



COMMUNIQUE DE PRESSE
PRESS RELEASE

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Date: 17/07/2006
Reference: PR 017/2006

Consumers don't belong to banks: set us free!

Today, the European Commission is organizing a hearing to present the results of its investigations on banking mobility¹ and to open a consultation. In a truly competitive market, dissatisfied customers try to get a better deal elsewhere. Most consumers across Europe are unhappy with their bank and still very few switch. Why? Simply because they are not well informed, and because switching can be very expensive and complicated.

The European Commission's conclusions by and large confirm the concerns compiled by our members: In France in 2004 it cost around 335 € on average to switch banks, transferring savings products from one bank to another cost anything between 37 and 67€. In Belgium, 8 out of 10 consumers have not changed banks in the last 10 years... yet 65% are not satisfied with the service offered. In Slovenia, bank switching is not even technically possible for non-internet users outside city centres. In the UK, only 1 in 20 consumers have switched banks in the last two years.

The substantial costs of switching are not only linked to expensive exit fees but also to the fact that a number of products are tied-into a consumer's current account: most consumers hold their current account, payment cards, mortgages, insurance etc with the same bank. They may be discouraged to switch provider, as the interest rate on their mortgage credit could perhaps be called into question as a result.

Jim Murray, BEUC Director, said: "The time has come to put an end to these unfair practices. Consumers must be able to compare services and related fees and switch banks. The key is more transparency, more information and putting an end to disproportionate fees. This is the first and essential step to improve consumer mobility and boost competition".

In the framework of the proposal on payment services in the Single European Payment Area, we are insisting on the need to take consumers rights into account: exiting a payment contract of more than a year's duration must be free of charge; for other contracts it should be cost based. Transparent, complete and easy to understand information on terms and conditions must be automatically communicated by the bank or other provider, not made 'available', 'somewhere', 'in small print', 'if asked for'.

END

¹ On the 13th of June, the Commission initiated an inquiry into the EU retail banking sector. Their aim was to identify the nature of competition in this sector and later decide upon specific enforcement initiatives.