

BANKING CONDUCT SUPERVISION REPORT



2019



BANCO DE
PORTUGAL
EUROSYSTEM

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EUROSYSTEM

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Acronyms and abbreviations

AFI	Alliance for Financial Inclusion
ANR	Annual nominal rate
APRC	Annual percentage rate of charge
ASF	Portuguese Insurance and Pension Funds Supervisory Authority (Autoridade de Supervisão de Seguros e Fundos de Pensões)
ATM	Automated Teller Machine
ATS	Automatic Teller Safe
BBA	Basic bank account
BCPLP	Central Banks of Portuguese-speaking Countries
BCW	Bank Customer Website
CCR	Central Credit Register (Central de Responsabilidades de Crédito)
CMVM	Portuguese Securities Market Commission (Comissão do Mercado de Valores Mobiliários)
EBA	European Banking Authority
ESIS	European Standardised Information Sheet
FinCoNet	International Financial Consumer Protection Organization
G20	Group of Twenty
GPFI	Global Partnership for Financial Inclusion
INFE	International Network on Financial Education
KID	Key information document
OASP	Out-of-court Arrears Settlement Procedure
OECD	Organisation for Economic Co-operation and Development
PRIIP	Packaged retail and insurance-based investment products
PSD2	Revised Payment Services Directive
RCL	Complaint from the official complaints book
RCO	Complaint received from other means
RGICSF	Legal Framework of Credit Institutions and Financial Companies
RJSPME	Legal Framework for Payment Services and Electronic Money
SEPA	Single Euro Payments Area
SICAM	Mutual Agricultural Credit Scheme
SICOI	Interbank Clearing System
SIS	Standardised Information Sheet

Introductory note

The year 2019 was another year of intense work in the field of banking conduct supervision carried out by the Banco de Portugal and this Report gives an adequate account.

In drawing up its structure, we decided that it was justified to start with the subject of banking conduct supervision in the digital era, a key and cross-cutting subject, highlighting, on the one hand, the main challenges it raises and, on the other hand, how the Banco de Portugal has been responding in the most recent years and, in particular, in the year to which the report relates.

Indeed, both in regulatory terms and in terms of supervisory or financial education approaches, the digital transformation process and the inherent increase in the use of digital channels by bank customers have brought all a whole new world to which we need to adapt quickly and appropriately, otherwise the purposes of banking conduct supervision could be jeopardised.

This is a challenging but stimulating task, to which we give ourselves every day with a spirit of continuous improvement.

At the time of writing these words, the world is living the dramatic effects of the Coronavirus (COVID-19) pandemic, which is an additional and unexpected reason for customers to use digital channels in their relationship with banks. Of course, this is a reason we could all do without, but we must recognise that it will intensify a trend that was already structural and unstoppable. This makes it all the more necessary for the Banco de Portugal to ensure robust and up-to-date banking conduct supervision in the context of this new reality and, therefore, the choice of this emphasis could not have been more timely.

This year the structure of the Report separates, under the term ‘financial institutions’, the analysis of the supervision of credit institutions, financial companies, payment institutions and electronic money institutions – the report’s genetic matrix – from the review of the supervision of credit intermediaries. They are, in fact, two markedly different realities. Hence the choice made.

With regard to the supervision of financial institutions, the Report details the different areas that it covers, making the diversity, complexity and size of the financial institutions clear. An example of its magnitude is the fact that in 2019 the Banco de Portugal received 18,104 complaints from bank customers on matters falling within its competence, an 18.7% increase compared with 2018, which was largely the result of the e-platform ‘Livro de Reclamações’ becoming available as of 1 July 2019.

The Banco de Portugal has been responsible for the supervision of credit intermediaries since 1 January 2018, as well as for the certification and monitoring of the activities of entities wishing to provide professional certification in the context of the marketing of home loans and mortgage credit agreements and credit intermediation. In this context, I would like to stress in particular the extraordinary effort made by the Banco de Portugal in 2019 in the supervision of credit intermediaries, having fully succeeded to overcome the enormous operational challenges arising from the very high number of applications for authorisation, as is clearly portrayed in the report.

The promotion of financial information and training is one of the activities that the Banco de Portugal has developed more in recent years, whether with the National Council of Financial Supervisors or through its own initiatives. In fact, the importance of financial literacy or financial citizenship for financial stability and economic development is increasingly recognised both in the

country and internationally. It is an activity in which the Bank takes great pleasure, in particular because it enables it to interact with society, which enriches the institution and the employees who are involved in it.

The Report ends by mentioning the Banco de Portugal's participation in various international forums, proving how the Bank, echoing Portugal's well known internationalist ideals, establishes relationships well beyond its natural environment, Europe and the Portuguese-speaking countries.

This was clearly evidenced when the Banco de Portugal, represented by the Head of the Banking Conduct Supervision Department, was elected in November 2019 chair of the International Financial Consumer Protection Organisation (FinCoNet), a global organisation.

As a result of this election, the Banco de Portugal ended 2019 with a major event that symbolises the recognition of the institution's work in the field of banking conduct supervision. It gave us further encouragement to continue doing our best to serve the public interests entrusted to us.

Luís Máximo dos Santos

Vice-Governor

Executive Summary

In the Banking Conduct Supervision Report for 2019, the Banco de Portugal discloses the supervisory activities it undertook in retail banking markets during the year.

Part I of the report sets out the **main challenges posed by technological innovation** and analyses the Bank's actions to address this demanding new environment, both in terms of regulation and supervision and in terms of the provision of information and digital financial training for bank customers.

Part II describes the work carried out by the Banco de Portugal in 2019 in its **supervision of the financial institutions' conduct** in retail banking markets. For each type of banking product and service, information is provided on the type of material analysed and on the infringements identified as a result of the information reported by the institutions, of the supervision activities carried out and of the handling of complaints made by bank customers.

Part III details the work carried out in the supervision of **credit intermediaries** and **Part IV** refers to the Banco de Portugal's role in the certification and monitoring of **entities that provide training and grant professional certification** in the offering of mortgage credit agreements and credit intermediation.

Part V summarises the initiatives developed in order to promote the financial education and training of bank customers.

Finally, **Part VI** describes the main subjects on the **agenda of the international forums** of banking conduct supervision, as well as the **cooperation** initiatives that the Bank has undertaken with other central banks and supervisors and the conferences in which it participated in this field.

Banco de Portugal monitors technological innovation in the retail banking markets and acts to ensure that, regardless of the channel used for signing up banking products and services, the rights of customers are also protected.

The growing digital transformation of the financial sector allows customers to access banking products and services with greater ease and comfort and to benefit from a more custom and integrated offer due to the wider range of service providers and access to new services. However, because it is simpler, instantaneous and does not require face-to-face contact, the use of digital channels can make it difficult to read and understand information and lead to impulse decision-making. It also poses greater challenges in the identification of service providers and, above all, in terms security.

The Banco de Portugal has monitored developments in supply and demand of banking products and services through digital channels and has adapted its regulatory and supervisory actions to the requirements of the new context, so that innovation is pursued without jeopardising the rights of bank customers.

After the Bank allowed institutions to open deposit accounts in a fully digital manner in 2017, using assisted video conferencing, in 2018 it started receiving information from the institutions on credit products offered to consumers through digital channels, which enabled it to monitor signing-up flows and encourage the implementation of best practice in this field. In 2019 the Banco de Portugal released the good practices to be observed by the institutions for providing the statement of fees via digital channels and by email.

It should also be noted that, in 2020, the Banco de Portugal launched a public consultation of a draft Circular Letter with the best practice to be adopted by the institutions that market retail banking products and services through digital channels. Simultaneously, it has reflected on the development of technological tools to support its supervisory activity (SupTech), speeding up the verification of compliance with legal and regulatory requirements. These projects are being developed with the help of the Bank's Innovation Laboratory, using new technologies such as natural language processing and machine learning.

In addition to these initiatives, the Banco de Portugal has stepped up its work in the field of financial information and training on digital security. In this regard the #TopTip financial education campaign, which the Bank started in 2018 in order to draw young people's attention to the need for a responsible use of these channels, is also relevant.

The marketing of basic bank accounts (BBAs) and the sending of the new statement of fees linked to payment accounts were among the banking conduct supervision priorities of the Banco de Portugal in 2019.

In 2019 the Banco de Portugal conducted inspections of the 107 institutions marketing basic bank accounts to assess compliance with the obligations to disclose this scheme to bank customers, namely the possibility of converting current accounts into BBAs and the requirements for such conversion, information that the institutions must include in the first statement of the current account issued in each calendar year. The Banco de Portugal also carried out mystery shopper inspections of 25 branches of 14 institutions to assess compliance with the obligation to display a poster on BBAs, and to the central services of two institutions, to check the practices and procedures adopted for the provision of these services. As at 31 December 2019, there were 103,628 BBAs, an increase of 75.1% from the end of 2018. During the year, 47,587 accounts were opened; of which 80.4% by converting an existing current account.

In 2019 credit institutions were obliged to provide their customers with the statement of fees on a yearly basis. In a format standardised at European level, this document describes the fees charged in the previous year for services linked to payment accounts. To assess compliance with this obligation, the Banco de Portugal has carried out inspections of 119 institutions. This analysis led to the conclusion that 111 institutions did not send the statement of fees to all customers with a current account, particularly to customers who are not natural persons and customers whose current accounts registered no transactions. The analysis of 115 institutions showed that in some cases a document was sent to the customers that did not fully meet all the requirements for harmonised information at European level. The Banco de Portugal also conducted inspections of 117 entities to assess compliance with the reporting obligations with regard to the account switching service and of 107 entities to assess compliance with the obligation to send the current account statement.

As part of its oversight activity, the Banco de Portugal also assesses the institutions' compliance with the obligations to provide information in the advertising materials of retail banking products and services, following the launch of each marketing campaign, and the key information documents and advertising of structured deposits prior before they are marketed.

The Banco de Portugal checked 9684 advertising materials released by 59 institutions; no irregularities were found in 96.3% of them (97.7% in 2018). Car loan campaigns continued to record the highest ratio infringement in this respect (18.1%).

The Banco de Portugal previously checked all the key information documents of the 75 structured deposits offered (covering nine institutions) and checked the return rates cleared for the 167 deposits of this type which were due during the year (covering 13 institutions).

The Banco de Portugal continued to pay special attention to the monitoring of consumer credit, in particular revolving credit and the marketing of credit through digital channels.

In consumer credit, the Bank assessed compliance with the APRC upper limits for 1,598,744 credit agreements reported, 3.6% more than in 2018, and adopted appropriate measures on four contracts from three institutions.

The Banco de Portugal has carried out inspections of the central services of eight institutions to monitor compliance with the regulatory framework applicable to the offering of overdraft facilities, current accounts, credit cards, credit lines and car loans, as well as the central services of four entities in order to assess compliance with the requirements for overrunning.

Over the course of the year, it also assessed 30 consumer credit products sold through digital channels, covering 15 institutions. This assessment covered the requirements for pre-contractual and contractual information, the duty to provide assistance, the procedures for assessing the creditworthiness of customers, cross-selling, cost financing, the right of withdrawal from the agreement, early repayment and the security procedures implemented.

With regard to home loans and mortgage credit, the Banco de Portugal carried out inspections of the central services of three institutions to assess the practices in place for marketing of these products. These inspections targeted a wide range of subjects: the observation of the applicable requirements to provide information, the creditworthiness assessment procedures, the availability of the immovable property assessment report, fees and other charges, calculation of the interest rate and application of compensatory interest rates, calculation of the APRC, cross-selling, early repayment, arrears and charges associated with default, and the reporting of draft agreements.

The Bank continued to monitor the implementation of the general arrears regime. In consumer credit, 628,357 new cases were reported to the Banco de Portugal within the scope of the Out-of-court Arrears Settlement Procedure (OASP), 4.8% more than in 2018, involving a total of 463,972 credit agreements and outstanding amounts totalling €1,082.8 million. During the year, the institutions concluded 625,381 OASP proceedings covering consumer credit agreements, of which 43.7% were closed with settlement of the arrears (42.8% in 2018). In home loans and mortgage credit, 71,497 OASP proceedings were opened, 16.1% less than in 2018, corresponding to 45,972 credit agreements and €2,139.4 million outstanding. The institutions closed 72,028 OASP proceedings for this type of credit of which 66.4% were closed with settlement of the arrears (65.2% in 2018).

Institutions may, as a rule, freely set the fees they charge for the banking services they provide, having to comply with limits imposed by the legislator and obligations to inform customers. To promote the transparency and comparability of fees related to services linked to payment accounts, the Banco de Portugal provides the Fees Comparator on the Bank Customer Website.

The Banco de Portugal analysed 1,675 fees and charges leaflets altered, reported by 163 institutions and conducted mystery shopper inspections in 25 branches of 14 institutions to assess compliance with the obligation to disclose the price list and the accuracy of the information provided.

In the Fees Comparator tool, available on the Bank Customer Website, it has published continuously updated information on the maximum fees charged by about 200 entities for the most representative services linked to payment accounts and other relevant services on the national market. The fees comparator allows users to compare the maximum fees charged by the institutions and to view historical data.

The number of complaints made by bank customers against credit institutions, financial corporations, payment institutions and electronic money institutions grew by 18.7% compared with 2018, growing mainly as the result of the e-platform 'Livro de Reclamações' becoming available.

In 2019 Banco de Portugal received 18,104 complaints registered by bank customers against supervised institutions, 18.7% more than in the previous year. This growth was boosted by the e-platform 'Livro de Reclamações' becoming available on 1 July 2019. Excluding complaints received in this way, the increase was only 1.4%.

Because of their greater share of existing contracts, bank deposits, consumer credit and home loans and mortgage credit were, in that order, the products targeted by most complaints and accounted for 32.5%, 24.7% and 11.6%, respectively, of the total number of complaints received. Complaints increased from 26 to 32 per 100 thousand on deposit accounts; about one fifth of complaints were about collecting fees/charges. In the case of consumer credit, the number of complaints also increased for the previous year from 32 to 36 per 100 thousand contracts; the content of the information reported to the Central Credit Register caused 43.7% of complaints. In home loans and mortgage credit, complaints rose from 94 to 100 per 100 thousand agreements; the calculation of instalments and APRC was the issue most complained about with 11.2% of complaints about this product.

The Banco de Portugal did not find any evidence of infringement by the institutions concerned in 61% of the complaints closed during the year (56% in 2018). In the other cases, the situation which gave rise to the complaint was remedied by the institution, on its own initiative or through the Banco de Portugal's intervention.

The Banco de Portugal issued 921 specific orders and recommendations addressed to 142 institutions to correct the instances of non-compliance detected and launched 27 administrative offence proceedings against nine institutions in the context of banking conduct supervision.

In its oversight activity, including the analysis of complaints, the Banco de Portugal issued 921 specific orders and recommendations to 142 credit institutions to ensure compliance with the applicable legal framework. The issues most targeted related to bank deposits (344 orders and recommendations issued to 118 institutions), consumer credit (193 orders and recommendations addressed to 17 institutions) and basic bank accounts (159 orders and recommendations issued to 101 institutions).

Within the scope of banking conduct supervision, the Banco de Portugal initiated 27 administrative proceedings against nine institutions, most of which stemming from the analysis of complaints presented by bank customers. These proceedings were initiated based on infringements related to bank deposits, consumer credit, payment services, Complaints Book, home loans and mortgage credit and bank secrecy.

The Banco de Portugal received 5,169 applications for authorisation to pursue the activity of credit intermediary, of which 72.7% were approved. At the end of 2019 there were 4,681 credit intermediaries registered.

In 2019 Banco de Portugal received 1,076 applications for authorisation to pursue the activity of credit intermediary, with 5,169 authorisation requests decided upon, of which 72.7% were granted. The number of authorisation requests decided by the Banco de Portugal increased significantly from the previous year, revealing the large number of authorisation requests submitted in the last quarter of 2018. At the end of 2019 there were 4,681 credit intermediaries registered with the Banco de Portugal (878 at the end of 2018), of which 20 were authorised by competent authorities of other Member States of the European Union.

Credit intermediaries authorised and registered by Banco de Portugal are mostly legal persons (86.4%) and have as their main activities trade, maintenance and repair of motor vehicles (50.3%), real estate activities (21%) and other retail trade (13.6%). Almost all of them carry out their activities on behalf and under the responsibility of lending institutions with whom they have binding agreements (99.9%).

In 2019 about 45% of the amount of consumer credit was granted through a credit intermediary; in car loans, this share amounted to 91% of the total amount of credit granted during the year.

The Banco de Portugal analysed 57 advertising materials produced by credit intermediaries and conducted inspections of 45 entities to assess the disclosure of information inside and outside the establishments open to the public and on their websites, as well as the existence of adequate means for the consumer care service. It also received 114 claims related to credit intermediation. As a result of these actions, it issued 325 specific orders and recommendations with a view to correcting irregularities, most of which were related to compliance with the regular reporting requirements.

Training entities certified by Banco de Portugal have awarded 26,401 professional certifications in 2019 for offering mortgage credit and credit intermediation.

In 2019 the Banco de Portugal received four applications for certification submitted by entities that intended to provide training courses for professional certification in the offering of mortgage credit and credit intermediation. Three were approved and one was refused. At the end of the year, there were seven certified training entities.

The Banco de Portugal has monitored the activity of certified training entities, particularly the trainees' evaluation and the content offered in courses through distance communication means. The Banco de Portugal requested these entities to submit a detailed report on the training activity developed over the course of the year. In 2019 these entities awarded 26,401 certifications, a substantial increase from the previous year that may be explained by the end, in March 2019, of the transitional period for proving compliance with the requirements regarding knowledge and skills based on professional experience.

The disclosure of basic bank accounts and the #TopTip digital financial education campaign continued to be amongst the Bank's priorities in terms of financial information and education for bank customers.

Bank customers' financial information and education are important complements to regulation and supervision. In 2019 the Banco de Portugal continued to disclose on the Bank Customer Website information on changes to retail banking markets in the form of news, decoders and videos. It also received and processed 2,753 requests for information from bank customers.

The disclosure of basic bank accounts remained a priority in this area. In 2019 the Banco de Portugal signed a protocol with the Ministry of Labour, Solidarity and Social Security, which provides for joint initiatives to promote basic bank accounts, through the Social Security Financial Management Institute, the Social Security Institute, the Institute for Employment and Vocational Training and the National Institute for Rehabilitation.

In view of the rapid technological transformation of retail banking markets, the Banco de Portugal has also given particular attention to the promotion of information and training on digital security. An example is the #TopTip digital financial education campaign, launched in 2018 to raise awareness among young people of the care to be taken when using digital channels. In 2019, 45 training activities were carried out throughout the country, involving more than 2,200 students. These actions were carried out following distribution by the Banco de Portugal of around 18,000 digital financial education brochures to 700 schools and school libraries, in mainland Portugal and in the Autonomous Regions. In 2019 the Banco de Portugal held 581 financial training courses across the country, a 29% increase from 2018, through its regional network. These actions brought together 20,458 participants, a 42% increase compared to the previous year.

In addition the Bank carries out initiatives as part of the National Plan for Financial Education, a joint project with the Portuguese Securities Market Commission and the Portuguese Insurance and Pension Funds Supervisory Authority, in the scope of the National Council of Financial Supervisors. In 2019, supervisors entered into a cooperation agreement with the Intermunicipal Community of Trás-os-Montes for the promotion of financial training in the member municipalities, bringing the number of protocols signed with intermunicipal communities in this field to three. The Bank continued to provide financial training courses (i) in schools, with the support of the Ministry of Education; (ii) in financial training courses with the support of the Institute for Employment and Vocational Training; (iii) to entrepreneurs and managers of micro, small and medium-sized enterprises, in collaboration with IAPMEI e do Turismo de Portugal; and (iv) to social economy entrepreneurs under the existing protocol with the Cooperative António Sérgio for the Social Economy.

The Banco de Portugal has participated in the main international banking conduct supervision forums, in particular the International Financial Consumer Protection Organisation, which it chairs.

In 2019 Banco de Portugal took part in the work of the main international banking conduct supervision forums: European Banking Authority (EBA), the Joint Committee of the European Supervisory Authorities the International Financial Consumer Protection Organisation (FinCoNet) and in dedicated groups of the OECD, G20 and of the European Commission.

In November 2019, the head of Banking Conduct Supervision Department, Maria Lucia Leitão, was elected Chair of FinCoNet, an international organisation that brings together banking conduct supervision authorities. In this organisation, the Bank coordinated the work that led to the publication of guidance to strengthen supervision of the sale of consumer credit through digital channels.

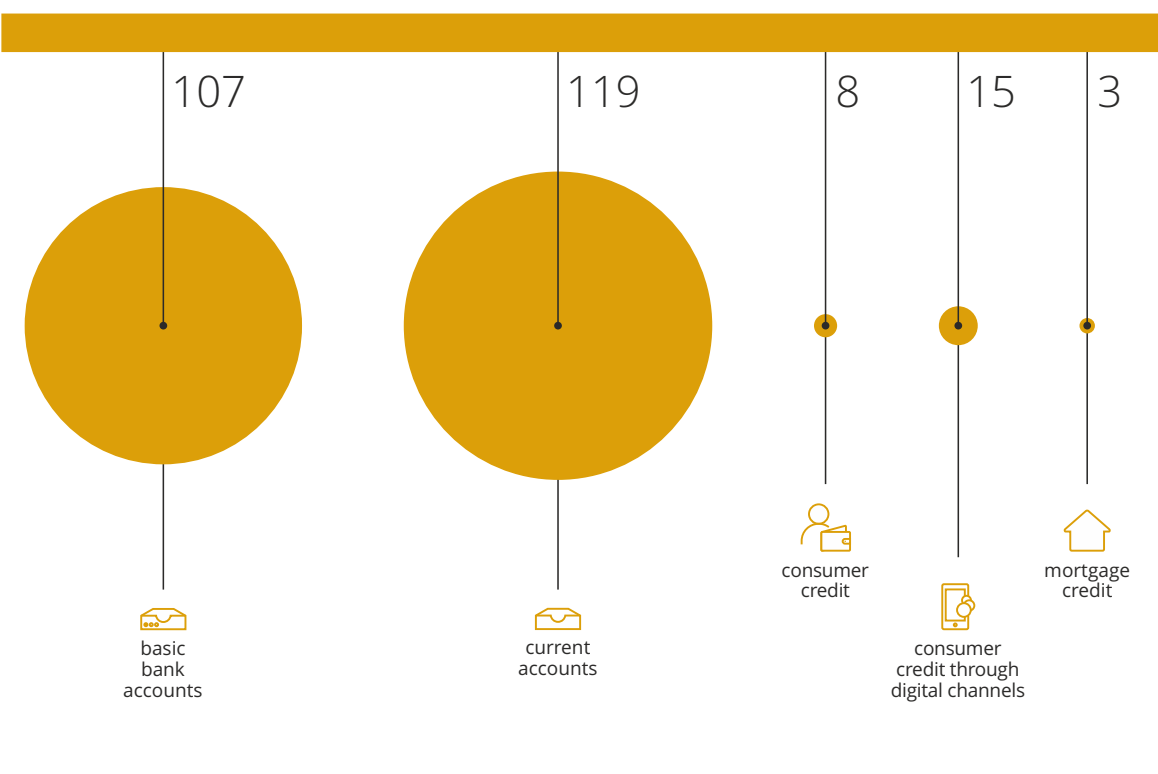
The Banco de Portugal also pursued cooperation initiatives on banking conduct supervision with other central banks and supervisors, especially its counterparts in Portuguese-speaking countries, hosting the 4th Meeting on Financial Inclusion and Education for Central Banks of Portuguese-speaking Countries. Among other initiatives, the Bank also provided technical assistance to the Banco de Cabo Verde and to the Banco Central de Timor-Leste in the implementation of their national financial education strategies. It was also chosen by the European Central Bank and European Commission to share its experience in banking conduct supervision with seven central banks and supervisors from the Balkan countries.

Banking conduct supervision in numbers **2019**

Banco de Portugal is responsible for supervising the banking conduct of credit institutions, financial companies, payment institutions, and electronic money institutions.


Inspections

institutions covered




Systematic monitoring

— 2018 ■ 2019

 advertising materials

9,739

9,684

 remuneration rates on structured deposits


162

167

 key information documents on structured deposits

91

75

 consumer credit agreements

1,543,743

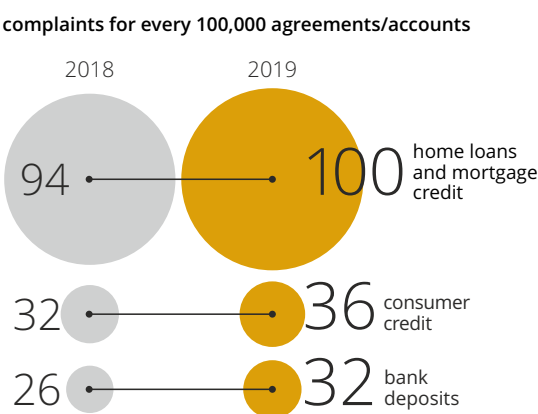
1,598,744

Complaints about credit institutions

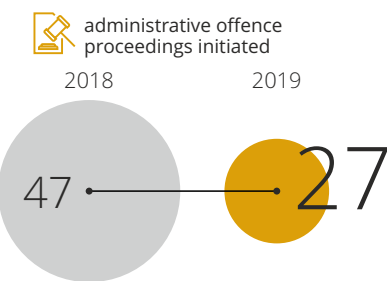
from bank customers



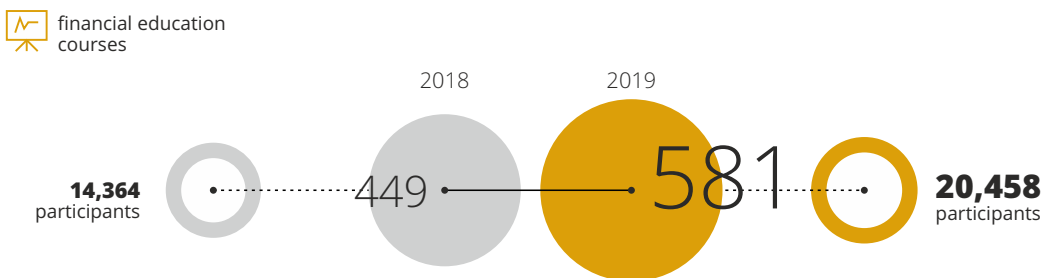
Complaints **increased by 18.79%** from 2018. This increase is justified by the introduction of the **e-platform 'Livro de Reclamações'** on 1 July 2019.



Correction of irregularities and sanctions



Financial education



#TopTip | digital financial education campaign

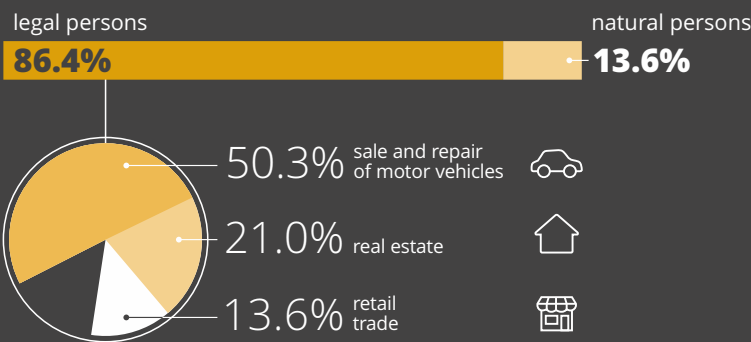
In 2019, 45 training courses on this campaign were held, involving over 2,200 students. Around **18,000 copies** of the brochure were distributed to 700 lower and upper secondary schools and school libraries.

Authorisation, registration and supervision of credit intermediaries **2019**

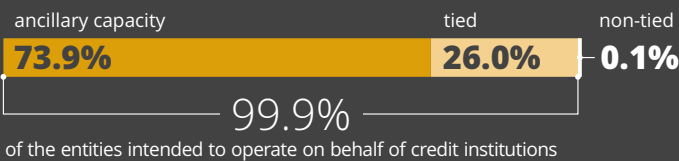
In 2018, the Banco de Portugal became responsible for authorising, registering and supervising credit intermediaries. Over the course of 2019 the Banco de Portugal received 1,076 applications for authorisation to exercise this activity, and decided on 5,169, of which 3,757 were authorised. As at 31 December 2019, 4,681 credit intermediaries were registered.

Authorised credit intermediaries

by entity



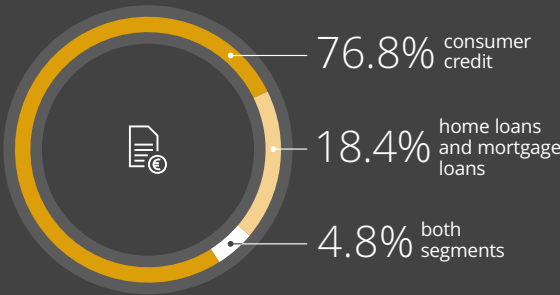
by category



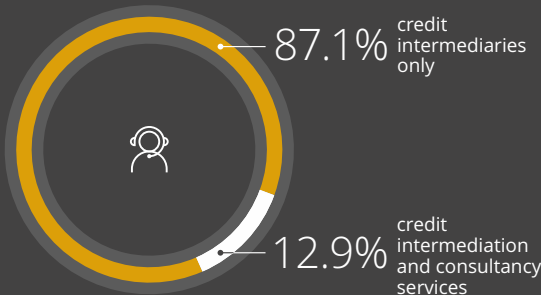
by domicile/head office



by credit type



by service type

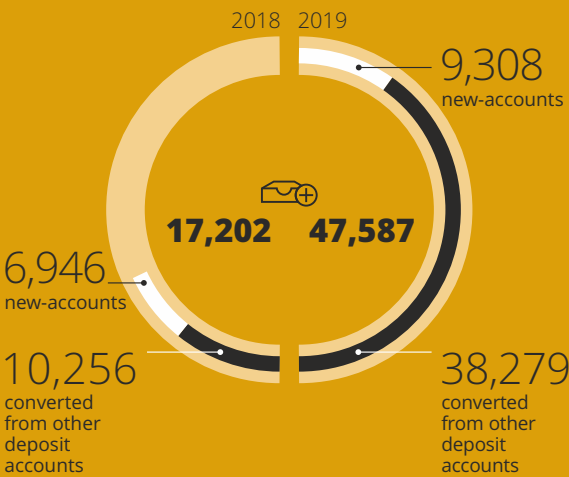


Supervision and correction of irregularities

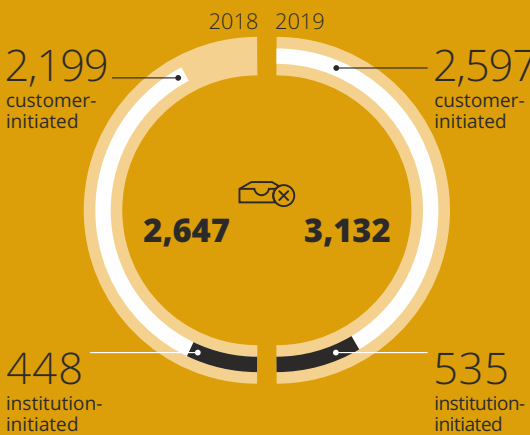


Developments in basic bank accounts 2019

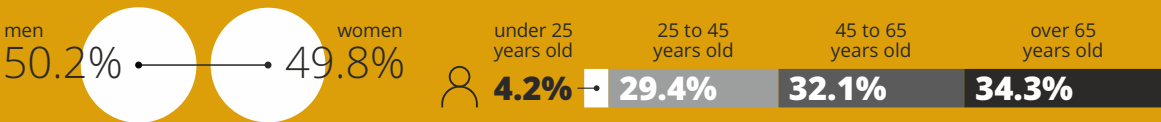
Accounts opened



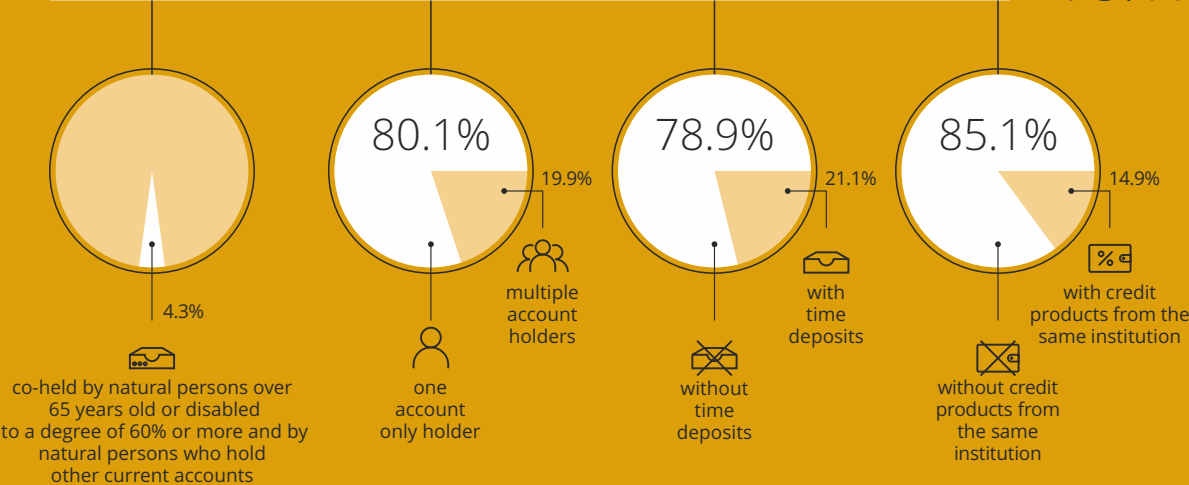
Accounts closed



accounts opened in 2019 | primary account holders



Accounts as at 31 dec. 2019







I Banking conduct supervision in the digital age

- 1 The challenges of technological innovation
to banking conduct supervision
- 2 The response of banking conduct supervision
by the Banco de Portugal

1 The challenges of technological innovation to banking conduct supervision

Technological innovation has changed retail banking services and it is predicted that this will continue, supporting and stimulating the digital transformation of the financial sector. As a result of ever faster technological development and the increase in new distribution channels, new products and services have appeared, some traditionally provided products and services have adopted innovative features and the retail banking markets have gained new players. It is in this context that the digital transformation of the retail banking markets has deepened, becoming an ever-more dynamic reality that raises growing challenges to banking conduct supervision. In 2020, the COVID-19 pandemic has been an additional and unpredictable factor that boosted the use of digital channels, and it is expected that the take-up of these channels by bank customers is ever more significant.

Bank customers today have the opportunity to establish completely digital business relationships, without needing to go to a bank branch or customer assistance point. The incumbent institutions have an ever greater presence in digital channels, whilst new entities request authorisation to market products and provide services in the retail banking markets, amongst which are the so-called BigTechs. Whether incumbent institutions or newcomers, they often collaborate with specialised entities in the development of technology for the financial sector.

Thus the supervisory perimeter of the Banco de Portugal has come to include new service providers, especially most recently, payment initiation service providers and account information service providers. Two innovative services are at stake that are only accessible through the digital environment. The first allows bank customers to initiate a payment order through digital channels (for example when buying online) without interacting directly with the payment service provider where the account is held. In such cases, the payment initiation service provider (engaged to provide this service) accesses the account and initiates the transaction on behalf of the payer. Through account information service providers, bank customers can access, for example, through a single application, information on all their payment accounts, regardless of being held with different payment service providers (usually banks). This service allows bank customers to have an overall vision of their financial situation, despite holding payment accounts with different institutions, even when domiciled in different Member States.

Banking conduct supervision is continuously called upon to respond to the challenges raised by innovation in the retail banking markets. It must ensure compliance with the regulatory framework, guaranteeing that bank customers benefit from identical rights, regardless of the channel used for their banking transactions (over the counter, telephone, home banking, apps, etc.). The supervisor must also consider how it acts in view of the speed and convenience offered by digital channels which may increase the behavioural bias of bank customers. All without blocking financial sector innovation.

These challenges are of greater concern in a context where the supervisor, whilst being called upon to ensure compliance with the regulatory framework and especially the transparency of information and conduct of institutions, should ensure a level playing field for all entities that offer banking products and services.

It is therefore imperative that the action of banking conduct supervision, from a regulatory and supervisory point of view, adequately ensures compliance with the duties incumbent on the institutions, especially those duties of information and assistance, which ensure confidence in the financial system and do not place indispensable financial innovation and the institutions' capacity to compete with most of their peers at risk.

The challenges for the banking conduct supervisor are manifold in a context in which the institutions have intensified their offering of products and services through digital channels, with especial emphasis on the mobile channel (app). Today, bank customers may not only carry out payment transactions online or using the institutions' apps, but also open completely digital deposit accounts, without setting foot in a branch or sending documentation by post, sign up to a credit card or other consumer credit wholly through such channels or even request and negotiate a home loan remotely, taking advantage of the ease of use of digital channels to remit the documentation underlying the process and accompany its progress.

Opening an account and signing up to consumer credit through digital channels rely ever more on user-friendly and intuitive signing-up processes, which raises related challenges, namely with information transparency and compliance with customer service obligations.

Currently, customers' identification data may be verified via assisted video-conferencing, recourse to qualified trust service providers as well as the digital mobile key. An account can be opened in a few minutes, exclusively through digital channels without the customer needing to go to a branch. As well as the necessary precautions associated with money laundering and terrorist financing prevention and other legal and regulatory requirements, the supervisor is called upon to ensure transparency of information, in a context where a periodic assessment is required for different technological solutions that are being developed with a view to making the process easier, aiming at considering their suitability to the regulatory framework in force.

Granting credit to consumers has also grown progressively through digital channels. As well as the challenges associated with information transparency, there are also issues related with the quality of the data used for the creditworthiness assessment and to prevent over-indebtedness, knowing that recourse to digital channels is likely to intensify consumers' behavioural biases¹.

As concluded by the European Commission², the practices and solutions related with provision of information has a great impact on consumers' decisions, being that they make better choices when information is provided at the beginning of the process, highlighted, in attractive format and with a comparison facility and well structured, ensuring the visibility of the differences between the various options presented to the consumer. Furthermore, the availability of tools to help the consumer on their journey or making their decision (such as simulators and calculators, progress bars or live chat) also have a positive effect as long as consumers know how to use such tools correctly.

The European Commission is currently reviewing the Directive concerning the distance marketing of consumer financial services³ and the Directive concerning consumer credit agreements⁴. In 2019 the Commission launched public consultations aiming to assess whether, a number of

1. *Digitalisation of short-term, high-cost consumer credit – Guidance to supervisors*, 2019, available at: http://www.finconet.org/Guidance_Supervisors_Digitalisation_STHCCC.pdf.

2. *Behavioural study on the digitalisation of the marketing and distance selling of retail financial services*, 2019, available at https://ec.europa.eu/info/sites/info/files/live_work_travel_in_the_eu/consumers/digitalisation_of_financial_services_-_main_report.pdf.

3. Directive 2002/65/EC of the European Parliament and of the Council of 23 September 2002 on the distance marketing of financial services to consumers.

4. Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers.

years following their adoption, the aforementioned Directives are still fit for purpose considering the development and current characteristics of the market. The need to reflect on the optimisation and adaptation of the rules to the growing use of digital channels, especially with regard to the provision of information, was the main conclusion of both consultations.

The EBA, in line with the priorities established in its technological innovation roadmap⁵, launched a reflection on the transparency of the information, recognising the bias of consumers' behaviours and the need to ensure an identical level of guarantee for the rights of consumers in digital channels. As a result, at the end of 2019, the EBA published recommendations aiming at increasing information transparency⁶ and supporting the European legislator within the scope of revising the Directive concerning the distance marketing of consumer financial services.

As well as information transparency, concern for the responsible granting of credit through digital channels is also on the agenda of supervisory authorities, in a context where the risk assessment tools seek ever more recourse to Big Data models. New algorithms, based on machine learning, allow the customers' creditworthiness to be assessed via indirect methods based on alternative data.

In an age of datafication, in which data are a valuable asset for enterprises, financial institutions are among the entities that possess the most customer data. The use of these data, combined with the information supplied by merchants or made available on social networks enable them to undertake a credit risk assessment and early detection of default, whilst simultaneously enabling them to present ever more personalised banking products and services.

In this area, financial institutions face competition from BigTech, entities that possess and manage large quantities of personal data and seek to enter the retail banking markets with a personalised offering that benefits from knowledge of its users consumption patterns.

Having recognised the benefits of using Big Data, there are, however, concerns of an ethical nature, which have motivated the European Commission to issue guidelines applicable to artificial intelligence and which, being cross-cutting, include the financial sector⁷.

There are also risks associated with a lack of transparency of the information used by the algorithms, the use of non-financial data or poor quality data, or even possible discrimination and financial exclusion that their use may entail. This is precisely why it is ever more important that algorithms are not "black boxes" and must disclose the variables and information sources⁸.

The EBA emphasises the fundamental importance of the institutions, when using Big Data, promoting trust in using them, complying with not only ethical principle, but also simultaneously guaranteeing the transparency of the models, consumer protection and discrimination prevention and security⁹. Security is actually a fundamental and cross-cutting concern. Increasing the security of data and systems is essential to promoting trust in the use of digital channels, thus contributing to their expansion. Security is a vector that guides all reflection on the potential risks

5. *EBA Fintech Roadmap*, 2018, available at <https://eba.europa.eu/sites/default/documents/files/documents/10180/1919160/79d2cbc6-ce28-482a-9291-34cfba8e0c02/EBA%20FinTech%20Roadmap.pdf>.

6. Opinion of the European Banking Authority on disclosure to consumers of banking services through digital means under Directive 2002/65/EC, at <https://eba.europa.eu/eba-publishes-opinion-disclosure-consumers-buying-financial-services-through-digital-channels>.

7. *Ethics guidelines for trustworthy AI*, 2019, available at <https://ec.europa.eu/digital-single-market/en/news/ethics-guidelines-trustworthy-ai>.

8. CGAP, "Algorithm bias in credit scoring: what's inside the black box?", in FinCoNet Newsletter, 2020, available at http://www.finconet.org/FinCoNet_Newsletter_March-2020.pdf.

9. *EBA Report On Big Data and Advanced Analytics*, 2020, available at https://eba.europa.eu/sites/default/documents/files/document_library/Final%20Report%20on%20Big%20Data%20and%20Advanced%20Analytics.pdf.

associated with digital channels and is on the agenda of regulators, supervisors and international organisations.

It is for this reason that the revised Payment Services Directive – PSD2), the legislator tightened security requirements to encourage competition and the modernisation of the retail banking markets, encouraging the appearance of new business models, based on open banking and to reinforce the powers of the bank customer.

In order to mitigate security risks, when carrying out payment operations, the institutions that provide payment services have been obliged to ensure strong customer identification, since 14 September 2019, whenever the user accesses their online payment account, initialises an electronic payment operation or carries out any action through a remote channel that may involve a risk of payment fraud.

Strong authentication is understood to be authentication based on the use of two or more elements belonging to the knowledge category (i.e. something only the user knows – such as passwords, PINs and patterns to unblock a mobile phone, among others), possession (that is, something only the user possesses – such as a single-use password, card inserted into a physical reader and customer device that generates a digital signature) and inherence (i.e. something only the user is – for example authentication using biometric data such as facial or voice recognition or a fingerprint).

These elements must be independent so that the breach of one of them does not compromise the reliability of the others. Strong authentication means that the institution ask the user for two or more elements belonging to the “knowledge”, “possession” and “inherence” categories, generating a unique authentication code at that moment (“2-factor customer authentication” or “2FA”).

In addition, payment service providers are bound by new obligations in terms of security and are required to establish a framework to mitigate risks and ensure efficient incident management procedure, communicating such incidents to the supervisory authorities without undue delay. As stated in the recitals of PSD2, “security of electronic payments is fundamental for ensuring the protection of users and the development of a sound environment for e-commerce.”

It is hoped that security will come to occupy an ever more important place in institutions’ business and in terms of supervision, especially in an era of open and integrated banking.

The strategy of financial institutions for the present and future is centred around not only the availability of accounts, granting of credit and provision of payment services through digital channels, but also in the use of infrastructures (platforms), some of which are managed by third parties. Through these platforms, contracting processes are more agile and use multi-channel technology, enabling a closer relationship with bank customers and use of their data to personalise offerings, establish consumption patterns and anticipate needs.

The adoption of business models based on digital platforms has developed significantly, sustained especially by the growing adoption of the internet and smartphones, the increase of cloud computing and open banking.

The use of digital platforms allows financial institutions to diversify their offering of products and services and provide differentiated services, enabling them to improve the customer experience (customer-centric) and reach new publics. In turn, bank customers have access simply and conveniently to different products and services, benefiting for example from support in managing their budget and the possibility to interact, on the same platform, with different providers. The increase in competition may also lead to potentially lower price setting.

However, it is essential to consider the potential risks associated with the increase of digital platforms, especially when the outlook is of an integrated service for the customer, combining a multitude of products and services, some of which may be non-financial.

It is vital from the outset to ensure transparency of information relating to the identity of the service provider and the conditions in which the different products and services are provided, ensuring the regulatory framework applicable to each of those products and services and safeguard data protection, mitigating the risks of impulse buying. These platforms may accentuate a trend to camouflage the banking product or service that is being marketed through the offer of another product or service (e.g. The e-commerce platform that offers a credit product as a payment method, whose characteristics and implications are not entirely understood by the user). On the other hand there may be questions as to the allocation of responsibility, depending on the issues in question, the various players in the platform, namely the platform manager, the entity that markets the banking product or service or even the technology supplier.

The banking conduct supervisor must pay attention to the diversification of the activity sectors with which the banking sector interacts as digital platforms may allow (and enable) that, in the same space, the consumer has access to distinct products and services, some of which may be non-financial. The reflection on the potential risks and benefits of adoption by the institutions of business models based on digital platforms is also one of the priorities on the EBA's agenda in the context of technological innovation.

2 The response of banking conduct supervision by the Banco de Portugal

Faced with the challenges mentioned in the chapter above, the Banco de Portugal must adopt the measures that are necessary and appropriate to a banking conduct supervision that is active, robust and up to date, helping maintain the trust of bank customers and the general public in the Portuguese financial system.

In a digital environment, where boundaries are blurred and financial services are easily provided on a cross-border basis, concerns and challenges transcend national borders. This is the reason why the actions of the Banco de Portugal are also based on active participation in international fora, in order to gain a broad and updated picture of technological developments, their benefits and risks and the responses adopted by regulatory and supervisory authorities.

In order to monitor these developments at national level, the Banco de Portugal has conducted questionnaires among supervised institutions to gather information on developments in the offering of banking products and services through digital channels. A first questionnaire in 2016 and a second in 2018 obtained data on the offering through digital channels, bank customer reactions, constraints and on security mechanisms implemented¹⁰.

Closely monitoring the market ensures that the regulatory and supervisory framework is appropriate and sufficient, in particular that there are no undue obstacles to the use of digital channels

10. See 1st and 2nd Questionnaires on the commercialisation of banking products and services on digital channels in Portugal, available at https://cliente.bancario.bportugal.pt/sites/default/files/relacionados/publicacoes/QuestCanaisDigitais2016_EN.pdf and <https://cliente.bancario.bportugal.pt/en/publicacao/commercialisation-banking-products-and-services-digital-channels-portugal-2018>.

or any gaps that might undermine trust in these channels. Consequently, monitoring the offering of banking products and services through digital channels has helped shift banking conduct supervision to issues considered more urgent.

In 2017 the main focus was on amending the regulatory framework governing the opening of deposit accounts. Since assisted video conferencing has been allowed, institutions have this mechanism at their disposal to begin their banking relationship with their customers in a fully digital manner. This has also helped boost the use of online and mobile channels, attracting more customers and allowing institutions to offer an increasingly wide range of products and services tailor-made to their characteristics and needs and particularly relevant in terms of user experience.

The increased offer of consumer credit products through digital channels has also led the Banco de Portugal to reflect on these developments; in 2017 it allowed institutions to use indirect methods when assessing the creditworthiness of consumers in credits of an amount below ten times the national minimum wage or a temporary increase (for less than three months) in the total amount of credit¹¹. The Banco de Portugal put promoting appropriate use of these algorithms on its agenda.

In turn, increased availability of credit through digital channels highlights the need for the Banco de Portugal to monitor signing-up processes used in these channels. In 2018 the Banco de Portugal issued a Circular Letter requiring that supervised institutions report on the consumer credit products they wish to offer in a digital environment. The Banco de Portugal has since continuously monitored institutions' practices on an individual and a priori basis, in order to monitor compliance with the applicable legal and regulatory framework, particularly on the duties of information and assistance, the provision of mechanisms ensuring consumer convenience when exercising the rights of withdrawal and early repayment and on security procedures implemented.

Complemented by demonstrations of signing-up processes in bilateral meetings and supported by inspections, the analysis of reported information has been crucial for the Banco de Portugal to reflect on this issue, in order to establish best practices to be adopted by institutions when offering consumer credit products.

However, this monitoring has also allowed the Banco de Portugal to set out guidelines on the conduct of institutions on digital channels, in particular on transparency of information.

In 2019 the Banco de Portugal released best practices to be observed by institutions when providing the statement of fees through digital channels and by email, in order to ensure that they provide information on the fees charged on customers' payment accounts in a transparent and easily identifiable manner, regardless of the medium used to communicate with customers.

The EBA Opinion on transparency of information in digital channels¹², published at the end of 2019, prompted the Banco de Portugal to deepen its reflection on this issue. As a result, the Banco de Portugal launched a public consultation in 2020 of a draft Circular Letter, through which

11. Notice of the Banco de Portugal No. 4/2017, establishing procedures and criteria to be observed by credit providers when assessing consumers' creditworthiness.

12. Opinion of the European Banking Authority on disclosure to consumers of banking services through digital means under Directive 2002/65/EC, at <https://eba.europa.eu/eba-publishes-opinion-disclosure-consumers-buying-financial-services-through-digital-channels>. In this Opinion, the EBA presents a number of general recommendations applicable to any information made available to consumers (such as scope and consistency of disclosure rules in digital channels, timing of disclosure, and presentation format and accessibility) and specific recommendations applicable to particular stages or aspects of the signing-up process for financial services (namely in advertisements, at the pre-contractual stage and during the lifetime of the contract, right of withdrawal, and complaints handling). These recommendations have been shared with the European Commission and are also aimed at national competent authorities, which should implement them in their jurisdictions.

it recommends that credit institutions, financial companies, payment institutions and electronic money institutions adopt a number of best practices when offering retail banking products and services through digital channels. These best practices summarise the EBA recommendations and the guidelines that the Banco de Portugal has addressed to supervised institutions as part of its banking conduct supervisory tasks and reflecting the lessons learned from behavioural economics.

The Banco de Portugal considers that these best practices are an important contribution to promoting transparency of information in digital channels and to ensure that bank customers have access to complete, appropriate and clear information on the banking product or service in order to be able to make an informed decision. At the same time, these best practices promote a level playing field for supervised institutions by releasing beforehand the options that the Banco de Portugal considers appropriate from both a technological point of view and in terms of the design of the signing-up process, thereby also improving the timing of supervisory activities.

The draft Circular Letter presents a number of general recommendations which institutions must observe throughout the signing-up process for the banking product or service. In particular, it is important that institutions ensure that:

- the font size used is sufficient to ensure that information is clearly legible;
- information on the basic features of the banking product or service and other relevant elements, such as any fees or charges, is not displayed in a smaller font size than the remaining information;
- the colours or images used do not make it difficult for bank customers to read the information provided;
- the use of hyperlinks complies with a number of guidelines, namely that information on the banking product or service is not fragmented, that the hyperlink is easily identifiable and that it refers customers directly to the webpage with the relevant information;
- the brand used to offer a banking product or service is accompanied by the identification of the institution responsible for the product or service with equal prominence.

Specific recommendations are also provided to institutions, to be adopted in accordance with the respective stage of the contractual process (general pre-contractual stage, personalised pre-contractual stage, time of signing and during the lifetime of the agreement). Specifically, institutions must ensure that:

- information on the basic features of the banking product or service and other relevant elements, such as any fees or charges, is displayed in a prominent manner using a larger print, boxes, pop-ups, simulations, summaries, and similar means;
- customers are not given options that have been selected by default;
- information on a banking product or service on offer is presented separately from information on an ancillary product or service;
- robust methods are used to ensure that bank customers exercise consent;
- Information is provided on a dedicated section of their marketing platform on how bank customers may lodge a complaint and use alternative dispute resolution procedures;
- A dedicated section is accessible and easily identifiable for bank customers to exercise their rights of withdrawal and early repayment on the platform offering the banking product or service.

Nevertheless, the response of supervisory authorities to new opportunities, risks and challenges posed by digital transformation goes beyond regulation or enhanced monitoring, and should also empower bank customers. This is why the Banco de Portugal is continually striving to promote information and financial education for bank customers.

Considering that adequate and secure use of digital channels contributes to the stability of the financial system, the Banco de Portugal has launched a section within the Bank Customer Website entirely dedicated to digital security¹³, has developed materials on these issues and has released the #TopTip financial education campaign.

This campaign aims to raise the awareness of young people and those close to them of the care needed when using digital channels, covering the risks and security measures that should be adopted, in particular the new strong customer authentication rules. Within this context, several materials have been published on this issue on the Bank Customer Website (in “Financial education”) and on the Bank’s Instagram page.

Considering the importance of schools in disclosing information among young people, in May 2019 the Banco de Portugal sent copies of the brochure “5 tips for staying safer online” to all schools and librarians of lower and upper secondary schools. This brochure is part of the #TopTip digital financial education campaign, to be distributed among teachers and students.

The Bank Customer Website has also been an important means of releasing awareness campaigns and warnings promoting secure use of digital channels. Particularly relevant is the awareness campaign on the benefits and risks of Big Data, based on the warning by the European Supervisory Authorities on this issue¹⁴, and the infographics prepared by the EBA with a number of tips for consumers to consider before choosing a banking product or service on digital channels and throughout the process¹⁵.

The Banco de Portugal has also been actively involved in the international reflection on financial innovation, namely within the EBA, whose workplan focuses on monitoring financial innovation in order to identify potential benefits and risks and assess possible initiatives within this field, and the Joint Committee of the European Supervisory Authorities.

For many years, the offering of retail banking products and services through digital channels has also been at the top of the agenda of the International Financial Consumer Protection Organisation – FinCoNet, currently chaired by the Banco de Portugal. Of particular interest for this international organisation is the Supervisory Toolbox, and its adaptation to digitalisation, under which data on the supervisory tools (digital or otherwise) used by the members of the FinCoNet have been compiled.

In 2019 the FinCoNet published guidelines to support supervisors in effectively addressing the risks to consumers from the offering of short-term, high-cost credit products through digital channels. The guidelines are based on the reflection carried out by this organisation in 2018 in the report Digitalisation of Short-term, High-cost Consumer Credit and follow the good practice observations included in the FinCoNet Report on Responsible Lending published in 2014.

13. At <https://cliente.bancario.bportugal.pt/en/digital-security-why-it-important>.

14. At <https://cliente.bancario.bportugal.pt/pt-pt/noticias/autoridades-de-supervisao-europeias-alertam-os-consumidores-sobre-big-data> (in Portuguese only).

15. At <https://cliente.bancario.bportugal.pt/en/noticias/european-banking-authority-publishes-tips-how-consumers-should-protect-themselves-when>.

Also in 2019, the FinCoNet continued to reflect on the use and implementation of SupTech tools when monitoring the offering of products and services (Practices and Tools required to support Risk based Supervision in the Digital Age)¹⁶.

Indeed, the supervisor is faced with the need to assess the suitability of supervisory tools on an ongoing basis to ensure that the instruments used are able to verify in an efficient and effective manner whether institutions are complying with their legal and regulatory requirements, and to empower its staff, e.g. by promoting agile and multidisciplinary teams.

In this respect, the Banco de Portugal is now reflecting on the development of tools that support its supervisory activities, improving checks on compliance with legal and regulatory requirements, namely on draft credit agreements, the collection of relevant information from social networks and the automation of analyses and responses to requests. These projects are being developed with the help of the Banco de Portugal's Innovation Laboratory, which aims to support supervisory activity through new technologies such as natural language processing and machine learning.

The Bank has also promoted learning and development of technical skills for staff to ensure an appropriate response to the challenges posed by technological innovation in retail banking markets.

Following a broad description of the current stage of technological developments, the challenges faced by banking conduct supervisors and the work done in recent years, it may be concluded that ongoing and multidisciplinary work and continuous monitoring of both the market and trends in society are required to prepare for the future. An increasingly digital society requires swift and easy access to banking products and services and a more personalised and integrated offer. However, the digital environment encourages impulse decision-making, overvaluing the present, which is why transparency of information and requirements that also take into account the lessons learned from behavioural economics are key to support appropriate use of financial innovation.

Digital transformation is not a choice but a reality, bringing with it countless challenges that require a multifaceted and continuously evolving response. Banking conduct supervisors must remain alert, as they must have in-depth knowledge of innovations and new products and services and foster constant dialogue with market players, adapting their regulatory and supervisory activities to the demands of the moment. Only by doing so can they strike a balance between technological advances, transparency of information and respect for bank customer rights, as well as promote effective monitoring of compliance with the rights granted to bank customers and secure use of digital channels.

16. Already in 2018, the FinCoNet developed the report Online and mobile payments – An overview of supervisory practices to mitigate security risks through the Standing committee on online and mobile payments, chaired by the Banco de Portugal. This reflection addresses the challenges identified in the previous report Online and mobile payments: supervisory challenges to mitigate security risks, published in 2016. These reports may be accessed at http://www.finconet.org/FinCoNet_Report_Online_Mobile_Payments.pdf and http://www.finconet.org/FinCoNet_SC3_Report_Online_Mobile_Payments_Supervisory_Practices_Security_Risks.pdf.





II Supervision of financial institutions

- 1 Basic bank accounts
- 2 Advertising
- 3 Current accounts
- 4 Structured deposits
- 5 Consumer credit
- 6 Home loans and mortgage credit
- 7 Banking fees
- 8 Bank customer complaints
- 9 Correction of irregularities and sanctions

1 Basic bank accounts

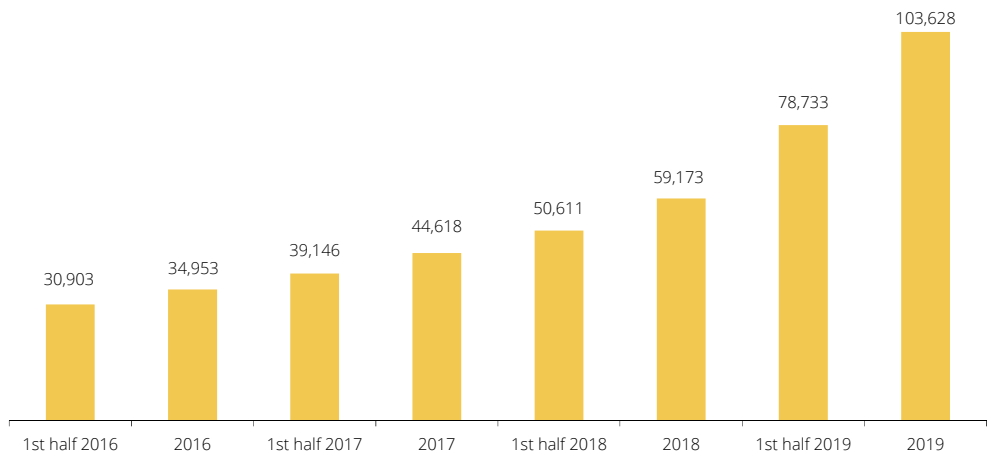
1.1 Developments in the number of accounts¹

As at 31 December 2019, 103,628 BBAs were open, a 75.1% increase from the end of 2018 (44,455 new accounts).

Throughout 2019, 47,587 BBAs were opened (20,922 in the first half and 26,665 in the second half of the year). In 80.4% of cases BBAs had been switched from an existing current account (59.6% in 2018). The remaining 19.6% corresponded to a new BBA (compared to 40.4% in 2018).

In 2019, 3,132 BBAs were closed. Of these, 2,597 (82.9%) were closed on the customer's initiative and 535 on the credit institution's own initiative (17.1%). The reasons institutions took the initiative to close BBAs were that there had been no transactions in the account in the preceding 24 months, the account holder had ceased to be a legal resident in the European Union or that the account holder owned other current accounts².

Chart II.1.1 • BBAs | Developments in the number of accounts | 2016–2019

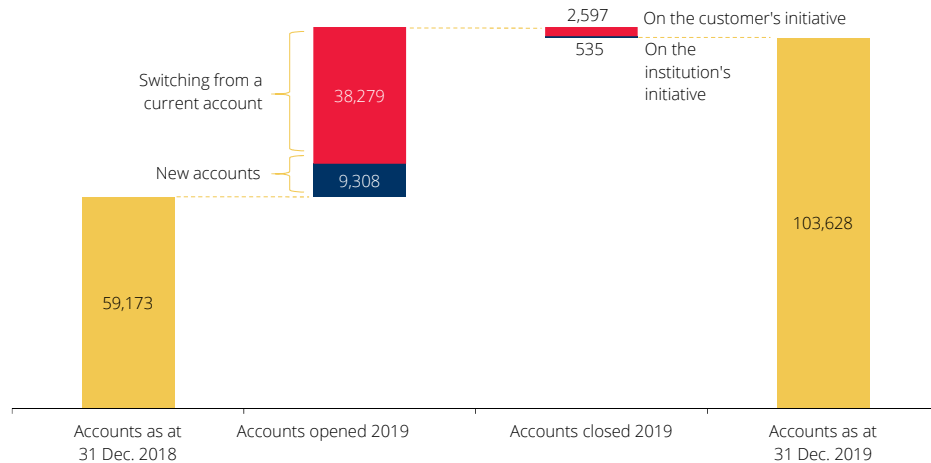


Source: Banco de Portugal.

1. The Fees Comparator in Banco de Portugal's Bank Customer Website (BCW) discloses maintenance fees on BBAs charged by credit institutions. The BCW also publishes half-year developments in the number of BBAs, including the data for 2019 herein.

2. The reasons for closing the accounts are listed in Article 5 (1) (b, d and e) of Decree-Law No. 27-C/2000 of 10 March 2000.

Chart II.1.2 • BBAs | Accounts opened and closed | 2019



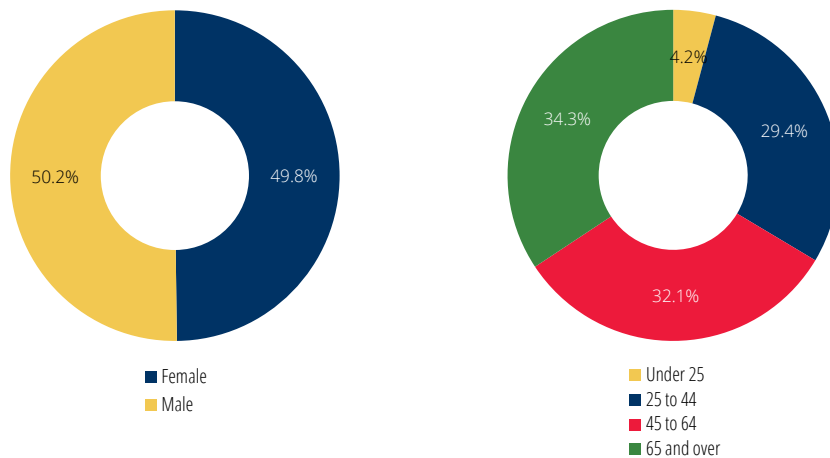
Source: Banco de Portugal.

In 2019, 3,637 accounts were opened, co-held by natural persons over 65 years old or disabled to a degree of 60% or more and by natural persons who hold other current accounts (7.6% of total accounts opened), which represents a significant increase compared to the number of BBAs with these features that were opened in 2018 (1082). At the end of the year, there were 4,493 co-held BBAs with these features (4.3% of the total).

In turn, 598 bank customers benefited from the possibility of having access to BBAs, conferred by law on natural persons who are co-holders of BBAs with natural persons over 65 years old or disabled to a degree of 60% or more. At the end of the year, there were 1,006 BBAs whose holders were co-holders of another BBA.

The 47,587 BBAs opened in 2019 were fairly evenly distributed between male (50.2%) and female customers (49.8%). The first holders of most BBAs opened during this period were aged between 25 and 65 (61.5%), while first holders over 65 years old represented around one third of the total (34.3%). Young people aged under 25 used these services the least (4.2%).

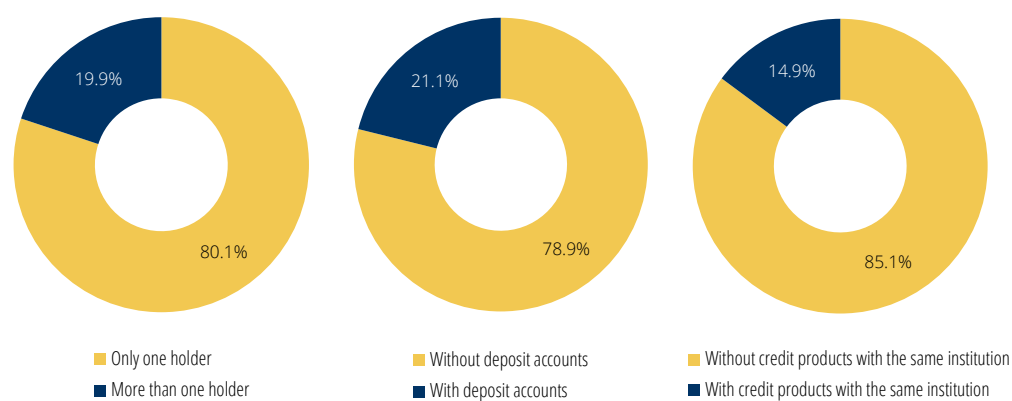
Chart II.1.3 • BBAs | Breakdown of accounts, by gender and age | 2019



Source: Banco de Portugal.

Of the 103,628 BBAs existing at the end of 2019, 19.9% had more than one holder (10.1% in 2018). While the majority of the holders of these accounts did not hold deposit accounts or credit products with the institution providing the BBA, there was an increase in the share of holders of BBAs with time deposits (21.1%) and with credit products (14.9%) compared to the end of 2018 (9.7% and 8.6% respectively).

Chart II.1.4 • BBAs | Breakdown of accounts | 2019



Source: Banco de Portugal.

As at the end of 2018, on 31 December 2019, more than 90% of BBAs were held in five institutions. For the provision of BBAs, credit institutions may not charge fees, expenses or other charges which together exceed in a year 1% of the value of the Social Support Index (IAS), i.e. €4.38 according to the value of the IAS in 2020.

Fees charged by credit institutions for the maintenance of BBAs can be found in the Fees Comparator available in the Bank Customer Website (BCW)³. Customers may also obtain information on the cost of BBAs in the fees and expenses leaflet of credit institutions.

On March 2020 the customers of three institutions were exempt from paying fees and other charges on BBAs: Banco Activobank, S. A., Banco CTT, S. A. and Caixa de Crédito Agrícola Mútuo de Leiria.

1.2 Inspections

In 2019, the Banco de Portugal continued to pay particular attention to the monitoring of BBAs, and carried out inspections to assess compliance by the credit institutions with the obligations to disclose information and how they make the BBAs available.

3. <https://cliente bancario.bportugal.pt/pt-pt/aplicacao/comparador-de-comissoes>.

1.2.1 Provision of information on BBAs

Credit institutions providing BBAs are required to give natural persons who own current accounts the possibility of switching such current accounts to a BBA, as well as information on the requirements for the switching.

To comply with this obligation, institutions must include a reference to the possibility of switching current accounts to BBAs in the first statement issued each calendar year and, together with such first statement, provide their customers with an information document on BBAs.

With a view to assessing the way in which the institutions complied with these obligations at the beginning of 2019, the Banco de Portugal carried out 107 off-site inspections, covering all institutions selling BBAs.

Table II.1.1 • BBAs | Off-site inspections on provision of information | 2019

Topics	Type	Entities covered
Information on statements on switching to BBA account	Off-site	107
Provision of the BBAs information document	Off-site	107

Source: Banco de Portugal. | Note: The inspections conducted of the 80 mutual agricultural credit banks that are members of the Integrated Mutual Agricultural Credit Scheme (SICAM) are recorded individually under Off-site inspections.

In the inspections carried out, the Banco de Portugal assessed the following:

- **Information in statements on switching to BBA**, assessing whether credit institutions providing BBAs informed their customers of the possibility of switching from a pre-existing current account to a basic bank account. The information must be provided annually on the first current account statement issued each calendar year and observe the terms defined by Banco de Portugal.

To assess compliance with this obligation, the Bank required copies of account statements sent to customers and information on the channel used for sending the statement: mail, e-mail, home banking or through apps.

The analysis made it possible to identify five institutions that did not provide the required information to all customers. It was found that these institutions had not sent the required information to customers whose accounts had registered no transactions for at least one year. It was also verified that one of the institutions did not provide information on the possibility of switching accounts to customers who use a bankbook for their account information.

In addition, 15 institutions did not comply with the requirements for the provision of the information in the statement, in particular with regard to the minimum font size required.

- **Provision of the BBAs information document**, verifying whether the institutions provided, together with the first statement issued each calendar year, the BBAs information document, in accordance with the template set forth in the regulation.

The institutions were asked to provide proof of compliance with this duty, and it was found that six institutions did not send the BBAs information document to customers, and three of them did not comply with the template set out for that document.

Complementing the disclosure of BBAs to natural persons holding current accounts, credit institutions should also disclose information to the public on BBAs. In addition to including information on the conditions for access to, and on the provision of, BBAs on their price lists, institutions are obliged to display a poster on BBAs at their branches and customer assistance points and to provide information about these services on their websites.

The Bank conducted mystery shopper inspections in 25 branches of 14 institutions to assess compliance with the duty to display a poster on BBAs.

Table II.1.2 • BBAs | Mystery shopper inspections on provision of information | 2019

Topics	Type	Entities covered
Poster on BBAs – placement and content	Mystery shopper	14

Source: Banco de Portugal. | Note: Mystery shopper inspections were conducted in 25 branches.

In the inspections carried out, the Banco de Portugal assessed the following:

- **Poster on BBAs – placement and content**, assessing whether the institutions displayed, in a prominent place in their branches and customer assistance points, a poster about BBAs, in accordance with the template set forth in the regulation by the Banco de Portugal.

Following the inspections, it was found that the poster on BBAs was not on display in one of the branches of one of the inspected institutions⁴.

1.2.2 Offering of BBAs

The Bank carried out inspections of the central services of two credit institutions to assess the practices and procedures in place for the provision of BBAs. In these inspections, a representative sample of BBAs was chosen for examination of the opening and closing of these accounts along with related documentation, IT systems and parameters for the basic bank accounts in these systems.

Table II.1.3 • BBAs | Inspections of the central services on provision of BBAs | 2019

Topics	Type	Entities covered
Basic bank accounts (BBAs)	Central services	2
Access conditions		
Fees and charges cap		
Debit card characteristics		
Overrunning		
Closing of the account on the institution's initiative		
Reporting to the Banco de Portugal		

Source: Banco de Portugal.

4. At the branches, the Bank also assessed compliance with the duties to display the price list and to provide the Complaints Book.

In the inspections carried out, the Banco de Portugal assessed the following:

- **Access conditions**, assessing compliance with the regulations governing access to BBAs by analysing the institutions' internal procedures.

The Bank found situations where BBAs were refused on grounds that are not provided by law. For instance, in some cases access to the BBAs was denied on grounds of the customers having credit cards or time deposits associated with the current account to be switched, as well as of customers having loans in default.

- **Fees and charges cap**, assessing compliance with the cap set by law for fees, expenses or other charges institutions are allowed to charge for providing BBAs (1% of the value of the Social Support Index).

Based on the information extracted from the IT systems and the processes analysed, the Bank found situations of undue collection of fees for the use of services included in BBAs maintenance fee, such as the provision of debit card, cash withdrawals over the counter, or for carrying out up to 24 interbank transfers through home banking in each calendar year.

- **Debit card characteristics**, analysing the parameters for the use of debit cards linked to BBAs, particularly the possibility of using these cards abroad and on off-line transactions (such as the payment of road tolls). It was also assessed whether debit cards linked to BBAs had characteristics resulting in conditions of use that were more restrictive than those for other debit card customers.

There were also debit cards linked to BBAs that could not be used for off-line operations abroad.

- **Overrunning**, assessing inspected institutions' adherence to the legal rule that forbids credit overrunning in BBAs, except where originated by the use of a credit card.

The analysis showed that the IT systems of the institutions in question allowed overrunning in BBAs, in situations other than those arising from the use of a debit card.

- **Closing of the account on the institution's initiative**, analysing the grounds provided by the institutions inspected for the closing of the SMB accounts, bearing in mind the legally established requirements for credit institutions to be able to terminate the current account agreement.

Following the assessment, the closing of some BBAs was found not to comply with the provisions of the law. It was also found that BBAs had been closed on the grounds that there had been no transactions for a period shorter than the one the legislator set for this purpose (24 consecutive months).

- **Reporting to the Banco de Portugal**, assessing the reliability of the information reported in accordance with Instruction of the Banco de Portugal No. 15/2018.

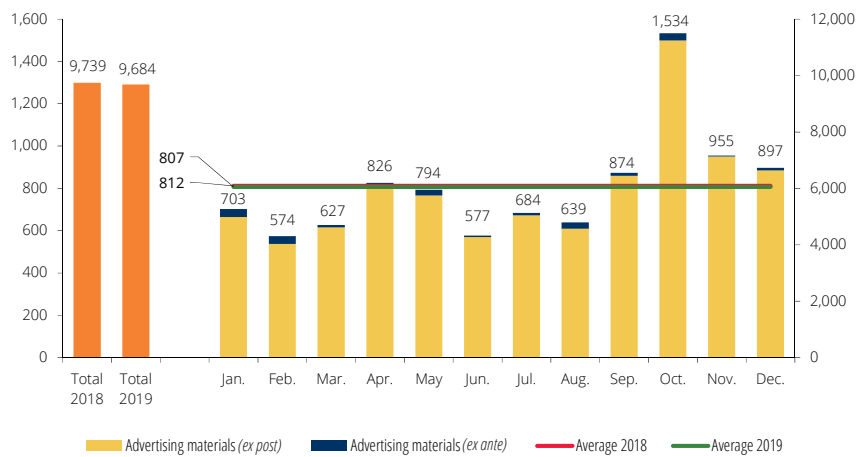
The Bank identified errors in the information that the institutions reported to the Banco de Portugal, particularly in the number of co-held accounts, the initiative and the reasons for closing BBAs, the number of the current accounts switched to BBAs and the number of BBAs with time deposits.

2 Advertising

2.1 Advertisements analysed

In 2019, 9,684 advertising materials for banking products and services of 59 financial institutions were analysed. The number of advertisements released by institutions decreased by 0.6% compared with 2018.

Chart II.2.1 • Advertising | Number of advertising materials monitored | 2018–2019



Source: Banco de Portugal. | Note: In 2019, 9684 advertising materials were analysed, of which 129 were for structured deposits. Annual totals should be interpreted on the right-hand scale and monthly totals on the left-hand scale.

Of the advertising materials analysed, 9442 (98%) were reported following their public disclosure (ex post), 113 were requests for ex ante opinions made by the credit institutions and 129 corresponded to advertising materials for structured deposits, subject by law to prior approval.

The majority of advertising materials analysed in 2019 refer to consumer credit products (76%), with the majority being credit cards (50%) and personal loans (19%). Compared with 2018, advertising for personal loans increased (by 26%) and materials disseminating overdrafts and credit facilities decreased (by 64%).

Institutional advertising accounted for 10% of all materials analysed, 13% higher than in 2018.

In 2019 there was also an increase in advertising for payment services (56% higher) and corporate credit (17% higher).

Advertising for bank deposits decreased by 32%, as a result of the reduction of 56% in materials regarding current accounts and 49% in materials for simple time deposits. Materials regarding structured deposits increased by 10%, despite the reduction in the number of structured deposits offered in 2019.

A significant reduction in the number of materials for advertising home loans has also been observed compared to 2018 (down 48%).

Of the total advertisements analysed in 2019, 152 (1.6%) involved products and services offered through digital channels, released by 13 institutions. Most of these materials (49%) regarded personal loans, followed by payment services (41%) and credit cards (7%).

Table II.2.1 • Advertising | Monitoring of advertising materials by type of product | 2018–2019

Scope	2018		2019		Δ
	Number	Weight	Number	Weight	
Products and services	8,873	91.1%	8,706	89.9%	-1.9%
Consumer credit	7,285	74.8%	7,332	75.7%	0.6%
Credit card	5,162	53.0%	4,867	50.3%	-5.7%
Personal loans	1,481	15.2%	1,872	19.3%	26.4%
Car loans	529	5.4%	523	5.4%	-1.1%
Line of credit	40	0.4%	44	0.5%	10.0%
Overdrafts and credit facilities	73	0.7%	26	0.3%	-64.4%
Multi-product ^(a)	361	3.7%	333	3.4%	-7.8%
Payment services	205	2.1%	319	3.3%	55.6%
Bank deposits	370	3.8%	250	2.6%	-32.4%
Current accounts	124	1.3%	55	0.6%	-55.6%
Simple term deposits	129	1.3%	66	0.7%	-48.8%
Structured deposits	117	1.2%	129	1.3%	10.3%
Corporate credit	208	2.1%	243	2.5%	16.8%
Mortgage credit	444	4.6%	229	2.4%	-48.4%
Institutional	866	8.9%	978	10.1%	12.9%
Total	9,739	100.0%	9,684	100.0%	-0.6%
Memo item					
Products offered through digital channels	–	–	152	1.6%	–

Source: Banco de Portugal. | Note: (a) Includes advertising materials for one or more banking products and services, particularly those regarding package accounts.

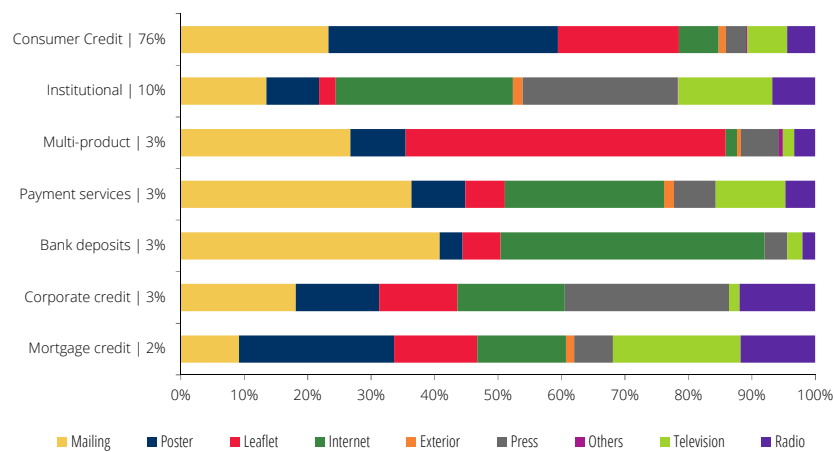
Regarding advertising campaigns for consumer credit products, the most common means of dissemination were posters placed inside bank branches or through credit intermediaries in an ancillary capacity, which correspond to 36% of all advertisements analysed for this type of product⁵, followed by mailings (23%) and leaflets (19%).

In institutional campaigns, the internet was the most commonly used means, representing 28% of media analysed, followed by press (24%) and television (15%).

The most common means of dissemination used by credit institutions for products and services offered through digital channels was the internet (33%), followed by mailings (28%) and television (13%).

5. According to the legal framework approved by Decree-Law No. 81-C/2017 of 7 July 2017, tied and ancillary credit intermediaries are only allowed to disseminate ads for credit products if the creditor responsible for said products has approved it in advance. If approved, the creditor also becomes responsible for compliance with the applicable legal and regulatory requirements.

Chart II.2.2 • Advertising | Types of advertising materials monitored | 2019

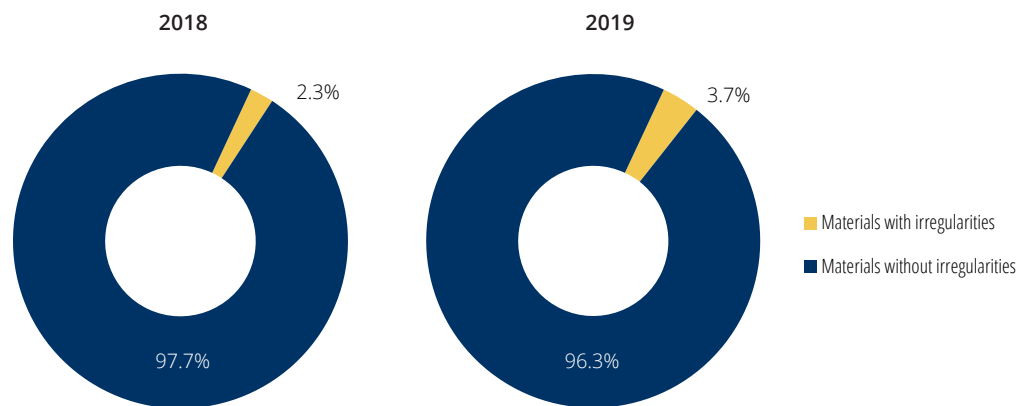


Source: Banco de Portugal.

2.2 Corrected advertisements

The analysis of the advertising materials following their public disclosure (ex post) resulted in the identification of irregularities whose correction was demanded of the institutions by way of the issuance of specific orders and recommendations to 30 credit institutions, which involved 346 materials. Advertisements that failed to comply with the applicable legal and regulatory standards represented 3.7% of the analysed advertisements, compared with 2.3% in 2018.

Chart II.2.3 • Advertising | Percentage of non-compliant advertising materials | 2018-2019



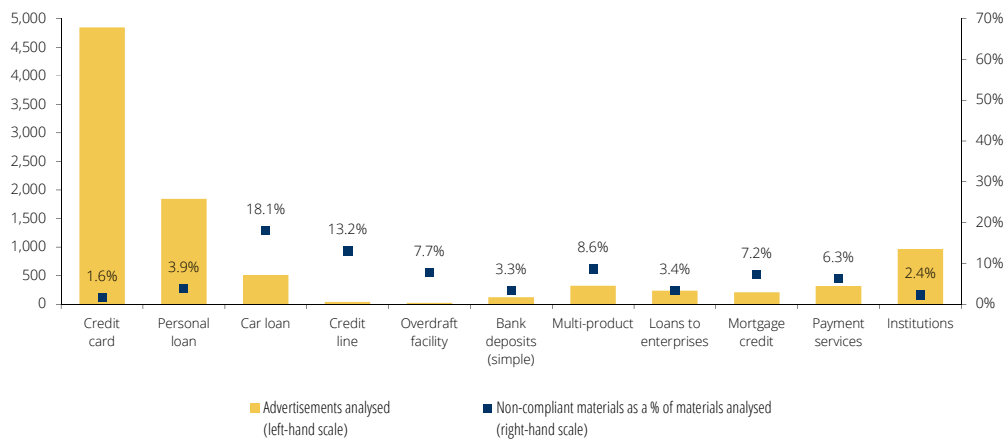
Source: Banco de Portugal.

Car loan campaigns recorded an above-average level of non-compliance (3.7%), standing at 18.1%.

The level of non-compliance in advertising campaigns for credit cards, the most common (51% of ex post materials), was 1.6%. In the case of personal loans, the second most advertised product (20% of ex post advertisements), the share of non-compliant campaigns stood at 3.9%.

In institutional campaigns, which represent 10% of the ex post advertisements analysed, 2.4% failed to comply with the applicable legal and regulatory standards.

Chart II.2.4 • Advertising | Percentage of non-compliant advertising materials by type of product | 2019



Source: Banco de Portugal.

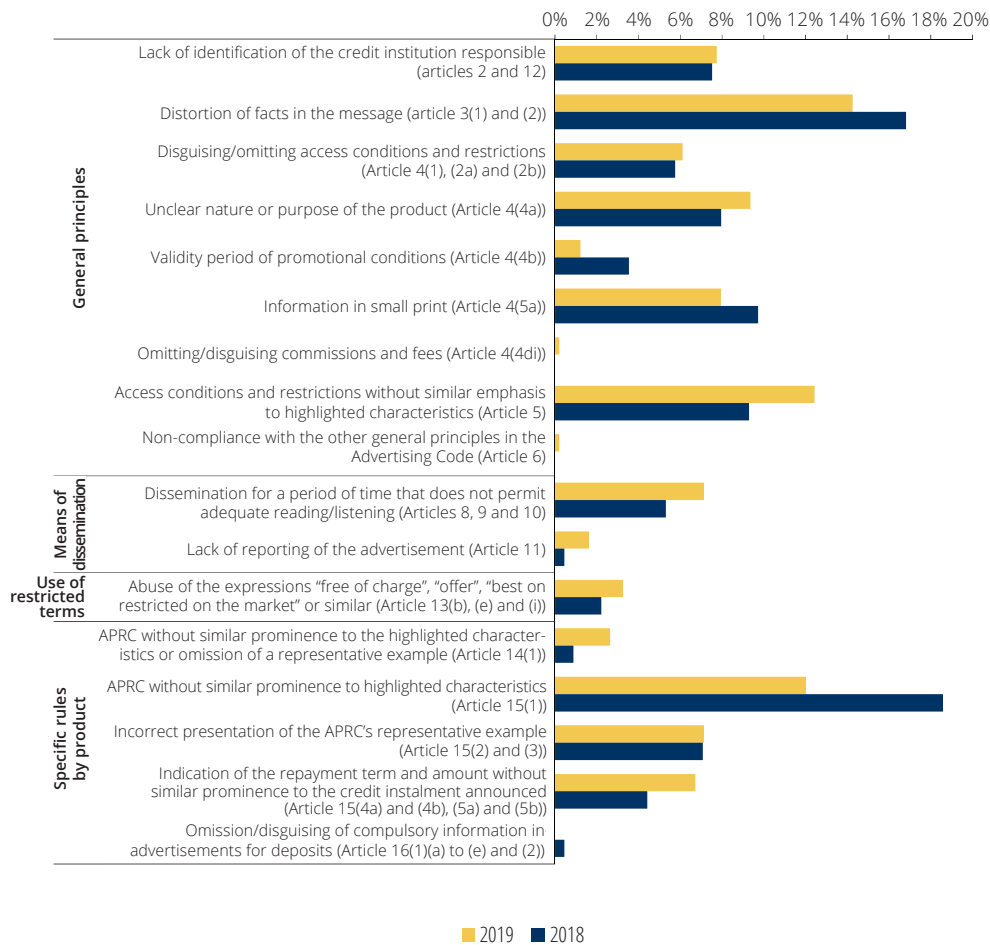
In 2019 the irregularities most frequently detected were the presentation of incorrect information on the product and its characteristics, leading to the distortion of facts in the advertising materials, and the presentation of access conditions, restrictions and of the measure of total cost (APRC) of consumer loan products without similar emphasis given to the characteristics highlighted in such products.

Compared to 2018, there was an increase in the number of irregularities detected linked to the highlighting of the access conditions and restrictions and the presentation of the amount financed and of the repayment period of consumer credit products without similar emphasis given the instalments highlighted in the advertising of these products.

Even so, there was a reduction in the number of materials with irregularities related to the presentation of the APRC of consumer loan products without similar emphasis given to the characteristics highlighted in such products and with distortion of facts in the advertising message.

As regards products and services marketed through digital channels, the Banco de Portugal required the correction of 49 advertising materials (32% of the materials analysed). The intervention was carried out in order to ensure that the advertising materials identify the nature of the products and services advertised and the institution responsible for offering them, amid advertisements highlighting, only or above all, the specific brands created by the credit institutions for this purpose.

Chart II.2.5 • Advertising | Non-compliance with Notice No. 10/2008 | 2018-2019



Source: Banco de Portugal.

3 Current accounts

3.1 Inspections

3.1.1 Statement of fees

In January 2019 credit institutions were obliged to provide their customers with the statement of fees on a yearly basis. In a format standardised at European level, this document contains the fees charged in the previous year for services linked to payment accounts, such as current accounts. This obligation was imposed by the entry into force of Decree-Law No. 107/2017 of 30 August 2017, which transposed the Payment Accounts Directive into Portuguese law, and aims to increase the comparability of fees charged for payment accounts within the European Union.

In Portugal, pursuant to the provisions of the Legal Framework of Credit Institutions and Financial Companies (Regime Geral das Instituições de Crédito e Sociedades Financeiras – RGICSF), the statement of fees has replaced the invoice/receipt and should therefore be provided to all customers who hold current accounts, including legal persons and other clients who are not considered consumers by law.

To assess compliance with the obligation to send the statement of fees, the Banco de Portugal asked all institutions that offer current accounts to provide quantitative information on the current accounts covered, the communication channels used for sending the statement of fees, as well as copies of the statements sent to clients.

Table II.3.1 • Current accounts | Off-site inspections on statement of fees | 2019

Topics	Type	Entities covered
Provision of the statement of fees	Off-site	119
Template and requirements for completing the statement of fees	Off-site	119

Source: Banco de Portugal. | Note: The inspections conducted of the 80 mutual agricultural credit banks that are members of the Integrated Mutual Agricultural Credit Scheme (SICAM) are recorded individually under Off-site inspections.

In the inspections carried out, the Banco de Portugal assessed the following:

- **Provision of the statement of fees**, assessing whether the institutions had sent the statement of fees in January to all customers with current accounts. The obligation to send the statement of fees must be met for all current accounts held by customers, consumers or not, during the preceding year, including accounts that were closed during that year, those which registered no transactions over that period and those where no interest or fee was charged for the services provided.

The analysis undertaken verified that 111 credit institutions did not send the statement of fees to all customers with a current account. Some institutions did not send the statement of fees to customers who are not consumers, while others did not provide the statement of fees to customers whose current accounts registered no transactions or where no fee was charged in 2018.

Eight institutions also failed to send the statement of fees within the deadline set by law.

- **Template and requirements for completing the statement of fees**, assessing whether the information on fees charged was provided using the standardised presentation format and its common symbol at European level and whether it fully complied with the requirements set out in the European Commission Implementing Regulation⁶, namely the font size and the correct completion of the tables of fees and interest charged.

Examining copies of statements of fees sent to customers, the Banco de Portugal identified 115 institutions that sent customers a document that did not meet the requirements set out in full. In some situations, for example, the statement of fees did not have the common symbol or did not inform the Customer on total fees charged, their frequency and annual amount, where applicable, or on the number of times the services were used by the customer. Some statements also failed to provide information on the interest rates, did not identify the channels through which the services subject to the fees charged were supplied, or did not meet other requirements set out in the Regulation, such as font size.

6. Commission Implementing Regulation (EU) 2018/33 of 28 September 2017.

3.1.2 Switching accounts

Banco de Portugal analysed information on the switching service available on the websites of 117 institutions.

This assessment fits into the Banco de Portugal's supervision of how institutions comply with the new requirements stemming from Decree-Law No. 107/2017 of 30 August 2017, which transposed the Payment Accounts Directive into Portuguese law.

With the entry into force of this legislation, payment service providers, having their head office or branches in Portugal, are obliged to provide an account switching service to households and microenterprises and should provide information in their branches and customer assistance points and on their websites.

Table II.3.2 • Current accounts | Off-site inspections on account switching | 2019

Topics	Type	Entities covered
Providing information on account switching on the website	Off-site	117

Source: Banco de Portugal. | Note: In off-site inspections, the Caixa Central – Caixa Central de Crédito Agrícola Mútuo, C. R. L. (Central Mutual Agricultural Credit Bank) and the 79 mutual agricultural credit banks that are members of the Sistema Integrado do Crédito Agrícola Mútuo (SICAM, Integrated Mutual Agricultural Credit Scheme) are accounted for separately.

In the inspections carried out, the Banco de Portugal assessed the following:

- **Providing information on account switching on the website**, assessing whether the institutions provided information on the account switching service on the website. 23 institutions did not disclose this information on their websites.

3.1.3 Current account statement

The Banco de Portugal evaluated 107 institutions' compliance with the obligation to send the current account statement, in accordance with the applicable rules.

Table II.3.3 • Current accounts | Off-site inspections on current account statement | 2019

Topics	Type	Entities covered
Provision of the current account statement	Off-site	107

Source: Banco de Portugal. | Note: The inspections conducted of the 80 mutual agricultural credit banks that are members of the Integrated Mutual Agricultural Credit Scheme (SICAM) are recorded individually under Off-site inspections.

In the inspections carried out, the Banco de Portugal assessed the following:

- **Provision of the current account statement**, assessing how the institutions complied with the obligation to send the current account statement. This document must contain information on the debit and credit entries in the current accounts and must be sent to customers at least once a month, except where no debit or credit has occurred in the month concerned; nevertheless, such statement must be sent at least once a year.

For the purpose of this analysis, the institutions were asked to provide quantitative information and copies of account statements sent to customers.

Six institutions were identified that did not provide account statements at least once a year to customers whose accounts had registered no transactions throughout the year.

4 Structured deposits

4.1 Analysis of the Key Information Document (KID)

The institutions that offer structured deposits are obliged to provide notification to Banco de Portugal of the respective KID at least two working days prior to the date of its intended offering to the public. The Banco de Portugal verifies this document's compliance with the legally established requirements as well as the accuracy of the quantitative information presented, such as the risk and cost indicators and the performance scenarios. After the validation process has been completed, the KIDs that observe the applicable legal and regulatory requirements are published on the BCW.

During 2019, the Banco de Portugal evaluated the KIDs of 75 structured deposits, an 18% reduction compared to 2018, which reflects a decrease in the institutions' placement of these deposits with customers. These deposits were offered by nine institutions, one more than in 2018.

Table II.4.1 • Structured deposits | Monitoring of pre-contractual information documents | 2018–2019

Deposit type	2018		2019	
	Submitted	Entities covered	Submitted	Entities covered
1 st Quarter	14	6	27	6
2 nd Quarter	18	6	18	6
3 rd Quarter	22	6	17	7
4 th Quarter	37	7	13	5
Total	91	8	75	9

Source: Banco de Portugal.

4.2 Yield monitoring

Banco de Portugal also monitored the yields of this type of deposits that matured in 2019. The yield of 167 structured deposits that matured during this period was analysed.

The Banco de Portugal confirmed in particular the market value of the underlying assets associated with each deposit calculated by institutions and its application according to the calculation method of yields as indicated in the corresponding pre-contractual information document. As a result of this monitoring, the yields for these deposits were disclosed on the Bank Customer Website.

Table II.4.2 • Structured deposits | Yields monitored | 2018-2019

Deposit type	2018		2019	
	Matured	Entities covered	Matured	Entities covered
Structured	140	10	133	13
Dual				
Fixed component	-		-	
Index-linked component	22	3	34	3
Total	162	12	167	13

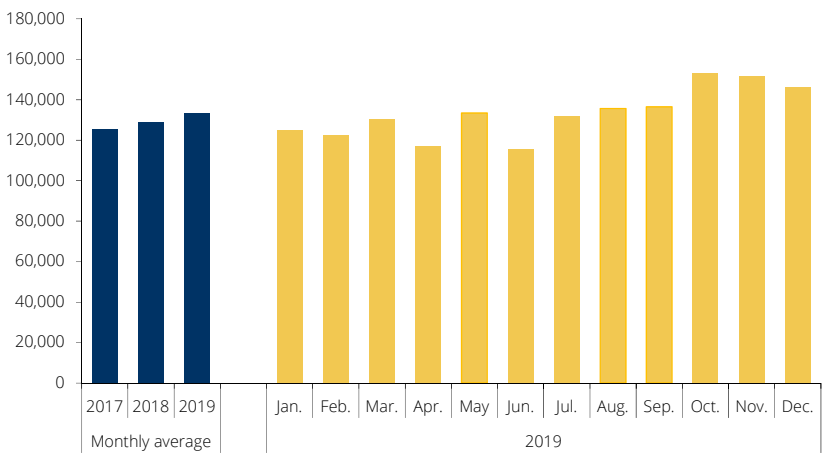
Source: Banco de Portugal.

5 Consumer credit

5.1 Report of new agreements

Credit institutions report monthly information to the Banco de Portugal on the consumer credit agreements (i.e. personal loans, car loans and revolving loans) entered into the previous month. The information is submitted to calculate the upper limits for the APRC applicable to consumer credit. On the basis of this information, which includes the main characteristics of the agreements concluded, the Banco de Portugal undertakes a first assessment of the compliance by institutions of the APRC upper limits.

Chart II.5.1 • Consumer credit | Number of agreements reported | 2017-2019



Source: Banco de Portugal. | Note: The total number of agreements reported in 2019 is 1,598,744.

In 2019, this assessment analysed 1,598,744 consumer credit agreements reported by 55 institutions, which corresponds to an average of approximately 133,000 agreements per month and a 3.6% increase from 2018⁷.

When checking the information reported by credit institutions, in 2019, irregularities were detected in 24 agreements from nine institutions with suggestions of non-compliance with the APRC upper limits. Additional information on these agreements was requested immediately to assess them. As a result of the analysis carried out, the Banco de Portugal adopted appropriate measures on four contracts from three institutions.

5.2 Inspections

In 2019, the Banco de Portugal carried out several inspections to monitor compliance with the statutory framework applicable to the offering of consumer credit agreements, continuing the course of action pursued in previous years.

Revolving credit and overrunning were the main focus of the Bank's action. Inspections were carried out to the central services of eight credit institutions, in the course of which their marketing practices were analysed.

Table II.5.1 • Consumer credit | Inspections to the central services related with the offering of consumer credit agreements | 2019

Subject matter	Modality	Entities covered
Overdraft facilities, current accounts, credit cards, credit lines and car loans	Central services	8
Product classification and framework		
Signing-up process		
Pre-contractual and contractual information requirements		
Creditworthiness assessment		
Fees and other charges		
Interest rate and compensatory interest		
APRC upper limits		
Cross-selling		
Right of withdrawal from the contract		
Early repayment		
Arrears and fees associated with non-compliance		
Information during the lifetime of the agreement		
Reporting to the Banco de Portugal		
Credit overruns	Central services	4
Pre-contractual and contractual information requirements		
Fees and other charges		
ANR upper limits		
Arrears and fees associated with non-compliance		
Information during the lifetime of the agreement		

Source: Banco de Portugal.

7. This analysis does not include the credit agreements in the form of an overdraft facility with a deadline for repayment of up to one month, which are also subject by law to the APRC upper limits.

In the inspections carried out, the Banco de Portugal assessed the following:

- **Product classification and framework**, by looking at the accurate classification of credit operations covered by the consumer credit regime, according to their characteristics.
- **Signing-up process**, in the course of which it was assessed whether the internal practices and procedures used in the drawing-up of the credit agreement are adequate, particularly when setting up the date of entering into the agreement, an aspect that is essential in compliance with a set of obligations, namely those associated with the consumer's creditworthiness assessment and observance of the APRC upper limits.

The assessment brought to light situations in which the date of entering into an agreement stated was not the same as that on which the customer or the institution (whichever occurs last) agreed with all the terms of the operation.

- **Pre-contractual and contractual information requirements**, in the course of which compliance with the requirement to provide pre-contractual information was assessed as well as the consistency between the conditions contracted by the consumer and the information provided by the institution prior to signing the agreement.

It also detected credit operations not formalised by a contract presented in a durable medium, the non-provision of pre-contractual information to the customer, as well as omissions and inaccuracies in the pre-contractual and contractual information provided to the customer.

- **Creditworthiness assessment**, in the course of which the procedures laid down for assessing the customer's creditworthiness prior to granting the credit were analysed. It also monitored compliance with information obligations when lending is refused based on consultations of databases, in particular credit liability databases.

It detected credit agreements in which creditworthiness had not been assessed prior to entering into the credit agreement. When lending was refused, there were situations in which information was given verbally and cases where the information obligation was met only in part.

- **Fees and other charges**, in the course of which it was checked whether the fees charged to customers matched those that had been contractually set. Due consideration was also given to the information provided in the price list of the lending institution in force at the time the fees were charged.

Several irregularities were detected, more specifically, charging fees not provided for in the price list or, where provided for, higher than those set therein, as well as charging fees to customers who would otherwise be exempt from payment.

- **Interest rate and compensatory interest**, in the course of which it was checked whether institutions applied the contractually set annual nominal rate (ANR) and complied with the rule that forbids the capitalisation of compensatory interest for periods of not less than three months.

The analysis of the credit portfolios of inspected institutions showed that there had been times when they had charged an ANR above that contractually set. It also detected the collection of undue interest on the first instalment of some credit agreements, due to the fact that interest had been calculated with reference to a fixed 30-day period, not taking into account the number of days actually elapsed after the date of entering into an agreement.

- **APRC and ANR upper limits**, in the course of which compliance with APRC upper limits was assessed in overdraft facility agreements, in current accounts, in credit cards, in credit lines and in car loan agreements. The calculation of the APRC in credit operations already contracted was assessed. Based on the information collected from the institutions' systems, simulators and in credit operations contracted, it was confirmed whether all charges had been correctly considered when calculating the APRC.

Compliance with the ANR upper limits was also checked in overrunning, and a number of usurious agreements were identified.

- **Cross-selling**, in the course of which compliance with the prohibition of tying practices was assessed.
- **Right of withdrawal from the contract**, in the course of which the procedures in place for the exercise of the right of withdrawal from the credit agreement within 14 days of its conclusion were analysed, as well as the sums demanded from customers following that exercise.

It concluded that some institutions fail to properly inform their customers of the procedures in place for the exercise of the right of withdrawal.

- **Early repayment**, in the course of which compliance with the rules governing early repayment, be it in full or in part, of the credit agreement was checked, namely in terms of the information requirements the institutions are obliged to and the limits to the fees that may be applied to customers in such situations. The procedures in place for the right of early repayment, in full or in part, of the credit and the determination of the respective impact on debt servicing were also assessed.

The analysis showed that there had been times when institutions had sought payment of interest for a period in which the customer had already repaid, in full or in part, the outstanding principal amount.

- **Arrears and charges associated with non-compliance**, in the course of which it was checked whether institutions determine arrears and charge debt recovery fees as prescribed by law.

There were cases in which compensatory interest had been wrongfully capitalised.

- **Information during the lifetime of the agreement**, in the course of which it was checked how institutions ensure compliance with information obligations during the lifetime of consumer credit agreements.

The analysis brought to light relevant omissions in the information provided by institutions in the regular statements sent to bank customers, non-compliance with their mandatory periodicity, as well as cases in which the format used to provide information was unsuitable.

- **Reporting to the Banco de Portugal**, in the course of which timely compliance with reporting duties to the Banco de Portugal and the quality of the information on data relating to new credit agreements were checked.

Omissions were detected in the reporting of signed agreements as well the reporting of operations not linked to new agreements signed under Instruction of the Banco de Portugal No. 14/2013. Inaccuracies were also detected in the information provided on agreements reported.

5.3 Monitoring offerings through digital channels

Offering consumer credit through digital channels has become increasingly more common in the Portuguese market, although credit products in the online and mobile channels are not significantly different from those offered in traditional channels. The increase in the number of products in digital channels was mostly due to personal loans and credit cards.

In 2019 the Banco de Portugal continued to assess to what extent institutions comply with the statutory framework governing the offering of consumer credit agreements in digital channels.

The assessment focused on the supervisory intervention prior to the offering of these products based on the information reported by institutions. In 2018 the Banco de Portugal requested institutions to provide, at least ten working days prior to the date foreseen for offering these products to the public, information on consumer credit products whose signing-up process starts and ends in a digital environment. This information must cover the characteristics of such products, their target group, the (online or mobile) channels through which they will be offered, the ways in which compliance with the duties to inform customers and the security procedures are implemented to ensure that bank customers have access to the digital channel and can confirm their willingness to enter into the credit agreement.

The ex ante supervision of the offering of credit products in digital channels implies that credit institutions engage more frequently with the Banco de Portugal. At bilateral meetings, institutions present (in quality or production environments) the signing-up flows, and later on make the necessary changes for the adoption of best practices when offering these products.

In 2019 the Banco de Portugal assessed 13 processes on personal loans, eight on credit cards, four on credit lines, four on car loans and one on overdraft facilities, offered by 15 institutions via online and/or mobile channels.

Table II.5.2 • Consumer credit | Inspections of consumer credit offerings through digital channels by product | 2019

Products	Modality	Credit offering products/processes
Consumer credit in digital channels	Off-site	
Personal loans		13
Car loans		4
Credit cards		8
Credit lines		4
Overdraft facilities		1

Source: Banco de Portugal.

During these inspections, the credit offering processes were checked for compliance with the applicable rules and the good practices that the Banco de Portugal has disseminated on the offering of consumer credit through digital channels. The analysis focused on the various stages of the signing-up process, with a particular focus on compliance with duties of information and assistance to consumers and the mechanisms for the proper exercise of their rights of withdrawal and early repayment. The security procedures were also assessed, as well as the way in which customers confirm their willingness to enter into an agreement.

Table II.5.3 • Consumer credit | Inspections of consumer credit offerings through digital channels by topic | 2019

Topics	Modality	Entities covered
Consumer credit in digital channels	Off-site	15
Pre-contractual and contractual information requirements		
Obligation to provide assistance		
Creditworthiness assessment		
Cross-selling		
Cost financing		
Right of withdrawal from the contract		
Early repayment		
Security procedures		

Source: Banco de Portugal.

In the inspections carried out, the Banco de Portugal assessed the following:

- **Pre-contractual and contractual information requirements**, in the course of which the moment when the SIS was presented to the customers was assessed, to check if it enables them to duly consider this information when deciding on whether to enter into an agreement. It was also analysed whether the SIS includes the preferences expressed by the customer and whether it is possible for the customer to ask for a free copy of the draft agreement and when this possibility was granted.

The credit offering process was also checked for mechanisms that allow customers to properly view and read pre-contractual and contractual documents and whether it ensures that they cannot conclude the contract before scrolling down the entire information to the very end.

In some cases, the SIS was not presented at the most adequate time, and there was no scrolling down mechanism in all of the pages of the pre-contractual and contractual information documents made available to the customer. In some of the processes analysed, the contractual provisions did not include information on the signing-up process taking place through digital channels, nor on the way to confirm the customer's willingness to enter into the agreement.

- **Obligation to provide assistance to customers**, in the course of which it was analysed whether digital platforms incorporated the means necessary to clarify the bank customers', thereby ensuring that assistance is provided to customers that use digital channels. The analysis showed that institutions issue warnings and information notices, give access to frequently asked questions (FAQs), toll-free helplines, access to a chat with an assistant from the institution, or a chatbot.

It was also assessed whether the information provided on the credit underwriting process in the digital channel makes it possible for customers to perceive the different stages in the process and the information which will be required.

It was detected that customer assistance mechanisms were not always conveniently provided and that, in a number of credit offering processes, the information given was not specific to the credit product in question. However, institutions were found to update the information on credit offering processes, chiefly through the provision of pages with FAQs and the inclusion warnings and information notices of the main financial concepts associated with consumer credit (e.g. ANR, APRC and the total amount payable by the consumer).

- **Creditworthiness assessment**, in the course of which the procedures laid down for assessing the customer's creditworthiness were analysed, checking, more specifically, if the use of indirect methods to calculate revenue and expenditure was within the limits laid down in the applicable rules. Compliance with the obligation to inform the customer about the reason for credit denial, in situations in which such a denial was the result of consulting databases, namely credit liabilities databases.

It was concluded that, in some of the situations analysed, the customer was not informed why credit was denied when the denial was based on information available on databases of credit liabilities.

- **Cross-selling**, in the course of which it was assessed whether other financial products were offered to customers, particularly (optional) insurance, as well as the method provided for the customers to expressly indicate their intention to acquire such products.

There were processes in which signing up to life insurance was pre-selected with the "Yes" option, and it was not always clear for the customer that this was an optional product. However, these shortcomings became less frequent than in 2018, namely due to the fact that some institutions have already been the subject of such recommendations in the course of the assessment of other credit products.

- **Cost financing**, in the course of which it was checked whether customers were able to expressly indicate their interest in financing credit-related costs. The analysis showed that, at times, the financing option for charges and expenses had been pre-selected. However, these shortcomings became less frequent than in 2018, for the same reasons as those presented in the previous paragraph.
- **Right of withdrawal from the contract**, in the course of which it was assessed whether bank customers are given the possibility of revoking the credit agreement in digital channels in the 14 days following its signing, ensuring that revocation is as convenient as signing-up.

In some cases, there was no provision for institutions to allow bank customers to exercise their right of withdrawal through digital channels. In some of the cases in which the right of withdrawal was allowed through digital channels, the information contained in the contractual documentation provided to the customer made no mention of such a possibility.

- **Early repayment**, in the course of which the robustness of security procedures put in place by institutions to capture the customer's willingness to enter into the credit agreement was assessed.

This analysis detected that, in some signing-up processes, there was no provision for institutions to allow bank customers to exercise their right of early repayment through digital channels.

- **Security procedures**, tendo sido avaliada a robustez dos procedimentos de segurança adotados pelas instituições para recolha da manifestação da vontade do cliente em celebrar o contrato de crédito.

It was concluded that institutions broadly use mechanisms similar to those in strong customer authentication requiring the use of two or more elements, independent between themselves, and belonging to the category of knowledge (e.g. password), possession (e.g. security matrix card) or inherence (e.g. a fingerprint).

5.4 Report of agreements incorporated under OASP

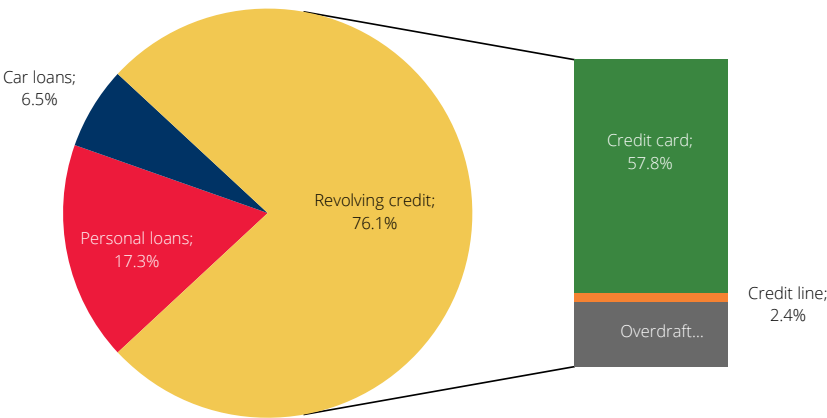
In 2019, credit institutions launched 628,357 out-of-court arrears settlement procedures (OASPs) associated with consumer credit, involving a total of 463,972 credit agreements and outstanding amounts totalling €1,082.8 million. Agreements incorporated under OASP had a default ratio of 10.9%, compared to 12% in 2018. The reduction was chiefly due to revolving credit agreements.

Table II.5.4 • OASP | Consumer credit | Proceedings launched, under analysis and concluded | 2018–2019

	Proceedings		Agreements ^(a)	
	2018	2019	2018	2019
OASP proceedings launched				
Number	599,590	628,357	442,337	463,972
Total amount (EUR millions) ^(b)	–	–	994.6	1,082.8
Default ratio ^(c)	–	–	12.0%	10.9%
OASP proceedings under analysis^(d)				
Number	124,736	127,712	–	–
OASP proceedings concluded				
Number	589,152	625,381	419,942	447,887
Total amount (EUR millions)	–	–	926.7	1,028.1
Default ratio	–	–	13.7%	11.2%
Of which:				
OASP proceedings concluded with settlement of arrears ^(e)	252,338	273,366	–	–
Payment of amounts in arrears	234,065	252,301	–	–
Agreement between the parties ^(f)	18,273	21,065	–	–
OASP proceedings concluded with settlement of arrears/OASP proceedings concluded	42.8%	43.7%	–	–

Source: Banco de Portugal. | Notes: (a) The total number of OASP agreements does not reflect the situations in which the same credit agreement is included more than once. (b) The total amount corresponds to the sum of the outstanding non-defaulting balance with the default amount (overdue). (c) Ratio between the default amount (overdue) and the total amount. (d) End-of-period figures. (e) Proceedings concluded for one of the following reasons: payment of the amounts in arrears, renegotiation of the credit agreement, consolidation of loans, refinancing of the credit agreement, granting of an additional loan for payment of instalments, transfer in lieu of payment. (f) Renegotiation; consolidation of loans; refinancing; granting of an additional loan for payment of instalments; transfer in lieu of payment.

Chart II.5.2 • OASP | Consumer credit | Distribution of agreements integrated in the OASP, by type of credit | 2019

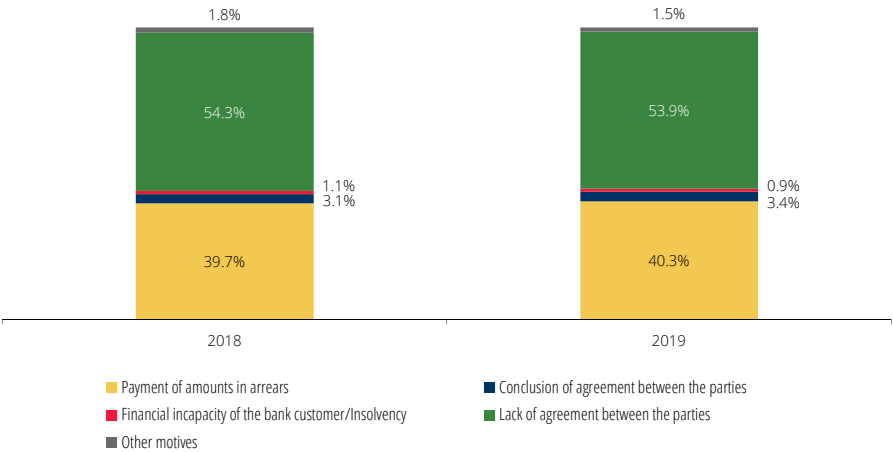


Source: Banco de Portugal.

In 2019, the number of OASP proceedings initiated rose by 4.8%. As in previous years, in 2019, the majority of consumer credit agreements in OASP were revolving credit products (around 76%), most notably credit cards (57.8%). Personal loan and car loan agreements represented 17.3% and 6.5% of initiated proceedings, respectively.

In 2019, 625,381 OASP proceedings were closed, involving 447,887 consumer credit agreements, totalling €1,028.1 million. These agreements had a default ratio of 11.2%, the lowest since 2013, the year in which the general arrears regime entered into force⁸. At the end of 2019, 127,712 OASP proceedings concerning consumer credit agreements were under analysis or negotiation.

Chart II.5.3 • OASP | Consumer credit | Reasons for cancellation | 2018–2019



Source: Banco de Portugal.

The number of OASP proceedings concerning consumer credit agreements concluded with settlement of arrears increased in 2019 (by 8.3%, compared to 2018). The share of OASP proceedings closed in 2019 upon the settlement of default situations also rose from 2018, up from 42.8% to 43.7%. In 53.9% of the OASP proceedings concluded, the default situation was not settled because the parties failed to reach an agreement.

In 2019, 40.3% of the OASP proceedings concerning consumer credit agreements were closed after the payment of amounts in arrears by bank customers, a higher share than in 2018 (39.7%). In 3.4% of the proceedings closed, the parties reached an agreement, which is in line with that seen in the previous year (3.1%).

8. Decree-Law No. 227/2012 of 25 October 2012.

Table II.5.5 • OASP | Consumer credit | Solutions agreed in the proceedings concluded | 2018–2019^{(a), (b)}

	2018		2019	
	Number	Amount (EUR millions)	Number	Amount (EUR millions)
Renegotiation of the credit agreement	14,360	7.0	17,053	9.1
Refinancing	1,510	10.0	1,995	15.2
Consolidation of loans	1,455	6.1	1,276	5.8
Additional loan for payment of instalments	907	7.4	708	4.9
Transfer in lieu of payment	43	–	37	–

Source: Banco de Portugal. | Notes: (a) This table presents the number of solutions agreed, with more than one solution per loan agreement. (b) The OASP proceedings concluded with settlement of arrears in 2019 covered 19,023 consumer credit agreements.

The most frequently agreed solution was the renegotiation of the credit agreement. In 2019, 17,053 OASP proceedings led to the renegotiation of credit agreements, involving a total amount of €9.1 million. Among the terms renegotiated, the most notable were the deferral of payment of the principal until the last instalment (14,322 proceedings) and the extension of the repayment period (3,444 proceedings).

The second most common solution was the refinancing of the agreement (1,995 proceedings), followed by credit consolidation (1,276 proceedings).

Table II.5.6 • OASP | Consumer credit | Terms renegotiated in the proceedings concluded | 2018–2019^{(a), (c)}

	2018	2019
Deferral of the principal until the last instalment	11,623	14,322
Maturity	3,465	3,444
Grace period for principal (and/or interest)	227	310
Spread/interest rate	127	205
Other terms ^(b)	2,151	2,101

Source: Banco de Portugal. | Notes: (a) Renegotiations occasionally bring together more than one of the solutions indicated in this table. (b) This category covers, namely, payment plans for the settlement of late repayments, changes to the interest rate and changes in ownership. The options are reported in an aggregated way, meaning it is not possible to disaggregate the renegotiated terms included in this category. (c) The OASP proceedings concluded with renegotiations in 2019 covered 9,458 consumer credit agreements.

6 Home loans and mortgage credit

6.1 Inspections

In 2019, the Banco de Portugal conducted inspections of the central services of three institutions to assess mortgage credit marketing practices after in 2018 having assessed compliance with the duty to provide pre-contractual information and customer support, by way of off-site and on-site inspections.

Table II.6.1 • Housing and mortgage credit | Inspections | 2019

Topics	Type	Entities covered
Home loans and mortgage credit	Central services	3
Pre-contractual and contractual information requirements		
Creditworthiness assessment		
Availability of property appraisal reports		
Fees and charges		
Interest and compensatory interest rate		
APRC calculation		
Cross-selling		
Early repayment		
Arrears and fees associated with non-compliance		
Information during the lifetime of the agreement		
Reporting draft contracts to the Banco de Portugal		

Source: Banco de Portugal.

In the inspections carried out, the Banco de Portugal assessed the following:

- **Pre-contractual and contractual information requirements**, having assessed the way in which the duty was complied with to provide personalised pre-contractual information, prior to the customer's decision, and the consistency between the information provided by the institution before entering into the contract and the conditions contracted by the bank customer⁹. Irregularities were identified, namely the omission of significant information (e.g. annual nominal interest rate, annual percentage rate of charge, the total amount payable by the consumer), incorrect information provided on the conditions for the exercise of the right to early repayment, and on the consequences of defaulting on the credit agreement.
- **Creditworthiness assessment**, having assessed the existence of procedures to assess the customer's creditworthiness prior to granting credit. An analysis was carried out of the information provided to the customer on the reasons for credit denial, in situations where denial was based on information consulted in databases, namely credit liabilities databases.

9. Aviso do Banco de Portugal n.º 5/2017.

Situations were detected in which the customer was not informed of the basis for the refusal of credit when it resulted from the consultation of credit liabilities databases, the public list of foreclosures or other databases considered useful to assess solvency.

- **Availability of the property valuation report**, having analysed how the institutions comply with the duty of providing the customer with a copy of the report and other valuation documents carried out on the property, as well as the existence of procedures that enable the customer to know the valuation of the property and request a second valuation. Neither commissions nor other fees were charged for property revaluations carried out at the institution's initiative.

Situations were detected in which a copy of the report and other valuation documents carried out on the property were not made available to the customer.

- **Commissions and other fees**, having assessed whether the commissions charged within the scope of the marketing of home loans and mortgage credit were in line with the price list in force and that agreed in the credit contract.

The duplicate charging of commissions and the application of commissions higher than those provided for in the price list was detected.

- **Interest and compensatory interest rate**, having assessed whether the institutions applied the annual nominal rate agreed contractually.

Situations were identified in which a higher annual nominal rate than that contracted was applied. There were also situations in which interest was unduly charged on the first instalment of some credit agreements, being that the cause of this was the fact that interest was calculated using a fixed 30-day period, not considering the number of days since the date the credit agreement was entered into.

- **APRC calculation**, having verified the way in which the APRC had been calculated in previously contracted credit operations, particularly whether the charges had been correctly considered, based on the information gathered from the institutions' information systems. The APRC calculating simulators were also analysed along with the institutions' information systems' formulae parameters.

Various errors were identified in calculating the APRC, namely the non-inclusion of contractual commissions and charges, not updating the nominal interest rate on the anniversary of the variable rate agreement, or not considering the whole financial plan for agreements with phased capital drawdowns (e.g. loan for building work with capital drawdowns over time).

- **Associated sales**, having assessed compliance with the obligations relating to associated sales, namely the information provided to the customer so they may assess the benefits and costs resulting from the acquisition of products or services associated with home loans and mortgage credit.
- **Early repayment**, having assessed compliance with the regulations for early repayment, in whole or in part, of the credit agreement, namely the institutions' obligation to provide the customer with the right to totally repay the loan early at any time, with prior notice of ten working days. The institutions were also assessed whether they provided, to customers who requested early repayment, information on the impact such a repayment would have on the credit agreement, describing the assumptions used for the effect.

Compliance with the limits to commissions chargeable to customers for early repayment was also monitored.

It was noted that some institutions did not provide customers with information on the impact of early repayments.

- **Arrears and charges associated with non-compliance**, having assessed observance of the rules applying to non-compliance with credit agreements, namely the correction of arrears charges calculations, default interest and commission for debt recovery. As far as arrears interest is concerned, it was assessed whether the institutions incorporate in their calculations the maximum annual surcharge of 3% to the arrears interest based on capital past due and unpaid. It was also analysed whether the commission for recovery of amounts owed was only applied once for each unpaid instalment past due, and if the amount required from the customer was not in excess of 4% of the value of the instalment outstanding, with a minimum value of €12 and maximum value of €150, or 0.5% of the outstanding instalment, in cases in which said instalment is greater than €50,000.
- **Information during the lifetime of the agreement**, having assessed compliance with the duties of information during the lifetime of the home loans and mortgage credit agreements¹⁰.
The checks carried out enabled omissions to be detected in the information provided by institutions in the regular statements sent to bank customers and situations in which the format used to provide information was unsuitable.
- **Reporting draft contracts to the Banco de Portugal**, having assessed compliance with the duty to report to the Banco de Portugal draft contracts of home loans and mortgage credit products marketed by the institution.

6.2 Report of agreements incorporated under OASP

In 2019, the credit institutions initiated 71,497 OASP proceedings relating to home loans and mortgage credit agreements, 16.1% fewer than in 2018. In 2019, the OASP proceedings initiated involved 45,972 credit agreements to the sum of almost €2.14 billion. The default ratio registered in agreements incorporated under OASP was 1.3% below that registered the previous year (1.7%).

10. Aviso do Banco de Portugal n.º 5/2017.

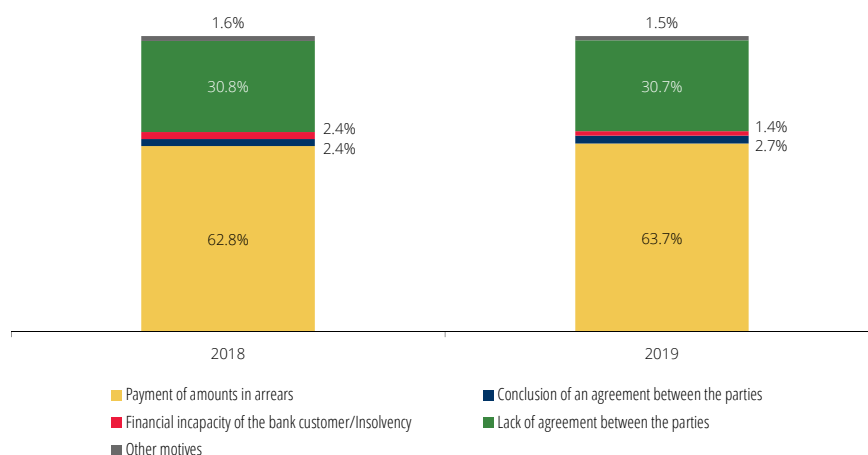
Table II.6.2 • OASP | Home loans and mortgage credit | Proceedings initiated, under analysis and concluded | 2018-2019

	Proceedings		Agreements ^(a)	
	2018	2019	2018	2019
OASP proceedings launched				
Number	85,238	71,497	55,413	45,972
Total amount (EUR millions) ^(b)	–	–	2,565.6	2,139.4
Default ratio ^(c)	–	–	1.7%	1.3%
OASP proceedings under analysis^(d)				
Number	22,007	21,476	–	–
OASP proceedings concluded				
Number	85,951	72,028	51,037	42,589
Total amount (EUR millions)	–	–	2,376.8	1,994.4
Default ratio	–	–	2.0%	1.5%
Of which:				
OASP proceedings concluded with settlement of arrears ^(e)	56,007	47,802	–	–
Payment of amounts in arrears	53,959	45,864	–	–
Agreement between the parties ^(f)	2,048	1,938	–	–
OASP proceedings concluded with settlement of arrears/OASP proceedings concluded	65.2%	66.4%	–	–

Source: Banco de Portugal. | Notes: (a) The total number of OASP agreements does not reflect the situations in which the same credit agreement is included more than once. (b) The total amount corresponds to the sum of the outstanding non-defaulting balance with the default amount (overdue). (c) Ratio between the default amount (overdue) and the total amount. (d) End-of-period figures. (e) Proceedings concluded for one of the following reasons: payment of the amounts in arrears, renegotiation of the credit agreement, consolidation of loans, refinancing of the credit agreement, granting of an additional loan for payment of instalments, transfer in lieu of payment. (f) Renegotiation; consolidation of loans; refinancing; granting of an additional loan for payment of instalments; transfer in lieu of payment.

In 2019, credit institutions launched 72,028 out-of-court arrears settlement procedures (OASPs) associated with home loans and mortgage credit, involving a total of 42,589 credit agreements and outstanding amounts totalling €1.994 billion, less than in 2018. These agreements represent a default ratio of 1.5%, slightly below that observed in the previous year (2%). At the end of 2019, 21,476 OASP proceedings concerning home loans and mortgage credit agreements were still under analysis or negotiation.

Chart II.6.1 • OASP | Home loans and mortgage credit | Reasons for cancellation | 2018-2019



Source: Banco de Portugal.

In 66.4% of cases, OASP proceedings were closed upon the settlement of default situations (compared with 65.2% in 2018). The main reason given by credit institutions for closing OASP proceedings remained the payment of amounts in arrears¹¹ by bank customers, with its proportion increasing (from 62.8% in 2018 to 63.8% in 2019). This year, in 2.7% of proceedings concluded, an agreement was entered into between the credit institution and the customer (e.g. renegotiation of the credit agreement, credit consolidation or refinancing) and in 30.7% of proceedings, the amount in arrears was not settled because the parties failed to reach an agreement.

Table II.6.3 • OASP | Home loans and mortgage credit | Solutions agreed in proceedings concluded | 2018–2019^{(a), (b)}

	2018		2019	
	Number	Amount (EUR millions)	Number	Amount (EUR millions)
Renegotiation of the credit agreement	1,931	36.6	1,851	24.1
Additional loan for payment of instalments	81	0.3	75	0.3
Transfer in lieu of payment	19	–	14	–
Refinancing	20	1.2	11	0.5
Consolidation of loans	3	0.4	0	0.0

Source: Banco de Portugal. | Notes: (a) This table presents the number of solutions agreed, with more than one solution per loan agreement. (b) The OASP proceedings concluded with settlement of arrears in 2019 covered 1,621 home loans and mortgage credit agreements.

In 1,851 OASP proceedings, the solution agreed with the customer was the renegotiation of the terms and conditions of the agreement, representing a total renegotiated sum of €24.1 million. The most frequently renegotiated conditions were the introduction of grace periods for principal or interest (141 proceedings) and the extension of the repayment period (83 proceedings).

Table II.6.4 • OASP | Home loans and mortgage credit | Conditions renegotiated in proceedings concluded | 2018–2019^{(a), (c)}

	2018	2019
Grace period for principal (and/or interest)	325	141
Maturity	160	83
Spread/interest rate	36	42
Deferral of the principal until the last instalment	88	60
Other terms ^(b)	1,646	1,671

Source: Banco de Portugal. | Notes: (a) Renegotiations occasionally bring together more than one of the solutions indicated in this table. (b) This category covers, namely, payment plans for the settlement of late repayments, changes to the interest rate and changes in ownership. The options are reported in an aggregated way, meaning it is not possible to disaggregate the renegotiated terms included in this category. (c) The OASP proceedings concluded with renegotiations in 2019 covered 1,244 home loans and mortgage credit agreements.

The credit institutions and bank customers also agreed the granting of additional loans for payment of instalments (75 proceedings), transfer of the property in lieu of payment (14 proceedings) and debt refinancing (11 proceedings).

11. This reason for closure also included the situations in which payment of amounts in arrears was made in various instalments over time.

7 Bank fees

Institutions are required to disclose information on the maximum amount of all fees charged on their price list, which should be available on their websites and displayed at all branches and customer assistance points. Key information documents provided to customers prior to purchasing retail banking products must also specify the fees required by institutions to provide the services linked to these products.

Bank customers also have the right to receive information on fees linked to the services provided by institutions. This information is provided in regular statements sent to customers for deposit accounts, consumer credit and home loans and mortgage credit. Every January, customers also receive a statement of fees containing detailed information on fees charged the previous year for services linked to their current account.

In 2018, in order to increase comparability of fees for services linked to current accounts and other payment accounts, the Banco de Portugal harmonised the terminology used by institutions for these services. In October 2018, the Bank launched the Fees Comparator, a comparison tool provided on the Bank Customer Website for this purpose.

Institutions are free to choose most fees charged for the provision of services to their customers. However, the legislator has set limits to fees charged by institutions, in order to pursue specific objectives such as promoting bank customer mobility. The Banco de Portugal does not have the power to limit or prohibit institutions from charging fees.

The Banco de Portugal is responsible for monitoring compliance with the rules used by the legislator to impose limits or set prohibitions to the charging of fees, as well as compliance by institutions with information obligations.

7.1 Price lists

The fees and expenses leaflets used by 183 institutions¹² and a record of leaflets since January 2017 have been accessible on the Bank Customer Website from the end of 2019.

The fees and expenses leaflet has information on the maximum amount of all fees charged by an institution and the indicative amount of expenses charged from customers. Fees not on or exceeding the amount stated on the fees and expenses leaflet may not be charged.

The fees and expenses leaflet is an integral part of the price list of each institution, together with the interest rate leaflet, which provides information on the most representative interest rates charged by institutions for loans and, where applicable, deposits.

Institutions are required to report the fees and expenses leaflet to the Banco de Portugal. The fees and expenses leaflets are available on the Bank Customer Website.

Institutions are also required to inform the Banco de Portugal of any changes to the information included in the fees and expenses leaflet at least five working days prior to the date on which the change will take place.

12. The Caixa Central – Caixa Central de Crédito Agrícola Mútuo, C. R. L. (Central Mutual Agricultural Credit Bank) and the 79 mutual agricultural credit banks that are members of the Sistema Integrado do Crédito Agrícola Mútuo (SICAM, Integrated Mutual Agricultural Credit Scheme) were accounted for separately.

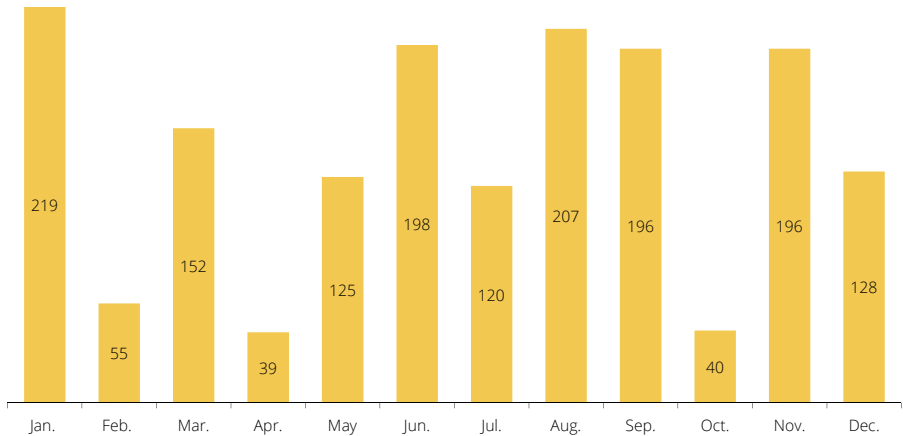
In 2019, 163 institutions submitted changes to the Banco de Portugal that resulted in 1,675 amended fees and expenses leaflets being reported. Institutions must report a new fees leaflet every time they wish to change one or several fees.

Most changes were the result of modifications made by institutions to their commercial offer, as 46% of changes were due to the cancellation of products or services previously on offer and 23% to the provision of new products or services. Around one-third of modifications resulted from changes to fees charged by institutions (29%).

Changes to the information included in the fees and expenses leaflet are also the result of the entry into force of amendments to the applicable legal framework, for example, tax changes or changes to the value of the Social Support Index (IAS, in its Portuguese acronym).

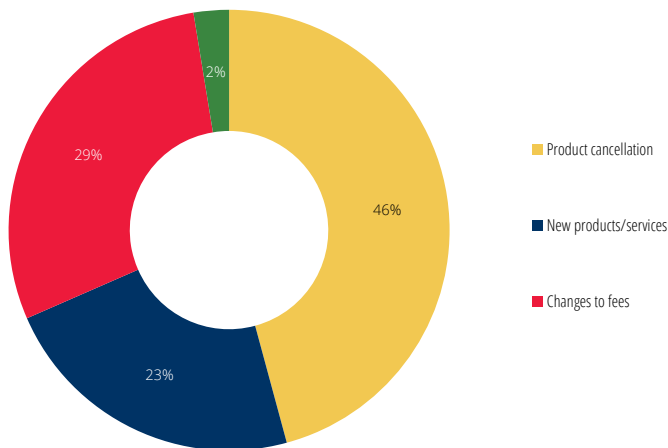
The monitoring activities of the Banco de Portugal may require changes to the information included in the fees and expenses leaflet, as was the case in 2019 for 2% of total changes made to these leaflets.

Chart II.7.1 • Fees and expenses leaflets | Monthly developments in the number of leaflets reported | 2019



Source: Banco de Portugal.

Chart II.7.2 • Fees and expenses leaflets | Topics changed | 2019



Source: Banco de Portugal.

In 2019 the Banco de Portugal also carried out mystery shopper inspections to 25 branches of 14 institutions¹³ in order to assess compliance with the obligation to disclose the price list in a prominent, directly accessible place. It also checked whether the price list was complete and unchanged from the version reported.

Table II.7.1 • Price list | Mystery shopper inspections on its provision at branches and customer assistance points | 2019

Topics	Modality	Entities covered
Price list disclosure	Mystery shopper	14
Update of the price list and compliance with the version reported to the Banco de Portugal	Mystery shopper	14

Source: Banco de Portugal. | Note: Mystery shopper inspections covered 25 branches.

Price lists allow bank customers to know the general conditions of the products and services offered by financial institutions.

Institutions are required to prepare their price lists in accordance with a standardised format set by the Banco de Portugal and to provide them at all branches and customer assistance points in a prominent, directly accessible place, and in a device that is easy to use, as well as on their websites without need for prior registration by users.

7.2 Fees Comparator

The Fees Comparator provides information on 93 fees for services provided by around 200 institutions. From January to December 2019, the Fees Comparator received 47,440 visits, a monthly average of around 3,953.

This tool, available on the Bank Customer Website, allows customers to quickly and easily compare the fees charged for the most representative services linked to a payment account¹⁴.

Disclosed information is reported by institutions to the Banco de Portugal. In order to ensure this information is updated, institutions are required to inform the Banco de Portugal of any changes to information previously reported at least five business days before the date on which the change takes place. In 2019, 399 reports on 104 institutions were submitted to the Banco de Portugal¹⁵.

Fees shown correspond to maximum amounts, including taxes. Available information also takes into account the most representative distribution channels: branch, ATM, ATS, online, mobile device, SMS, telephone with operator, telephone without operator and mail.

13. These inspections also assessed disclosure of information on BBAs by institutions (see Section 1.2 Inspections in Part II of this Report).

14. To support the use of the Fees Comparator, the Banco de Portugal provides a video on how to use this tool on the Bank Customer Website. A glossary and a set of FAQs, accessible via the buttons on the tool's bottom bar, are also available to customers.

15. The Caixa Central – Caixa Central de Crédito Agrícola Mútuo, C. R. L. (Central Mutual Agricultural Credit Bank) and the 79 mutual agricultural credit banks that are members of the Sistema Integrado do Crédito Agrícola Mútuo (SICAM, Integrated Mutual Agricultural Credit Scheme) were accounted for separately.

Where there is a wider range of products on offer (package accounts, debit cards, credit cards and private credit cards), customers may compare fees charged for the services based on the most representative products offered by each institution. For information on the features of the services included in the Fees Comparator, click on the ‘i’ icon associated with each service.

The Fees Comparator shows objective, exact and updated information, ensuring institutions are given equal treatment, for example in search results, as required by law. The Fees Comparator does not make recommendations or advise bank customers on the purchase of products and services, with customers setting their own search criteria.

Information provided on the Fees Comparator allows customers to compare all the fees for certain services and any customer is able to access information on the amount of fees charged. Search results may be saved or printed, and customers may download files with data on all the existing fees, as well as a record of fees charged by all institutions that provide these services.

In order to contribute to greater disclosure of information on fees, this Section shows developments from January to December 2019 in fees linked to the most representative services included in the Fees Comparator.

Information on average and median fees charged for each service in the period under review considers institutions identified in the Fees Comparator on an individual basis without taking into account their relative share in the market.

7.2.1 Account maintenance

Maintenance fees shown on the Fees Comparator correspond to the maximum annual amount charged by an institution for managing a payment account it considers to be the most representative from among the accounts with basic features it has on offer that do not target a specific customer segment.

According to information reported by 114 institutions, as at 31 December 2019, annual fees charged for maintaining an account ranged from €0.00 (nine institutions) to €124.80 (two institutions). The median fee stood at €62.40.

Maintenance fees averaged €58.18. Compared to December 2018, the average fee charged recorded a change of 0.50%.

Table II.7.2 • Fees | Account maintenance fee (annual figure) | December 2019

Service	Average	Median	Highest amount	Lowest amount	Change in average (Dec. 18-Dec. 19)
Account maintenance	€58.18	€62.40	€124.80	€0.00	0.50%

Source: Banco de Portugal. | Note: The Caixa Central – Caixa Central de Crédito Agrícola Mútuo, C. R. L. (Central Mutual Agricultural Credit Bank) and the 79 mutual agricultural credit banks that are members of the Sistema Integrado do Crédito Agrícola Mútuo (SICAM, Integrated Mutual Agricultural Credit Scheme) were accounted for separately.

7.2.2 Maintaining a BBA

The maintenance fee for a BBA corresponds to the amount charged for managing a BBA.

The maintenance fee for a BBA is limited by law and must not exceed 1% of the value of the IAS on a yearly basis, i.e. €4.38, according to the value of the IAS in 2020 (€4.35 in 2019).

In accordance with information reported by 105 institutions, the median fee stood at €3.54 as at 31 December 2019. The fee charged for maintaining a BBA averaged €3.54 as at 31 December 2019, a change of 2.86% from the average observed in 2018.

BBA's are a set of banking services that are considered essential, which citizens may access at a low cost. BBAs include¹⁶ opening and maintaining a current account, and providing a debit card to make transactions from the account and a set of other services that are considered essential.

Table II.7.3 • Fees | BBA maintenance fee | December 2019

Service	Average	Median	Highest amount	Lowest amount	Change in average (Dec. 18-Dec. 19)
BBA maintenance	€3.54	€3.54	€4.28	€0.00	2.86%

Source: Banco de Portugal. | Note: The Caixa Central – Caixa Central de Crédito Agrícola Mútuo, C. R. L. (Central Mutual Agricultural Credit Bank) and the 79 mutual agricultural credit banks that are members of the Sistema Integrado do Crédito Agrícola Mútuo (SICAM, Integrated Mutual Agricultural Credit Scheme) were accounted for separately.

7.2.3 Maintaining a standard account

Maintenance fees for a standard account correspond to the annual charge for services linked to the management of this account, providing the services set by the Banco de Portugal¹⁷.

A standard account includes: (i) opening and maintaining a current account; (ii) a debit card to make transactions from the account; (iii) access to the account's debits and credits using ATMs and online banking services or over the counter (institutions may limit the number of cash withdrawals at their branches to three in the same month); (iv) deposits, cash withdrawals, payments for goods and services, direct debits and domestic intra-bank transfers.

As at 31 December 2019, the 94 institutions that provide this service charged annual fees ranging from €56.16 (one institution) to €124.80 (also charged by one institution). The median fee stood at €61.78.

At the end of 2019, the maintenance fee for a standard account averaged €63.63, a change of 0.72%, from 2018.

Table II.7.4 • Fees | Maintenance fee for a standard account (annual figure) | December 2019

Service	Average	Median	Highest amount	Lowest amount	Change in average (Dec. 18-Dec. 19)
Standard account maintenance	€63.63	€ 61.78	€124.80	€56.16	0.72%

Source: Banco de Portugal. | Note: The Caixa Central – Caixa Central de Crédito Agrícola Mútuo, C. R. L. (Central Mutual Agricultural Credit Bank) and the 79 mutual agricultural credit banks that are members of the Sistema Integrado do Crédito Agrícola Mútuo (SICAM, Integrated Mutual Agricultural Credit Scheme) were accounted for separately.

16. The services included in BBAs are set out in Article 1 of Decree-Law No. 27-C/2000 of 10 March 2000.

17. Through Circular Letter of the Banco de Portugal No. 24/2014/DSC of 10 March 2014.

7.2.4 Provision of a debit card

Fees charged for a debit card correspond to the annual amount charged for the provision of a debit card linked to a payment account.

The Fees Comparator shows fees charged on the three debit cards considered most representative by institutions among those on offer not targeting a specific customer segment. This analysis takes into account fees linked to the services that each institution considers to be the most representative.

Taking into account the information provided by 108 institutions, as at 31 December 2019, the lowest fee charged for the provision of a debit card was €0.00 (four institutions) and the maximum fee was €31.20 (one institution). The median fee stood at €17.68.

This fee averaged €16.76 at the end of 2019, a change of 16.04% from 2018.

Table II.7.5 • Fees | Fee for the provision of a debit card (annual figure) | December 2019

Service	Average	Median	Highest amount	Lowest amount	Change in average (Dec. 18-Dec. 19)
Provision of a debit card	€16.76	€17.68	€31.20	€0.00	16.04%

Source: Banco de Portugal. | Note: The Caixa Central – Caixa Central de Crédito Agrícola Mútuo, C. R. L. (Central Mutual Agricultural Credit Bank) and the 79 mutual agricultural credit banks that are members of the Sistema Integrado do Crédito Agrícola Mútuo (SICAM, Integrated Mutual Agricultural Credit Scheme) were accounted for separately.

7.2.5 Provision of a credit card

Fees for this service correspond to the annual charge for the provision of a credit card linked to a payment account.

The Fees Comparator shows fees charged on the three credit cards each institution considers to be the most representative among those on offer not targeting a specific customer segment. This analysis takes into account fees reported for the credit card each institution considers to be the most representative.

As at 31 December 2019, fees for the provision of a credit card ranged from €0.00 (eight institutions) to €31.20 (two institutions). The median fee stood at €19.24.

This fee averaged €17.39 at the end of 2019, a change of -0.29% from 2018.

Table II.7.6 • Fees | Fee for the provision of a credit card (annual figure) | December 2019

Service	Average	Median	Highest amount	Lowest amount	Change in average (Dec. 18-Dec. 19)
Provision of a credit card	€17.39	€19.24	€31.20	€0.00	-0.29%

Source: Banco de Portugal. | Note: The Caixa Central – Caixa Central de Crédito Agrícola Mútuo, C. R. L. (Central Mutual Agricultural Credit Bank) and the 79 mutual agricultural credit banks that are members of the Sistema Integrado do Crédito Agrícola Mútuo (SICAM, Integrated Mutual Agricultural Credit Scheme) were accounted for separately.

7.2.6 Cash advance

Fees linked to cash advance correspond to the charge for a service through which customers take out cash from their payment account using the credit limit available on their credit card. The Fees Comparator shows fees charged for withdrawing cash over the counter, at ATMs or at ATSS.

According to information reported by 105 institutions, as at 31 December 2019, the lowest fee required for the provision of this service at ATMs was €8.16 (one institution) and the highest was €15.08 (two institutions). The median fee stood at €10.92. This fee averaged €11.07 at the end of 2019, a change of 0.08%.

According to information reported by 20 institutions, as at 31 December 2019, the lowest fee required for an over-the-counter cash advance was €8.65 (one institution) and the highest was €15.34 (two institutions). This fee averaged €11.88, a change of 0.22% from 2018. The median fee stood at €12.03.

Table II.7.7 • Fees | Cash advance fee – value per operation | December 2019

Service	Average	Median	Highest amount	Lowest amount	Change in average (Dec. 18-Dec. 19)
Cash advance – ATM	€11.07	€10.92	€15.08	€8.16	0.08%
Cash advance – Over the counter	€11.88	€12.03	€15.34	€8.65	0.22%

Source: Banco de Portugal. | Note: The Caixa Central – Caixa Central de Crédito Agrícola Mútuo, C. R. L. (Central Mutual Agricultural Credit Bank) and the 79 mutual agricultural credit banks that are members of the Sistema Integrado do Crédito Agrícola Mútuo (SICAM, Integrated Mutual Agricultural Credit Scheme) were accounted for separately.

7.2.7 Cash withdrawal

Fees charged for cash withdrawals correspond to the charge for a service through which customers withdraw cash from their payment account.

The fee shown on the Fees Comparator corresponds to the amount required for each cash withdrawal operation.

The Fees Comparator shows fees charged for withdrawing cash over the counter, at ATMs or at ATSS. However, given that institutions may not charge fees for the withdrawal of cash from cash machines (ATMs and ATSS)¹⁸, this analysis only refers to fees charged for over-the-counter cash withdrawals.

According to information reported by 107 institutions, as at 31 December 2019, the lowest fee required for the provision of this service over the counter was €0.00 (one institution) and the highest was €20.00 (one institution). The median fee stood at €3.12.

At the end of 2019, the fee charged for over-the-counter cash withdrawals averaged €3.70, a change of 5.19% from 2018.

Table II.7.8 • Fees | Fee for over-the-counter cash withdrawals (value per operation) | December 2019

Service	Average	Median	Highest amount	Lowest amount	Change in average (Dec. 18-Dec. 19)
Cash withdrawal – Over the counter	€3.70	€3.12	€20.00	€0.00	5.19%

Source: Banco de Portugal. | Note: The Caixa Central – Caixa Central de Crédito Agrícola Mútuo, C. R. L. (Central Mutual Agricultural Credit Bank) and the 79 mutual agricultural credit banks that are members of the Sistema Integrado do Crédito Agrícola Mútuo (SICAM, Integrated Mutual Agricultural Credit Scheme) were accounted for separately.

18. Decree-Law No. 3/2010 of 5 January 2010.

7.2.8 SEPA+ credit transfers

Fees charged for SEPA+ credit transfers correspond to the provision of transfers of funds in euro, Swedish krona or Romanian leu made under the same conditions between accounts that are held in SEPA countries¹⁹.

The fee shown on the Fees Comparator corresponds to the maximum fee charged for a regular (non-urgent) SEPA+ credit transfer made with both a valid BIC and IBAN in the indicative amount of €99,999.99 or its equivalent in Swedish krona or Romanian leu. If a specific distribution channel does not allow a transfer in the amount of €99,999.99 to be carried out, the fee shown corresponds to the maximum amount applied by institutions to carry out the highest transfer amount allowed in this distribution channel.

The Fees Comparator shows information on fees charged for transfers carried out through the following channels: branch, ATM, ATS, online, mobile device, telephone with operator and telephone without operator. Given that institutions may not charge fees for transfers at cash machines (ATMs and ATSSs), information shown takes into account fees charged for transfers over the counter, online and using a mobile device.

In accordance with information reported, as at 31 December 2019, 114 institutions provided this service over the counter, charging fees ranging from €2.60 (two institutions) to €114.40 (one institution). The median fee stood at €5.41. As at 31 December 2019, the fee charged averaged €7.23, a decline of 1.89% from 2018.

Online SEPA+ credit transfers are provided by 108 institutions. As at 31 December 2019, fees charged by these institutions ranged from €0.00 (eight institutions) to €15.60 (one institution), with the median fee standing at €0.26. At the end of December 2019, the fee charged for the provision of this service online averaged €0.59, a change of €90.61% from 2018.

SEPA+ credit transfers using mobile devices are provided by 17 institutions, which charged fees ranging from €0.00 (two institutions) to €1.82 (one institution) as at 31 December 2019. The median fee stood at €1.04.

At the end of December 2019, this fee averaged €0.81, a change of -42.36% from 2018.

Table II.7.9 • Fees | Fee for SEPA+ credit transfers (value per operation) | December 2019

Service	Average	Median	Highest amount	Lowest amount	Change in average (Dec. 18-Dec. 19)
SEPA+ credit transfers					
Over the counter	€7.23	€5.41	€114.40	€2.60	-1.89%
Online	€0.59	€0.26	€15.60	€0.00	90.61%
Mobile device	€0.81	€1.04	€1.82	€0.00	-42.36%

Source: Banco de Portugal. | Note: The Caixa Central – Caixa Central de Crédito Agrícola Mútuo, C. R. L. (Central Mutual Agricultural Credit Bank) and the 79 mutual agricultural credit banks that are members of the Sistema Integrado do Crédito Agrícola Mútuo (SICAM, Integrated Mutual Agricultural Credit Scheme) were accounted for separately.

19. 27 Member States of the European Union and Andorra, Iceland, Liechtenstein, Monaco, Norway, San Marino, Switzerland, United Kingdom and Vatican.

8 Bank customer complaints

8.1 Recent developments

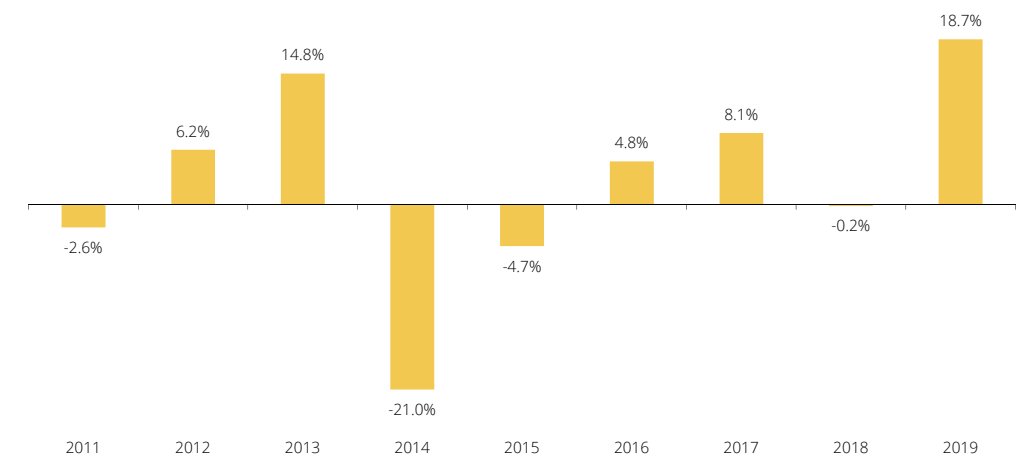
Complaints analysis is a tool for monitoring financial institutions' compliance with the rules in force and is key to the Banco de Portugal's banking conduct supervision activity.

In 2019 the Banco de Portugal received 18,104 complaints about matters that fall within the Banco de Portugal's remit, averaging 1,509 complaints per month, an 18.7% increase from 2018. This significant increase in complaints from 2019 was a result of the availability of the electronic complaints book (e platform 'Livro de Reclamações') on 1 July 2019. Excluding the complaints received through the e platform 'Livro de Reclamações', the increase in complaints would be only by 1.4% from 2018.

The physical complaints book made available in the institutions' branches continued to be the channel used most often by bank customers (44.2% of the complaints submitted in 2019), followed by the Bank Customer Website (30.3%). However, the number of complaints submitted through the Bank Customer Website recorded a 12.3% reduction from 2018, probably due to the entry into force of the e platform 'Livro de Reclamações'. Although it was only launched in July 2019, the e platform 'Livro de Reclamações' was the third most widely used channel by bank customers, accounting for 14.6% of the complaints submitted in 2019. The Banco de Portugal also receives complaints sent otherwise (by email or letter for example), accounting for around 10.9% of total complaints received in 2019.

The increase in complaints received was accompanied by a rise in complaints about bank deposits and consumer credit. Customers have mainly complained about the charging of fees or commissions and other charges and the content of the information reported to the Central Credit Register.

Chart II.8.1 • Complaints | Developments in the average number of complaints submitted | 2011-2019



Source: Banco de Portugal.

Table II.8.1 • Complaints | Number of submissions, by origin | 2018-2019

Year	Month	Submissions ^(a)				Total
		RCL		RCO		
		At the institution's branch	E platform 'Livro de Reclamações'	Bank Customer Website	Others	
2018		7,379	–	6,257	1,618	15,254
2019	January	655	–	545	194	1,394
	February	552	–	635	180	1,367
	March	612	–	586	150	1,348
	April	514	–	512	131	1,157
	May	722	–	620	215	1,557
	June	577	–	476	146	1,199
	July	795	418	364	156	1,733
	August	721	335	364	184	1,604
	September	711	465	345	129	1,650
	October	814	525	431	189	1,959
	November	713	477	336	174	1,700
	December	626	415	275	120	1,436
2019		8,012	2,635	5,489	1,968	18,104

Source: Banco de Portugal. | Note: (a) Figures refer to complaints about banking products and services. In 2018 and 2019, complaints totalling 2,664 and 3,266 respectively were also received which were beyond the remit of the Banco de Portugal, either because they related to situations with no specific applicable regulation (including complaints about service and the quality of credit institutions' premises), or because they fell under the authority of the Portuguese Securities Market Commission or Insurance and Pension Funds Supervisory Authority.

8.2 Developments in complaints by subject matter

Bank deposits, consumer credit, home loans and mortgage credit were the products most subject to complaint. Prevalence of complaints about these products is related to the relative importance of these agreements in the customer portfolio. For this reason, the analysis of developments in complaints by type of banking product must take into account the size of the market, thus the number of complaints by type of product must be treated relatively to underlying market size.

In 2019 **bank deposits** continued to be the banking product subject to most complaints, accounting for 32.5% of total complaints received. The relative number of complaints submitted increased from 26 to 32 per 100 thousand agreements on deposit accounts, reflecting the increase in complaints submitted about this matter (by 21.9% more, compared to 2018). This rise has mainly contributed to the increase in the number of complaints about the transaction on accounts, the closing and the charging of fees, commissions or other charges on current accounts. The increase in the number of complaints about BBAs (by 70.9% more, compared to 2018), particularly about the conditions of access to the regime, is also noteworthy.

Consumer credit was the second most complained about retail banking product, accounting for 24.7% of total complaints within the Banco de Portugal's remit. The number of complaints increased, in relative terms, from 32 complaints in 2018 to 36 complaints in 2019 per 100 thousand consumer credit agreements. These developments reflect the increase in complaints about this matter (by 17.6% more, compared to 2018), with emphasis on the complaints about credit liabilities (by 42.5% more, compared to 2018), partly associated with the implementation of new

reporting requirements to the Banco de Portugal. Personal loans were the product that recorded an increase in the number of complaints received about consumer credit.

Complaints about **home loans and mortgage credit**, the third most complained about banking product in 2019 (11.6% of the complaints), increased from 94 to 100 complaints per 100 thousand credit agreements, reflecting the rise in the number of complaints submitted in 2019 (by 6% more, compared to 2018). The complaints about instalment and APRC calculation and credit liabilities were relevant for this rise.

Complaints about **payment cards** accounted for 10.3% of total complaints received in 2019, and the number of complaints about this matter increased, in relative terms, from 70 in 2018 to 86 complaints per million cards in circulation in 2019. This increase reflects the 26.8% rise in the number of complaints about this matter, mainly explained by the increased number of complaints about fraud situations and card requests or replacements.

Credit transfers were the subject of 4.8% of complaints received in 2019, with an increase in the number of complaints, in relative terms, from 41 complaints in 2018 to 50 complaints in 2019 per 10 million transfers.

This growth reflects the highest number of complaints submitted about this matter (by 32% more, compared to 2018). In 2018 there was an increase in complaints about situations of alleged fraud and availability of amount.

Complaints about **cheques** accounted for 3.3% of total complaints submitted in 2019, and the number of complaints about this matter increased, in relative terms, from 18 to 25 complaints per million cheques. This rise is related not only to the decrease in the number of cheques used but also to the increase in the number of complaints about this matter (by 21.6% more, compared to 2018). There were also more complaints about the requesting of cheques and availability of the amount.

For the complaints about **loans to enterprises**, the figure of 1.9% of complaints submitted in 2019, in relative terms, remained virtually unchanged at 33 complaints per every 100 thousand credit agreements, since the slight increase in the number of complaints about this matter (by 1.7% more, compared to 2018) has been offset by the rise in the reported number of loan agreements with enterprises. This increase mainly reflected the number of complaints about the non granting of loans and credit liabilities. On the other hand, the number of complaints about the collection of outstanding amounts has decreased.

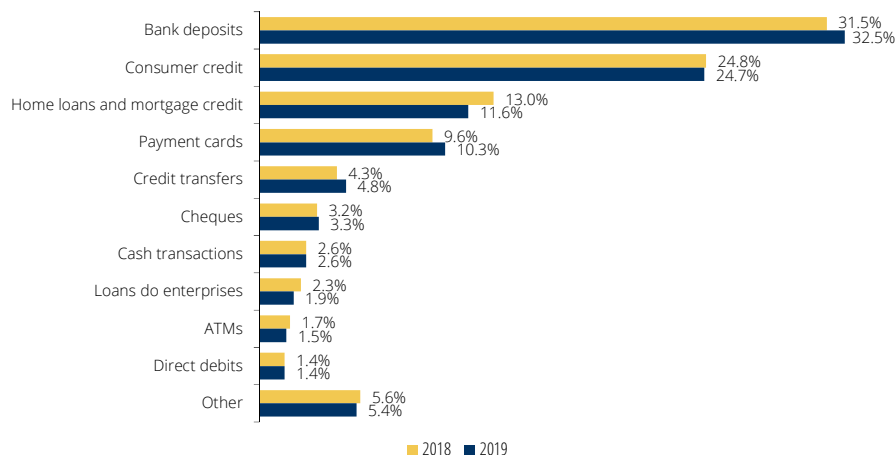
In 2019 there was also an increase in complaints about **cash transactions** (from 89 to 107 complaints per 100 million deposit and withdrawal transactions), **direct debits** (from 107 to 117 complaints per 100 million transactions) and **ATMs** (from 163 to 174 complaints per 10 thousand ATMs).

Table II.8.2 • Complaints | Number of complaints by banking product and service | 2018-2019

Products and services subject to complaint ^(a)	Absolute values			Relative values ^(b)			
	2018	2019	Δ média mensal	2018	2019	Δ	Reference unit
Bank deposits	4,811	5,864	21.9%	26	32	22.1%	100 thousand accounts
Consumer credit	3,788	4,455	17.6%	32	36	14.5%	100 thousand agreements
Home loans and mortgage credit	1,989	2,109	6.0%	94	100	6.9%	100 thousand agreements
Payment cards	1,472	1,866	26.8%	70	86	22.4%	1 million cards
Credit transfers	659	870	32.0%	41	50	23.3%	10 million transfers
Cheques	495	602	21.6%	18	25	42.9%	1 million cheques
Cash transactions	390	476	22.1%	89	107	20.3%	100 million transactions
Loans to enterprises	344	350	1.7%	33	33	0.2%	100 thousand agreements
ATMs	255	272	6.7%	163	174	6.3%	10 thousand ATMs
Direct debits	216	257	19.0%	107	117	9.7%	100 million transactions
Other	835	983	17.7%	-	-	-	-
Total	15,254	18,104	18.7%	-	-	-	-

Source: Banco de Portugal. | Notes: (a) The figures presented here refer to matters that fall within the Banco de Portugal's remit. 'Other' covers complaints about various matters, as well as issues accounting for less than 1% of total complaints, including, for instance, complaints about the failure to make the complaints book available. (b) The reference units used in the relativisation of each matter are specified in the Annex on "Methodological notes for calculating which institutions received most complaints".

Chart II.8.2 • Complaints | Product and service subject to complaint (per cent) | 2018-2019



Source: Banco de Portugal.

As regards the three products most subject to complaint – bank deposits, consumer credit, home loans and mortgage credit, accounting overall for 68.8% of total complaints – the number of complaints received by each institution was weighted by their level of services provided or credit agreements signed²⁰.

20. Section 8.4 of Part II of this Report.

8.3 Matters subject to the most complaints, by banking product and service

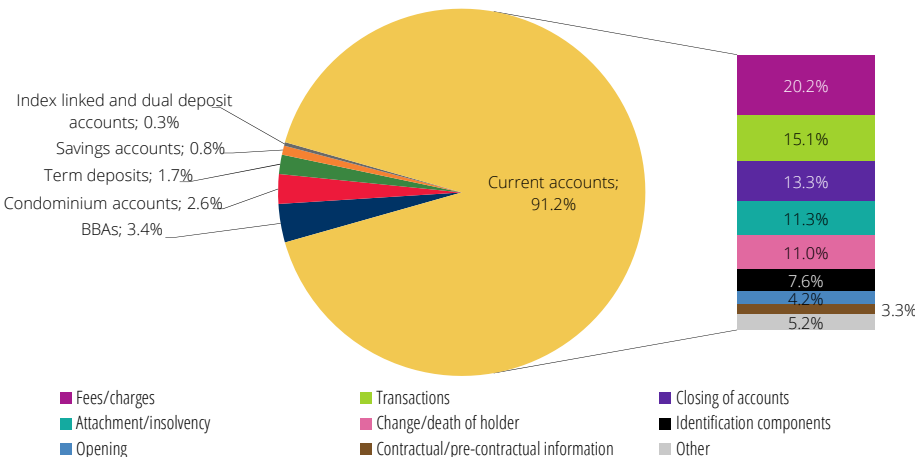
This section focuses on the matters subject to the most complaints in 2019, disregarding the result of the analysis of the complaints.

8.3.1 Bank deposits

In 2019 complaints about bank deposits increased by 21.9% compared to 2018, with emphasis on complaints about demand deposits, which grew by 20.8%, and on complaints about BBAs, which increased by 70,9%.

Most complaints about bank deposits continued to focus on current accounts (91.2%). The number of complaints about the charging of fees, commissions or other charges and credit and debit transactions and closing of accounts has increased.

Chart II.8.3 • Complaints | bank deposits | 2019



Source: Banco de Portugal.

In view of the total complaints about bank deposits, the matters most subject to complaint for current accounts in 2019 covered:

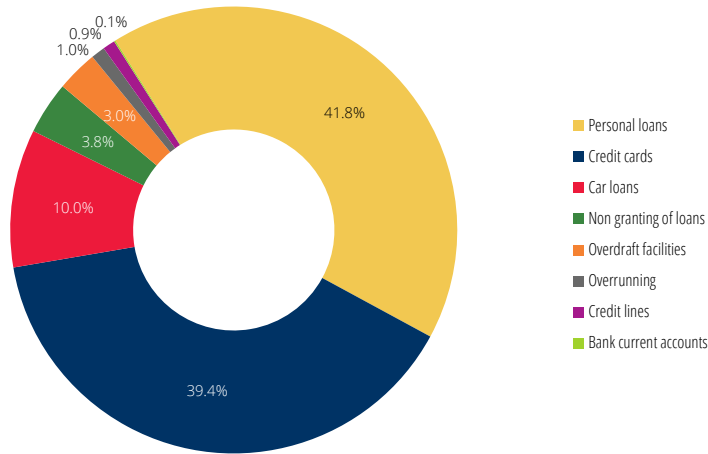
- **Charging fees, commissions or other charges (20.2%)**, namely as regards (i) information provided on changes in fees and commissions applicable to current accounts, particularly on the conditions for exemptions in the payment of fees or commissions, and (ii) the amount of the commissions charged, particularly with regard to the fees or commissions charged for the account maintenance service;
- **Constraints on transactions on accounts (15.1%)**, particularly situations regarding (i) alleged inability to make credit or debit transactions on deposited amounts, (ii) debit transactions carried out by institutions allegedly without the customers' consent and (iii) restrictions on account transactions arising from compliance with obligations imposed on institutions with regard to anti money laundering and counter terrorist financing;
- **Closing of the account (13.3%)**, chiefly regarding (i) the alleged delay in complying with the customer's instructions to close the account and (ii) the charging of fees, commissions and other charges after the closing of the current account has been requested;

- **Attachment/insolvency (11.3%)**, particularly complaints regarding (i) the delay in lifting the attachment after having been ordered to proceed with such lifting and (ii) the alleged failure to comply with the limits to the unseizability of bank deposits;
- **Change/death of account holder (11%)**, involving complaints, among other things, about (i) the procedure for changing the account holder of current accounts, both for the inclusion and removal of holders, (ii) the delay in accessing and making debit and credit transactions on accounts after the death of the account holder and (iii) fees and commissions relating to proof of identity to the institutions of the heirs of the deceased holder.

8.3.2 Consumer credit

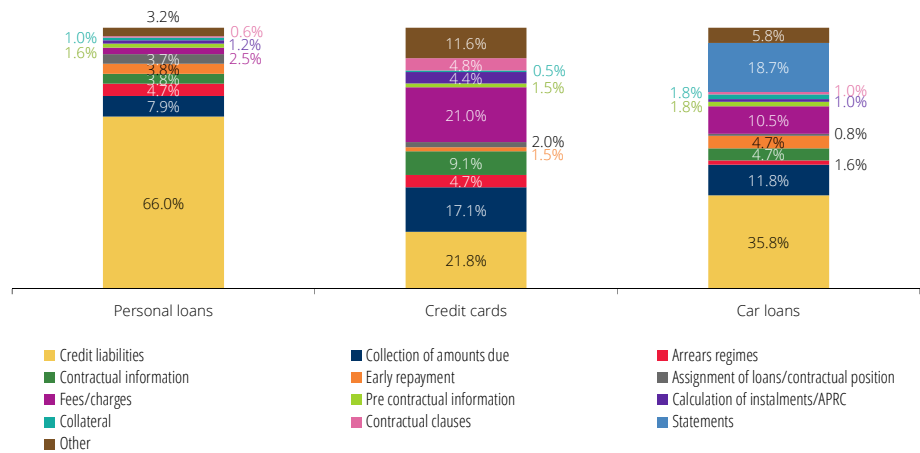
In 2019 the number of consumer credit complaints increased by 17.6%, compared to 2018, with a strong increase in the number of complaints about credit liabilities (by 42.5% more, compared to 2018). Personal loans were the credit segment of this market that registered the highest number of complaints, accounting for 41.8% of total complaints, followed by credit card (39.4% of the complaints) and car loans (10%).

Chart II.8.4 • Complaints | Consumer credit products | 2019



Source: Banco de Portugal.

Chart II.8.5 • Complaints | Personal loans, credit cards and car loans^(a) | 2019



Source: Banco de Portugal. | Note: (a) In this chart, complaints about car loans exclude complaints about financial leasing/long term car rental.

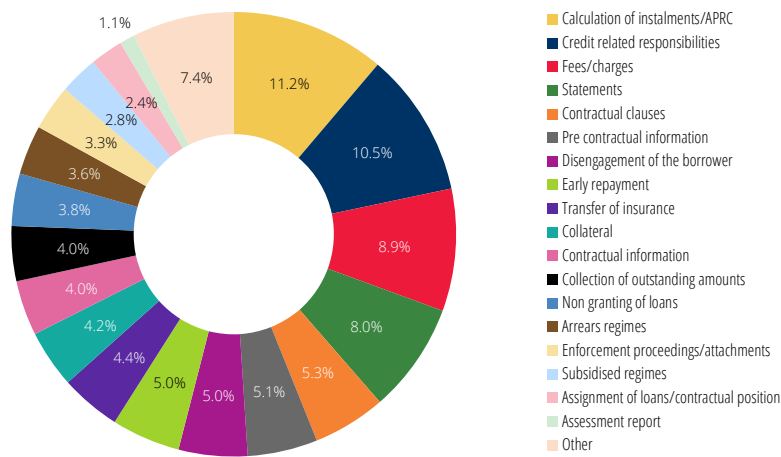
In 2019, for consumer credit²¹, the matters subject to the most complaints were:

- **Credit liabilities (43.7%)**, mainly complaints about (i) the alleged reporting of incorrect information to the Central Credit Register and the delay in its correction, including the non updating of information following the discharge order on the remaining liabilities in insolvency proceedings; (ii) the alleged failure to provide information to borrowers or guarantors the reporting period on credit liabilities in arrears had started and (iii) the communication by participating entities of new information to the Central Credit Register, following the introduction of new reporting rules by Instruction of the Banco de Portugal No. 17/2018;
- **Collection of outstanding amounts (12.3%)**, where complaints focused mainly on (i) differences in the outstanding amounts to be paid by customers to the credit institution, (ii) assignment of default loans, (iii) judicial appeal by the institutions for the recovery of such amounts and (iv) the methods used by credit institutions and entities subcontracted by them for the collection of outstanding amounts;
- **Charging of fees, commissions or other charges (11.4%)**, mainly concerning complaints about (i) the alleged failure to provide information on due fees and commissions, including on the assumptions for their application, and (ii) the amounts demanded by the institutions for the services provided.

8.3.3 Home loans and mortgage credit

In 2019 total complaints about home loans and mortgage credit increased by 6% from 2018. The complaints about instalment and APRC calculation and credit liabilities were relevant for this increase.

Chart II.8.6 • Complaints | Home loans and mortgage credit | 2019



Source: Banco de Portugal.

21. The percentages shown relate to complaints about personal loans, credit cards and car loans, the three most complained about products.

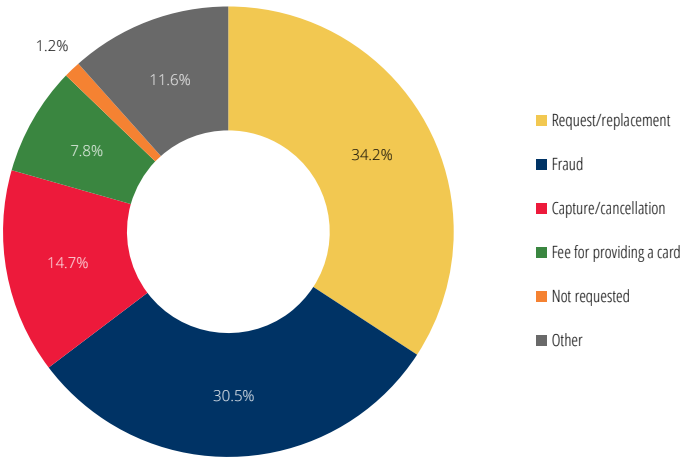
During the first half of 2019, the matters subject to the most complaints with regard to home loans and mortgage credit were:

- **Calculation of instalments and APRC (11.2%)**, mainly due to (i) the determination of the spread applicable in the context of the optional cross selling and (ii) the calculation of the instalment amount on the basis of the arithmetic average of the benchmark rate at the time of its periodic revision;
- **Credit liabilities (10.5%)**, mainly complaints about (i) the alleged reporting of incorrect information to the Central Credit Register and the delay in its correction, including the non updating of reported information following the discharge order on the remaining liabilities in insolvency proceedings; (ii) failure to communicate to borrowers or guarantors the reporting period on credit liabilities in arrears had started and (iii) the communication by participating entities of new information to the Central Credit Register, following the issuing of Instruction of the Banco de Portugal No. 17/2018;
- **Charging of fees, commissions or other charges (8.9%)**, focusing in particular on the amount of the fees and commissions associated with (i) the entering into of credit agreements and (ii) the processing of loan instalments.

8.3.4 Payment cards

In 2019 total complaints about payment cards increased by 26.8%, particularly the increase in the number of complaints about card requests or replacements and alleged fraud situations.

Chart II.8.7 • Complaints | Payment cards | 2019



Source: Banco de Portugal.

In 2019 the most frequent complaints about payment cards were:

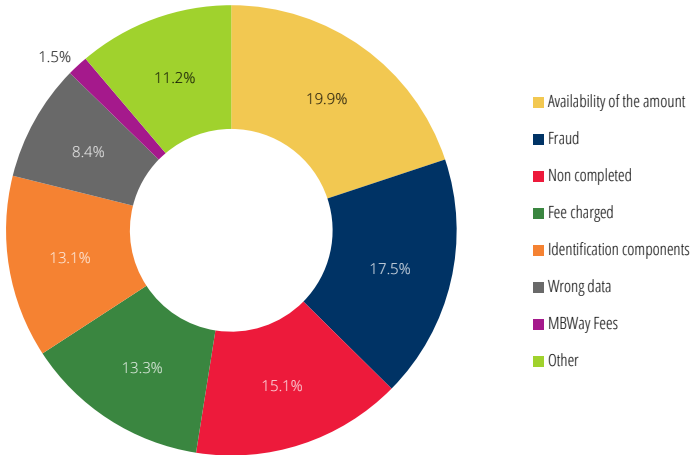
- **Request/replacement of cards (34.2%)**, mostly focusing on (i) delays in payment card replacement and (ii) fees or commissions associated with their issue;
- **Alleged fraud situations (30.5%)**, particularly (i) the use of this payment instrument by unauthorised third parties and (ii) the credit institutions' responsibility for carrying out such transactions;

- **Capture and cancellation of cards (14.7%)**, mainly related to (i) the blocking of cards by card issuers, for security reasons, and (ii) the termination of contracts for the use of cards, on the institution's initiative or by request of the customer.

8.3.5 Credit transfers

In 2019 the number of complaints about credit transfers increased by 32% from 2018, particularly with regard to complaints about failure to make amounts timely available and alleged fraud situations.

Chart II.8.8 • Complaints | Credit transfers | 2019



Source: Banco de Portugal.

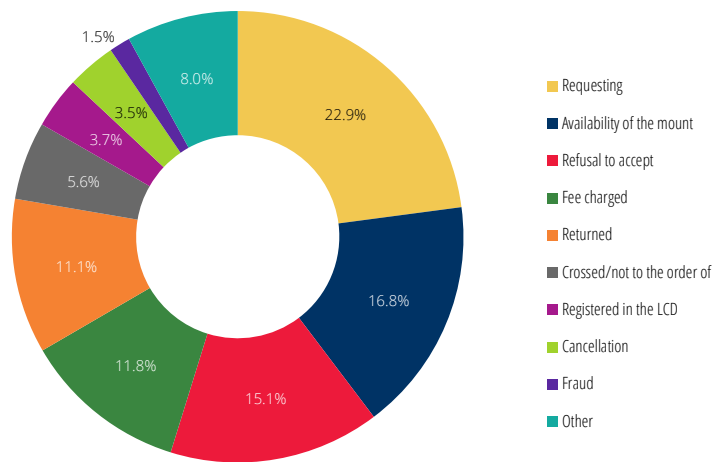
The most frequent complaints in 2019 related to credit transfers focused on:

- **Availability of the transferred amount (19.9%)**, with issues on (i) the alleged delays in making the transferred amount available, and (ii) non compliance with the deadlines set by law for completing these transactions;
- **Allegedly fraudulent transactions (17.5%)**, particularly related to (i) the origin of the instructions transmitted to the credit institution, and (ii) its responsibility for carrying out such transactions;
- **Non completed operations (15.1%)**, essentially complaints about the non completion of transfers ordered by the complainant as a result of IT anomalies or operational error, and due to wrong identification of the details necessary for the transfer;
- **Charging of fees (13.3%)**, mainly complaints about the level of the fee charged by the credit institutions to complete transfers, namely in branches and through digital channels.

8.3.6 Cheques

In 2019 the number of complaints about cheques increased by 21.6% from 2018, mainly complaints about the requesting of cheques and availability of the amount.

Chart II.8.9 • Complaints | Cheques | 2019



Source: Banco de Portugal.

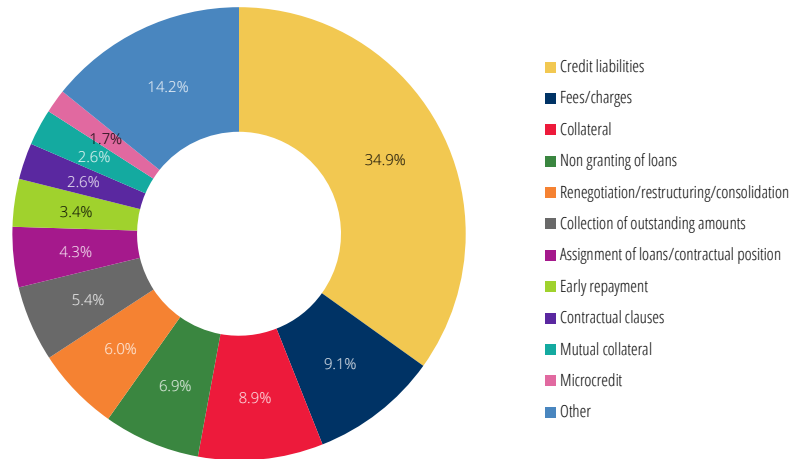
In 2019 the most common complaints about cheques related to the following matters:

- **Requesting of cheques (22.9%)**, mainly due to (i) the non provision of cheques or cheque books by institutions and (ii) delays in processing requests for cheques or cheque books submitted by customers;
- **Availability of the amount (16.8%)**, including complaints about alleged non compliance by institutions with the deadlines set by law for situations in which cheques are deposited over the counter and in ATMs;
- **Refusal to accept cheques (15.1%)**, particularly issues concerning (i) the presentation of a cheque for payment by a person other than its beneficiary, (ii) incorrect completion of cheques and (iii) compliance with the date for the presentation of a cheque for payment.

8.3.7 Loans to enterprises

In 2019 the number of complaints about loans to enterprises slightly increased (by 1.7% more, compared to 2018), mainly complaints about the non granting of loans and credit liabilities. On the other hand, the number of complaints about the collection of outstanding amounts has decreased.

Chart II.8.10 • Complaints | Loans to enterprises | 2019



Source: Banco de Portugal.

In 2019 the most common complaints regarding loans to enterprises related to the following matters:

- **Credit liabilities (34.9%)**, including complaints about (i) the alleged reporting of incorrect information to the Central Credit Register and the delay in its correction, (ii) failure to communicate to borrowers or guarantors that the reporting period on credit liabilities in arrears had started and (iii) delay in correcting allegedly incorrect or wrongly reported information;
- **Charging of fees/charges (9.1%)**, mainly complaints relating to (i) the provision of information on fees collected and their underlying assumptions, and (ii) the amounts demanded as fees;
- **Collateral (8.9%)**, particularly complaints about the alleged improper enforcement of collateral provided in the context of loans to enterprises.

8.4 Institutions subject to the most complaints

8.4.1 Bank deposits

The table below shows the number of complaints per 1,000 current accounts, by institution, for 2019. Complaints submitted to the Banco de Portugal about this product were considered, irrespective of whether non compliance or irregularity on the part of the respective institutions was detected by the Bank.

The institutions listed below received, on average, more than one complaint per quarter in 2019.

Other institutions were subject to complaint with regard to bank deposits. However, given that the number of complaints received by those institutions was lower than that of the entities in the table, it was decided not to include them in order to be representative. The following institutions are in this situation: Banco L. J. Carregosa, S. A., BNI – Banco de Negócios Internacional (Europa), S. A., Caixa – Banco de Investimento, S. A., Caixa de Crédito Agrícola Mútuo da Chamusca, C. R. L., Caixa de Crédito Agrícola Mútuo de Leiria, C. R. L., Caixa de Crédito Agrícola Mútuo de Mafra, C. R. L. and Caixa Económica da Misericórdia de Angra do Heroísmo, Caixa Económica Bancária, S. A.

The table below also excludes credit institutions that, despite receiving more than one complaint per quarter, did not carry out any business throughout the year, as is the case of the Deutsche Bank Aktiengesellschaft – Sucursal em Portugal.

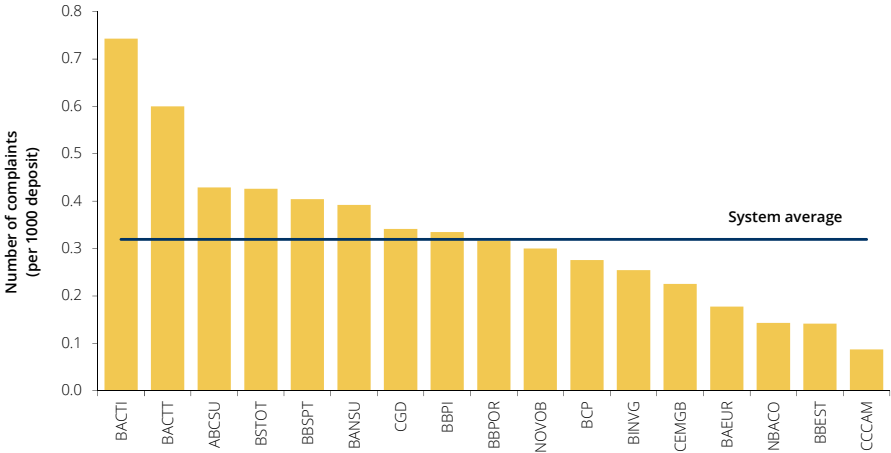
No complaint was received with regard to other institutions receiving bank deposits, including the Banco BAI Europa, S. A., the Banco do Brasil AG – Sucursal em Portugal, the Banco Finantia, S. A., the Banco Invest, S. A., the Banco Português de Gestão, S. A., the Bison Bank, S. A., the BNP Paribas, the Caixa de Crédito Agrícola Mútuo do Bombarral, C. R. L., the Caixa de Crédito Agrícola Mútuo de Torres Vedras, C. R. L. and the Haitong Bank, S. A.

Table II.8.3 • Complaints | Per 1,000 current accounts | 2019

Abbreviation	Credit institution	2019
BACTI	BANCO ACTIVOBANK, S. A.	0.74
BACTT	BANCO CTT, S. A.	0.60
ABCSU	ABANCA CORPORACIÓN BANCARIA, S. A. – SUCURSAL EM PORTUGAL	0.43
BSTOT	BANCO SANTANDER TOTTA, S. A.	0.43
BBSPT	BANCO BILBAO VIZCAYA ARGENTARIA, S. A., SUCURSAL EM PORTUGAL	0.40
BANSU	BANKINTER, S. A. – SUCURSAL EM PORTUGAL	0.39
CGD	CAIXA GERAL DE DEPÓSITOS, S. A.	0.34
BBPI	BANCO BPI, S. A.	0.33
	System average	0.32
BBPOR	BANCO BIC PORTUGUÊS, S. A.	0.32
NOVOB	NOVO BANCO, S. A.	0.30
BCP	BANCO COMERCIAL PORTUGUÊS, S. A.	0.28
BINVG	BANCO DE INVESTIMENTO GLOBAL, S. A.	0.25
CEMGB	CAIXA ECONÓMICA MONTEPIO GERAL, CAIXA ECONÓMICA BANCÁRIA, S. A.	0.23
BAEUR	BANCO ATLÂNTICO EUROPA, S. A.	0.18
NBACO	NOVO BANCO DOS AÇORES, S. A.	0.14
BBEST	BEST – BANCO ELECTRÓNICO DE SERVIÇO TOTAL, S. A.	0.14
CCCAM	CAIXAS DE CRÉDITO AGRÍCOLA MÚTUO INTEGRADAS NO SICAM	0.09

Source: Banco de Portugal. | Note: The system average equates to 32 complaints per 100 thousand current accounts.

Chart II.8.11 • Complaints | Per 1,000 current accounts | 2019



Source: Banco de Portugal.

8.4.2 Consumer credit

The table below shows the number of complaints per 1,000 consumer credit agreements in 2019, by institution. Complaints submitted to the Banco de Portugal about this product were considered, irrespective of whether non compliance or irregularity on the part of the respective institutions was detected by the Bank.

The institutions listed below received, on average, more than one complaint per quarter in 2019²².

Other institutions were subject to complaint with regard to consumer credit. However, given that the number of complaints received by those institutions was lower than that of the entities in the table, it was decided not to include them in order to be representative. The following institutions are in this situation: Banco de Investimento Imobiliário, S. A., Banco Efisa, S. A., Banco Finantia, S. A., Banco Primus, S. A., BMW Bank GMBH, Sucursal Portuguesa, BNI – Banco de Negócios Internacional (Europa), S. A., Caixa de Crédito Agrícola Mútuo de Leiria, C. R. L., FCA Capital Portugal – Instituição Financeira de Crédito, S. A. and Montepio Investimento, S. A.

The table below also excludes credit institutions that, despite receiving more than one complaint per quarter, did not carry out any business in the area of consumer credit throughout the year, as is the case of the Deutsche Bank Aktiengesellschaft – Sucursal em Portugal and the CaixaBank Payments & Consumer, E.F.C., E.P., S. A. – Sucursal em Portugal.

No complaint was received in relation to other institutions operating in the area of consumer credit, including the Banco de Investimento Global, S. A., the Banco Atlântico Europa S. A., the Caixa Económica da Misericórdia de Angra do Heroísmo, Caixa Económica Bancária, S. A. and the Toyota Kreditbank GMBH – Sucursal em Portugal.

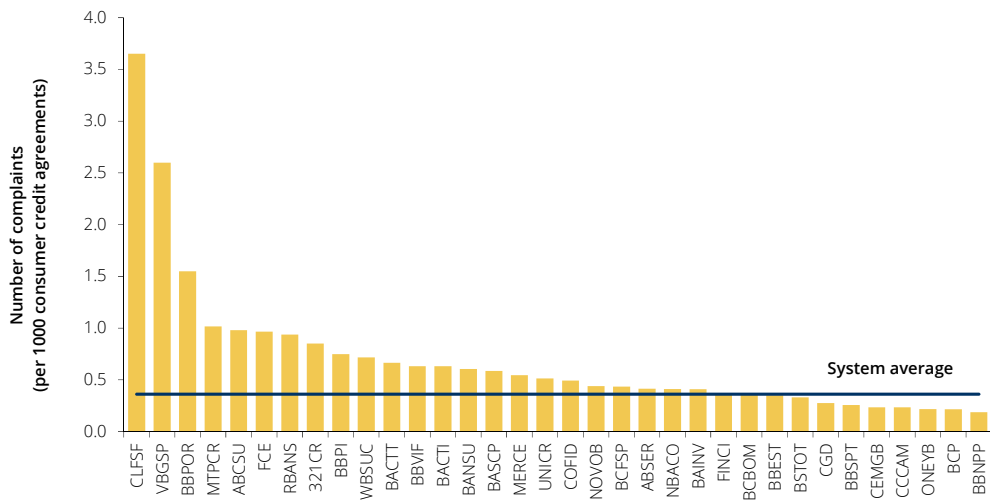
22. Institutions with head office in another Member State of the European Union and operating in Portugal under the freedom to provide services, such as the CaixaBank payments, E.F.C. E.P., S. A. have not been considered.

Table II.8.4 • Complaints | Per 1,000 consumer credit agreements | 2019

Abbreviation	Credit institution	2019
CLFSF	CAIXA LEASING E FACTORING – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S. A.	3.65
VBGSP	VOLKSWAGEN BANK GMBH – SUCURSAL EM PORTUGAL	2.60
BBPOR	BANCO BIC PORTUGUÊS, S. A.	1.55
MTPCR	MONTEPIO CRÉDITO – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S. A.	1.02
ABCSU	ABANCA CORPORACIÓN BANCARIA, S. A. – SUCURSAL EM PORTUGAL	0.98
FCE	FCE BANK PLC	0.97
RBANS	RCI BANQUE SUCURSAL PORTUGAL	0.94
321CR	321 CREDITO – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S. A.	0.85
BBPI	BANCO BPI, S. A.	0.75
WBSUC	WIZINK BANK, S. A. – SUCURSAL EM PORTUGAL	0.72
BACTT	BANCO CTT, S. A.	0.66
BBVIF	BBVA – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S. A.	0.63
BACTI	BANCO ACTIVOBANK, S. A.	0.63
BANSU	BANKINTER, S. A. – SUCURSAL EM PORTUGAL	0.60
BASCP	BANCO SANTANDER CONSUMER PORTUGAL, S. A.	0.59
MERCE	MERCEDES-BENZ FINANCIAL SERVICES PORTUGAL – SOCIEDADE FINANCEIRA DE CRÉDITO, S. A.	0.55
UNICR	UNICRE – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S. A.	0.52
COFID	COFIDIS	0.49
NOVOB	NOVO BANCO, S. A.	0.44
BCFSP	BANKINTER CONSUMER FINANCE, E.F.C., S. A. – SUCURSAL EM PORTUGAL	0.44
ABSER	ABANCA SERVICIOS FINANCIEROS, E.F.C., S. A. – SUCURSAL EM PORTUGAL	0.41
NBACO	NOVO BANCO DOS AÇORES, S. A.	0.41
BAINV	BANCO INVEST, S. A.	0.41
System average		0.36
FINCI	FINANCEIRA EL CORTE INGLÉS PORTUGAL, S.F.C., S. A.	0.36
BCBOM	BANCO CREDIBOM, S. A.	0.36
BBEST	BEST – BANCO ELECTRÓNICO DE SERVIÇO TOTAL, S. A.	0.35
BSTOT	BANCO SANTANDER TOTTA, S. A.	0.33
CGD	CAIXA GERAL DE DEPÓSITOS, S. A.	0.28
BBSPT	BANCO BILBAO VIZCAYA ARGENTARIA, S. A., SUCURSAL EM PORTUGAL	0.26
CEMGB	CAIXA ECONÓMICA MONTEPIO GERAL, CAIXA ECONÓMICA BANCÁRIA, S. A.	0.24
CCCAM	CAIXAS DE CRÉDITO AGRÍCOLA MÚTUO INTEGRADAS NO SICAM	0.23
ONEYB	ONEY BANK – SUCURSAL EM PORTUGAL	0.22
BCP	BANCO COMERCIAL PORTUGUÊS, S. A.	0.22
BBNPP	BANCO BNP PARIBAS PERSONAL FINANCE, S. A.	0.19

Source: Banco de Portugal. | Note: The system average equates to 36 complaints per 100 thousand consumer credit agreements.

Chart II.8.12 • Complaints | Per 1,000 consumer credit agreements | 2019



Source: Banco de Portugal.

8.4.3 Home loans and mortgage credit

The table below shows the number of complaints per 1,000 home loan and mortgage credit agreements in 2019, by institution. Complaints submitted to the Banco de Portugal about this product were considered, irrespective of whether non compliance or irregularity on the part of the respective institutions was detected by the Bank.

The institutions listed below received, on average, more than one complaint per quarter in 2019.

Other institutions were subject to complaint with regard to home loans and mortgage credit. However, given that the number of complaints received by those institutions was lower than that of the entities in the table, it was decided not to include them in order to be representative. The following institutions are in this situation: Banco de Investimento Imobiliário, S. A., BNI – Banco de Negócios Internacional (Europa), S. A., Caixa Leasing e Factoring – Sociedade Financeira de Crédito, S. A. and Novo Banco dos Açores, S. A.

The table below also excludes credit institutions that, despite receiving more than one complaint per quarter, did not carry out any business in the area of home loans and mortgage credit throughout the year, as is the case of the Deutsche Bank Aktiengesellschaft – Sucursal em Portugal.

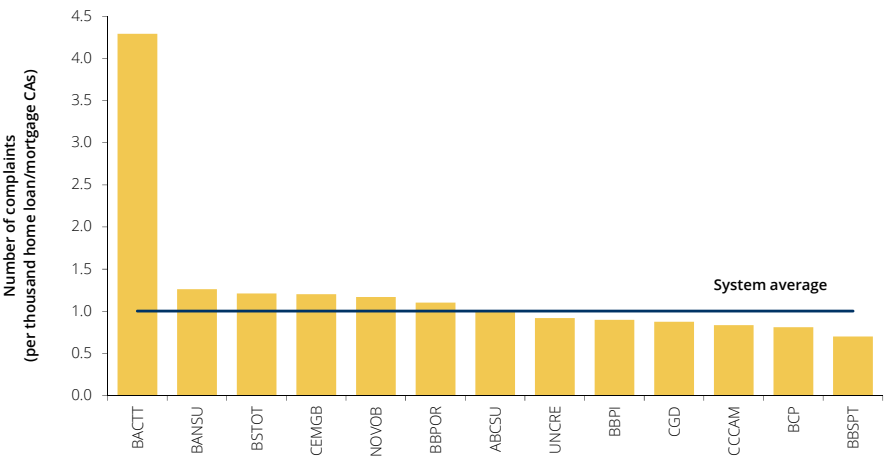
No complaints were received about other institutions operating in home loans and mortgage credit, such as Caixa de Crédito Agrícola Mútuo de Leiria, C. R. L.

Table II.8.5 • Complaints | Per 1,000 home loan and mortgage credit agreements | 2019

Abbreviation	Credit institution	2019
BACTT	BANCO CTT, S. A.	4.29
BANSU	BANKINTER, S. A. – SUCURSAL EM PORTUGAL	1.26
BSTOT	BANCO SANTANDER TOTTA, S. A.	1.21
CEMGB	CAIXA ECONÓMICA MONTEPIO GERAL, CAIXA ECONÓMICA BANCÁRIA, S. A.	1.20
NOVOB	NOVO BANCO, S. A.	1.17
BBPOR	BANCO BIC PORTUGUÊS, S. A.	1.10
ABCSU	ABANCA CORPORACIÓN BANCARIA, S. A. – SUCURSAL EM PORTUGAL	1.01
System average		1.00
UNCRE	UNION DE CREDITOS INMOBILIARIOS, S. A., ESTABLECIMIENTO FINANCIERO DE CREDITO (SOCIEDAD UNIPERSONAL) – SUCURSAL EM PORTUGAL	0.92
BBPI	BANCO BPI, S. A.	0.90
CGD	CAIXA GERAL DE DEPÓSITOS, S. A.	0.87
CCCAM	CAIXAS DE CRÉDITO AGRÍCOLA MÚTUO INTEGRADAS NO SICAM	0.83
BCP	BANCO COMERCIAL PORTUGUÊS, S. A.	0.81
BBSPT	BANCO BILBAO VIZCAYA ARGENTARIA, S. A., SUCURSAL EM PORTUGAL	0.70

Source: Banco de Portugal. | Note: The system average equates to 100 complaints per 100 thousand home loan and mortgage credit agreements.

Chart II.8.13 • Complaints | Per 1,000 home loan and mortgage credit agreements | 2019



Source: Banco de Portugal.

8.5 Results of closed complaints²³

In 2019 there was no evidence of infringement by credit institutions being complained of in approximately 61% of total complaints closed (56% in 2018) and, in 39% of the cases, the matter subject to complaint was solved by the credit institution, on its initiative or following the Banco de Portugal's intervention (44% in 2018).

The complaints closed with regard to cheques had the highest percentage of closures without evidence of infringement by credit institutions (76.8%). In contrast, over half the complaints about payment cards (52.6%) were closed following solution by the institution, or the Banco de Portugal's intervention.

In a number of cases, customers submitted a complaint about the conduct of an institution, even though it was proceeding correctly. This generally happens when customers are not fully aware of the characteristics of the products or their rights under the law.

The credit institutions correct the matter subject to complaint when this is due to failure to comply with applicable rules, following specific orders issued by the Banco de Portugal. The Banco de Portugal may also initiate administrative offence proceedings. In turn, credit institutions sometimes accept complaints made by customers about their performance, even where there is no irregularity or non compliance.

8.6 Complaint closure time frame

In 2019 complaints took, on average, 58 days to close, compared to 28 days in 2018. The average complaint closure time frame increased, a fact that is partly related to a significant rise in the number of complaints submitted in 2019.

In 2019 complaints lodged directly with the Banco de Portugal took, on average, 84 days to close (41 days in 2018), while for complaints submitted through the complaints book the average was 38 days (15 days in 2018). For complaints submitted through the complaints book at the branch of the institution, this time frame was 41 days, while for complaints submitted through the e platform 'Livro de Reclamações' it was 28 days.

The channels used to submit complaints to the Banco de Portugal have different deadlines for analysis, arising from different legal frameworks laying down different procedures depending on whether the complaint is lodged directly with the Banco de Portugal (RCO) or recorded in a physical or electronic complaints book of a credit institution (RCL).

In the case of complaints lodged directly with the Banco de Portugal, the institutions are immediately questioned on the content of the complaint, and they have 20 working days to respond to the complainant²⁴ and to inform the Banco de Portugal thereof. The institutions may receive further requests for information from the Banco de Portugal which, after examination, result in the closure of the complaint by the Banco de Portugal.

23. The results described here refer to complaints that fall within the Banco de Portugal's remit. As regards complaints outside that remit, results may be due to: forwarding the complaint to another supervisory authority of the financial sector (Portuguese Securities Market Commission or Insurance and Pension Funds Supervisory Authority), or falling outside the scope of the powers of financial supervisors.

24. As in Circular Letter No. 25/2008 of 26 March 2008.

In the case of complaints submitted through the physical complaints book at the branch, institutions send a copy of the respective page of the book to the Banco de Portugal, together with any relevant document, within 15 working days. They often send their case analysis also. Complaints submitted through the e platform 'Livro de Reclamações' are immediately received at the Banco de Portugal, which must wait for the arguments from the institutions for 15 working days, after which it will begin to review the complaint. In both cases, further clarification may be requested, in which case institutions have three working days to reply.

The average period for the analysis includes the time of analysis of the complaint by the Banco de Portugal and credit institutions. The Banco de Portugal must always hear the institution subject to complaint, depending on the average period for fully analysing the reply and the time frame for replying to questions posed by the Banco de Portugal.

9 Correction of irregularities and sanctions

9.1 Specific orders and recommendations

In 2019 the Banco de Portugal issued 921 specific orders and recommendations to 142 credit institutions and financial companies²⁵, following inspections carried out throughout the year and the analysis of complaints from bank customers.

Most specific orders and recommendations issued concerned bank deposits, consumer credit and basic bank accounts (BBAs), targeting, in particular, the correction of irregularities related to compliance with information obligations.

For a better understanding of the information in the table below, it should be clarified that the results of each inspection may lead to the adoption of various supervisory measures. Also, a number of specific orders and recommendations related to inspections carried out in 2018 were issued in 2019.

25. The Caixa Central – Caixa Central de Crédito Agrícola Mútuo, C. R. L. (Central Mutual Agricultural Credit Bank) and the 79 mutual agricultural credit banks that are members of the Sistema Integrado do Crédito Agrícola Mútuo (SICAM, Integrated Mutual Agricultural Credit Scheme) were accounted for separately.

Table II.9.1 • Specific orders and recommendations | By topic | 2019

Topics	Number	Institutions covered
BBA's	159	101
Advertising	102	30
Bank deposits	334	118
Consumer credit	193	17
Home loans and mortgage credit	58	12
Payment services	50	19
Price lists	20	11
Complaints book	5	5
Total	921	-

Source: Banco de Portugal. | Note: The total number of specific orders and recommendations includes recommendations on consumer credit in digital channels. In 2019 specific orders and recommendations were issued to 142 institutions.

9.1.1 BBAs

In 2019, following inspections carried out in the scope of BBAs, the Banco de Portugal issued 157 specific orders addressed to 101 credit institutions and 2 recommendations addressed to 2 credit institutions.

The irregularities detected mainly concerned compliance with the duties of providing information on BBAs to natural persons who already hold a current account, i.e. information on the possibility of switching from a current account to a BBA.

Table II.9.2 • Specific orders and recommendations | BBAs | 2019

Topics	Specific orders		Recommendations		Total	
	Number	Institutions covered	Number	Institutions covered	Number	Institutions covered
Display of the poster on BBAs	5	5			5	5
Provision of information to current account holders on BBAs	111	96	1	1	112	96
Adherence to the fees and charges cap	1	1			1	1
Provision of information on access conditions and features	27	10	1	1	28	10
Provision of BBAs to customers complying with the access conditions provided by law	9	7			9	7
Configuration of debit cards linked to BBAs	3	2			3	2
Overrunning prohibition in BBAs	1	1			1	1
Total	157	-	2	-	159	-

Source: Banco de Portugal. | Note: In 2019 specific orders were issued to 101 institutions and recommendations to 2 institutions.

The specific orders and recommendations issued aimed to ensure compliance with obligations imposed on the supervised institutions:

- **Display of the poster on BBAs** – institutions must display an updated poster on BBAs in a prominent place in all their branches and customer assistance points²⁶.
- **Provision of information to current account holders on BBAs** – credit institutions providing BBAs are required to give natural persons who own current accounts the possibility of switching such current accounts to a BBA, as well as information on the requirements for the switching. To comply with this obligation, institutions must include a reference to the possibility of switching current accounts to BBAs in the first statement issued each calendar year and, together with such first statement, provide their customers with an information document on BBAs²⁷.
- **Adherence to the fees and charges cap** – institutions must ensure that no fees, expenses or other charges imposed on the provision of BBAs account for more than 1% of the value of the social support index as a whole and annually²⁸.
- **Provision of information on the conditions of access to and features of BBAs** – institutions must ensure that they provide in their branches correct information on the conditions of access to and features of BBAs, as well as on all banking products and services included and the inherent costs²⁹.
- **Provision of BBAs to customers complying with the access conditions provided by law** – institutions must provide BBAs to every customer who, complying with the conditions provided by law, request such services to be provided, either by opening a BBA or by switching from an existing current account to a BBA.

Therefore, institutions may not refuse to provide these services based on conditions not provided by law, such as bank customer's income, the number of holders intended for the BBA, or the fact that the customer is a borrower in credit agreements, among others³⁰.

- **Configuration of debit cards linked to BBAs** – institutions must take the necessary steps to ensure that debit cards linked to BBAs do not have characteristics resulting in conditions of use that are more restrictive than those for other cards provided outside BBAs³¹.
- **Overrunning prohibition in BBAs** – institutions are expressly forbidden to allow any overrunning in BBAs, except when such overrunning results from operations carried out with the debit card linked to those accounts³².

26. Article 7-A of Decree-Law No. 27-C/2000 of 10 March 2000 and Article 2 of Notice of the Banco de Portugal No. 1/2018.

27. Article 7-A of Decree-Law No. 27-C/2000 of 10 March 2000 and Article 3 of Notice of the Banco de Portugal No. 1/2018.

28. Article 3 of Decree-Law No. 27-C/2000 of 10 March 2000.

29. Articles 74 and 77 of the Legal Framework of Credit Institutions and Financial Companies and Article 4 of Decree-Law No. 27-C/2000 of 10 March 2000.

30. Article 4 of Decree-Law No. 27-C/2000 of 10 March 2000.

31. Articles 4-C and 4-D of Decree-Law No. 27-C/2000 of 10 March 2000.

32. Article 4-D of Decree-Law No. 27-C/2000 of 10 March 2000.

Under Article 7-C(2) of Decree-Law No. 27-C/2000 of 10 March 2000, establishing the system of access to BBAs, the Banco de Portugal ‘assesses the implementation of the rules laid down in this Framework, by publishing the results of that evaluation in its banking conduct report with a breakdown of the type of non-compliance by financial institution and detected under its supervisory powers’, as detailed in the following table:

Table II.9.3 • BBAs | Type of non-compliance by credit institution

Non-compliance	Institution
Display a poster on BBAs in a prominent place in branches and customer assistance points	Banco BPI, S. A. Banco Finantia, S. A. Banco Santander Totta, S. A. Caixa Central – Caixa Central de Crédito Agrícola Mútuo, C. R. L. Caixa Económica da Misericórdia de Angra do Heroísmo, Caixa Económica Bancária, S. A.
Provision of information to current account holders on BBAs	Banco Activobank, S. A. Banco BAI Europa, S. A. Banco BIC Português, S. A. Banco Bilbao Vizcaya Argentaria, S. A., Sucursal em Portugal Banco BPI, S. A. Banco Comercial Português, S. A. Banco Santander Totta, S. A. Caixa Central – Caixa Central de Credito Agrícola Mútuo, C. R. L. e Caixas de Crédito Agrícola Mútuo integradas no SICAM ^(a) Caixa de Credito Agrícola Mútuo da Chamusca, C. R. L. Caixa de Crédito Agrícola Mútuo de Leiria, C. R. L. Caixa de Crédito Agrícola Mútuo de Mafra, C. R. L. Caixa de Crédito Agrícola Mútuo de Torres Vedras, C. R. L. Caixa Económica da Misericórdia de Angra do Heroísmo, Caixa Económica Bancária, S. A. Caixa Económica Montepio Geral, Caixa Económica Bancária, S. A. Caixa Geral de Depósitos, S. A. Novo Banco dos Açores, S. A. Novo Banco, S. A.
Adherence to the fees and charges cap	Banco Comercial Português, S. A.
Provision of information on access conditions and features of BBAs	Banco BPI, S. A. Banco Comercial Português, S. A. Banco Santander Totta, S. A. Bankinter, S. A. – Sucursal em Portugal Caixa Central – Caixa Central de Credito Agrícola Mútuo, C. R. L. Caixa de Credito Agrícola Mútuo dos Açores, C. R. L. Caixa Económica da Misericórdia de Angra do Heroísmo, Caixa Económica Bancária, S. A. Caixa Económica Montepio Geral, Caixa Económica Bancária, S. A. Novo Banco dos Açores, S. A. Novo Banco, S. A.
Provision of BBAs to customers complying with the access conditions provided by law	Banco BIC Português, S. A. Banco Comercial Português, S. A. Banco CTT, S. A. Banco Santander Totta, S. A. Bankinter, S. A. – Sucursal em Portugal Caixa Central – Caixa Central de Crédito Agrícola Mútuo, C. R. L. Caixa Geral de Depósitos, S. A.
Configuration of debit cards linked to BBAs	Banco Comercial Português, S. A. Banco BPI, S. A.
Overrunning prohibition in BBAs	Banco Comercial Português, S. A.

Source: Banco de Portugal. | Note: (a) The Caixa Central – Caixa Central de Crédito Agrícola Mútuo, C. R. L. (Central Mutual Agricultural Credit Bank) and the 79 mutual agricultural credit banks that are members of the Sistema Integrado do Crédito Agrícola Mútuo (SICAM, Integrated Mutual Agricultural Credit Scheme), were accounted for separately.

9.1.2 Advertising

In 2019 the Banco de Portugal issued 102 specific orders and recommendations related to the monitoring of advertising to 30 institutions within advertising inspections, covering a total of 346 advertisements.

Specific orders and recommendations mainly concerned at advertising on consumer credit products, a topic handled in most (76%) advertising campaigns released by institutions and analysed by the Banco de Portugal.

Table II.9.4 • Specific orders and recommendations | Advertising | 2019

Topics	Number	Advertisements	Institutions covered
Products and services	96	323	29
Consumer credit	78	248	28
Multi-product	6	28	3
Bank deposits	2	4	2
Corporate credit	2	8	2
Home loans and mortgage credit	5	15	5
Payment services	3	20	2
Institutional	6	23	5
Total	102	346	-

Source: Banco de Portugal. | Note: In 2019 specific orders and recommendations were issued to 30 institutions.

The specific orders and recommendations issued aimed to ensure compliance with the following obligations imposed on the supervised institutions:

- Information in advertising to financial products must be clear and transparent on the nature and purpose of such products, without omitting or concealing information that is necessary for a correct evaluation of the product by the customer³³;
- When advertising consumer credit, the APRC must be presented with similar prominence to the highlighted characteristics of the credit products announced in the consumer credit advertising campaigns, and a representative example of the APRC must be indicated, including at least the credit amount, the repayment period, the nominal annual rate in the case of a fixed rate, or the reference rate and spread in the case of a variable rate³⁴;
- Information in advertising must be true and not distort facts³⁵ and, for instance, institutions must refrain from disseminating information which is not up-to-date on market conditions which have an impact on the characteristics of products or services, particularly interest rates, prices or performance of a financial product;
- Information in advertising must ensure that the conditions for access to the advertised financial product, notably the requirement of acquiring other products or loyalty for a minimum period, as well as any possible restrictions and limitations of such product (e.g. limits on the deposit

33. Article 4 of Notice of the Banco de Portugal No. 10/2008.

34. Article 5 of Decree-Law No. 133/2009 of 2 June 2009 and Article 15 of Notice of the Banco de Portugal No. 10/2008.

35. Article 3 of Notice of the Banco de Portugal No. 10/2008.

amount), have similar prominence to the characteristics of the products and services highlighted by the institutions³⁶;

- Information in advertising must unambiguously identify the credit institution responsible for the products and services being advertised, e.g. by using a brand name clearly associated with that institution³⁷;
- Mandatory information must observe the minimum character size established³⁸ and, if the advertising message is broadcasted via audio-visual media, it must ensure that this message is disseminated during sufficient time for an adequate reading and hearing³⁹;
- The use of restricted terms is conditional on the presentation, with similar prominence, of the specific conditions of the product or financial service that support the publicity of the relevant fact. For example, the term “0% interest” may only be used in situations where the customer is not required to pay interest⁴⁰;
- In institutional advertising, notably that related to disclosure of prizes awarded by third entities, they must adhere to best practice, in particular when using restricted terms, such as ‘the cheapest in the market’ or ‘the best in the market’. Institutions must provide information explaining the context of those prizes, such as the year, the scope and should use the wording ‘This prize or prizes are the exclusive responsibility of the entity or entities awarding them’.

9.1.3 Bank deposits

In 2019 the Banco de Portugal issued 334 recommendations and specific orders to 118 institutions, following inspections and the analysis of complaints from bank customers related to bank deposits. The irregularities detected mainly concerned the provision of the statement of fees and the pre-contractual and the contractual information requirements.

Table II.9.5 • Specific orders and recommendations | Bank deposits | 2019

Topics	Number	Institutions covered
Provision of periodic information	12	6
Provision of the statement of fees	227	115
Provision of pre-contractual information and requirements	21	7
Information on switching accounts	23	23
Exercise of the right of unilaterally change the framework agreement	51	1
Total	334	-

Source: Banco de Portugal. | Note: In 2019 specific orders and recommendations were issued to 118 institutions.

36. Article 5 of Notice of the Banco de Portugal No. 10/2008.
37. Article 2 of Notice of the Banco de Portugal No. 10/2008.
38. Article 4 of Notice of the Banco de Portugal No. 10/2008.
39. Article 8 of Notice of the Banco de Portugal No. 10/2008.
40. Article 13 of Notice of the Banco de Portugal No. 10/2008.

The recommendations and specific orders issued following inspections of bank deposits and the analysis of complaints from bank customers concerned the credit institutions' non-compliance with obligations relating to various matters:

- **Provision of periodic information** – institutions are required to provide their customers with a statement detailing all debits and credits to their current accounts. The relevant statement must be sent to customers at least once a month, except where no debit or credit has occurred in the month concerned; nevertheless, such statement must be sent at least once a year⁴¹.
- **Provision of the statement of fees** – institutions must provide the customers with a statement of all fees charged for services linked to a payment account and, where appropriate, information on interest rates applied to overdraft facilities associated with that account or to overrunning, as well as on the compensatory interest rate. The statement of fees must comply with a standardised format, and institutions are required to send them annually in January⁴².
- **Provision and pre-contractual information and requirements** – prior to the opening of a current account, institutions must provide the bank customer with a copy of the general terms and conditions of the agreement to be entered into⁴³.
- **Information on switching accounts** – institutions must provide information about the switching service at their branches and on their websites⁴⁴.
- **Exercise of the right of unilaterally change the framework agreement** – when the institutions wish to exercise any contractual prerogatives allowing them unilaterally to modify the terms and conditions of the agreements for the opening a current account, they must inform the holders of such accounts of the changes they intend to make to such agreements, at least two months before the proposed date of application, and of the right of customers who do not agree to such changes to resolve such contracts immediately free of charge. In situations where, by agreement between the parties, the lack of any response from the customer may be considered as acceptance of the changes, it is also incumbent on the institutions to draw the attention of the customers for such effect⁴⁵.

9.1.4 Consumer credit

In 2019 the Banco de Portugal issued 113 specific orders and recommendations to 11 institutions for the correction of irregularities concerning consumer credit. The specific orders and recommendations aimed to correct irregularities detected during inspections. These concerned mainly irregularities related to the pre-contractual and contractual information requirements and the reporting obligations for which institutions are accountable to the supervisor.

41. Articles 7 and 8 of Notice of the Banco de Portugal No. 4/2009.

42. Article 10 of Decree-Law No. 107/2017 of 30 August 2017.

43. Article 5 of Notice of the Banco de Portugal No. 4/2009.

44. Article 25 of Decree-Law No. 107/2017 of 30 August 2017.

45. Article 93 of the Legal Framework for Payment Services and Electronic Money.

Table II.9.6 • Specific orders and recommendations | Consumer credit | 2019

Topics	Number	Institutions covered
Consumer credit regime	103	10
Product classification and framework	1	1
Pre-contractual and contractual information obligations	31	8
Pre-contractual information requirements	10	4
Contractual information requirements	21	5
Obligation to provide assistance	12	8
Creditworthiness assessment	1	1
Duties of information during the lifetime of the agreement	12	5
Fees and charges	10	5
APRC upper limits	16	7
Reporting to the Banco de Portugal	20	8
General arrears regime	5	5
Arrears regime	5	4
Total	113	–

Source: Banco de Portugal. | Note: In 2019 specific orders and recommendations were issued to 11 institutions.

The specific orders and recommendations issued aimed to ensure compliance with obligations imposed on the supervised institutions:

- **Product classification and framework** – institutions must ensure that the products they offer feature the characteristics of the type of credit to which they relate⁴⁶. Institutions must apply the consumer credit regime to credit agreements entered into with sole proprietors and those individuals carrying on liberal professions⁴⁷.
- **Pre-contractual and contractual information obligations** – institutions must provide the bank customers with complete, truthful, current, clear, objective and legible information prior to entering into an agreement for a credit product, through an SIS complying with the established format and containing the information required by the applicable rules⁴⁸.
- **Obligation to provide assistance** – institutions must ensure compliance with the obligation to provide assistance to the bank customers, providing them with information that allows them to properly assess the proposed contract according to their needs and financial situation⁴⁹.
- **Creditworthiness assessment** – institutions refusing to grant credit based on the consultation of databases, particularly the databases of credit liabilities, must inform the customer immediately of that refusal⁵⁰.

46. Article 74 of the Legal Framework of Credit Institutions and Financial Companies.

47. Article 1 of Decree-Law No. 133/2009 of 2 June 2009.

48. Article 6 of Decree-Law No. 133/2009 of 2 June 2009.

49. Article 7 of Decree-Law No. 133/2009 of 2 June 2009.

50. Article 10 of Decree-Law No. 133/2009 of 2 June 2009.

- **Duties of information during the lifetime of the agreement** – institutions must periodically make available to bank customers a statement with all information required by the applicable rules⁵¹.
- **Fees and charges** – institutions may not charge bank customers any fees and commissions in excess of the maximum values set out in the price list⁵², as well as in the case of overrunning⁵³.
- **APRC upper limits** – institutions must ensure compliance with the APRC upper limits in force for each credit category⁵⁴ and calculate the APRC in accordance with the applicable legal and regulatory standards. When calculating the APRC, the total credit amount, the planned repayments envisaged and all the costs associated with the credit transaction agreed on between the creditor and the consumer⁵⁵ should be considered, as well as the interest remuneration based on the amounts and periods of the actual use of the funds made available.
- **Early repayment** – institutions must ensure compliance with the customer's right to repay, in whole or in part, the credit agreement at any time and upon prior notice, which cannot be greater than 30 days, and with a corresponding reduction in the total cost, through a reduction in interest and the costs from the remaining lifetime of the agreement⁵⁶.
- **Cross-selling** – institutions may not make consumer credit agreements conditional upon the purchase of other financial products or services⁵⁷.
- **Reporting to the Banco de Portugal** – institutions must report to the Banco de Portugal information on consumer credit agreements entered into each month, specifying, among others, the channel used for the offering of such agreement⁵⁸.
- **General arrears regime** – institutions must apply the OASP to bank customers between the 31st and the 60th day following the due date for the relevant obligation under the credit agreement⁵⁹. Within 30 days of the start of the OASP, they must also communicate to their customer the result of creditworthiness assessment carried out and, if feasible, propose to them settlement solutions suited to the customer's financial situation, objectives and needs⁶⁰. Institutions may not charge fees and commissions for the renegotiation of agreements at risk of default, as well as for the renegotiation of agreements during an OASP⁶¹. In addition, institutions must report to the Banco de Portugal timely information on the agreements entered into under the OASP and on any settlement solutions agreed under this procedure⁶².

51. Articles 4 and 5 of Notice of the Banco de Portugal No. 10/2014.

52. Article 6 of Notice of the Banco de Portugal No. 8/2009.

53. Article 23 of Decree-Law No. 133/2009 of 2 June 2009.

54. Article 28 of Decree-Law No. 133/2009 of 2 June 2009.

55. Article 24 of Decree-Law No. 133/2009 of 2 June 2009.

56. Article 19 of Decree-Law No. 133/2009 of 2 June 2009.

57. Article 29 of Decree-Law No. 133/2009 of 2 June 2009.

58. Paragraphs 1 and 5 of Instruction of the Banco de Portugal No. 14/2013.

59. Article 14 of Decree-Law No. 227/2012 of 25 October 2012.

60. Article 15 of Decree-Law No. 227/2012 of 25 October 2012.

61. Article 8 of Decree-Law No. 227/2012 of 25 October 2012.

62. Paragraph 1 of Instruction of the Banco de Portugal No. 44/2012.

- **Arrears regime** – in case of arrears and for as long as it is maintained, they may charge arrears interest, by applying a maximum annual surcharge of 3%, to be added to the compensatory interest rate applicable to the transaction, with the excess reduced to this maximum limit⁶³. Institutions must calculate the amount of arrears interest, in particular those relating only to the outstanding and unpaid principal, without including taxes the payment obligation of which is not due, and exclusively for the time during which the default event has subsisted⁶⁴. Interest not yet due may not be charged to the customer when renegotiating agreements in default⁶⁵. Amounts due as fee for the recovery of outstanding amounts and not paid by bank customers may only be added to the outstanding principal amount in case of restructuring or consolidation of credit agreements⁶⁶.

In 2019, when monitoring of consumer credit offered through digital channels, the Banco de Portugal issued 80 specific orders and recommendations to ten institutions. The irregularities detected mainly concerned the obligation to provide assistance and the pre-contractual and the contractual information obligations.

Table II.9.7 • Specific orders and recommendations | Monitoring the offering of consumer credit through digital channels | 2019

Topics	Number	Institutions covered
Pre-contractual and contractual information obligations	18	6
Obligation to provide assistance	29	8
Creditworthiness assessment	6	5
Cross-selling	8	4
Contractual practice	1	1
Cost financing	1	1
Right of withdrawal	6	6
Early repayment	3	3
APRC upper limits	2	2
Security procedures	1	1
Internal monitoring	1	1
Reporting to the Banco de Portugal	4	1
Total	80	–

Source: Banco de Portugal. | Note: In 2019 specific orders and recommendations were issued to 10 institutions.

The specific orders and recommendations issued aimed to ensure compliance with obligations imposed on the supervised institutions:

- **Pre-contractual and contractual information obligations** – institutions are required to:
 - Ensure that the contracting process can only proceed to the next stage after the bank customers have gone through all the documents containing pre-contractual information and

63. Article 8 of Decree-Law No. 58/2013 of 8 May 2013.

64. Article 8 of Decree-Law No. 58/2013 of 8 May 2013.

65. Article 6 of Decree-Law No. 58/2013 of 8 May 2013.

66. Article 9 of Decree-Law No. 58/2013 of 8 May 2013.

- the contractual terms, by scrolling down and acknowledging that they were read at the bottom of the page;
- Ensure that the customers are provided with the pre-contractual information before they are required to express that they agree with them;
 - Ensure that the SIS of the customer's simulation is made available on the credit institution website and that it complies with the template provided for by the applicable rules so that the customer can compare different offers and thus take an informed decision;
 - Ensure that clear information is contained in credit agreements on the contracting process through the digital channels, the form of signature and date of conclusion;
 - Ensure the prominence of the information on the identity of the lending institution;
 - Ensure that the customers are provided with clear information on the characteristics and conditions of the credit product they are contracting, as well all other relevant information, including that the credit amount available in the deposit account is deducted from the initial charges associated with the transaction;
 - Ensure that the customer is provided with information on the impact of using a variable rate, e.g. by presenting comparative figures showing rate changes throughout the lifetime of the agreement.
- **Obligation to provide assistance** – institutions must ensure that customer assistance mechanisms are conveniently provided and that information provided is specific to the product being contracted. In addition, they must also include explanatory notes ('tooltips' or another equivalent mechanism) of the main abbreviations used, e.g. APRC, in the specific area of the product⁶⁷.
 - **Creditworthiness assessment** – institutions must inform the customers about the reasons for refusal, when this refusal is based on consultations of databases, in particular credit liability databases⁶⁸.
 - **Cross-selling** – institutions must ensure that the customer's decision to acquire products associated with the credit agreement is taken in a conscious and considered manner, thus refraining from presenting, by default, the acquisition of these products in the course of the contracting process already selected⁶⁹.
 - **Contractual practices** – institutions must ensure that the amount of credit or the number of instalments are not pre-filled in credit simulators available on digital channels. In situations where this is not possible, simulators must show the minimum amount of credit or the lowest possible number of instalments for the relevant product⁷⁰.
 - **Cost financing** – institutions may only include in the amount to be financed the value of the charges associated with the credit transaction, namely fees, taxes and other expenses if the customers have been asked on their interest in such inclusion during the negotiation process⁷¹.

67. Article 7 of Decree-Law No. 133/2009 of 2 June 2009.

68. Article 10 of Decree-Law No. 133/2009 of 2 June 2009.

69. Article 74 of the Legal Framework of Credit Institutions and Financial Companies.

70. Article 74 of the Legal Framework of Credit Institutions and Financial Companies.

71. Article 74 of the Legal Framework of Credit Institutions and Financial Companies.

- **Right of withdrawal from the contract** – institutions must provide their customers with mechanisms that give them the possibility to exercise of the right of withdrawal from the credit agreements within 14 days of its conclusion and in a manner as convenient as for entering into the credit agreement.
- **Early repayment** – institutions must provide their customers with mechanisms that give them the possibility to exercise of the right of early repayment, in whole or in part, in a manner as convenient as for entering into the credit agreement.
- **APRC upper limits** – institutions must ensure compliance with the APRC upper limits in force on the date the consumer credit agreements are entered into for each credit category⁷² and calculate the APRC in accordance with the applicable legal and regulatory standards. When calculating the APRC, the total credit amount, the planned repayments envisaged and all the costs associated with the credit transaction agreed on between the creditor and the consumer⁷³ should be considered, as well as the interest remuneration based on the amounts and periods of the actual use of the funds made available⁷⁴.
- **Security procedures** – institutions must implement robust security procedures to capture the customer's willingness to enter into the credit agreement.
- **Reporting to the Banco de Portugal** – institutions must report to the Banco de Portugal information on consumer credit agreements entered into each month, specifying, among others, the channel used for the offering of such agreement⁷⁵.

9.1.5 Home loans and mortgage credit

In 2019 the Banco de Portugal issued 58 specific orders and recommendations on home loans and mortgage credit to 12 institutions following inspections. The irregularities detected mainly concerned the information and assistance obligations incumbent upon the institutions.

Table II.9.8 • Specific orders and recommendations | Home loans and mortgage credit | 2019

Topics	Number	Institutions covered
Pre-contractual and contractual information obligations	21	12
Pre-contractual information requirements	17	2
Contractual information requirements	4	1
Obligation to provide assistance	31	12
APRC calculation	3	2
Cross-selling	1	1
Reporting to the Banco de Portugal	2	2
Total	58	–

Source: Banco de Portugal. | Note: In 2019 specific orders and recommendations were issued to 12 institutions.

72. Article 28 of Decree-Law No. 133/2009 of 2 June 2009.

73. Article 24 of Decree-Law No. 133/2009 of 2 June 2009.

74. Article 6 of Decree-Law No. 58/2013 of 8 May 2013.

75. Paragraphs 1 and 5 of Instruction of the Banco de Portugal No. 14/2013.

The specific orders and recommendations issued aimed to ensure compliance with obligations imposed on the supervised institutions:

- **Pre-contractual information requirements** – institutions must make available on their websites information on credit agreements for home loans and mortgage credit they offer on a permanent basis. Such information must particularly describe the purposes for which the credit may be used, specify the guarantees that may be provided, indicate the types of interest rates that may be applied, present a representative example including the total credit amount and the APRC, as well as describe the conditions for early repayment of the credit⁷⁶.

Institutions must also make the ESIS available in the credit simulation, on the website or in the branches, and complying with the standardised model and the established information requirements⁷⁷.

- **Contractual information requirements** – institutions must include in the contract all information required by the applicable rules, namely, among various aspects, fees and charges imposed on the customer and the terms and conditions for maintaining and possibly reviewing the effects of the optional cross-selling associated with the credit agreement⁷⁸.
- **Obligation to provide assistance** – institutions must ensure compliance with customer information and assistance obligations, particularly by providing appropriate clarification on the characteristics of the agreement and any ancillary services offered, allowing the customers to assess whether the contractual terms and conditions presented are in line with their needs and financial situation⁷⁹.
- **APRC calculation** – institutions must correctly calculate the APRC, taking into account all charges required for contracting the credit transaction and using, where necessary, the established legal assumptions⁸⁰.
- **Cross-selling** – institutions must clearly state to their customers that the sale of other financial products in association with the credit is optional⁸¹.
- **Reporting to the Banco de Portugal** – institutions must report to the Banco de Portugal information on the characteristics of home loans and mortgage credit agreements they offer⁸².

9.1.6 Payment services

In 2019 the Banco de Portugal issued 50 specific orders and recommendations on payment services to 19 institutions, following inspections and the analysis of complaints from bank customers. The irregularities detected mainly concerned the pre-contractual and contractual information requirements that institutions are required to provide to bank customers.

76. Article 12 of Decree-Law No. 74-A/2017 of 23 June 2017.

77. Article 13 of Decree-Law No. 74-A/2017 of 23 June 2017.

78. Article 11 of Notice of the Banco de Portugal No. 5/2017.

79. Article 14 of Decree-Law No. 74-A/2017 of 23 June 2017 and Article 9 of Notice of the Banco de Portugal No. 5/2017.

80. Article 15 of Decree-Law No. 74-A/2017 of 23 June 2017.

81. Article 9(1)(c) of Notice of the Banco de Portugal No. 5/2017.

82. Paragraph 1 of Instruction of the Banco de Portugal No. 33/2018.

Table II.9.9 • Specific orders and recommendations | Payment services | 2019

Topics	Number	Institutions covered
Pre-contractual and contractual information obligations	12	10
Right to terminate the agreement	18	14
Fees and charges	10	9
Fraud	4	1
Other obligations	6	5
Total	50	-

Source: Banco de Portugal. | Note: In 2019 specific orders and recommendations were issued to 19 institutions.

The specific orders and recommendations issued aimed to ensure compliance with obligations imposed on the supervised institutions:

- **Pre-contractual and contractual information obligations** – institutions must ensure the provision of pre-contractual and contractual information in accordance with the rules in force, particularly by identifying and quantifying in the agreement the charges associated with the payment card⁸³.
- **Right to terminate the agreement** – institutions must ensure that the customers are informed of their right to resolve and terminate the framework agreement at any time if the parties have not agreed otherwise. The termination right is free of charge. Institutions must ensure that the agreement is terminated immediately after the period of notice required to the customer⁸⁴.
- **Fees and charges** – institutions must charge to the customer only the charges proportionally due up to the date of termination of the agreement upon its termination by the customer; if such charges are paid in advance, they must be reimbursed in proportion to the time not yet elapsed⁸⁵.
- **Fraud** – institutions should correct payment transactions not authorised by the customer or incorrectly executed⁸⁶, provided they were subject to a timely complaint by the customer.
- **Other obligations** – institutions must implement appropriate IT systems and control procedures to ensure strict compliance with applicable rules, including the duty to rectify non-completed or incorrectly executed transactions⁸⁷.

9.1.7 Price lists

In 2019 the Banco de Portugal issued 20 specific orders and recommendations on price lists to 11 credit institutions following inspections. The irregularities detected mainly concerned the update and disclosure of the price list.

83. Articles 90 and 91 of the Legal Framework for Payment Services and Electronic Money.

84. Article 94 of the Legal Framework for Payment Services and Electronic.

85. Article 94 of the Legal Framework for Payment Services and Electronic.

86. Article 112 of the Legal Framework for Payment Services and Electronic Money.

87. Article 112 of the Legal Framework for Payment Services and Electronic Money.

Table II.9.10 • Specific orders and recommendations | Price lists | 2019

Topics	Number	Institutions covered
Price list disclosure	8	6
Correctness of information	2	2
Update of the price list	8	6
Reporting to the Banco de Portugal	2	2
Total	20	–

Source: Banco de Portugal. | Note: In 2019 specific orders and recommendations were issued to 11 institutions.

The specific orders and recommendations issued aimed to ensure compliance with obligations imposed on the supervised institutions:

- **Price list disclosure** – institutions must ensure that the price list is maintained in all branches and customer assistance points, in a place of direct access and properly identified, as well as on the website, without the need for prior registration by the customer⁸⁸.
- **Correctness of information** – institutions must ensure that the information contained in the price list is true, objective, up-to-date and clear⁸⁹.
- **Update of the price list** – institutions should make available the updated interest rate leaflet in accordance with market conditions, which should allow the public to be acquainted with the representative rates normally applied and mentioning the prime rate, where applicable⁹⁰.
- **Reporting to the Banco de Portugal** – institutions must ensure that the interest rate leaflet, which is part of the price list, is reported to the Banco de Portugal within the time limits laid down for this purpose⁹¹.

9.1.8 Complaints book

In 2019 the Banco de Portugal issued five specific orders to five credit institutions following inspections related to the complaints book.

Table II.9.11 • Specific orders and recommendations | Complaints book | 2019

Topics	Number	Institutions covered
Information on the availability of the complaints book	5	5
Total	5	–

Source: Banco de Portugal. | Note: In 2019 specific orders and recommendations were issued to 5 institutions.

88. Article 4 of Notice of the Banco de Portugal No. 8/2009.

89. Article 3 of Notice of the Banco de Portugal No. 8/2009.

90. Articles 3 and 7 of Notice of the Banco de Portugal No. 8/2009.

91. Article 9 of Notice of the Banco de Portugal No. 8/2009, and paragraph 7 of Instruction of the Banco de Portugal No. 21/2009.

The specific orders and recommendations issued aimed to ensure compliance with obligations imposed on the supervised institutions:

- **Information on the availability of the complaints book** – institutions must advertise the existence of a complaints book in a prominent place in any establishment open to the public, and such advertisement must clearly indicate the competent banking supervisor⁹².

9.2 Administrative offence proceedings

With regard to banking conduct supervision, in 2019 the Banco de Portugal initiated 27 administrative offence proceedings against nine institutions. The proceedings initiated resulted mostly from the Banco de Portugal's supervision via the analysis of bank customer complaints (92.6%). These proceedings were initiated based on 73 complaints and several proceedings were based on more than one complaint. For reasons of procedural economy and where appropriate, indications of several irregularities committed by the same institution were joined in the same proceedings.

Table II.9.12 • Administrative offence proceedings | 2019

Topics	Number	Institutions covered
Bank deposits	11	6
Consumer credit	5	4
Home loans and mortgage credit	2	1
Payment services	4	4
Complaints book	3	2
Bank secrecy	2	2
Total	27	–

Source: Banco de Portugal. | Note: In 2019 administrative offence proceedings were initiated against 9 institutions.

9.2.1 Bank deposits

The 11 administrative offence proceedings initiated in relation to deposits, including irregularities detected in 48 complaints, concerned non-compliance with the following obligations:

- Institutions should guarantee the closing of current accounts immediately upon the customers' request, unless a notice period has been agreed, which cannot exceed one month⁹³;
- Institutions must act with diligence, impartiality, loyalty, discretion and respect for the interests entrusted to them, both in the direct relationship with bank customers and in the relationship with other institutions⁹⁴;

92. Article 3 of Decree-Law No. 156/2005 of 15 September 2005.

93. Article 94 of the Legal Framework for Payment Services and Electronic.

94. Article 74 of the Legal Framework of Credit Institutions and Financial Companies.

- Crediting or debiting a deposit account must be preceded by the authorisation of the respective holder, observing the credit and debit conditions agreed on between the credit institution and the bank customer⁹⁵;
- Institutions must inform the bank customer of the blocking of the payment instrument and its justification prior to or, if not feasible, immediately after the blocking, unless such information cannot be provided for objectively justified reasons⁹⁶.

9.2.2 Consumer credit

The five administrative offence proceedings initiated in relation to consumer credit, including irregularities detected in three complaints, concerned non-compliance with the following obligations:

- The institutions must provide the consumer with pre-contractual information by delivering the standard information sheet⁹⁷;
- Institutions must provide the consumer with a statement of the personal credit agreement with a frequency equivalent to that laid down in the agreement for the payment of instalments or other amounts, and in any event at least once a year⁹⁸;
- Institutions must take the necessary steps for the termination of the agreement to take effect, where such termination results from the consumer's notice within the time limit agreed between the parties, thus ensuring the exercise of the right to terminate the agreement⁹⁹;
- Institutions must report to the Banco de Portugal information on the consumer credit agreements entered into each month, within ten working days of the end of the relevant month¹⁰⁰;
- Institutions must observe the APRC upper limits released by the Banco de Portugal for each type of consumer credit agreement¹⁰¹.

9.2.3 Home loans and mortgage credit

The two administrative offence proceedings initiated in relation to home loans and mortgage credit, covering irregularities detected in 11 complaints, concerned the following situations:

- Early repayment of the credit requested by the customer conditional on acts not required by law (e.g. provision of an updated certificate of a property issued by the land registry¹⁰²);
- Failure to comply with the obligation to reflect the negative interest rate on home loans and mortgage credit agreements¹⁰³.

95. Article 103 of the Legal Framework for Payment Services and Electronic Money.

96. Article 108 of the Legal Framework for Payment Services and Electronic Money.

97. Article 6 of Decree-Law No. 133/2009 of 2 June 2009.

98. Articles 4 and 6 of Notice of the Banco de Portugal No. 10/2014.

99. Article 94 of the Legal Framework for Payment Services and Electronic.

100. Article 4 of Instruction of the Banco de Portugal No. 14/2013.

101. Article 28 of Decree-Law No. 133/2009 of 2 June 2009.

102. Article 23 of Decree-Law No. 74-A/2017 of 23 June 2017.

103. Article 21-A of Decree-Law No. 74-A/2017 of 23 June 2017.

9.2.4 Payment services

The four administrative offence proceedings initiated in relation to payment services, including irregularities detected in six complaints, had the following grounds:

- Failure to comply with the obligation to ensure that the personalised security credentials of payment instruments are made available to the holders of such instruments only¹⁰⁴;
- Non-compliance with the deadline of one working day for the availability of funds in transfers between accounts domiciled in different institutions¹⁰⁵.

9.2.5 Complaints book

The three administrative offence proceedings initiated in relation to the complaints book concerned the institutions' non-compliance with the following obligations:

- To provide the Banco de Portugal with the original of the page of the complaints book within 15 working days¹⁰⁶;
- To provide the complaints book to the customer promptly upon request¹⁰⁷.

9.2.6 Bank secrecy

The remaining two administrative offence proceedings, related to irregularities detected in three complaints, were based on non-compliance with the duty of banking secrecy to which members of the management or supervisory bodies of credit institutions and their staff are subject¹⁰⁸.

104. Article 111 of the Legal Framework for Payment Services and Electronic Money.

105. Article 124 of the Legal Framework for Payment Services and Electronic Money.

106. Article 5 of Decree-Law No. 156/2005 of 15 September 2005.

107. Article 3 of Decree-Law No. 156/2005 of 15 September 2005.

108. Article 78 of the Legal Framework of Credit Institutions and Financial Companies.



III Supervision of credit intermediaries

- 1 Authorisation and registration
 - 2 Characterisation
 - 3 Advertising
 - 4 Inspections
 - 5 Information requests
 - 6 Bank customer complaints
 - 7 Communications concerning the exercise of activities by unauthorised entities
 - 8 Correction of irregularities and sanctioning

1 Authorisation and registration

Credit intermediaries are natural or legal persons that, although not authorised to grant credit, are involved in marketing credit agreements as part of their professional activity, presenting or proposing such contracts to consumers, assisting them in preparatory acts, entering into credit agreements on behalf of lending institutions, or providing consultancy services.

The Banco de Portugal is the authority responsible for supervising credit intermediaries, granting authorisation for carrying out the activity of credit intermediary and providing consultancy services, as well as permanently creating, maintaining and updating the credit intermediaries register. It is also responsible for overseeing compliance with the laws and regulations that regulate this activity.

1.1 Authorisation request analysis

In 2019, Banco de Portugal received 1,076 applications for authorisation to pursue the activity of credit intermediary, a number corresponding to approximately one-fifth of the requests received in 2018.

Note that with the aim of facilitating the integration process for entities that already acted as credit intermediaries within the supervisory perimeter, the legislator granted a transitional period of one year during which these entities could continue to exercise the activity without being authorised and registered with the Banco de Portugal. At the end of 2018, the legislator prorogued the transitional period, allowing those entities that carried out the activity of credit intermediary prior to 1 January 2018 to continue doing so without the Banco de Portugal's authorisation until 31 July 2019 at the latest, provided they had presented the required authorisation request by the end of 2018 and it had not been refused¹.

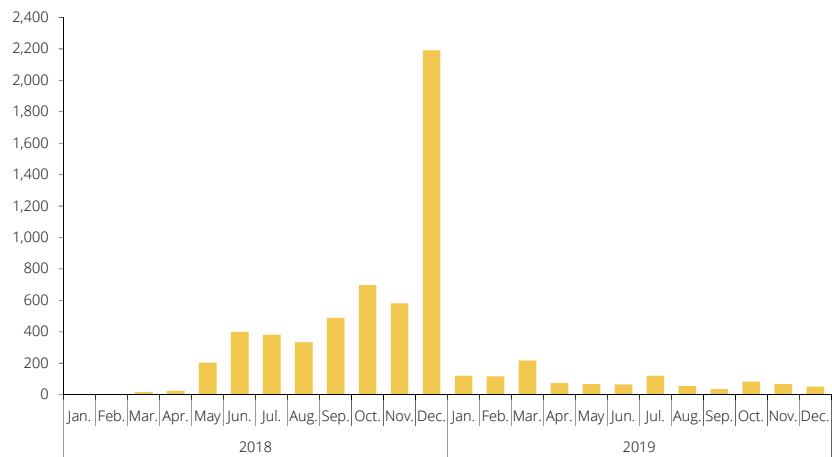
A considerable part of the authorisation requests received in 2019 (42.3%) were submitted in the first three months of the year, which could be explained by the fact that, from 21 March 2019, it ceased to be possible to prove compliance with the knowledge and skills requirements of natural persons aiming to exercise the activity of credit intermediary, member of the management body of a credit intermediary, technical manager for the activity of credit intermediary or workers assigned to the activity of credit intermediary, namely home loans, through their professional experience.

In this context, the number of authorisation requests decided by the Banco de Portugal increased five-fold on the previous year, with 5,169 authorisation requests decided upon in 2019, of which 72.7% were granted². The great majority (90.1%) of these requests were decided upon during the first seven months of the year due to the high number of applications presented in the last quarter of 2018 and the deadlines and formalities legally established for their appraisal and decision.

1. Decree-Law No. 122/2018 of 28 December 2018.

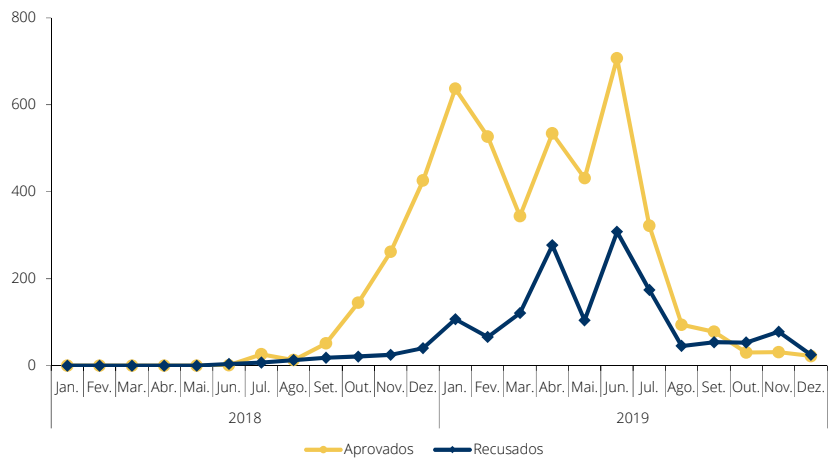
2. Over one-fifth of authorisation applications was refused for not demonstrating compliance with the minimum access requirements to this activity.

Chart III.1.1 • Credit intermediaries | Status of authorisation applications received | 2018–2019



Source: Banco de Portugal.

Chart III.1.2 • Credit intermediaries | Status of authorisation applications decided | 2018–2019



Source: Banco de Portugal.

1.2 Registration

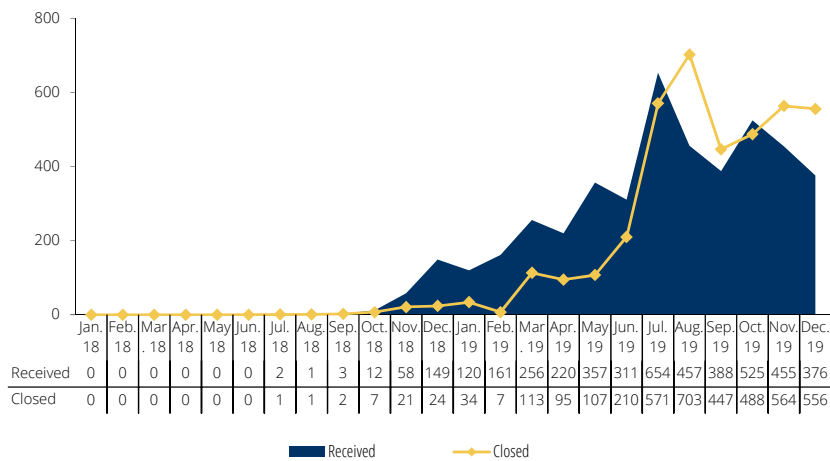
At the end of 2019 there were 4,681 credit intermediaries registered with the Banco de Portugal, compared to 878 at the end of 2018. Almost all (99.6%) the credit intermediaries were authorised by the Banco de Portugal, with the remainder coming from other European Union Member States.

The list of credit intermediaries authorised to act in Portuguese territory is published on the Bank Customer Website (PCB), where those elements subject to public disclosure for each credit intermediary may be consulted.

1.3 Amendment of the registration

4,280 applications to amend the registration were received during 2019, with particular emphasis on July and August, during which 26% of these requests were submitted. The Banco de Portugal deliberated on 3,895 applications to amend the registration in 2019 and authorised almost all (98%) of them. As a rule, the requests to amend registrations received in 2019 were related with modifications to the professional indemnity insurance resulting from the activity of credit intermediary and the identification of the lending institutions with whom the credit intermediaries have binding agreements.

Chart III.1.3 • Credit intermediaries | Status of registration amendments | 2018-2019



Source: Banco de Portugal.

1.4 Analysis of situations that may cause the authorisation to lapse and the registration to be withdrawn

In 2019, Banco de Portugal received 22 renunciations of the authorisation granted to exercise the activity of credit intermediary, of which 20 were submitted by natural persons. It was also informed of the occurrence of other facts liable to cause the lapsing of the authorisation granted to two other credit intermediaries.

As a result, the Banco de Portugal cancelled the registration of 24 credit intermediaries.

Despite the number of registrations cancelled due to lapsed authorisations, note that no registrations were cancelled due to the revocation of the authorisation granted to exercise the activity of credit intermediary³.

3. The authorisation granted by the Banco de Portugal to exercise the activity of credit intermediary lapses in the event of, notwithstanding the other situations set out in the law, the credit intermediary expressly renounces the authorisation or, being a natural person, dies. The Banco de Portugal may revoke the authorisation granted to exercise the activity of credit intermediary, namely should it ascertain that a credit intermediary made false or imprecise declarations or sought recourse to illicit means to obtain authorisation, or should it detect that a credit intermediary failed to comply with any of the requirements to carry out credit intermediary activity or seriously or repeatedly broke the laws and regulations governing credit intermediaries. The lapsing or withdrawal of the authorisation granted to a credit intermediary imply the cancellation of the registration of that intermediary.

1.5 Handling communications related with the exercise of the activity under the freedom to provide services and establishment

In 2019, nine communications were received from competent authorities of other European Union Member States related with the exercise in Portugal of the activity of credit intermediary, namely home loans and mortgage credit by entities authorised to do so in those Member States⁴. The communications in question were remitted by the competent authorities of the United Kingdom (five), France (three) and the Netherlands (one).

At the end of the year, there were 20 credit intermediaries from other European Union Member States operating in Portugal, nine of which were from the United Kingdom⁵, eight from France and three from the Netherlands.

These credit intermediaries act as non-tied credit intermediaries and undertake their activity in Portugal under the freedom to provide services, with only one credit intermediary opting to establish a branch in Portuguese territory.

In 2019, only one credit intermediary authorised in Portugal to carry out activity related with home loan agreements notified the Banco de Portugal that it intended to carry out activity in another EU Member State, by way of the establishment of a branch in Spain. This information was also provided opportunely to the competent authority of the host Member State⁶.

1.6 Handling of communications from financial institutions wishing to operate as credit intermediaries

The list of credit institutions, financial companies, payment institutions and electronic money institutions that provide credit intermediation services, published on the PCB at the end of 2019 was composed of 20 entities, four more than at the end of the previous year.

The credit institutions, financial companies, payment institutions and electronic money institutions authorised to carry out their activity in Portugal must communicate their intention to the Banco de Portugal to provide credit intermediation or consultancy services regarding credit contracts in which they do not participate as lenders, not needing to obtain authorisation for the effect.

4. The credit intermediaries authorised by the competent authorities of another EU Member State to undertake activity related with home loan and mortgage credit agreements may act in Portugal, under the freedom to provide services or through the establishment of a branch, within the limits established by the authorisation granted in the country of origin. Notwithstanding, exercise of activity in Portuguese territory depends on the Banco de Portugal's receipt of a communication issued by the competent authority of the home Member State.

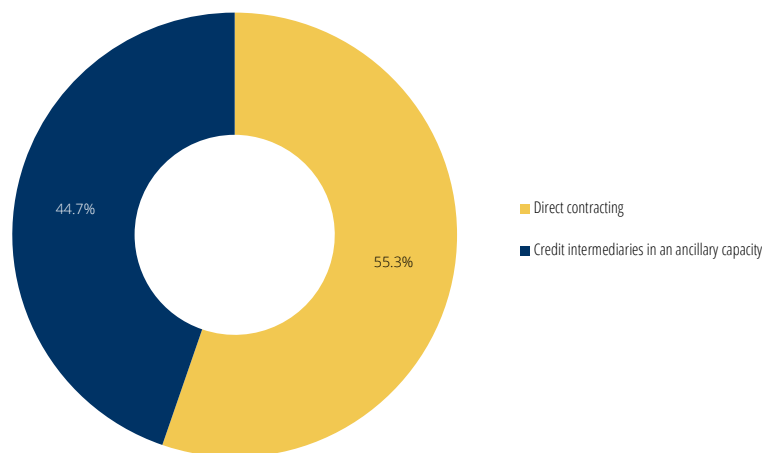
5. Under the terms of the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community which came into effect on 1 February 2020, credit intermediaries from the United Kingdom may continue to operate in Portugal under the freedom to provide services or the freedom of establishment during the transition period that ends, notwithstanding its extension, on 31 December 2020.

6. Credit intermediaries authorised in Portugal who aim to exercise the activity of credit intermediary and provide consultancy services related to housing credit agreements in other Member States of the European Union must notify the Banco de Portugal of this intention. Having received this notification, the Banco de Portugal communicates information to the host Member State on the intention of the credit intermediary and on the authorisation granted in Portuguese territory.

2 Characterisation

Credit intermediaries have taken on growing importance in the context of marketing credit products to consumers. Approximately 45% of the total amount of consumer credit granted during 2019 was marketed through credit intermediaries; an increase of 4.1 percentage points compared to 2016. The activity of credit intermediaries is especially relevant in car loans, being responsible for the marketing of about 91% of the total amount of credit granted in 2019.

Chart III.2.1 • Consumer Credit | Consumer Credit | Amount granted by distribution channel | 2019



Source: Banco de Portugal.

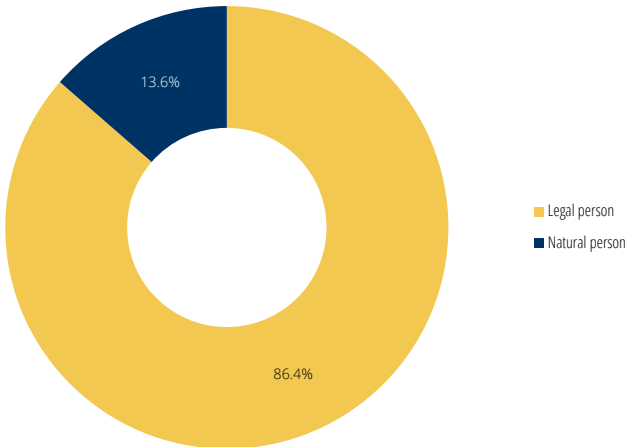
Furthermore, and despite there being no statistical data for the activity undertaken by credit intermediaries in the marketing of home loans and mortgage credit, the importance of their activity has been recognised by the EU legislator who therefore defined, by way of the Mortgage Credit Directive⁷, a common framework for the pursuit of the activity of credit intermediary and provision of consultancy services relating to home loans and mortgage credit agreements.

7. Directive 2014/17/EC of the European Parliament and of the Council of 04 February 2014 on credit agreements for consumers relating to residential immovable property. This Directive was transposed into the Portuguese law by Decree-Law 74-A/2017 of 23 June 2017 and by Decree-Law No. 81-C/2017 of 7 July 2017.

2.1 Authorised and registered credit intermediaries

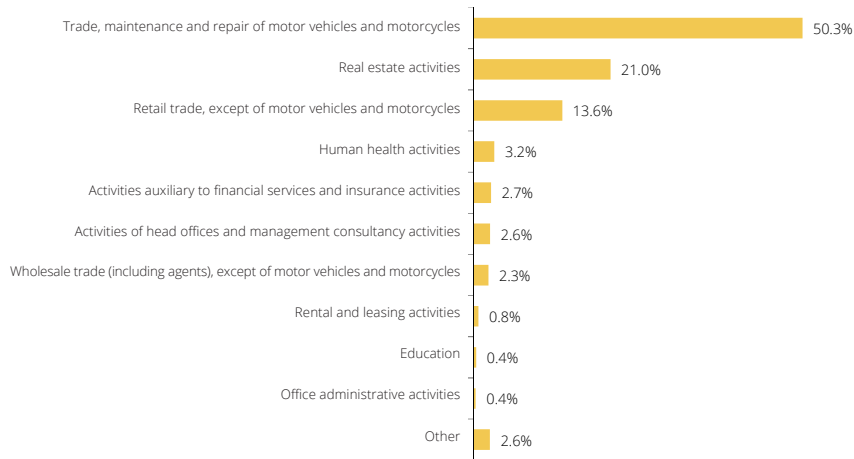
At the end of 2019, 4,661 credit intermediaries⁸ were authorised and registered by the Banco de Portugal. The majority of registered credit intermediaries are legal persons (86.4%), whose main activities are trade, maintenance and repair of motor vehicles (50.3%), real estate activities (21%) and retail trade, except of motor vehicles and motorcycles (13.6%).

Chart III.2.2 • Credit intermediaries | Distribution by type of entity | 2019



Source: Banco de Portugal.

Chart III.2.3 • Credit intermediaries | Distribution by main economic activity division (CAE-Rev.3) | 2019



Source: Banco de Portugal.

Despite the credit intermediaries being distributed throughout Portuguese territory, their presence is most significant in the districts of Lisbon, Porto and Setúbal, where the places of business or head offices of 47.3% of the credit intermediaries authorised and registered by the Banco de Portugal are located.

8. The analysis undertaken in this section does not include credit intermediaries authorised by the competent authorities of other EU Member States that act in Portugal, under the freedom to provide services or the freedom of establishment.

Figure III.2.1 • Credit intermediaries | Map of geographical distribution by place of business or head office | 2019

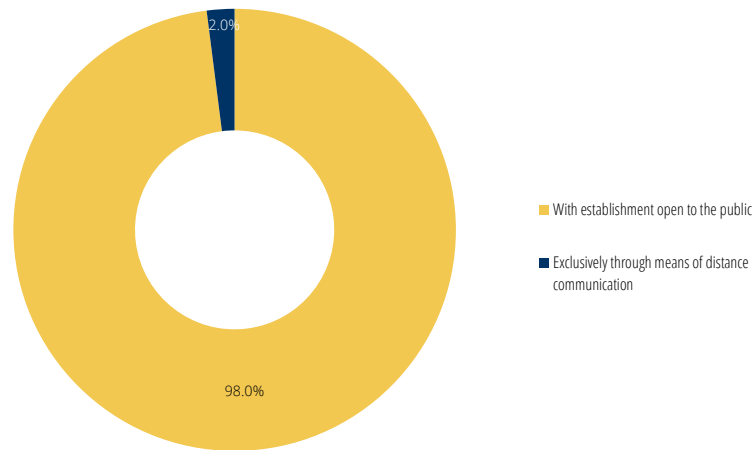


Source: Banco de Portugal.

Almost all (98%) the credit intermediaries have establishments open to the public, although only 94 intermediaries carry out this activity exclusively through distance communication means.

The credit intermediaries who operate exclusively in the context of consumer credit and carry out their activity through establishments open to the public, have on average, two establishments. However, the credit intermediaries operating exclusively in the context of home loans and mortgage credit and carry out their activity through establishments open to the public, have on average, one establishment.

Chart III.2.4 • Credit intermediaries | Distribution by channel used to undertake activity | 2019

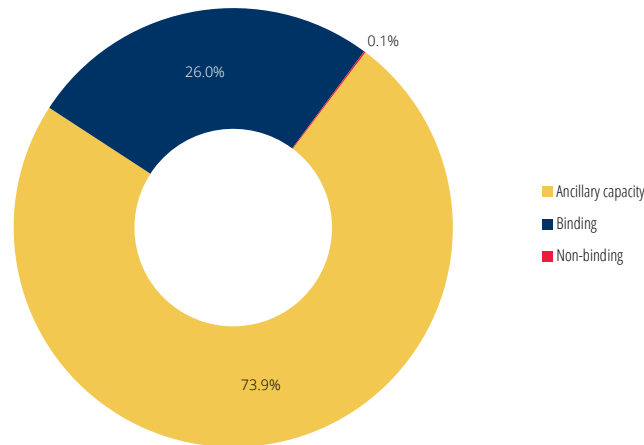


Source: Banco de Portugal.

In general terms, the credit intermediaries undertake their activity on behalf and under the responsibility of lending institutions with whom they have binding agreements (99.9%), with only five credit intermediaries acting independently.

Approximately three-quarters of credit intermediaries are registered as credit intermediary in an ancillary capacity, meaning that they undertake this activity as a complement to the sale of goods or provision of services that forms their principal activity.

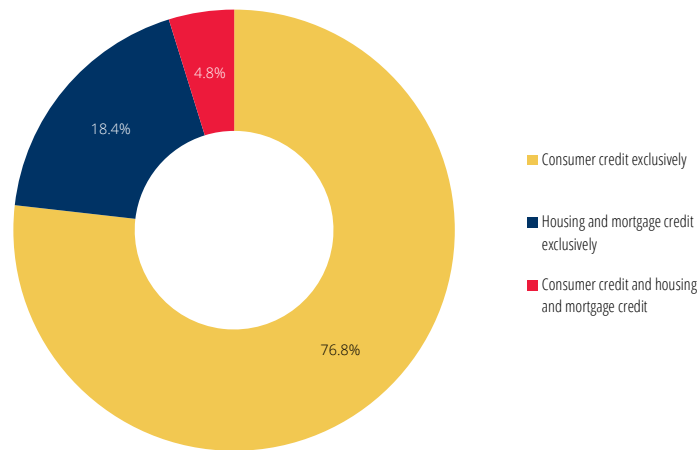
Chart III.2.5 • Credit intermediaries | Distribution by category | 2019



Source: Banco de Portugal.

Over three-quarters of credit intermediaries operate exclusively in the scope of consumer credit, being that 18.4% undertake their activity only in relation to home loans and mortgage credit agreements. Only 4.8% of credit intermediaries work with both types of credit agreement.

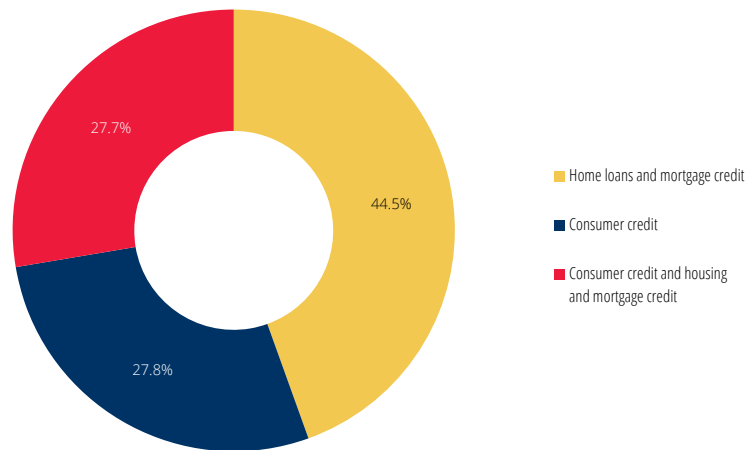
Chart III.2.6 • Credit intermediaries | Distribution by type of credit | 2019



Source: Banco de Portugal.

Only a small proportion of credit intermediaries (12.9%) are authorised to provide consultancy services associated with credit agreements, being that of these, almost half act exclusively in the scope of home loans and mortgage credit.

Chart III.2.7 • Credit intermediaries | Distribution of intermediaries authorised to provide consultancy services by type of credit | 2019

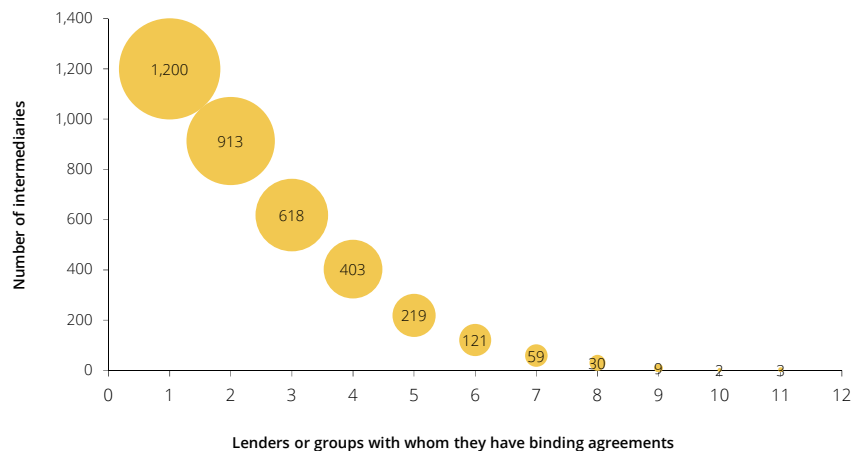


Source: Banco de Portugal.

2.2 Relationship between the credit intermediaries and lending institutions

As a rule, tied credit intermediaries and ancillary credit intermediaries who act exclusively within the scope of consumer credit agreements are contractually bound to a reduced number of lending institutions. About one-third of these intermediaries acts on behalf of and under the full and unconditional responsibility of a single lending institution and approximately three-quarters have binding agreements with a maximum of three institutions.

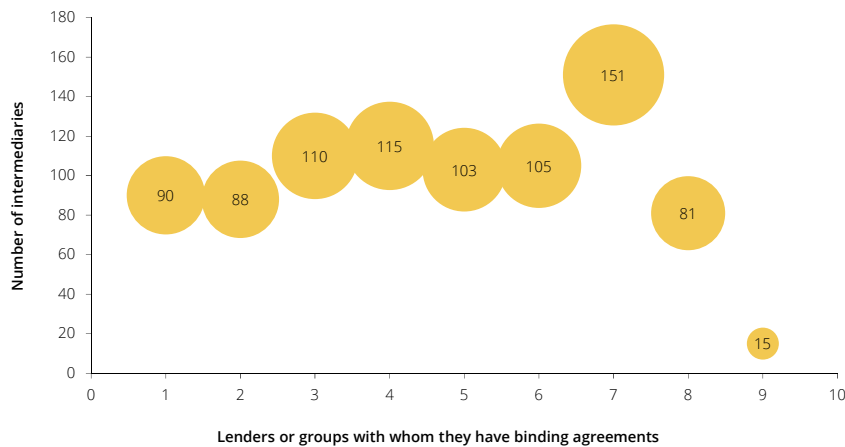
Chart III.2.8 • Credit intermediaries | Number of lenders per intermediary | Consumer credit | 2019



Source: Banco de Portugal.

On the other hand, the majority of tied credit intermediaries and credit intermediaries in an ancillary capacity who undertake their activity only in relation to home loans and mortgage credit agreements have binding agreements with more than three lenders (66.4%). A relevant tranche of these intermediaries (28.8%) acts on behalf and under the full and unconditional responsibility of at least seven lending institutions.

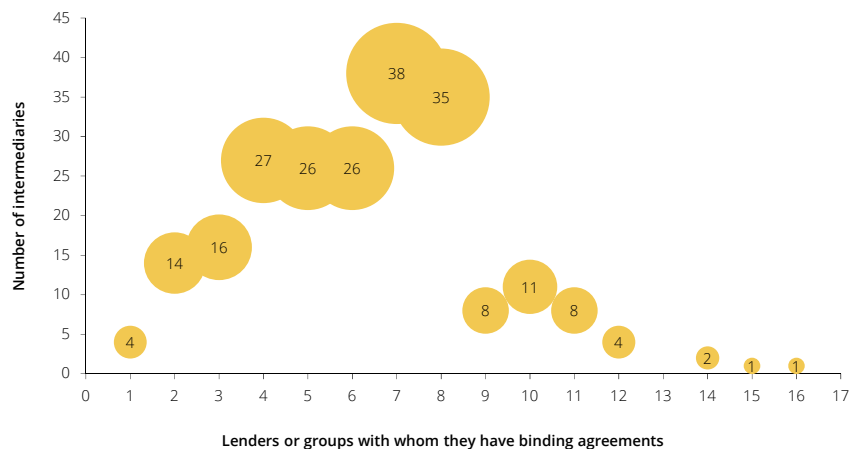
Chart III.2.9 • Credit intermediaries | Number of lenders per intermediary | Home loan and mortgage credit | 2019



Source: Banco de Portugal.

The majority of tied credit intermediaries acting simultaneously in the context of consumer credit and home loans and mortgage credit have binding agreements with at least four lenders, being that approximately one-third have binding agreements with seven or eight lending institutions. 12% of these credit intermediaries have binding contractual agreements with at least ten lending institutions.

Chart III.2.10 • Credit intermediaries | Number of lenders per intermediary | Consumer credit and home loan and mortgage credit | 2019



Source: Banco de Portugal.

Although the number of tied credit intermediaries and ancillary credit intermediaries with binding agreements to only one lending institution is high (27.8% of total credit intermediaries authorised), only 36 of these credit intermediaries act on an exclusive basis. Especially in focus are credit intermediaries that exercise their activity in the context of consumer credit, as there is only one credit intermediary operating on an exclusive basis with one lending institution in the scope of home loans and mortgage credit.

In turn, lenders that market their credit products through credit intermediaries have substantial networks of credit intermediaries. On average, each institution signed binding contracts with 373 credit intermediaries. At the end of 2019, there were five lending institutions that had signed binding agreements with over a thousand credit intermediaries.

3 Advertising

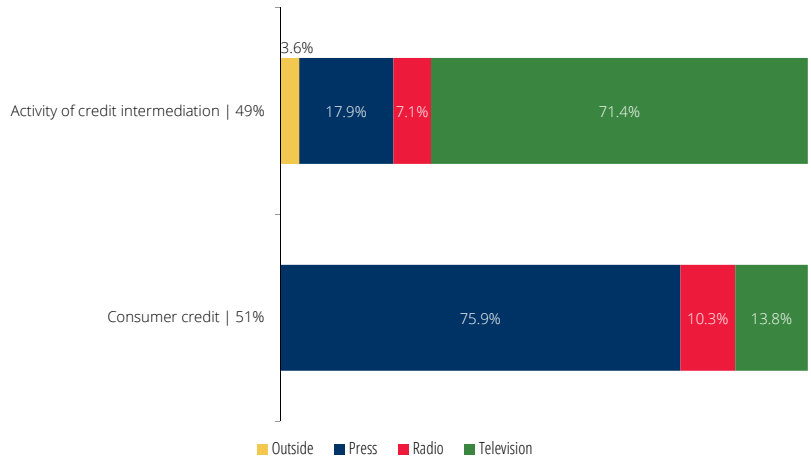
In 2019 a total of 28 advertising materials specifically related to the activity of credit intermediation were analysed by the Banco de Portugal. Most of them were broadcast on television (20). Five advertising materials related to the activity of credit intermediation released through the press, two radio broadcasts and one advertising poster displayed outside were also analysed.

In addition, over the same period, 29 advertising materials relating to consumer credit agreements were analysed, which, having been produced by credit intermediaries, did not identify the creditors responsible for the credit products concerned, mostly were broadcast (75.9%) through the press.

Advertising relating to the activity of credit intermediation must comply with a set of requirements, including the obligation to indicate the category of credit intermediary concerned, the services which the credit intermediary is authorised to provide and, where applicable, the creditors or group of creditors with which the credit intermediary maintain a tying contract.

Tied credit intermediaries and credit intermediaries in an ancillary capacity may also release advertising for credit products which they have produced, provided that it has been previously approved by the creditor responsible for the credit product concerned⁹.

Chart III.3.1 • Credit intermediaries | Advertising materials monitored | 2019



Source: Banco de Portugal.

In 2019, following such analysis, the Banco de Portugal issued specific orders demanding the rectification of seven advertising media relating to the activity of credit intermediation, which, being publicly disseminated, presented irregularities that needed correction.

4 Inspections

In 2019 the Banco de Portugal also carried out on-site and off-site inspections of 45 credit intermediaries.

In the period under review, on-site inspections of 25 credit intermediaries were carried out in establishments open to the public, in order to assess compliance with obligations of making information about the activity of credit intermediation available inside and outside these establishments.

Table III.4.1 • Credit intermediaries | On-site inspections of the disclosure of information in establishments open to the public | 2019

Topics	Modality	Entities covered
Availability of information on the activity of credit intermediation	On-site	25
Inside the establishments open to the public		
Outside the establishments open to the public		

Source: Banco de Portugal.

9. Advertising materials released by credit intermediaries in respect of credit products and in which the institution responsible for this credit product is identified are analysed in conjunction with other advertising materials for banking products and services. In this regard, see Chapter 2 of Part II of this Report.

In the inspections carried out, the Banco de Portugal assessed the following:

- **Disclosure of information about the activity of credit intermediation inside and outside the establishments open to the public**, and it was examined whether the credit intermediaries with establishments open to the public had disclosed, inside and outside these establishments, a set of information, namely their name, business name or corporate name, the category in which they operate and the indication that they are registered with the Banco de Portugal.

Irregularities were detected in all establishments subject to inspection. Specifically, six of the inspected credit intermediaries did not have any information inside and outside the establishments open to the public. Despite making information on the activity of credit intermediation available, the remaining 19 credit intermediaries did not fully comply with the legal requirements.

In 2019 the Banco de Portugal carried out inspections of 20 credit intermediaries operating exclusively through distance communication means, in order to verify whether they complied with the obligation to disclose information about their activity on their websites and whether they provided adequate means for the consumer care service.

Table III.4.2 • Credit intermediaries | Off-site inspections of the disclosure of information on websites | 2019

Topics	Modality	Entities covered
Availability on the website	Off-site	20
Adequate means for consumer care service	Off-site	20
Availability of information on the activity of credit intermediation on the website	Off-site	20

Source: Banco de Portugal.

In the inspections carried out, the Banco de Portugal assessed the following:

- **Availability of a website and adequate means for the consumer care service**, by assessing whether the credit intermediaries operating exclusively through distance communication means had a website and provided adequate means for the consumer care service.

According to the inspections carried out of the websites of the 20 credit intermediaries mentioned above, the websites of 11 credit intermediaries did not meet the legal requirements and one credit intermediary did not provide adequate means for the consumer car service.

- **Disclosure of information about the activity of credit intermediation on the website**, by analysing whether the credit intermediaries with a website disclosed information about the activity of credit intermediation in a prominent, directly accessible place on that website, in an easily identifiable manner and without the need for prior registration by customers. The information to be disclosed must include the credit intermediaries' registration number, the credit intermediation services they are authorised to provide and the fact that their activity as credit intermediaries is subject to the supervision of the Banco de Portugal.

5 Requests for information

In 2019 the Banco de Portugal received 2,341 requests of information about the access to and pursuit of the activity of credit intermediation for authorisation to pursue the activity of credit intermediation, which doubled the requests received in 2018. As a rule, these requests were submitted by entities interested in carrying out the activity of credit intermediation and by credit intermediaries already holders of authorisation issued by the Banco de Portugal.

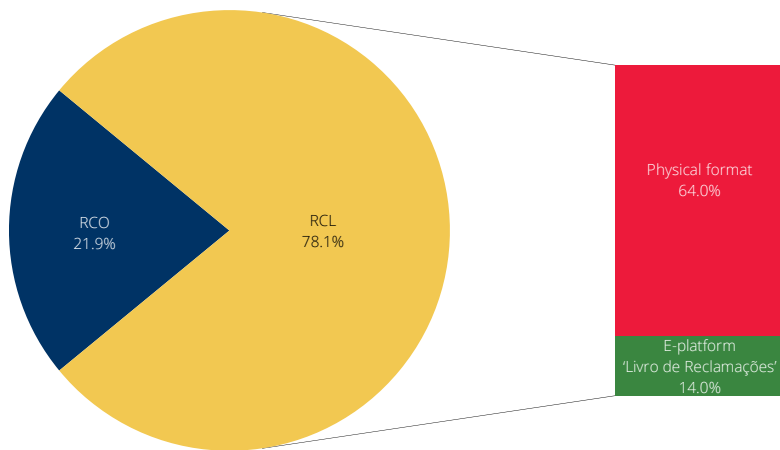
The requests for information submitted to the Banco de Portugal focused mainly on the requirements for access to the activity, the authorisation and registration process and the procedure for changing the elements subject to registration.

6 Bank customer complaints

The Banco de Portugal is responsible for reviewing complaints about the conduct of entities authorised to operate as credit intermediaries, both when such complaints are directly submitted to the Banco de Portugal and when they are submitted through the physical complaints book available in the establishments open to the public of the entities and through the e-platform 'Livro de Reclamações'.

In 2019 the Banco de Portugal received 114 complaints about the conduct of the entities authorised to provide credit intermediation services, most of which were submitted through the complaints book available in their establishments open to the public (64%). In 2019 about 14% of the complaints received by the Banco de Portugal were submitted through the e-platform 'Livro de Reclamações', although this platform was only launched in July 2019 and the deadline for the economic operators to join this platform has been extended until the end of the year.

Chart III.6.1 • Credit intermediaries | Complaints submitted, by origin | 2019



Source: Banco de Portugal.

The vast majority of complaints (70.2%) were about the conduct of the credit intermediary. Only 29.8% of the complaints had as subject matter credit intermediation services provided by credit institutions, financial companies, payment institutions and electronic money institutions.

In 2019 the complaints received by the Banco de Portugal mainly concerned the provision of credit intermediation services with regard to consumer credit agreements (72.8%), a market in which the vast majority of credit intermediaries operate. Only 23.7% of the complaints received focused on the provision of credit intermediation services with regard to home loans and mortgage credit agreements and 3.5% concerning other matters. No complaints were received in 2019 about the provision of consultancy services.

7 Communications on the carrying on of the activity by unauthorised entities

In 2019, as part of its banking conduct supervisory tasks, the Banco de Portugal received 14 communications that related to the pursuit of the activity of credit intermediation by entities not authorised for such purpose, most of which were submitted by consumers (64.3%).

In view of the powers conferred on the Banco de Portugal in the fight against illicit financial activity, mechanisms were launched to investigate alleged facts.

The activity of credit intermediation and the provision of consultancy services in respect of credit agreements may only be pursued by entities authorised for such purpose.

Specifically, these activities may only be pursued by: (i) natural or legal persons authorised by and registered with the Banco de Portugal, (ii) credit intermediaries authorised to carry out the activity of credit intermediation and provide consultancy services in respect of credit agreements relating to residential immovable property in another Member State of the European Union and operating in Portugal under the freedom to provide services or through the establishment of a branch, and (iii) by credit institutions, financial companies, payment institutions and electronic money institutions legally authorised to operate in Portugal regarding credit agreements in which they do not act as creditors.

8 Correction of irregularities and sanctions

In 2019, following the oversight of activities carried out by credit intermediaries, the Banco de Portugal issued 325 specific orders requiring correction of detected irregularities, most of which following inspections (97.8%).

The irregularities detected concerned mainly compliance with the obligations to disclose information about the activity of credit intermediation inside and outside the establishment open to the public and on its website.

Table III.8.1 • Credit intermediaries | Specific orders | 2019

Topics	Specific orders	
	Number	Entities covered
Disclosure of information about the activity of credit intermediation	306	45
Commercial and administrative organisation	12	12
Advertising	7	6
Total	325	

Source: Banco de Portugal.

The adopted measures aimed to ensure compliance with obligations imposed on the credit intermediaries:

- **Disclosure of information about the activity of credit intermediation** – credit intermediaries must make information about the activity of credit intermediation available inside and outside their publicly open establishments, as well as on their websites, e.g. the category in which they operate and the fact that they are registered with the Banco de Portugal¹⁰.
- **Commercial and administrative organisation** – credit intermediaries that act exclusively through distance communication means, such as telephone or e-mail, must have a website and provide adequate means for customer care service¹¹.
- **Advertising** – advertising relating to the activity of credit intermediation must comply with a set of requirements, including the obligation to indicate the category of credit intermediary concerned and the services which the credit intermediary is authorised to provide¹². Advertising of credit products, when produced by tied credit intermediaries and credit intermediaries in an ancillary capacity, is subject to prior approval by the lending institution responsible for the advertised credit product, which must be identified unambiguously¹³.

10. Article 53 of the legal framework approved under Decree-Law No. 81-C/2017 of 7 July 2017.

11. Article 14 of the legal framework approved under Decree-Law No. 81-C/2017 of 7 July 2017.

12. Article 56 of the legal framework approved under Decree-Law No. 81-C/2017 of 7 July 2017.

13. Article 57 of the legal framework approved under Decree-Law No. 81-C/2017 of 7 July 2017.



IV Monitoring of training entities

1 Certification

2 Following up of the activity

1 Certification

In 2019 the Banco de Portugal received four applications for certification submitted by entities that intended to provide training courses for professional certification in the offering of home loans and mortgage credit agreements and credit intermediation.

As a result of the analysis carried out, the Banco de Portugal rejected one of these applications and accepted the remainder. Thus, three other training entities have been certified: Deloitte Consultores, S. A., Max Finance – Intermediários de Crédito, Lda. and Anabela Santiago da Fonseca Reis.

Table IV.1.1 • Training entities | Applications for certification | 2019

	Number
Applications for certification submitted	4
Applications for certification accepted	3
Applications for certification rejected	1

Source: Banco de Portugal. | Note: This table includes an application for certification submitted in the last quarter of 2018, whose decision was taken at the beginning of 2019.

In 2019 the Banco de Portugal also received an application for extending a certification granted to a training entity, to include training through distance communication means, which was accepted.

Credit institutions are required to prove that their employees involved in the drafting, offering and conclusion of home loans and mortgage credit agreements have a level of knowledge and skills appropriate to the performance of their functions. One of the ways in which credit institution employees can prove compliance with these requirements is the completion of the “Offering of mortgage credit” training course, whose study plan is detailed in the *National Catalogue of Qualifications*¹.

Credit intermediaries are also required to prove compliance with requirements relating to their technical skills. These requirements must be complied with particularly by credit intermediaries who are natural persons, members of the management bodies of credit intermediaries that are collective persons, technical managers for the credit intermediary activity² and, in the case of credit intermediaries operating in the activity of home loans and mortgage credit agreements, employees involved in this activity. To this end, the persons concerned can obtain professional certification by completing the “Credit intermediation”, “Offering of mortgage credit” and “Offering of consumer credit” training courses depending on their area of activity.

The Banco de Portugal is responsible for certifying the entities responsible for providing training courses for professional certification in the offering of home loans and mortgage credit agreements and credit intermediation and, thus, ensuring that these entities comply with the requirements laid down in Executive Order No. 385 D/2018 of 29 December 2018, which are related to the adequacy of human resources and the planning, management and development of their training activity.

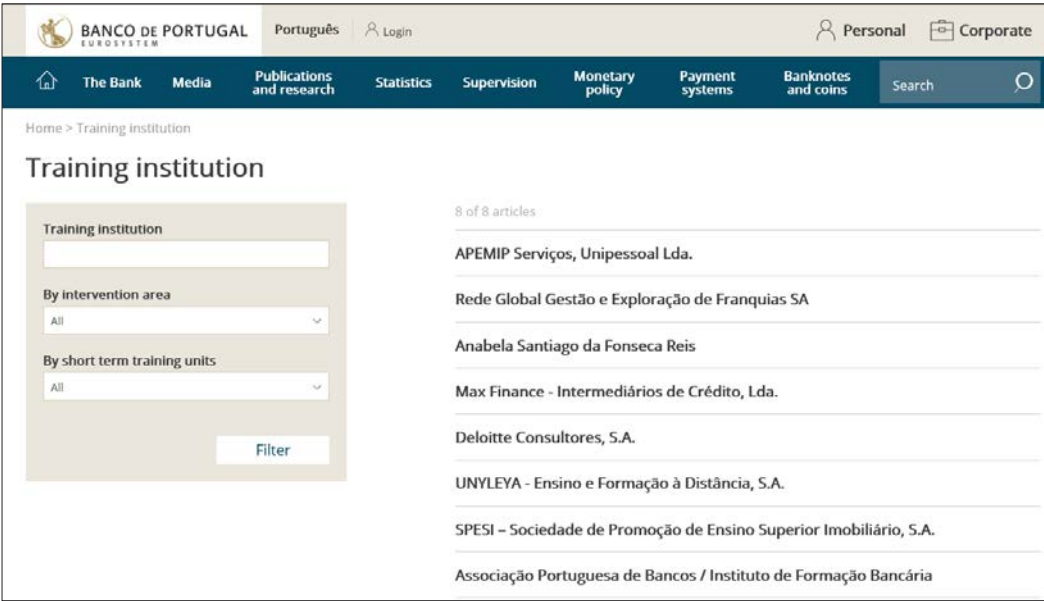
1. The *National Catalogue of Qualifications* is managed by the Agência Nacional para a Qualificação e o Ensino Profissional, I.P. (National Agency for Qualification and Vocational Education and Training).

2. Where they are appointed by credit intermediaries operating in the area of consumer credit agreements.

At the end of 2019, seven training entities were certified by the Banco de Portugal and qualified for providing training courses for professional certification of natural persons who have to prove compliance with the requirement on knowledge and skills.

The list of training entities certified by the Banco de Portugal, as well as the training for which they are certified, are available for consultation on the Bank Customer Website:

Figure IV.1.1 • Training entities | List of entities certified by the Banco de Portugal



Source: Banco de Portugal (<https://www.bportugal.pt/en/entidades-formadoras>).

Following on from the strategy adopted by the Banco de Portugal, regular contact was maintained with the certified training entities and with those being subject to the process of certification in 2019, by providing information and clarifying doubts about the submission of certification applications and the training activity.

2 Following up of the activity

In 2019 the Banco de Portugal developed a set of initiatives to monitor the activity of the certified training entities.

Specifically, a number of measures were taken to follow up the training activity of the training entities. These measures focused mainly on the assessment of the trainees' knowledge and the training content provided in the training initiatives carried out through distance communication means.

In addition, the Banco de Portugal requested all certified training entities to submit a detailed report on the training activity developed in 2019. Among the information reported, information about the number of professional certifications granted by these entities is noteworthy.

In 2019 there was an increase in the certifications granted by the training entities, compared to the previous year. A total of 23,767 persons have been certified under the “Offering of mortgage credit” training course, which represents a significant increase from the number of professional certifications granted in 2018 (4,879 persons). The number of persons holding professional certification in “Offering of consumer credit” also increased in 2019 compared to the figure recorded at the end of 2018, from 232 to 907. With regard to the “Credit intermediation” training course, there was also an increase: from 631 certified persons in 2018 to 1,727 in 2019.

Table IV.2.1 • Training entities | Professional certifications granted | 2018–2019

	2018	2019	Total
“Offering of mortgage credit” training course	4,879	23,767	28,646
“Offering of consumer credit” training course	232	907	1,139
“Credit intermediation” training course	631	1,727	2,358

Source: Banco de Portugal.

The substantial increase in certifications may be explained by the end, on 21 March 2019, of the transitional period for proving compliance with the requirements regarding knowledge and skills based on professional experience. From that date, proof of compliance with these requirements is made only by obtaining professional certification from a training entity certified by the Banco de Portugal or, alternatively, by an academic degree or diploma whose study plan includes a set of minimum content.

In 2019, according to the information submitted by the training entities, 20,371 persons were enrolled in the “Offering of mortgage credit” training course, 2,335 in the “Credit intermediation” training course and 1,520 in the “Offering of consumer credit” training course.

In 2019 the number of persons certified was higher than those who enrolled in training that year, because some trainees who have obtained certification have started their training in 2018.

The “Offering mortgage credit” training course continues to be the training course with the highest number of trainees, which is largely explained by the fact that the employees involved in the drafting, offering and conclusion of home loans and mortgage credit agreements and ancillary services to such contracts are required to prove that they have a level of knowledge and skills appropriate to the performance of their functions.

Most of the trainees have completed the relevant training through distance communication means. However, regardless of the selected training modality – in person or remotely – the final assessment test is always taken in person.





V Financial information and education initiatives

1 Financial information

2 Financial education

3 Participation in the National Plan
for Financial Education

1 Financial information

1.1 Bank Customer Website

The Bank Customer Website is the main channel used by the Banco de Portugal to communicate with bank customers.

In 2019 the Bank Customer Website was visited by 504,271 users, who viewed 1,586,850 of its webpages (a monthly average of around 132,238 webpages)¹. The number of visits to this website increased by 2% from 2018 (1,561,893 webpages viewed).

The Bank Customer Website informs bank customers of their rights and obligations in relation to financial institutions when purchasing banking products and services, namely loans, deposits and payment services. It publishes the list of entities authorised to act as credit intermediaries and training entities certified by the Banco de Portugal. On this website, bank customers may also access a set of services provided by the Banco de Portugal, such as lodging a complaint against financial institutions and credit intermediaries, filing an information request on banking products and services, consulting the credit liabilities report and the accounts database, and comparing fees for services linked to payment accounts.

The Bank Customer Website also publishes the initiatives of the Banco de Portugal within the scope of its banking conduct supervision and the activities of the main international forums in which the Banco de Portugal participates.

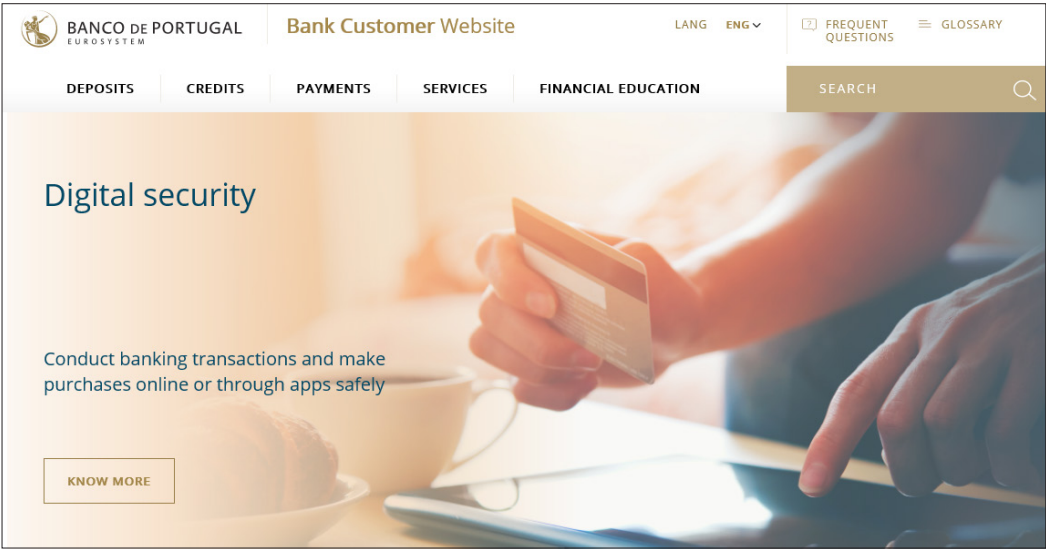
The Bank Customer Website is also an instrument used for the financial education of bank customers, featuring a section with dedicated content and materials, which also divulges financial training courses organised by the Banco de Portugal over the course of the year.

In 2019 legal and regulatory amendments with an impact on the rights and obligations of bank customers were published on the Bank Customer Website through news and decoders and by continuously updating its content. In particular, this website released information on the right granted to bank customers from 1 July 2019 to lodge complaints against credit institutions, financial companies, payment institutions, electronic money institutions and credit intermediaries through the e-platform 'Livro de Reclamações'. The Bank Customer Website provides information on this new right via a direct link to the e-platform 'Livro de Reclamações' and through a decoder on the channels bank customers may use to lodge complaints.

Given the importance attached by the Banco de Portugal to the secure use of digital channels in purchasing financial products, a section dedicated to digital security was added to the Bank Customer Website in June 2019, featuring information on the risks of purchasing banking products and services in digital channels and the care needed to mitigate them.

1. On 7 November 2019, a cookies policy was implemented on the Bank Customer Website requiring consent from users to process any data obtained from cookies, particularly for statistical analysis purposes. Data provided refer to users that have accepted the Cookies Policy of the Banco de Portugal.

Figure V.1.1 • Financial education | Bank Customer Website | Promotion of ‘Digital security’



Source: Banco de Portugal – Bank Customer Website > Financial education (<https://cliente bancario.bportugal.pt/en/digital-security-why-it-important>).

Figure V.1.2 • Financial education | Bank Customer Website | Dissemination of the e-platform ‘Livro de Reclamações’



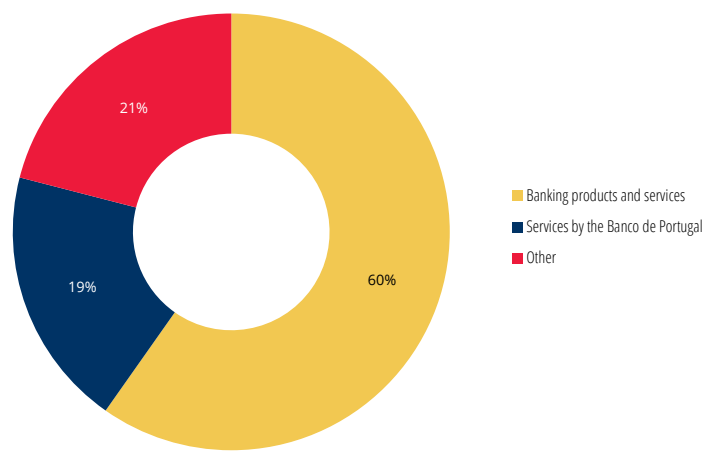
Source: Banco de Portugal – Bank Customer Website > News (<https://cliente bancario.bportugal.pt/en/noticias/banco-de-portugal-joins-e-platform-livro-de-reclamacoes>).

1.2 Requests for information

In 2019 the Banco de Portugal received 2,753 requests for information, with most issues relating to banking products and services (60%) or questions on the services provided by the Banco de Portugal (19%) and other matters.

The Banco de Portugal answers questions made by bank customers on the rules applicable to the offering of banking products and services and on the services it provides to the community. Most requests for information and questions are received through the Bank Customer Website.

Chart V.1.1 • Requests for information from bank customers | Breakdown by topic | 2019



Source: Banco de Portugal.

The number of requests for information in 2019 increased from 2018. Particularly important was the increase in requests related to the offering of banking products and services (9.3% more than in 2018). The rise in requests for information on the legal framework on BBAs largely explains the increase in requests for information on deposit accounts (25.5% more). Requests on home loans and consumer credit also increased (by 4.0% and 1.0% respectively). In contrast, requests for information on corporate loans and payment services decreased (by 32.4% and 2.9% respectively).

As for the services provided by the Banco de Portugal, the number of requests for information rose by 6%, from 2018. These mostly focused on the consultation and interpretation of the credit liabilities report and on information resulting from the consultation of the accounts database.

Table V.1.1 • Requests for information from bank customers | Evolution by type of banking product and service | 2018-2019

Topics	Number of requests			Percentage distribution		
	2018	2019	Δ (%)	2018	2019	Δ (pp)
Deposit accounts	549	689	25.5%	36.5%	41.9%	5.5
Home loans	373	388	4.0%	24.8%	23.6%	-1.4
Consumer credit	304	307	1.0%	20.2%	18.7%	-1.5
Corporate credit	34	23	-32.4%	2.3%	1.4%	-0.9
Payment services	245	238	-2.9%	16.3%	14.5%	-1.8
Total	1,505	1,645	9.3%	100.0%	100.0%	-

Source: Banco de Portugal.

2 Financial education

2.1 Campaigns and materials

The Banco de Portugal contributes to the financial education of the general public through awareness campaigns on relevant topics.

It is constantly updating its materials on the features and risks of retail banking products and services and the rights and obligations of bank customers.

Among others, the following campaigns on security in digital channels and access to BBAs are particularly important:

- **#TopTip digital financial education campaign**, launched in September 2018 to raise awareness among young people of the care to be taken when using digital channels, was a priority for the Banco de Portugal in 2019. 45 training courses were carried out across the country as part of the #TopTip campaign, involving over 2,200 students, following the distribution of around 18,000 copies of the brochure “5 tips for staying safer online” to 700 lower and upper secondary schools and school libraries in mainland Portugal as well as the Autonomous Regions of Madeira and the Azores.

On 30 September 2019 the Banco de Portugal organised a public session to divulge the #TopTip digital financial education campaign at the Agrupamento de Escolas D. Dinis in Lisbon. Approximately 100 upper-secondary students were present and played the game “Armoured Mission”, which aims to draw young people’s attention to the importance of adopting security procedures when using digital channels on computers, tablets or smartphones. In the game “Armoured Mission”, students ‘became’ highly specialised experts in cybersecurity and online fraud prevention, in order to detect suspicious emails and telephone calls and insecure passwords.



Video on the public session to promote the #TopTip digital financial education campaign at the Agrupamento de Escolas D. Dinis in Lisbon on 30 September 2019, attended by the Vice-Governor of the Banco de Portugal, Luís Máximo dos Santos. Available at <https://www.youtube.com/watch?v=ye8jQrBBYDg>.

- **Digital security campaign**, promoting digital security is one of the priorities of the Banco de Portugal. It has carried out awareness initiatives to do this through the Bank Customer Website, in order to inform bank customers of the risks and benefits of purchasing financial products in digital channels and how to securely use them. Throughout 2019, the Bank Customer Website released awareness messages and educational materials on digital security, in particular during European Cybersecurity month in October 2019.

At Christmas, a time when online shopping and payments tend to increase risks, particularly due to the misuse of customers' personal data, the Banco de Portugal also carried out awareness initiatives through the Bank Customer Website on the risks of using digital channels and the precautions that should be taken to mitigate them.

Figure V.2.1 • Financial education | Bank Customer Website | Awareness initiative on cybersecurity



Source: Banco de Portugal – Bank Customer Website (<https://cliente bancario.bportugal.pt/en>).

Figure V.2.2 • Financial education | Bank Customer Website | Awareness initiative on how to safely shop online at Christmas



Source: Banco de Portugal – Bank Customer Website (<https://cliente bancario.bportugal.pt/en>).

- **Disclosure of BBAs**, the Banco de Portugal continued to promote BBAs, taking into account that access to these services depends on the customer's initiative.

Over the course of the year, the Banco de Portugal highlighted this issue on the homepage of the Bank Customer Website, on social networks and through financial education initiatives for several audiences. It also prepared and released a video on new informational materials.

In addition, the Banco de Portugal and the Ministry of Labour, Solidarity and Social Security signed a cooperation protocol to promote BBAs. The protocol provides for joint initiatives to promote and publicise BBAs at the offices and agencies of Social Security and the Institute for Employment and Vocational Training (IEFP). In particular, it establishes the provision of materials and information on BBAs in Portuguese sign language and in Braille. The cooperation protocol also establishes that the Banco de Portugal will provide training to employees of the Social Security Financial Management Institute, the Social Security Institute, the IEFP and the National Institute for Rehabilitation, especially to staff in direct contact with the public.

Figure V.2.3 • Financial education
| Bank Customer Website | Video 'What is a basic bank account'



Source: Banco de Portugal – Bank Customer Website
> Financial education (<https://cliente.bancario.bportugal.pt/en/materiais>).



Signing of the protocol promoting BBAs by the Minister for Labour, Solidarity and Social Security, José António Vieira da Silva, and the Governor of the Banco de Portugal, Carlos da Silva Costa.

- **Disclosure of bank customer rights**, through which the bank released decoders on the Fees Comparator, the e-platform ‘Livro de Reclamações’ and signing-up processes for credit through credit intermediaries over the course of 2019, as part of the materials prepared to support the financial education of bank customers.

Figure V.2.4 • Financial education | Bank Customer Website | Decoders disclosed

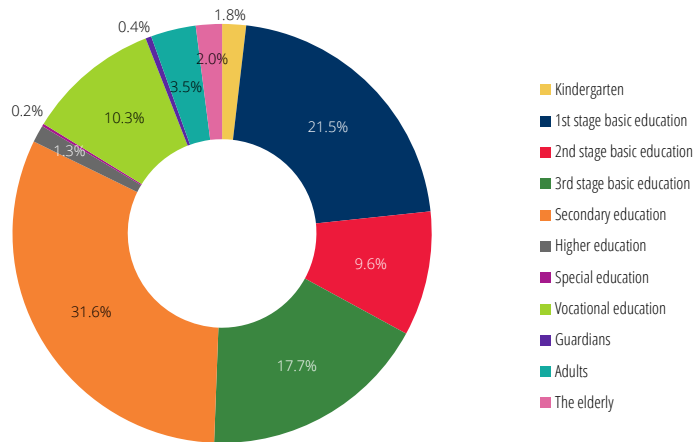


Source: Banco de Portugal – Bank Customer Website > Financial education (<https://cliente.bancario.bportugal.pt/en/materials>).

2.2 Activities carried out

In 2019 the Banco de Portugal held 581 financial training courses across the country, a 29% increase from 2018. These courses on personal finance management involved 20,458 participants (a 42% increase from 2018) and were mostly aimed at students (94% of participants), in particular students from secondary education (32%), followed by the 1st stage (22%) and 3rd stage (18%) of basic education. These courses were delivered with the support of the Bank’s regional network. Training courses were organised for the first time at the Financial Education Centre of the Banco de Portugal’s Money Museum.

Chart V.2.1 • Financial education | Breakdown of the number of participants in courses by target audience | 2019



Source: Banco de Portugal.

Household budget planning and management and the importance of saving were the topics that were most discussed in the financial training courses organised in 2019, followed by credit, financial system and the euro, digital channels, and services provided by the Banco de Portugal to the community. The topic of digital channels gained importance in 2019 due to financial training courses carried out as part of the #TopTip digital financial education campaign.

Chart V.2.2 • Financial education | Topics of courses conducted | 2019



Source: Banco de Portugal.

3 Participation in the National Plan for Financial Education

The Banco de Portugal has also continued to play an active role in the implementation of the National Plan for Financial Education, together with the Portuguese Securities Market Commission and the Autoridade de Supervisão de Seguros e Fundos de Pensões (ASF, the national supervisory authority for insurance and pension funds), within the scope of the **National Council of Financial Supervisors**. The Plan’s activities are detailed in its annual report².

As part of the **financial education project with local authorities**, the financial supervisors and the Norte Portugal Regional Coordination and Development Commission entered into a cooperation agreement with the intermunicipal community of Terras de Trás-os-Montes to advance the financial education of the populations within this community. This cooperation agreement follows on from the agreements signed in 2017 and 2018 with the intermunicipal communities of Tâmega e Sousa and Alto Tâmega respectively.

2. The *Annual Report of the National Plan for Financial Education* is available on the Todos Contam website (www.todoscontam.pt).

Under this new cooperation agreement, the supervisors organised a train-the-trainer course in Macedo de Cavaleiros for staff from the nine local authorities that are part of the intermunicipal community of Terras de Trás-os-Montes. The course was aimed at strengthening the skills of staff from local authorities in order to equip them with the necessary tools to provide training courses and divulge awareness campaigns to the local population on financial education, how to plan and manage a household budget, the importance of saving, recourse to credit and over-indebtedness prevention, and the role of insurance. In 2019 all municipalities in this Intermunicipal Community subsequently developed their own financial education/awareness initiatives for different target audiences during Financial Literacy Week.

Financial education in vocational training remained a priority for the National Plan for Financial Education to maximise its impact among more vulnerable target audiences. Under the cooperation protocol between the CNSF and the IEFP, in 2019 the cities of Coimbra, Beja and Vila Real hosted train-the-trainer courses for IEFP trainers, which involved 54 participants and complemented the courses that had been organised the previous year (in Lisbon and Porto). A total of 6,000 students, most of them unemployed, have already taken part in courses organised by approximately 100 IEFP trainers who received training under this cooperation protocol with the CNSF in 2018 and 2019.

To promote the **financial education of entrepreneurs and managers of micro, small and medium-sized enterprises**, IAPMEI and Turismo de Portugal held approximately 30 training courses across the country for 564 firm managers, entrepreneurs and employees in 2019. On 29 November, IAPMEI, Turismo de Portugal and the financial supervisors also held a conference entitled “A formação financeira no desenvolvimento empresarial” (Financial education in corporate development), bringing together around 80 participants at Coimbra College of Agriculture of the Polytechnic Institute of Coimbra.

In 2019 the financial supervisors also continued to support the **financial education of social economy entrepreneurs** under the existing protocol with the Cooperative António Sérgio for the Social Economy (CASES in its Portuguese acronym). As part of the António Sérgio Prize, in the ‘School-related projects’ category, the Plan held a set of initiatives at schools in Braga, Ourém, Argoncilhe and Esposende to divulge Financial Education Workbooks for basic education and to raise awareness of the importance of financial education. Around 130 teachers from different levels of teaching participated in these sessions.

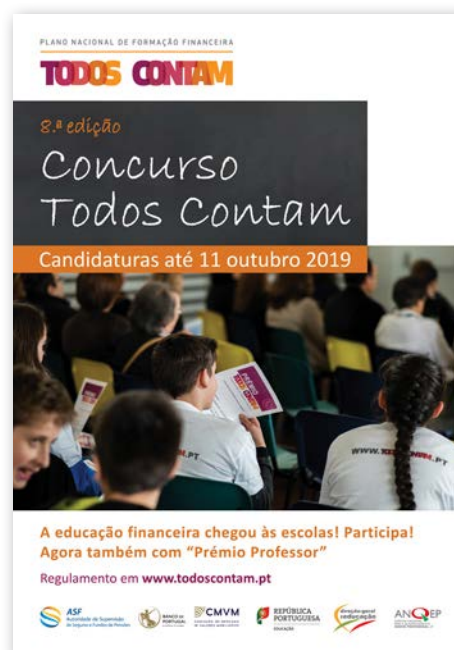
To increase **financial education in schools** and with the support of the Ministry of Education, the Banco de Portugal and the other financial supervisors organised a train-the-trainer course in Montijo during the first half of 2019 for 29 teachers from training centres in the Lisboa e Vale do Tejo region. From 2014 to 2019, approximately 390 trainers and teachers participated in train-the-trainer courses in all five regions of the Portuguese mainland – Norte, Centro, Lisboa e Vale do Tejo, Alentejo and Algarve – as well as the Autonomous Regions of Madeira and the Azores, with the support of the respective Regional Secretariats for Education.

For the eighth year in a row, the **Todos Contam Competition** was organised to promote and foster the development of financial education projects in schools. A Teacher Award was given for the first time, recognising the outstanding contribution of one teacher to implementing financial education projects in previous years. In 2019 the competition attracted 58 applications to the School Awards, involving over 11,000 students and around 70 schools from most districts in mainland Portugal as well as the Autonomous Regions of Madeira and the Azores.

In 2019 the financial supervisors delivered the first share of the prizes awarded in the 7th Todos Contam Competition.

On 25 February the Vice-Governor of the Banco de Portugal, Luís Máximo dos Santos, was in Algarve on behalf of the National Council of Financial Supervisors to present awards to two schools that had won the 7th Todos Contam Competition: the Jardim de Infância de Vila do Bispo, winner in the kindergarten category, and the Agrupamento de Escolas João de Deus, in Faro, winner of the special award.

Figure V.3.1 • Financial education
| National Plan for Financial Education
| Poster for the 8th Todos Contam Competition



Source: National Plan for Financial Education – Todos Contam website > Todos Contam Competition (<https://www.todoscontam.pt/pt-pt/noticias-termo/concurso-todos-contam>)



Presentation of the award by the Vice-Governor of the Banco de Portugal, Luís Máximo dos Santos, to Jardim de Infância de Vila do Bispo (Vila do Bispo).



Presentation of the award by the Vice-Governor of the Banco de Portugal, Luís Máximo dos Santos, to Agrupamento de Escolas João de Deus (Faro).

On 28 February the Vice-Governor of the Banco de Portugal, Elisa Ferreira, presented the award for best project for the 3rd stage of basic education to Agrupamento de Escolas n.º 1 de Gondomar.



Presentation of the award by the Vice-Governor of the Banco de Portugal, Elisa Ferreira, to Agrupamento de Escolas n.º 1 de Gondomar (Gondomar).

Under the motto ‘Na Formação Financeira Todos Contam’ (Everybody Counts in Financial Literacy), the Banco de Portugal, the other supervisors and the Plan’s strategic partners held the **2019 Financial Literacy Week** from 28 to 31 October 2019. Activities in this edition of the Financial Literacy Week took place in Bragança and the other local authorities that are part of the inter-municipal community of Terras de Trás-os-Montes, giving visibility to the cooperation agreement signed with this community.

The 2019 Financial Literacy Week involved over 4,000 participants, mostly young people of school age, but also teachers and other trainers, football players, working-age people and senior citizens. Activities for the school community took place on 28 October in Escola Secundária Emídio Garcia, in Bragança, where a formal session was also held to announce the winners of the 8th Todos Contam Competition. On 28 October a public session was also held in cooperation with the IEFP at the Centre for Employment and Vocational Training in Bragança to assess the inclusion of the financial education programme in the curriculum of vocational training courses.



Playing a 'Balance the budget' game at Escola Secundária Emídio Garcia in Bragança.



2019 Financial Literacy Week, Escola Secundária Emídio Garcia – Bragança, 28 October. Left to right, Vice-Governor of the Banco de Portugal, Luís Máximo dos Santos, member of the Management Board of CMVM, Rui Pinto, representative of the CNSF and member of the Board of Directors of the Banco de Portugal, Ana Paula Serra, representative of the Chair of the CNSF and President of ASF, Margarida Corrêa de Aguiar.

On 29 October the survey report on the financial literacy of professional football players was presented in a public session organised by the Portuguese Professional Football Players Union that was held at the Polytechnic Institute of Bragança.

In 2019 the financial supervisors organised **training and awareness courses** for 100 employees of the Public Security Police and 12 workers from the Choices Programme (Programa Escolhas) of the High Commission for Migration. These courses addressed issues on household budget management, the importance of saving, BBAs, accounts and means of payment, and insurance.

Financial training through digital channels also continued under the Plan. The Todos Contam website remains the primary channel for releasing content on the management of personal finances and financial education initiatives. The Todos Contam Facebook page, launched in 2018, also divulges financial education initiatives organised under the Plan.

In 2019, for the seventh year in a row, the Plan took part in the **events marking Global Money Week**, an initiative organised by Child and Youth Finance International, under the motto 'Learn. Save. Earn.'. From 25 to 31 March, 3,500 students from 23 schools participated in Global Money Week through training courses.

On 26 March the Banco de Portugal received at its Porto branch 53 upper-secondary students from Escola Profissional Vértice (Paços de Ferreira), who participated in a 'Balance the budget' game.

Over the course of Global Money Week, the Banco de Portugal organised financial training courses through its regional network at schools across the districts of Leiria, Faro, Porto, Viana do Castelo, Viseu and the Autonomous Region of the Azores.



Initiatives with students from Escola Profissional Vértice at the Banco de Portugal Branch in Porto.



Initiatives with students from Escola Profissional Vértice at the Banco de Portugal Branch in Porto.



VI International cooperation and agenda

- 1 Participation in international forums
- 2 International cooperation
- 3 Participation in conferences

1 Participation in international forums

In 2019 the Banco de Portugal continued to be involved in the international banking conduct supervision forums, following up the work of the European Banking Authority (EBA), the Joint Committee of the European Supervisory Authorities (JCESA), the International Financial Consumer Protection Organisation (FinCoNet), the G20-OECD Task Force on Financial Consumer Protection, OECD/International Network on Financial Education (INFE), and the G20/Global Partnership for Financial Inclusion (GPFI).

In November 2019 the Head of the Banking Conduct Supervision Department of the Banco de Portugal, Maria Lúcia Leitão, was elected Chair of FinCoNet, an organisation that brings together conduct of business supervision authorities responsible for retail banking products and services.

1.1 European Banking Authority (EBA)

At the EBA, as part of its banking conduct supervision duties, the Banco de Portugal sits on the Standing Committee on Consumer Protection and Financial Innovation (SCConFin), on the Subgroup on Consumer Protection (SGCP) and the Subgroup on Innovative Products (SGIP), along with the Standing Committee on Payment Services (SCPS).

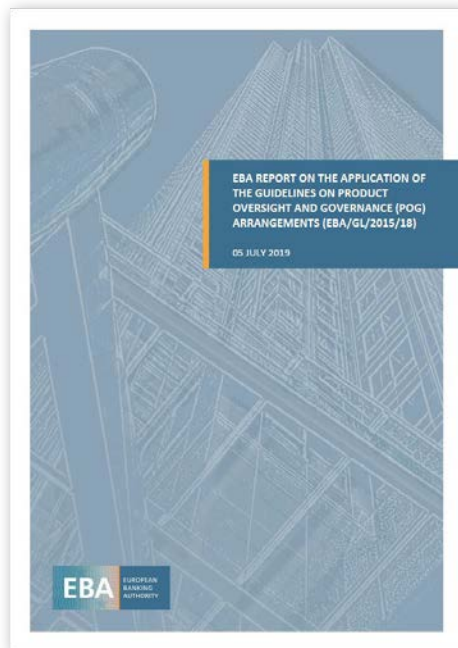
The SCConFin's work programme highlights the promotion of convergence of supervisory practices of the national authorities responsible for implementing the Guidelines on product oversight and governance arrangements for retail banking products (POG – Product Oversight and Governance). Following a survey conducted at the end of 2018 to credit institutions, the EBA published the first report on the implementation of these Guidelines by institutions, highlighting good practices and aspects that need improvement¹. At the end of 2019, continuing this supervisory convergence work, the EBA conducted a second survey into the implementation of these Guidelines, covering not only credit institutions but also payment and electronic money institutions.

In 2019 the EBA prepared a second report on financial training initiatives carried out in 22 Member States from a repository of 123 financial education initiatives (the EBA's Financial Education Report 2019/2020). This second report was published in the first quarter of 2020. A conference on the subject, scheduled for the date of the release of this Report, in which the Banco de Portugal would participate as a guest speaker, has meanwhile been postponed to the second half of the year due to the Covid-19 pandemic.

Since 2017 the Banco de Portugal has been participating in the working group created by the EBA to assess and monitor the financial education initiatives carried out by the national authorities of the Member States of the European Union. In 2018 this working group produced the first EBA report on financial education, based on a repository of 84 financial training initiatives carried out by the countries of the European Union (the EBA's Financial Education Report 2017/2018).

1. <https://eba.europa.eu/eba-publishes-report-on-implementation-of-the-its-guidelines-on-product-oversight-and-governance-pog-arrangements>.

Figure VI.1.1 • EBA | Report on the Application of the Guidelines on POG Arrangements



Source: EBA (<https://eba.europa.eu/file/104494/download?token=QPf0volB>).

Figure VI.1.2 • EBA | Report on Financial Education 2019/2020



Source: EBA (<https://eba.europa.eu/eba-identifies-trends-and-lessons-learned-financial-education-and-literacy-initiatives-its-second>).

Figure VI.1.3 • EBA | Opinion on disclosure to consumers of banking services through digital means



Source: EBA (<https://eba.europa.eu/file/147201/download?token=tUEyCHID>).

Figure VI.1.4 • EBA | Infographics on the choice of banking products and services on digital channels



Source: Bank Customer Website (https://cliente.bancario.bportugal.pt/sites/default/files/relacionados/noticia/EBA_ServicosBancarios-CanaisDigitais_0.pdf).

The EBA has also continued to implement its Roadmap on Fintech, in which it issued, in October 2019, a set of recommendations to promote greater transparency of the information provided in the offering of retail banking products and services through (online and mobile) digital channels. These recommendations are contained in the Opinion of the European Banking Authority on disclosure to consumers of banking services through digital means under Directive 2002/65/EC (EBA-Op-2019-12)².

The EBA also issued a set of recommendations to consumers, alerting them to what they should be aware of before choosing a banking product or service through digital channels and throughout their signing-up process (infographics “Key tips to protect yourself when choosing online or mobile banking services”)³.

As part of its work, on 21 June 2019, the SCPS published an opinion to clarify the market on the procedures and the elements that can be considered in each of the three categories for strong customer authentication (knowledge, possession and inherence)⁴.

In order to ensure compliance with the DSP2 objective, as well as consistency of procedures and approaches within the European Union, the EBA also published another opinion on strong client authentication on 16 October 2019⁵. With this document, the EBA clarifies that, although strong authentication has been required since 14 September 2019, institutions are allowed to adopt strong customer authentication for e-commerce card-based payment transactions by 31 December 2020. However, the EBA established a number of measures that the institutions must take to benefit from the transitional period.

1.2 Joint Committee of the European Supervisory Authorities

The Banco de Portugal, as a member of the Sub-Committee on Consumer Protection and Financial Innovation of the European Supervisory Authorities (ESAs), continued to participate in the working group accompanying how the different national authorities are implementing the Guidelines on handling complaints about financial products.

It also participated in the working group accompanying the implementation of the “PRIIPs Regulation” and collaborated in a Consultation Paper, submitted to public consultation in October 2019, on changes to the technical standards that regulate the Key Information Document (KID)⁶, in particular concerning performance scenarios and the cost of offered products.

It also participated in the working group recently established in the Sub-Committee on Consumer Protection and Financial Innovation, with a mandate to analyse the use of artificial intelligence by the supervised institutions.

It was also present at the Joint ESAs Consumer Protection Day held on 28 June 2019 in Dublin.

2. <https://eba.europa.eu/eba-publishes-opinion-disclosure-consumers-buying-financial-services-through-digital-channels>.

3. https://clientebancario.bportugal.pt/sites/default/files/relacionados/noticia/EBA_ServicosBancarios-CanaisDigitais_0.pdf.

4. <https://eba.europa.eu/sites/default/documents/files/documents/10180/2622242/4bf4e536-69a5-44a5-a685-de42e292ef78/EBA%20Opinion%20on%20SCA%20elements%20under%20PSD2%20.pdf?retry=1>.

5. <https://eba.europa.eu/sites/default/documents/files/documents/10180/2622242/4bf4e536-69a5-44a5-a685-de42e292ef78/EBA%20Opinion%20on%20SCA%20elements%20under%20PSD2%20.pdf?retry=1>.

6. <https://www.esma.europa.eu/press-news/esma-news/esas-consult-changes-key-information-document-priips>.

1.3 European Commission

The Banco de Portugal is part of the European Commission's working group accompanying the implementation of the Consumer Credit Directive. In 2019 the Commission continued the second evaluation of this Directive, with the aim to identify what needs to be revised, with the participation of the Banco de Portugal in this exercise by giving its opinion on the implementation of the Directive by replying to the questionnaire sent within the scope of the said working group.

1.4 International Financial Consumer Protection Organisation (FinCoNet)

In 2019 the Banco de Portugal actively participated in the implementation of the FinCoNet's work programme, the organisation that it chairs. Being part of various permanent committees of this organisation, the Banco de Portugal was involved in the implementation of the supervisory toolbox, a platform for sharing information on oversight instruments for banking conduct supervisors, and in the reflection on the supervision of financial advertising, as well as the procedures for financial product governance and culture.

This last topic is being the subject of joint analysis between FinCoNet and the G20/OECD Task Force on Financial Consumer Protection.

FinCoNet also addressed the subject of responsible lending, and in February 2019 published the report entitled "Digitalisation of Short-term, High-cost Consumer Credit: Guidance to Supervisors"⁷, containing guidelines to strengthen supervision of the sale of consumer credit through digital channels, coordinated by the Banco de Portugal.

The guidelines were prepared with the aim to support supervisors in effectively addressing the risks to consumers from the offering of short-term, high-cost credit products through digital channels.

The eight guidelines issued are complemented by concrete examples of measures that supervisors can take to ensure their proper implementation.

Also within the context of responsible lending, FinCoNet initiated the analysis of legal and regulatory approaches to the creditworthiness assessment in the granting of consumer credit.

In 2019 FinCoNet continued to reflect on the use and implementation of SupTech tools when monitoring the offering of products and services (practices and tools required to support risk-based supervision in a digital age).

Figure VI.1.5 • FinCoNet | Digitalisation of short-term, high-cost consumer credit



Source: FinCoNet (http://www.finconet.org/Guidance_Supervisors_Digitalisation_STHCCC.pdf).

7. http://www.finconet.org/Guidance_Supervisors_Digitalisation_STHCCC.pdf.

Following the publication of a first report on the topic in 2018, FinCoNet is analysing examples of SupTech solutions implemented by the banking conduct supervisory authorities. In the framework of the general meeting held in Rome in November 2019, a workshop on SupTech was attended by representatives of the Bank of International Settlements (BIS), the World Bank, the OECD and the European Commission, bodies with a wide and recognised work on the subject and which shared their experience and reflection. In addition, initiatives for the use of SupTech are being developed by a number of supervisory authorities, including the Banco de Portugal.

In November 2019 FinCoNet organised an international conference on the topic “Behavioural Insights for Conduct Supervision”, addressing the importance of the lessons learned from the behavioural and cognitive sciences for conduct supervision.

1.5 G20/OECD Task Force on Financial Consumer Protection

As part of its participation in the G20/OECD Task Force on Financial Consumer Protection, the Banco de Portugal was involved in the revision of the recommendation concerning consumer protection in the field of consumer credit.

The new recommendation, adopted on 2 July 2019, provides for measures on different areas of financial consumer protection, in line with the principles approved by the G20 (“G20 High-level Principles on Financial Consumer Protection”), most notably: the existence of a legal and regulatory framework for supervision, the role of supervisory bodies, equitable and fair treatment of consumers, information and transparency obligations of institutions, financial information and education of consumers, responsible business conduct of financial services providers, protection of consumer assets against fraud and misuse, consumer privacy and data protection, complaint handling and alternative dispute resolution, as well as competition between institutions⁸.

**Figure VI.1.6 • G20/OECD
| Recommendation of the Council on
Consumer Protection in the field of
Consumer Credit**



Source: OECD (<https://www.oecd.org/daf/fin/financial-education/Recommendation-on-consumer-protection-consumer-credit.pdf>).

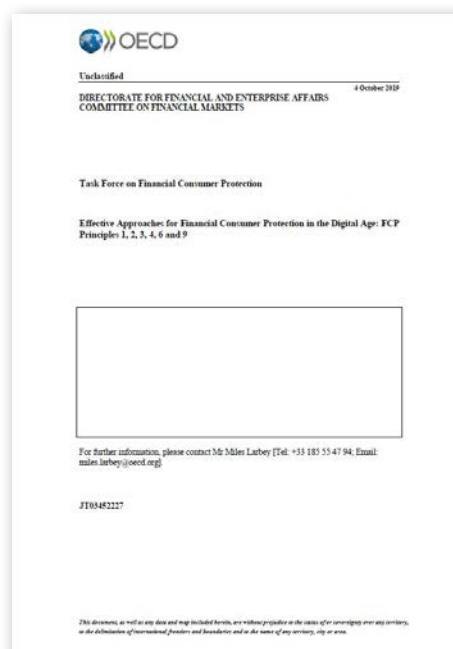
8. <https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0453>.

The Banco de Portugal also participated in the preparation of “effective” and/or “innovative” approaches to the application and implementation of the principles for financial consumer protection in a digital environment. The Report “Effective Approaches for Financial Consumer Protection in the Digital Age: FCP Principles 1, 2, 3, 4, 6 and 9”⁹ was published, which highlights approaches by authorities of various countries, including the Banco de Portugal.

The Banco de Portugal also participated in the discussions on the development of a risk dashboard, an instrument that aims to aggregate a number of indicators relevant to identify and monitor the risks for the financial consumer.

The G20/OECD Task Force on Financial Consumer Protection and FinCoNet also jointly organised the seminar entitled “Ageing Populations: Understanding and responding to the needs of older financial consumers”, which brought together a series of experts, including researchers, regulators and supervisors, representatives of the industry, which sought to identify and analyse the specific risks to which third-age customers are exposed, the existing protection mechanisms, as well as practices and procedures currently observed in the market. This topic was also addressed during the Japanese presidency of G20 in 2019 and was considered a priority in the context of financial inclusion¹⁰.

Figure VI.1.7 • G20/OECD Task Force on Financial Consumer Protection | Effective Approaches for Financial Consumer Protection in the Digital Age



Source: OECD (http://search.oecd.org/finance/financial-education/Effective-Approaches-FCP-Principles_Digital_Environment.pdf).

9. http://search.oecd.org/finance/financial-education/Effective-Approaches-FCP-Principles_Digital_Environment.pdf.

10. This topic is developed in Part VI, section 1.7 “G20/Global Partnership for Financial inclusion” of this Report.

1.6 International Network on Financial Education (OECD/INFE)

The Banco de Portugal is member of the International Network on Financial Education (OECD/INFE), taking part in this organisation's working groups and sitting on its Advisory Board.

In 2019, the publication "OECD Smarter Financial Education: Key lessons from behavioural insights for financial literacy initiatives" was released, which reflects on the application of lessons learned from behavioural economics in the design and implementation of financial education initiatives. The OECD Policy Handbook on Financial Education for Young People in the Commonwealth of Independent States was also published, which points to the model for implementing financial education in Portuguese schools as a good practice.

Figure VI.1.8 • OECD/INFE | Smarter Financial Education



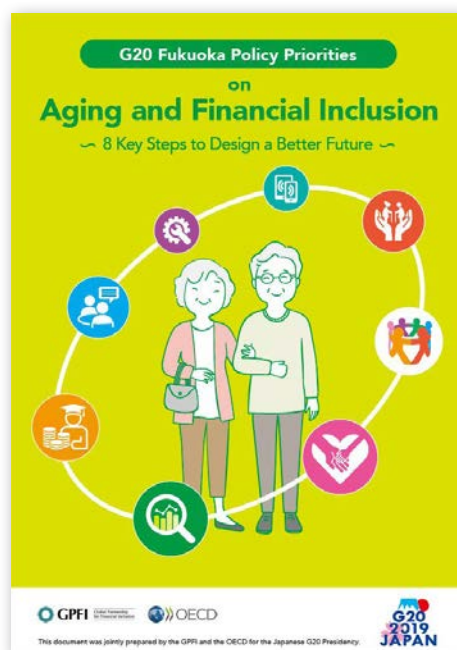
Source: OECD (<http://www.oecd.org/financial/education/smarter-financial-education-behavioural-insights.pdf>).

1.7 G20/Global Partnership for Financial Inclusion

In 2019, as part of its participation in the G20/GPFI as a participating non-G20 member country, the Banco de Portugal cooperated with the work carried out by this G20 platform under the Japanese presidency. Under the annual Japanese presidency, the document "G20 Fukuoka Policy Priorities on Ageing and Financial Inclusion" was published, which focuses on the impact of population ageing on financial consumers¹¹.

The Banco de Portugal also took part in the G20/GPFI Plenary Meetings and Forums, which took place in June in Tokyo.

Figure VI.1.9 • G20/GPFI | G20 Fukuoka Policy Priorities on Ageing and Financial Inclusion



Source: G20/OECD (<https://www.gpfi.org/sites/gpfi/files/documents/G20%20Fukuoka%20Policy%20Priorities%20on%20Ageing%20and%20Financial%20Inclusion.pdf>).

11. <https://www.gpfi.org/sites/gpfi/files/documents/G20%20Fukuoka%20Policy%20Priorities%20on%20Ageing%20and%20Financial%20Inclusion.pdf>.

2 International cooperation

The Banco de Portugal shared its experience in exercising its banking conduct supervisory tasks with other central banks and supervisory authorities, participated in activities with the Central Banks of the Portuguese-speaking Countries and collaborated in initiatives of the Alliance for Financial Inclusion (AFI).

2.1 Work visits from supervisory authorities

The Banco de Portugal has been invited to share its experience and strategy in the banking conduct supervision of retail banking markets. It received delegations from central banks and supervisory authorities from other countries, such as the Central Bank of Indonesia, the People's Bank of China, the Banco Nacional de Angola, Bulgarian National Bank and the Bank of Russia. A delegation from the Bank of Mexico also visited Portugal to know the Banco de Portugal's financial education initiatives.

In October 2019, the Banco de Portugal participated in the 6th Meeting on Banking Supervision of the Central Banks of Portuguese-speaking Countries, which was held in São Tomé e Príncipe.

2.2 4th Meeting of the Central Banks of Portuguese-speaking Countries

On 4 and 5 July 2019, the Banco de Portugal held the 4th Meeting on Financial Inclusion and Education for Central Banks of Portuguese-speaking Countries. These meetings started in 2013 and take place every two years.

This event was attended by representatives from all central banks of the Portuguese-speaking countries: Banco Nacional de Angola, Banco Central do Brasil, Banco de Cabo Verde, Banco Central dos Estados da África Ocidental – Guiné Bissau, Banco de Moçambique, Banco Central de São Tomé e Príncipe, Banco Central de Timor-Leste and Banco de Portugal.

On the first day of the Meeting, the central banks of Portuguese-speaking countries shared their experiences in carrying out financial inclusion and education initiatives and presented the main developments over the past two years.

Day two was devoted to financial education in schools and digital financial education. The panel discussion on financial education in schools was closed by the Secretary of State for Education, João Costa, who highlighted that financial education is now a mandatory part of the Citizenship Education programme for schools. The panel discussion was also attended by representatives of the Directorate-General for Education, the School Libraries Network and the International Network on Financial Education (OECD/INFE). The panel discussion on digital financial education debated the opportunities and risks of the digital transformation of financial services and the importance of specific financial education initiatives to raise the awareness of the population, most notably young people, to precautions to take when using digital channels. On this topic, the Banco de Portugal presented its ongoing strategy for digital financial education, and underscored the campaign #TopTip, focused on young people. Among the attendees of the panel discussion was the Alliance for Financial Inclusion, which shared several examples of initiatives where new technologies are being used to foster financial inclusion, most notably the use of digital channels to promote financial education.



4th Meeting on Financial Inclusion and Education for Central Banks of Portuguese-speaking Countries, on 4 and 5 July 2019, at the Banco de Portugal's headquarters in Lisbon.

The 4th Meeting of Central Banks of the Portuguese-speaking Countries was preceded by a training course on “Designing and implementing financial education strategies” for the staff of the central banks of Portuguese-speaking countries and organised by the Banco de Portugal together with the Alliance for Financial Inclusion.

This course, which was held in Lisbon on 1, 2 and 3 July 2019, was organised under the cooperation protocol concluded in 2017 between the Central Banks of Portuguese-speaking Countries and AFI.

This training was led by trainers from the Banco de Portugal and the Banco Central do Brasil which, together and based on each other experience, covered the following topics: i) designing and implementing a national financial education strategy, ii) implementing financial education in schools, iii) designing, implementing and assessing financial education initiatives targeting other groups, and iv) the lessons learned from behavioural economics applied to financial education. Every panel discussion covered group themes and shared national experiences. Delegations from all the central banks of the Portuguese-speaking countries participated in this course.



Group of participants in the training course “Designing and implementing financial education strategies”.

2.3 Banco de Cabo Verde

On 15 March, the Banco de Portugal participated in the conference “The importance of financial education for consumer relations in Cabo Verde”, organised by the Banco de Cabo Verde and held in Praia to commemorate the World Consumer Rights Day. In its intervention, the Banco de Portugal highlighted the importance of financial education for the supervision of the retail banking markets and explained that the Portuguese central bank’s activities in this area involve, in addition to the regulation and supervision of the institutions, empowering bank customers through the promotion of information and financial education.

Between 9 and 12 April, the Banco de Cabo Verde invited the Banco de Portugal to conduct a technical assistance initiative dedicated to the designing a national financial education strategy, financial education through digital channels, financial education in schools, financial education for adult audiences and the monitoring and assessment of financial education initiatives.

2.4 Banco Central de Timor-Leste

Continuing the work carried out in 2018 and under the technical assistance mission to Timor-Leste on the implementation of the National Strategic Plan for Financial Education of the Banco Central de Timor-Leste, the Banco de Portugal collaborated in the updating and revision of the financial education project in schools in 2019.

2.5 Technical assistance initiatives in the Balkan countries

From 1 to 3 April, the Banco de Portugal has been selected by the European Central Bank and the European Commission to share its experience in the field of banking conduct supervision in the training of staff from seven central banks and supervisory authorities in the Balkan countries (Northern Macedonia, Kosovo, Albania, Bosnia and Herzegovina, Serbia and Montenegro) as part of the Programme for Strengthening the Central Bank Capacities in the Western Balkans with a view to the integration to the European System of Central Banks.

3 Participation in conferences

3.1 Child & Youth Finance International (CYFI)

On 19 and 20 June, the Banco de Portugal participated in the Global Summit of Child & Youth Finance International (CYFI) in Johannesburg, where it presented, as part of the panel discussion on Youth at Financial Risk, its strategy for digital financial education, highlighting the #TopTip campaign.

3.2 Alliance for Financial Inclusion (AFI)

On 26 and 27 September, the Banco de Portugal took part in the international conference “Global Dialogue on Regulatory Approaches for Inclusive Fintech”, held in Prague and co-hosted by the Alliance for Financial Inclusion (AFI) and the Czech National Bank. The Bank was a member of the panel discussion on Financial Capability and Wellbeing in the Age of Fintech, presenting the digital financial literacy initiatives developed by the Banco de Portugal, with special emphasis on the #TopTip campaign.

3.3 International Network on Financial Education (OECD/INFE)

On 23 and 24 May, the Banco de Portugal participated in the conference “Financial Education of the Future”, co-organised by the OECD/INFE and the Financial Sector Conduct Authority of South Africa and held in Cape Town. In the panel discussion on “Trial and error: Lessons learnt from programme implementation and how these lessons have improved future projects”, the Bank highlighted the importance of developing strategic partnerships to reach the various target groups.



Conference “Financial Education of the Future”, 23 and 24 May, Cape Town, South Africa.

3.4 Centro de Estudios Monetarios Latinoamericanos (CEMLA)

The Banco de Portugal took part in the XI Conference of Financial Education and Inclusion in Latin America and the Caribbean, organised by the Centro de Estudios Monetarios Latinoamericanos (CEMLA) and the Banco de España held in Mexico City on 20 and 21 November.

The topics discussed at this conference covered: (i) creative and innovative initiatives to disseminate financial education, (ii) technology and digital payments as a means of promoting financial inclusion, (iii) financial education as part of formal education, and (iv) initiatives aimed at specific groups. In this context, the Banco de Portugal presented financial education initiatives in Portuguese schools.

3.5 European association representing institutions specialised in consumer credit (Eurofine)

Eurofine, the European association representing financial institutions specialised in consumer credit and chaired in 2019 by the Association of Specialised Credit Institutions (Associação de Instituições de Crédito Especializado – ASFAC), invited the Banco de Portugal to participate in the annual convention of that entity, held in Budapest on 10 and 11 October.

The Banco de Portugal was a member of the panel discussion on “Future Proofing of the Retail Finance Framework” together with representatives from the European Commission and the EBA, in which it presented an approach to regulation and supervision of consumer credit in Portugal and emphasised the extension of the scope of the Banco de Portugal’s supervision to include credit intermediaries.

3.6 Bank of Russia

The Bank of Russia invited the Banco de Portugal to participate in the 5th International Conference on Financial Literacy and Financial Inclusion (FINFIN) held in Moscow on 12 February 2019. The FINFIN is an annual international conference organised by the Bank of Russia, which brings together a wide group of participants, from financial institutions, public bodies, supervisory bodies, among others, to share best practices and trends in inclusion and financial literacy.

The 2019 FINFIN was devoted to “Digital Finance and Its Impact on Improving the Wellbeing of Financial Services Consumers”, and the Banco de Portugal’s intervention was based on a presentation on the offering of consumer credit through digital channels.

The Bank of Russia also invited the Banco de Portugal to participate in the 28th International Financial Congress held in St. Petersburg in July 2019 with the theme “Financial Markets: Increasing Complexity, Maintaining Stability”. The Banco de Portugal’s intervention focused on the new areas of banking conduct supervision, such as internal procedures adopted by institutions in connection with the creation and distribution of banking products and services, the institutions’ employee compensation policy, and the level of knowledge and skills that these employees must possess.



Annexes

- 1 Legislative and regulatory initiatives
- 2 Methodological notes for calculating which institutions received most complaints

1 Legislative and regulatory initiatives

Table VI.1.1 • Legislative and regulatory initiatives

Date	Diploma Identification	Subject matter
12 February	Law No. 13/2019	Sets forth measures to correct imbalances between lessees and lessors, increase security and stability urban rentals and to protect lessees in particularly fragile situations, introducing the third amendment to Decree-Law No. 74-A/2017, of 23 June 2017.
13 March	Instruction of Banco de Portugal No. 6/2019	Releases for the second quarter of 2019 the maximum rates to be applied in consumer credit agreements under Decree-Law No. 133/2009 of 2 June.
5 June	Instruction of Banco de Portugal No. 9/2019	Releases for the third quarter of 2019 the maximum rates to be applied in consumer credit agreements under Decree-Law No. 133/2009 of 2 June.
11 September	Instruction of Banco de Portugal No. 16/2019	Releases for the fourth quarter of 2019 the maximum rates to be applied in consumer credit agreements under Decree-Law No. 133/2009 of 2 June.
11 December	Instruction of Banco de Portugal No. 22/2019	Releases for the first quarter of 2020 the maximum rates to be applied in consumer credit agreements under Decree-Law No. 133/2009 of 2 June.
23 December	Circular Letter No. CC/2019/00000083	Sets forth best practices to be observed by institutions when providing their customers with the statement of fees through digital channels and by email.

2 Methodological notes for calculating which institutions received most complaints

Universe of complaints

The data used in the statistical analysis relate to complaints received by Banco de Portugal, in 2018 and 2019, whose subject matter falls within its scope, either submitted through the complaints book made available in credit institutions, the e-platform 'Livro de Reclamações' or directly sent to Banco de Portugal by bank customers.

This analysis excludes complaints received by Banco de Portugal whose subject matter falls outside its scope, as well as complaints directly submitted by customers to the institutions without using the complaints book. The latter are not sent to Banco de Portugal, but are handled between clients and institutions bilaterally.

Matters subject to complaint

Complaints are classified by subject matter according to the banking product or service subject to complaint. Complaints are allocated to a certain banking product or service for acts related to banking conduct rules regarding that product or service. Thus, the complaints are classified, as follows:

- Payment cards – complaints regarding the issue and use, as a means of payment, of debit and credit cards;
- Cheques – complaints regarding the issue and use of cheques;
- Home loans and mortgage loans – complaints related to the access to, and execution and contractual conditions of credit agreements relating to residential immovable property and credit secured by a mortgage under Decree-Law No. 74-A/2017 of 23 June 2017;
- Consumer credit – complaints related to the access to, and execution and contractual conditions of credit agreements, other than credit agreements relating to residential immovable property and credit secured by a mortgage under Decree-Law No. 74-A/2017 of 23 June 2017. These are complaints related to consumer or other credit granted to private individuals through credit cards or other means;
- Loans to enterprises – complaints about agreements relating to loans to enterprises, including agreements concluded with private entrepreneurs, within the scope of their professional activity;
- Deposit accounts – complaints related to the opening, debiting, crediting and management of deposit accounts, as well as to their contractual conditions. This includes complaints about any type of deposit, namely current accounts and time deposits, deposits with a special regime or other deposits, defined in Decree-Law No. 430/91 of 2 November 1991;
- Direct debits – complaints related to the processing of direct debit instructions regarding a current account;

- ATMs – complaints related to the operation of Automated Teller Machines (ATMs);
- Cash operations – complaints related to coin and banknote operations, namely exchange of coins and differences in withdrawal and deposit operations;
- Credit transfers – complaints related to the processing of transfers;
- Other – includes all other subject matters representing less than 1% of the total volume of complaints, including for instance, point-of-sale terminals, foreign exchange operations, the accounts database, banking guarantees, non-presentation of the complaints book, account switching service, as well as complaints about sundry operations and banking conduct that do not fit into the usual subject matter classification.

Reference units

For the main matters subject to complaint, the number of complaints is assessed and analysed in relative terms, through recourse to reference units. The following were used:

- Payment cards – number of debit and credit cards in circulation in 2018 and 2019 (average between the values of the start and end of each period). Data are gathered from the information reported by credit institutions under Instruction of Banco de Portugal No. 8/2010;
- Cheques – number of cheques processed in the Interbank Clearing System (Sistema de Compensação Interbancário – SICOI) in 2018 and 2019 (average number of cheques issued and drawn). Data are collected from the information regularly reported by SIBS;
- Home loans and mortgage loans – number of credit agreements relating to residential immovable property and credit secured by a mortgage under Decree-Law No. 74-A/2017, in force in 2018 and 2019 (average between the values of the start and end of each period). Data are gathered from the information reported by credit institutions under Instruction of Banco de Portugal No. 8/2010;
- Consumer credit – number of agreements in force in 2018 and 2019 (average between the values of the start and end of each period) relating to consumer credit, including credit cards. Data are gathered from the information reported by credit institutions under Instruction of Banco de Portugal No. 8/2010;
- Loans to enterprises – number of agreements in force in 2018 and 2019 (average between the values of the start and end of each period) relating to loans to enterprises and private entrepreneurs. Data are gathered from the information reported by credit institutions under Instruction of Banco de Portugal No. 8/2010;
- Deposit accounts – number of current accounts in 2018 and 2019 (average between the values of the start and end of each period). Data are gathered from the information reported by credit institutions under Instruction of Banco de Portugal No. 8/2010;
- Direct debits – number of direct debit instructions actually processed through SICOI and carried out as part of SEPA (Single European Payments Area) in 2018 and 2019. Data are collected from the information regularly reported by SIBS;
- ATMs – number of automated teller machines (ATMs), including dedicated networks, existing in 2018 and 2019 (average between the values of the start and end of each period). Data are collected from the information regularly reported by SIBS and credit institutions;

- Cash operations – number of cash deposit and withdrawal operations in the Multibanco network (ATMs) in 2018 and 2019 (excluding international deposit and withdrawal operations). Data are collected from the information regularly reported by SIBS;
- Credit transfers – number of transfers processed through SICOI in 2018 and 2019. Data are collected from the information regularly reported by SIBS.

Institutions

The above-described reference units were also used to calculate the relative number of complaints per institution about deposit accounts, consumer credit and home loans and mortgage loans.

The relative number of complaints was calculated for the institutions that carried out activity throughout the whole year and in relation to which Banco de Portugal received, in 2019, on average, more than one complaint per quarter on each matter subject to complaint, as a lower number is not considered representative of complaints submitted by bank customers.

The credit institutions about which no complaints were lodged with Banco de Portugal on the subject matters referred to above – which are explicitly mentioned in the report – are the relevant ones for the activity in question, according to criteria defined by Banco de Portugal and the information reported by the credit institutions themselves.

The Central Mutual Agricultural Credit Bank (Caixa Central de Crédito Agrícola Mútuo) and the Mutual Agricultural Credit Banks (caixas de crédito agrícola mútuo), that are members of the Integrated Mutual Agricultural Credit Scheme (Sistema Integrado do Crédito Agrícola Mútuo – SICAM), were considered together as one single institution. The mutual agricultural credit banks of Bombarral, Chamusca, Leiria, Mafra and Torres Vedras are not members of SICAM.

