



## European Banking Industry Committee

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European Banking Federation (EBF) • European Savings Banks Group (ESBG) • European Association of Cooperative Banks (EACB) European Mortgage Federation (EMF) • European Federation of Building Societies (EFBS)  
European Federation of Finance House Associations (Eurofinas)/European Federation of Leasing Company Associations (Leaseurope)  
European Association of Public Banks (EAPB)

30 October 2008

### **EBiC Common Principles on Bank Account Switching**

#### **PREAMBLE**

*The aim of the following Preamble is to explain the political background and the banking realities that led to the adoption of the Common Principles on domestic personal current account switching, as well as the objectives and scope of this initiative. The Preamble also explains and clarifies some of the issues contained in the Common Principles. This Preamble, which shall not be dissociated from the Common Principles, will be sent together with the Common Principles as a package to the national banking associations in order to support the implementation of the Common Principles.*

#### ***I. A European approach to bank account switching***

The European banking industry is committed to promoting a competitive environment for Europe's retail banks given that competition improves banks' efficiency, lowers prices and drives product diversity and innovation. Competition is crucial in ensuring that Europe's banks offer the best possible services and products and continuously strive for improvement. Therefore, the banking industry holds the view that, as an important condition for competitive retail banking markets, consumers have to be able to seize the best offers on the market.

Although the ease with which consumers can change banking services provider is crucial for competition, it does not necessarily translate into high observed customer mobility. This can be due to consumers' banking habits and their preferences for holding multiple bank accounts. First and foremost, however, it is due to the fact that most relationships between consumers and banks are long standing and based on, as well as determined by, consumers' trust in and satisfaction with their bank. Since for most banks the loyalty of their customers is an absolute priority, low observed turnover, even in markets where switching is particularly easy, can reflect banks' success in maintaining customer satisfaction.

In the daily business of banks, the importance of mobility of consumers has long been recognized. Since current account switching has always been a national issue, it has been approached from different angles in the different Member States. As a result, at the present stage, in a number of Member States current account switching is facilitated by a wide range of independent switching arrangements grown out of banking practice, where in six Member States these arrangements are

the achievement of self-regulation. Also, whether the result of self-regulation or banking practice, existing switching arrangements are always conditional on domestic legal and technical circumstances.

For the first time, the European Banking Industry Committee (EBIC) has now laid out common standards on the role of banks in facilitating domestic current account switching, which will be met by banks within the European Union, thereby creating a common benchmark for supporting consumers in all Member States. Therefore, the present set of Common Principles is the result of an unprecedented initiative to set European standards for arrangements concerning current account switching.

Against the background of the diversity of national switching arrangements, the European banking industry has been careful to ensure that the present set of Common Principles shall be compatible with existing switching services, also taking into account the different legal and technical constraints in individual Member States. Hence the Common Principles are an output oriented set of common standards that will be applied, and if necessary adapted, at national level.

## ***II. Common Principles in the political context***

The European banking industry has developed this set of Common Principles in light of the European Commission's focus on bank account switching. The banking industry therefore takes into account concerns voiced in the *Report of the Expert Group on Customer Mobility in Relation to Bank Accounts*, as well as challenges identified by the *Single Market Review*. However, the European banking industry notes that no comprehensive "better regulation" exercise, and no impact study was conducted by the European Commission.

In January 2008, the European Commission invited EBIC to develop, via self-regulation by mid 2008, a Code of Conduct for banks in the case when customers wish to switch bank accounts. EBIC decided to respond to this request and created a special task force with national experts from the banking industry, who proposed high-level rules at European level. The Common Principles are the result of the work of this task force.

## ***III. Objectives and scope of Common Principles***

The Common Principles underline the strong commitment of the European banking industry to competition, and the determination at European level to establish rules which create national switching arrangements or enhance existing ones. Therefore, the first objective of these Common Principles is to ensure that bank account switching is not onerous to consumers and that their mobility shall not be constrained by any unnecessary delay or by a lack of support by their banks.

Secondly the Common Principles seek to increase the awareness of consumers of the switching-related services that they can expect and that help them benefit from competition among retail banks. In particular, by providing clear information on the necessary tasks and steps of the switching, as well as lay out the respective roles and responsibilities of banks and consumers alike (including in relationships with third parties), the banking industry aims at reducing consumers' apprehensions with respect to bank account switching.

In line with these two objectives, the banking industry's first and foremost priority is to help consumers by addressing those points where the switching of accounts can indeed lead to frictions and to the disruption of important services and relevant payment flows. While fulfilling these objectives, the Common Principles also seek to strike a fair balance between the costs and the administrative burden imposed on banks and the benefits which result for consumers.

Therefore, the Common Principles establish a common denominator for the support to be enjoyed by all consumers throughout the European Union, who are customers of banks that are adhering to these principles. Individual banks or banking communities can give additional support to consumers during the switching process or maintain or introduce switching-related services going beyond this set of Common Principles.

The Common Principles cover all personal current accounts, provided there are no impediments, like, for example, agreements between consumers and banks, based on which a current account is linked to other products or services, and constituting obligations of consumers which conflict with the switching. Other impediments may arise for accounts which serve as security or carry guarantees or other obligations. The Common Principles apply to domestic switching of current accounts and recurring direct debits, standing orders for credit transfers and recurring credit transfers, which are linked to these current accounts.

#### ***IV. The 'new' bank as the engine of switching***

Banks will provide consumers with clear and complete information.

The banking industry holds the view that the most efficient and fair arrangement for consumers and banks alike is for the 'new' bank to have a pivotal role in the switching. Consequently, the 'new' bank will support the consumer in switching and present to the consumer the relevant services including to serve as the primary contact point, taking note of data protection issues

With the new bank serving as the primary contact point, there still is the necessity of minimum contact between the consumer and the 'former' bank. This holds in particular for the closure of the 'former' account, where direct contact between the 'former' bank and the consumer can save valuable time to the consumer and also be more efficient. This also is the natural outcome in a situation where a consumer, while deciding to close his current account at the 'former' bank, may still wish to remain in contact with the 'former' bank, for example if he keeps a savings account or is interested in other banking products at the 'former' bank.

#### ***V. Retail-banking realities***

As mentioned above (Section I) "multibanking" is a common practice in many Member States, and the banking industry's initiative explicitly takes into account the possibility of "multibanking" in the provisions for account switching. The Common Principles therefore allow for the case where the consumer wishes to simply switch (some) payments operations and to keep his former account open (i.e. "multibanking"), as well as for the case where the consumer wants to switch all payments operations and close his previous account. In both cases, as explained above, the 'new' bank may serve as the primary contact point for the consumer.

The banking industry is committed to facilitating current account switching and therefore vouches that consumers shall have access free of charge to all information relevant for the switching, be it general (including switching guide and draft letters) or personal (related to standing orders and direct debits), if this information is available through an automated process at his bank and does not reach back more than 13 months. When the new bank is used as primary contact point, the former bank will also send all such information to the new bank without imposing a charge on the consumer, so that the principle of consumers' free of charge access to such information is maintained. Furthermore fees, if any, for switching related services will be transparent, appropriate and in line with costs; for example: postal costs may be charged.

In addition, also driven by market competition, market practice is such that existing current account switching services proposed by banks to new consumers are most of the time free of charge according to their own commercial policy.

### ***VI. Implementation and monitoring***

The implementation process of the Common Principles shall be initiated upon approval by EBIC and the implementation date will be 1<sup>st</sup> November 2009. On a national level, national banking associations, or other relevant bodies, will coordinate the implementation by banks and oversee the adherence process.

EBIC will undertake a review process 1 year after the entry into force of the Common Principles at national level in order to assess whether the Common Principles meet their objectives. National banking associations (or relevant bodies) will monitor the implementation of and compliance with these Common Principles. In particular there will be an evaluation process initiated by the national banking associations, but not exclusively conducted by the banking industry.



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European Association of Public Banks (EAPB)

24 September 2008

### **COMMON PRINCIPLES FOR BANK ACCOUNTS SWITCHING**

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#### **1. Scope**

- a. These principles apply to personal current account switching, which means a consumer switching his payments relationship from one bank (the 'former' bank) to another (the 'new' bank), in which he holds or opens a bank account, within his country;
- b. Payments relationship means the maintenance of a current account through which a consumer may make and receive payments;
- c. The Principles only apply to current accounts and recurring direct debits, standing orders for credit transfers and recurring incoming credit transfers<sup>1</sup>, which are linked to them.

#### **2. Information on switching**

**Banks will provide consumers who want to switch their current account with clear and complete information.**

- a. Information provided will indicate the respective responsibilities (of 'former' bank, 'new' bank and consumer) and the timescales (if applicable) during the process and if any fees are to be imposed;
- b. Information will be made available on durable medium and supplied by banks and national banking associations.

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<sup>1</sup> See Annex 1 for more details.

### 3. How will banks support the switching?

**‘New’ and ‘former’ bank will offer assistance to the consumer in making the necessary arrangements in order to enable a smooth and timely switching.**

The exact services to be offered by the ‘former’ and the ‘new’ bank will depend on the legal environment and on the division of roles and responsibilities between banks and consumers as defined in the context of the payment schemes and infrastructures in place in the various Member States.

In all cases, banking communities will organise the facilitation of bank account switching in such a way that consumers can choose to address the ‘new’ bank as the **Primary Contact Point** for switching their account, instead of contacting the ‘former’ bank themselves.

The ‘new’ bank will:

- Provide the consumer with a guide to switching<sup>2</sup>;
- Open a new bank account for the consumer<sup>3</sup>;

**If the consumer chooses the ‘new’ bank as his *Primary Contact Point* during the switching, the ‘new’ bank will:**

- Contact the ‘former’ bank, if necessary, upon explicit authorisation of the consumer, and request the ‘former’ bank to provide a list with information to identify standing orders for credit transfers and available direct debit mandates on the ‘former’ account. This list shall be sent directly to the new bank, a copy will be made available to the consumer;
- Request the ‘former’ bank to close standing orders for credit transfers and stop direct debits, upon explicit authorisation of the consumer;

- Help the consumer to provide the new account details to relevant third parties, in particular with regard to the sources of recurrent incoming credit transfers (as for example employers or social security) and direct debits following the creditor mandate driven flow, for instance by providing draft letters<sup>4</sup>. As regards direct debits following the debtor mandate driven flow, the new bank will inform the creditors on the new account details. The new bank will also offer the latter service in case of a creditor mandate driven flow if the client provides it with complete mandate information of creditors to be informed;
- With consent of the consumer, establish existing standing orders for credit transfers and accept direct debits on the new account upon receiving the relevant information from the ‘former’ bank or the consumer. If necessary, additional information shall be provided by the consumer.

<sup>2</sup> See Annex 3 for more details.

<sup>3</sup> Notwithstanding its obligations under any applicable rules (e.g. Anti-Money Laundering legislation) or its own policies.

<sup>4</sup> See Annex 3 for more details

The **'former' bank** will on the request of the consumer or on presentation of an authorised request of the consumer by the 'new' bank as an intermediary:

- Provide a list with information to identify standing orders for credit transfers and direct debit mandates, if available, on the 'former' account;
- Close standing orders for credit transfers and stop direct debits.

If the consumer wishes to **close his account** at the 'former' bank, the **'new' bank** will assist him, for instance by providing draft letters<sup>5</sup> requesting account closure and the transfer of the available balance of the 'former' account to the 'new' account. The consumer will also return his payments cards and unused cheques to the 'former' bank.

In this case, the **'former' bank** will on the request of the consumer:

- Transfer any available positive account balance to the 'new' account;
- Close the 'former' account, unless any problems (as for example a negative account balance or unreturned payment cards) arise, in which case the consumer will be contacted directly.

#### 4. Facilitating switching

- a. The 'former' bank will not impose fees for closing the old account, except possibly for accounts open less than 12 months in accordance with the PSD<sup>6</sup>;
- b. The consumer will have free of charge access to general information about switching (as specified in sections 2a, 2b and 3 bullet point 1), as well as to his personal information (existing standing orders and direct debits) necessary for the switching, if it is available through an automated process at his bank and does not reach back more than 13 months. All such information about the consumer's existing standing orders and direct debits will also be provided from the 'former' bank to the 'new' bank without charge for the consumer, if the consumer chooses to use the new bank as his primary contact point;
- c. Fees, if any, for switching related services provided by banks and/or banking communities shall be appropriate and in line with costs. They will be communicated in the information to be provided to the consumer in relation to the account. The level of fees shall be examined specifically in the review process;
- d. Consumers will not be subject to any fees imposed by the banks as a result of the banks' own errors during the switching;
- e. The consumer should not be subject to any unjustified delay in switching due to banks<sup>7</sup>;

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<sup>5</sup> See Annex 3 for more details

<sup>6</sup> Article 45 (2) and (4) of the PSD (see Annex 2).

<sup>7</sup> Because of the diversity of banking systems across Europe, it is not possible to prescribe a standard timeframe for completing the switching process.

- f. The ‘former’ bank will provide all the available information to identify standing orders for credit transfers and to identify direct debit mandates on the old account within 7 banking working days upon receiving the request;
- g. The “new” bank will set up standing orders and will accept direct debits on the new bank account and notify, where applicable, creditors of direct debits about the change of bank account within 7 banking working days of receiving all the relevant information required to do so, either from the “former” bank or from the consumer.

## **5. Implementation**

**EBIC Members will coordinate the implementation of these Common Principles by the national banking communities.**

- a. The implementation process will start when the Common Principles are formally approved by EBIC and acknowledged by the European Commission;
- b. At national level, the implementation will be coordinated by the national banking associations (or relevant bodies);
- c. The Common Principles will be implemented in national banking communities by 01 November 2009;
- d. The European Commission and European consumer associations will receive and be invited to discuss a report on the status of implementation of the Common Principles at national level in July 2009;
- e. National banking associations will inform national consumer organizations about the implementation of the Common Principles;
- f. Consumers who have a complaint about participating banks’ compliance with these principles should have access to their appropriate national alternative dispute resolution scheme(s).

## **6. Monitoring**

**EBIC is committed to ensure appropriate monitoring of these Common Principles.**

- a. EBIC will undertake a review process 1 year after the entry into force of the Common Principles at national level;
- b. National banking associations (or relevant bodies) will monitor the implementation of and compliance with these Common Principles. There will also be an evaluation process. This evaluation will be conducted by a body involving national consumer associations, or by an independent body or authority, or, where neither of these solutions is possible, by an independent consultant or adviser, who will be selected in agreement with national consumer associations;
- c. EBIC will regularly inform the European Commission and European consumer associations on the operation of the Common Principles.

## Annex 1 – Relevant Payments Services

What are consumers concerned about when they switch current accounts?

- Consumers may be worried that there will be frictions regarding **incoming** payments like, for example, their salary, pension benefits...
- Consumers may also be worried that there will be frictions regarding **outgoing** payments, like rent payments, insurance premia, payments for utility, credit card payments...

Payments, incoming as well as outgoing, are either made on a **‘one-off’** basis or are **‘recurring’**, in the sense that they are repeated transfers between the consumer and the same counterparty.

When a consumer switches current account, the only payments which can be disrupted in the process are **recurring payments**. Hence the payment services to be covered by the Common Principles are:

- **Recurring incoming credit transfers**
- **Recurring direct debits\***
- **Standing orders for credit transfers.**

\*The Common Principles apply to all direct debits, whether *debtor mandate driven* or *creditor mandate driven*, with the restriction that information cannot be supplied by the bank, if it is not at the disposal of the bank. This restriction is due to the modus operandi of some national banking practices and specifically applies to those countries where, when direct debits are a *creditor mandate driven flow*, the ‘former’ bank has no extra information that could help facilitate switching. For example, this is the case if direct debit mandates are only exchanged between the consumer and a third party without necessarily involving their banks, so that the debtor bank does not have the details on the mandate signed by the debtor since those are stored with the creditor. Consequently, the mandate data being stored with the creditor and not with the debtor bank, the consumer will have to take some responsibility in the switching process in identifying which mandates he has signed. In this case it may also be necessary that the consumer contacts counterparties directly, in which, of course, he can be supported by the ‘new’ bank.

## Annex 2

Article 45 of the PSD: Termination

2. Termination of a framework contract concluded for a fixed period exceeding 12 months or for an indefinite period shall be free of charge for the payment service user after the expiry of 12 months. In all other cases charges for the termination shall be appropriate and in line with costs.

4. Charges for payment services levied on a regular basis shall be payable by the payment service user only proportionally up to the termination of the contract. If such charges are paid in advance, they shall be reimbursed proportionally.

## Annex 3 – Draft Guide and Draft Sample Letters for Consumers

*For the time being, please refer to extra document Annex 3*



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### ANNEX 3 – Draft Guide and Draft Sample Letters for Consumers

**Annex 3 provides examples of a basic switching guide and draft letters. The guide and draft letters will be adapted to national circumstances and available from banks and national banking associations.**

#### \*\*\*\*\* SWITCHING YOUR CURRENT ACCOUNT \*\*\*\*\*

It is important to do things in the right order. Remember that you can use your new bank as the *Primary Contact Point* during the switching.

**The correct procedure is as follows:**

➤ **Step One - Opening a new account in the bank you have chosen.**

When you open a new account the bank will give you an account agreement stating all the terms of the account and how it functions. Read this document carefully. It is effectively the “user guide” to your account.

Along with this account agreement you will be given a price list for all banking services. The prices shown must be those currently applicable.

Ask for **Account Identifiers**, summarizing your new account number and other relevant details. Remember that you can always photocopy them. You can use the Account Identifiers to pass on your new bank details to all counterparties that make automatic payments into this account (salaries, pension, benefits etc.) or to set up new standing orders or direct debits from this account (taxes, rent, insurance, utility bills etc.).

Order any cheque books or cards that you will need. Ask the bank how long it will take before cheques/cards will be ready for use.

➤ **Step Two - Transferring all automatic payments to your new account**

Bear in mind that it will take the bank some time to complete the transfer. Within that time, payments may continue to come out of your old account. Remember to keep enough money in the account.

**You can use your new bank as your *Primary Contact Point* and as an intermediary for your contacts with your old bank.**

Your old bank, on request, will provide you or your new bank with a list of direct debit mandates and standing orders as far as this information is available<sup>1</sup>. Also, your old bank, on request, will cancel all direct debits from your account

Your new bank will reinstall the standing order and direct debits and provide you with standard form letters (Letter 1, below) to inform other counterparties, as for example your employer, of your new bank details. Your new bank will also provide you with standard letters (Letter 2, below) to creditors to ask them to transfer the direct debits to the new account.

\*\*\*\*\* *CLOSING YOUR CURRENT ACCOUNT* \*\*\*\*\*

Request the closure of the old account once everything has been settled. Two things must have happened before you ask your old bank to close your account.

*First*, all outstanding bills must have been presented (or you must have arranged to make a covering payment with the bank).

*Second*, all automatic incoming and outgoing payments (salary, pension, standing orders and direct debits) must have been transferred to the new account.

For requesting the closure of your old account you can use a standard letter (Letter 3, below).

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<sup>1</sup> The availability of information on debtor mandate driven direct debits and creditor mandate driven direct debits depends on national circumstances. In particular for creditor mandate driven direct debits, the old bank may not have any information and can therefore not provide it to the new bank or the consumer.

## ***Letter 1***

Draft letter for having incoming payments deposited into a new account (salary, pension, benefits, etc.)

*Surname - given name*

*Address*

*Telephone*

*Name and address of the organisation  
you are writing to:*

*Your reference number (with the organisation)*

*Date*

Registered post with recorded delivery

Re: change of bank account details

Dear Sir/Madam,

Please note that my bank account details have changed.

I attach the bank identity statement (**Account Identifier**) showing the details of my new account.

Please use this account for all future payments to me.

Thanking you in advance.

Yours sincerely,

*Signature*

Enclosed: my new account details

## ***Letter 2***

Draft letter: for transferring standing orders to a new account (utility bills, tax, etc.)

*Surname - given name*

*Address*

*Telephone:*

*Name and address of the organisation  
you are writing to:*

*Your reference number (with the organisation)*

*Date*

**Registered post with recorded delivery**

**Re: change of bank account details**

**Dear Sir/Madam,**

**Please note that my bank account details have changed.**

**I attach the bank identity statement (**Account Identifier**) showing the details of my new account.**

**Please use this bank account for all standing order payments in accordance with the authorisation I have given you.**

**Thanking you in advance.**

**Yours sincerely,**

**Signature**

**Enclosed: my new bank account details**

**Letter 3**

Draft letter asking to close a current account

*Surname - given name*

*Address*

*Telephone:*

*Old account number:*

*Name and address of the bank you  
are writing to:*

*Date*

Registered post with recorded delivery

Re: closure of current account

Dear Sir/Madam,

Please close, free of charge, my current account, number *(your account number)*, and transfer any outstanding balance to the bank *(name of your new bank and address of the branch)*. The necessary details are shown on the attached bank identity statement (**Account Identifier**).

Note that I have returned to you all my unused cheques and my bank card.

*I have also made all the necessary arrangements with you to leave on your books, outside my account, adequate provision to settle the total amount of outstanding cheques and card payments.*

Thanking you in advance.

Yours sincerely,

Signature

Enclosed: my new bank account details