

HOW CAN CONSUMERS COMPARE CURRENT ACCOUNTS?

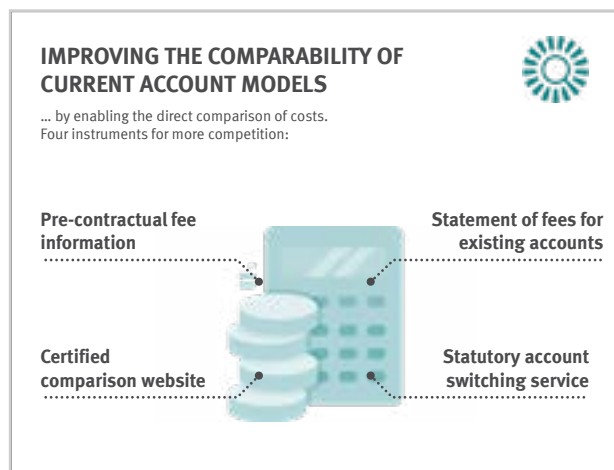


Four instruments are available to help consumers find the right current account for them. But a closer look at these instruments reveals a sobering picture. The current account market still lacks the ingredients needed for strong competition.

i The current account market in Germany is in upheaval, with many providers putting up their fees and adjusting their account models. Four instruments have been put in place that are supposed to enable consumers to easily compare costs and switch to a new current account. Although these tools should have been available to consumers by 31 October 2018 at the latest, the current account market is still not set up for strong competition.

❖ FEE INFORMATION

Banks have to list the costs for all key payment services, such as the account fee, the annual fee for a credit card, and the cost of a credit transfer. This fee information is standardised, so – in theory, at least – consumers should have no problem in comparing account models and the associated costs. However, an investigation by the market monitoring team of the Federation of German Consumer Organisations (Verbraucherzentrale Bundesverband – vzbv) revealed that the different banks' fee information documents are not necessarily easy to compare. The shortcomings were due both to the rules and to the way in which banks had implemented them.¹



❖ COMPARISON WEBSITE

Almost two years late, the first certified comparison website went live on 7 August 2020. However, only 551 providers were included on the website on 10 August 2020, i.e. less than a third of the total number of current account

providers in Germany.² Moreover, only one account model from each provider was shown. Most banks offer several account models, which means that a significant proportion of the German market – as required by law – is probably not covered. Some of the pricing details were only available in an abbreviated form compared with the fee information documents. The search filters do not work properly. For example, the 'regional banks' filter does not show all relevant banks and some of the providers that it does show are not regional banks. This means that the comparison website in its present form offers little help for consumers trying to find the right account model for them.

❖ STATEMENT OF FEES

All providers are required to provide an annual statement of fees for existing accounts, so that customers can see all of the costs they have incurred in the past twelve months. According to a representative survey of the population in July 2020, only 36 percent of current account holders had received such a statement. Of this group, almost a quarter (24 percent) had to access the statement themselves via online banking and 3 percent had to request the statement from their bank. A quarter (25 percent) of those who had not had a statement of fees would have liked to receive one but did not know that such statements existed. Unless they are aware of the current cost structure, consumers have no basis for comparison when they try to find a lower-cost account model.

❖ ACCOUNT SWITCHING SERVICE

The statutory account switching service has been in place since September 2016. Consumers can use it to move their current account to a different provider. On the first anni-

¹ <https://www.vzbv.de/sites/default/files/download-s/2020/11/05/2020-mbf-zusammenfassung-entgeltinformationen.pdf>

² See Deutsche Bundesbank: Bank office report 2019. Development of the bank office network in 2019. Annex 1: Number of credit institutions as at 31 December 2019. (<https://www.bundesbank.de/en/tasks/banking-supervision/documentation/bank-office-report-2019-834262>).

versary of its creation, the German consumer associations took stock³ of the service. They found that there was very little awareness of the statutory account switching service and information about the service was very poorly communicated on banks' websites. Moreover, various problems arose when using the service, such as incorrect data transfers, unexpected costs for chargebacks and official notifications not being accepted by third parties.

❖ POLITICAL ACTION REQUIRED TO ENABLE GREATER COMPETITION IN THE CURRENT ACCOUNT MARKET

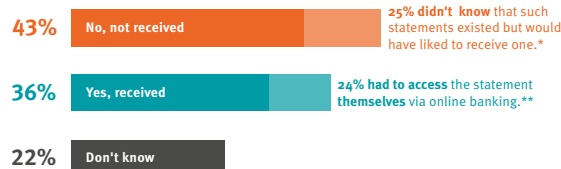
At a time of rising costs and increasingly creative account models at banks, strong competition is vital for consumers. The European Union's Payment Accounts Directive, which came fully into effect in October 2018, is designed to establish such competition. Nevertheless, the conditions are still not in place that would enable consumers to easily compare costs and quickly switch accounts. Banks therefore need to be required to provide more information about costs than at present, and without being requested to do so. Consumers wanting to change their account need comparable fee information documents. The components therefore need to be checked regularly to ensure they are still up to date. Furthermore, the statutory comparison website is supposed to provide an overview of the market, but the current solution is not fit for purpose. And the account switching service needs an upgrade so that consumers can move to a new bank securely and efficiently.

3 <https://www.verbraucherzentrale.de/sites/default/files/2019-10/Untersuchungsbericht%20-%20%20Ein%20Jahr%20gesetzliche%20Kontowechselhilfe.pdf>

CONSUMERS NOT RECEIVING STATEMENTS OF FEES



Only just over a third of the current account holders surveyed received the **annual overview of costs** for their account. It is difficult for consumers to compare account models if they are unaware of the costs.



Question: Since last year, you should have been receiving an annual statement of all account fees that you have been charged for your current account. The document is called "statement of fees". Have you received this statement of fees from your bank?
* Would you be interested in this statement of fees? ** How did you receive the statement of fees?

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Methodology: Computer-assisted telephone interviews (CATI-Bus)

Total sample: People living in private households in Germany aged 18 or older who have their own current account

Sample size: 1,101 people

Statistical error tolerance: max. +/- 3 percentage points in the total sample

Survey period: 22 to 28 July 2020

Institute: Kantar