2) that ‘Member States shall ensure that the exercise of the right (to open a basic payment account) is not made too difficult or burdensome for the consumer.’ However, our study data shows that sometimes opening a basic payment account is made too difficult or even impossible given the documents financial institutions ask prospective clients to provide.



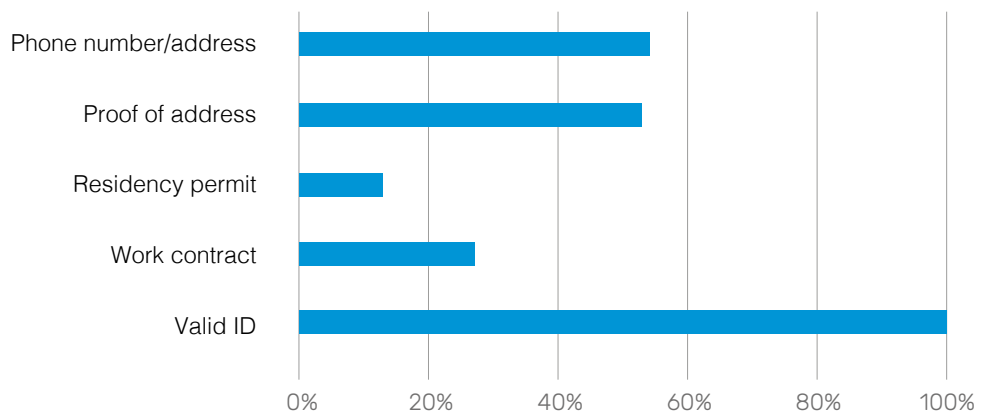
I was denied a basic payment account on the grounds of being unemployed. The employee of the branch told me to go to another bank.



Testimony of mystery shopper presenting as an Iranian citizen with temporary residence in Germany

Credit institutions always ask for a valid form of identification. Depending on the profile of the consumer, this can be a national ID document, a passport, a foreigner ID or a tax ID. Additional documentation asked depends on the country. In Spain, our data shows that credit institutions ask for a work contract in 27% of cases, for a residency permit in 13% of the cases, for a proof of address in 53% of the cases and for a phone number or an address in 54% of the cases. This address might be outside of Spain, however, if this is the case, the consumer has to prove that they are tax residents in Spain or provide proof that they live in Spain for at least 180 days a year. Refugees are asked to provide a passport, the red card¹⁰, the receipt of submission of application for international protection, and an address.

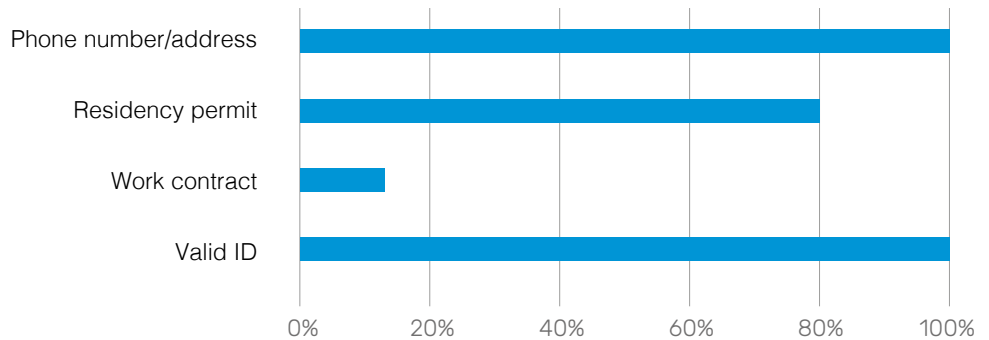
Graph 4. Information requested by credit institutions in Spain (% of the cases where the information is requested)



In the case of Germany, credit institutions ask for a residency permit in 80% of the cases, and for a job contract and payslips in 13% of the cases. And they always ask for a phone number or an address.

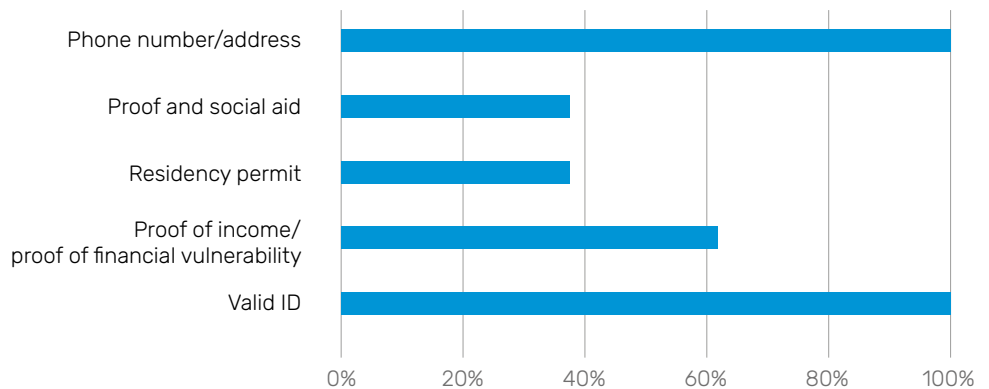
¹⁰ Document certifying the applicant's status as an applicant in the international protection process.

Graph 5. Information requested by credit institutions in Germany (% of the cases where the information is requested)



In Romania, in general, credit institution staff request personal data and an identity document. In addition, since free access to a basic payment account in Romania is conditional on the consumer being vulnerable, credit institutions ask them for proof of income or proof of financial vulnerability. In addition, 38% of the time consumers are asked to provide proof of social aid (depending on the consumer it can be unemployment benefits, maternity aid, or pension coupons). A residency permit is asked 38% of the time. An address or a phone number is always requested.

Graph 6. Information requested by credit institutions in Romania (% of the cases where the information is requested)



In addition, in some cases, it seems to be an exclusion criterion for bank employees if it becomes known that the applicant has debts. Our mystery shopping exercise in Germany, for example, revealed that some bank employees are "alarmed" when a consumer mentions they have seen a debt advisor when they want to open a basic payment account.

While most of the documents requested by financial institutions listed above to open a basic payment account are justifiable and reasonable, some of them are not and can even create barriers for certain vulnerable groups to access a basic payment account. For example, an unemployed consumer cannot produce a work contract

and a homeless consumer cannot provide a proof of address. In addition, excluding someone based on information that they have debts is unfair discrimination and should not be a reason to refuse a basic payment account. Vulnerable consumers are on low incomes and therefore often also more susceptible to becoming indebted and even over-indebted. In addition, basic payment accounts are not consumer credit products and in fact should exclude overdrafts or other kinds of facilities that qualify as consumer credit such as a credit card or overdraft facility. Therefore, there aren't any justified grounds to factor debt into the decision of whether to offer them a basic payment account or not.

In addition, refugees, asylum seekers and homeless people are often prevented from opening a basic payment account because they do not have the proper identification and residency documents requested from them to open the account. Our study was not able to collect any precise data on the size of this problem. However, a report by the EBA from 2021¹¹ confirms that refugees and asylum seekers are often denied a basic payment account as credit institutions are reluctant to engage in business relations with consumers who cannot provide proper identification documents due to anti-money laundering and combating the financing of terrorism (AML/CFT) concerns.

Considering the above, there is a need to introduce a provision in PAD which would allow for consumers lacking the proper identification documents to still open a basic payment account. This could be achieved by increasing the due diligence requirements (i.e. a stricter ongoing monitoring of those payment accounts for potential suspicious activities) and imposing restrictions on cash deposits and transfers of funds for those consumers who do not have the proper identification documents. This is also in line with the EBA Guidelines on ML/TF risk management and access to financial services which recommend this in Guidelines 11 to 13¹².

In addition, PAD should introduce a provision explicitly prohibiting the use of any credit history information and a work contract as a prerequisite to open a basic payment account. The request of a work contract should be permissible to check someone's vulnerability in case they are employed, but a consumer should not be denied a basic payment account if they are unemployed and therefore not able to provide this document.

Finally, a provision should be included in PAD providing for flexibility with regards to documents on someone's address. The acceptance of a temporary address or the address of a family or friend should also be acceptable. As Finance Watch has indicated in a previous report on the need for basic financial services for vulnerable consumers¹³, in Belgium, for example, the Federation of the Belgian Financial Sector

11 [EBA Opinion and Report on De-Risking and its impact on access to financial services](#), January 2022.

12 [EBA/GL/2021/02, The European Banking Authority, Final Report on Guidelines on revised ML TF Risk Factors](#), March 2021.

13 Finance Watch, [Financial exclusion: Making the invisible visible](#), March 2020, page 15.

(Febelfin) agrees that providing a permanent address should not be a reasonable/justifiable impediment to providing a basic payment account to a consumer. It provides the following advice to its members in its frequently asked questions document on access to a basic payment account¹⁴:

“9. Does the bank also have to ask for the address? In this respect, the same rules apply as for other customers. In most cases, the bank will ask for the customer’s address.

10. Can the bank refuse to provide banking services if the applicant does not have a fixed address? No. Asylum seekers, statutory refugees and persons benefiting from the subsidiary protection must always choose a domicile as part of their procedure. The temporary nature of this home does not constitute a justification for refusing a basic banking service.”

C. Characteristics of basic payment accounts

Article 17. Characteristics of a payment account with basic features

The opening, operating and closing of a payment account, the ability to place funds, set up direct debits, send transfers, make credit transfers and withdraw cash and the use of a payment card are the listed basic services of a payment account in this article. Additional services might be offered depending on the Member State. Furthermore, reasonable fees can be charged for these services. Online services might be included.

Our data shows that, generally in the EU payment account market, all basic payment accounts have the essential basic features as stipulated in Article 17 of PAD. In the case of Romania, however, the basic payment account is sometimes offered with additional services in a package, such as an overdraft, or travel insurance. Credit institutions usually charge for these services. As mentioned previously in this report, this is problematic, as for one, this results in basic payment accounts potentially becoming too expensive for some vulnerable consumers. In addition, some of the products in these packages could be risky for certain vulnerable consumers. For example, some vulnerable consumers should not have access to consumer credit products such as overdrafts if they are on low incomes and not able to repay debts incurred with these products as this can bring them into financial difficulties and even over-indebtedness.

Article 17(2) of PAD allows for providing basic payment accounts as part of a package as it states that ‘Member States may establish an obligation requiring credit institutions established in their territory to provide additional services, which are considered essential for consumers based on common practice at national level, with a payment account with basic features.’ This provision is very vague and can be widely interpreted.

¹⁴ Febelfin, *Basic banking service for asylum seekers and refugees - Frequently Asked Questions*, 2022.

ted so that it effectively creates a legal loophole for additional services such as the ones in Romania to be offered alongside a basic payment account. Therefore, this provision needs to be amended in PAD to make clear that additional services that are not free of charge are not permissible to be sold with the basic payment account.

1. Differences between the basic payment account and the standard accounts offered by financial institutions

Interestingly and unexpectedly, in some Member States, a basic payment account can be more expensive than a standard account. In the case of Spain, for example, one of the standard online accounts offered at a major Spanish bank is free of charge while the basic payment account in Spain for non-vulnerable consumers, is 36€/year. In the case of Germany, the price of standard accounts can be the same or even cheaper than the cost of a basic payment account.

The fact that standard accounts can be cheaper than a basic account in some Member States is problematic with regards to the protection of vulnerable consumers. Firstly, because the fees for a basic account are clearly not reasonable if they are higher than the fees for a standard account that, by default, usually has more features than a basic account. Secondly, it is problematic as it can lead to mis-selling. A standard account will be more attractive for a vulnerable consumer if it is cheaper, even in circumstances where the standard account is unsuitable for vulnerable consumers because it includes risky products such as overdrafts or a credit card. If a consumer with a low income and little awareness of the implications of using these services gets access to such services, it might result in financial instability for the consumer such as over-indebtedness.

Therefore, as discussed in the previous section on affordability, it is essential that PAD stipulates that the basic payment account must be free for vulnerable consumers. A harmonised methodology should be defined to determine what is a ‘reasonable’ fee that financial institutions can charge non-vulnerable consumers for basic payment accounts.

Table 2. Characteristics of the basic payment accounts

	Spain	Germany	Romania
The basic payment account has all characteristics required under PAD	✓	✓	✓
There are differences between the basic and the standard account			
→ In price	Sometimes	Sometimes	Sometimes ¹⁵
→ In characteristics	✓	✓	Sometimes

¹⁵ Depending on the cost of the additional services that are usually sold along with both basic and standard accounts in Romania.

D. Awareness of the existence of the basic payment account

Article 20. General information on payment accounts with basic features

This important provision obliges Member States to make sure that unbanked, vulnerable and mobile consumers are aware about the availability, general pricing conditions, and the procedures to be followed in order to access a basic payment account. In addition, this provision mandates financial institutions to make available to consumers accessible information and assistance about the specific features of the basic payment accounts they offer, their associated fees and conditions of use.

To ensure that all EU citizens have access to at least a basic payment account, it is essential that consumers, including vulnerable consumers, are sufficiently informed about the existence of these accounts, where they can obtain one and their conditions.

Article 20 of PAD attempts to achieve this goal by providing very high-level, non-prescriptive rules obliging both Member States and financial institutions to raise awareness about basic payment accounts, including among all vulnerable groups of society. Our data suggests, however, that this existing provision is not sufficient in meeting its objective. In all three Member States covered by our study, the awareness about the existence of the basic payment account among vulnerable groups is low and the reason for this are inadequate awareness raising measures by financial institutions and Member States.

1. Awareness raising measures

1.1. By credit institutions

Our data shows that the awareness raising measures by credit institutions are very poor in all Member States examined. Consumers are only provided with little information, or sometimes no information at all, about basic payment accounts at the branches of financial institutions. In the mystery shopping exercises conducted for our study, the staff working in the credit institutions did not know much about the characteristics, the fees and access conditions for basic payment accounts. Instead, consumers were often told by branch staff to have a look at the website as they could not help them in the branch. In addition, any marketing brochures at the branches, if available at all, did not provide a lot of information about these product offerings. Mystery shoppers were often able to obtain more information about standard accounts than basic payment accounts. This increases the risk of mis-selling as consumers are not able to adequately compare the basic and standard account offers and make an informed decision about which of these account types is more suitable for them.

Our study data indicates that the provision of information about basic payment accounts on financial institutions' websites is poor as well. The existence of the credit institutions' basic payment account offerings is sometimes hard to find on the credit institutions' we-

bsites in Germany. In Romania, basic payment accounts are often not even mentioned at all on financial institutions’ websites even if they are officially on offer by the firm.

Table 3. Awareness raising measures by credit institutions

	Spain	Germany	Romania
Sufficient information provided at the branch by branch staff	X	X	X
Account listed on bank’s website	✓	Sometimes hard to find	Often not mentioned

1.2. By the Member States

Our study findings show that the awareness raising measures for basic payment accounts by Member States are poor as well.

BaFin, the German Federal Financial Supervisory Authority, can help vulnerable consumers open a bank account, however, currently they do not have any measures in place to make consumers aware of basic payment accounts. In Romania, the National Authority for Consumer Protection (NACP) published a table comparing the basic payment account fees applied by the different credit institutions offering these accounts. However, the information is very user-unfriendly for the average consumer, navigation in this table is cumbersome and the information is difficult to follow.

Table 4. Awareness of the existence of the basic payment account¹⁶

	Spain	Germany	Romania
Among vulnerable groups	Low	Low	Low
Awareness raising measures			
→ By financial institutions	Medium	Low	Low
→ By Member States	Low	Low	Low

Considering this, there is a need to introduce more binding specific and prescriptive awareness raising measures in PAD. Measures should require financial institutions to:

¹⁶ Low= less than 20% of the consumers are aware of the existence of the basic payment account; Medium= between 20% and 80% of the consumers are aware of the existence of the basic payment account; High= more than 80% of the consumers are aware of the existence of the basic payment account.

- Prominently list their basic payment account offers on all of their online and offline marketing materials for payment accounts, including their websites.
- Include in their marketing materials for payment accounts information about the basic payment accounts' general pricing conditions, the procedures to be followed in order to exercise the right to access these accounts and the methods for having access to alternative dispute resolution procedures for the settlement of disputes (such as in the case where the opening of an account is denied).

In addition, there is a need to introduce more prescriptive rules regarding the awareness raising measures that must be taken by Member States. An effective solution would be to oblige Member States to have at least one comparison website in their jurisdiction that is operated by a public authority, as will be elaborated on more below.

2. Comparison websites

Article 7. Comparison websites

Member States must make sure consumers can access a website where they can compare different payment accounts. Such websites must be up-to-date, independent from any credit institution and clear when providing data.

Another potential important awareness raising tool for basic payment accounts are comparison websites. They can not only help raise awareness about the existence of basic payment accounts more generally but also allow consumers to compare different offers (including standard account offers) across different providers and Member States and make an informed choice. The data we collected for our study shows, however, that consumers currently do not have access to independent and user-friendly comparison websites that cover a sufficient part of the market to help them be aware of the different basic payment accounts offered on the market, their features and conditions to access.

For one, our data indicates that in Germany and Romania, comparison websites for payment accounts often fail to provide sufficient market coverage, are difficult to navigate and the information provided is confusing and difficult to understand. In addition, in contravention to Article 7 of PAD, comparison websites in Spain and Romania are usually not operationally independent as they are sponsored by financial institutions. Moreover, these websites often do not list basic payment accounts and therefore fail to be a means to help raise awareness of the existence of basic payment accounts, their features and conditions to help ensure that vulnerable consumers are financially included.

In Germany, however, as of 2024, new rules will be introduced under which Bafin will operate a free comparison website for payment accounts. Financial services providers will also be obliged to list their basic payment account offerings on this website.

Table 5. Comparison websites

	Spain	Germany	Romania
Sufficient market coverage	✓	✗	✗
User-friendliness (clear information and easy to navigate)	✓	✗	✗
Operationally independent	✗	✓	✗
List and compare basic payment accounts	✗	✗	✗

To ensure that vulnerable consumers have access to at least one website that is unbiased, has sufficient market coverage, and is user-friendly, PAD should mandate that there has to be at least one comparison website for payment accounts in every Member State which has to be operated by a public authority.

V. Policy proposals

Affordability:

- To ensure that cost is not an access barrier for consumers on no or low incomes, **PAD should mandate that the basic payment account is free for vulnerable citizens.** Vulnerability should be determined by a harmonised approach set out in the level 2 by the European Banking Authority (EBA), taking into account national specificities such as national salary levels.
- **For consumers who are not vulnerable, a fee can be charged, however, this fee needs to be 'reasonable'.** To ensure the fee is actually reasonable, PAD should introduce a price cap which is determined by a harmonised methodology set out in the level 2 text of the PAD by the EBA.

Accessibility and availability:

- To ensure basic payment accounts are proactively offered, in particular to vulnerable consumers, **PAD should mandate payment account providers to always offer the basic payment account as the default option.**
- To ensure that financial institutions' staff are adequately informed about the basic payment account offerings, a provision needs to be introduced stipulating that **appropriate knowledge and understanding of basic payment accounts, their main target audience and their conditions are included in the minimum knowledge and competence requirements of staff.**
- To facilitate the account opening process, PAD should mandate that a financial institution must **allow the account opening entirely remotely (through the use of distance selling channels) if the consumer requests it.**
- **To avoid confusion about different payment account offerings, there is a need for a requirement for a harmonised name for the basic payment account across Member States.**

Information required to open a basic payment account:

- **PAD should include a provision enabling consumers lacking proper identification documents to open a basic payment account. The due diligence requirements on such accounts would be increased (i.e. a stricter ongoing monitoring of those payment accounts for potential suspicious activities) and restrictions placed on cash deposits and transfers of funds for those consumers.**
- **Prohibit the use of irrelevant documents such as credit history to open an account and provide for flexibility with regards to information on a consumer's address.**

Characteristics of basic payment accounts:

- Explicitly **prohibit the selling ('packaging') of additional services with the basic payment account unless specifically requested by the account holder.**

Awareness of basic payment accounts:

- To ensure financial institutions adequately inform consumers about basic payment accounts, **financial institutions should be obliged to prominently list their basic payment account offers on all of their online and offline marketing materials (including websites) for payment accounts.**
- Specify that this marketing information must include information about the basic payment accounts' general pricing conditions, the procedures to be followed in order to exercise the right to access these accounts and the methods to access alternative dispute resolution (ADR) procedures for the settlement of disputes (such as in the case where the opening of an account is denied).
- **Require Member States to have at least one comparison website for payment accounts in their jurisdiction that is operated by a public authority and includes basic accounts.**

VI. Conclusion

Access to a payment account is key to ensure the social and financial inclusion of EU citizens. Given the still high number of unbanked people in the EU, as well as the high number of vulnerable consumers more generally, it is important that strong rules are in place that ensure that vulnerable consumers have easy access to an affordable basic payment account.

The introduction of the Payment Account Directive (PAD) was an important first step in achieving this objective. However, as the findings of this study of the EU payment accounts market confirm, the directive has a number of shortcomings and omissions which create serious access barriers to basic payment accounts in the EU.

Key access barriers are:

- A lack of affordability of basic payment accounts
- Financial institutions not proactively offering them
- Staff not being knowledgeable about these products and their access conditions
- Excessive document requirements to open the accounts, and
- A lack of awareness about these accounts amongst vulnerable groups due to a lack of adequate awareness raising measures by firms and Member States.

Therefore, there is an urgent need to revise the current PAD rules to break down the remaining barriers that prevent vulnerable consumers from having access to an affordable basic payment account. This report lays out policy recommendations concerning amendments that are needed in key areas such as pricing, awareness raising, and document requirements.

Finance Watch calls on EU policymakers to introduce these much-needed policy amendments in the upcoming legislative mandate. Mitigation of the identified barriers are essential in maintaining the social and financial inclusion and well-being of vulnerable people, as laid out in the goals of the European Pillar of Social Rights.¹⁷

¹⁷ European Commission, [The European Pillar of Social Rights](#).

Annex

Annex. Details of the case studies and customer profiles

Country	Number of banks	Number of case studies	Vulnerable consumer group
Spain	10	25	<ul style="list-style-type: none"> → Young → Immigrant → Housekeeper → Ukrainian and Venezuelan refugees
Germany	8	15	<ul style="list-style-type: none"> → Homeless (26, German) → Lebanese refugee → Iranian citizen with a temporary residence permit for Germany
Romania	9	13	<ul style="list-style-type: none"> → Pensioner → Unemployed → Ukrainian refugee

About Finance Watch

Finance Watch is an independently funded public interest association dedicated to making finance work for the good of society. Its mission is to strengthen the voice of society in the reform of financial regulation by conducting advocacy and presenting public interest arguments to lawmakers and the public. Finance Watch's members include consumer groups, housing associations, trade unions, NGOs, financial experts, academics and other civil society groups that collectively represent a large number of European citizens. Finance Watch's founding principles state that finance is essential for society in bringing capital to productive use in a transparent and sustainable manner, but that the legitimate pursuit of private interests by the financial industry should not be conducted to the detriment of society. For further information, see www.finance-watch.org

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