

EAPN response to the European Commission consultation “Ensuring Access to a Basic Bank Account”

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“Somebody who has been negatively registered cannot open a bank account”; “Once you’re recorded for debts, even small, you cannot have access to credit to start again in life. Debts should be cancelled”; “The interests are often bigger than debt itself: interest rates on debt should be reduced”¹.

The current crisis underlined the extent to which financial services were deregulated to serve private interests over the last decades. EAPN believes it is time to restore citizens’ confidence in the EU’s financial agenda: the present consultation on financial inclusion through access to a basic bank account is an opportunity for the European Commission to re-balance this evolution by putting the internal market at the service of public good. It is more than ever crucial to look at the needs of those who did not share the wealth created over the last decades but are now required to share the pain and pay (directly or indirectly) the price for the financial bailout.

We therefore call on the European Commission to propose a Directive on Access to a Basic Bank Account, as the most relevant way to ensure a necessary regulation in markets that are strongly interconnected. Access to such bank accounts should be free of charge, cover a number of key services and be accompanied by accessible, affordable, quality services. However, tackling financial exclusion implies looking much beyond access to a bank account, which most of the time is only the visible part of a broader exclusion circle: urgent action is also needed to ensure fairer credit and lending practices, and tackle over-indebtedness. While financial services have for long be seen as the remit of experts’ group, we also call for a shift in thinking and a broader involvement of civil society and people experiencing poverty, as the only way to strengthen a much needed accountability.

1. A service of general interest that requires strong, EU level, regulation

Millions of European financially excluded through the EU - Some 100 millions people in Europe are estimated to suffer some degree of financial exclusion, with figures for people without access to a basic bank account ranging from none to about 20% of the population in some Member States². This can be explained by a range of factors, from low income, lack of identity card or address, technological obstacles to a negative registration at a public or private registration office. In practice, this means that millions of Europeans find it increasingly difficult to access not only jobs, but also those goods and services that are essential to run a life in dignity: public services (including social assistance), energy, housing... Cash payments have become more and more expensive and almost impossible in some cases, at a point where the question of equal access to public administration could be questioned. The current debate should thus be accompanied by a reflection on the right to

¹ Quotes from national preparation, 8th meeting of People Experiencing Poverty, 2009

² [Financial services : improving access for people with low income](#), 2007, booklet developed by the EU Project FES – Financial education and better access to adequate financial services

receive and pay with cash without being punished financially, which is a growing problem for all those without access to, or capacity to deal with, modern technologies.

A Service of General Interest which cannot be left up to market mechanisms only - As a starting point to the discussion, EAPN would like to reassess that access to a bank account (as well as other financial services, see section 5) is a Service of General Interest: as such, it cannot be left up to market mechanisms only and should be subject to regulation. This is all the more urgent as the current crisis has fundamentally undermined most people's trust and confidence that financial services will be delivered fairly, in the respect of public interest rules.

Lack of significant progress through self-regulation - The crisis has also highlighted the failures of self-regulation within the financial sector, due in particular to the mismatch between short term objectives of high profitability and those of longer term social, sustainable development. This applies even more strongly when it comes to people experiencing poverty and social exclusion: the experience of those Member States that introduced voluntary codes of conduct (including Germany, France, Italy, the Netherlands, Belgium, United Kingdom) has shown that self-regulation generally failed to meet the needs of people experiencing financial exclusion. This can be mostly explained by the lack of strong enforcement procedures, of immediate economic profitability of such accounts (mostly non-borrowing), as well as by banks deliberately avoiding a potential financial risks, thus failing to meet their *social* responsibility. Regulation thus needs to go beyond a voluntary approach, and be enshrined into law. Yet the reality is that only a minority of Member States have introduced the right to a basic bank account in their national legislation (including for example France, Belgium).

The need for a strong EU approach, repairing the failures of the internal market agenda – The EU has a key role to play in upholding the right to a basic bank account, on several grounds. Firstly, free movement of capital being seen as one of the “four freedoms” in the internal market, the European Union has been a strong driver for increasing flexibility and de-regulation in financial services. While the financial services agenda put a strong focus on freedom of provision, increasing consumer choice and profitability of financial products, it clearly overlooked a possible impact on people experiencing poverty and on low income. The most basic financial services have *de facto* become more expensive and less accessible. The EU thus needs to live up to its responsibility and re-balance this development by putting social rights back at the centre of its financial services agenda. This is not only an economic necessity, but a moral obligation in a time of crisis where the most vulnerable are asked to share the bill without having clearly benefited from new wealth created over the last decades, partly as a result of a booming financial sector. Secondly, as financial services markets are increasingly inter-connected, such re-balancing can only happen through an EU wide approach: we thus call for an EU Directive enshrining the right to a Basic Bank account across Member States.

2. Ensure accessibility, affordability, quality and non-discrimination in provision: how?

An EU Directive on the right to a basic bank account should clearly build on the principle of public service obligation, as defined in the White Paper on Services of General Interest³, as well as the objectives of “quality, safety, affordability, equal treatment and the promotion of universal access and of user rights” recognized in the Lisbon Treaty protocol on Services of General Interest.

³ [White Paper on Services of General Interest](#) ,COM(2004)374

Access to a low cost basic bank account: key services covered - Costs have been identified as an element preventing access to a bank account. In order to overcome this obstacle, EAPN would like to suggest the principle of access to basic services, bank accounts and payment cards for all people without or with a very low fee that do not exclude anyone from access. Such practice has been put in place in a number of countries and the costs incurred by the management of accounts could be covered by the interests gained from deposits. In addition, the account should cover the following basic services:

- Payment card
- Free or low cost bank statements
- Withdrawals and transaction cheques
- Direct debit or standing orders
- No overdraft possibility (or a very limited one)
- Making remittances.

Inclusive services in opening and managing accounts - Beyond a mere obligation to provide some key services for all, promoting financial inclusion requires a broader approach, i.e. the development of inclusive, accessible and non-discriminatory services in opening and managing these basic bank accounts. First, this requires enlarging the criteria for access to a bank account (opening them to all residents), types of documents which can be used for identification (including for example letters of entitlement to benefits), reviewing creditworthiness assessment procedures. Particular attention should also be paid to acknowledging the specific situation of migrants (including undocumented ones), recognising their particular needs/difficulties. A key question will also be how to bridge the technological gap and acknowledge the difficulties some groups may face to approach ICTs (lack of knowledge, but also financial costs). In addition, access must be understood in a geographical as well as in a physical sense: proximity services should be based on face-to-face contacts offering personalized services.

Provision by all banks, but strong support to “alternative providers” - As a Service of General Interest, access to a basic bank account should be provided by all banks throughout the EU. This is crucial to ensure universal access, as well as to prevent a possibly stigmatizing two-tier system where full inclusion would not be fully realised. Yet the commitment and expertise of alternative providers should not be diluted in this process: it should rather be acknowledged, encouraged and strengthened. It is essential to build on the experience of social economy or non-profit initiatives (such as credit unions, ethical banks) that were developed in a number of Member States (Austria, the Netherlands), filling the gaps left by mainstream financial service providers. This proved particularly crucial for the development of bottom-up, participatory approaches based on the needs of people facing social exclusion (i.e. leading to stronger financial education and the avoidance of over-indebtedness). The use of Article 86 of the EU Treaty (allowing derogation to internal market rules to better meet SGIs’ objectives) should be clarified and clearly promoted in this view, as a way to protect alternative providers and support their development. In addition to this, exchange of good practices in this field should be supported, as well as more direct financial support to the sector through EU cohesion policy.

3. For a broader approach, covering access to credit and over-indebtedness

A response to financial exclusion requires looking beyond the lack of access to a basic bank account, which is in many cases rather the symptom of a much broader and deeper financial exclusion circle. In particular, access to credit, savings and insurance, as well as over-indebtedness should also be looked at carefully.

For a more general reflection on access to credit and lending practices - Access to credit is undoubtedly at the centre of the current financial crisis, characterized by a multiplication of irrational, highly risky and unethical credit practices, easy loans which pushed thousands of households towards over-indebtedness. Unethical marketing credits methods and loan sharks have multiplied over the last decades, becoming increasingly aggressive and targeting people who have difficulties to really assess whether they need and can afford a credit (e.g. young people who often start their adult life already deeply in debt). This often led to people refinancing their debt by opening new credits with abusive interest rates, often at the margin of legality and pushing them into the informal economy. . Such abuses highlighted the need for stronger regulation of credit, as a way to avoid putting disproportionate burden and risk on those on lower income and facing social exclusion. It is also crucial to promote more ethical, non-discriminatory lending prices (low interested rates, ceiling), affordable to those who need it most, rather than risk-based. This should also be combined with specific support and advice structures, such as those provided by the municipal banks, credit unions, or other social credit or micro-finance initiatives across Europe.

For an inclusive approach to micro-credit - In addition to this, access to micro-credit should be promoted, but should keep a strong focus on support to and participation of users. This is particularly the case when it comes to micro-credit as a tool for employment creation: micro-credit and self entrepreneurship cannot be seen as a solution to the lack of quality jobs, or run the risk to push people even further into social and financial exclusion.

4. Towards increased accountability and civil society involvement

While financial services have for long been seen as the remit of experts' group, we call for a shift in thinking and a broader involvement of people experiencing poverty and civil society organisations, as the only way to ensure a stronger accountability and measure progress made towards financial inclusion.

Widening participation in current expert groups - We call on the European Commission to ensure a real involvement of organizations representing people experiencing poverty and social exclusion in the current expert groups on financial services, and in particular the [Financial Services Consumer Groups](#). This group aims to raise awareness and inform EU and national consumer representatives on ongoing and envisaged Commission initiatives, drawing the Commission's attention to problems, ensuring adequate representation of consumer interests and encourage the development of expertise among EU and Member States consumer organisations. Yet we can only deplore that the voices of people experiencing poverty and social exclusion have been generally neglected in such instances, resulting in a lack of awareness of issues surrounding financial exclusion. We thus call on a broadening of the Group's membership base to include people experiencing poverty and social exclusion, as well as the organizations that represent them. This should be complemented by direct exchanges with people experiencing poverty and social exclusion as a way to assess impact and develop the most sustainable policies, particularly in the development of the Directive.

Towards a real partnership approach in the development of the Directive – However real participation and accountability require a broader partnership approach, where “partners” are not only informed, but actively participate in agenda setting and decision-making. The current crisis has clearly called for more transparency, accountability and involvement, and we strongly hope that the European Commission will put these lessons into practice as soon as possible, by developing the Directive on Access to a Basic Account through a transparent, participatory and accountable process, where the needs of those experiencing financial exclusion will no longer be sidelined.