



Procedure file

Basic information		
INI - Own-initiative procedure	2007/2201(INI)	Procedure completed
Competition: sector inquiry on retail banking		
Subject		
2.50.04 Banks and credit		
2.60 Competition		
2.60.01 Trade restrictions, concerted practices, dominant positions		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	ECON Economic and Monetary Affairs		13/02/2007
		PSE PITTELLA Gianni	
	Committee for opinion	Rapporteur for opinion	Appointed
	ITRE Industry, Research and Energy	The committee decided not to give an opinion.	
	IMCO Internal Market and Consumer Protection	The committee decided not to give an opinion.	
	JURI Legal Affairs	The committee decided not to give an opinion.	
Council of the European Union	Council configuration	Meeting	Date
	Economic and Financial Affairs ECOFIN	2822	09/10/2007
European Commission	Commission DG	Commissioner	
	Competition	KROES Neelie	

Key events			
31/01/2007	Non-legislative basic document published	COM(2007)0033	Summary
27/09/2007	Committee referral announced in Parliament		
09/10/2007	Resolution/conclusions adopted by Council		
06/05/2008	Vote in committee		Summary
15/05/2008	Committee report tabled for plenary	A6-0185/2008	
04/06/2008	Debate in Parliament		
05/06/2008	Results of vote in Parliament		
05/06/2008	Decision by Parliament	T6-0260/2008	Summary

Technical information

Procedure reference	2007/2201(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 54
Stage reached in procedure	Procedure completed
Committee dossier	ECON/6/51315

Documentation gateway

Non-legislative basic document	COM(2007)0033	31/01/2007	EC	Summary
Document attached to the procedure	SEC(2007)0106	31/01/2007	EC	
Committee draft report	PE400.585	06/02/2008	EP	
Amendments tabled in committee	PE402.858	26/03/2008	EP	
Committee report tabled for plenary, single reading	A6-0185/2008	15/05/2008	EP	
Text adopted by Parliament, single reading	T6-0260/2008	05/06/2008	EP	Summary
Commission response to text adopted in plenary	SP(2008)4439	16/07/2008	EC	
Commission response to text adopted in plenary	SP(2008)4438	25/07/2008	EC	

Competition: sector inquiry on retail banking

PURPOSE: to present the Commission's final report on the competition inquiry (Article 17 of Regulation (EC) No 1/2003) on retail banking.

CONTENT: on the basis of Article 17 of Regulation 1/2003/EC (see [CNS/2000/0243](#)) on retail banking, the Commission initiated an inquiry into retail banking on 13 June 2005. According to this provision the Commission may decide to conduct an inquiry into a particular sector of the economy or into particular types of agreements across various sectors, where the trend of trade between Member States, the rigidity of prices or other circumstances suggest that competition may be restricted or distorted within the common market. This document is the final report of the retail banking inquiry.

The sector inquiry has identified a number of symptoms suggesting that competition may not function properly in certain areas of retail banking. The inquiry has confirmed that markets remain fragmented along national lines, including in retail banking infrastructures such as payment systems and credit registers.

This sector inquiry identified four key issues that will need to be followed up by the Commission and national competition authorities:

- the design and operation of payment systems, including card payment systems: the European payment cards industry provides the means for a significant part of sales in Europe. Total sales volumes with card transactions in the EU in 2005 were more than EUR 1350 billion. The sector inquiry has identified several significant competition issues in the European payment cards market that confirm the need for strong competition law enforcement in close cooperation with national competition authorities;
- credit registers: open and affordable access to good quality credit data is an important prerequisite for banks wishing to provide core retail banking products such as mortgages, consumer loans and credit cards. However, widespread credit data are not available in several Member States, whether because of regulation or the limited development of credit data markets;
- cooperation between banks: retail banks co-operate in a variety of areas such as the setting of standards and infrastructures or the operation of payment systems. Savings and cooperative banks traditionally have even closer co-operative ties. Co-operation between banks can result in economic and consumer benefits. It usually does so where the banks involved are SMEs and jointly do not possess a significant market share. Where independent banks with a significant combined market position enter into cooperation with the object or effect of limiting competition among themselves or excluding new entrants, however, effective competition can be impeded;
- the setting of banks' prices and policies, including product tying: prices for retail banking products vary substantially across Member States. However, the inquiry has found that at national level there is evidence of convergent behaviour in pricing and policies for core retail banking products. In current accounts such convergent behaviour can be seen in relation to the setting of several parameters including account management fees, closing charges, ATM fees and default charges. Product tying is an additional aspect where banks in the majority of Member States demonstrate convergent behaviour. Tying can weaken retail banking competition by raising switching costs, reducing price transparency and discouraging the entry of new players (especially mono-line suppliers).

The European Commission will not hesitate to exercise its powers of enforcement under Articles 81, 82 and 86 EC, to ensure that the competition rules are respected in retail banking; and with respect to the various payment markets and the SEPA (Single European Payment Area) project in particular. The European Commission will also continue its efforts in fields other than competition law to further increase the benefits of the internal market in retail banking to its citizens.

Competition: sector inquiry on retail banking

The Committee on Economic and Monetary Affairs adopted the own initiative report by Gianni PITELLA (PES, IT), in response to the final report on the inquiry on retail banking launched by the European Commission in June 2005.

MEPs support the integrated approach of the Commission, which comprises supporting internal market policies with well-targeted sector inquiries. However, they regret that the sector inquiry does not take sufficient account of the specificities of the strictly regulated banking sector and the importance of culture, habits and languages in consumer choices and protection for financial products.

The report recalls that competition policy is a powerful tool for completing the internal market but that aiming for more competition should neither lead to weakened risk management in the banking sector nor endanger the stability of the sector. MEPs also point out that a highly fragmented regulatory framework is an impediment to the development of the cross-border supply of banking services. They support, therefore, the Commission initiative to reopen consideration of Directive 2002/65/EC concerning the distance marketing of consumer financial services, which must also involve the review of the directives on electronic commerce and electronic signatures, in order to enable these effectively to achieve their stated aims.

Consumer mobility: the Commission is called upon to work towards facilitating consumer mobility and to monitor Member States' progress in allowing consumers more easily to change provider. According to MEPs, the simplification of financial service regulations and the dismantling of barriers to consumer mobility should not lead to lower standards of consumer protection in the Member States.

The report recommends permitting only fully justified charges for closing accounts, if any. The banking industry is called upon to develop best practices on swift and efficient procedures for account switching. MEPs also consider that access to basic financial services, such as opening a bank account, is a right. They call on the Commission to identify the obstacles to the exercise of that right and the best practices followed in the retail financial sector in that respect.

Information and transparency: emphasising that information for consumers is fundamental for ensuring competition among banks, MEPs request information that is of a better quality, more readable and hence accessible to consumers. The Commission is called upon to work towards ensuring that the industry, as a supplement to existing national provisions, provides consumers, before they open an account, with a succinct compilation detailing all costs, including closing costs, if any, in way that is comparable across the European Union. The Commission should also put forward legislative proposals in that respect in the event that the industry fails to respect its commitment.

The report also recommends the creation of a single European standard for providing information to the customer by the supplier on their basic products, related costs and conditions.

Consumer education: MEPs call for the development of financial education programmes aimed at increasing the awareness of consumers as regards their money-management options. They recall the importance of developing financial education, especially in the field of retail banking (for instance as regards loans, mortgages, diversified and safe saving and investment). Member States are called upon to take and coordinate measures to raise financial literacy among citizens and to consider setting up an institution of independent national ombudsmen responsible for financial services.

Credits - registers and intermediaries: the report stresses the importance of reliable credit and fraud data for banks and other credit providers, accessible on a fair and transparent basis.

The Commission is called upon to: (i) identify obstacles to data sharing and to make proposals for the interoperability of data registers while respecting consumers' private lives and their rights of access and rectification; (ii) intensify its work on credit intermediaries (agents or brokers) in order to ensure consumer protection and avoid opaque practices; (iii) clarify and harmonise the responsibilities and liabilities of credit intermediaries following the principle 'same business, same risks, same rules'.

Cooperation between banks: MEPs welcome the Commission's further examination of the cooperation between banks in order to assess where such cooperation could result in economic and consumer benefits and whether it could lead to a restriction of competition. They also emphasise that savings and cooperative banks, as well as other credit institutions, contribute substantially to the financing of the local economy and the development of the endogenous potential of regions and facilitate access to financial services for all consumers.

Payment systems: MEPs are confident that the SEPA (Single European Payment Area) and the Payment Services Directive should provide solutions for the fragmentation and lack of competition identified by the sector inquiry concerning payment infrastructures.

The report also highlights the need for better clarification concerning the methodology and rules for the management of multilaterally agreed interchange fees for card payments and for the mechanism to calculate interbanking fees for automated teller machines and non-card payments.

Lastly, MEPs urge the Commission to: (i) establish and communicate to all stakeholders the criteria for the definition by market operators of the methodology to be used to calculate all multilaterally agreed interchange fees; and (ii) achieve greater transparency of the industry by communicating to the consumers the characteristics of payment products and services and their rights and obligations as users.

Competition: sector inquiry on retail banking

The European Parliament adopted by 562 votes to 16, with 10 abstentions, a resolution in response to the final report on the inquiry on retail banking launched by the European Commission in June 2005.

The own initiative report had been tabled for consideration in plenary by Gianni PITELLA (PES, IT) on behalf of the Committee on Economic and Monetary Affairs.

MEPs support the integrated approach of the Commission, which comprises supporting internal market policies with well-targeted sector inquiries. However, they regret that the sector inquiry does not take sufficient account of the specificities of the strictly regulated banking sector and the importance of culture, habits and languages in consumer choices and protection for financial products.

Furthermore, MEPs point out that a highly fragmented regulatory framework is an impediment to the development of the cross-border supply of banking services. They support, therefore, the Commission initiative to reopen its assessment of Directive 2002/65/EC concerning the distance marketing of consumer financial services, which must also involve a review of the directives on electronic commerce and electronic signatures, in order to enable these to achieve their stated aims effectively.

Consumer mobility: the Commission is called upon to promote consumer mobility and to monitor Member States' progress in allowing consumers to change provider more easily. According to MEPs, the simplification of financial service regulations and the dismantling of barriers to consumer mobility should not lead to lower standards of consumer protection in the Member States.

The resolution recommends permitting only fully justified charges for closing accounts, if any. Furthermore, switching current accounts should cause no harm to consumers. The banking industry is called upon to develop best practices on swift and efficient procedures for account switching. MEPs also consider that access to basic financial services, such as opening a bank account, is a right. They call on the Commission to identify the obstacles to the exercise of that right and the best practices followed in the retail financial sector in that respect.

Information and transparency: emphasising that information for consumers is fundamental for ensuring competition among banks, MEPs request information that is of a better quality, more readable and hence accessible to consumers. The Commission is called upon to ensure that the industry provides consumers, before they open an account, with a succinct compilation detailing all costs, including closing costs, if any, in way that is comparable across the European Union. The Commission should also put forward legislative proposals in that respect in the event that the industry fails to respect its commitment.

The resolution also recommends the creation of a single European standard for providing information to the customer by the supplier on their basic products, related costs and conditions.

Consumer education: MEPs call for the development of financial education programmes aimed at increasing the awareness of consumers as regards their money-management options. They recall the importance of developing financial education, especially in the field of retail banking (for instance as regards loans, mortgages, diversified and safe saving and investment). Member States are called upon to take measures to raise financial literacy among citizens and to consider setting up an institution of independent national ombudsmen responsible for financial services.

Credits - registers and intermediaries: the resolution stresses the importance of reliable credit and fraud data for banks and other credit providers, accessible on a fair and transparent basis.

The Commission is called upon to: (i) identify obstacles to data sharing and to make proposals for the interoperability of data registers while respecting consumers' private lives and their rights of access and rectification; (ii) intensify its work on credit intermediaries (agents or brokers) in order to ensure consumer protection and avoid opaque practices; (iii) clarify and harmonise the responsibilities and liabilities of credit intermediaries following the principle 'same business, same risks, same rules'.

Cooperation between banks: MEPs welcome the Commission's further examination of the cooperation between banks in order to assess where such cooperation could result in economic and consumer benefits and whether it could lead to a restriction of competition. They also emphasise that savings and cooperative banks, as well as other credit institutions, contribute substantially to the financing of the local economy and the development of the endogenous potential of regions and facilitate access to financial services for all consumers.

Payment systems: MEPs are confident that the SEPA (Single European Payment Area) and the Payment Services Directive should provide solutions for the fragmentation and lack of competition identified by the sector inquiry concerning payment infrastructures. They call on the Commission to investigate whether the transposition of the Payment Services Directive is reducing the number of providers of payment settlement services and to take immediate steps if major providers develop a monopoly position that might reduce competition.

The resolution also highlights the need for better clarification concerning the methodology and rules for the management of multilaterally agreed interchange fees for card payments and for the mechanism to calculate interbanking fees for automated teller machines and non-card payments.