

# Banking Conduct Supervision Activities

1.<sup>st</sup> half 2018



BANCO DE  
PORTUGAL  
EUROSISTEM



# Banking Conduct Supervision Activities

1<sup>st</sup> half 2018



**BANCO DE PORTUGAL**  
EUROSYSTEM

Lisbon, 2019 • [www.bportugal.pt](http://www.bportugal.pt)



# Contents

## Executive summary | 9

### I Systematic monitoring | 15

- 1 Price lists | 17
- 2 Advertising | 17
- 3 Structured deposits | 19
- 4 Maximum rates charged in consumer credit | 21

### II Implementation of the general arrears regime | 23

- 1 Mortgage credit | 25
- 2 Consumer credit | 26
- 3 Completed processes | 27

### III Inspections | 31

- 1 Inspections of branches | 33
  - Box 1 • Developments in basic bank accounts | 34
- 2 Inspections of central services | 36
- 3 Off-site inspections | 38
  - Box 2 • Marketing of consumer credit through digital channels | 39

### IV Bank customers' complaints | 41

- 1 Recent developments | 43
- 2 Developments in complaints by subject matter | 44
- 3 Matters subject to the most complaints, by banking product and service | 47
  - 3.1 Deposit accounts | 47
  - 3.2 Consumer credit | 49
  - 3.3 Mortgage credit | 50
  - 3.4 Payment cards | 52
  - 3.5 Credit transfers | 53
  - 3.6 Cheques | 54

3.7 Loans to companies | 55

Box 3 • Institutions that received the most complaints as regards current accounts | 56

Box 4 • Institutions that received the most complaints as regards consumer credit | 58

Box 5 • Institutions that received the most complaints as regards mortgage credit | 60

4 Results of closed complaints | 62

## V Correction of irregularities and sanctioning | 65

1 Specific orders and determinations | 67

1.1 Advertising | 67

1.2 Price lists | 68

1.3 Deposits | 68

1.4 Consumer credit | 69

1.5 Mortgage credit | 69

1.6 Reporting to the Central Credit Register | 69

1.7 Payment services | 70

1.8 Complaints book | 70

2 Administrative proceedings | 70

## VI Authorisation and registration of credit intermediaries | 73

1 New legal regime governing credit intermediaries | 75

2 Authorisation requests to have to access the credit intermediation activity in the 1<sup>st</sup> half of 2018 | 77

3 Institutions that provide intermediation or consulting services | 79

4 Notifications of activity in Portugal of credit intermediaries authorised in other European Union Member States | 80

## VII Certification of training entities | 81

## VIII Annex | 85

1 Methodological notes for calculating which institutions received most complains | 87

# Charts

Chart I.2.1 • Advertising | Number of advertisements monitored | 1<sup>st</sup> semester of 2017 – 1<sup>st</sup> semester of 2018 | **18**

Chart I.2.2 • Advertising | Share of non-compliant advertisements media | 2017–2018 | **19**

Chart I.2.3 • Advertising | Share of non-compliant advertisements media, by type of product | 1<sup>st</sup> semester of 2018 | **19**

Chart I.4.1 • Consumer credit | Number of contracts reported | 1<sup>st</sup> semester of 2017 – 1<sup>st</sup> semester of 2018 | **21**

Chart II.2.1 • OASP | Distribution of consumer credit agreements integrated in the OASP, by type of credit | 1<sup>st</sup> semester of 2018 | **26**

Chart II.3.1 • OASP | Solutions agreed in completed processes | 1<sup>st</sup> semester of 2018 | **28**

Chart II.3.2 • OASP | Renegotiated conditions in completed processes | 1<sup>st</sup> semester of 2018 | **29**

Chart II.3.3 • OASP | Reasons for extinction | 1<sup>st</sup> semester of 2017 – 1<sup>st</sup> semester of 2018 | **29**

Chart C1.1 • Basic bank accounts | Developments in the number of accounts | 2015 – 1<sup>st</sup> semester of 2018 | **34**

Chart C1.2 • Basic bank accounts | Opened and closed accounts | 1<sup>st</sup> semester of 2018 | **35**

Chart C1.3 • Basic bank accounts | Characterisation of accounts | 1<sup>st</sup> semester of 2018 | **35**

Chart IV.1.4 • Complaints | Developments in the number of entries | 2011 – 1<sup>st</sup> semester of 2018 | **43**

Chart IV.2.1 • Complaints | Product and service subject to complaints (as a percentage) | 2017 – 1<sup>st</sup> semester of 2018 | **46**

Chart IV.3.1 • Complaints | Deposit accounts | 1<sup>st</sup> semester of 2018 | **48**

Chart IV.3.2 • Complaints | Consumer credit | 1<sup>st</sup> semester of 2018 | **49**

Chart IV.3.3 • Complaints | Credit cards, personal loans and car loans | 1<sup>st</sup> semester of 2018 | **49**

Chart IV.3.4 • Complaints | Mortgage credit | 1<sup>st</sup> semester of 2018 | **51**

Chart IV.3.5 • Complaints | Payment cards | 1<sup>st</sup> semester of 2018 | **52**

Chart IV.3.6 • Complaints | Credit transfers | 1<sup>st</sup> semester of 2018 | **53**

Chart IV.3.7 • Complaints | Cheques | 1<sup>st</sup> semester of 2018 | **54**

Chart IV.3.8 • Complaints | Loans to companies | 1<sup>st</sup> semester of 2018 | **55**

Chart C3.1 • Complaints | Per 1,000 current accounts | 1<sup>st</sup> semester of 2018 | **57**

Chart C4.1 • Complaints | Per 1,000 consumer credit agreements | 1<sup>st</sup> semester of 2018 | **59**

Chart C5.1 • Complaints | Per 1,000 mortgage credit agreements | 1<sup>st</sup> semester of 2018 | **61**

Chart VI.2.1 • Credit intermediaries | Distribution of authorisation requests by type of person | 1<sup>st</sup> semester of 2018 | **77**

Chart VI.2.2 • Credit intermediaries | Distribution of authorisation requests by category of credit intermediary | 1<sup>st</sup> semester of 2018 | **78**

Chart VI.2.3 • Credit intermediaries | Distribution of authorisation requests by type of credit | 1<sup>st</sup> semester of 2018 | **78**

## Tables

Table I.1.1 • Price lists | Number of price lists reported | 1<sup>st</sup> semester of 2018 | **17**

Table I.3.1 • Structured deposits | Pre-contractual information documents | 1<sup>st</sup> semester of 2017 – 1<sup>st</sup> semester of 2018 | **20**

Table I.3.2 • Structured deposits | Matured deposits | 1<sup>st</sup> semester of 2017 – 1<sup>st</sup> semester of 2018 | **20**

Table II.1.1 • OASP | Processes initiated, under analysis and completed | Mortgage credit | 2017 – 1<sup>st</sup> semester of 2018 | **25**

Table II.2.1 • OASP | Processes initiated, under analysis and concluded | Consumer credit | 2017 – 1<sup>st</sup> semester of 2018 | **27**

Table III.1.1 • Inspections | Inspections of branches | 1<sup>st</sup> semester of 2018 | **33**

Table III.2.1 • Inspections | Inspections of central services | 1<sup>st</sup> semester of 2018 | **37**

Table III.3.1 • Inspections | Off-site inspections | 1<sup>st</sup> semester of 2018 | **39**

Table C2.1 • Number of consumer credit products, by type, provided through digital channels | **40**

Table IV.1.1 • Complaints | Number of entries, by origin | 2017 – 1<sup>st</sup> semester of 2018 | **44**

Table IV.2.1 • Complaints | Number of complaints by bank product and service | 2017 – 1<sup>st</sup> semester of 2018 | **47**

Table C3.1 • Complaints | Per 1,000 current accounts | 1<sup>st</sup> semester of 2018 | **56**

Table C4.1 • Complaints | Per 1,000 consumer credit agreements | 1<sup>st</sup> semester of 2018 | **58**

Table C5.1 • Complaints | Per 1,000 mortgage credit agreements | 1<sup>st</sup> semester of 2018 | **60**

Table V.1.1 • Specific orders and determinations | By subject matter | 1<sup>st</sup> semester of 2018 | **67**

Table V.2.1 • Administrative proceedings | Matters covered | 1<sup>st</sup> semester of 2018 | **71**



## Figures

Figure VI.1.1 • Bank Customer Website | Authorisation and registration of credit intermediaries | **76**

Figure VI.1.2 • Banco de Portugal's Website | List of entities qualified to act as credit intermediaries | **76**

Figure VI.3.1 • Banco de Portugal's Website | List of entities that provide credit intermediation of consulting services | **79**

Figure VI.4.1 • Bank Customer Website | Authorised credit intermediaries | **80**

Figure VII.1 • Bank Customer Website | Certification of training entities | **84**

Figure VII.2 • Bank Customer Website | Certification of training entities | **84**

# Acronyms and abbreviations

APB	<i>Associação Portuguesa de Bancos</i> (Portuguese Banks Association)
APR	Annual percentage rate
APRC	Annual percentage rate of charge
ASF	<i>Autoridade de Supervisão de Seguros e Fundos de Pensões</i> (Insurance and Pension Funds Supervisory Authority)
ATM	Automated Teller Machine
BBA	Basic bank account
BCW	Bank Customer Website
CCR	Central Credit Register
CMVM	<i>Comissão do Mercado de Valores Mobiliários</i> (Securities Market Commission)
ESIS	European Standardised Information Sheet
KID	Key Information Document
OASP	Out-of-court arrears settlement procedure
PRAP	Pre-arrears action plan
PRIIP	Packaged retail and insurance-based investment products
RCL	<i>Reclamação proveniente do Livro de Complaints</i> (Complaint received via the Complaints book)
RCO	<i>Reclamação proveniente de outros meios</i> (Complaint received from other sources)
RGICSF	<i>Regime Geral das Instituições de Crédito e Sociedades Financeiras</i> (Legal Framework of Credit Institutions and Financial Companies)
RJSPME	<i>Regime Jurídico dos Serviços de Pagamento e Moeda Eletrónica</i> (Legal Framework of Payment Institutions and Payment Services)
SEPA	Single Euro Payments Area
SICAM	<i>Sistema Integrado do Crédito Agrícola Mútuo</i> (Integrated System of Mutual Agricultural Credit)
SICOI	<i>Sistema de Compensação Interbancária</i> (Interbank Clearing System)

# Executive summary

In the *Banking Conduct Supervision Activities of the 1<sup>st</sup> half of 2018*, Banco de Portugal describes the supervision activities developed in retail banking markets during the first half of the year.

Chapter I summarises the activities involving the regular inspection of price lists, advertising, structured deposits and maximum rates in consumer credit agreements reported to Banco de Portugal. Chapter II presents the implementation of the general arrears regime. Chapter III describes inspections in the retail banking markets. Chapter IV presents the analysis of complaints from bank customers. Chapter V describes Banco de Portugal's actions to correct irregularities and the sanctioning applied.

In this period, the scope of Banco de Portugal's banking conduct supervision was extended to include new areas, namely the authorisation and registration of credit intermediaries and the certification of training entities of credit intermediaries and of the employees of the institutions involved in the marketing of mortgage credit. Therefore, chapter VI systematises the activities developed by Banco de Portugal in the authorisation and registration of credit intermediaries, while chapter VII describes the certification of training entities undertaken by Banco de Portugal.

## Systematic monitoring

Within the framework of the supervision of the price lists of institutions, in the first half of the year, 390 leaflets on fees and expenses and 255 leaflets on interest rates were reported to Banco de Portugal. Of the total fees and expenses leaflets, 21.5% were reported as a result of changes required by Banco de Portugal to correct irregularities, chiefly related to the clarity and completeness of the conditions regarding the application of fees and to the fact that the information regarding the regulatory changes that came into force in 2018 had not been updated.

Banco de Portugal inspected 4,838 advertising media on banking products and services, 6% more than in the first half of 2017, reflecting the increase in the number of campaigns promoted by institutions. Of the total number of media analysed, 2.7% were not in compliance with the applicable regulatory framework, with a higher incidence of non-compliance in automobile advertising campaigns.

Banco de Portugal also assessed the compliance of 32 key information documents (KID) relating to structured deposits and inspected the remuneration rates of 61 linked deposits and 16 components of dual deposits maturing in this period.

Information on 804,593 new consumer credit agreements was also analysed, reported under the maximum rate regime that applies to this type of credit.

## Implementation of the general arrears regime

Within the scope of the prevention and management of non-compliance, credit institutions reported to Banco de Portugal the opening of 345,927 OASP cases in the first half of 2018, 14.5% more than in the last half of 2017. This is due to the increase in the number of consumer credit processes, as the number of new cases relating to mortgage credit dropped. In mortgage credit, most OASP closed cases (64.7%) led to the settlement of arrears, while in consumer credit the share of OASP cases completed with the settlement of arrears was lower (44.3%). The renegotiation of the terms and conditions of credit agreements continued to be the main solution agreed between institutions and customers for the settlement of arrears under the OASP, compared to solutions such as credit consolidation, refinancing or additional loans.

## Inspections

The banking conduct inspection activity carried out in the first half of 2018 focused mainly on the implementation of the recent changes to the regulatory framework, namely to the basic bank account (BBA) and the mortgage credit regimes. The inspection activity also included the marketing of consumer credit and contracting through digital channels.

In order to verify the implementation by institutions of the changes made to the regulatory framework governing BBA, Banco de Portugal supervised compliance with the information duties associated with the provision of basic bank accounts and access to the BBA scheme by bank customers. Through off-site inspections, Banco de Portugal assessed the information provided on the changes made to this scheme at the beginning of the year, namely the list of services included, which was extended, the maximum amount of the maintenance fee of this account, which was reduced, and the obligation of institutions to provide their customers with an alternative means of dispute resolution, which was introduced. The implementation of these changes was also evaluated by Banco de Portugal through off-site inspection of the information provided by institutions on their websites, in the price list and in the BBA standardised information sheet (SIS). Compliance with the obligation of institutions to inform their customers in the first statement of each year about the possibility of having access to a basic bank account was also checked.

In view of the priority given to the mortgage credit scheme, Banco de Portugal carried out branch inspections, through which it assessed, *inter alia*, compliance with the duty to provide assistance and the adequacy of the information provided to customers through the European Standardised Information Sheet (ESIS), which institutions are obliged to make available since the beginning of the year. Through off-site inspections, Banco de Portugal also evaluated the adequacy of the information provided by institutions on their websites, including via simulators, and in the price list on mortgage credit and other mortgage loans.

Banco de Portugal also carried out inspections to monitor the marketing of consumer credit in the context of the buoyancy seen in the various types of loans of this market. The development of the arrears regime was also focused on in the inspection of the central services of credit institutions in the first half of 2018.

Within the framework of digital channels, as from 19 January, institutions started to provide Banco de Portugal with information on the marketing of consumer credit products started and concluded through digital channels, namely home-banking and mobile applications (apps). Institutions must provide information on the characteristics of the credit product and the respective contracting process, including on the security mechanisms implemented. This reported information by institutions, allows Banco de Portugal to monitor and supervise the marketing of consumer credit through digital channels, assessing the respect for customers' rights regardless of the marketing channel.

In the first half of 2018, compliance with the obligation of institutions to send their customers an invoice-receipt was also assessed. This document provides information regarding the fees associated with the current account and payment services charged in the previous year.

## Complaints from bank customers

Banco de Portugal received 7,545 complaints from bank customers, which represents an average of around 1,258 complaints per month (1.3% less than in 2017).

The number of complaints about deposit accounts remained relatively stable at 13 complaints per 100,000 accounts, as the decrease in the number of complaints on this subject was in line

with the decrease in the number of deposit accounts reported by institutions. This development was mainly due to the reduction of complaints about situations of liens or insolvencies and the collection of fees or charges in current accounts.

The number of complaints about consumer credit went up to 16 per 100,000 contracts (compared to 15 complaints per 100,000 contracts in 2017). Complaints on this matter increased by 9.1%, compared to the monthly average for 2017, mainly due to the increase in complaints about the collection of amounts owed and fees or charges.

In mortgage credit, complaints increased to 48 per 100,000 contracts (compared to 45 in 2017). This growth is explained both by the increase in the number of complaints and by the decrease in the number of mortgage credit reported. The increase in the number of complaints was mainly due to matters relating to the calculation of instalments and the non-granting of credit.

The average closing time for complaints in the first half of 2018 was 31 days (39 days in 2017). In 58% of the complaints closed, there were no indications of infringement by the institution complained of. In the remaining cases (42%), the situation complained of was resolved on the initiative of the institution or by the intervention of Banco de Portugal.

### **Correction of irregularities and sanctioning**

Following its audit, Banco de Portugal issued 341 specific orders and determinations, addressed to 57 institutions, requiring the correction of detected irregularities or the adoption of good practices. Of these, the majority (78.6%) resulted from inspections to institutions and focused on matters related to consumer credit (40%) and basic bank accounts (27%), reflecting the inspection priorities that were defined by Banco de Portugal.

The Bank instituted 33 administrative proceedings against 17 institutions, which resulted mainly from the analysis of complaints from bank customers, involving 63 complaints. Most of the processes concerned situations related to deposit accounts and consumer credit.

### **Authorisation and registration of credit intermediaries**

On 1 January 2018, the legal regime governing credit intermediaries entered into force, with Banco de Portugal being responsible for the authorisation and registration of all entities wishing to act as intermediaries in credit agreements or to provide consulting services concerning credit agreements.

During the first half of 2018, 658 applications for authorisation were submitted to Banco de Portugal. Most interested parties (76%) intended to carry out the activity as credit intermediaries in an ancillary capacity (merchant that provides the good or service that is financed by the institution granting the credit). Around 20% requested authorisation to act as tied credit intermediaries (in which case there is a binding contract between the intermediary and the institution or group of institutions granting the credit) and the remaining requested authorisation to act as non-tied credit intermediaries. Of the requests received in the first half of 2018, the majority (78.4%) were related to the intermediation of consumer credit contracts, followed by requests for the intermediation of mortgage credit agreements (16.1%). Those interested in brokering consumer credit and mortgage credit simultaneously had little expression (5.5%).

The vast majority of applications for authorisation were received in the first half of 2018, so at the end of this period they were still under analysis by Banco de Portugal (up to 180 days). Thus, in the first half of 2018, no applications for authorisation to engage in the credit intermediary activity were approved, although four applications were turned down.

### Certification of training entities

Also, since 1 January 2018, Banco de Portugal has been entrusted with the task of certifying the training entities that intend to provide training under the legal framework of mortgage credit<sup>1</sup> and the legal framework of credit intermediaries<sup>2</sup>. In the first half of 2018, five requests for certification of training entities were submitted to Banco de Portugal.

Until the end of June, the applications presented by the Portuguese Banking Association/ Portuguese Bank Training Institute and SPESI – Sociedade de Promoção de Ensino Superior Imobiliário, S.A were granted.

### Banking conduction supervision in numbers | 1<sup>st</sup> half of 2018

#### Systematic monitoring activities:

- 84 fees and expenses leaflets were changed (21.5%), as required by Banco de Portugal;
- 4,838 advertising media from 54 institutions were analysed;
- Banco de Portugal required the correction of 2.7% of the media analysed. The biggest infringements had to do with car loans (18.6%) and personal loans (4.1%);
- 32 key information documents on structured deposits from 8 institutions were inspected prior to be being marketed;
- The calculation of the rate of remuneration of 77 linked and dual deposits of 11 institutions was verified;
- The reporting of 804,593 consumer credit agreements from 55 institutions was analysed.

#### Monitoring of the general arrears regime:

- Information on 345,927 OASP processes on mortgage loan and consumer credit agreements from 52 institutions was analysed;
- 185 complaints were received;
- 28 requests for information were received;
- 1 specific order was issued;
- 5 administrative proceedings were brought against 4 institutions.

#### Monitoring of basic bank accounts:

- 50,610 basic bank accounts were reported, of which 7,404 opened in the first half of 2018 (50.7% by conversion of an existing current account);
- 48 on-site inspections were carried out at the branches of 16 entities;

1. Approved by Decree-Law No. 74-A/2017, of 23 June.

2. Legal framework approved by Decree-Law No. 81-C/2017, of 7 July.

- 131 off-site inspections were carried out at 26 institutions;
- 42 complaints were received;
- 53 requests for information were received;
- 91 specific orders and determinations were issued to 27 institutions.

#### **Inspections:**

- 91 inspections were carried out at the branches of 24 institutions, of which 80 were on-site (“mystery shopper”) inspections;
- 68 inspections were carried out to the central services of 22 institutions;
- 433 off-site inspections were made to 81 institutions.

#### **Complaints management:**

- 7,545 complaints about 63 institutions were received, of which 32.2% were related to deposit accounts, 24.9% to consumer credit and 13.4% to mortgage credit;
- 58% of complaints were closed with no evidence of infringement and 42% with resolution of the situation complained about by the credit institution, on its own initiative or following the actions of Banco de Portugal;
- Average closing time of complaints was 31 days.

#### **Requests for information:**

- 1,583 requests for information were received from bank customers.

#### **Credit intermediaries:**

- 658 requests for authorisation to carry out credit intermediary activities were submitted;
- 254 requests for information were received.

#### **Training entities:**

- 5 applications for certification of training entities were submitted;
- 9 requests for information were received.

#### **Correction of irregularities and sanctioning:**

- 341 specific orders and determinations were issued to 57 institutions;
- 33 administrative proceedings were brought against 17 institutions.







# I Systematic monitoring

1 Price Lists

2 Advertising

3 Structured deposits

4 Maximum rates charged  
in consumer credit



# 1 Price lists

In the first half of 2018, 390 fees and expenses leaflets and 255 interest rate leaflets<sup>1</sup> were reported to Banco de Portugal. Of the 390 fees and expenses leaflets, 306 had to do with updates made on the initiative of the institutions, while 84 were corrected due to irregularities detected by Banco de Portugal. The irregularities detected were mainly related to the clarity and completeness of the fee conditions and to the non-updating of the information related to the regulatory changes that came into force in 2018. All changes made to price lists by institutions imply reporting the new price list to Banco de Portugal.

21.5% of the changes made to the fees and expenses leaflets are the result of the correction of irregularities detected by Banco de Portugal.

At the end of the first half of the year, 109 fees and expenses leaflets had been published on the Bank Customer Website (BCW).

Table I.1.1 • Price lists | Number of price lists reported | 1<sup>st</sup> semester of 2018

	Leaflets reported	Entities covered
Fees and expenses leaflet	390	73
Interest rate leaflet	255	81
Total	645	-

Source: Banco de Portugal. | Note: Price lists of 91 institutions were received.

Of the changes made by institutions, 41% pertain to the introduction, modification or extinction of products, 24% are due to changes in the amount of the fees charged, and the remaining cases are related to changes in the information provided (35%).

# 2 Advertising

In the first half of 2018, Banco de Portugal inspected 4,838 advertising media of 54 credit institutions, which represents an increase of 6% in the number of media publicised compared to the first half of 2017. This increase is mainly due to the higher number of advertising media to promote simple deposits (+70.5%), which more than offset the reduction of adverts on structured deposit. Also noteworthy were the advertising campaigns for mortgage credit (+49.2%) and car loans (+33.3%) as well as institutional campaigns (+22.7%).

1. The fees and expenses leaflet must be reported to Banco de Portugal whenever institutions make any changes to their content, namely by introducing or modifying the financial products and services marketed or changing the fees charged. The interest rate leaflet must be reported to Banco de Portugal on a quarterly basis.

Of the total volume of advertising media, 173 (3.6%) were analysed prior to their disclosure, 135 of them (2.8%) in response to requests for Banco de Portugal’s opinion, received from credit institutions. The remaining 38 (0.8%) correspond to campaigns of structured deposits, subject by law to the prior approval of Banco de Portugal.

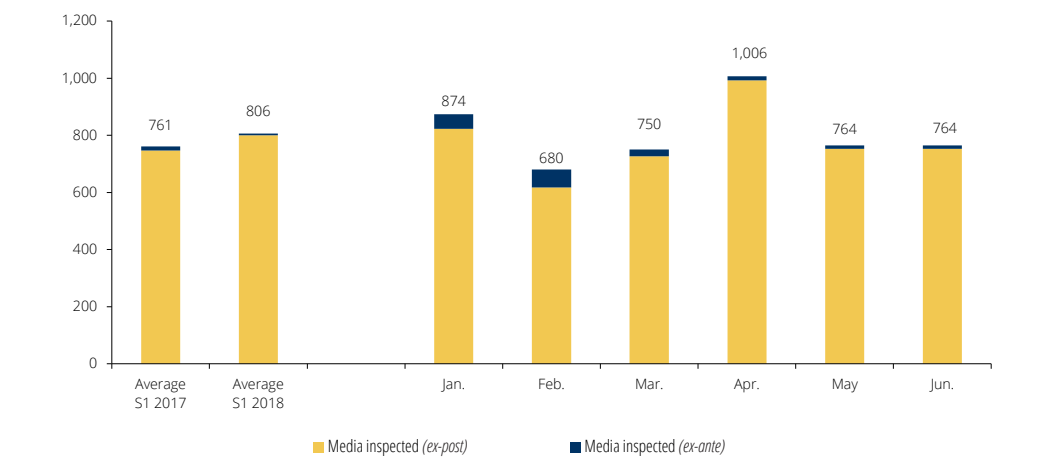
Advertising campaigns of credit institutions continue to focus on credit cards (48% of the total volume of media analysed), followed by personal loan (17%) and car loan (7%) campaigns. Institutional advertising represented 9% of the total number of media disclosed.

Irregularities were detected in 2.7% of the campaigns analysed, compared to 1.7% in the first half of 2017.

Of the 4,665 media analysed after their disclosure, Banco de Portugal ordered that changes be made to 124, which compares with 75 media in the first half of 2017.

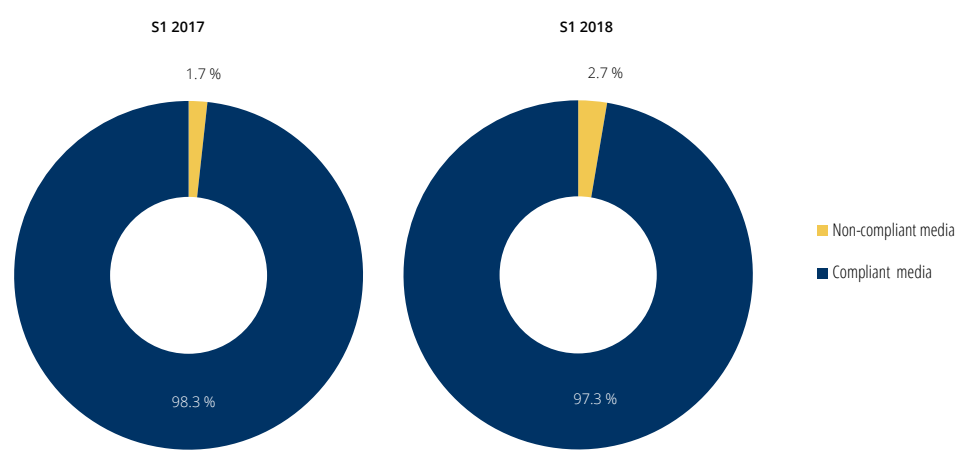
Car loan advertising campaigns had the highest infringement rate (18.6%), much higher than that of personal loans (4.1%) or mortgage credit (3.7%). Advertising campaigns relating to credit cards, multi-product campaigns and payment services showed a low infringement ratio (0.6%, 0.6% and 1%, respectively).

Chart I.2.1 • Advertising | Number of advertisements monitored | 1<sup>st</sup> semester of 2017 – 1<sup>st</sup> semester of 2018



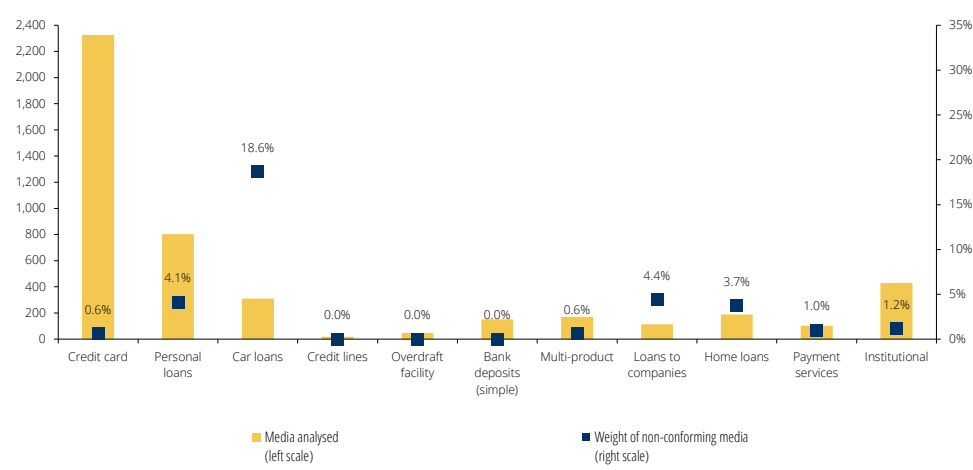
Source: Banco de Portugal. | Note: In the 1<sup>st</sup> semester of 2018, 4838 advertising media were inspected, of which 38 on structured deposits.

Chart I.2.2 • Advertising | Share of non-compliant advertisements media | 2017-2018



Source: Banco de Portugal. | Note: In the 1<sup>st</sup> semester of 2018, 4665 media were inspected after disclosure.

Chart I.2.3 • Advertising | Share of non-compliant advertisements media, by type of product | 1<sup>st</sup> semester of 2018



Source: Banco de Portugal.

### 3 Structured deposits

On 1 January 2018, Regulation (EU) No. 1286/2014 of the European Parliament and of the Council, of 26 November, on Pre-contractual information documents for packaged retail investment and insurance products ('PRIIPs Regulation'). The Commission's Delegated Regulation (EU) No. 2017/653 of 8 March, which supplements it, has also entered into force, laying down the technical standards for regulating the said key information documents.

The changes made to the regulatory framework applicable to these products implied the replacement of the former term ‘linked deposits’ with ‘structured deposits’ and the previous “information leaflet” with the new pre-contractual information document, the Key Information Document (‘KID’). With the entry into force of these amendments, the marketing of dual deposits was no longer possible.

Credit institutions sent 32 Key Information Documents to Banco de Portugal for prior approval.

Banco de Portugal checked compliance of the 32 structured deposits marketed in this period by eight credit institutions before they were made available to the public. Compared to the number of information leaflets on linked and dual deposits submitted to the Bank in the first half of 2017, there was a reduction of 57.9%.

**Table I.3.1 • Structured deposits | Pre-contractual information documents | 1<sup>st</sup> semester of 2017 – 1<sup>st</sup> semester of 2018**

Type of deposit	1 <sup>st</sup> semester of 2017		1 <sup>st</sup> semester of 2018	
	Submitted	Entities covered	Submitted	Entities covered
Structured/Linked	56	10	32	8
Dual	20	2	–	–
Total	76	–	32	–

Source: Banco de Portugal. | Note: In the 1<sup>st</sup> semester of 2017, 12 institutions submitted leaflets on linked and dual deposits, while in the 1<sup>st</sup> semester of 2018 there were 8 institutions that submitted ‘KID’.

Banco de Portugal also checked the remuneration rates determined by institutions for linked and dual deposits that matured during the first half of 2018. The remuneration rates reported by 11 institutions, relating to 61 linked deposits and 16 dual deposit components, 4 simple deposit components and 12 linked deposit components were inspected.

**Table I.3.2 • Structured deposits | Matured deposits | 1<sup>st</sup> semester of 2017 – 1<sup>st</sup> semester of 2018**

Type of deposit	1 <sup>st</sup> semester of 2017		1 <sup>st</sup> semester of 2018	
	Matured	Entites covered	Matured	Entites covered
Linked	76	10	61	9
Dual	28	3	16	3
Fixed component	19		4	
Linked component	9		12	
Total	104	–	77	–

Source: Banco de Portugal. | Note: In the 1<sup>st</sup> semester of 2017 and in the 1<sup>st</sup> semester of 2018 the remuneration paid by 12 and 11 institutions, respectively, was inspected.

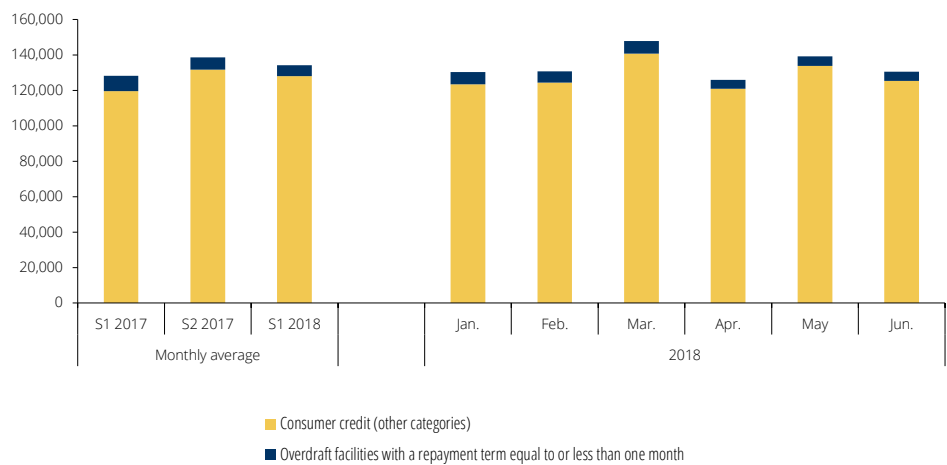
# 4 Maximum rates charged in consumer credit

Compared to the first half of 2017, 4.6% more new consumer credit agreements were reported.

In the first half of 2018, 55 institutions reported information on 804,593 consumer credit agreements to Banco de Portugal, which corresponds to an average of about 134 thousand contracts per month and represents an increase of 4.6% over the first semester of 2017. The information was reported by credit institutions for the purpose of calculating the maximum rates charged in consumer credit, on the one hand, and used to assess compliance of the APRs reported in each new credit agreement with the maximum rates in force, on the other hand.

The number of agreements inspected in the first half of 2018 includes overdraft facility agreements with repayment terms equal to or less than one month, which fell by 30.1% compared to the first half of the previous year. Excluding these contracts, the number of contracts entered into in the first half of 2018 went up by 7.1% compared to the first half of 2017.

Chart I.4.1 • Consumer credit | Number of contracts reported | 1<sup>st</sup> semester of 2017 – 1<sup>st</sup> semester of 2018



Source: Banco de Portugal. | Note: Total number of agreements reported in the 1<sup>st</sup> semester of 2018 = 804,593.

In the monitoring of the information reported by credit institutions on the new consumer credit agreements, 200 agreements were detected in the first half of 2018, in relation to three institutions, with indications of non-compliance with the applicable maximum rates. Supplementary information on these contracts was immediately requested and the respective legal analysis was initiated.







## II Implementation of the general arrears regime

- 1 Mortgage credit
- 2 Consumer credit
- 3 Concluded processes



# 1 Mortgage credit

During the first half of 2018, credit institutions initiated a total of 44,773 OASP processes in mortgage credit agreements, a decrease of 1.9% over the previous half year. These processes covered a total of 35,606 agreements, with a total outstanding amount of EUR 1655.3 million and a default ratio of 1.7%.

The proportion of OASP processes concluded with settlement of the default increased to 64.7% in mortgage credit (63% in the previous half year).

In the period under analysis, 44,458 OASP cases related to mortgage credit agreements were concluded, with 23,035 cases being analysed or negotiated.

In the mortgage credit segment, the ratio of completed processes with the settlement of non-compliance went up from the previous half (from 63% in the second half of 2017 to 64.7% in the first half of 2018).

**Table II.1.1 • OASP | Processes initiated, under analysis and completed | Mortgage credit**  
| 2017 – 1<sup>st</sup> semester of 2018

	Processes				Agreements <sup>(a)</sup>	
	2017			2018	Δ Semi- annual	2018
	1 <sup>st</sup> sem.	2 <sup>nd</sup> sem.	Total	1 <sup>st</sup> sem.		
<b>OASP processes initiated</b>						
Number	50,753	45,634	96,387	44,773	-1.9%	35,606
Total amount (EUR million) <sup>(b)</sup>	–	–	–	–	–	1,655.3
Default ratio <sup>(c)</sup>	–	–	–	–	–	1.7%
<b>OASP processes under analysis<sup>(d)</sup></b>						
Number	–	–	22,720	23,035	–	–
<b>OASP processes completed</b>						
Number	54,398	50,343	104,741	44,458	-11.7%	31,653
Total amount (EUR million)	–	–	–	–	–	1,485.0
Default ratio	–	–	–	–	–	2.0%
<b>Of which:</b>						
OASP processes completed with settlement of non-compliance <sup>(e)</sup>	34,976	31,728	66,704	28,774	-9.3%	–
Payment of the amounts in arrears	33,319	30,401	63,720	27,590	-9.2%	–
Agreement reached between the parties <sup>(f)</sup>	1,657	1,327	2,984	1,184	-10.8%	–
<b>OASP processes completed with settlement of non-compliance/OASP processes completed</b>	<b>64.3%</b>	<b>63.0%</b>	<b>63.7%</b>	<b>64.7%</b>	<b>1.7 p.p.</b>	<b>–</b>

Source: Banco de Portugal. | Notes: (a) The total number of agreements integrated into the OASP does not reflect situations where the same credit agreement is integrated into the OASP more than once. (b) The total amount corresponds to the sum of the outstanding amount in a regular situation with the amount in default (due). (c) Ratio between the amount in default (due) and the total amount. (d) End-of-period values. (e) Processes completed due to one of the following reasons: payment of amounts in arrears, renegotiation of the credit agreement, credit consolidation, refinancing of the credit agreement, granting of an additional loan to pay the instalments, transfer in lieu of payment. (f) Renegotiation; credit consolidation; refinancing; granting of additional loan to pay instalments; transfer in lieu of payment.

## 2 Consumer credit

Regarding consumer credit, there was an increase in the number of OASP processes initiated in the first half of 2018. During this period, 44,603 processes were initiated in the first half of the year, an increase of 17.4%. The growth in the number of processes initiated may reflect changes in the procedures adopted in some institutions, not necessarily reflecting an increase in the number of situations of default.

..... The proportion of OASP processes concluded with settlement of non-compliance was 44.3% in consumer credit, slightly below that of the previous half year (44.8%).

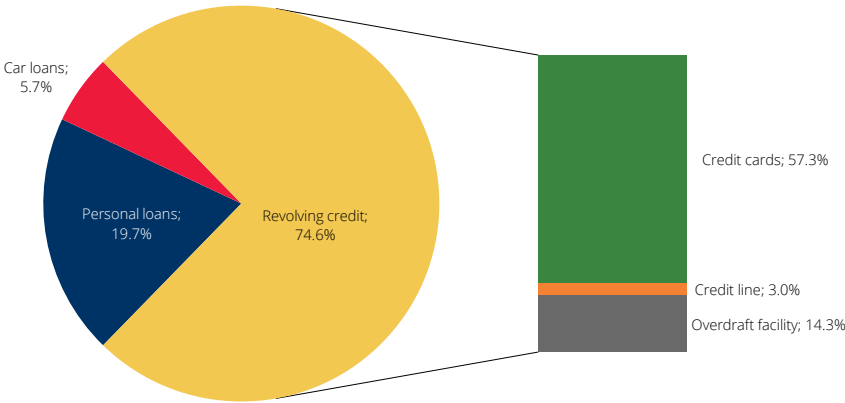
In line with recent years, most OASP agreements in the consumer credit segment had to do with revolving credit products (74.6%), mainly due to the use of credit cards (57.3%).

The OASP cases initiated in the first half of 2018 involved 251,428 agreements, with a total outstanding amount of EUR 562.9 million and a default ratio of 12.5%.

In the period under review, 288,604 OASP processes were concluded and 126,868 processes were analysed or negotiated.

In consumer credit, there was a slight decrease in the ratio of processes completed with settlement of the amounts in arrears (from 44.8% in the last half of 2017 to 44.3% in the first half of 2018).

**Chart II.2.1 • OASP | Distribution of consumer credit agreements integrated in the OASP, by type of credit | 1<sup>st</sup> semester of 2018**



Source: Banco de Portugal.

**Table II.2.1 • OASP | Processes initiated, under analysis and concluded | Consumer credit**  
| 2017 – 1<sup>st</sup> semester of 2018

	Processes				Agreements <sup>(a)</sup>	
	2017			2018	Δ Semi- annual	2018
	1 <sup>st</sup> sem.	2 <sup>nd</sup> sem.	Total	1 <sup>st</sup> sem.		
<b>OASP processes initiated</b>						
Number	276,892	256,571	533,463	301,174	17.4%	251,428
Total amount (EUR million) <sup>(b)</sup>	–	–	–	–	–	562.9
Default ratio <sup>(c)</sup>	–	–	–	–	–	12.5%
<b>OASP processes under analysis<sup>(d)</sup></b>						
Number	–	–	114,298	126,868	–	–
<b>OASP processes concluded</b>						
Number	278,321	261,373	539,694	288,604	10.4%	230,840
Total amount (EUR million)	–	–	–	–	–	506.3
Default ratio	–	–	–	–	–	14.3%
<b>Of which:</b>						
OASP processes completed with settlement of non-compliance <sup>(e)</sup>	128,242	117,166	245,408	127,841	9.1%	–
Payment of the amounts in arrears	117,266	110,101	227,367	118,164	7.3%	–
Agreement reached between the parties <sup>(f)</sup>	10,976	7,065	18,041	9,677	37.0%	–
<b>OASP processes completed with settlement of non-compliance/OASP processes completed</b>	<b>46.1%</b>	<b>44.8%</b>	<b>45.5%</b>	<b>44.3%</b>	<b>-0.5 p.p.</b>	<b>–</b>

Source: Banco de Portugal. | Notes: (a) The total number of agreements integrated into the OASP does not reflect situations where the same credit agreement is integrated into the OASP more than once. (b) The total amount corresponds to the sum of the outstanding amount in a regular situation with the amount in default (due). (c) Ratio between the amount in default (due) and the total amount. (d) End-of-period values. (e) Processes completed due to one of the following reasons: payment of amounts in arrears, renegotiation of the credit agreement, credit consolidation, refinancing of the credit agreement, granting of an additional loan to pay the instalments, transfer in lieu of payment. (f) Renegotiation; credit consolidation; refinancing; granting of additional loan to pay instalments; transfer in lieu of payment.

### 3 Completed processes

... The renegotiation of agreements continues to be the main solution agreed upon between institutions and customers to settle situations of non-compliance.

In absolute terms, in the first half of the year, there was a slight decrease in the number of OASP processes for **mortgage credit** agreements in default (from 31,728 in the last half of 2017 to 28,774 in the first half of this year). However, considering OASP processes completed with settlement of non-compliance in relation to OASP processes completed, the figures remain stable (63% in the last half of 2017, compared to 64.7% in first half of 2018).

In most mortgage credit processes completed with settlement of non-compliance in the first half of 2018, the underlying cause was the fact that borrowers stopped paying the amounts in arrears (27,590 out of a total of 28,774 processes).

In mortgage credit, the main solution agreed in OASP processes completed during the first half of 2018 was the renegotiation of the credit agreement (1,120 OASP processes, corresponding to EUR 21.3 million). Among the renegotiated conditions, the adoption of grace periods for capital and/or interest was the most prominent solution (207 processes).

In addition to renegotiation, in the scope of OASP processes related to mortgage credit, credit institutions and bank customers agreed on the granting of additional loans to pay the instalments (49 processes) and debt refinancing (10 processes).

In **consumer credit**, the number of processes completed with the settlement of default situations went up from 117,166 cases in the second half of 2017 to 127,841 cases in the first half of 2018 (9.1%). This increase was chiefly due to the payment of the amounts in arrears by bank customers.

In relative terms, as in the case of mortgage credit, the ratio of processes completed with settlement of non-compliance (44.3%) remained stable compared to the previous half of the year (44.8%).

In consumer credit, the main solution agreed in OASP processes during the first half of 2018 was the renegotiation of credit agreements (7,532 cases, corresponding to EUR 7.4 million). Among the renegotiated conditions, the deferral of principal to the last instalment was the solution most adopted (5272 processes), as well as the change in the term of the loan (1628 cases). The second most frequent solution was credit consolidation (816 processes), followed by debt refinancing (794 processes).

**Chart II.3.1 • OASP | Solutions agreed in completed processes | 1<sup>st</sup> semester of 2018<sup>(a)-(b)</sup>**

	Mortgage credit	Consumer credit	Total
Renegotiation of the loan agreement (number)	1,120	7,532	8,652
Amount renegotiated EUR (million)	21.3	7.4	28.7
Credit consolidation (number)	0	816	816
Consolidated amount (EUR million)	0.0	3.5	3.5
Refinancing (number)	10	794	804
Amount refinanced (EUR million)	0.3	5.2	5.5
Additional loan to pay the instalments (number)	49	547	596
Loan amount (EUR million)	0.2	4.6	4.8
Transfer in lieu of payment (number)	11	22	33

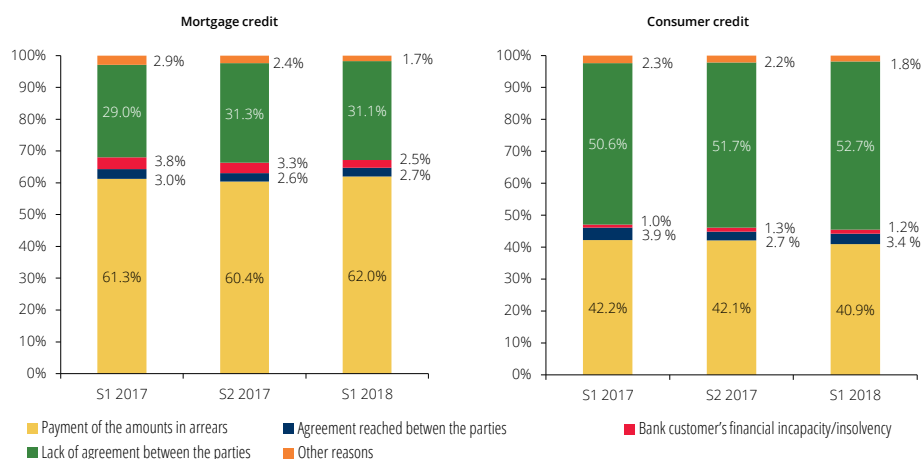
Source: Banco de Portugal. | Notes: (a) The table below shows the number of agreed solutions; there may be more than one solution per agreement. (b) A total of 1, 292 agreements were covered in the OASP processes completed with settlement of non-compliance in the first half of 2018, of which 9239 consumer credit agreements and 1053 mortgage credit agreements.

**Chart II.3.2 • OASP | Renegotiated conditions in completed processes | 1<sup>st</sup> semester of 2018<sup>(a)-(c)</sup>**

	Mortgage credit	Consumer credit	Total
Spread/interest rate	20	740	760
Term	88	1,628	1,716
Grace period for capital (or interest)	207	99	306
Deferral of payment of principal to the last instalment	62	5,272	5,334
Other conditions <sup>(b)</sup>	944	1,293	2,237

Source: Banco de Portugal. | Notes: (a) Renegotiations sometimes combine more than one of the solutions indicated in this table. (b) This category includes, inter alia, 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. (c) In the OASP processes completed in the first half of 2017, with renegotiation solutions adopted, a total of 7061 contracts were covered, 5846 of which were consumer credit agreements and 1215 mortgage credit agreements.

**Chart II.3.3 • OASP | Reasons for extinction | 1<sup>st</sup> semester of 2017 – 1<sup>st</sup> semester of 2018**



Source: Banco de Portugal.







## III Inspections

- 1 Inspections of branches
- 2 Inspections of central services
  - 3 Off-site inspections



# 1 Inspections of branches

In the first half of 2018, the inspections carried out at the branches of institutions focused mainly on the supervision of the implementation of changes to the regulatory framework that came into force in 2018, namely in regard to the basic bank accounts regime and in the mortgage credit regime.

Banco de Portugal carried out a total of 80 off-site inspections and 11 accredited inspections at the branches of 24 institutions.

... Banco de Portugal placed special focus on the inspection of  
... basic bank accounts through ‘mystery shopping inspections.

As a ‘mystery shopper’, Banco de Portugal assessed whether customers were informed of the existence of basic bank accounts when opening a low-cost current account. In these inspections, Banco de Portugal also checked the completeness and transparency of the information provided on the conditions of access to the account, the services included and the fees applicable that underwent changes with the regulatory framework that came into effect at the beginning of the year. The mandatory displaying of the poster on basic bank accounts in the branches of institutions was assessed and the content of the FIN of the account given to the ‘mystery shopper’ was analysed.

Banco de Portugal supervised compliance with the information duties applicable to mortgage credit operations that came into force on 1 January 2018<sup>1</sup>. The fulfilment of the duty to provide assistance as well as the adequacy of the information provided to customers through the new European Standardised Information Sheet (FINE) were assessed. These ‘mystery shopper’ actions were followed by accredited inspections in each of the inspected institutions, in which Banco de Portugal checked the information effectively made available to customers and the procedures adopted in the marketing of this type of products.

In the scope of the inspection activity, ‘mystery shopper’ inspections were also carried out regarding the provision of information on the marketing of time deposits. There were 16 actions in which Banco de Portugal evaluated the fulfilment of the pre-contractual information obligations in the marketing of simple time deposits.

Table III.1.1 • Inspections | Inspections of branches | 1<sup>st</sup> semester of 2018

	Mystery shopping	Accredited	Total	Entities covered
Basic bank accounts – Dissemination of information	48		48	16
Mortgage credit – Conduct, duty to provide assistance and provision of information	16	11	27	11
Simple time deposits – Information duties	16		16	1
Total	80	11	91	–

Source: Banco de Portugal. | Note: 24 institutions were involved in these inspections.

1. Decree-Law No. 74-A/2017.

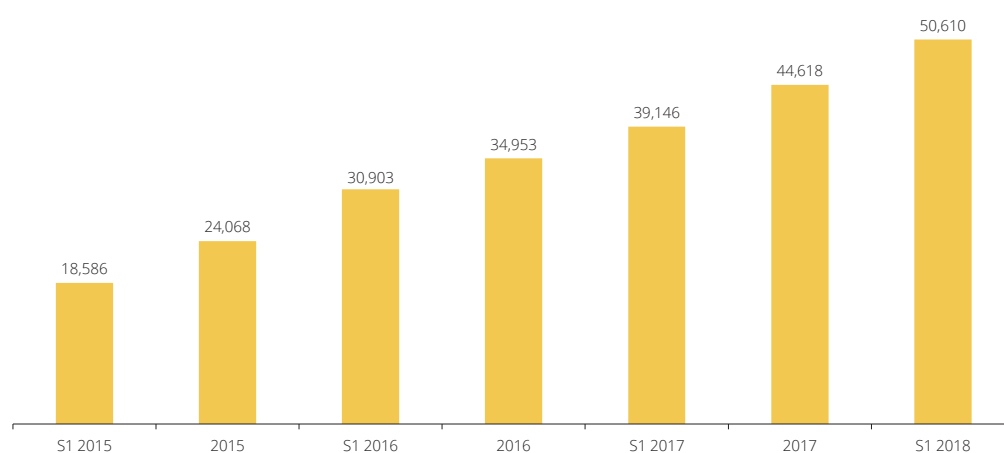
### Box 1 • Developments in basic bank accounts<sup>2</sup>

On 30 June 2018 there were 50,610 basic bank accounts, corresponding to a growth of 13.4%, compared to the end of 2017 (5,992 more accounts) and 29.3% compared to the end of the first half of 2017 (11,464 more accounts).

In the first half of 2018, 7404 basic bank accounts were opened. 50.7% of these accounts were the result of the conversion of an existing current account in the institution, in line with that seen in 2017, and the remaining 49.3% were new accounts.

∴ Basic bank accounts grew 13.4%, compared to the end of 2017.

**Chart C1.1 • Basic bank accounts | Developments in the number of accounts**  
| 2015 – 1<sup>st</sup> semester of 2018



Source: Banco de Portugal.

2. On the Bank Customer Website, Banco de Portugal allows you to compare the maintenance fees of basic bank accounts provided by credit institutions. It also discloses the six-monthly evolution of the number of basic bank accounts, which includes information on the first half of 2018, which is reproduced in this box.

Chart C1.2 • Basic bank accounts | Opened and closed accounts | 1<sup>st</sup> semester of 2018



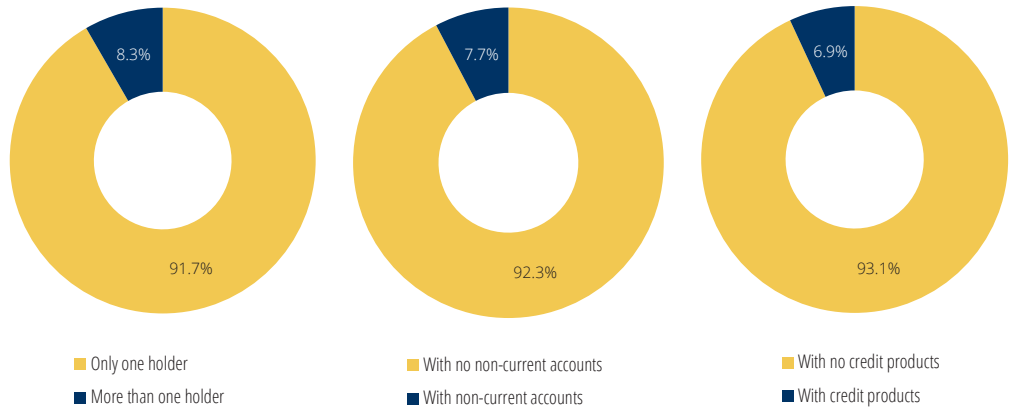
Source: Banco de Portugal.

In the first half of 2018, 1,412 basic bank accounts were closed. Of these, 1,174 (83.1%) were closed at the customer's initiative and 238 at the initiative of the credit institution (16.9%), due to the absence of account movements in the previous 24 months or to the fact that the holder holds other current accounts.

Of the 50,610 basic bank accounts existing at the end of the first half of 2018, 91.7% had only one holder and 8.3% had multiple holders. Most of the holders did not hold term accounts (92.3%) or credit products (93.1%).

During the first half of 2018, 380 accounts were opened by holders of other current accounts (5.1% of the total), a possibility that exists in the basic bank accounts regime for co-holders with persons over the age of 65 or with a permanent disability of 60% or more.

Chart C1.3 • Basic bank accounts | Charaterisation of accounts | 1<sup>st</sup> semester of 2018



Source: Banco de Portugal.

By the end of the first half of 2018, there were six institutions that exempted their customers from paying fees or other charges on basic bank accounts (Banco Activobank, BNI – Banco de Negócios Internacional (Europe), Banco BPI, Banco CTT, Caixa de Crédito Agrícola Mútuo de Leiria and Caixa Geral de Depósitos).

From 1 January 2018, the maximum annual fee amount that credit institutions can charge for basic bank accounts corresponds to 1% of the minimum wage (IAS), i.e. EUR 4.28, according to the value of IAS in 2018.

Basic bank accounts include opening and maintaining a current account; the provision of debit card to handle the account; access to the movements of the basic bank account via ATMs, home-banking service and branches of the credit institution; and deposits, withdrawals, payments of goods and services, direct debits, domestic intra-bank transfers and 24 transfers to other banks through home-banking<sup>3</sup>.

## 2 Inspections of central services

In the inspections of central services, Banco de Portugal continued to focus on the inspection of consumer credit and arrears regimes.

In the first half of 2018, the inspections made to the central services of institutions continued to monitor compliance with the consumer credit regime already developed in the previous year and Banco de Portugal continued to pay particular attention to the buoyancy of the various types of credit. The assessment of the arrears regime was another focus of the inspection activity in the first half of 2018. 72 inspections were carried out to the central services, involving 24 institutions.

Banco de Portugal carried out 58 inspections to the central services of 20 institutions in which it assessed the conformity of the practices in force in the marketing, contracting and management of credit operations covered by the consumer credit regime. Special attention was given to the process of contracting credit products with specific characteristics that involve greater complexity, such as credit cards.

In these inspections, the practices regarding the provision of information to customers throughout the contracting process (in the pre-contractual and contractual stages) and during the term of the contract were evaluated.

3. These services reflect the legal changes in basic bank accounts as of 1 January 2018, with the entry into force of Decree-Law No. 107/2017 and later on 9 May 2018, with the entry into force of Law No. 21/2018.

For the purpose of monitoring compliance with the ceilings in force for the APR, the calculation of the APR for credit operations already contracted was evaluated and its compliance with the maximum amounts in force was verified. The monthly reporting by credit institutions to Banco de Portugal on new consumer credit agreements was also validated. The adequacy of the date of conclusion of the credit agreement defined by the institution, the incorporation of the products under the different credit segments and the correct and timely reporting of the information to Banco de Portugal was also checked.

The practices of the institutions inspected in the calculation of remuneratory interest, in the collection of fees and in the exercise of the right of early repayment were also inspected.

The assessment of the arrears regime was also focused on by Banco de Portugal in the first half of 2018, with 15 accredited inspections involving seven institutions.

In these inspections, the correct application of the maximum overrate of interest on arrears, the calculation of the fee for recovery of amounts owed and the inexistence of other charges for the customer’s default were verified. The practices adopted in the solutions for settling non-compliance with consumer credit agreements, namely the amounts included in renegotiations and compliance with information duties were also analysed.

**Table III.2.1 • Inspections | Inspections of central services | 1<sup>st</sup> semester of 2018**

	Accredited	Entities covered
<b>Consumer credit</b>	<b>53</b>	<b>18</b>
Practices in the contracting of credit operations	4	4
Maximum rate regime	4	4
Information duties	19	18
Calculation and collection of interest	4	4
Early repayment	3	3
Reporting of information to Banco de Portugal	19	18
<b>Arrears</b>	<b>15</b>	<b>7</b>
Interest, fees and other charges	7	7
Information duties	4	4
Reporting of information to Banco de Portugal	4	4
<b>Total</b>	<b>68</b>	<b>-</b>

Source: Banco de Portugal. | Note: 22 institutions were involved in these inspections.

### 3 Off-site inspections

... In off-site inspections, Banco de Portugal gave priority to the inspection of basic bank accounts and mortgage credit.

In the first half of 2018, Banco de Portugal conducted a total of 431 off-site inspections, involving a total of 81 institutions.

The main focus of the inspections was compliance with changes to the regulatory framework of basic bank accounts<sup>4</sup> and mortgage credit<sup>5</sup>.

In relation to basic bank accounts, the information provided by credit institutions to bank customers was evaluated through their website, price list and standardised information sheet (SIS). The submission of information to all natural persons, holders of current accounts, on the possibility of converting their accounts into basic bank accounts and the requirements of such conversion was also assessed. In these inspections, the information provided on the services included in the basic bank account and the amount of the fee charged for these services which, according to the rules in force, cannot exceed 1% of the amount of the minimum wage, was verified. The characteristics of debit cards provided by institutions in the basic bank accounts regime were also inspected.

Regarding the mortgage credit, the provision and adequacy of the information provided by institutions on their websites as well as on the price list on mortgage loans and other mortgages marketed were evaluated. Banco de Portugal also monitored the completeness, accuracy and clarity of the information provided to customers through the European Standardised Information Sheet (FINE), in the simulation of loans for the purchase of own housing through the website, and the calculation of the APR in accordance with the legal requirements.

The submission of the invoice-receipt, detailing the fees and expenses charged in the previous year on the current account was also checked in off-site inspections.

Through the requirement to send documentary evidence to Banco de Portugal by all institutions that market payment instruments, the Bank also assessed compliance with the obligation of institutions, in cases in which the agreement was terminated, to return the annuity charged in advance in debit cards, credit cards and other cards, in proportion to the period not yet elapsed.

In consumer credit agreements, the provision of periodic information (statement) during the validity of the credit card agreements was evaluated as well as in mortgage credit agreements, the correct application of the rules regarding the application of fees for early repayment was assessed.

4. Decree-Law No. 107/2017 and by Law No. 21/2018.

5. Decree-Law No. 74-A/2017.



Table III.3.1 • Inspections | Off-site inspections | 1<sup>st</sup> semester of 2018

	Accredited	Entities covered
<b>Information duties</b>		
Mortgage credit	87	29
Price list	81	81
Basic bank accounts	79	26
Invoice-receipt	43	43
Credit card statements	2	2
<b>Marketing practices</b>		
Mortgage credit	60	29
Basic bank accounts	52	26
Payment instruments	29	29
Total	433	-

Source: Banco de Portugal. | Note: 81 institutions were involved in these inspections.

Box 2 • Marketing of consumer credit through digital channels

The growing marketing of consumer credit through digital channels, particularly via mobile applications (apps) and online platforms, creates a set of challenges to the supervisor, making it more difficult to monitor compliance with the applicable regulatory framework, in particular regarding the contracting process, based exclusively on the supervision tools usually used.

In this context, Banco de Portugal considered it a priority to obtain information that allows the supervision and follow-up of the practices of institutions in the context of the marketing of consumer credit, where the respective contracting process was initiated and concluded through digital channels.

To this end, it established, via Circular Letter<sup>6</sup>, a duty to report on consumer credit whose contracting begins and ends in a digital environment. Therefore, since the beginning of this year, institutions must report detailed information to Banco de Portugal on the contracting characteristics and process, including information on the security mechanisms adopted, of the consumer credit products they market through digital channels, at least 10 working days before the date on which they are to be marketed. The same reporting obligation must be complied with, when significant changes are made to the contracting process of the previously reported consumer credit product.

The analysis of the information reported to Banco de Portugal is supplemented by off-site inspections and, when deemed necessary, by a demonstration of the contracting process.

6. Circular Letter CC/2018/00000004 – “Reporting of information to Banco de Portugal in the scope of the marketing of consumer credit products via digital channels”.

Banco de Portugal assesses whether the practices adopted by supervised institutions in the scope of the marketing of consumer credit through digital channels are in compliance with current legal and regulatory standards, based on the principle of technological neutrality, which implies that bank customers have the same level of protection regardless of the channel used. In this context, Banco de Portugal monitors how pre-contractual and contractual information is made available to customers, whether adequate means are available to clarify customer doubts and facilitate the search for information, whether customers are provided the possibility of exercising the right to withdraw from the contract, within 14 days of its conclusion, and the right to early repayment of the credit through digital channels, as well as the security procedures adopted.

Following the issuance of this Circular Letter, during the first half of the year 13 entities reported to Banco de Portugal information on the marketing of credit products using digital channels. Together, these entities reported about 50 consumer credits where at least one stage of the contracting process is done through digital channels.

**Table C2.1 • Number of consumer credit products, by type, provided through digital channels**

	Personal loans	Overdraft facility	Credit card	Credit line	Total
No. Produtos	12	2	33	3	50
No. Institutions	10	2	6	3	13

Source: Banco de Portugal.

Credit cards are the type of consumer credit most marketed through digital channels, with six entities offering 33 cards.

The inspections undertaken allow us to conclude that the institutions inspected follow different approaches to the marketing of consumer credit through digital channels. A first group of institutions offers the same consumer credit product, both in digital channels (through a home-banking site or an app) and in traditional channels (for example, in a branch or by smartphone). Other institutions have introduced some differentiation in the digital product, such as lower interest rates, shorter deadlines and lower credit amounts. Finally, a third group of institutions developed exclusively dedicated platforms to offer a specific consumer credit product.



## IV Bank customers' complaints

- 1 Recent developments
- 2 Developments in complaints by subject matter
- 3 Matters subject to the most complaints, by banking product and service
- 4 Results of closed complaints



# 1 Recent developments

∴ The complaints received by Banco de Portugal dropped by 1.3%.

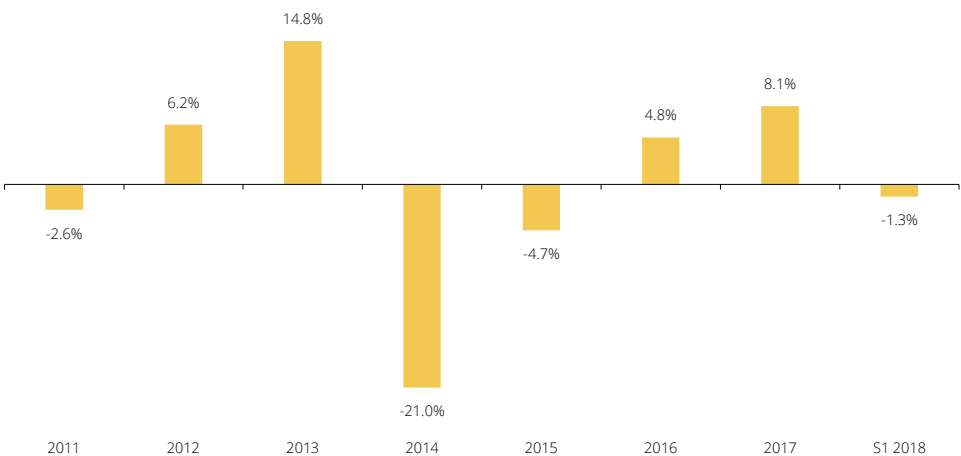
In the first half of 2018, 7,545 complaints were received on matters within the scope of Banco de Portugal's supervision, with an average of 1,258 complaints per month, representing a decrease of 1.3% compared to the monthly average of 2017.

The reduction in the monthly average number of complaints is mainly due to the contributions of complaints about deposit accounts and payment services, although most of the matters complained about decreased in comparison to 2017. Conversely, consumer credit and mortgage credit were the only two areas in which the monthly average number of complaints increased, especially in the case of consumer credit.

Complaints sent directly to Banco de Portugal (RCO) in the first half of 2018 represented 52.2% of the total, a slightly higher proportion than in 2017 (49.9%). The Bank Customer Website remained the most frequently used means of submitting these complaints (79.9%, slightly above the ratio seen in 2017, 79%). The remaining complaints (47.8%) were filed by bank customers through the Complaints book of Institutions (RCL).

Around 58% of the complaints there was no evidence of infringement by the institution being complained about (compared to 62% in 2017). In 42% of cases, the analysis of complaints by Banco de Portugal in the first half of 2018 led to the resolution of the situation by the credit institution, on its own initiative or by specific recommendation or provision of Banco de Portugal (which compares with 38% in 2017).

Chart IV.1.4 • Complaints | Developments in the number of entries | 2011 – 1<sup>st</sup> semester of 2018



Source: Banco de Portugal.

**Table IV.1.1 • Complaints | Number of entries, by origin | 2017 – 1<sup>st</sup> semester of 2018**

Year	Month	Entries <sup>(a)</sup>			
		RCL <sup>(b)</sup>	RCO <sup>(c)</sup>		Total
			Total	of which BCW <sup>(d)</sup>	
2017	January	689	636	491	1,325
	February	556	652	491	1,208
	March	731	698	544	1,429
	April	552	577	460	1,129
	May	669	696	569	1,365
	June	558	589	463	1,147
	July	679	613	501	1,292
	August	705	740	574	1,445
	September	615	591	469	1,206
	October	646	668	537	1,314
	November	685	682	528	1,367
	December	567	488	400	1,055
	<b>2017</b>	<b>7,652</b>	<b>7,630</b>	<b>6,027</b>	<b>15,282</b>
2018	January	681	641	488	1,322
	February	543	658	521	1,201
	March	620	691	555	1,311
	April	511	608	494	1,119
	May	681	703	574	1,384
	June	569	639	515	1,208
	<b>1<sup>st</sup> sem. 2018</b>	<b>3,605</b>	<b>3,940</b>	<b>3,147</b>	<b>7,545</b>

Source: Banco de Portugal. | Notes: a) The figures presented concern complaints on matters relating to banking products and services. It should be recalled that in 2017 and in the first half of 2018, 3020 and 1251 complaints, respectively, were also received outside the scope of Banco de Portugal's activity, which refer to situations in which there is no specific regulation applicable, such as the complaints about the service and quality of the facilities of credit institutions, or where matters fall within the competence of Comissão do Mercado de Valores Mobiliários (Securities Market Commission) or Autoridade de Supervisão de Seguros e Fundos de Pensões (Supervisory Authority for Insurance and Pension Funds). In accordance with the procedures agreed among the three financial supervisors, the complaints which fell under the jurisdiction of CMVM and ASF, which accounted for about one third of this group, were immediately sent to CMVM and ASF and customers informed of such referral to CMVM and ASF by Banco de Portugal. (b) Complaints filed through the Complaints book. (c) Complaints filed directly with Banco de Portugal. (d) Bank Customer Website.

## 2 Devolpments in complaints by subject matter

Deposit accounts were the matter most complained about, followed by consumer and mortgage credits. The preponderance of these matters is related to the number of current account, consumer credit and mortgage credit agreements entered into, between credit institutions and their customers. For this reason, the analysis of the development of complaints by subject matter should take into consideration the size of the respective market, making it necessary to relativize the number of complaints by the volume of underlying products and services.

... In deposit accounts, the number of complaints about liens  
... or insolvencies and fees or charges decreased.

In the first half of 2018, **deposit accounts** continued to be the bank product most complained about, accounting for 32.2% of total complaints received. However, the number of complaints about deposit accounts remained stable at 13 complaints per 100,000 accounts, since the decrease in the number of complaints on this matter (4.1% less, compared to the monthly average of 2017) was in line with the decrease in the number of deposit accounts reported by institutions. This development was mainly due to the reduction of complaints about liens or insolvencies and the collection of fees or charges in current accounts.

... In consumer credit, there was an increase in the number of  
... complaints about the collection of amounts in arrears and  
... about fees and charges.

Complaints about **consumer credit** were the second biggest reason for complaints from bank customers (24.9% of total complaints), with the number of complaints increasing to 16 per 100,000 agreements (compared to 15 complaints for every 100,000 contracts in 2017). The complaints on this matter increased by 9.1%, compared to the monthly average of 2017, mainly due to the growth of complaints about the collection of amounts owed and fees or charges. In terms of complaints by type of product, credit cards and personal loans contributed to the increase in the number of complaints.

... In mortgage credit, there was an increase in the number of  
... complaints about the calculation of instalments and about  
... the non-granting of credit.

In **mortgage credit**, the third matter most complained about, in the first half of 2018 (13.4% of complaints), complaints increased to 48 per 100,000 contracts (compared to 45 in 2017). This growth is explained by the increase in the number of complaints (5.6% more compared to the monthly average of 2017) and the decrease in the number of mortgage credit agreements reported. The increase in the number of complaints was mainly due to matters relating to the calculation of the instalment amount according to the arithmetic mean of the reference rate when it is regularly reviewed and to the non-granting of credit.

**Payment cards** accounted for 9.5% of total complaints received in the first half of 2018. Complaints per million cards in circulation decreased from 36 in 2017 to 34 in the first half of 2018. This reduction reflects the 2.4% decrease in the number of complaints in this area, compared to the monthly average of 2017, and was largely due to the lower number of complaints on the amount of the annuity charged.

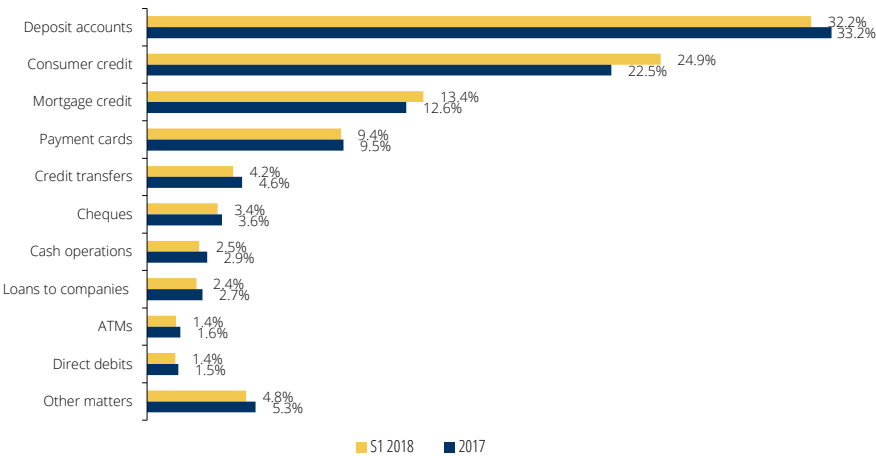
**Credit transfers** accounted for 4.2% of complaints, with the number of complaints per 10 million transfers dropping from 48 in 2017 to 39 in the first half of 2018. This was due to the lower number of complaints (10.9% less than the monthly average of 2017), mainly on non-executed operations and alleged fraud, and the increase in the volume of transfers.

In **cheques**, the number of complaints increased slightly, from 17 to 18 complaints per million cheques. This growth reflects a marked decrease in the number of cheques used, given that complaints on this matter decreased by 6.9%, in comparison to the monthly average of 2017. Comparing with the monthly average of 2017, in the first half of 2018 there was a drop in the number of complaints about returned cheques and the collection of fees.

In **loans to companies**, the number of complaints decreased from 20 to 17 per 100,000 contracts, as a result of the sharp decrease in the number of complaints on this matter (11.2% less than the monthly average of 2017). Particularly noteworthy was the reduction in the number of complaints on credit liabilities, the non-granting of credit and fees or charges.

In the first half of 2018, compared to 2017, there were also reductions in complaints on **cash transactions** (from 103 to 90 complaints per 100 million deposit and withdrawal operations), **ATMs** (from 78 to 69 complaints per 10,000 ATMs) and direct debits (from 116 to 103 per 100 million operations).

**Chart IV.2.1 • Complaints | Product and service subject to complaints (as a percentage)**  
| 2017 – 1<sup>st</sup> semester of 2018



Source: Banco de Portugal.



**Table IV.2.1 • Complaints | Number of complaints by bank product and service | 2017 – 1<sup>st</sup> semester of 2018**

Product or service complained about <sup>(a)</sup>	Absolute values			Relative values <sup>(b)</sup>			
	2017	1 <sup>st</sup> sem. 2017	Δ	2017	1 <sup>st</sup> sem. 2018	Δ	Unit of reference
Deposit accounts	5,070	2,431	-4.1%	13	13	0.4%	100,000 accounts
Consumer credit	3,440	1,877	9.1%	15	16	8.2%	100,000 agreements
Mortgage credit	1,921	1,014	5.6%	45	48	6.4%	100,000 agreements
Payment cards	1,455	710	-2.4%	36	34	-4.7%	million cards
Credit transfers	705	314	-10.9%	48	39	-18.0%	10 million transfers
Cheques	554	258	-6.9%	17	18	2.5%	million cheques
Cash operations	445	191	-14.2%	103	90	-12.9%	100 million operations
Loans to companies	410	182	-11.2%	20	17	-11.0%	100,000 agreements
ATMs	247	106	-14.2%	78	69	-11.9%	10,000 ATMs
Direct debits	231	103	-10.8%	116	103	-11.1%	100 million operations
Other matters	804	359	-10.7%	–	–	–	–
<b>Total</b>	<b>15,282</b>	<b>7,545</b>	<b>-1.3%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

Source: Banco de Portugal. | Notes: The figures presented refer to matters within the scope of Banco de Portugal's activity. For matters marked with (\*), the relative value presented for 2017 is the six-month average. This adjustment is necessary so that the relative value presented for 2017 is comparable to that recorded in the first half of 2018. As reference units are used in these variable stock materials, comparison is possible only for periods of equal duration. In matters not marked with (\*), this correction is not necessary, since the reference unit itself is a flow variable. The heading 'Other matters' includes complaints on various matters as well as thematic contents with less than 1% of the total complaints, which included, for example, the complaints resulting from the non-provision of the Complaints book to the customer. The units of reference used in the relativisation of each of the matters are specified in Annex VII in relation to the methodological notes.

For the three products with the highest number of complaints – deposit accounts, consumer credit and mortgage credit, which together accounted for 70.5% of the total – the number of complaints addressed to each institution was weighted by the respective level of services provided or contracts concluded (Boxes 4 to 6).

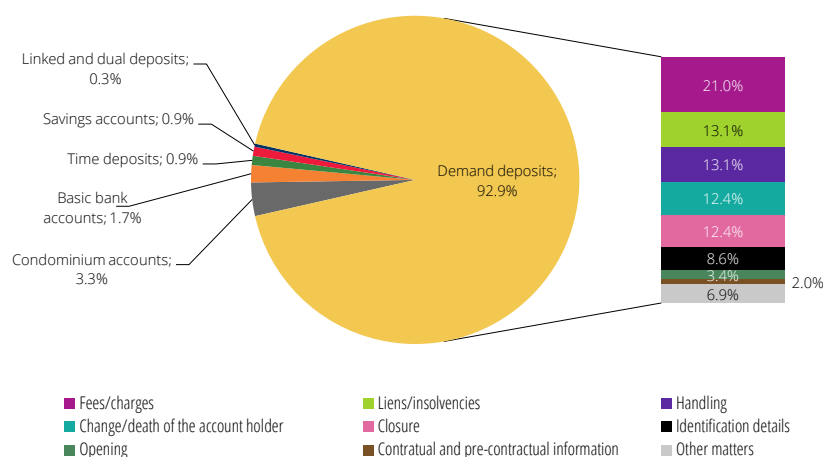
### 3 Matters subject to the most complaints, by banking product and service

In this section, the matters most complained about in the first half of 2018 are highlighted, regardless of the result of the analysis of complaints.

#### 3.1 Deposit accounts

Almost all of the complaints on deposit accounts were related to current accounts (92.9%), despite the decrease compared to 2017. This reduction was partly due to the lower number of complaints on situations of liens or insolvencies and collection of fees or charges.

Chart IV.3.1 • Complaints | Deposit accounts | 1<sup>st</sup> semester of 2018



Source: Banco de Portugal.

In deposit accounts, the matters most complained about, in the first half of 2018, were related to:

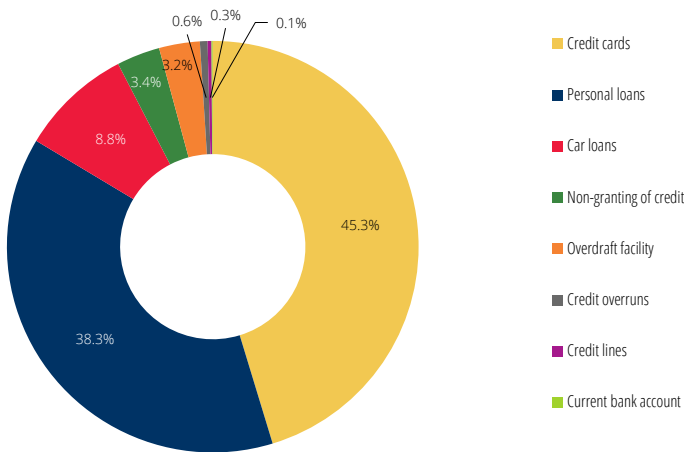
- **Collection of fees or charges (21%):** what is essentially at stake is the provision of information on the fees associated with the current account, the assumptions for their application, and the amounts charged as account maintenance fees;
- **Liens or insolvencies (13.1%):** essentially this has to do with complaints relating to the delay in the lifting of liens after payment of the debt and to the alleged non-compliance with the limits on the unseizability of bank deposits;
- **Conditions of account movement (13.1%):** the most important are complaints relating to the alleged non-compliance of credit institutions with instructions given by customers to handle current accounts, the debit transactions carried out by the institutions allegedly without the customer's authorisation, and the blocking by the institution of the possibility of handling the current account;
- **Change or death of the account holder (12.4%),** this had mostly to do with complaints on the procedure to change the ownership of current accounts (in case of inclusion of a new holder or request for the exclusion of one of the holders) and to the slowness and alleged difficulties placed by credit institutions for access to and handling of accounts after the death of the respective holder;
- **Closure of the account (12.4%),** this was mostly related with complaints about the alleged non-compliance by credit institutions with instructions given by the customer to close the account and the account being closed at the institution's initiative, allegedly without observing the legal provisions in force.

### 3.2 Consumer credit

In the first half of 2018, there was a 9.1% increase in the monthly average of complaints related to consumer credit, the most important being the rise in complaints about the collection of amounts owed and fees or charges, compared to 2017.

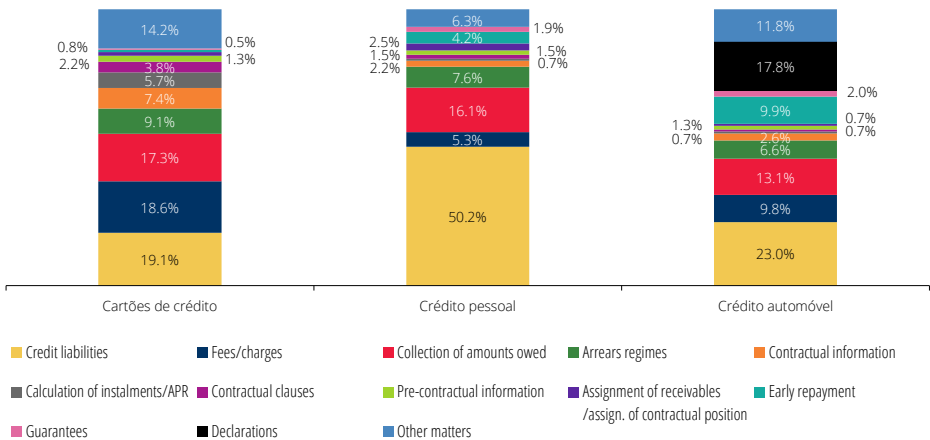
Credit cards continued to be the consumer credit product with the highest number of complaints, corresponding to 45.3% of total complaints on this matter. The second product most complained about was personal loans, with 38.3% of the complaints, followed by car loans, with 8.8%.

Chart IV.3.2 • Complaints | Consumer credit | 1<sup>st</sup> semester of 2018



Source: Banco de Portugal.

Chart IV.3.3 • Complaints | Credit cards, personal loans and car loans | 1<sup>st</sup> semester of 2018



Source: Banco de Portugal. | Note: Car loans do not include complaints about financial leasing/long-term rental.

In consumer credit, the matters most complained about were the following:

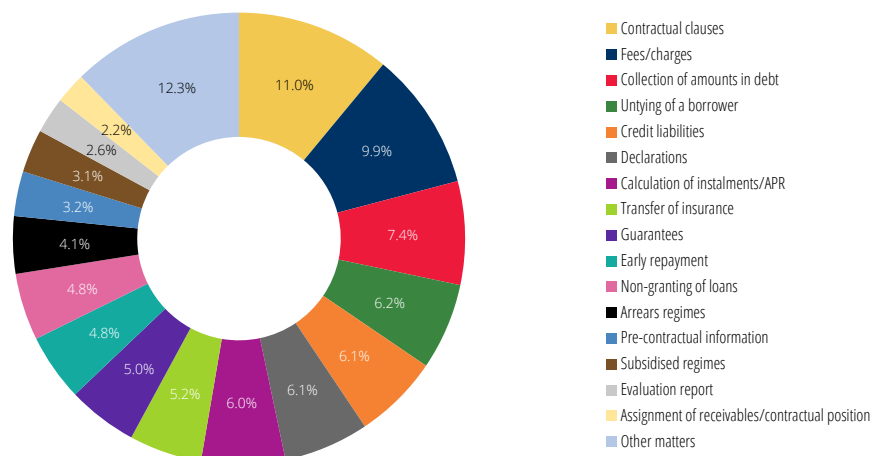
- **Credit liabilities (32.4%)<sup>1</sup>:** the reporting of information to the Central Credit Register by the participating entities, highlighting issues related to alleged delays in communicating the settlement of situations of default or extinction of credit liabilities, the delay in rectifying incorrectly reported information; and failure to notify borrowers or guarantors of the commencement of the reporting of credit liabilities in default;
- **Collection of amounts in debt (16.4%):** this essentially had to do with the calculation of the amount owed to the credit institution; situations of non-compliance that do not fall under the system of prevention and management of non-compliance with credit agreements; and the methods used by credit institutions as well as their subcontracted entities to collect the amounts owed;
- **Collection of fees or charges (12.3%),** in particular the alleged failure by institutions to provide information on fees charged and the assumptions for their application; the amounts required as fees for the services provided by institutions; and the collection of fees for late payment of credit instalments;
- **Prevention and management of non-compliance (8.2%):** this was essentially related to complaints regarding the way in which credit institutions conducted the negotiation process under the PARI or OASP; the non-presentation by the credit institution of proposals for the prevention or settlement of non-compliance; and the failure to timely adopt the procedures associated with the OASP.

### 3.3 Mortgage credit

In the first half of 2018, there was a 5.6% increase in the average monthly number of complaints that focused on mortgage credit, especially the increase in the number of complaints related to the calculation of instalments and the APR and the non-granting of loans, compared to 2017. On the other hand, there was a decrease in complaints concerning non-compliance.

1. The percentages indicated refer to complaints about credit cards, personal loans and car loans.

Chart IV.3.4 • Complaints | Mortgage credit | 1<sup>st</sup> semester of 2018



Source: Banco de Portugal.

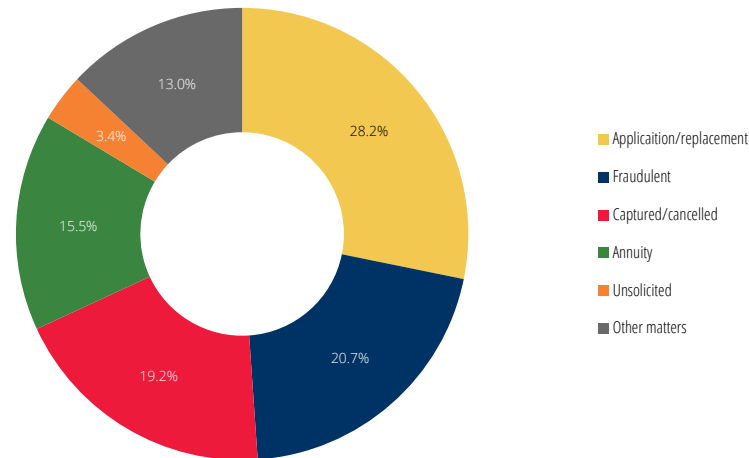
The most frequent complaints about mortgage credit in the first half of 2018 were:

- **Contractual clauses (11%):** this had essentially to do with complaints about the increase in the spread due to non-compliance with the terms of the optional associated sales; the renegotiation of the credit agreement through the change in contractual clauses; and the calculation of the amount of the instalment as a result of the revision of the reference rate;
- **Fees or charges (9.9%):** mainly complaints related to the fees charged for late payment of instalments and to the fees charged during the credit contracting process;
- **Collection of amounts in arrears (7.4%):** what was essentially at stake was the calculation by the credit institution of the amount owed; situations of non-compliance that do not fall under the system for the prevention and management of non-compliance with credit agreements; and the methods used by credit institutions as well as entities subcontracted by them to collect amounts owed;
- **Untying of the borrower (6.2%):** these complaints had to do with the alleged delay in untying one of the borrowers, for example following a divorce, as well as the refusal by the credit institution of the requests to untie one of the borrowers;
- **Credit liabilities (6.1%):** in particular complaints about the reporting by institutions to the Central Credit Register, namely the alleged delays in reporting the settlement of situations of non-compliance or extinction of credit liabilities; failure to provide information to borrowers or guarantors of the commencement of the reporting of credit liabilities in default; and delay in rectifying incorrectly reported information;
- **Declarations (6.1%):** what was essentially at stake was the non-timely issuance by the credit institution of the declaration of the mortgage extinction.

### 3.4 Payment cards

In the first half of 2018, there was a 2.4% decrease in the average monthly number of complaints about payment cards compared to 2017. This reduction was partly due to the lower number of complaints on the amount of the annuity. On the other hand, there is an increase in complaints regarding alleged fraud.

Chart IV.3.5 • Complaints | Payment cards | 1<sup>st</sup> semester of 2018



Source: Banco de Portugal.

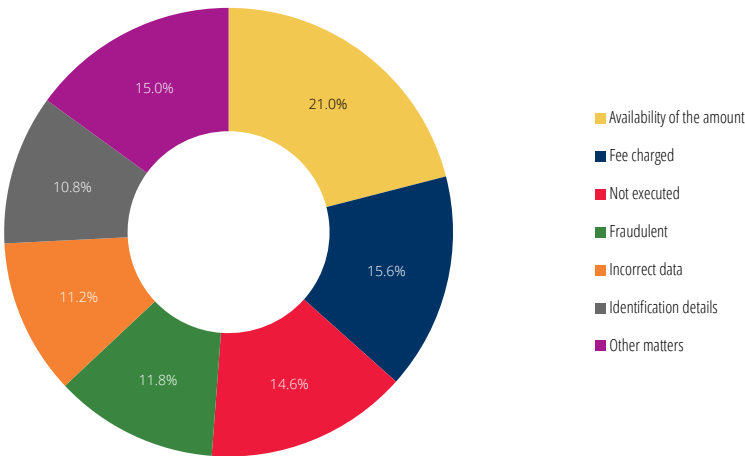
In the first half of 2018, the most frequent complaints about payment cards were related to the following matters:

- **Application for or replacement of cards (28.2%):** what is essentially at stake is the refusal to issue a payment card and the delay in replacing it;
- **Alleged fraud (20.7%),** resulting from the use of cards by third parties other than the cardholder, where what is at stake is the authorship of the instructions transmitted to the credit institution and its responsibility for the execution of those transactions, namely cash withdrawals at ATMs, purchase of goods and services through the internet (online payments) and operations made abroad;
- **Capture and cancellation of cards (19.2%):** focusing essentially on the blocking of cards resulting from the exercise of contractual prerogatives by the issuing institutions, namely for security reasons and cases of termination of contracts regulating the use of cards, at the initiative of the institution or the customer;
- **Annuity (15.5%):** complaints had to do with the conditions for exemption or payment of the annuity, the amount of the annuity charged the institutions; and the alleged non-communication of changes in the amount of the annuity.

### 3.5 Credit transfers

In the first half of 2018, there was a 10.9% decrease in the average monthly number of complaints about credit transfers compared to 2017, especially in complaints about transactions not executed and alleged fraud. On the other hand, there is an increase in the number of complaints related to identification details.

Chart IV.3.6 • Complaints | Credit transfers | 1<sup>st</sup> semester of 2018



Source: Banco de Portugal.

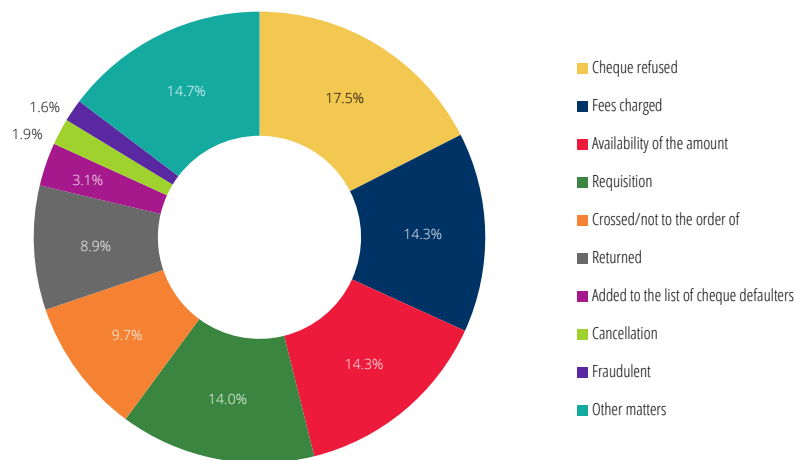
The most frequent complaints about credit transfers had to do with:

- **Availability of the amount transferred (21%):** what was at state was essentially failure to comply with the deadlines established by law due to technical anomalies or operational errors;
- **Fee charged (15.6%):** focusing in particular on the amount of the fee charged by institutions for the execution of transfers, in particular in digital channels and over the counter, and also on international transfers, as well as the alleged non-communication of changes in the charging of the said fee;
- **Operations not executed (14.6%):** complaints had to do with the non-execution of transfers ordered by the complainant, either due to computer anomaly or operational error; the impossibility of carrying out the transfer due to the limits applicable to transfer amounts, in particular daily and per-channel limits (especially digital channels and ATMs) agreed with the respective credit institutions; and insufficient details necessary to make the transfer.

### 3.6 Cheques

In the first half of 2018, the average monthly number of complaints in relation to cheques dropped by 6.9% in comparison to 2017. This reduction contributed to the lower number of complaints about returned cheques and fees charged, while the number of complaints about crossed cheques/not to the order of increased.

Chart IV.3.7 • Complaints | Cheques | 1<sup>st</sup> semester of 2018



Source: Banco de Portugal.

The most frequent complaints about cheques were related to the following matters:

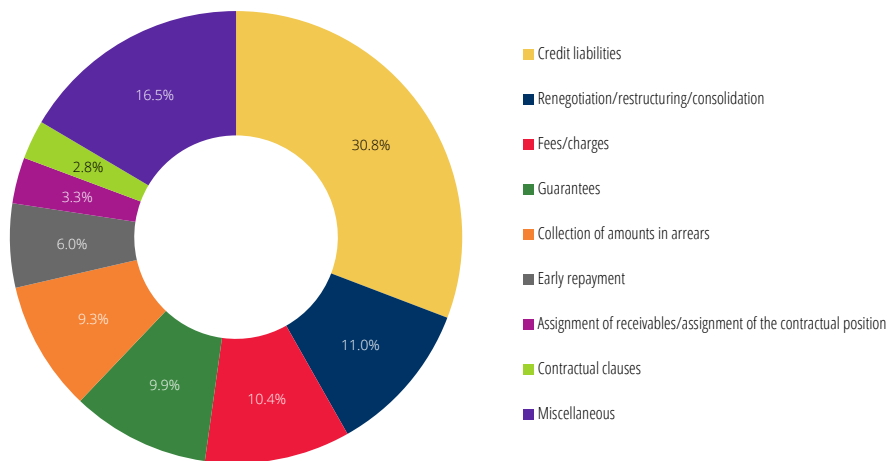
- **Refusal to accept cheques (17.5%):** this essentially had to do with (i) the fact that the cheque had been incorrectly filled in, (ii) the person that presented the cheque for payment was not the beneficiary of the cheque, and (iii) the cheque was presented after the legal deadline for payment;
- **Fees (14.3%):** in particular, regarding the issuance of cheque books and as a result of returned cheques;
- **Availability of the cheque amount (14.3%):** this had mostly to do with questions regarding compliance with the deadlines established by law for situations in which the cheque was deposited in a branch and in ATMs;
- **Cheque requisition (14%):** this had mostly to do with the fact that credit institutions did not provide their customers with cheques and the delay in providing the cheques.



### 3.7 Loans to companies

In the first half of 2018, the average monthly number of complaints about loans to companies dropped by 11.2%, in comparison to 2017. Particularly noteworthy was the reduction in complaints related to credit liabilities, the non-granting of credit and fees or charges.

Chart IV.3.8 • Complaints | Loans to companies | 1<sup>st</sup> semester of 2018



Source: Banco de Portugal.

The most frequent complaints about loans to companies were related to the following matters:

- **Credit liabilities (30.8%);** which include complaints about the reporting by the participating entities of potential or actual credit liabilities to the Central Credit Register, in particular as regards alleged delays in reporting the settlement of situations of non-compliance or extinction of credit liabilities; failure to notify borrowers or guarantors of the start of the reporting of default liabilities, and the delay in rectifying incorrectly reported information;
- **Renegotiation, restructuring and consolidation of credit (11%);** this had to do with complaints about requests for renegotiation of the conditions initially contracted for the loan and the alleged difficulties in restructuring and consolidating amounts in arrears;
- **Collection of fees or charges (10.4%);** with particular emphasis on complaints regarding the provision of information on the fees charged and the assumptions for their application, the amounts of the fees, and the changes made to the applicable price list, allegedly without informing customers in advance thereof;
- **Guarantees (9.9%);** in particular, complaints pertaining to the execution of guarantees provided in the context of loans to companies, namely the allegedly undue execution by credit institutions of guarantees provided by companies or by their partners or representatives (for example, mortgages or personal guarantees).

### Box 3 • Institutions that received the most complaints as regards current accounts

**Table C3.1 • Complaints | Per 1,000 current accounts | 1<sup>st</sup> semester of 2018**

Abbreviation	Credit institution	1 <sup>st</sup> semester of 2018
BACTT	BANCO CTT, S.A.	0.43
BBVA	BANCO BILBAO VIZCAYA ARGENTARIA (PORTUGAL), S.A.	0.34
DBAKT	DEUTSCHE BANK AKTIENGESELLSCHAFT – SUCURSAL EM PORTUGAL	0.29
BANSU	BANKINTER, S.A. – SUCURSAL EM PORTUGAL	0.28
BSTOT	BANCO SANTANDER TOTTA, S.A.	0.17
BACTI	BANCO ACTIVOBANK, S.A.	0.16
BBPOR	BANCO BIC PORTUGUÊS, S.A.	0.15
NOVOB	NOVO BANCO, S.A.	0.15
CGD	CAIXA GERAL DE DEPÓSITOS, S.A.	0.14
<b>System average</b>		<b>0.13</b>
BBPI	BANCO BPI, S.A.	0.13
BINVG	BANCO DE INVESTIMENTO GLOBAL, S.A.	0.12
BBEST	BEST – BANCO ELECTRÓNICO DE SERVIÇO TOTAL, S.A.	0.10
BCP	BANCO COMERCIAL PORTUGUÊS, S.A.	0.10
CEMG	CAIXA ECONÓMICA MONTEPIO GERAL	0.10
SICAM	CAIXAS DE CRÉDITO AGRÍCOLA MÚTUO INTEGRADAS NO SICAM	0.04

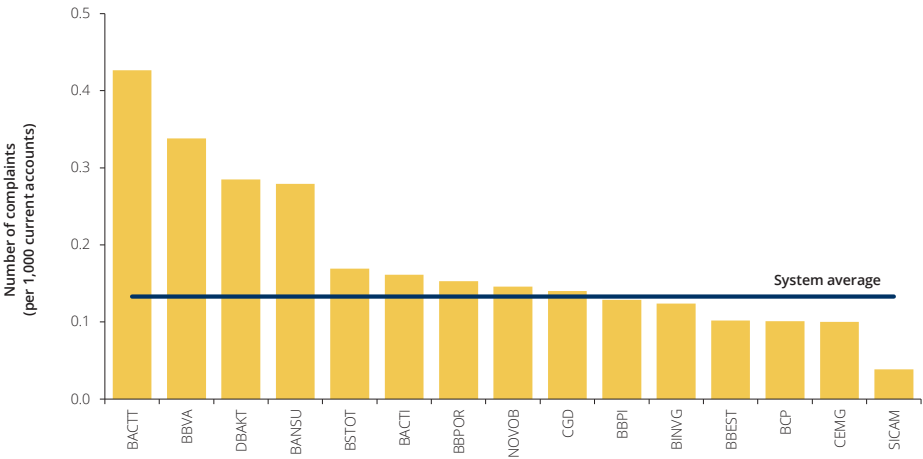
Source: Banco de Portugal. | Note: The system average is equal to 13 complaints per 100,000 current accounts ordem.

The previous table presents the number of complaints per thousand current accounts, by credit institution, for the first half of 2018. The complaints received by Banco de Portugal on this product were considered, irrespective of whether, upon analysis, non-compliance or irregularities were detected in relation to the institution.

The credit institutions in the table above had on average more than two complaints per quarter in 2018. An even lower number of complaints was received on a further set of institutions which, given their relative importance, is not mentioned above. This group comprises ABANCA Corporación Bancaria – Branch in Portugal, Banco do Brasil – Branch in Portugal, Banco Privado Atlântico – Europa, Caixa de Crédito Agrícola Mútuo de Leiria and Caixa Económica da Misericórdia de Angra do Heroísmo.

No complaints were received against other relevant institutions in the area of current accounts, such as Banco BAI Europa, Banco Finantia, Banco Invest, Banco L. J. Carregosa, Banco Português de Gestão, Banif – Banco de Investimento, BNI – Banco de Negócios Internacional (Europa), BNP Paribas, Caixa – Banco de Investimento, Caixa de Crédito Agrícola Mútuo da Chamusca, Caixa de Crédito Agrícola Mútuo do Bombarral, Caixa de Crédito Agrícola Mútuo de Mafra, Caixa de Crédito Agrícola Mútuo de Torres Vedras, Haitong Bank and Novo Banco dos Açores.

Chart C3.1 • Complaints | Per 1,000 current accounts | 1<sup>st</sup> semester of 2018



Source: Banco de Portugal.

#### Box 4 • Institutions that received the most complaints as regards consumer credit

**Table C4.1 • Complaints | Per 1,000 consumer credit agreements | 1<sup>st</sup> semester of 2018**

Abbreviation	Credit institution	1 <sup>st</sup> semester of 2018
CIFIC	CAIXA LEASING E FACTORING – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S.A.	1.23
DBAKT	DEUTSCHE BANK AKTIENGESELLSCHAFT – SUCURSAL EM PORTUGAL	0.72
WBSUC	WIZINK BANK, S.A. – SUCURSAL EM PORTUGAL	0.47
BANSU	BANKINTER, S.A. – SUCURSAL EM PORTUGAL	0.40
BBVIF	BBVA – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S.A.	0.34
RBANS	RCI BANQUE SUCURSAL PORTUGAL	0.33
MTPCR	MONTEPIO CRÉDITO – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S.A.	0.33
VBGSP	VOLKSWAGEN BANK GMBH – SUCURSAL EM PORTUGAL	0.32
321CR	321 CREDITO – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S.A.	0.30
BBPOR	BANCO BIC PORTUGUÊS, S.A.	0.26
CEMG	CAIXA ECONÓMICA MONTEPIO GERAL	0.24
BASCP	BANCO SANTANDER CONSUMER PORTUGAL, S.A.	0.24
NOVOB	NOVO BANCO, S.A.	0.20
COFID	COFIDIS	0.19
BACTI	BANCO ACTIOBANK, S.A.	0.19
BSTOT	BANCO SANTANDER TOTTA, S.A.	0.18
BPRIM	BANCO PRIMUS, S.A.	0.18
FINCI	FINANCEIRA EL CORTE INGLÉS PORTUGAL, S.F.C., S.A.	0.18
<b>System average</b>		<b>0.16</b>
BCBOM	BANCO CREDIBOM, S.A.	0.15
BBPI	BANCO BPI, S.A.	0.13
UNICR	UNICRE – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S.A.	0.09
BBNPP	BANCO BNP PARIBAS PERSONAL FINANCE, S.A.	0.09
BCP	BANCO COMERCIAL PORTUGUÊS, S.A.	0.09
SICAM	CAIXAS DE CRÉDITO AGRÍCOLA MÚTUO INTEGRADAS NO SICAM	0.08
ONEYB	ONEY BANK – SUCURSAL EM PORTUGAL	0.07
CGD	CAIXA GERAL DE DEPÓSITOS, S.A.	0.07

Source: Banco de Portugal. | Note: The system average is equal to 16 complaints per 100,000 consumer credit agreements.

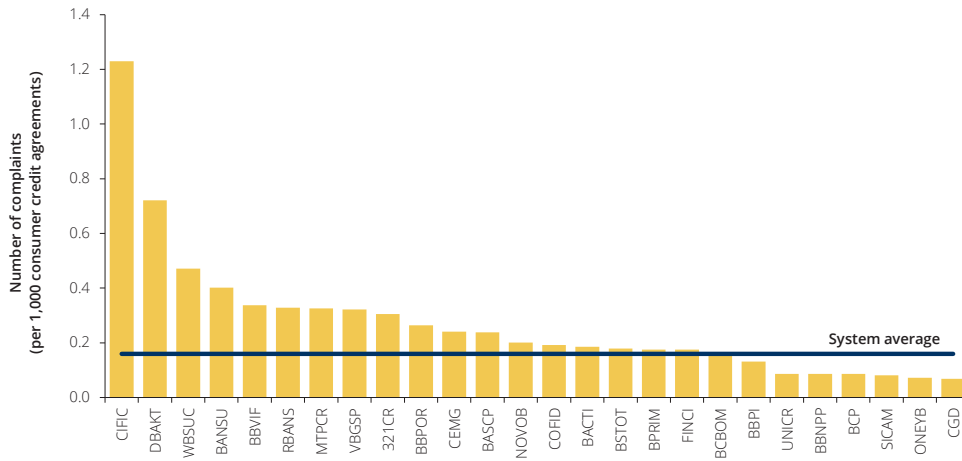
The previous table presents the number of complaints per thousand consumer credit contracts, by credit institution, for the first half of 2018. The complaints received by Banco de Portugal on this product were considered, irrespective of whether, upon analysis, the institution was found to have failed to fulfil its obligations.

The credit institutions in the table above had on average more than two complaints per quarter in 2018. An even lower number of complaints was received on a further set of institutions which, given their relative importance, is not mentioned above. This group comprises ABANCA Corporación Bancaria – Branch in Portugal, ABANCA Servicios Financieros – Branch in Portugal, Banco Bilbao Vizcaya Argentaria (Portugal), Banco CTT, Banco do Brasil – Branch in Portugal, Banco Finantia, Banco Invest, Best – Banco Electrónico de Serviço Total, BMW Bank – Portuguese

Branch, FCA Capital Portugal, FCE Bank PLC, Mercedes-Benz Financial Services Portugal, Montepio Investimento, Novo Banco dos Açores and Sofinloc – Instituição Financeira de Crédito.

No complaints were received against other relevant institutions in the area of consumer credit, such as Banco de Investimento Global, Banco Privado Atlântico – Europa, Bankinter Consumer Finance, BNI – Banco de Negócios Internacional (Europe), Caixa de Crédito Agrícola Mútuo de Leiria, Caixa Económica da Misericórdia de Angra do Heroísmo and Union de Creditos Inmobiliarios – Branch in Portugal.

**Chart C4.1 • Complaints | Per 1,000 consumer credit agreements | 1<sup>st</sup> semester of 2018**



Source: Banco de Portugal.

## Box 5 • Institutions that received the most complaints as regards mortgage credit

**Table C5.1 • Complaints | Per 1,000 mortgage credit agreements | 1<sup>st</sup> semester of 2018**

Abbreviation	Credit institution	1 <sup>st</sup> semester of 2018
BACTT	BANCO CTT, S.A.	4.07
BBVA	BANCO BILBAO VIZCAYA ARGENTARIA (PORTUGAL), S.A.	0.88
BSTOT	BANCO SANTANDER TOTTA, S.A.	0.79
BANSU	BANKINTER, S.A. – SUCURSAL EM PORTUGAL	0.76
CEMG	CAIXA ECONÓMICA MONTEPIO GERAL	0.70
UNCRE	UNION DE CREDITOS INMOBILIARIOS, S.A., ESTABLECIMIENTO FINANCIERO DE CREDITO (SOCIEDAD UNIPERSONAL) – SUCURSAL EM PORTUGAL	0.61
BBPOR	BANCO BIC PORTUGUÊS, S.A.	0.52
DBAKT	DEUTSCHE BANK AKTIENGESELLSCHAFT – SUCURSAL EM PORTUGAL	0.52
<b>System average</b>		<b>0.48</b>
NOVOB	NOVO BANCO, S.A.	0.42
BCP	BANCO COMERCIAL PORTUGUÊS, S.A.	0.39
CGD	CAIXA GERAL DE DEPÓSITOS, S.A.	0.37
BBPI	BANCO BPI, S.A.	0.34
SICAM	CAIXAS DE CRÉDITO AGRÍCOLA MÚTUO INTEGRADAS NO SICAM	0.18

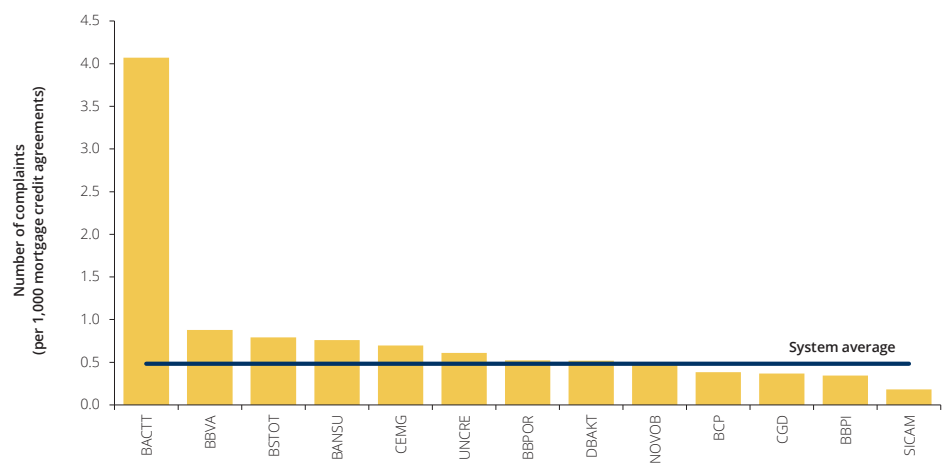
Source: Banco de Portugal. | Note: The system average is equal to 48 complaints per 100,000 credit agreements.

The table above presents the number of complaints per thousand mortgage credit agreements, by credit institution, for the first half of 2018. The complaints received by Banco de Portugal on this product were considered, irrespective of whether, upon analysis, the institution was found to have failed to fulfil its obligations.

The credit institutions in the table above had on average more than two complaints per quarter in 2018. An even lower number of complaints was received on a further set of institutions which, given their relative importance, is not mentioned above. This group comprises Banco de Investimento Imobiliário, Caixa Leasing e Factoring – Instituição Financeira de Crédito and Novo Banco Açores.

No complaints were received against other relevant institutions in the area of mortgage credit, such as Abanca Corporación Bancaria – Branch in Portugal and Caixa de Crédito Agrícola Mútuo de Leiria.

Chart C5.1 • Complaints | Per 1,000 mortgage credit agreements | 1<sup>st</sup> semester of 2018



Source: Banco de Portugal.

## 4 Results of closed complaints<sup>2</sup>

In the first half of 2018, there were no indications of infringement by the credit institution in about 58% of the closed complaints (62% in 2017) and in 42% of the cases, the situation was resolved by the credit institution, either on its own initiative or following the action of Banco de Portugal (38% in 2017).

In some situations, bank customers complain about the conduct of the credit institution even though it is acting correctly. These cases generally occur when customers do not have complete knowledge of the characteristics of the products or of the rights granted to them by the legal framework in force.

Credit institutions correct the situation complained about when it results from non-compliance with applicable standards, following specific recommendations or provisions issued by Banco de Portugal. Banco de Portugal may also institute litigation proceedings. Furthermore, credit institutions may sometimes accept complaints from customers about their conduct even if there is no irregularity or non-compliance.

... The average closing time for complaints was around one month.

In the first half of 2018, the average closing term for complaints was 31 days, compared to 39 days in 2017. The average term of closing complaints filed directly with Banco de Portugal was 45 days (53 days in 2017), while in the case of complaints submitted through the Complaints book it was 17 days (24 days in 2017).

The different terms are explained by the channel used to submit the complaints to Banco de Portugal, since different procedures are applied depending on whether the complaint is submitted directly to Banco de Portugal (complaint received from other sources) or written in the Complaints book of a credit institution (complaint received via the Complaints book).

In the case of complaints filed directly with Banco de Portugal, credit institutions are immediately questioned about the content of the complaint and have 20 working days to respond to the complainant<sup>3</sup> and to inform Banco de Portugal of their response. Banco de Portugal may ask credit institutions for more information which, after analysis, lead to the closure of the complaint by Banco de Portugal.

2. The type of results described applies to the complaints that fall within the scope of Banco de Portugal's supervision. In relation to complaints that are not within the scope of Banco de Portugal's activity, the results can be of two types: forwarding the complaint to another regulatory entity (CMVM or ASF) or outside the scope of financial supervisors.

3. As per Circular Letter No. 25/2008, of 26 March.



In the case of complaints filed through the Complaints book, institutions must send a copy of the page of the Complaints book, together with the relevant documents and ideally their analysis of the situation, to Banco de Portugal within ten working days<sup>4</sup>. After the complaint has been filed with Banco de Portugal, additional clarifications may be requested, with the institutions having five working days to send a reply.

The average closing term of complaints includes the time for analysis of the complaint by Banco de Portugal and by the credit institution itself. Banco de Portugal must always listen to the institution complained about, with the average term depending on the additional requests for information addressed to the institution and its response to Banco de Portugal's questions.

4. As per Circular Letter No. 6/2008, of 24 January.





## V Correction of irregularities and sanctioning

- 1 Specific recommendations  
and provisions
- 2 Administrative proceedings



# 1 Specific orders and determinations

As a result of the inspections carried out, during the first half of 2018 Banco de Portugal issued 341 specific orders and determinations to 57 institutions.

Most of the specific orders and determinations had to do with consumer credit.

Of the specific orders and determinations issued, 78.6% followed on from inspections, 13.2% were issued after the inspection of advertising media and 8.2% after the analysis of complaints. The specific orders and determinations issued focused mainly on matters related to consumer credit (40%) and basic bank accounts (27%), as a result of the inspection priorities defined for 2017.

Table V.1.1 • Specific orders and determinations | By subject matter | 1<sup>st</sup> semester of 2018

Matters	Number	Institutions covered
Advertising	45	17
of which: Products and services	43	17
Price lists	36	13
Bank deposits	110	28
of which: Basic bank accounts	91	27
Fees and charges	14	3
Consumer credit	136	22
of which: Pre-contractual and contractual information	97	17
Interest rates and maximum rates	18	7
Reporting to Banco de Portugal	7	2
Mortgage credit	4	4
Credit liabilities	2	2
Payment services	5	3
Complaints book	3	2
Total	341	-

Source: Banco de Portugal. | Note: In the first half of 2018, specific orders and determinations were issued to 57 institutions.

## 1.1 Advertising

In the scope of advertising supervision, 45 specific orders and determinations were issued in the first half of 2018. These specific orders and determinations were directed at 17 institutions, covering a total of 124 advertising media, five of which were institutional.

Most of the specific orders and determinations were issued to correct irregularities identified or to promote the adoption of good practices in the advertising of consumer credit, and focused more frequently on the presentation of the APR without any prominence similar to the prominent features.

The distortion of facts in advertising messages, combined with the presentation of incorrect or incomplete designations and inconsistent information (notably in the representative example of the APR), continued to be the second most frequent type of non-compliance.

Information in characters smaller than the statutory minimum appears in third place in the most frequently observed types of non-compliance.

There is also an increase in non-compliance related to the non-identification of the respective credit institution, in comparison to the first half of 2017.

## 1.2 Price lists

During the first half of 2018, Banco de Portugal issued 36 specific orders and determinations, addressed to 13 institutions, related to the fulfilment of information duties on price lists, detected during the inspections.

Particular emphasis is given to the specific orders and determinations relating to the charges and rounding off considered in the calculation of the APR<sup>1</sup>, completeness and timeliness of the information<sup>2</sup>, the reporting of the price list to Banco de Portugal<sup>3</sup> and its availability on the website<sup>4</sup>.

## 1.3 Deposits

During the first half of 2018, Banco de Portugal issued 110 specific orders and determinations, addressed to 28 institutions, to correct irregularities or promote good practices in the marketing of deposits.

Around 83% of these specific orders and determinations were the result of inspections, which in the first half focused particularly on compliance with the basic bank account regime. Special emphasis is given to the specific orders and determinations related to the provision of information, namely on the conditions of access to basic bank accounts<sup>5</sup>, characteristics of these accounts<sup>6</sup>, fees charged<sup>7</sup> and display of the poster on basic bank accounts in the branches of institutions<sup>8</sup>.

1. Instruction No. 21/2009 and subparagraph d) of the Observations in Part I of Annex I of Decree-Law No. 133/2009 of 2 June.

2. Articles 3 and 7 of Notice No. 8/2009 of Banco de Portugal and Instruction No. 21/2009 of Banco de Portugal.

3. Article 9 of Notice No. 8/2009 of Banco de Portugal and Item 7 of Instruction No. 21/2009 of Banco de Portugal.

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

5. Articles 4, 4-A and 7-A (2) (b) of Decree-Law No. 27-C/2000, of 10 March.

6. Articles 1, No. 2, and Article 7-A (2) (a) of Decree-Law No. 27-C/2000, of 10 March.

7. Article 3 (1) and (2), of Decree-Law No. 27-C/2000, of 10 March.

8. Article 2 (1) of Notice No. 9/2017 of Banco de Portugal and Article 7-A (2) (a) of Decree-Law No. 27-C/2000, of 10 March.

The remaining specific orders and determinations were the result of the analysis of complaints, highlighting those that, in the context of the change in contractual conditions, required compliance with the duty of institutions to provide all the information legally envisaged<sup>9</sup>.

## 1.4 Consumer credit

During the first half of 2018, Banco de Portugal issued 136 specific orders and determinations, addressed to 22 institutions, to correct irregularities or promote good practices in the marketing of consumer credit. About 98% of these specific orders and determinations resulted from inspections.

Due to their greater frequency, the most important are those related to compliance with the duties to provide pre-contractual and contractual information and customer service<sup>10</sup>. Specific orders and determinations related to the assumptions for calculating the APR<sup>11</sup>, non-compliance with the ceilings applicable to the APR<sup>12</sup> and the failure to report information to Banco de Portugal were also issued<sup>13</sup>.

## 1.5 Mortgage credit

During the first half of 2018, Banco de Portugal issued four specific orders and determinations, addressed to four institutions, related to mortgage credit. These specific orders and determinations resulted from the analysis of bank customer complaints and inspections. Emphasis is placed on the provisions issued in relation to the fulfilment of duties related to guarantees<sup>14</sup> and the collection of fees in the case of renegotiation<sup>15</sup> or early repayment<sup>16</sup>.

## 1.6 Reporting to the Central Credit Register

During the first half of 2018, Banco de Portugal issued two specific orders and determinations, addressed to two institutions, as a result of the analysis of complaints from bank customers, related to the duties associated with the reporting of information to the Central Credit Register in the scope of consumer credit. Particularly noteworthy are the specific orders and determinations that resulted from the reporting of incorrect information<sup>17</sup> or related to the duty to rectify unduly communicated liabilities<sup>18</sup>.

9. Article 55 of Decree-Law No. 317/2009 of 30 October.

10. Articles 6 and 7 of Decree-Law No. 133/2009 of 2 June.

11. Article 24 of Decree-Law No. 133/2009 of 2 June and Instruction No. 13/2013 of Banco de Portugal.

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

13. Article 120 of the RGICSF (Legal Framework of Credit Institutions and Financial Companies) and Instruction No. 14/2013.

14. Article 7 (1) of Decree-Law No. 222/2009, of 11 September.

15. Article 3 (1) of Decree-Law No. 171/2008, of 26 August and Circular Letter No. 61/2008/DSB.

16. Article 23 (8) Decree-Law No. 74-A/2017 of 23 June.

17. Article 3 of Decree-Law No. 204/2008, of 14 October.

18. Item 10 of Instruction No. 21/2008 of Banco de Portugal.

## 1.7 Payment services

During the first half of 2018, Banco de Portugal issued five specific orders and determinations, addressed to three institutions, based on the analysis of bank customer complaints, in connection with payment services.

These specific orders and determinations had to do with the blocking of payment instruments<sup>19</sup>, the correction of unauthorised payment transactions<sup>20</sup> and the proportional collection of charges invoiced for payment services, in the event of the termination of the payment card usage agreement<sup>21</sup>.

## 1.8 Complaints book

During the first half of 2018, Banco de Portugal issued three specific orders and determinations, addressed to three institutions, in relation to the application of the Complaints book regime<sup>22-23</sup>.

# 2 Administrative proceedings

In the first half of 2018, in the scope of its banking conduct supervision duties, Banco de Portugal filed 33 administrative proceedings against 17 institutions. Approximately 91% of these proceedings were filed by Banco de Portugal after the analysis of complaints from bank customers, in which 63 complaints were involved. Around 8% of these proceedings resulted from the inspection of compliance with the maximum rates in consumer credit.

Most administrative proceedings filed had to do with deposits and consumer credit.

19. Article 66 (2) of the RJSPME (Legal Framework of Payment Institutions and Payment Services).

20. Article 69 (1) of the RJSPME.

21. Article 56 (6) of the RJSPME.

22. Article 3 (1) (c) of Decree-Law No. 156/2005 of 15 September.

23. Article 5, No. 6 of Decree-Law No. 156/2005 of 15 September.



**Table V.2.1 • Administrative proceedings | Matters covered | 1<sup>st</sup> semester of 2018**

Matters	Number	Institutions covered
<b>Bank deposits</b>	<b>13</b>	<b>7</b>
<b>Mortgage credit</b>	<b>2</b>	<b>2</b>
General arrears regime	2	2
<b>Consumer credit</b>	<b>13</b>	<b>11</b>
Maximum rates	7	5
General arrears regime	4	4
Pre-contractual and contractual information	2	2
<b>Credit liabilities</b>	<b>4</b>	<b>4</b>
Consumer credit	2	2
Mortgage credit	1	1
Loans to companies	1	1
<b>Payment services</b>	<b>5</b>	<b>3</b>
<b>Other situations</b>	<b>2</b>	<b>2</b>
Banking secrecy	2	2
<b>Total</b>	<b>33</b>	<b>–</b>

Source: Banco de Portugal. | Note: In the first half of 2018, administrative proceedings were filed against 17 institutions. Each administrative offence proceeding can involve more than one matter.

In the context of deposits, administrative offences relating to the undue blocking of current accounts are highlighted, particularly in situations of unjustified delay in the lifting of attachment orders<sup>24</sup>. This is followed by the subscription, without the customer's consent, of bank products and services<sup>25</sup>.

Concerning consumer credit, the most noteworthy are administrative proceedings relating to the fulfilment of information duties<sup>26</sup> and the requirements of the credit agreement<sup>27</sup>, especially in those cases where the agreement is concluded through remote communication channels.

Banco de Portugal also filed six administrative proceedings for the violation of the general arrears regime<sup>28</sup> on consumer credit and mortgage credit. These cases had to do with situations of non-compliance with the reporting obligations to the Central Credit Register<sup>29</sup>, in particular those relating to the reporting of incorrect information<sup>30</sup> or to the non-timely rectification of unduly reported liabilities<sup>31</sup>. They were also related to non-compliance with the duty to inform debtors of the facts that may lead to the reporting of liabilities or the start of the reporting of situations of non-compliance to the Central Credit Register<sup>32</sup>.

24. Article 74 of the RGICSF (Legal Framework of Credit Institutions and Financial Companies).

25. Article 74 of the RGICSF.

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

27. Article 12 of Decree-Law No. 133/2009 of 2 June.

28. Article 14 and 21 of Decree-Law No. 227/2012 of 25 October.

29. Decree-Law No. 204/2008, of 14 October and Instruction No. 21/2008 of Banco de Portugal.

30. Article 3 of Decree-Law No. 204/2008, of 14 October.

31. Item 10 of Instruction No. 21/2008 of Banco de Portugal.

32. Item 4, subparagraph b) of Instruction No. 21/2008 of Banco de Portugal.

With regard to the duties applicable to institutions in matters relating to payment instruments, the administrative proceedings filed had to do with situations relating to unjustified delay in the closure of accounts at the request of holders, unauthorised payment transactions<sup>33</sup>, delay in making available the amount of the payment transactions<sup>34</sup> as well as the blocking of payment instruments<sup>35</sup>. The penalty related to non-compliance with the obligation of banking secrecy is also mentioned<sup>36</sup>.

33. Article 65 and 71 of the RJSPME (Legal Framework of Payment Institutions and Payment Services).

34. Article 80, 83 and 84 of the RJSPME.

35. Article 66 of the RJSPME.

36. Article 78 of the RGICSF (Legal Framework of Credit Institutions and Financial Companies).



## VI Authorisation and registration of credit intermediaries

- 1 New legal regime governing credit intermediaries
- 2 Authorisation requests to access the credit intermediary activity
- 3 Institutions that provide intermediation or consulting services
- 4 Notifications of activity in Portugal of credit intermediaries authorised in other European Union Member States



# 1 New legal regime governing credit intermediaries

The conclusion of credit agreements between consumers and credit institutions may involve the intervention of a third party: the credit intermediary. The credit intermediary is the natural or legal person who participates in the lending process by submitting or proposing credit agreements to consumers, assisting consumers in the preparatory work of credit agreements even if they have not been submitted or proposed by them, concluding credit agreements with consumers on behalf of the lending institutions or providing advisory services by issuing customised recommendations on credit agreements.

Credit intermediaries are not authorised to grant credit or to intervene in the marketing of other banking products or services, such as time deposits or payment services.

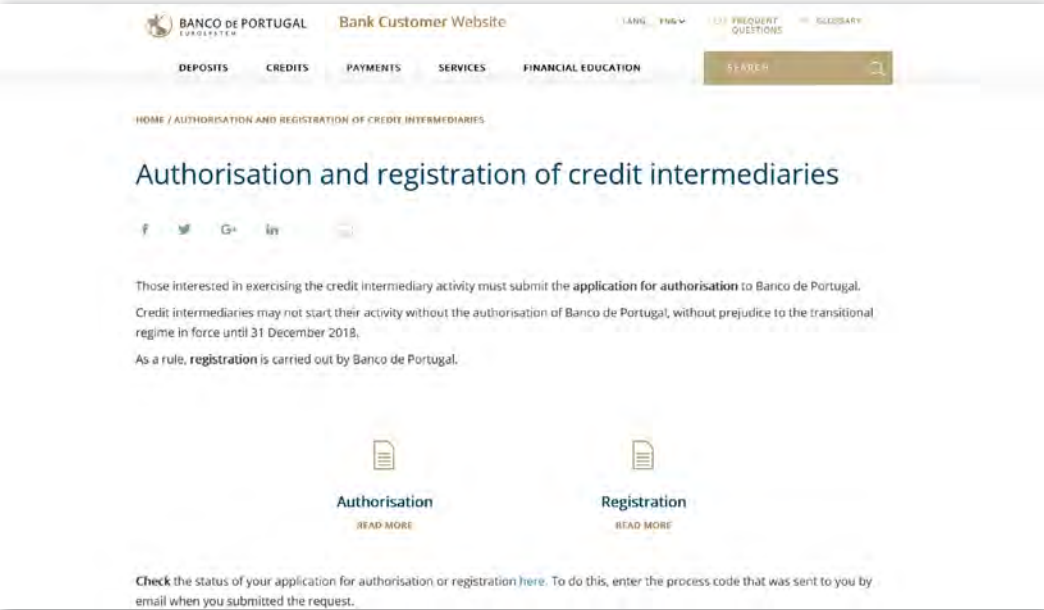
As of 1 January 2018, with the entry into force of the legal regime governing credit intermediaries<sup>1</sup>, Banco de Portugal became responsible for the authorisation and registration of all natural or legal persons wishing to engage in the credit intermediation activity or to provide consultancy services under credit agreements.

Interested parties must submit their requests for authorisation to Banco de Portugal, which has a deadline of 90 days to communicate its decision. In cases where clarifications or additional elements are requested, this period may be extended to 180 after the initial application has been submitted. Individuals and legal entities already engaged in credit intermediary activities prior to the entry into force of the diploma benefit from a transitional regime and may continue to exercise this activity until 31 December 2018 without being authorised by Banco de Portugal, although they have to comply with all applicable legal and regulatory standards.

Applications for authorisation and registration can be made through the Bank Customer Website. On this site, it is also possible to check the status of previous authorisation or registration requests. After approval of the requests, Banco de Portugal discloses on its Bank Customer Website a List of entities qualified to act as credit intermediaries.

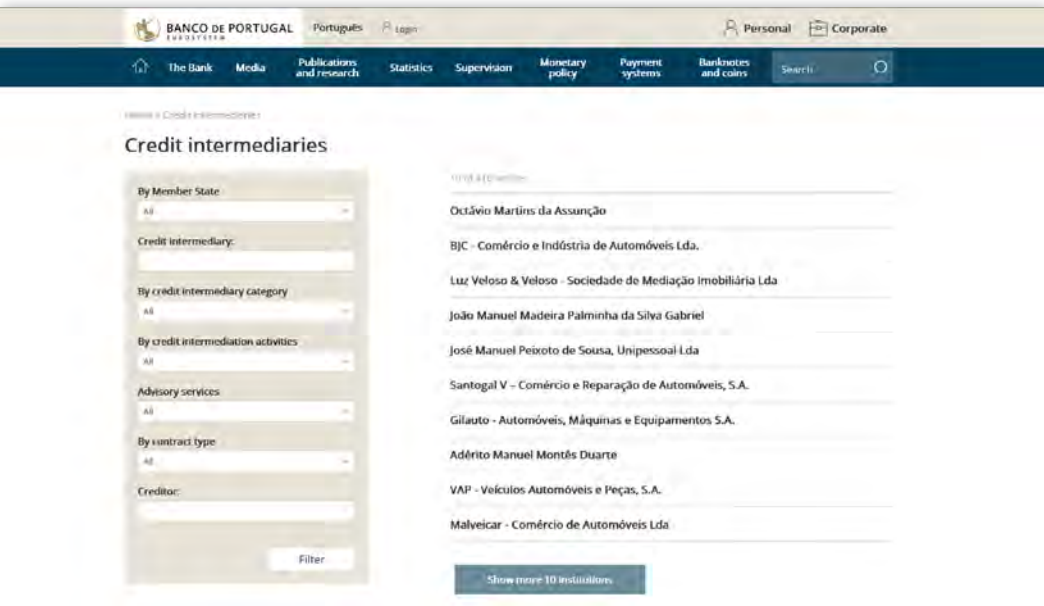
1. Decree-Law No. 81-C / 2017 of 7 July, which approved the regime establishing the requirements for access to and exercise of the credit intermediary activity and the provision of advisory services relating to credit agreements ("Legal regime governing credit intermediaries").

Figure VI.1.1 • Bank Customer Website | Authorisation and registration of credit intermediaries



Source: Banco de Portugal – Bank Customer Website (<https://cliente.bancario.bportugal.pt/en/authorisation-and-registration-credit-intermediaries>).

Figure VI.1.2 • Banco de Portugal's Website | List of entities qualified to act as credit intermediaries



Source: Banco de Portugal – Banco de Portugal's Website (<https://www.bportugal.pt/en/intermediarios-credito>).

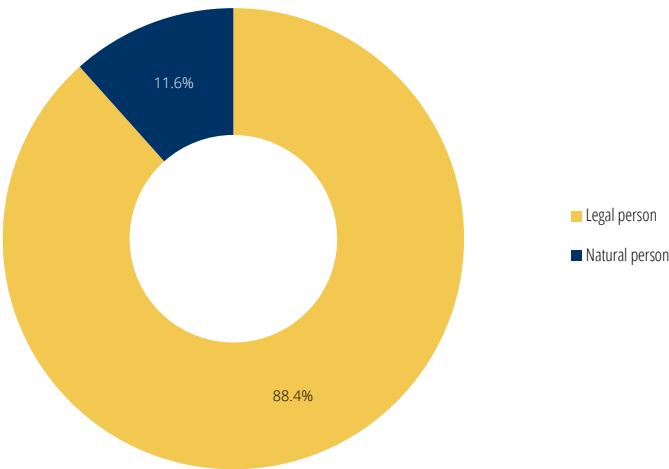
## 2 Authorisation requests to have to access the credit intermediation activity in the 1<sup>st</sup> half of 2018

..... Banco de Portugal received 658 requests for authorisation to have access to the credit intermediary activity.

During the first half of 2018, 658 applications were submitted to Banco de Portugal for authorisation to engage in the credit intermediary activity or to provide advisory services in relation to credit agreements.

Of these applications, 88.4% were presented by legal persons and 11.6% by natural persons.

**Chart VI.2.1 • Credit intermediaries | Distribution of authorisation requests by type of person | 1<sup>st</sup> semester of 2018**



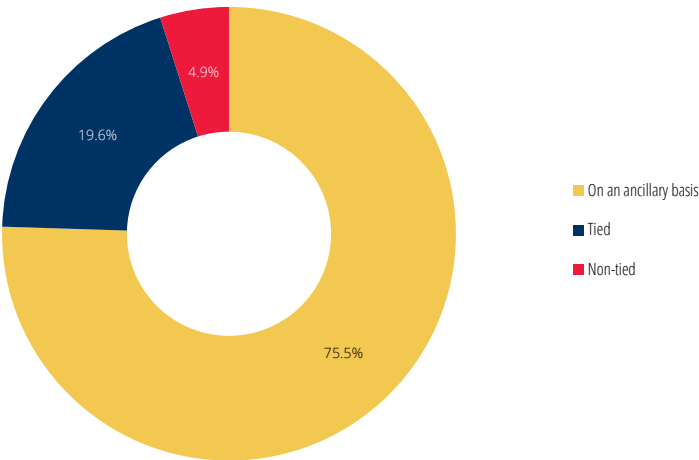
Source: Banco de Portugal.

..... The majority of requests were made by legal persons, who intend to be intermediaries on an ancillary basis in relation to consumer credit agreements.

Credit intermediaries may be tied or non-tied, depending on whether or not they act under a binding agreement with a credit institution (or with a group of credit institutions). There are also credit intermediaries on an ancillary basis, which act to finance the goods or services they provide.

The majority of interested parties (75.5%) intend to carry out the activity in the category of credit intermediaries on an ancillary basis. This is followed by requests for authorisation in the category of tied credit intermediary (19.6%) and, lastly, 4.9% in the category of non-tied credit intermediary.

**Chart VI.2.2 • Credit intermediaries | Distribution of authorisation requests by category of credit intermediary | 1<sup>st</sup> semester of 2018**

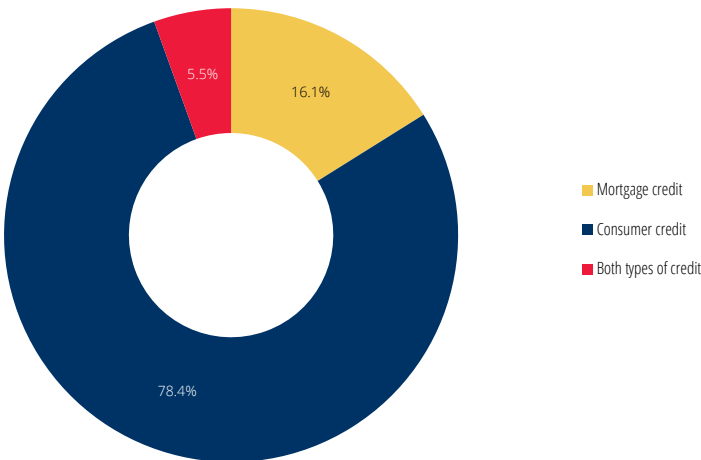


Source: Banco de Portugal.

Those interested in submitting applications for authorisation to Banco de Portugal must indicate the type of credit in relation to which they wish to carry out their activity (consumer credit, mortgage credit or both types of credit).

In the first half of 2018, 78.4% of the interested parties indicated that they intend to exercise the credit intermediary activity in relation to consumer credit agreements, 16.1% in relation to mortgage credit agreements and 5.5% in relation to both types of credit.

**Chart VI.2.3 • Credit intermediaries | Distribution of authorisation requests by type of credit | 1<sup>st</sup> semester of 2018**



Source: Banco de Portugal.

Of the requests for authorisation received, most were still being analysed by Banco de Portugal on 30 June (period of analysis which may go up to 180 days), given the high number of applications submitted at the end of the first half of 2018. In this period, Banco de Portugal refused four applications for authorisation.



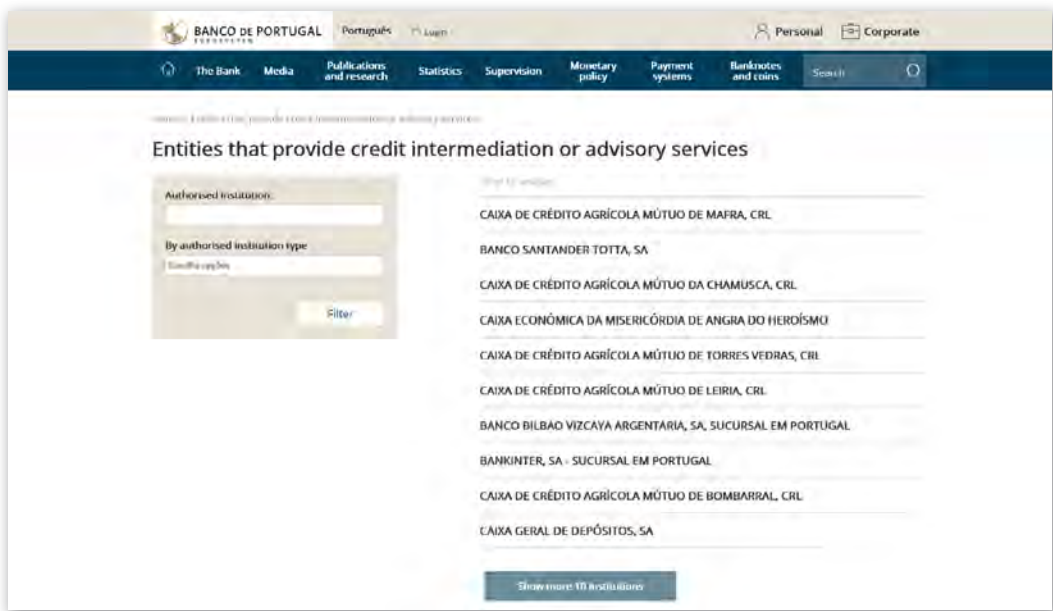
### 3 Institutions that provide intermediation or consulting services

Credit institutions, financial companies, payment institutions and electronic money institutions may act as credit intermediaries and provide advisory services in respect of credit agreements in which they do not act as lenders. Although they do not require any specific authorisation to do so, they must inform Banco de Portugal of the lender (or group of lenders) with which they have a binding contract, the type of credit intermediation or consulting services they provide and the type of credit agreement in relation to which they provide these services.

This information must be sent to Banco de Portugal within 15 days of the conclusion of the binding contract or, if applicable, after the start of the provision of consultancy services.

Banco de Portugal announces on its Bank Customer Website the “List of entities that provide credit intermediation or consulting services”.

Figure VI.3.1 • Banco de Portugal's Website | List of entities that provide credit intermediation of consulting services



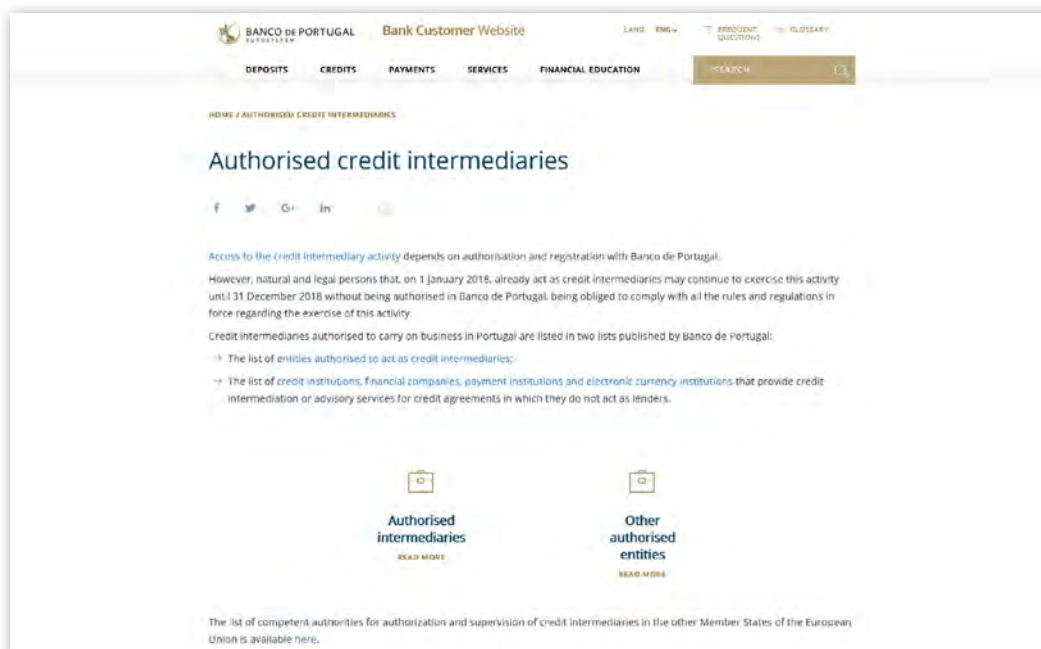
Source: Banco de Portugal – Banco de Portugal's Website (<https://www.bportugal.pt/en/instituicoes-financeiras-intermediacao>).

## 4 Notifications of activity in Portugal of credit intermediaries authorised in other European Union Member States

Regarding mortgage credit agreements, credit intermediaries authorised in another European Union Member State may, under the freedom to provide services or through the establishment of a branch, engage in the credit intermediary activity and provide advisory services. These credit intermediaries are also subject to registration with Banco de Portugal and have to comply with the legal and regulatory rules applicable to the exercise of the credit intermediation activity in Portugal. Additionally, they may only provide the services covered by the authorisation granted to them by the competent authorities of the Member State of origin.

During the first half of 2018, four communications were received for the exercise of the credit intermediation activity in Portugal, three under the freedom to provide services and one under the freedom to establish a branch. These entities are listed in the “List of entities qualified to act as credit intermediaries”, available on the Bank Customer Website.

Figure VI.4.1 • Bank Customer Website | Authorised credit intermediaries



Source: Banco de Portugal – Bank Customer Website (<https://cliente.bancario.bportugal.pt/en/authorised-credit-intermediaries>).



## VII Certification of training entities



## · Banco de Portugal received five requests for certification of training entities, in the 1<sup>st</sup> half of 2018.

The legal framework for mortgage credit obliged creditors with headquarters or branches in Portugal to ensure that their employees have and maintain an adequate level of knowledge and skills in the preparation, marketing and conclusion of mortgage credit agreements.

On the other hand, the legal regime of credit intermediaries provides that natural persons or members of the board of directors of legal persons wishing to engage in the activity of credit intermediary or, where they exist, those responsible for that activity and, furthermore, credit intermediaries who wish to carry out their activity in the context of mortgage credit agreements must have an adequate level of knowledge and skills in the matters relevant to the exercise of the activity in question.

In both cases, the knowledge and skills of the persons identified above can be proven by obtaining professional certification, which is conferred after the successful completion of training provided by training entities certified by Banco de Portugal.

In the first half of 2018, five requests for certification of training entities were submitted to Banco de Portugal, four of which during the second quarter of this year.

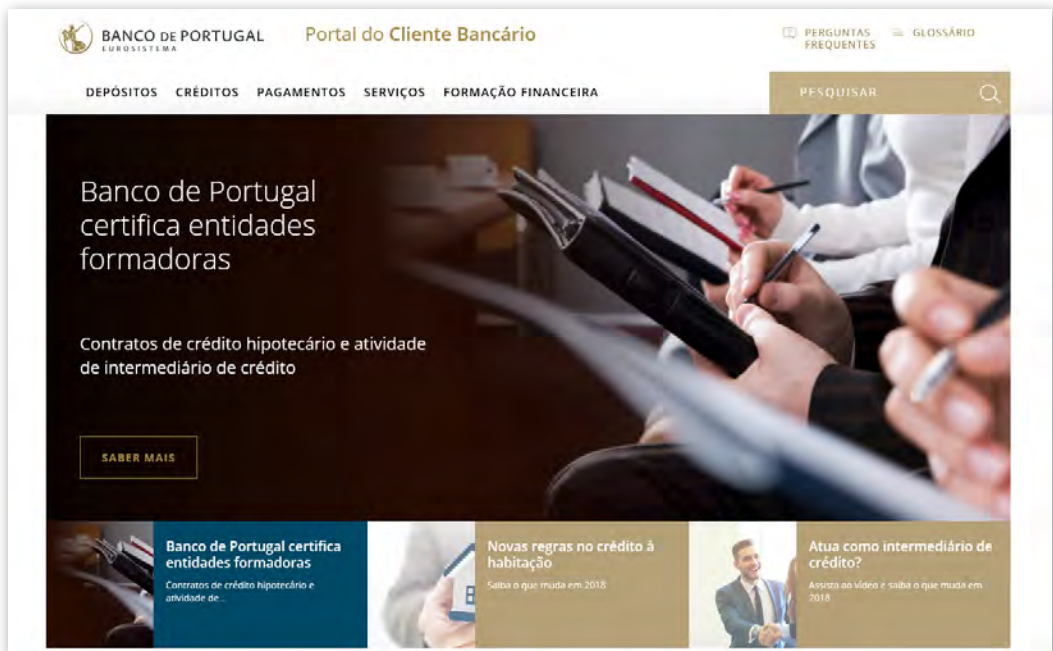
Regarding the applications for certification submitted in this period, Banco de Portugal granted the requests submitted by the following entities:

- Associação Portuguesa de Bancos (Portuguese Bank Association)/Instituto de Formação Bancária (Bank Training Institute)
- SPESI – Sociedade de Promoção de Ensino Superior Imobiliário, S.A.

In addition to deciding on the applications for certification submitted to it, Banco de Portugal is also responsible for monitoring, overseeing and guaranteeing the quality of the certification system<sup>1</sup>. In compliance with this assignment, in the first half of the year, Banco de Portugal undertook actions to monitor the activity carried out by certified entities.

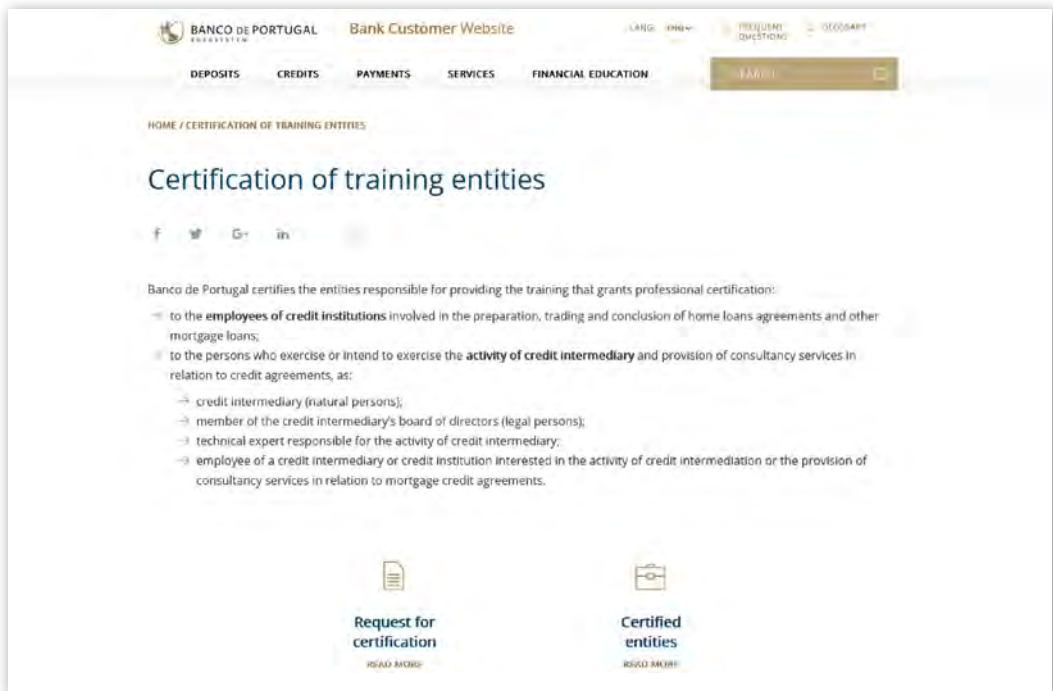
1. Cf. Article 3 (e) of Ordinance No. 385-D/2017, of 29 September.

Figure VII.1 • Bank Customer Website | Certification of training entities



Source: Banco de Portugal – Bank Customer Website (<https://cliente bancario.bportugal.pt/en/certification-training-entities>).

Figure VII.2 • Bank Customer Website | Certification of training entities



Source: Banco de Portugal – Bank Customer Website (<https://cliente bancario.bportugal.pt/en/certification-training-entities>).





## VIII Annex

1 Methodological notes  
for calculating which institutions  
received most complains





# 1 Methodological notes for calculating which institutions received most complains

## Universe of complaints

The data considered in the statistical analysis refer to complaints filed with Banco de Portugal in 2017 and in the first half of 2018. The thematic content of these complaints falls within the scope of Banco de Portugal's action, whether submitted through the Complaints book provided in credit institutions or sent directly to Banco de Portugal by bank customers

This analysis excludes complaints filed with Banco de Portugal whose subject matter is not within its scope of action, as well as complaints made by customers directly to the institutions without using the Complaints book. The latter are not sent to Banco de Portugal and are treated bilaterally between customers and institutions.

## Matters complained about

The classification of complaints in terms of the matter complained about is made from the point of view of the product or banking service that is being complained about. Complaints are allocated to a particular product or banking service when they concern any fact relating to the banking conduct standards regarding that product or service. Complaints are thus classified by complaint matter as follows:

- Payment 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 mortgage credit agreements and related loans covered by Decree-Law No. 74-A/2017, of 23 June.
- Consumer credit – complaints related to the access, execution and contractual conditions of credit agreements, other than mortgage credit agreements and related loans covered by Decree-Law No. 74-A/2017, of 23 June. Thus, these complaints are related to consumer credit or other loans granted to individuals, whether or not through credit cards.
- Loans to companies – complaints about credit agreements granted to companies, including agreements entered into with individual entrepreneurs in the course of their professional activity.
- Deposit accounts – complaints associated with the opening, handling or management of deposit accounts, as well as their contractual conditions. Included in this thematic content are the complaints that fall on all types of deposits, namely demand deposits, term deposits, under a 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 the demand deposit account.
- ATMs – complaints associated with ATM operations.

- Cash operations – complaints relating to transactions with notes and currencies, namely Euro banknote and coin exchange and currency differences in withdrawal and deposit operations.
- Credit transfers – complaints related to the processing transfers.
- Other matters – combines all thematic contents representing a volume of complaints of less than 1% of the total, which includes, for example, Automatic Payment Terminals, exchange operations, the Account Database, bank guarantees, the non-availability of the Complaints book, as well as complaints of undifferentiated transactions and conduct that are not included in the usual thematic classification.

### Units of Reference

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

- Payment cards – number of debit and credit cards in circulation in 2017 and in the first half of 2018 (average between the beginning and end of each period). Source: information reported by credit institutions under the scope of Instruction No. 8/2010.
- Cheques – number of cheques processed in the Interbank Clearing System (SICOI) in 2017 and in the first half of 2018 (average of cheques and withdrawn). Source: information regularly reported by SIBS.
- Mortgage credit – number of mortgage credit agreements and related loans covered by Decree-Law No. 47/A/2017, in force in 2017 and in the first half of 2018 (average between the start and end of each period). Source: information reported by credit institutions under the scope of Instruction No. 8/2010.
- Consumer credit – number of agreements in force in 2017 and the first half of 2018 (average between the start and end values of each period) for consumer credit, including credit cards. Source: information reported by credit institutions under Instruction No. 8/2010.
- Loans to companies – number of agreements in force in 2017 and the first half of 2018 (average between the start and end values of each period) relative to loans to companies and entrepreneurs. Source: information reported by credit institutions under Instruction No. 8/2010.
- Deposit accounts – number of demand deposit accounts in 2017 and the first half of 2018 (average between the start and end values of each period). Source: information reported by credit institutions under Instruction No. 8/2010.
- Direct debits – number of direct debit instructions effectively processed through the SICOI and carried out under the SEPA (Single European Payments Area) in 2017 and in the first half of 2018. Source: information regularly reported by SIBS.
- ATMs – number of ATMs, including own networks, existing in 2017 and in the first half of 2018 (average between the start and end of each period). Source: Information regularly reported by SIBS and credit institutions.
- Cash operations – number of deposit and withdrawal operations in the Multibanco network in 2017 and in the first half of 2018 (excludes international deposit and withdrawal operations). Source: information regularly reported by SIBS.
- Credit transfers – number of transfers processed in the SICOI in 2017 and in the first half of 2018. Source: information regularly reported by SIBS.

### **Credit institutions**

In order to calculate the relative number of complaints by credit institution, the respective reference units described above were also used for complaint matters related to deposit accounts, consumer credit and mortgage credit.

The relative number of complaints was calculated for credit institutions that were active throughout the half-year period and for which Banco de Portugal received, in the first half of 2018, an average of more than two complaints per quarter in each complaint matter as it was considered that lower figures are not as representative of the complaints filed by bank customers.

Credit institutions in relation to which no complaints were received at Banco de Portugal relating to the matters referred to above, and which are expressly mentioned in the report, are those that have a bearing on the activity in question, in accordance with criteria defined by the Banco de Portugal and with the information reported by the credit institutions themselves

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

