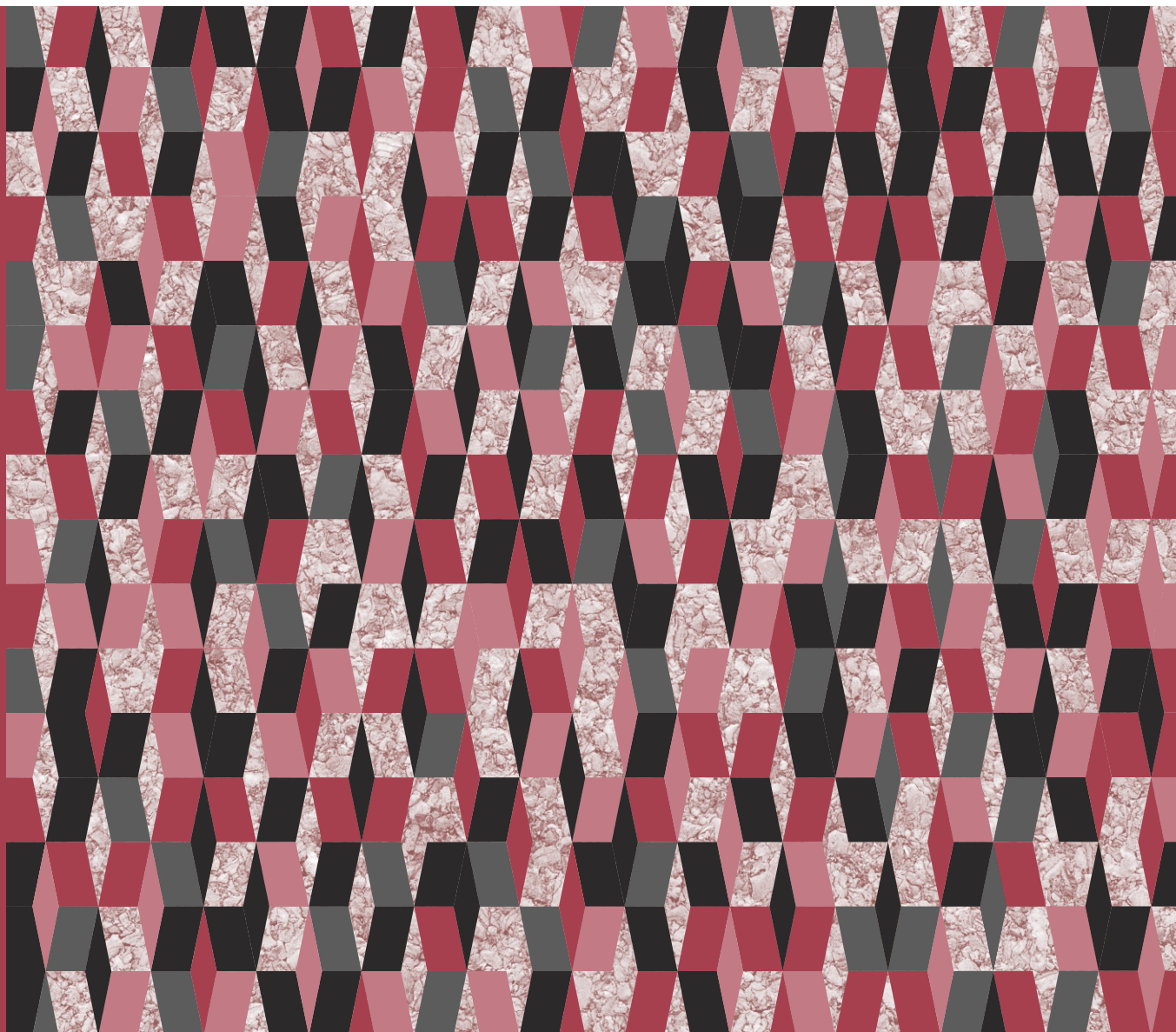


Banking Conduct Supervision Activities

1st half 2016



BANCO DE PORTUGAL
EUROSYSTEM



Banking Conduct Supervision Activities

1st half 2016



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Abbreviations

APRC	Annual percentage rate of charge
APR	Annual percentage rate of charge
ATM	Automated Teller Machine
BCW	Bank Customer Website
CCR	Central Credit Register
EBA	European Banking Authority
ESA	European Supervisory Authorities)
Euribor	Euro Interbank Offered Rate
FIN	Ficha de informação normalizada (Standardised information sheet)
FinCoNet	International Financial Consumer Protection Organisation
BBA	Basic Bank Account
PRAP	Pre-arrears Action Plan
OASP	Out-of-court arrears settlement procedure
PRIPs	Packaged Retail and Insurance-based Investment Products
RCL	<i>Reclamação proveniente do Livro de Complaints</i> (Complaint from the official complaints book)
RCO	<i>Reclamação proveniente de outros meios</i> (Complaint received from other means)
RGICSF	<i>Regime geral das instituições de crédito e sociedades financeiras</i> (General regime of credit institutions and financial companies)
RJSPME	<i>Regime jurídico dos serviços de pagamento e moeda eletrónica</i> (Legal regime governing electronic money payment services)
SEPA	Single Euro Payments Area
SICAM	<i>Sistema integrado do crédito agrícola mútuo</i> (Integrated mutual agricultural credit scheme)
SICOI	<i>Sistema de compensação interbancária</i> (Interbank clearing system)

Executive summary

The Summary of the Conduct of Business Supervision Activities describes Banco de Portugal's monitoring of retail banking markets during the first half of each year. This publication addresses the financial regulation and education activities reviewed on an annual basis in the Banking Conduct Supervision Reports.

This Summary describes:

- the monitoring activities carried out in the scope of the implementation of the arrears regimes governing mortgages and consumer loans (Chapter I),
- the systematic monitoring of price lists, advertising materials, indexed and dual deposits and maximum rates on consumer credit agreements (Chapter II),
- inspections in retail banking markets (Chapter III),
- the analysis of bank customer complaints (Chapter IV),
- the correction of irregularities and the sanctioning of breaches (Chapter V).

Arrears regimes

While monitoring the prevention and management of arrears on credit agreements with household customers, credit institutions reported to Banco de Portugal that they had initiated a total of 383,446 proceedings under the Out-of-court Arrears Settlement Procedure (OASP), 14 per cent more than in the second half of 2015.

Most of the proceedings initiated during the first half of 2016 related to consumer credit agreements (84 per cent). The number of OASP proceedings initiated involving consumer credit agreements increased from the previous six-month period (17.1 per cent), with credit cards accounting for a substantial share.

By contrast, the number of OASP proceedings initiated involving mortgage agreements was stable from the previous period.

OASP proceedings concluded with a settlement of arrears increased overall from the second half of 2015. These developments were solely driven by OASP proceedings associated with consumer credit agreements. This growth was due to a 12.5 per cent increase in the number of settlements involving the payment of arrears and a 31.3 per cent increase in the number of proceedings where renegotiations resulted in agreements between the parties.

In mortgage loans, in turn, the number of proceedings concluded with a settlement of arrears decreased (17.7 per cent), although the share of OASP proceedings concluded following the payment of arrears has remained high (62.5 per cent of the total).

The most commonly agreed solution under the OASP was the renegotiation of credit agreements. In proceedings related to consumer credit agreements, this solution increased markedly from the second half of 2015 (56.2 per cent). In mortgage agreements, the main solution was establishing a grace period for principal and / or interest and, for consumer credit, deferring payment until the last instalment.

Banco de Portugal continued to monitor the implementation of the extraordinary regime as regards the requests for access submitted by bank customers up to 31 December 2015, when the regime ceased to be in force.

Systematic monitoring

In the first half of 2016, Banco de Portugal monitored a greater number of advertising materials (4,084, i.e. 10.2 per cent more than in the first half of 2015), due to the increase in advertising on personal loans and credit cards. Non-compliance by credit institutions with transparency in advertising requirements increased, as did the ratio of changed advertising materials to the number of monitored materials, from 2.2 per cent to 2.8 per cent. These developments were mostly due to non-compliance detected in car loan advertising materials.

The number of information leaflets on indexed and dual deposits submitted to Banco de Portugal for prior inspection decreased by 18.3 per cent from the first half of 2015. In turn, the number of matured indexed and dual deposits whose returns were checked by Banco de Portugal increased by 8.9 per cent.

On the basis of information reported by credit institutions, Banco de Portugal assessed their compliance with maximum rates on new consumer credit agreements, with a monthly average of approximately 130,000 agreements, 13.5 per cent more than in the first half of 2015.

Inspections

At the beginning of the first half of 2016, inspections monitored compliance with the obligation of credit institutions to send an 'invoice-receipt' to their customers on an annual basis, listing all fees and expenses associated with the deposit account and payment services charged in the previous year. Compliance with this obligation was checked by Banco de Portugal by imposing a reporting requirement on credit institutions, which must provide copies and proof that all relevant information was sent to their customers within the legal deadlines.

In the wake of the revision of the minimum banking services regime, whereby a wider set of institutions was required to provide a minimum services account, Banco de Portugal conducted 'mystery shopping' actions in various branches of institutions that have recently started to provide this type of account, and checked for the appropriate disclosure of information.

The monitoring of consumer credit was also a priority for Banco de Portugal in the first half of the year. Banco de Portugal assessed whether practices followed when entering into consumer credit agreements were adequate, mainly in credit cards, overdraft facilities and overrunning. For that purpose, the Bank inspected the central services of a number of credit institutions, assessing compliance with customer reporting requirements and whether IT systems used when entering into consumer credit agreements were adequate. It also assessed

compliance with the maximum rate regime on consumer credit agreements, and checked the quality of information reported to Banco de Portugal in order to calculate maximum rates.

In the course of the first half of the year, compliance with reporting requirements was also assessed in the consumer loans statements provided by institutions to customers.

Bank customer complaints

In the first half of 2016, Banco de Portugal received 6,691 complaints on matters under the scope of the Bank's business conduct supervision activities, with a monthly average of 1,115 complaints, having stabilised somewhat (-0.8 per cent) compared with the monthly average in 2015.

This was due to the fact that complaints regarding deposit accounts remained relatively stable (-0.2 per cent), while complaints regarding consumer loans decreased (-5.9 per cent) and complaints regarding mortgage loans increased slightly (1.4 per cent). Special mention should be made to the reduction in the number of complaints on arrears situations.

Correction of irregularities and sanctions

In the scope of its monitoring activities, in the first half of 2016 Banco de Portugal issued 426 recommendations and specific orders to 68 entities and initiated 106 administrative proceedings against 27 entities.

These recommendations and specific orders followed inspections (77 per cent of total recommendations and specific orders issued), the monitoring of advertising materials (11.5 per cent) and the analysis of complaints (11.5 per cent). In the wake of inspections conducted in the first half of the year, recommendations and specific orders issued focused chiefly on consumer loan issues.

Administrative proceedings were initiated mostly following breaches detected when analysing bank customer complaints, while other proceedings resulted from monitoring activities on the basis of monthly reports on the annual

percentage rate of charge applied to new consumer credit agreements and in the course of inspections. Proceedings initiated in the wake

of the analysis of complaints covered 122 bank customer complaints.

Conduct of business supervision in numbers – 1st half of 2016

Arrears regime monitoring:

- Information analysed on 383,446 proceedings under the OASP on mortgage and consumer credit agreements;
- Information analysed on 34 requests for access to the extraordinary regime submitted by bank customers up to the end of 2015;
- 193 complaints received on issues pertaining to the arrears regimes, 97 per cent of which on the general regime;
- 27 information requests on arrears regimes received from bank customers, 93 per cent of which on the general regime.

Systematic monitoring:

- Monitored 682 price lists (433 fees and expenses leaflets and 249 interest rate leaflets);
- Analysed 4,084 advertising materials of 53 institutions;
- Conducted prior inspections of 116 information leaflets on indexed and dual deposits offered by 12 institutions;
- Checked the calculation of returns on 98 matured indexed and dual deposits;
- Assessed compliance with maximum rates, based on information reported by 54 institutions on 780,062 consumer credit agreements.

Inspections conducted:

- 83 inspections of branches of 13 institutions, of which 68 were 'mystery shopping' actions and 15 were on-site identified inspections;
- 45 inspections of the central services of 9 institutions;
- 425 off-site inspections of 116 institutions.

Complaints management:

- 6,691 complaints received, with a monthly average of 1,115;
- 64 per cent of complaints closed with no signs of breach.

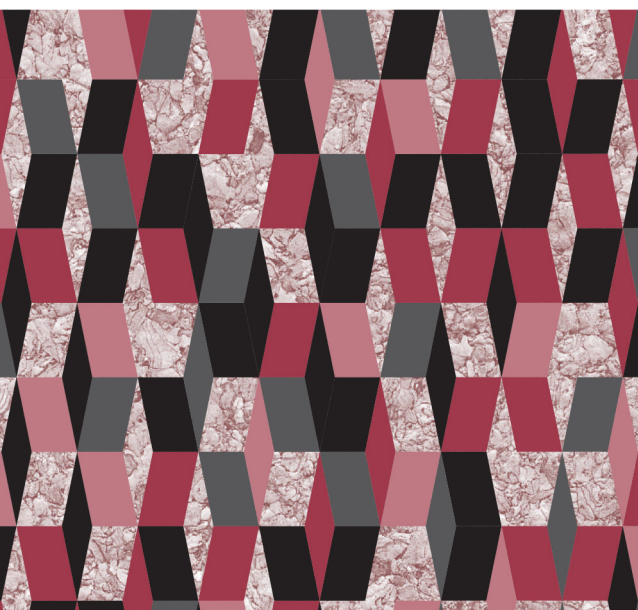
Information requests

- 1,341 information requests received from bank customers, with a monthly average of approximately 224.

Correction of irregularities and sanctions:

- 426 specific orders issued requiring 68 institutions to correct irregularities;
- 106 administrative proceedings initiated against 27 institutions for breach of rules.





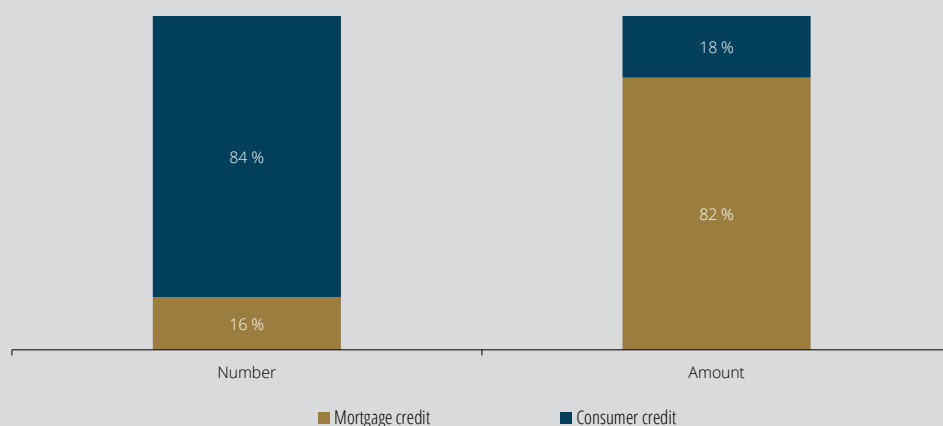
I Monitoring of arrears regimes

1. Arrears general regime
2. Arrears extraordinary regime

1. Arrears general regime

In the context of the implementation of the general arrears regime in the first semester of 2016, the following is highlighted:

- Credit institutions initiated a total of 383,446 procedures under the OASP, representing an increase of 14 per cent over the previous semester. However, this increase was limited to OASP procedures relative to consumer credit agreements, which increased by 17 per cent. The number of OASP procedures involving mortgage credit contracts remaining practically unchanged;
- Most of the OASP procedures initiated (84 per cent) involved consumer credit contracts. Revolving credit continued to have a significant impact on the number of OASP procedures initiated by credit institutions, in particular the weight of debts resulting from the use of credit cards, which accounted for more than half (approximately 53 per cent) of OASP procedures, relative to consumer credit, initiated in the first semester of the year;
- The number of OASP procedures concluded with the settlement of arrears increased overall, compared to the last semester of 2015. This evolution was driven by consumer credit where the number of OASP procedures in which the overdue amounts were paid and the number of cases in which credit institutions and bank customers reached an agreement to settle the arrears increased;
- The percentage of OASP procedures concluded as a result of the payment of the outstanding amounts remained relatively high, both in mortgage credit and in consumer credit;
- The renegotiation of credit agreements continued to be the main solution agreed between the parties under the OASP. Of the 11,259 OASP procedures in which the renegotiation of credit agreements was agreed, 1,780 involved home loans, with a renegotiated amount of EUR 68.1 million, and 9,479 were relative to consumer credit agreements, with a renegotiated amount of EUR 12.4 million;
- In mortgage credit contracts, the main renegotiation solution proposed by the institutions was the establishment of grace periods for principal and/or interest, while in consumer credit the deferral of capital until the last instalment was the main solution agreed.



Graph I.1.1.1 •
OASP
| Distribution
of credit
agreements
under the OASP
| 1st semester of
2016

1.1. Mortgage credit

Since the entry into force of the general arrears regime in January 2013, 499 327 OASP procedures were opened, relating to 252 360 mortgage credit agreements with a total outstanding amount of around EUR 13.2 billion and a default ratio of 3.7 per cent. Of this total number of OASP procedures involving mortgage

credit, 61,970 were initiated by institutions in the first semester of 2016.

In the first semester of 2016, credit institutions concluded 57 998 OASP procedures related to mortgage credit agreements. At the end of June, 28,696 procedures in this segment were being analysed or negotiated.

Table I.1.1.1 • OASP | Procedures initiated, under analysis or concluded | Mortgage credit | 2013 – 1st semester of 2016

	Procedures					Agreements ^(a)	
	2015			2016	Change	2013 –	2013 –
	1 st sem.	2 nd sem.	Total	1 st sem.	1 st sem. 2016 / 2 nd sem. 2015	1 st sem. 2016	1 st sem. 2016
OASP procedures initiated							
Number	70 112	61 996	132 108	61 970	0.0 %	499 327	252 360
Total amount (million Euros) ^(b)	–	–	–	–	–	–	13 152.2
Default ratio ^(c)	–	–	–	–	–	–	3,7 %
OASP procedures under analysis^(d)							
Number	–	–	24 724	28 696	–	–	–
OASP procedures concluded							
Number	65 379	63 634	129 013	57 998	-8,9 %	470 631	225 747
Total amount (million Euros)	–	–	–	–	–	–	11 825.9
Default ratio	–	–	–	–	–	–	3,8 %
Of which:							
OASP procedures concluded by settling the arrears ^(e)	41 114	44 124	85 238	38 200	-13,4 %	264 152	–
Payment of the outstanding amounts	38 573	41 752	80 325	36 249	-13,2 %	239 447	–
Agreement reached between the parties ^(f)	2541	2372	4913	1951	-17,7 %	24 705	–
OASP procedures concluded by settling the arrears / OASP procedures concluded	62,9 %	69,3 %	66,1 %	65,9 %	- 3,4 p.p.	56,1 %	–

Notes: (a) The total number of agreements integrated under the OASP does not reflect situations in which the same credit agreement is integrated under the OASP more than once.

(b) The total amount corresponds to the sum of the amount outstanding in regular status with the amount in default (due).

(c) Ratio between the amount in default (due) and the total amount.

(d) Values at the end of the period.

(e) Procedures concluded for one of the following reasons: payment of the arrears; renegotiation of the credit agreement; credit consolidation; refinancing of the credit agreement; granting of an additional loan for the payment of benefits; and transfer in lieu of payment.

(f) Procedures concluded for one of the following reasons: renegotiation of the credit agreement; credit consolidation agreement; refinancing of the credit agreement; granting of an additional loan for the payment of instalments; and payment in lieu.

In this period, the number of OASP procedures relating to mortgage credit agreements in which credit institutions and bank customers reached an agreement to settle arrears situations decreased by 17.7 per cent compared to the second semester of 2015. There was also a reduction (13.2 per cent) in the number of OASP procedures concluded following the payment of outstanding amounts.

The OASP procedures concluded with the settlement of arrears decreased from 69.3 per cent in the second half of 2015 to 65.9 per cent in the first half of 2016. This reduction was driven by the lower number of OASP procedures concluded with the settlement of arrears situations.

The main renegotiation solution agreed between credit institutions and bank customers under OASP procedures related to mortgage credit agreements was the establishment of grace periods for principal and/or interest (769 OASP procedures). The extension of the deadline was the solution agreed in 233 OASP procedures with regard to the said credit agreements.

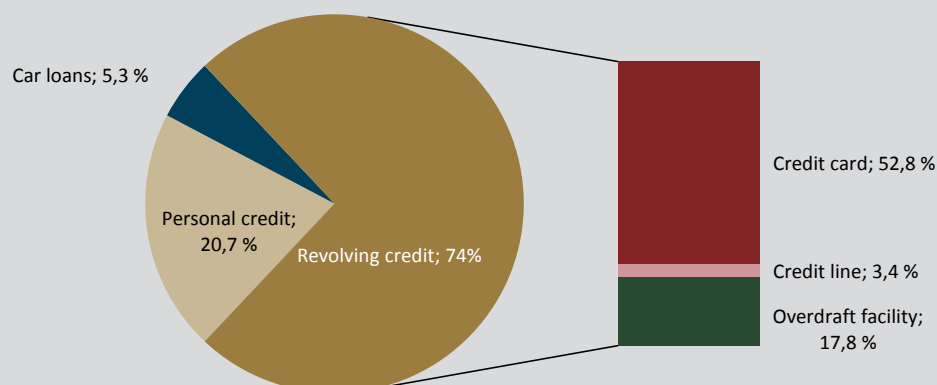
1.2. Consumer credit

In the consumer credit segment, since the entry into force of the general arrears regime, 2,088,042 OASP procedures were opened, relating to 1,345,668 credit agreements, with a total outstanding amount of around EUR 3.6 billion and a default ratio of 22.9 per cent. Of this total, 321,476 procedures were opened in the first semester of 2016.

Most procedures related to consumer credit focused on debts resulting from the use of credit cards (52.8 per cent), followed by personal credit (20.7 per cent) and credit facilities (17.8 per cent).

In the first semester of 2016, 313,830 OASP procedures relating to consumer credit contracts were concluded. At the end of June, 102,697 OASP procedures were being analysed or negotiated in this segment.

Compared to the previous semester, there was a significant increase (31.3 per cent) in the number of OASP procedures in which credit institutions and bank customers reached an agreement to settle the arrears. The number of OASP procedures concluded following the payment of the arrears also rose (12.5 per cent).



Graph I.1.1.2 • OASP
 | Distribution of consumer credit agreements under the OASP, by credit type
 | 1st semester of 2016

However, the ratio of OASP procedures concluded with the settlement of arrears dropped 46.9 per cent in the second semester of 2015 to 44.9 per cent in the first semester of 2016, as a result of the increase in the number of procedures concluded in this period having been higher than the increase in the number of OASP procedures concluded with the settlement of arrears.

The main renegotiation solution agreed between credit institutions and bank customers under OASP procedures relating to consumer credit agreements was deferring the payment of principal until the last instalment (7830 procedures), followed by the extension of the repayment period (1353 procedures).

Table I.1.1.2 • OASP | Procedures initiated, under analysis and concluded | Consumer credit | 2013 – 1st semester of 2016

	Procedures					Agreements ^(a)	
	2015			2016	Change	2013 –	2014 –
	1 st sem.	2 nd sem.	Total	1 st sem.	1 st sem. 2016 / 2 nd sem. 2015	1 st sem. 2016	1 st sem. 2016
OASP procedures initiated							
Number	294 979	274 598	569 577	321 476	17.1 %	2 088 042	1 345 668
Total amount (million Euros) ^(b)	–	–	–	–	–	–	3633.6
Default ratio ^(c)	–	–	–	–	–	–	22,9 %
OASP procedures under analysis^(d)							
Number	–	–	95 051	102 697	–	–	–
OASP procedures concluded							
Number	308 680	263 984	572 664	313 830	18,9 %	1 985 345	1 243 101
Total amount (million Euros)	–	–	–	–	–	–	3395.7
Default ratio	–	–	–	–	–	–	23,1 %
Of which:							
OASP procedures concluded by settling the arrears ^(e)	118 443	123 855	242 298	141 042	13,9 %	808 931	–
Payment of the outstanding amounts	110 723	115 067	225 790	129 501	12,5 %	729 000	–
Agreement reached between the parties ^(f)	7720	8788	16 508	11 541	31,3 %	79 931	–
OASP procedures concluded by settling the arrears / OASP procedures concluded	38,4 %	46,9 %	42,3 %	44,9 %	- 2,0 p.p.	40,7 %	–

Notes: (a) The total number of agreements integrated under the OASP does not reflect situations in which the same credit agreement is integrated under the OASP more than once.

(b) The total amount corresponds to the sum of the amount outstanding in regular status with the amount in default (due).

(c) Ratio between the amount in default (due) and the total amount.

(d) Values at the end of the period.

(e) Procedures concluded for one of the following reasons: payment of the arrears; renegotiation of the credit agreement; credit consolidation; refinancing of the credit agreement; granting of an additional loan for the payment of benefits; and transfer in lieu of payment.

(f) Procedures concluded for one of the following reasons: renegotiation of the credit agreement; credit consolidation agreements; refinancing of the credit agreement; granting of an additional loan for the payment of benefits; payment in lieu.

Table I.1.2.1 • OASP | Solutions agreed upon in the procedures concluded | 1st semester of 2016^(a)

	Mortgage credit	Consumer credit	Total
Renegotiation of the credit agreement (number)	1780	9479	11 259
Renegotiated amount (million Euros)	68.1	12.4	80.5
Credit consolidation agreement (number)	5	475	480
Consolidated amount (million Euros)	0.1	1.8	2.0
Refinancing (number)	29	1073	1102
Refinanced amount (million Euros)	0.8	7.5	8.3
Additional loan to pay instalments (number)	194	454	648
Credit amount (million Euros)	0.9	3.5	4.4
Payment in lieu (number)	6	18	24
Memo item: Number de agreements	1541	9609	11 150

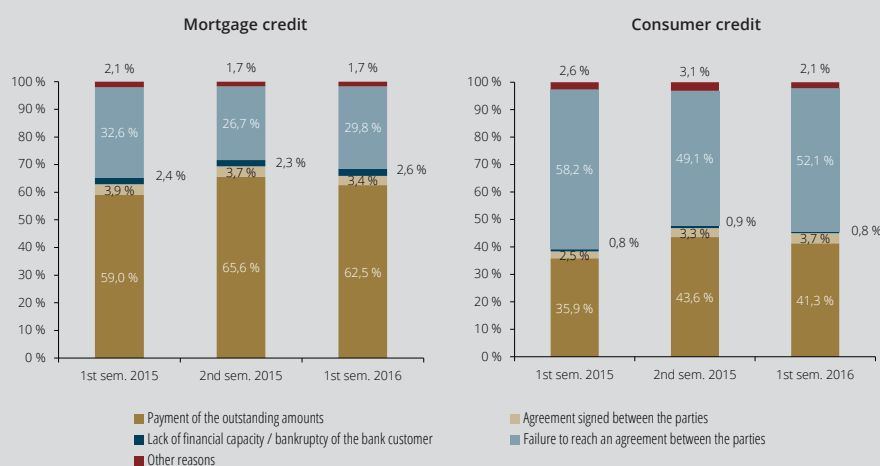
Note: (a) The table shows the number of solutions agreed; there could be more than one solution per agreement.

Table I.1.2.2 • OASP | Renegotiation solutions in OASP procedures | 1st semester of 2016^(a)

	Mortgage credit	Consumer credit	Total
Spread / Interest rate	112	762	874
Term	233	1353	1586
Grace period for principal (and/or interest)	769	173	942
Deferring of principal until the last instalment	129	7830	7959
Other conditions ^(b)	1518	595	2113
Memo item: Number de agreements	1353	7157	8510

Notes: (a) Renegotiations sometimes combine more than one of the solutions indicated in this table.

(b) This category includes, in particular, payment plans for the settlement of overdue instalments, changes in the interest rate regime and changes in ownership. The reporting of all these options is done in aggregate form so it is not possible to disaggregate the renegotiated conditions included in this category.



Graph I.1.2.1 • OASP | Reasons for extinction | 1st semester of 2015 – 1st semester of 2016

2. Arrears extraordinary regime

The extraordinary protection regime for mortgage credit debtors with very difficult economic conditions¹ ended its period of validity, in the terms legally envisaged, at the end of 2015, and remains applicable only to the requests for access submitted by customers up until that date.

At the end of 2015, 34 requests for access were pending verification of compliance with the legally-required access requirements², of which 23 were denied and 11 were granted by credit institutions.

Of the 38 procedures under the extraordinary regime that were concluded in the first semester of 2016, 17 led to an agreement between credit institutions and customers to settle the arrears, with 12 renegotiations and four additional loans to pay instalments, two of which

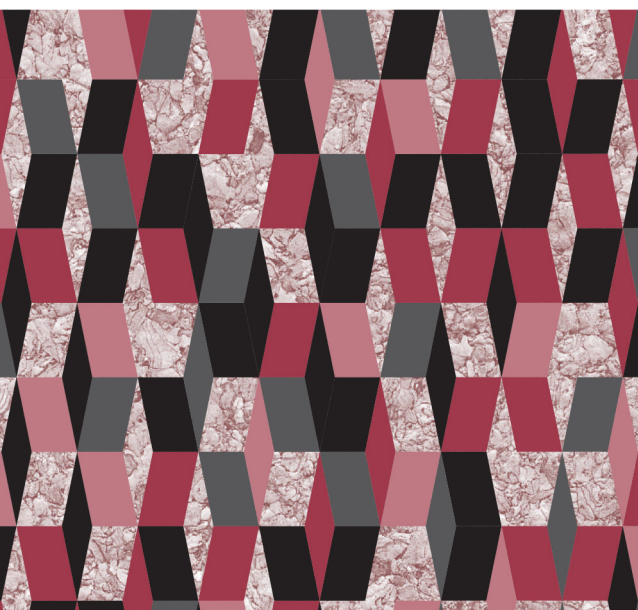
were granted in the context of renegotiations. In three of these procedures, payment in lieu of the properties given as collateral for housing credit was agreed upon, which had the effect of paying off the debt completely in two cases.

At the end of the first semester of 2016 there were 20 procedures being negotiated under the extraordinary regime. Agreements concluded between credit institutions and bank customers under this regime shall remain in force and shall not be prejudiced by the termination of the period of validity of the legal diploma.

Notes

1. Law No. 58/2012, of 9 November, amended by Law No. 58/2014, of 25 August.

2. In January 2016 two requests for access to the extraordinary regime with entry date of December 2015 were reported to Banco de Portugal. The number of requests under analysis at 31 December 2015 was therefore 34 and not 32, as published in the Banking Conduct Supervision Report 2015.



II Systematic monitoring

1. Price lists
2. Advertising of banking products
3. Indexed and dual deposits
4. Maximum rates in consumer credit

1. Price lists

In the first semester of 2016, Banco de Portugal analysed 682 price lists of 93 entities, of which 433 fees and expenses leaflets and 249 interest rate leaflets.

Institutions must report to Banco of Portugal the fees and expenses leaflet whenever they

make any changes to its content, such as introducing or modifying the financial products and services marketed or changing the fees charged. The interest rate leaflet should be reported to Banco de Portugal on a quarterly basis.

Table II.1.1 • Price lists | Monitoring of reported price lists | 1st semester of 2016

	Inspections	Entities covered
Fees and expenses leaflet	433	77
Interest rate leaflet	249	81
Total	682	93

Of the 433 changes made to the fees and expenses leaflet, 268 were at the initiative of the institutions and 165 were the result of Banco de Portugal's intervention, involving 58 institutions. The changes made by the institutions

included 52 cases where changes were made to the stamp duty on consumer credit transactions. At the end of the period, 111 fees and expenses leaflets were published on the Bank Customer Website.

Table II.1.2 • Price lists | Dissemination on the Bank Customer Website of the fees and expenses leaflet | 1st semester of 2016

	Number of leaflets	Entities covered ^(a)
Leaflets provided at the end of the semester	111	111
Changes made throughout the semester	433	77
of which:		
Changes due to Banco de Portugal's intervention	165	58
Updates made at the initiative of the institutions	268	71
of which resulting from changes in the stamp duty of credits transactions	52	52

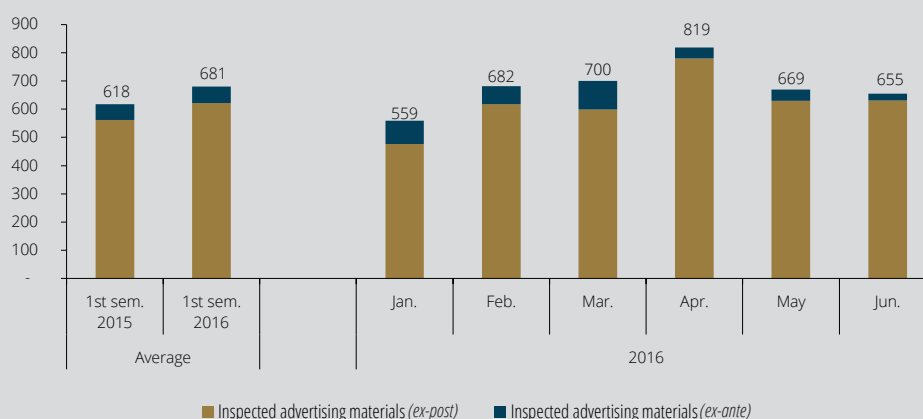
Note: (a) Excludes those institutions that do not charge fees for the services provided and 82 institutions belonging to the *Sistema Integrado de Crédito Agrícola Mútuo (SICAM)* that adopted the price list of *Caixa Central de Crédito Agrícola*.

2. Advertising of banking products

In the first semester of 2016, 4084 advertising materials from 53 credit institutions were inspected. In monthly average terms (681 media), this represents an increase of 10.2 per cent in the total number of advertising materials inspected when compared to the first semester

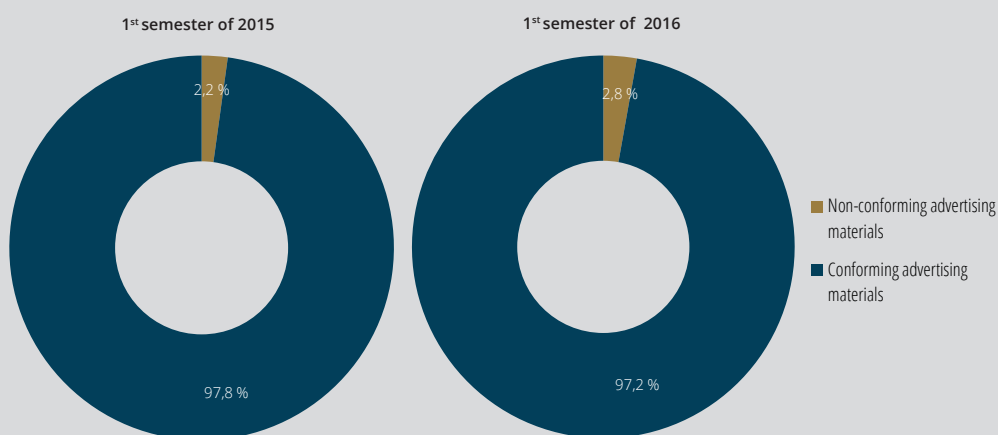
of 2015. The larger volume of analysed advertising materials is mainly due to the greater number of advertising campaigns carried out by the institutions in the promotion of credit cards and personal credit.

Graph II.2.1 •
Advertising
| Number of
advertising
materials
inspected
| 1st semester
of 2015 –
1st semester
of 2016

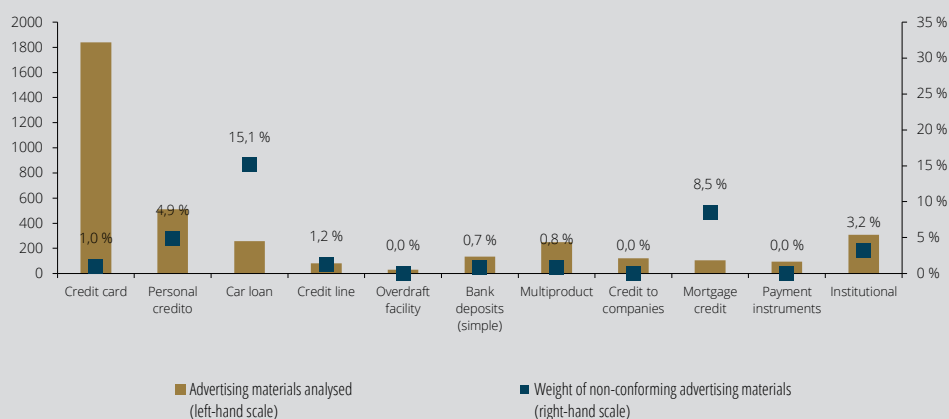


1st semester of 2016: 4084 inspected advertising materials, of which 213 relative to indexed and dual deposits.

Graph II.2.2 •
Advertising
| Percentage of
non-conforming
advertising
mediamaterials
| 1st semester
of 2015 –
1st semester
of 2016



Graph II.2.3 •
Advertising
| Percentage of
Non-conforming
advertising
materials, by
product type
| 1st semester
of 2016



Of the total volume of advertising materials inspected, 350 were analysed before the respective disclosure. In accordance with the legal framework, Banco de Portugal checked the compliance of 213 advertising materials with indexed and dual deposits prior to their marketing (5.2 per cent of the total). Banco de Portugal also analysed 137 advertising materials prior to their disclosure, in response to requests for their opinion (3.4 per cent) at the initiative of credit institutions.

Most of the advertising materials analysed continue to be related to credit cards (45 per cent of the total) and personal credit (13 per cent), followed by advertisements for bank deposits and institutional advertising, individually responsible for 9 per cent of the total of inspected media.

In terms of dissemination, mailings (sms/e-mail/letter) are the most prominent, being associated with 32 per cent of the overall volume of advertising materials analysed; (25 per cent), brochures (15 per cent), press ads (9 per

cent) and radio and television ads (5 per cent each).

In comparison to the first semester of 2015, there is an increase from 2.2 to 2.8 per cent in the default ratio, i.e., the proportion of non-conforming media in the group of ex-post inspected advertising materials. Of the 3734 advertising materials analysed after their disclosure, 105 had to be amended according to Banco de Portugal's instructions. Car loans are the product that most contributes to this result (39 advertising materials subject to specific determination), immediately followed by personal credit (25 advertising materials subject to specific determination). Car loans are also the product with the highest individual default ratio (15.1 per cent in the first half of 2016, compared to 4.9 per cent in personal credit). Credit cards, in turn, continue to have lower default ratios (1.0 per cent in the first semester of 2016 and 0.7 per cent in the first semester of 2015).

3. Structured deposits

During the first semester of 2016, 116 information leaflets were submitted by 12 credit institutions to Banco de Portugal for prior verification of their compliance with the regulations in force, 104 of which were related to

indexed deposits and 12 to dual deposits. The total number of information leaflets analysed reflects a reduction of 18.3 percent, compared to the first semester of 2015.

Table II.3.1 • Structured deposits | Information leaflets | 1st semester of 2015 – 1st semester of 2016

Type of deposit	1 st semester 2015		1 st semester 2016	
	Submitted	Entities covered	Submitted	Entities covered
Indexed	130	14	104	10
Dual	12	2	12	3
Total	142	16	116	12

Banco de Portugal also checked the remuneration rates and amounts paid to customers for applications in structured deposits due during the first semester of 2016. 87 overdue

indexed deposits and 11 dual deposit components were audited, seven in the form of simple deposits and four in the form of indexed deposits.

Table II.3.2 • Structured deposits | Overdue deposits | 1st semester of 2015 – 1st semester of 2016

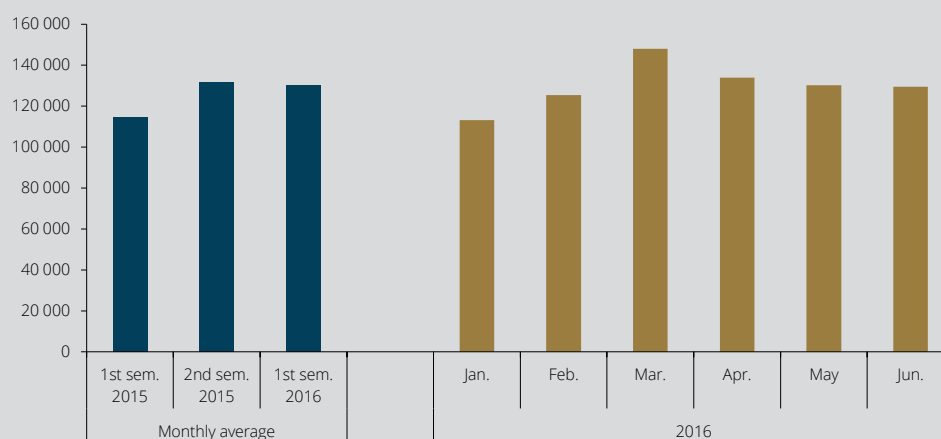
	1 st semester 2015		1 st semester 2016	
	Overdue	Entities covered	Overdue	Entities covered
Indexed	75	9	87	9
Dual	15	3	11	3
Fixed component	15		7	
Indexed component			4	
Total	90	11	98	12

4. Maximum rates in consumer credit

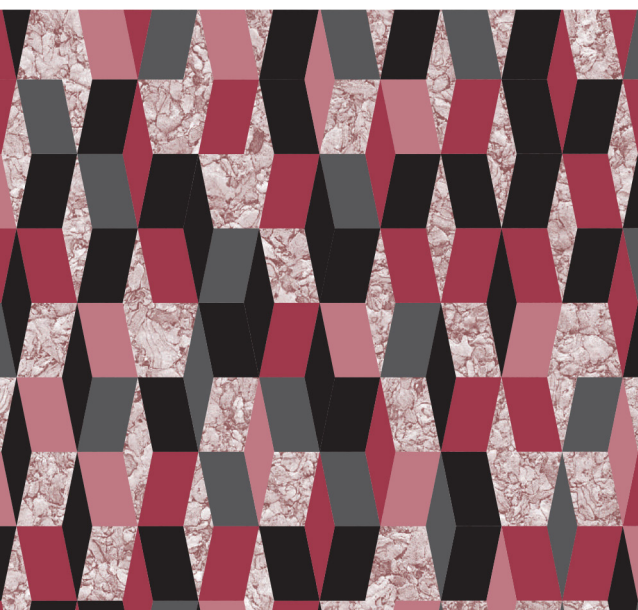
In the first semester of 2016, 54 credit institutions reported to Banco of Portugal information on 780,062 new consumer credit agreements, averaging about 130,000 agreements

per month (13.5 per cent above the value recorded in the first semester of 2015, of about 115 thousand agreements per month).

Graph II.4.1 • Consumer credit | Number of agreements reported | 1st semester of 2015 – 1st semester of 2016



Total agreements reported in the 1st semester of 2016 = 780,062



Inspections

In the first half of 2016, Banco de Portugal's banking conduct supervision focused on the inspection of the submission of the 'invoice-receipt' by credit institutions, the information duties provided through credit statements to consumers and the provision of basic bank accounts by a wider group of institutions. In addition, Banco de Portugal paid particular attention to compliance with the maximum rate regime and compliance of credit card sales solutions, overdraft facilities and credit overdrafts in current accounts.

Since January 2016, credit institutions have been obliged to send out 'invoice-receipts', an information duty instituted by Law no. 66/2015, of 6 July, which requires the submission of a document by the end of January of each year with the identification of all fees related to the demand deposit account and the associated payment services (e.g. transfers, cheques, debit cards and cash withdrawals at bank counters) that were applied in the previous year to customers (individuals and others).

In July 2015, the obligations established by Banco de Portugal's Notice no. 10/2014, relating to the periodic information to be provided in credit operations to consumers, came into force. Bank customers now receive regular information on the operations contracted (in particular on the value and components of the instalments to be amortized, the interest rate applied, the fees charged, the amount of capital due and overdue), as well as detailed information on arrears on agreements, the settlement of arrears and any early repayments.

In order to check compliance with the new legal and regulatory standards associated with the submission of 'invoice-receipts' and the obligations related to the credit statements to be issued by credit institutions to consumers, Banco de Portugal carried out off-site inspections. The fulfilment of this obligation was monitored by means of the submission by the institutions within the required periods of copies and evidence of the information provided to customers.

The amendment of the basic bank account regime through Law no. 66/2015 of 6 July determined that, as of October 2015, all institutions that market the set of services included in that regime must provide its customers with a basic bank account. Banco de Portugal carried out 'mystery shopping' inspections at several branches of institutions that started to market this account, assessing its correct disclosure.

As part of the assessment of the quality of information reported by credit institutions on consumer credit agreements with their customers, Banco de Portugal carried out inspections to the central services of a number of institutions. In these inspections, Banco de Portugal assessed compliance with the maximum rate regime and the adequacy of credit card marketing practices, overdraft facilities and credit overruns in demand deposit accounts, by analysing the loan portfolio of institutions and the information systems supporting their activity.

Inspections to branches

In the first half of 2016, Banco de Portugal conducted a total of 68 mystery shopping inspections and 15 accredited inspections at branches of 13 institutions.

Most of the inspections focused on the disclosure obligations of the basic bank account regime in the branches of the institutions that started selling these services.

Banco de Portugal also conducted inspections to check the correct disclosure of information in the selling of banking products to the public – namely, deposit accounts, time deposits, home loans and consumer credit. The obligations to disclose the price list and the complaints' book at the institutions' branches were also inspected.

Table III.1 • Inspections | Inspections to branches | 1st semester of 2016

	Mystery shopping	Accredited	Total	Entities covered
Marketing practices	14	15	29	2
Current accounts and payment instruments	5	4	9	2
Term deposits	2	4	6	1
Mortgage credit	2	3	5	1
Consumer credit	5	4	9	2
Disclosure of basic account regime	32	–	32	13
Disclosure of the price list	11	–	11	2
Disclosure of the complaints' book	11	–	11	2
Total	68	15	83	–

Note: These inspections involved 13 entities.

Inspections to the central services

In the first semester of 2016, Banco de Portugal conducted a total of 45 inspections to the central services of nine institutions. These inspections were mainly directed at the application of the maximum rate regime and the compliance of credit card marketing solutions, overdraft facilities and credit overrunning in demand deposit accounts under the consumer credit regime.

In the inspection of the maximum rates regime, a broad analysis of the contracting processes of consumer credit operations was carried out in order to check the quality of the monthly reporting to Banco de Portugal.

In addition, with regard to the consumer credit regime, the practices in contracting personal and car loan operations were assessed and compliance with the applicable information duties, the calculation and collection of interest and the procedures applicable to early payment were checked.

In the inspection of credit cards, overdraft facilities and credit overruns, compliance with the applicable legal framework was assessed, with emphasis on the application of the default regime, and the correct definition of the default date and of the amounts required as default interest and / or commission for the recovery of amounts in arrears.

Table III.2 • Inspections | Inspections to the central services | 1st semester of 2016

	Accredited	Entities covered
Consumer credit regime		
Contracting practices	8	8
Information duties	8	8
Maximum rate regime	8	8
Calculation and collection of interest	8	8
Early repayment	2	2
Default regime	2	2
Reporting information to Banco de Portugal	8	8
Arrears general regime	1	1
Total	45	–

Note: In these inspections 9 entities were covered.

The application of the arrears general regime was also subject to inspection, which focused on assessing the adequacy of the procedures adopted in the Pre-arrears Action Plan (PRAP) and in the Out-of-court Arrears Settlement Procedure (OASP), as well as in the process of renegotiating credit agreements in arrears that are not covered by this regime.

Off-site inspections

In the first semester of 2016, Banco de Portugal conducted a total of 414 off-site inspections, covering 105 institutions. Of these actions, 97 involved an accreditation process with the institution and a request for documentary data to assess compliance with the legal and regulatory provisions in force, while the remaining inspections were carried out by analysing information regularly reported by the institutions or available on their websites.

Of the matters analysed the following are highlighted:

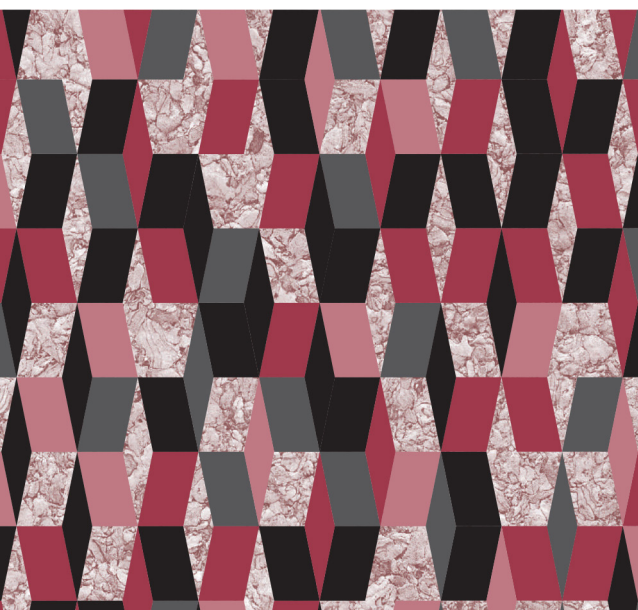
- The submission by credit institutions of the 'invoice-receipt' detailing all the commissions and expenses charged under the demand deposit account;
- The periodic information duties to be observed in the validity of consumer credit agreements;
- The information on the institutions' websites of alternative dispute resolution bodies or which the institutions adopted;
- The compliance with information duties in the price list;
- The adequacy of information on interest rates of credit operations indicated in the interest rate leaflet.

Table III.3 • Inspections | Off-site inspections | 1st semester of 2016

	Off-site inspections	Entities covered
Commissioning – current account	47	46
Commissioning – default regime	48	48
Invoice-receipt	44	44
Credit statements to consumers	52	52
Alternative dispute resolution	105	105
Interest rates in credit operations	62	62
Price list information duties	49	49
Basic Bank Accounts	7	7
Total	414	-

Note: In these inspections 105 entities were covered.





IV

Complaints from bank customers

1. Recent developments
2. Development of complaints by subject
3. Closed complaints

1. Recent developments

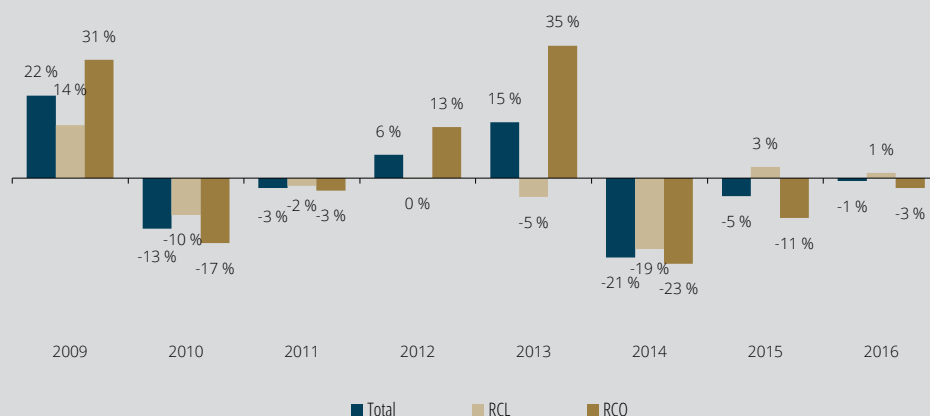
In the first semester of 2016, 6691 complaints were received on matters that are within the scope of Banco de Portugal's banking conduct supervision, with an average of 1115 complaints per month, with relative stability (-0.8 per cent) compared to the monthly average of 2015.

In the first semester of 2016, the average number of complaints related to mortgage credit, payment cards, credit transfers and credit to companies increased year on year. Conversely, the number of complaints related to consumer credit, cheques, cash transactions, direct debits and ATM machines dropped. Complaints about deposit accounts remained relatively stable.

Complaints filed through the credit institutions' complaints' book (RCL) increased slightly by 1.3 per cent in monthly average terms. Complaints directly submitted by bank customers to Banco de Portugal (RCO) fell by 2.6 per cent.

Complaints directly submitted to Banco de Portugal continued to be most frequently (72 per cent) submitted through the Bank Customer Website (PCB), although they decreased by 3.8 per cent in comparison to 2015.

The analysis of complaints closed in the first semester of 2016 showed that in about 64 per cent of the cases there were no indications of infringement by the credit institution, in line with the proportion seen in 2015. About 36 per cent of the complaints were resolved by the credit institution, on its initiative or by specific recommendation or provision of Banco de Portugal.



Graph IV.1.1 •
Complaints
| Number of
entries, by origin
| 2009 –
1st semester
of 2016

Table IV.1.1 • Complaints | Number of entries, by origin | 2015 – 1st semester of 2016

Year	Month	Entries ^(a)			
		RCL ^(b)	RCO ^(c)		Total
			Total	of which PCB ^(d)	
2015	January	496	552	401	1048
	February	430	507	358	937
	March	520	614	431	1134
	April	526	666	500	1192
	May	522	617	433	1139
	June	547	605	431	1152
	July	595	661	477	1256
	August	574	593	458	1167
	September	514	616	452	1130
	October	526	639	480	1165
	November	504	604	443	1108
	December	514	545	381	1059
	2015	6268	7219	5245	13 487
2016	January	419	585	420	1004
	February	464	668	453	1132
	March	604	518	372	1122
	April	524	613	481	1137
	May	628	631	435	1259
	June	537	500	361	1037
	1st sem. 2016	3176	3515	2522	6691

Notes: (a) The amounts shown relate to complaints on matters relating to banking products and services. It should be recalled that, in 2015 and in the first semester of 2016, 2602 and 1166 complaints, respectively, were received that were outside Banco de Portugal's scope. These relate to matters claimed that fall within the competence of Comissão de Mercados de Valores Mobiliários or Autoridade de Supervisão de Seguros e Fundos de Pensões.

(b) Complaints made through the complaints book.

(c) Complaints directly submitted to Banco de Portugal.

(d) Bank Customer Website.

2. Complaints by subject

The monthly average of complaints related to deposit accounts remained relatively stable (-0.2 percent), with their relative weight in total complaints rising slightly from 33.7 per cent in 2015 to 33.9 per cent in the first half of 2016.

The monthly average of consumer credit complaints declined by 5.9 per cent compared to 2015, with the relative weight of complaints on this matter also declining from 26.4 per cent in total complaints in 2015 to 25.1 per cent in the first semester of 2016. This drop resulted from the reduction of complaints related to credit cards and overdraft facilities, namely related to the collection of outstanding amounts and to the management of arrears.

In the case of mortgage credit, the average number of complaints increased by 1.4 per cent in the first half of 2016, compared to 2015. This increase reflected a slight rise in the relative weight of mortgage related complaints in total complaints from 11.3 per cent in 2015 to 11.5 per cent in the first half of 2016. This development resulted from the larger number of complaints received regarding the collection of amounts owed, guarantees and disengagement of borrowers (for example in situations of divorce). In this context, also worth noting is the decrease in the number of complaints regarding the management of arrears situations, compared to the monthly average observed in 2015.

The monthly average of complaints regarding cheques dropped significantly in comparison to 2015 (-18.1 percent), which led to a decrease in the relative weight of complaints from 4.7 per cent in 2015 to 3.9 per cent in the first semester of 2016. The lower number of complaints regarding returned cheques and refusal to accept them contributed to the reduction in complaints about cheques.

With regard to direct debits, the monthly average of complaints declined by 22.6 per cent. The weight of claims on direct debits dropped from 1.6 per cent in 2015 to 1.3 per cent in the first six months of 2016. This decrease is

largely explained by the lower number of complaints related to collection orders and the cancellation of direct debit orders.

Complaints related to cash operations and ATM machines also declined significantly in average terms in this semester (-33.6 and -26.2 per cent, respectively compared to 2015).

On the other hand, complaints on payment cards, credit transfers and credit to companies, which in average monthly terms increased by 15.3 per cent, 11.8 per cent and 13.6 per cent respectively, compared to the monthly average of 2015. In the case of payment cards, complaints accounted for 9.4 per cent of total complaints received in the first half of 2016, compared with 8.1 per cent in 2015. The increase in complaints on payment cards is partly explained by the increase in complaints relating to alleged fraud situations and to card annuity. The relative weight of complaints on credit transfers increased from 3.7 per cent in 2015 to 4.2 per cent in the first half of 2016. This increase was due to a rise in the number of complaints related to unexecuted transfers and alleged fraud situations.

The weight of complaints on credit to companies was 4.1 per cent in the first six months of 2016, 0.5 percentage points more than in 2015. This increase was partly due to the higher number of complaints relating to fees and charges and to credit liabilities.

The number of complaints per subject filed in absolute terms is influenced by the volume of agreements entered into with bank customers. It is therefore vital to put into perspective the number of complaints in each subject matter in relation to the respective volume of products and services contracted. Compared to 2015, in the number of complaints in the first semester of 2016, the following is highlighted:

- The number of complaints per 100 thousand deposit accounts remained unchanged at around 11;
- In consumer credit, the number of complaints per 100 thousand agreements decreased from 17 to 16;
- In cheques, the number of complaints for every million cheques declined from 15 to 14;
- In direct debits, the relative amount dropped from 126 to 94 per 100 million operations;
- In mortgage credit, the number of complaints per 100 thousand agreements increased from 36 to 38;
- In payment cards, the number of complaints for every million cards rose from 29 to 32 cards;

- In transfers, the number of complaints per 10 million transfers increased from 40 to 43;
- In credit to companies, the number of complaints per 100 thousand agreements increased from 20 to 23.

For the three subject matters with the highest number of complaints – deposit accounts, consumer credit and mortgage credit – the number of complaints addressed to each institution was weighted by their level of service or agreements entered into (see boxes on the following pages).

Graph IV.2.1 •
Complaints
| Change in
the monthly
average in
absolute and
relative terms,
by matter
| 1st semester of
2016

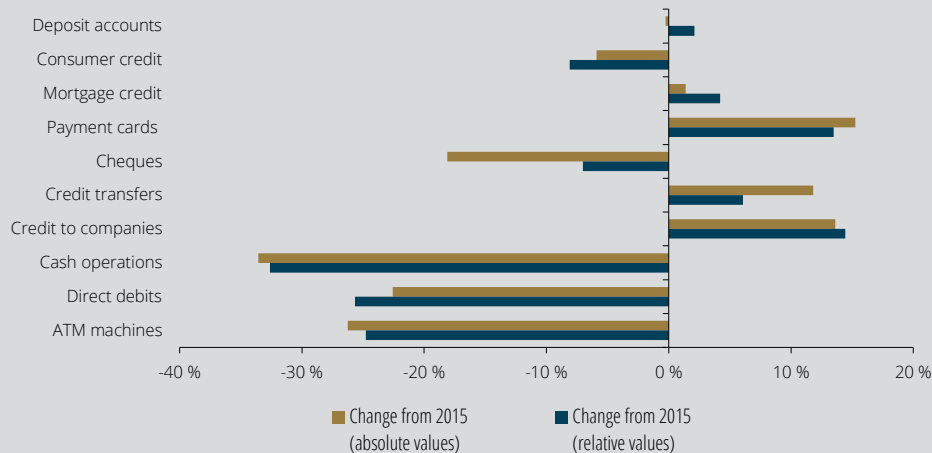
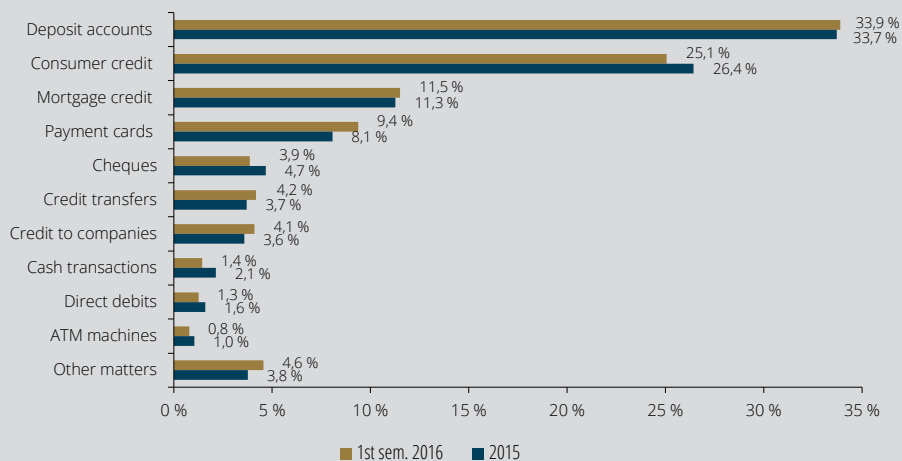


Table IV.2.1 • Complaints | Number of complaints by matter | 2015 – 1st semester of 2016

Complaints matter ^(a)	Absolute values			Relative values ^(b)		
	2015	1 st sem. 2016	Monthly Aver. change	2015	1 st sem. 2016	Reference unit
Deposit accounts*	4547	2268	-0,2 %	0.11	0.11	1000 accounts
Consumer credit*	3565	1677	-5,9 %	0.17	0.16	1000 agreements
Mortgage credit*	1519	770	1,4 %	0.36	0.38	1000 agreements
Payment cards*	1088	627	15,3 %	0.29	0.32	10,000 cards
Cheques	630	258	-18,1 %	0.15	0.14	10,000 cheques
Credit transfers	499	279	11,8 %	0.40	0.43	100,000 transfers
Credit to companies*	484	275	13,6 %	0.20	0.23	1000 agreements
Cash transactions	289	96	-33,6 %	0.69	0.46	million operations
Direct debits	217	84	-22,6 %	1.26	0.94	million operations
ATM machines*	141	52	-26,2 %	0.42	0.32	100 ATM machines
Other matters	508	305	20,1 %	–	–	–
Total	13 487	6691	-0,8 %	–	–	–

Notes: (a) The figures presented refer to matters that fall within the scope of Banco de Portugal's activities. For complaint matters marked with (*), the relative value presented for 2015 corresponds to the six-month average. This adjustment is necessary so that the relative value presented for 2015 is comparable to that recorded in the first half of 2016. As the reference units used in these matters are stock variables, comparison is possible only for equal periods. In matters not marked with (*), this correction is unnecessary, as the reference unit itself is a flow variable. Under the heading 'other matters', complaints on miscellaneous matters were recorded as well as thematic contents with less than 1 per cent of the total complaints, which included, for example, complaints arising from the non-availability of the Customer complaints' book.

(b) The reference units used to place each of the matters into perspective are specified in Box 7 on the methodological notes.



Graph IV.2.2 • Complaints | Matters most complained about (absolute values as a percentage) | 2015 – 1st semester of 2016

Box 1 | Matters most complained about

In this Box, we highlight the frequent topics of the main matters complained about in the first semester of 2016, regardless of the result of the complaints' analysis. The more frequent bank customer complaints are also listed.

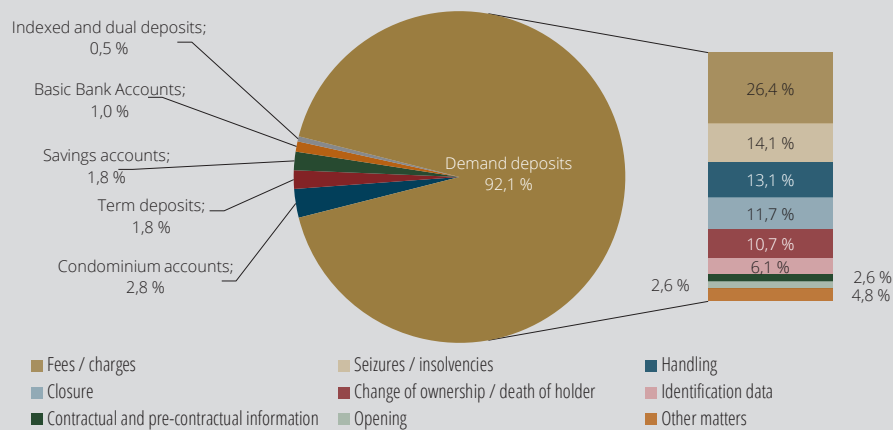
Deposit accounts

In the first half of 2016, 92.1 per cent of the complaints on deposit accounts related to demand deposits. In comparison to 2015, the lower proportion of complaints regarding fees and charges and identification data is highlight. Conversely, there was an increase in complaints relating to seizures and insolvencies and the closure of demand deposit accounts.

In deposit accounts, the matters most complained about were:

- **The charging of fees**, mainly involving (i) the provision of information relating to fees associated with the demand deposit account and the assumptions of its application and (ii) the amounts required under the account maintenance fee;
- **Seizures and insolvencies**, where, above all, complaints relate to (i) the delay in the termination of the attachment after payment of the debt, and (ii) the alleged breach of the limits on the unseizability of bank deposits;
- **Conditions for the handling of the accounts**, where complaints are related to (i) the alleged failure by credit institutions to comply with instructions given by customers for the handling of demand deposit accounts, (ii) debit transactions carried out by the institutions allegedly without the customer's authorisation, and (iii) blocking by the institution of the possibility of handling the demand deposit account;
- **Closure**, where above all complaints are related to (i) the alleged breach by the institution of instructions given by the customer to close the account and (ii) the closure of the account at the institution's initiative.

Graph C.1.1 • Complaints | Deposit accounts | 1st semester of 2016



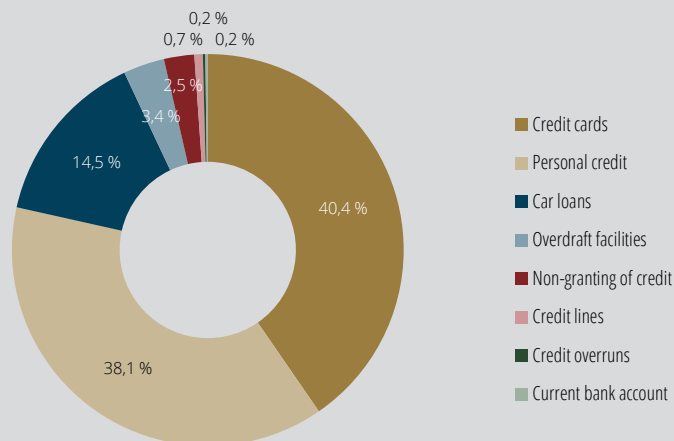
Consumer credit

In the first semester of 2016, credit cards remained the consumer credit product that gave rise to the largest number of complaints, accounting for 40.4 per cent of complaints on this matter. This was followed by personal credit, with 38.1 per cent of complaints, and car loans with 14.5 per cent.

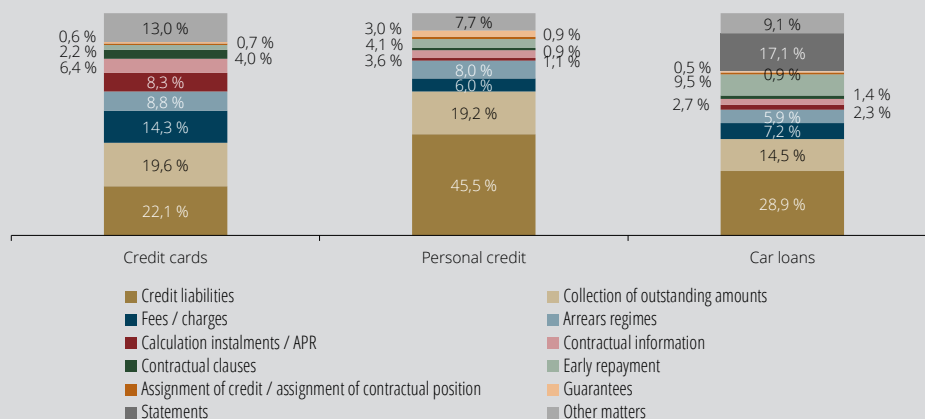
The most complained about matters under consumer credit were:

- **Credit liabilities**, with focus on complaints regarding (i) the reporting by institutions to the Central Credit Register, (ii) the alleged delays in rectifying communications made by the institutions and (iii) the non-provision of information to borrowers or guarantors of the commencement of the reporting of credit liabilities in default;
- **Collection of outstanding amounts**, mainly as a result of (i) the settlement of the outstanding amount required by the credit institution, (ii) arrears situations not included in the regime for the prevention and management of non-compliance of credit agreements and (iii) the methods used by credit institutions and entities contracted by them to collect outstanding amounts;

Graph C.1.2 • Complaints | Consumer credit products | 1st semester of 2016



Graph C.1.3 • Complaints | Credit cards, personal credit and car loans | 1st semester of 2016



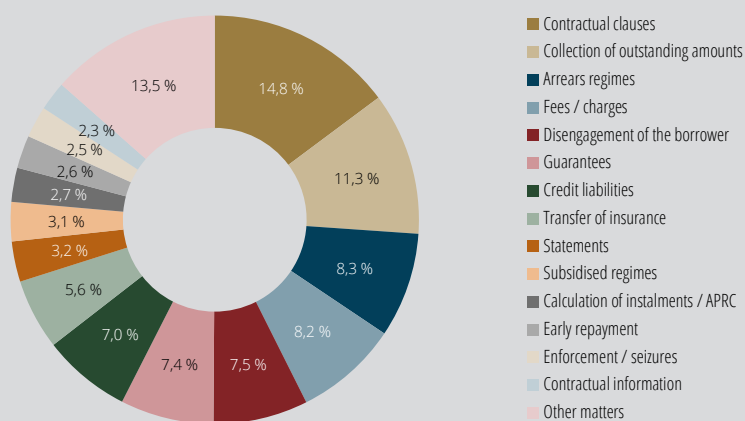
- **Collection of fees / charges**, namely (i) the alleged non-reporting by the institutions of fees charged and the assumptions for their application, (ii) the amounts required as fees for the services provided by the institutions and (iii) charging fees for late payment of credit instalments;
- **General arrears regime**, where the focus is on (i) the non-submission by the credit institution of proposals for the prevention or settlement of arrears and (ii) the non-adoption of the procedures associated with the OASP in a timely manner.

Mortgage credit

In the first semester of 2016, in the scope of mortgage credit, the following complaints were the most common: contractual clauses (14.8 per cent), collection of outstanding amounts (11.3 per cent), prevention and management of arrears (8.3 per cent) and fees or charges (8.2 per cent). The most frequently complained matters were:

- **Collection of amounts outstanding**, mainly as a result of (i) the settlement of the outstanding amount required by the credit institution, (ii) arrears situations not included in the regime for the prevention and management of non-compliance of credit agreements and (lii) the methods used by credit institutions and entities contracted by them to collect outstanding amounts;
- **Prevention and management of arrears situations**, which covers mainly complaints relating to matters falling under the OASP, notably the failure by credit institutions to submit proposals for the settlement of the arrears and disagreement with the settlement solutions submitted;
- **Collection of fees / charges**, with the focus on (i) the fees for processing the instalment and (ii) the fees charged for the late payment of instalments.
- **Contractual clauses**, with particular reference to complaints concerning (i) the renegotiation of the credit agreement through the modification of contractual clauses and (ii) the determination of the instalment amount as a result of the revision of the indexer;

Graph C.1.4 • Complaints | Mortgage credit | 1st semester of 2016



Payment cards

In the first half of 2016, the topics most complained about in relation to payment cards were: application and replacement (24.3 per cent), annuity (20.9 per cent), allegedly fraudulent transactions (20.3 per cent) and capture or cancellation of debit or credit cards (15.9 per cent). The matters with the highest number of complaints were:

- **Application / replacement of cards**, mainly due to refusal to issue a payment card or delay in replacing it;
- **Annuity**, where the focus is on (i) the conditions of exemption from or payment of the annuity, (ii) the amount of the annuity demanded by the institutions and (iii) the alleged non-communication of changes to the amount of the annuity;
- **Allegedly fraudulent operations** as a result of the use of cards, where the issue is the authorship of the instructions given to the credit institution and its responsibility for the execution of those transactions, especially in transactions carried out abroad and in the purchase of goods and services via the internet;

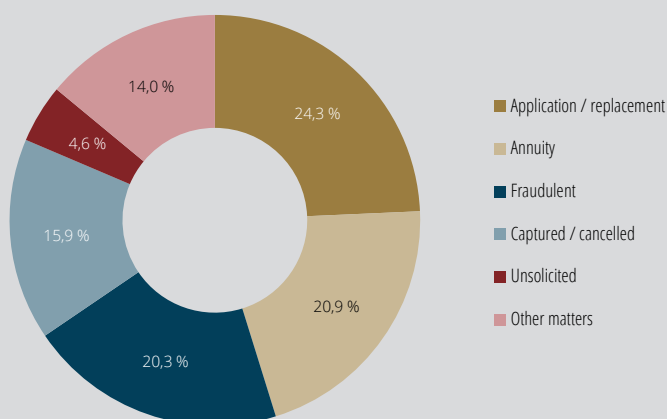
- **Capture or cancellation of debit or credit cards**, including, in particular, (i) situations of blocking of cards arising from the exercise of contractual prerogatives by the issuing institutions, (ii) cases of termination of contracts that regulate the use of cards, either on the initiative of the institutions or the customer.

Cheques

In the first half of 2016, in relation to cheques, complaints regarding fees charged by institutions (21.6 per cent), refusal to accept cheques (13.9 per cent), requests for cheques (13.2 per cent), funds availability (12 per cent) and returned cheques (10.9 per cent). The matters with the highest number of complaints were:

- **Fees charged by institutions**, particularly for the issuance of cheque books or as a result of returned cheques;
- **Refusal to accept cheques**, with particular emphasis on (i) the correct filling out of cheques, (ii) the cheque being presented by a person other than the payee of the cheque and (iii) the presentation of the cheque after the payment deadline;

Graph C.1.5 • Complaints | Payment cards | 1st semester of 2016



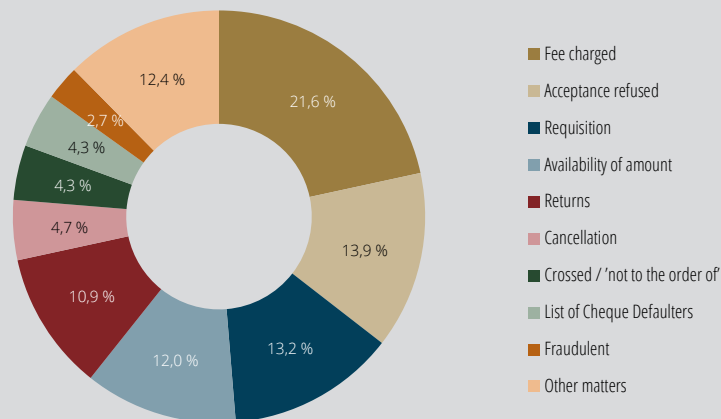
- **Request for cheques**, with the focus on the non-assignment of cheque books by credit institutions to their customers;
- **Provision of funds**, with most questions being raised regarding compliance with the deadlines set by law for situations where the cheque is deposited at the counter and at automatic terminals;
- **Returned cheques**, which includes complaints on (i) the non-payment of cheques due to insufficient funds, (ii) alleged failure to comply with the obligation to check the regularity of the succession of endorsements by the chequing institutions and (iii) the method of payment of crossed or 'not to order of' cheques.

Transfers

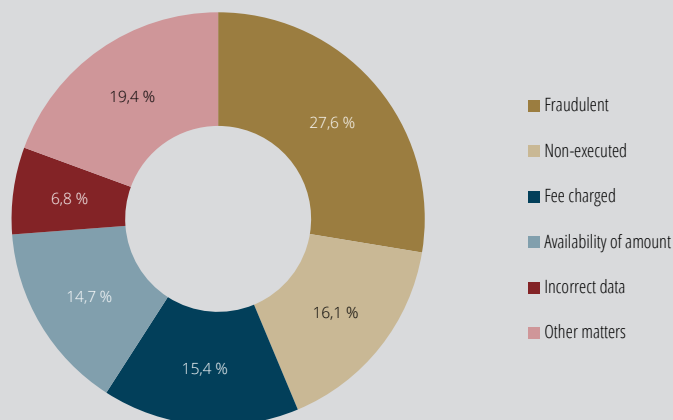
In the first semester of 2016, in relation to transfers, the most noteworthy were complaints about allegedly fraudulent transactions (27.6 per cent), non-executed transactions (16.1 per cent) and transfer fees (15.4 per cent). The matters with the highest number of complaints were:

- **Allegedly fraudulent transactions**, particularly in the context of the provision of banking services through distance communication means, where the issue is the authorship of the instructions given to the credit institution and its responsibility for the execution of those transactions;

Graph C.1.6 • Complaints | Cheques | 1st semester of 2016



Graph C.1.7 • Complaints | Credit transfers | 1st semester of 2016



- **Operations not executed**, with the focus on (i) the failure to make available to the beneficiary the transferred amount due to difficulties in checking their identification data, and (ii) compliance with the execution deadlines established by law;
- **Collection of fees for transfers**, in particular as regards the amount charged for both cross-border and national transactions.

Credit to companies

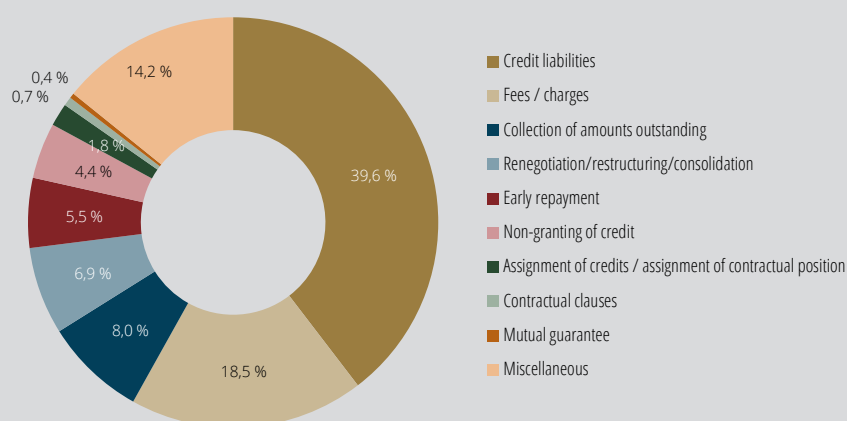
In the first semester of 2016, with regard to credit to companies, the most noteworthy were complaints about credit liabilities (39.6 per cent), collection of fees or charges (18.5 per cent) and collection of outstanding amounts (8 per cent) and renegotiation, restructuring and consolidation (6.9 per cent). The most frequently complained about matters were:

- **Credit liabilities**, where the focus was on complaints related to (i) the reporting by institutions to the Central Credit Register, (ii) the alleged delays in rectifying communications

made by the institutions and (iii) the non-provision of information to borrowers or guarantors of the commencement of the reporting of credit liabilities in default;

- **Collection of fees or charges**, with focus on complaints regarding (i) the provision of information on the fees charged and the assumptions for their application, (ii) the amounts required as fees and (iii) changes to the applicable price list;
- **Collection of amounts outstanding**, mainly as a result of (i) the settlement of the outstanding amount required by the credit institution, (ii) the allocation of payments to the different contractual amounts owed and (iii) situations of arrears on credit agreements;
- **Renegotiation**, restructuring and consolidation, with focus on complaints regarding (i) requests for renegotiation of the conditions initially granted for the credit and (ii) requests for the restructuring and consolidation of amounts in arrears.

Graph C.1.8 • Complaints | Credit to companies | 1st semester of 2016



Box 2 | Institutions with the most complaints in deposit accounts

Table C.2.1 • Complaints | Number of complaints per 1000 demand deposit accounts
| 1st semester of 2016

Abbrev.	Credit institution	1 st sem. 2016
BBVA	BANCO BILBAO VIZCAYA ARGENTARIA (PORTUGAL), S. A.	0.61
DBAKT	DEUTSCHE BANK AKTIENGESELLSCHAFT – SUCURSAL EM PORTUGAL	0.49
BSTOT	BANCO SANTANDER TOTTA, S. A.	0.18
BINVG	BANCO DE INVESTIMENTO GLOBAL, S. A.	0.12
BBPOR	BANCO BIC PORTUGUÊS, S. A.	0.11
System average		0.11
BACTI	BANCO ACTIVOBANK, S. A.	0.10
NOVOB	NOVO BANCO, S. A.	0.10
CGD	CAIXA GERAL DE DEPÓSITOS, S. A.	0.10
BBPI	BANCO BPI, S. A.	0.10
BCP	BANCO COMERCIAL PORTUGUÊS, S. A.	0.10
BAPOP	BANCO POPULAR PORTUGAL, S. A.	0.09
CEMG	CAIXA ECONÓMICA MONTEPIO GERAL	0.08
SICAM	CAIXAS DE CRÉDITO AGRÍCOLA MÚTUO INTEGRADAS NO SICAM	0.02

Note: The system average is equivalent to 11 complaints for every 100,000 demand deposits account.

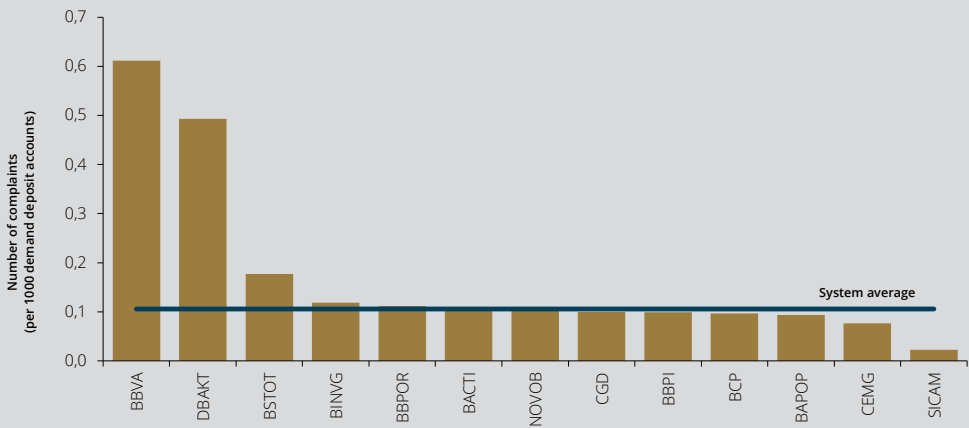
The previous table presents, for the first semester of 2016, the number of complaints for every 1000 demand deposit accounts, by credit institution. The complaints taken into account were those received by Banco de Portugal on this subject matter, regardless of whether their analysis was favourable to the complainant or not.

The credit institutions in the table above had on average more than two complaints per quarter in 2016. A still lower number of complaints were received for another group of institutions, which, given their relative importance, are not listed above. This group includes: *Banco do Brasil, AG* – branch in Portugal, *Banco Invest, BEST* – *Banco Electrónico de Serviço Total*, *Caixa de Crédito Agrícola Mútuo de Leiria*, *Caixa de Crédito Agrícola Mútuo de Mafra* and *Novo Banco dos Açores*.

The table above also does not include credit institutions which, although having more than two complaints per quarter in 2016, were not active throughout the semester. This group includes *Banco CTT*, *Bankinter* – branch in Portugal and the activity of *Barclays Bank PLC* not related to large corporate banking and investment banking.

No complaints were received against other relevant institutions in the deposit accounts area, such as *ABANCA Corporación Bancaria* – branch in Portugal, *Banco Finantia*, *Banco L. J. Carregosa*, *Banco Privado Atlântico – Europa*, *BNP Paribas*, *Caixa – Banco de Investimento*, *Caixa de Crédito Agrícola Mútuo da Chamusca*, *Caixa de Crédito Agrícola Mútuo de Bombarral*, *Caixa de Crédito Agrícola Mútuo de Torres Vedras* and *Caixa Económica da Misericórdia de Angra do Heroísmo*.

Graph C.2.1 • Complaints | Number of complaints per 1000 demand deposit accounts
| 1st semester of 2016



Box 3 | Institutions with the most complaints in consumer credit**Table C.3.1 • Complaints | Per 1000 consumer credit agreements | 1st semester of 2016**

Abbrev.	Credit institution	1 st sem. 2016
DBAKT	DEUTSCHE BANK AKTIENGESELLSCHAFT – SUCURSAL EM PORTUGAL	1.10
CIFIC	CAIXA LEASING E FACTORING – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S. A.	1.00
RBANS	RCI BANQUE – SUCURSAL PORTUGAL	0.75
FCACP	FCA CAPITAL PORTUGAL – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S. A.	0.62
BASCP	BANCO SANTANDER CONSUMER PORTUGAL, S. A.	0.57
BFT	BANCO FINANTIA, S. A.	0.52
BARCL	BARCLAYS BANK, PLC / BARCLAYCARD	0.48
BMWSP	BMW BANK GMBH SUCURSAL PORTUGUESA	0.46
BBPOR	BANCO BIC PORTUGUÊS, S. A.	0.39
BACOF	BANCO COFIDIS, S. A.	0.37
BPRIM	BANCO PRIMUS, S. A.	0.35
BBVIF	BBVA – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S. A.	0.32
321CR	321 CREDITO – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S. A.	0.31
BAPOP	BANCO POPULAR PORTUGAL, S. A.	0.26
BBVA	BANCO BILBAO VIZCAYA ARGENTARIA (PORTUGAL), S. A.	0.26
COFID	COFIDIS	0.19
CEMG	CAIXA ECONÓMICA MONTEPIO GERAL	0.19
MTPCR	MONTEPIO CRÉDITO – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S. A.	0.17
System average		0.16
BSTOT	BANCO SANTANDER TOTTA, S. A.	0.16
BACTI	BANCO ACTIVOBANK, S. A.	0.15
UNICR	UNICRE – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S. A.	0.14
FINCI	FINANCEIRA EL CORTE INGLÉS PORTUGAL, S.F.C., S. A.	0.13
BBPI	BANCO BPI, S. A.	0.12
BCBOM	BANCO CREDIBOM, S. A.	0.11
ONEYF	ONEY – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S. A.	0.10
SICAM	CAIXAS DE CRÉDITO AGRÍCOLA MÚTUO INTEGRADAS NO SICAM	0.10
BBNPP	BANCO BNP PARIBAS PERSONAL FINANCE, S. A.	0.09
NOVOB	NOVO BANCO, S. A.	0.09
BCP	BANCO COMERCIAL PORTUGUÊS, S. A.	0.08
CGD	CAIXA GERAL DE DEPÓSITOS, S. A.	0.07

Note: The system average is equivalent to 16 complaints for every 100,000 consumer credit agreements.

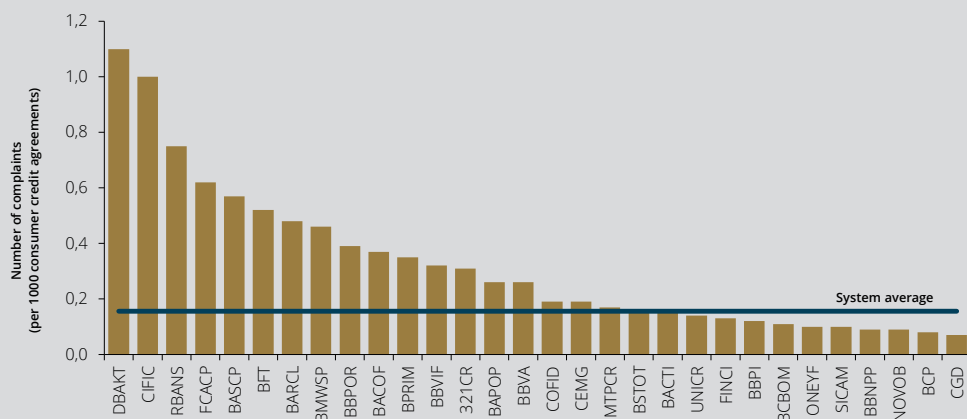
The table above shows the number of complaints per thousand consumer credit agreements in force, per credit institution in the first half of 2016. The complaints taken into account were those received by Banco de Portugal on this subject matter, regardless of whether their analysis was favourable to the complainant or not.

The above credit institutions had, on average, more than two complaints per quarter in 2016. A still lower number of complaints was received for another group of institutions, which, given their relative importance, is not referred to above. This group includes Banco do Brasil, AG – branch in Portugal, BEST – Banco Electrónico de Serviço Total, Caixa de Crédito Agrícola Mútuo de Leiria, Mercedes-Benz Financial Services Portugal – Sociedade Financeira de Crédito, Novo Banco dos Açores, Popular Servicios Financieros – branch in Portugal, Sofinloc – Instituição Financeira de Crédito, Union de Créditos Imobiliários, Establecimiento Financiero de Crédito (Sociedad Unipersonal) – branch in Portugal.

The table above does also not include credit institutions which, although having more than two complaints per quarter in 2016, were not active throughout the semester. This group includes *Bankinter* – branch in Portugal and the activity of Barclays Bank PLC not related to Barclaycard.

No complaints were received against other relevant institutions in the consumer credit area, such as *ABANCA Corporación Bancaria* – branch in Portugal, *Banco de Investimento Global*, *Banco de Investimento Imobiliário*, *Banco Invest*, *Banco Privado Atlântico – Europa*, *Caixa Económica da Misericórdia de Angra do Heroísmo*, *Volkswagen Bank GMBH* – branch in Portugal.

Graph C.3.1 • Complaints | Per 1000 consumer credit agreements | 1st semester of 2016



Box 4 | Institutions with the most complaints in mortgage credit

Table C.4.1 • Complaints | Per 1000 mortgage credit agreements | 1st semester of 2016

Abbrev.	Credit institution	1 st sem. 2016
BBVA	BANCO BILBAO VIZCAYA ARGENTARIA (PORTUGAL), S. A.	1.73
BBPOR	BANCO BIC PORTUGUÊS, S. A.	0.73
BSTOT	BANCO SANTANDER TOTTA, S. A.	0.73
BAPOP	BANCO POPULAR PORTUGAL, S. A.	0.63
DBAKT	DEUTSCHE BANK AKTIENGESELLSCHAFT – SUCURSAL EM PORTUGAL	0.63
CEMG	CAIXA ECONÓMICA MONTEPIO GERAL	0.50
System average		0.38
UNCRE	UNION DE CREDITOS INMOBILIARIOS, S. A., ESTABLECIMIENTO FINANCIERO DE CREDITO (SOCIEDAD UNIPERSONAL) – SUCURSAL EM PORTUGAL	0.34
CGD	CAIXA GERAL DE DEPÓSITOS, S. A.	0.30
BCP	BANCO COMERCIAL PORTUGUÊS, S. A.	0.29
NOVOB	NOVO BANCO, S. A.	0.26
BBPI	BANCO BPI, S. A.	0.20
SICAM	CAIXAS DE CRÉDITO AGRÍCOLA MÚTUO INTEGRADAS NO SICAM	0.14

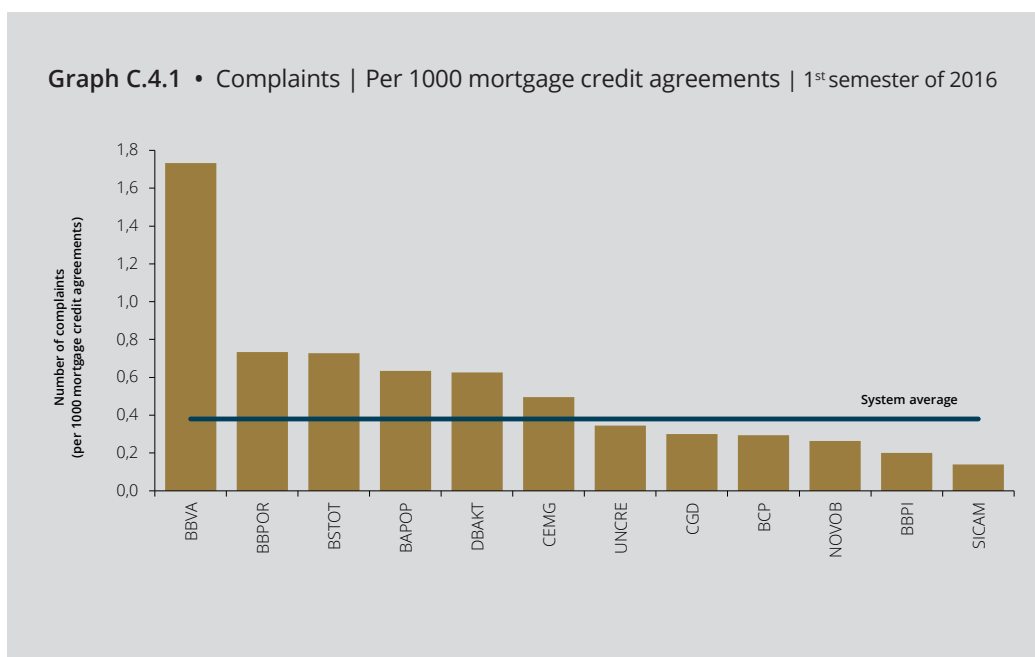
Note: The system average is equivalent to 38 complaints for every 100,000 mortgage credit agreements

The table above shows the number of complaints per thousand mortgage credit agreements in force, per credit institution in the first half of 2016. The complaints taken into account were those received by Banco de Portugal on this subject matter, regardless of whether their analysis was favourable to the complainant or not.

The above credit institutions had, on average, more than two complaints per quarter in 2016. A still lower number of complaints was received for another group of institutions, which, given their relative importance, is not referred to above.

This group includes *ABANCA Corporación Bancaria* – branch in Portugal, *Banco de Investimento Imobiliário* and *Banco Invest*. The table above also does not include credit institutions which, although having more than two complaints per quarter in 2016, were not active throughout the semester. This group includes *Bankinter* – branch in Portugal and *Barclays Bank PLC*.

No complaints were received against other relevant institutions in the mortgage credit area, such as *Caixa de Crédito Agrícola Mútuo de Leiria* and *Novo Banco dos Açores*.

Graph C.4.1 • Complaints | Per 1000 mortgage credit agreements | 1st semester of 2016**Box 5 | Complaints reported to the Central Credit Register**

In the first semester of 2016, Banco de Portugal received a total of 654 complaints relative to the reporting of information to the Central Credit Register (CRC).

The CRC is a database that contains information on all credits granted to natural and legal persons, in an amount equal to or greater than 50 Euros. In addition to the effective liabilities (credit agreements in which the respective amounts have already been used), the CRC also contains information on potential liabilities (liabilities that could be converted into effective debts, as is the case of the unused credit card ceiling or the personal guarantees – surety or endorsement – provided in the context of a credit agreement). The information contained in the CRC covers both defaulting credit liabilities and those in a regular situation, which is why it is not a ‘black list’.

Banco de Portugal centralizes the monthly information that is reported to it by the participating CRC entities. Participating entities

are all financial institutions that grant credit in Portugal as well as other entities, designated by Banco de Portugal, which carry out credit-related activities.

The main purpose of the CRC is to support participating entities in assessing the credit risk, allowing them to consult aggregate information on the borrower’s indebtedness. To this end, Banco de Portugal provides the participating entities with information on the aggregate liabilities related to the credit granted to their customers or to potential customers requesting loans.

Any person has the right to be informed of the content of the records held in their name with the CRC. Bank customers may consult their information held by the CRC via the Bank Customer Website at <http://cliente-bancario.bportugal.pt> (*Serviços ao público > Responsabilidades de crédito > Mapa de responsabilidades de crédito*).

Most complaints concerning the reporting of liabilities to the CRC are related to the credit situation, in particular where the reporting of information reflecting arrears is concerned. It should be noted that in cases where the credit agreement is not being paid on a regular basis, the information in the CRC relating to the credit situation contains the indication of 'overdue credit', 'overdue credit in judicial litigation', 'credit written off against the asset' or 'credit written off against the asset in judicial litigation', depending on the situation.

In most cases, complainants contest the existence of an arrears situation, alleging that the information contained in the CRC does not reflect payments made or question the very existence of the debt.

At times, it is also contested that the participating entities allegedly did not inform customers that the reporting of negative information to the CRC had been initiated. Participating entities are, in fact, obliged to inform customers with overdue credit of the commencement of their reporting of the arrears situation to the CRC. In the case of guarantors who are required to replace the principal debtors in paying the credit, the participating entity should also inform them of this situation and only report the arrears situation if the credit payment is not made within the period established to this end.

Another situation that is often the subject of complaint is the reporting of negative information to the CRC in cases where bank customers entered into agreements with the participating entities for the payment of the amounts in arrears, and are in fact complying with the obligations agreed upon.

In regard to this aspect, it should be noted that, in accordance with the rules governing the reporting of information to the CRC, credit agreements that, having entered into default, were the subject of a payment agreement between the participating entity and the customer (without the provision of additional guarantees), and where the customer is complying with the agreed payment terms, must

be reported to the CRC in the 'renegotiated credit' situation. This agreement may be prior to litigation or arise in the course of legal proceedings, including insolvency proceedings.

With regard to insolvency proceedings, complaints were also filed in which customers protest that the CRC continues to report credit liabilities after a final decision to exonerate the remaining liabilities. In view of the fact that the waiver of the remaining liabilities has the effect, under the terms legally stipulated¹, of settling all insolvency credit that still exists at the date on which it is granted, in such situations participating entities must cease to report the respective credit liabilities to the CRC.

The data collected by the CRC and disclosed to the financial system are the exclusive responsibility of the institutions that report them to Banco de Portugal, so that the data are only changed when reported to Banco de Portugal by the entity that communicated them.

Participating entities are obliged to communicate to the CRC current, accurate and correct information, so that whenever there is an omission or improper communication of any responsibility, past or present, entities are obliged to correct it. In the case of correction of liabilities for a period after January 2009, it must be effected within a maximum period of five business days from the moment the participating entity becomes aware of the omission or improper communication of any liability.

3. Closed complaints

In the first half of 2016, in 64 per cent of complaints closed there were no indications of infringement by the credit institution and in 36 per cent of the cases the situation was resolved by the credit institution, on its own initiative or by recommendation or specific determination of Banco de Portugal.

The cases in which there were no indications of infringement by the credit institution may result from bank customers submitting a complaint about the performance of the credit institution, even if it is acting in accordance with the applicable legal framework. These cases occur in general when customers do not have complete knowledge of the characteristics of the products or of the rights ensured to them by the legal framework in force.

Credit institutions correct the situation complained about when it is the result of non-compliance with the applicable rules, following specific recommendations or provisions issued by Banco de Portugal. Banco de Portugal may also institute administrative proceedings.

Even if there is no irregularity or non-compliance with the applicable standards, credit institutions may decide to heed complaints from customers regarding their performance.

In the first semester of 2016, the average time spent analysing complaints closed during this period was 49 days, compared to 59 days in 2015.

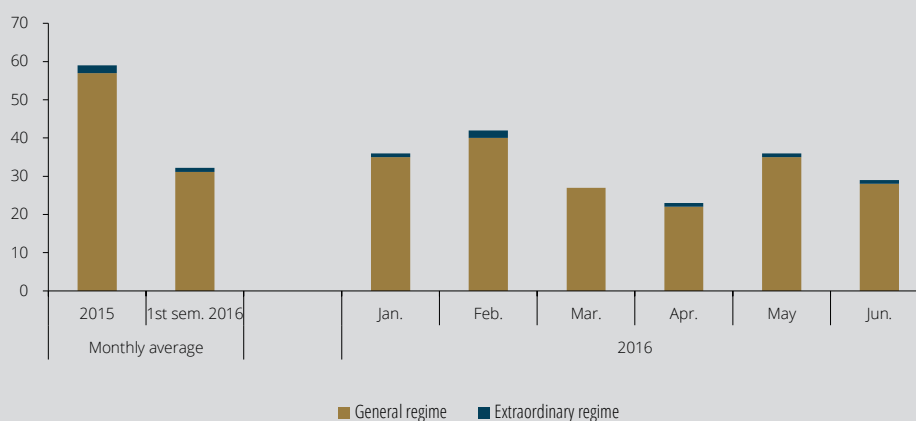
Box 6 | Complaints on arrears regimes

Complaints received

In the first half of 2016, Banco de Portugal received 193 complaints from bank customers regarding the application of the regimes for

the prevention and management of arrears², in a monthly average of 32 complaints, around 45 per cent less than in 2015.

Graph C.6.1 • Complaints | Complaints on arrears regimes | 2015 – 1st semester of 2016



These complaints accounted for about 3 per cent of total complaints received in this period (5.2 per cent in 2015).

In 85.5 per cent of the cases, the complaints were submitted by the complainants directly

to Banco de Portugal (RCO). The remaining 14.5 per cent were complaints filed by bank customers through the Complaints' Book of Credit Institutions (RCL).

Table C.6.1 • Complaints | Arrears regimes, by credit type | 1st semester of 2016

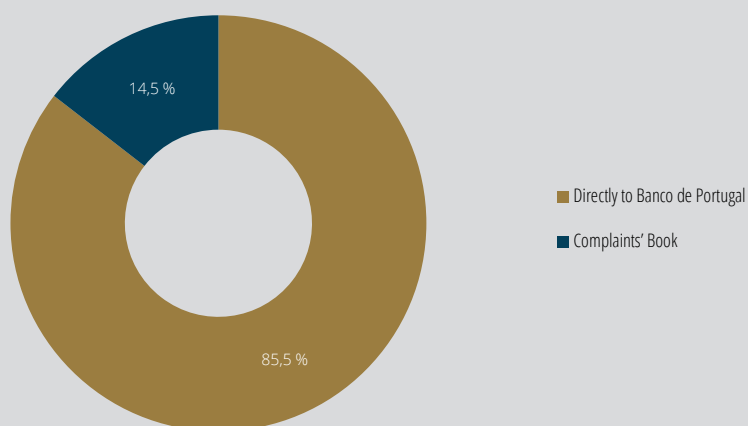
Complaint matter	Number of complaints	Distribution
Mortgage credit	64	33,2 %
General regime		
PRAP	24	12,4 %
OASP	34	17,6 %
Extraordinary regime	6	3,1 %
Consumer credit	129	66,8 %
General regime		
PRAP	34	17,6 %
OASP	95	49,2 %
Total	193	100,0 %

Complaint matters

Most of the complaints about arrears situations received in the first half of 2016 were therefore related to the application of the general regime (96.9 per cent of the total).

Under this regime, the highest number of complaints (69 per cent) focused on the OASP (Out-of-court arrears settlement procedure), with the remaining 31 per cent focused on the PRAP (Pre-arrears Action Plan).

Graph C.6.2 • Complaints | Distribution of complaints on arrears regimes, by origin | 1st semester of 2016

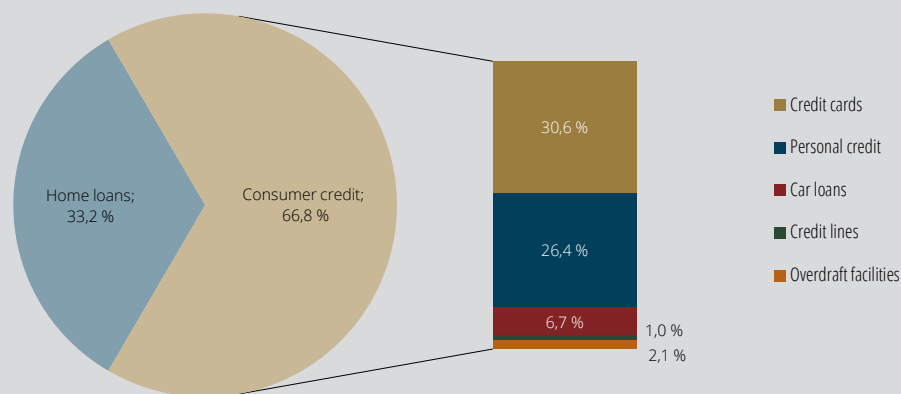


Complaints concerning the implementation of the arrears regimes mostly covered consumer credit agreements (66.8 per cent), with emphasis on credit cards (30.6 per cent) and personal loans (26.4 per cent). The remaining complaints (33.2 per cent) focused on matters related to mortgage credit, reflecting the nature of the credit under the OASP.

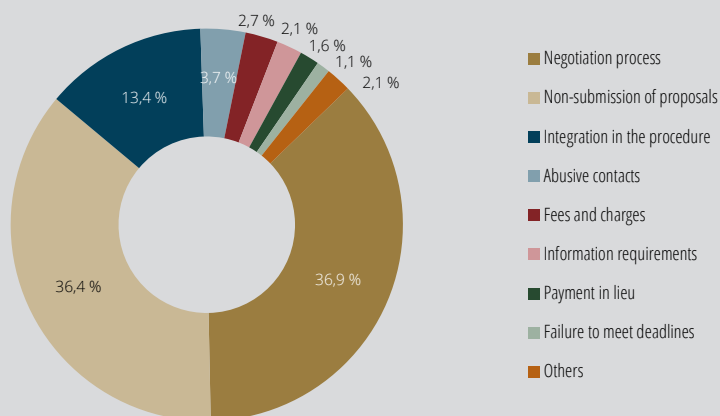
The way in which credit institutions conducted the negotiation process with customers covered by the PRAP or OASP was the main reason for complaints filed under the general arrears

regime (36.9 per cent). In particular, customers contested the adequacy of the solutions proposed for the prevention or settlement of arrears situations to their financial capacity or the limited availability of institutions to negotiate changes to the proposals initially submitted. Failure to submit or delay in submitting proposals for the prevention or settlement of arrears was also a frequent topic in the complaints on the general regime (36.4 per cent).

Graph C.6.3 • Complaints | Arrears regimes, by credit type | 1st semester of 2016



Graph C.6.4 • Complaints | Reason for complaints on the general regime | 1st semester of 2016



Among other topics raised by the complainants regarding the general arrears regime, what most stands out is the non-adoption by credit institutions of procedures related to the PRAP or OASP (13.4 per cent). The customers in question alleged that credit institutions did not adequately monitor their requests to reduce charges on credit agreements with a view to preventing or settling the arrears situations.

In the first half of 2016, six complaints were made regarding the implementation of the extraordinary arrears regime. It is recalled that the validity period of the regime ended, as legally stipulated, at the end of 2015 and has remained applicable to the requests for access submitted by bank customers until the end of the year. Of the total number of complaints filed on this matter, four were motivated by the denial of the requests for access presented.

The rest of the complaints focused on the delay in submitting a loan restructuring proposal and on the disagreement on the solution proposed by the credit Institution for the settlement of the arrears.

Result of the complaints

In the first half of 2016, 65 per cent of the closed complaints covered by the arrears regimes showed no evidence of infringement, a higher proportion than in 2015. Conversely, there was a reduction in the proportion of closed complaints in which credit institutions, on their own initiative or as a result of Banco de Portugal's intervention, resolved the complaint situations, from 39 per cent in 2015 to 35 per cent in the first half of 2016.

Box 7 | Methodological Notes

Universe of complaints

The data considered in the statistical analysis relate to complaints filed with Banco de Portugal in 2015 and in the first half of 2016, whose thematic content falls within its scope of action, whether filed through the Complaints Book made available in credit institutions or sent directly to Banco de Portugal by bank customers.

Excluded from this analysis are complaints filed with Banco de Portugal whose subject matter does not fall within its scope of action, as well as complaints presented by customers directly to the institutions without resorting to the Complaints' Book. The latter are not referred to Banco de Portugal and are treated bilaterally between customers and institutions.

Complaint matters

The classification of complaints in terms of the subject matter complained about is carried out from the standpoint of the banking product or

service that is the subject of the complainant's statement. Complaints are assigned to a particular banking product or service when they concern any fact relating to the banking conduct standards related to that product or service. Complaints are thus classified by complaint matter, as follows:

- Cards – complaints associated with the issuance and use of debit and credit cards as a means of payment.
- Cheques – complaints associated with the issuance and use of cheques.
- Mortgage credit – Complaints related to the access, execution and contractual conditions of credit agreements to home loans and related credit covered by Decree-Law No. 51/2007, of 7 March.
- Consumer credit – Complaints relating to the access, execution and contractual conditions of credit agreements, other than

home loan and related credit agreements, covered by Decree-Law No. 51/2007, of 7 March. These complaints are thus related to consumer credit or other credit granted to individuals, whether or not made through credit cards.

- Credit to companies – Complaints relating to credit agreements granted to companies, including agreements entered into with sole proprietors in the scope of their business.
- Deposit accounts – Complaints associated with the opening, handling or management of deposit accounts, as well as their contractual conditions. Included in this topic are complaints involving all types of deposits, namely demand, term, special regime or others, defined in Decree-Law No. 430/91, of 2 November.
- Direct debits – Complaints related to the processing of direct debit instructions in current accounts.
- ATM machines – complaints relating to the operation of ATMs.
- Cash operations – Complaints relating to operations with banknotes and coins, in particular currency exchange, and differences in withdrawals and deposits.
- Transfers – Complaints relating to the processing of transfers.
- Other matters – Combines all subject matters representing a volume of complaints of less than 1 per cent of the total, which includes, for example, Automatic Payment Terminals, currency transactions, the accounts database, bank guarantees, non-availability of the Complaints' Book, as well as complaints of undifferentiated transactions and transactions that do not fit into the usual thematic classification.
- Cards – Number of debit and credit cards in circulation in 2015 and in the first half of 2016 (average between the beginning and end values of each period). Source: information reported by credit institutions under Instruction No. 8/2010.
- Cheques – Number of cheques processed in the interbank clearing system (SICOI) in 2015 and in the first half of 2016 (average of cheques collected and withdrawn). Source: information regularly reported by SIBS.
- Mortgage credit – Number of housing and related credit agreements covered by Decree-Law No. 51/2007, of 7 March, in force in 2015 and in the first half of 2016 (average between the beginning and end values of each period). Source: information reported by credit institutions under Instruction No. 8/2010.
- Consumer credit – Number of agreements in force in 2015 and in the first half of 2016 (average between the beginning and end values of each period) for consumer credit, including credit cards. Source: information reported by credit institutions under Instruction No. 8/2010.
- Credit to companies – Number of agreements in force in 2015 and in the first half of 2016 (average between the beginning and end values of each period) for credit to companies and sole proprietors. Source: information reported by credit institutions under Instruction No. 8/2010.
- Deposit accounts – Number of demand deposit accounts in 2015 and in the first half of 2016 (average between the beginning and end values of each period). Source: information reported by credit institutions under Instruction No. 8/2010.
- Direct debits – Number of direct debit instructions processed through the SICOI in 2015 and in the first half of 2016. Source: information reported regularly by SIBS.
- ATM machines – Number of ATM machines, including own networks, existing in 2015

Reference units

For the main matters complained about, the number of complaints is evaluated and analysed in relative terms using reference units. The following were used:

and in the first half of 2016 (average between the beginning and end values of each period). Source: information reported regularly by SIBS and by credit institutions.

- Cash operations – Number of cash deposit and withdrawal operations in the Multibanco network in 2015 and in the first half of 2016. Source: information reported regularly by SIBS.
- Transfers – Number of transfers processed in the SICOI and carried out under the SEPA (Single European Payments Area) in 2015 and in the first half of 2016. Source: information reported regularly by SIBS and by credit institutions.

Credit institutions in relation to which no complaints were received at Banco de Portugal relating to the abovementioned matters, and which are expressly mentioned in this document, are those that are relevant in the activity in question, according to the criteria banks defined by Banco de Portugal and the information reported by the credit institutions themselves.

Caixa Central de Crédito Agrícola Mútuo and *Caixas de Crédito Agrícola Mútuo*, belonging to the Integrated System of Mutual Agricultural Credit (SICAM), were considered as a single institution. *Caixa de Crédito Agrícola Mútuo de Bombarral, Chamusca, Leiria, Mafra* and *Torres Vedras* are not integrated in the SICAM.

Credit institutions

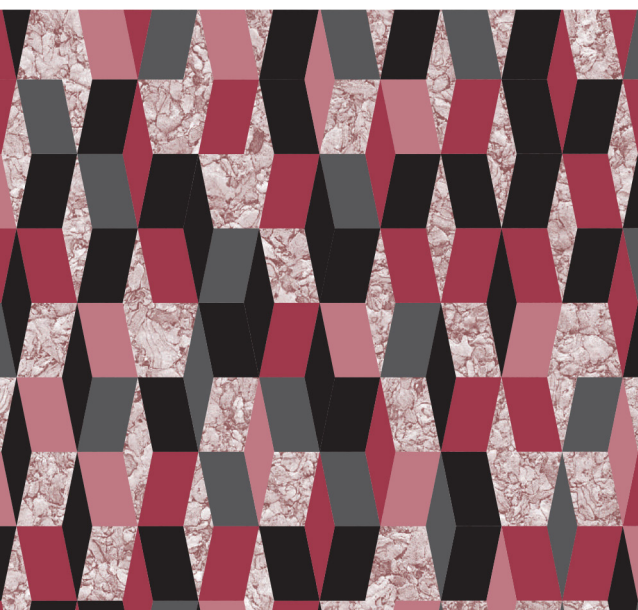
The reference units described above were also used to determine the relative number of complaints by credit institution for complaint matters regarding deposit accounts, consumer credit and mortgage credit.

The relative number of complaints was calculated for credit institutions that were active throughout the semester and for which Banco de Portugal received, in the first semester of 2016, an average of more than two complaints per quarter in each, as it was considered that lower values are not representative of the complaints filed by bank customers.

Notes

1. Article 245 of the Insolvency and Corporate Recovery Code.

2. The extraordinary arrears scheme ended its validity period at the end of 2015, with the respective procedures remaining applicable to agreements whose access requirements were submitted by that date.



V Correction of irregularities and sanctions

1. Recommendations and specific orders
2. Administrative proceedings

1. Recommendations and specific orders

The recommendations and specific orders issued by Banco de Portugal were based on inspections (77 per cent), monitoring of advertising (11.5 per cent of the total) and analysis of complaints (11.5 per cent).

Following the inspection priorities defined for the first semester, the recommendations and specific orders issued focused on matters related to consumer credit (60.6 per cent of the total), with particular focus on compliance with periodic information in the contract period, the maximum rates regime and various topics related to credit cards.

The recommendations and specific orders issued regarding bank deposits were largely

associated with inspections on the duty to issue invoice-receipts provided for in Law No. 66/2015, of July 6.

The recommendations and specific orders issued with regard to housing credit and other loans secured by mortgage dropped significantly as a result of the lower number of recommendations and specific orders relating to the general arrears regime. On the other hand, the specific orders issued in respect of the regulations governing price lists¹ and the Complaints' Book² remained practically unchanged, indicating an appropriate application by the institutions of the applicable rules.

Table V.1.1 • Recommendations and specific orders | By matter | 1st semester of 2016

	Number	Entities
Advertising	49	23
Price lists	1	1
Bank deposits	68	35
of which: Invoice-receipt	30	29
Mortgage credit	15	6
of which: Arrears general regime	9	2
Consumer credit and other credit	258	41
of which: Interest rates and maximum rates	42	14
Payment instruments	35	17
of which: Blockage of payment instruments	10	5
Total	426	68

1.1. Advertising

In the context of advertising, 49 recommendations and specific orders were issued in the first half of 2016, representing a year-on-year change of 53.1 per cent. These recommendations and specific orders were addressed to 23 institutions, aiming at correcting a total of 105 advertising material, 10 of which institutional.

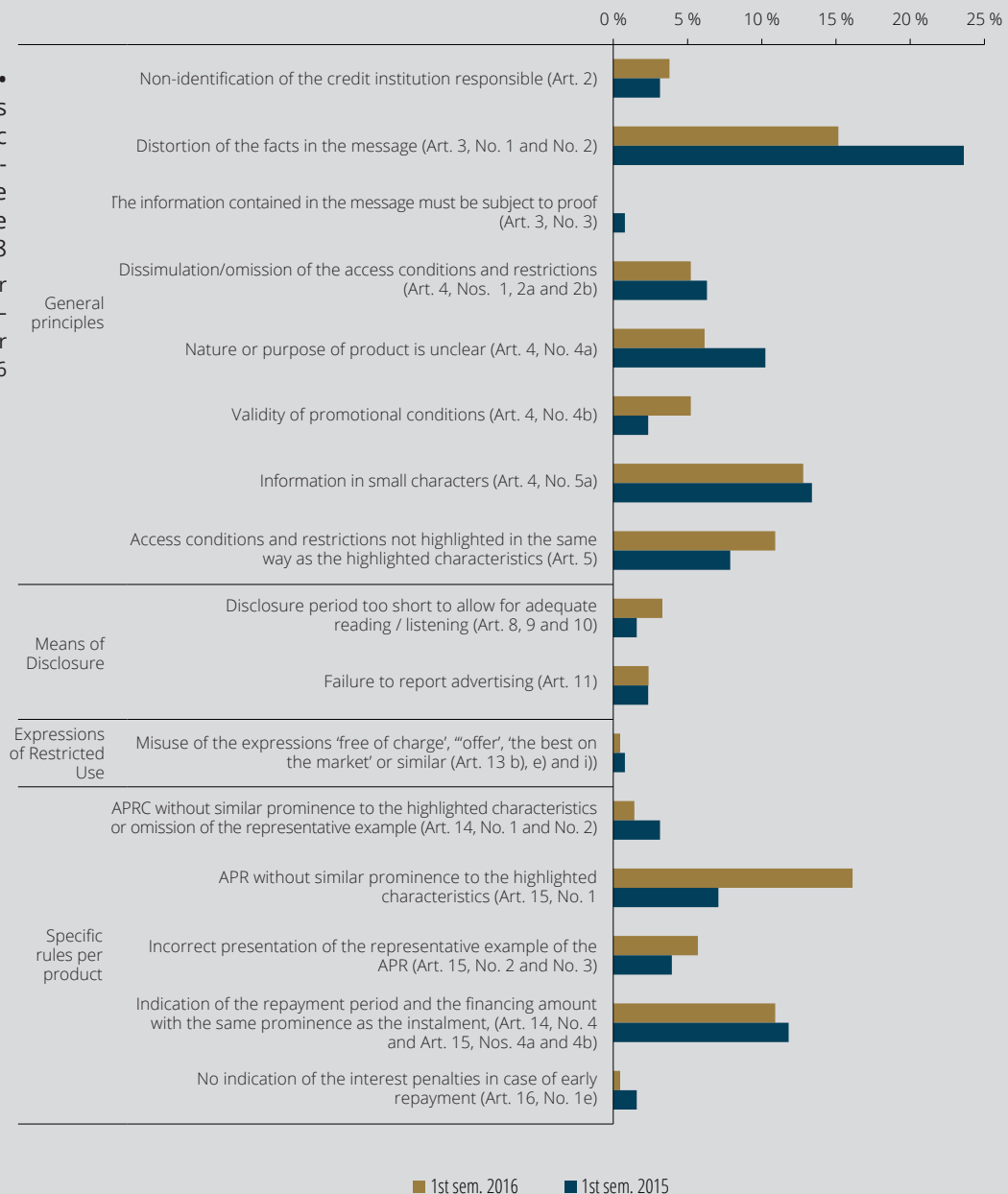
In the first semester of 2016, the recommendations and specific orders issued by Banco de Portugal were mainly intended to remedy

irregularities detected in consumer credit campaigns, in particular as regards the lack of the APR in relation to the prominence given to the highlighted characteristics of the products, with their total weight increasing from 7.1 per cent in the first half of 2015 to 16.1 per cent in the first semester of 2016. Non-compliance associated with inaccuracies in the message that led to distortion of facts was a lot less frequent. The third most common type of non-compliance was the presentation of obligatory

information in small characters, which was also reduced. The third most common type of non-compliance – the presentation of compulsory information in small characters – also dropped. In relation to the same period of the previous year, there was an increase in the

non-compliance with the principle of balance, based on the presentation of access conditions and restrictions on the identified characteristics of financial products without adequate highlighting.

Graph V.1.1.1 •
Recommendations
and specific
orders | Non-
compliance
with Notice
No. 10/2008
| 1st semester
of 2015 –
1st semester
of 2016



1.2. Deposits

During the first half of 2016, Banco de Portugal issued 68 recommendations and specific orders on matters related to bank deposits. These recommendations and specific orders were addressed to 35 institutions with a view to remedying irregularities in the applicable legal and regulatory framework.

Approximately 44 per cent of the recommendations and specific orders related to deposits had the purpose of remedying irregularities related to compliance with the provisions of Law No. 66/2015, in particular with regard to the issuance obligation in January of each year of an invoice-receipt reflecting the fees and expenses collected in the previous year³. The recommendations and specific orders on the duty to issue the invoice-receipt resulted from the inspections conducted in this matter.

Also noteworthy are the recommendations and specific orders related to the compliance with pre-contractual information duties (with special emphasis on the obligation to provide customers with a standardised Information sheet for deposits and the draft contract to be entered into⁴) and contractual obligations regarding the delay in the implementation by the institutions of the closure of accounts on the customers' request⁵.

1.3. Housing credit and other loans secured by mortgage

In the first semester of 2016, 15 recommendations and specific orders related to mortgage credit were issued to six institutions. About one-third of the recommendations and specific orders issued resulted from the analysis of complaints from bank customers.

Particularly noteworthy are the recommendations and specific orders issued regarding the application of the general arrears regime⁶ (in particular with regard to integration under the OASP of bank customers in default⁷) and the legal framework of arrears⁸, particularly in the context of the prohibition of charging fees and the allocation of expenses provided for in Article 9 of said law.

1.4. Consumer credit

Following the inspection conducted in the first half of 2016 on consumer credit agreements, 258 recommendations and specific orders were issued to 41 institutions, representing an increase of 64.3 per cent in the number of recommendations and specific orders issued in relation to the first half of 2015. This increase is explained by the monitoring by Banco de Portugal of the inspection of maximum rates and various issues related to credit cards.

In this respect, it is important to highlight the recommendations and specific orders issued with regard to the application of the legal arrears regime⁹, particularly in the context of the prohibition of charging fees and the allocation of expenses provided for in Article 9 of said law, as well as those relating to the compliance with information and customer care duties with regard to the description of the main characteristics of the products contracted and in the context of responsible credit.

Also important are the recommendations and specific orders regarding compliance with the calculation assumptions of the APR¹⁰ and the maximum rates regime in consumer credit¹¹.

1.5. Payment instruments

In the first half of 2016, Banco de Portugal issued 35 recommendations and specific orders to 17 institutions following the inspection carried out in relation to the legal framework applicable to the provision of payment services. The recommendations and specific orders issued resulted mainly from the analysis by Banco de Portugal of complaints from bank customers.

Particularly noteworthy are the recommendations and specific orders issued regarding the pre-contractual and contractual information provided by the RJSPME (Legal regime governing electronic money payment services), as well as those related to compliance with the legal standards applicable to the blocking of payment instruments¹², in particular with regard to the forecast of this possibility in the framework contract and the information duties that must be provided by institutions to customers in these cases.

2. Administrative proceedings

In the first half of 2016, in the context of its banking conduct supervision, Banco de Portugal established 106 administrative proceedings, which compares with 69 proceedings year on year. The administrative proceedings established in the first semester of 2016 were addressed to 27 institutions. Most of the administrative proceedings established resulted

from the analysis of complaints from bank customers. The remaining were the result of the inspection of maximum rates in consumer credit and other situations detected in the scope of inspections. The proceedings initiated following the examination of complaints covered 122 complaints filed by bank customers.

Table V.2.1 • Administrative proceedings | Matters covered | 1st semester of 2016

	1 st semester of 2016
Deposits	13
Mortgage credit	9
of which: Arrears general regime	5
Consumer credit and other credit	18
of which: General arrears regime	10
Maximum rates	5
Reporting to the central credit register	31
Payment instruments	27
Complaints book	3
Other situations	5
Total	106

The matters covered included, in particular, administrative proceedings related to non-compliance with the reporting obligations to the Central Credit Register¹³, particularly in cases of omission of reporting¹⁴ or failure to comply with the obligation to rectify reported liabilities¹⁵. Also noteworthy are matters relating to payment instruments (infractions to the RJSPME), namely with regard to the duties applicable to institutions in cases of unauthorised payment transactions¹⁶, reporting of account-opening contracts¹⁷ and blocking of payment instruments¹⁸.

With regard to administrative proceedings concerning consumer credit, mention should be made of the breaches of the general arrears regime¹⁹ and the failure to comply with the maximum rates regime for consumer credit²⁰. Also worthy of mention are the proceedings

relating to mortgage loans and other mortgage-secured credit, which were based on the general arrears regime²¹ and the information duties applicable prior to the execution and validity of these agreements²².

In the context of deposits, mention is made of the administrative proceedings relating to the undue blocking of deposit accounts²³.

Notes

1. Banco de Portugal's Notice No. 8/2009.
2. Decree-Law No. 156/2005, of 15 September.
3. Paragraph 8 of Article 77 of the *RG/CSF*, as amended by Article 4 of Law No. 66/2015, of 6 July.
4. Articles 4 and 5 of Banco de Portugal's Notice No. 4/2009.
5. Article 56 of the *RJSPME*.
6. Decree-Law No. 227/2012, of 25 October.
7. Article 14 of Decree-Law No. 227/2012, of 25 October.
8. Decree-Law No. 58/2013, of 8 May.
9. Decree-Law No. 58/2013, of 8 May.
10. Banco de Portugal's Instruction No. 13/2013 and Article 24 of Decree-Law No. 133/2009, in its current wording.
11. Article 28 of Decree-Law No. 133/2009 and Instruction No. 14/2013.
12. Article 66 of the *RJSPME*.
13. Decree-Law No. 204/2008, of 14 October and Banco de Portugal's Instruction No. 21/2008.
14. Article 3 of Decree-Law No. 204/2008, of 14 October.
15. Item 10 of Banco de Portugal's Instruction No. 21/2008.
16. Articles 65 and 71 of the *RJSPME*.
17. Article 56 of the *RJSPME*.
18. Article 66 of the *RJSPME*.
19. Decree-Law No. 227/2012.
20. Article 28 do Decree-Law No. 133/2009.
21. Decree-Law No. 227/2012.
22. Article 5 and 7 of Banco de Portugal's Notice No. 2/2010.
23. Article 74 of the *RG/CSF*.

