

# Banking Conduct Supervision Activities

1.<sup>st</sup> half 2019



BANCO DE  
PORTUGAL  
EUROSYSTEM



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**BANCO DE PORTUGAL**  
EUROSYSTEM

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# Acronyms and abbreviations

APR	Annual percentage rate
APRC	Annual percentage rate of charge
ASF	Portuguese Insurance and Pension Funds Supervisory Authority ( <i>Autoridade de Supervisão de Seguros e Fundos de Pensões</i> )
ATM	Automated Teller Machine
ATS	Automated Teller Stations
BBA	Basic bank account ( <i>Serviços mínimos bancários</i> )
BCW	Bank Customer Website ( <i>Portal do Cliente Bancário</i> )
CCR	Central Credit Register ( <i>Central de Responsabilidades de Crédito</i> )
CMVM	Portuguese Securities Market Commission ( <i>Comissão do Mercado de Valores Mobiliários</i> )
ESIS	European standardised information sheet
KID	Key Information Document
OASP	Out-of-court arrears settlement procedure
PRIIP	Packaged retail and insurance-based investment products
RCL	Complaint from the official complaints book ( <i>Reclamação proveniente do Livro de Reclamações</i> )
RCO	Complaint received from other means ( <i>Reclamação proveniente de outros meios</i> )
RGICSF	Legal Framework of Credit Institutions and Financial Companies ( <i>Regime Geral das Instituições de Crédito e Sociedades Financeiras</i> )
RJSPME	Legal Framework of Payment Institutions and Payment Services ( <i>Regime Jurídico dos Serviços de Pagamento e Moeda Eletrónica</i> )
SEPA	Single Euro Payments Area
SICAM	Integrated System of Mutual Agricultural Credit
SICOI	Interbank Clearing System ( <i>Sistema de Compensação Interbancária</i> )
SIS	Standardised information sheet



## Executive summary

In the publication *Banking Conduct Supervision Activities* of the 1<sup>st</sup> half of 2019, Banco de Portugal describes the supervision activities developed in retail banking markets during the first half of 2019.

Chapter I describes the activities carried out as part of the implementation of the legal framework governing credit intermediaries. The main indicators on the authorisation and registration processes of these entities are disclosed since the entry into force of this scheme on 1 January 2018 until 31 July 2019. This was the end date for the transitional period established by the legislator, which allowed entities that were already credit intermediaries before 1 January 2018 and that filed for authorisation by the end of the year to continue to operate until Banco de Portugal's authorisation. This chapter includes the characterisation of credit intermediaries authorised by and registered with Banco de Portugal until 31 July 2019.

Chapter II describes Banco de Portugal's activities in disclosing information on fees practiced by institutions. Information is presented on the price lists reported by institutions and on inspections carried out regarding the duties associated with the provision of price lists. This chapter also includes the characterisation of the maximum fees charged by institutions for the provision of the most representative services associated with payment accounts, reported to Banco de Portugal and disclosed in the "Fee Comparator" available on the Bank Customer Website.

Chapter III describes the activities carried out under the supervision of the conduct of credit institutions, presented by type of retail banking product and service. Information is provided on the main subjects analysed. This chapter also describes the actions undertaken by Banco de Portugal in correcting irregularities and sanctioning entities whose conduct it oversees.

Chapter IV describes Banco de Portugal's activities in the certification of training entities that teach the training actions that grant the professional certification required of the employees of credit institutions involved in the drafting, marketing and conclusion of home loan and other mortgage loan agreements, and of credit intermediaries, under the terms of the legal frameworks governing the mortgage loans and credit intermediaries.

Between 1 January 2018 and 31 July 2019, Banco de Portugal received 6,112 requests for authorisation to exercise the credit intermediary activity and decided on 5,711 requests.

In recent years, credit intermediation has gained importance in the marketing of consumer credit products. In 2018, around 45.9% of the total amount of this type of credit was marketed using credit intermediaries, 5.3 percentage points more than in 2016.

Since 1 January 2018, the credit intermediation activity and the provision of credit agreement advisory services have been subject to authorisation from and registration with Banco de Portugal. Between 1 January 2018 and 31 July 2019, Banco de Portugal received 6,112 requests for authorisation to carry out the credit intermediary activity and decided on 5,711 applications, of which 77.4% were granted.

The high number of applications submitted in the last quarter of 2018, particularly in December, meant that in the first seven months of 2019 Banco de Portugal analysed and decided on a total of 4,659 applications, i.e. 81.6% of the processes completed since the entry into force of the framework governing credit intermediaries. From 1 January 2018 to 31 July 2019, Banco de Portugal

received 2,304 requests for change of registration, in most cases with a view to the registration of lending institutions with which credit intermediaries enter into a binding agreement.

On 31 July 2019, 4,402 credit intermediaries were registered with Banco de Portugal, 3,535 more than at the end of 2018. Most of these intermediaries were legal persons (85.9%) whose main activities were trade, maintenance and repair of motor vehicles and motorcycles (51.6%), real estate activities (20.7%) and retail trade (14.0%) and were operating in the consumer credit area (77.9%). They were scattered throughout the national territory, although 38.6% of their professional domiciles or head offices were concentrated in the districts of Lisbon and Porto; almost all had establishments open to the public. Most of them (99.9%) worked for and under the responsibility of credit institutions. On average, each institution had entered into binding agreements with 324 credit intermediaries; 11 institutions maintained networks of over 500 intermediaries.

At the end of July 2019, 16 credit intermediaries authorised in other Member States were also operating in Portugal. Credit intermediation services were also provided by 18 entities that are credit institutions.

### In the first half of 2019, changes to 788 leaflets on fees and expenses were reported to Banco de Portugal by 154 entities.

Banco de Portugal assesses compliance with legal rules that impose limits on or prohibit the collection of fees for services rendered by the institutions, as well as compliance with the information duties to which institutions are subject in this context. Institutions must notify Banco de Portugal, at least five working days prior to the date envisaged for its application, of any changes to the content of the leaflet on fees and expenses. In addition to allowing the disclosure of information to the public through the Bank Customer Website, this report is also an instrument for surveillance.

To assist customers in analysing and comparing the fees charged by institutions in the provision of the most representative services associated with payment accounts and others that are of particular relevance in the domestic market, Banco de Portugal has a "Fees Comparator available on the Bank Customer Portal".

The Fees Comparator contains information on 93 fees for services provided by about 200 institutions. With this tool customers can compare the fees for different services provided by one institution or compare the fees applied by various institutions for providing a particular service. The Fees Comparator allows you to sort the results of searches made, download files containing the data on all current fees and the fee history of all institutions that provide the services included in the Fees Comparator. This information assists bank customers in analysing the fees charged and in choosing the institution and channel intended to provide a particular service.

### Banco de Portugal analysed 4,108 advertising media published by 48 institutions, of which 96.6% complied with the applicable rules.

In the first half of 2019, Banco de Portugal analysed 4,108 advertising media for banking products and institutional advertising published by 48 credit institutions. Of the 3,962 media inspected after their public disclosure, 96.6% were in compliance (97.3% in the first half of 2018). The 136 media with irregularities were corrected by the imposition of Banco de Portugal. Advertising media for car loans and personal loans were those with the highest default ratios (12.2% and 4.1%, respectively).



... Banco de Portugal continued to give priority to the inspection of basic bank accounts. At the end of the first half of 2019, there were 78,733 accounts of this type 33.1% more than at the end of 2018.

In the first half of 2019, 20,922 basic bank accounts were constituted, 80.6% of which were converted from an existing deposit account at the institution, and 1,362 accounts of this type were closed, 83.3% of which were at customer's initiative. As of 30 June 2019, there were 78,733 basic bank accounts, 33.1% more than at the end of 2018 and 55.6% more than at the end of the first half of 2018.

Banco de Portugal carried out remote inspections of the 107 institutions that market basic bank accounts to assess compliance with the reporting obligations in the current account statement on the possibility of converting the account into a basic bank account and on the provision of an information document on basic bank accounts with the first statement issued in each calendar year. As usual, Banco de Portugal also carried out "mystery shopper" inspections at 25 branches of 14 institutions to ascertain whether the institutions that market basic bank accounts comply with the respective information duties. These actions were complemented by inspections of the central services, which assessed the organisation and internal procedures adopted by the institutions in the provision of basic bank accounts. Compliance with the conditions of access to basic bank accounts as well as the legal limits to the fees and expenses charged for the provision of these services was checked. The characteristics of debit cards associated with this type of accounts, the existence of credit overruns and the reasons behind account closure at the institution's initiative were also assessed.

... Banco de Portugal assessed the key information documents of 45 structured deposits marketed and checked the remuneration of 98 matured structured deposits.

Banco de Portugal is responsible for assessing the pre-contractual information documents of structured deposits. In the first half of 2019, it checked the compliance of the key information documents of 45 structured deposits marketed by six institutions, 13 deposits more than in the same period of the previous year. It also verified the remuneration of 98 matured structured deposits, 21 more than in the first half of 2018.

... Compliance with the maximum rates was checked in 743,287 consumer credit agreements reported and the marketing of credit through digital channels was monitored.

Banco de Portugal assessed compliance with the maximum limits on the annual percentage rate of charge (APRC) in 743,287 consumer credit agreements in the first half of 2019, 3.3% less than in the first half of 2018. Evidence of non-compliance was found in ten agreements of four institutions. Banco de Portugal conducted inspections of the central services to assess compliance with the regulatory framework applicable to the marketing and contracting of overdraft facilities and credit overruns.

It also monitored the marketing of consumer credit in digital channels, overseeing 21 products sold by nine institutions. The monitoring actions concerned the provision of information to customers, optional associated sale of other products, the duty of customer service, the assessment of consumer's creditworthiness, the observance of the right of withdrawal and early repayment, and the safety procedures adopted.

### Banco de Portugal conducted inspections to the central services to assess compliance with the new framework governing home loans and mortgage credit.

Banco de Portugal carried out inspections to the central services to assess the practices adopted in the marketing and contracting of home and other mortgage loans. In these inspections, it monitored compliance with pre-contractual and contractual information requirements, the calculation of the APRC, associated sales, early repayment and the calculation of late payment and default charges.

### It also continued to monitor the implementation of the general arrears regime.

In consumer credit, in the first half of 2019 institutions initiated a total of 318,304 proceedings under the out-of-court arrears settlement procedure (OASP), 6.7% more than in the second half of 2018, corresponding to an outstanding amount of EUR 614.7 million. In the same period, 312,405 OASP proceedings were concluded, in a total outstanding amount of EUR 575.7 million; 44.8% of these proceedings were closed with settlement of the arrears.

In home and other mortgage loans, institutions initiated 37,888 OASP proceedings, 6.4% less than in the second half of 2018, involving a total outstanding amount of EUR 1391.7 million. A total of 36,783 proceedings were concluded, corresponding to an outstanding amount of EUR 1233.7 million; 64.5% allowed the settlement of the arrears.

### In payment services, it assessed the submission of the annual fees statement.

As of January 2019, institutions are now required to provide their customers with an annual statement of fees associated with their current account and payment services, in a harmonised format at European level. In the first half of the year, Banco de Portugal's supervision assessed compliance with this new requirement of all 119 institutions involved.

Banco de Portugal also inspected 107 institutions to check compliance with the submission of the monthly current account statement.

### Banco de Portugal received, on average, 1,337 complaints per month, 5.2% more than in 2018.

In the first half of 2019, Banco de Portugal received 8,022 complaints about matters within its remit, an average of 1,337 complaints per month, 5.2% more than in 2018.

The most frequently contracted products are the ones that give rise to the most complaints: deposit accounts, consumer credit and home loans and mortgage credit accounted for 31.7%, 26.8% and 12.2% complaints, respectively, from bank customers.

In deposit accounts, the number of complaints went up from 13 to 14 per 100,000 accounts, reflecting the growth in complaints filed, in particular about basic bank accounts. In consumer credit, the number of complaints also increased from 16 to 18 per 100,000 contracts, driven by the increase in complaints about credit liabilities, partly associated with the implementation of new reporting requirements to Banco de Portugal. In contrast, in home loans and mortgage credit, the number of complaints went down from 47 to 46 per 100,000 agreements, a development explained by the reduction in the number of complaints, namely those related to contractual clauses and debt collection.

No evidence of infringement was detected in about 62% of complaints closed in the first half of 2019 (56% in 2018); in the remaining 38% of cases, the situation was resolved by the credit institution, either on its own initiative or at the request of Banco de Portugal.

Under the supervision of retail banking markets, Banco de Portugal issued 256 specific orders and 40 recommendations and initiated three administrative proceedings.

Following its supervision activities, Banco de Portugal issued 256 specific orders and 40 recommendations in the first half of 2019, requiring 42 institutions to correct the irregularities detected or to adopt good practices. The topics most targeted in these provisions and recommendations were consumer credit (24.3%), home loans and mortgage credit (19.6%) and basic bank accounts (18.2%).

Banco de Portugal granted three requests for certification of training entities and monitored the activity of certified entities.

Since 1 January 2018, Banco de Portugal has been the competent authority to certify entities wishing to teach training actions that provide the professional certification required of employees of credit institutions involved in the drafting, marketing and conclusion of home and mortgage loan agreements, as well as persons who, under the terms of the legal framework governing credit intermediaries, must demonstrate compliance with the knowledge and skills requirement. It is also the responsibility of Banco de Portugal to ensure the quality of the contents taught and the adequacy of the evaluation model used by the certified training entities.

In the first half of 2019, Banco de Portugal received three new requests for certification: two were granted and one was refused. An application received at the end of 2018 was also granted.

Following up on the activity of certified training entities, Banco de Portugal evaluated the report on the training activity of each of the entities certified in 2018, as well as the plan of actions envisaged for 2019. In the first half of the year, it also assessed compliance with the certification requirements by a number of certified training entities, namely in remote training actions.

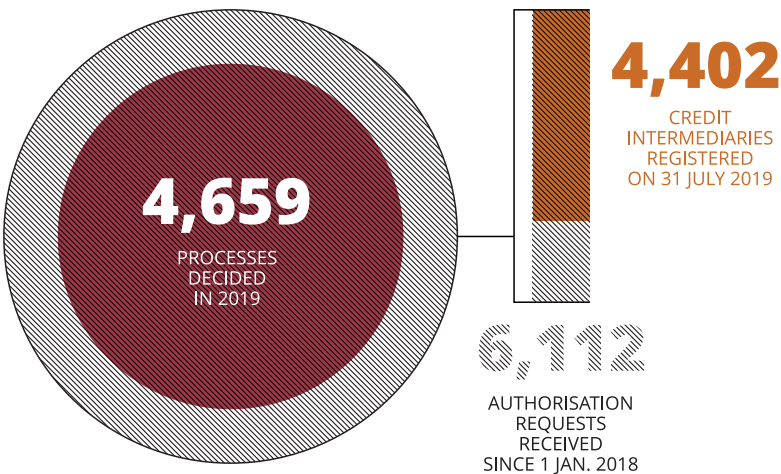
From the beginning of 2018 and up until the end of the first half of 2019, the certified training entities have already trained about 30 thousand trainees.

# Banking conduct supervision in numbers **1<sup>st</sup> half of 2019**

Banco de Portugal is responsible for supervising the banking conduct of credit institutions, financial companies, payment institutions, electronic money institutions and, as of 2018, credit intermediaries.

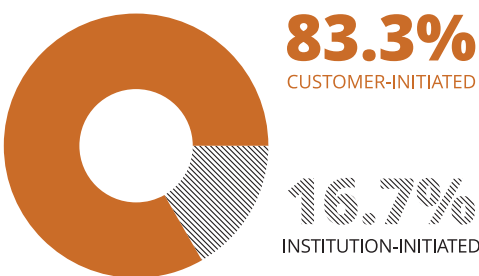
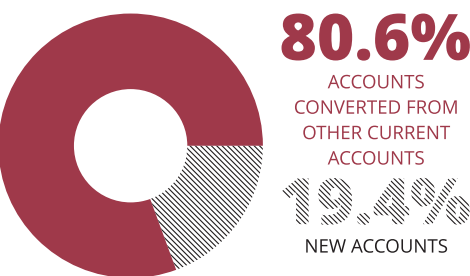
## Authorisation and registration of credit intermediaries

Until 31 July 2019

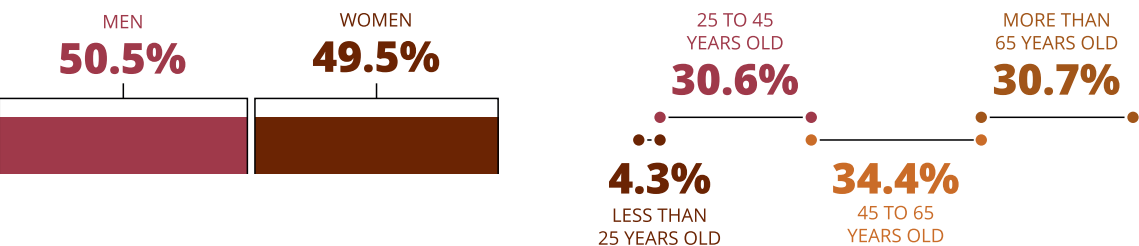


## Basic bank accounts

ACCOUNTS OPENED **20,922** ACCOUNTS CLOSED **1,362**



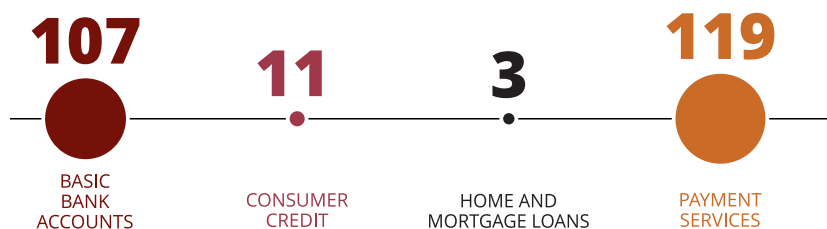
Accounts opened in the 1<sup>st</sup> half of 2019 | primary account holders



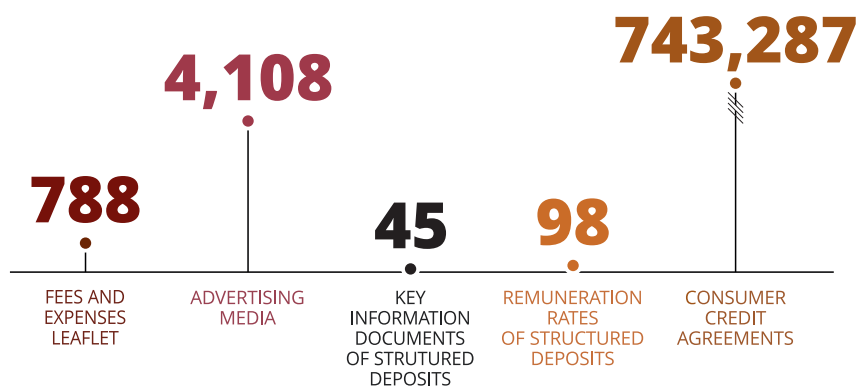
On 30 Jun. 2019 there were 78,733 basic bank accounts, 55.6% more than at the end of the 1<sup>st</sup> half of 2018.

## Inspections

Entities covered



## Systematic monitoring



## Complaints

RECEIVED FROM BANK CUSTOMERS  
per 100,000 agreements/accounts

**47** • **46**  
HOME AND MORTGAGE LOANS

**16** • **18**  
CONSUMER CREDIT

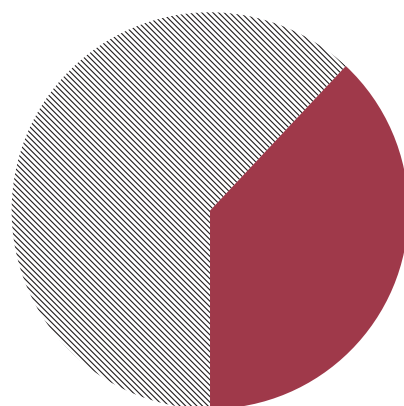
**13** • **14**  
DEPOSIT ACCOUNTS

2018 | average sem.

1<sup>st</sup> sem. 2019

In the 1<sup>st</sup> half of 2019, Banco de Portugal received, on average, 1,337 complaints, 5.2% more than in 2018.

CLOSED



**62%**

WITH NO  
SIGNS OF  
INFRACTION


**38%**

SITUATION RESOLVED BY  
THE CREDIT INSTITUTION AT  
IT'S OWN INITIATIVE OR  
WITH THE INTERVENTION  
OF BANCO DE PORTUGAL

## Correction of irregularities and sanctions







# I Authorisation and registration of credit intermediaries

1 Activities carried out in the context of the implementation of the legal regime governing credit intermediaries

2 Characterisation of credit intermediaries authorised by and registered with Banco de Portugal





Credit intermediaries are natural or legal persons who, within the scope of their professional activity, intervene in the process of marketing credit agreements without, however, being entitled to grant credit. Credit intermediaries usually present or offer consumer credit agreements, although they may also enter into credit agreements on behalf of lending institutions, assist consumers in preparatory acts for such agreements, or provide them with advisory services by issuing recommendations on credit agreements.

Recognising the importance of credit intermediation, the national legislator decided to regulate this activity<sup>1</sup>. Although framed in the context of the transposition of the Mortgage Loan Directive<sup>2</sup>, this initiative by the national legislator is applicable to both credit intermediaries wishing to operate in the area of home loans and mortgage credit, as well as to those wishing to pursue their activity in consumer credit.

The legislator entrusted Banco de Portugal with the supervision of credit intermediaries. According to the provisions of the aforementioned legal regime, among other tasks, Banco de Portugal is responsible for granting authorisation for the credit intermediary activity and for the provision of advisory services, creating, maintaining and permanently updating the registration of credit intermediaries and supervising the compliance of credit intermediaries with the legal and regulatory rules governing the access to and exercise of this activity.

It should be recalled that, in order to mitigate the impact of the entry into force of the legal regime governing credit intermediaries on entities that already operate as credit intermediaries, the legislator consecrated a transitional period to end on 31 December 2018 during which these entities could continue to carry out this activity without authorisation from and registration with Banco de Portugal. At the end of 2018, the legislator extended the transitional period, allowing entities that were already acting as credit intermediaries before 1 January 2018 and that submitted their application for authorisation by the end of that year, without said application having been refused, to continue operating without authorisation from Banco de Portugal until 31 July 2019, at the latest<sup>3</sup>.

An overview of the activities carried out in the context of the implementation of the legal regime governing credit intermediaries is presented in this chapter for the period from 1 January 2018, the date of entry into force of the regime, to 31 July 2019, the date on which the transitional period established by the legislator comes to an end.

Based on the data on credit intermediaries authorised and registered by Banco de Portugal until 31 July 2019, this chapter characterises the credit intermediation market and presents a first analysis of the entities authorised to exercise this activity and their relationship with credit institutions and financial companies.

1. Decree-Law No. 81-C/2017, of July 7, which approved the legal regime that establishes the requirements for access to and exercise of the credit intermediary activity and the provision of advisory services.

2. Directive 2014/17/EU of the European Parliament and of the Council, of 4 February 2014, on consumer credit agreements for residential housing. The Directive in question was transposed into national law by Decree-Law No. 74-A/2017, of 23 June, and by Decree-Law No. 81-C/2017, of 7 July.

3. Decree-Law No. 122/2018, of 28 December.

# 1 Activities carried out in the context of the implementation of the legal regime governing credit intermediaries

## 1.1 Authorisation and registration of credit intermediaries

### 1.1.1 Analysis of requests for authorisation

As of 1 January 2018, the credit intermediary activity and the provision of advisory services in relation to credit agreements became subject to authorisation from and registration with Banco de Portugal.

To this end, those interested in exercising this activity must submit their request for authorisation to Banco de Portugal, along with documents demonstrating compliance with the requirements to access the activity established by law, in particular as regards adequate knowledge and skills, good repute, appropriate commercial and administrative organisation and the guarantee of civil liability arising from the credit intermediary activity.

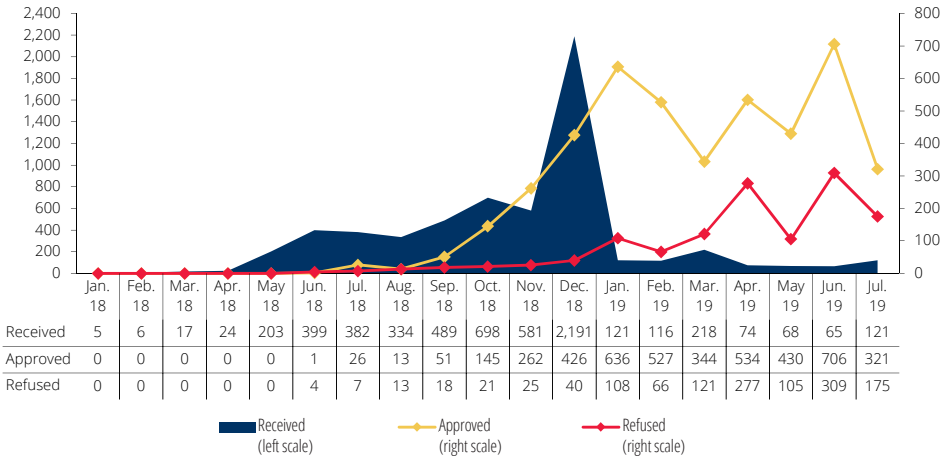
Between 1 January 2018 and 31 July 2019, Banco de Portugal received 6,112 applications for authorisation to exercise the activity of credit intermediary. Most of these applications were submitted in 2018 (5,329 applications for authorisation) and during the period from 1 January 2019 to 31 July 2019, 783 applications were received.

The submission of applications for authorisation for the exercise of the credit intermediary activity by interested parties began to have an impact from the second half of 2018, highlighting the high number of applications submitted in December (41.1% of applications submitted in 2018)<sup>4</sup>. In January 2019, there was a sharp drop in the number of applications submitted, a trend that continued in the following months.

In the period from 1 January 2018 to 31 July 2019, Banco de Portugal analysed 5,711 applications for authorisation, of which 4,422 were authorised (77.4%) and 1289 were rejected (22.6%).

4. As mentioned above, the extension of the transitional period introduced by Decree-Law 122/2018, of 28 December, only applied to entities that, already performing the activity of credit intermediary before 1 January 2018, submitted their application for authorisation by the end of that year.

**Chart I.1.1 • Credit intermediaries | Developments in the applications for authorisation**  
| January 2018 to July 2019



Source: Banco de Portugal.

The high number of applications for authorisation submitted in the last quarter of 2018, especially during December, and the legally established deadlines and formalities for the consideration of the applications led to the analysis and decision during the first seven months of 2019 of 4,659 applications, 81.6% of the total number of applications decided on since the legal regime governing credit intermediaries entered into force.

In general, applications for authorisation received by Banco de Portugal were submitted by entities that were already acting as credit intermediaries. However, more than one-fifth of the entities applying for authorisation from Banco de Portugal did not demonstrate that they met the requirements for access to the credit intermediary activity, which is why their authorisation was refused<sup>5</sup>.

### 1.1.2 Analysis of situations that could lead to the expiry of the authorisation

The legal regime governing credit intermediaries provides that the authorisation granted by Banco de Portugal to pursue the activity of credit intermediary shall expire if the credit intermediary expressly waives the authorisation when the credit intermediary dies or is dissolved, depending on whether it is a natural or legal person, or when the credit intermediary that is not yet constituted at the date of granting the authorisation does not apply for registration within the legally established period. Once the authorisation has expired, Banco de Portugal shall cancel the registration of the credit intermediary concerned.

Until 31 July 2019, Banco de Portugal received 11 express waivers of authorisation submitted by natural persons who had been granted authorisation to pursue the activity of credit intermediary.

5. In most situations, the refusal was due to the fact that the person concerned could not demonstrate compliance with requirements related to the appropriate level of knowledge and skills, the guarantee of civil liability arising from the exercise of the credit intermediary activity and the conclusion of a binding agreement with at least one lending institution.

### 1.1.3 Promotion of *ex-officio* registration

Banco de Portugal is responsible for registering credit intermediaries authorised to operate in Portugal. As a rule, registration is promoted of its own motion by Banco de Portugal within 30 days of the granting of the authorisation for the activity of credit intermediary.

The list of registered credit intermediaries is published on the Bank Customer Website. Information on each of the authorised credit intermediaries can be consulted individually.

At the end of 2018, there were 867 credit intermediaries authorised by and registered with Banco de Portugal. Due to the conclusion of the analysis of a very significant number of authorisation requests during the first seven months of 2019, on 31 July 2019, 4,402 credit intermediaries were registered with Banco de Portugal.

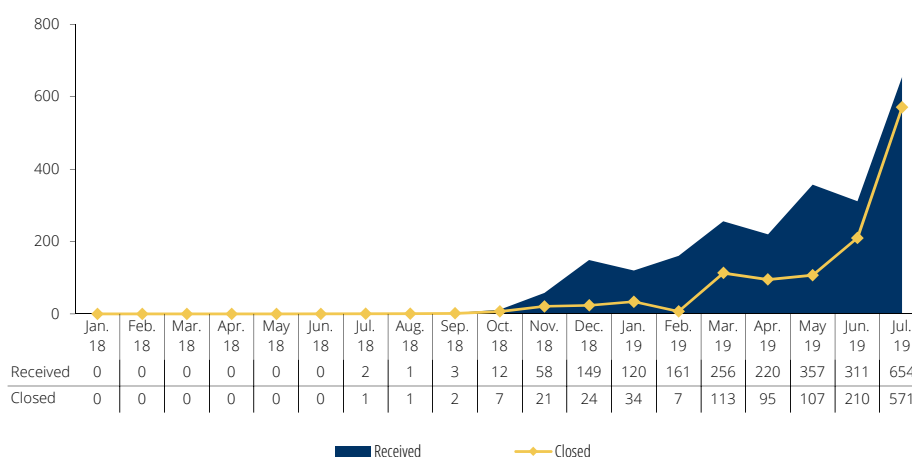
### 1.1.4 Analysis of the requests to change registration

Under the legal regime governing credit intermediaries, whenever a change is made to the data in the registration, credit intermediaries have 30 days to request Banco de Portugal to change the registration. For its part, the Banco de Portugal shall pronounce itself on this request within 30 days of its submission, which may be extended for an equal period when further clarifications or additional information is demanded from the credit intermediary.

In early January 2019, the electronic form was made available on the Bank Customer Website for the submission of requests to change the registration, which facilitated the submission of these requests by credit intermediaries and their further processing by Banco de Portugal.

Between 1 January 2018 and 31 July 2019, Banco de Portugal received 2,304 requests for change of registration, with an increase in the number of new requests since October 2018, a trend that became more pronounced since January 2019, with particular emphasis in July 2019. In general, these requests were aimed at the registration of lending institutions with whom credit intermediaries have entered into a binding contract.

**Chart I.1.2 • Credit intermediaries | Developments in requests to change registration | January 2018 to July 2019**



Source: Banco de Portugal.

### 1.1.5 Cancellation of registration

The registration of credit intermediaries is cancelled whenever the respective authorisation expires or is revoked.

Between 1 January 2018 and 31 July 2019, Banco de Portugal cancelled the registration of nine credit intermediaries as a result of the expiry of the respective authorisation by express waiver of the credit intermediary.

## 1.2 Processing of communications from competent authorities of other Member States

Credit intermediaries authorised in other European Union Member States may, under the freedom to provide services or through the establishment of a branch, perform the activity of credit intermediary and provide advisory services on home and mortgage loan agreements in the national territory, within the limits set by the authorisation granted in the country of origin. The pursuit of these activities is, however, conditional upon the receipt by Banco de Portugal of a communication issued by the supervisory authority of the home Member State.

At the end of July 2019, there were 16 credit intermediaries from other EU Member States operating in Portugal, five more than at the end of 2018. In particular, non-tied credit intermediaries based in France (seven), the United Kingdom (six) and the Netherlands (three) which, as a rule, operate in Portugal under the freedom to provide services. It should be noted that only one of the credit intermediaries under consideration chose to establish a branch in the national territory.

## 1.3 Processing of communications from financial institutions that intend to act as credit intermediaries

Credit institutions, financial companies, payment institutions and electronic money institutions authorised to carry on business in Portugal that intend to provide credit intermediation or advisory services in relation to credit agreements where they do not act as lenders do not need to obtain authorisation to carry out these activities. However, they must provide Banco de Portugal with information about the lending institutions or groups of lending institutions with which they have entered into a binding agreement, the credit intermediation and advisory services they wish to provide and the type of credit agreements in which they intend to intervene.

At the end of July 2019, the list of credit institutions, financial companies, payment institutions and electronic money institutions providing credit intermediation services, published through the Bank Customer Website, was made up of 18 entities, two more than in the previous year. None of these institutions reported providing advisory services on credit agreements.

## 1.4 Other activities

Banco de Portugal's performance in implementing the legal regime governing credit intermediaries involved other tasks than the authorisation and registration of credit intermediaries.

In order to assist interested parties in developing the activity of credit intermediary in the preparation and submission of the respective applications for authorisation, in early 2018 Banco de Portugal released a video on the Bank Customer Website containing a set of general information on the authorisation procedure. In addition, a set of contents and materials on the authorisation process and on the credit intermediary activity were also published, including a brochure on the legal regime governing credit intermediaries, the requirements and the procedure for access to the activity.

In order to inform consumers about the activity of credit intermediaries, in particular as regards the main duties to which they are subject, a decoder called "Credit intermediaries – what has changed for bank customers" was published.

In the Bank Customer Website, a tool was also made available that makes it possible to consult the status of requests for authorisation and change of registration. As of December 2018, the Bank Customer Website started to disclose weekly information on developments in authorisation requests.

Banco de Portugal has been answering questions about the legal regime governing credit intermediaries raised by several entities, most of them interested in carrying out this activity. In total, up until 31 July 2019, 2,550 of the 2,845 requests for information regarding access to and the exercise of the activity of credit intermediary received by Banco de Portugal, half of which were submitted during this year, had been answered.

In order to clarify issues related to aspects of the legal regime governing credit intermediaries, between 1 January 2018 and 31 July 2019, more than 30 meetings were held with parties interested in carrying out this activity, with associations representing the different sectors of economic activity, namely automotive trade, real estate and distribution, and with institutions that use credit intermediaries for the marketing of credit products. Work sessions were also held with financial sector associations and credit institutions in order to enhance the support provided by these institutions to those interested in developing the credit intermediary activity.

Of particular note is the role of Banco de Portugal's regional network, which accompanied those interested in the activity of the credit intermediary, receiving more than 300 applications for authorisation delivered in physical form during 2018, providing clarifications to the public about the rules governing the authorisation procedure and the exercise of the activity and making computer equipment available so that interested parties could submit the application for authorisation electronically. It should be noted that as from 1 January 2019 applications for authorisation for the activity of credit intermediary must be submitted through the electronic form available on the Bank Customer Website.

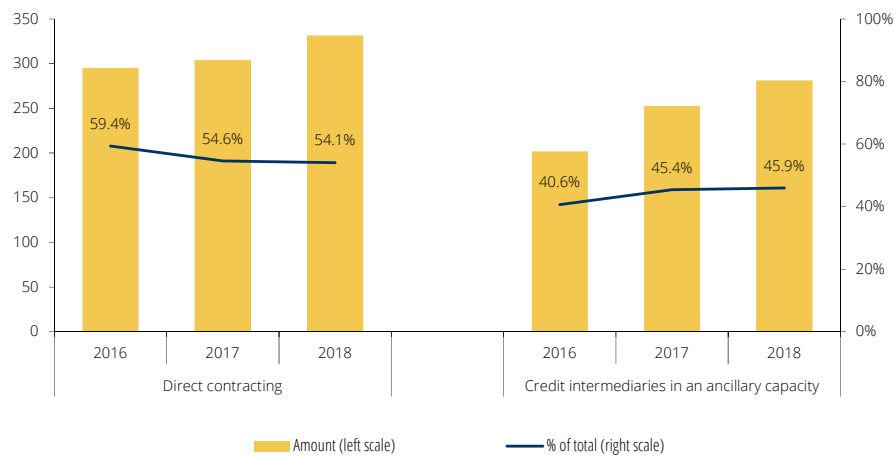
# 2 Characterisation of authorised and registered credit intermediaries

## 2.1 Importance of credit intermediaries

In the past few years, the activity of credit intermediaries has been developing significantly in Portugal, playing an important role in the marketing of consumer credit products.

With regard, in particular, to the marketing of consumer credit, in 2018 45.9% of the total amount of this type of credit was traded through credit intermediaries in an ancillary capacity. Between 2016 and 2018, the relative importance of intermediaries in lending to consumers increased by 5.3 percentage points. Their activity is of particular relevance in the context of car loans, where credit intermediaries traded 91.3% of the total amount of credit granted in 2018<sup>6</sup>.

**Chart I.2.1 • Consumer credit | Amount granted by marketing channel | Eur million | 2016 to 2018**



Source: Banco de Portugal.

The following is a description of credit intermediaries and their relationship with lending institutions<sup>7</sup>, based on the data in the credit intermediary register as at 31 July 2019.

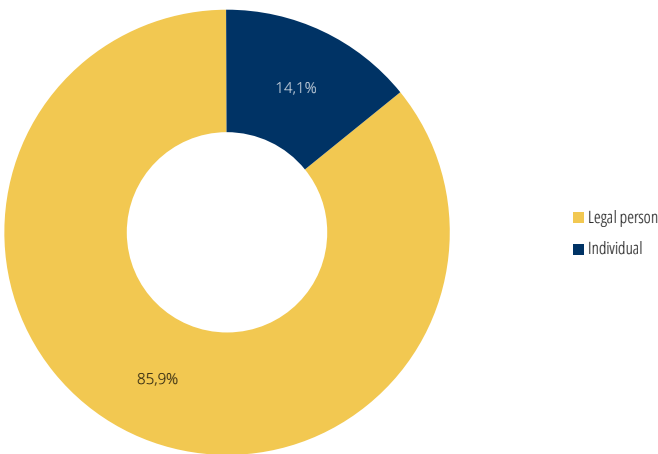
6. For further information, please refer to the 2018 Retail Banking Markets Monitoring Report, available on the Bank Customer Website.

7. The analysis under this point does not cover credit intermediaries authorised in other EU Member States and operating in Portugal under the freedom to provide services or freedom of establishment, or credit institutions, financial companies, payment institutions and electronic money institutions acting as credit intermediaries.

## 2.2 Authorised and registered credit intermediaries

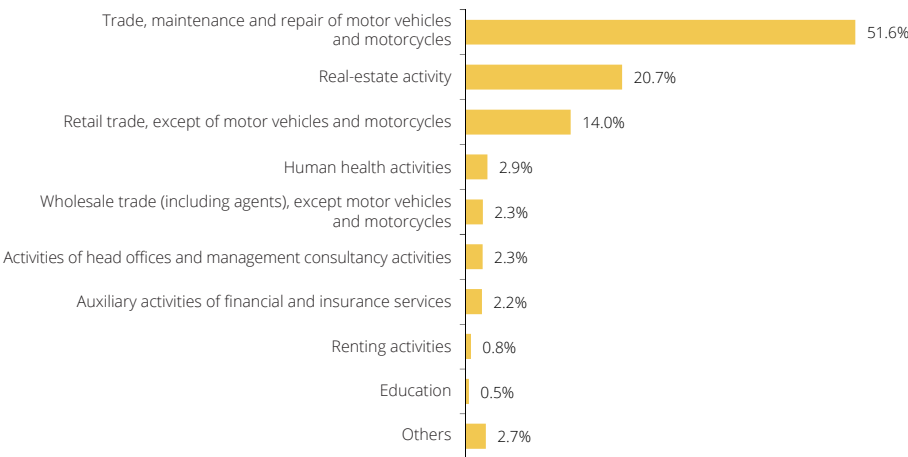
At the end of July 2019, there were 4,402 credit intermediaries authorised and registered by Banco de Portugal. The vast majority of credit intermediaries are legal persons (85.9%), whose main activities are trade, maintenance and repair of motor vehicles and motorcycles (51.6%), real estate activities (20.7%) and retail trade (14.0%).

**Chart I.2.2 • Credit intermediaries by type of entity | July 2019**



Source: Banco de Portugal.

**Chart I.2.3 • Legal persons registered as credit intermediaries by division of main economic activity (Economic Activity Code -Rev.3) | July 2019**



Source: Banco de Portugal.

Credit intermediaries are distributed throughout the national territory, although with greater incidence on the mainland's coastline, especially in the districts of Lisbon and Porto, where 38.6% of their professional domiciles or head offices are located.



**Figure I.2.1 • Registered credit intermediaries | Map with distribution by territorial units of the professional domicile or head office | July 2019**

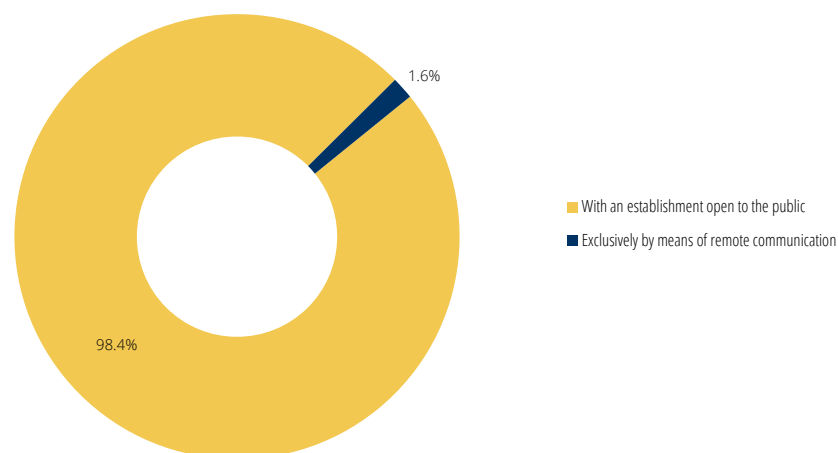


Source: Banco de Portugal.

Almost all credit intermediaries have establishments open to the public. Credit intermediaries that operate exclusively in the context of consumer credit and that operate through establishments open to the public have, on average, two establishments. Credit intermediaries that operate exclusively in the area of home loans and mortgage credit and operate through establishments open to the public have, on average, four establishments.

It should, however, be noted that 71 credit intermediaries do not have establishments open to the public and perform this activity exclusively by means of remote communication.

**Chart I.2.4 • Credit intermediaries by channel used to carry out the activity | July 2019**

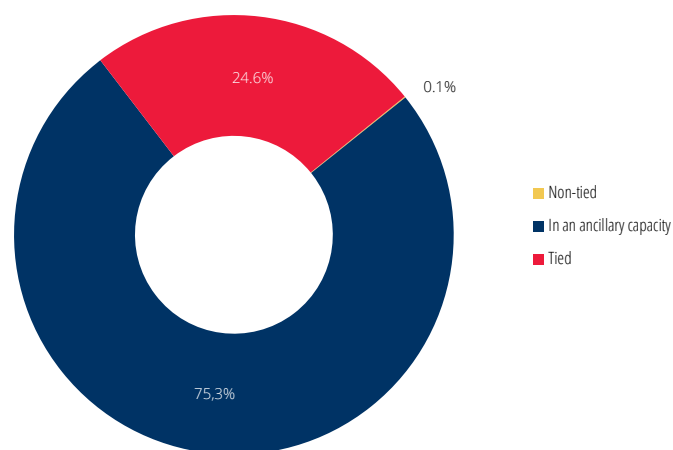


Source: Banco de Portugal.

Most credit intermediaries operate on behalf of and under the responsibility of lending institutions (99.9%), with only four credit intermediaries acting independently.

The vast majority of credit intermediaries fall into the category of credit intermediary in an ancillary capacity (75.3%), which means that they carry out this activity in a complementary manner with a view to selling the goods or providing the services that constitute their main activity.

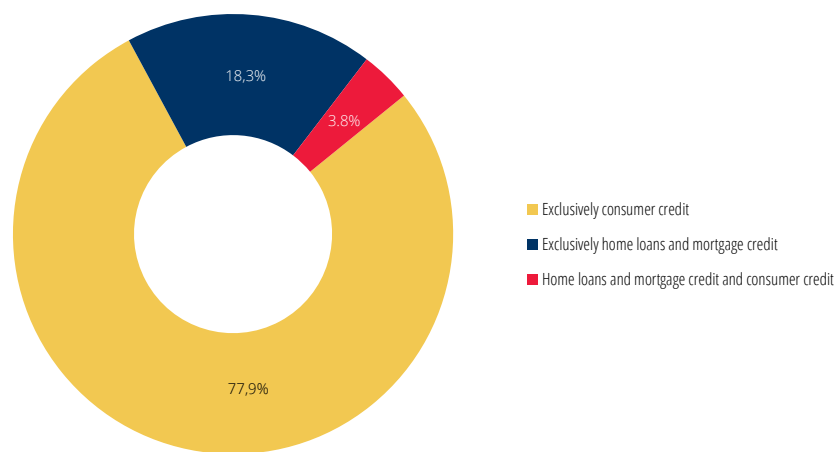
**Chart I.2.5 • Credit intermediaries by category | July 2019**



Source: Banco de Portugal.

Credit intermediaries operate mainly in the scope of Consumer credit (77.9%), with 18.3% operating in relation to home loans and mortgage credit. Only 3.8% of credit intermediaries operate across both types of credit agreements.

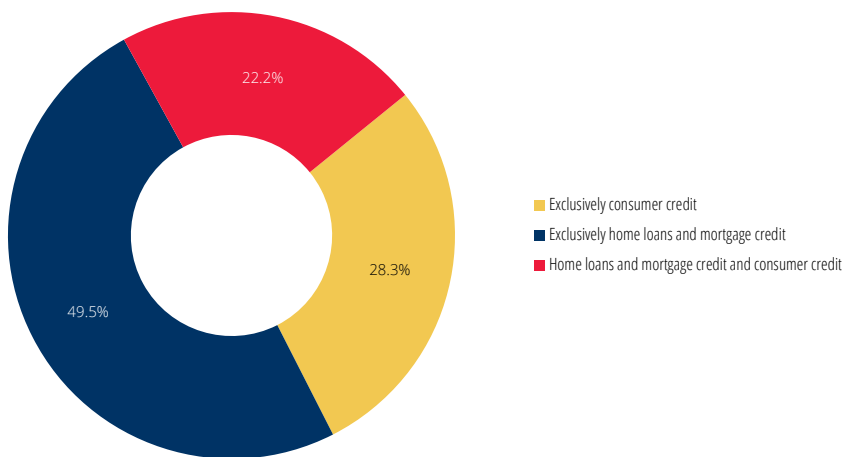
Chart I.2.6 • Credit intermediaries by type of credit | July 2019



Source: Banco de Portugal.

The number of credit intermediaries authorised to provide advisory services is reduced. Only 519 (11.8% of registered credit intermediaries) are qualified to provide advisory services on credit agreements, with almost half of these intermediaries operating exclusively with home loans and mortgage credit.

Chart I.2.7 • Credit intermediaries authorised to provide advisory services by type of credit | July 2019



Source: Banco de Portugal.

## 2.3 Relationship between credit intermediaries and lending institutions

Most credit intermediaries are active on behalf of and under the full and unconditional responsibility of lending institutions, under binding agreements.

Tied credit intermediaries and credit intermediaries in an ancillary capacity acting exclusively in the scope of consumer credit agreements are tied, on average, to two lending institutions, while tied credit intermediaries that only operate in relation to home and mortgage loan agreements are tied on average to four lending institutions<sup>8</sup>. Only 30 credit intermediaries operate exclusively with a single lending institution.

Please note that, according to the applicable rules, credit intermediaries may enter into binding agreements with a single lending institution, a single group of lending institutions or with a number of lending institutions or groups that do not represent the 'majority of the market'. A 'majority of the market' situation is deemed to exist when the lending institutions or groups of lending institutions concerned account for more than 50% of the total number of lending institutions that market home and mortgage loan agreements or consumer credit agreements, depending on the type of credit in which the intermediary carries out its activity.

Credit institutions and financial companies that market their credit products through credit intermediaries have established relevant credit intermediary networks. On average, each institution has entered into binding agreements with 324 credit intermediaries. However, there are 11 lending institutions that have entered into binding agreements with over half a thousand credit intermediaries, two of which have established networks consisting of more than a thousand credit intermediaries. The largest of these networks consists of over 1,600 credit intermediaries.

8. These figures do not include credit intermediaries operating simultaneously in both types of credit.



## II Disclosure of information on fees

1 Price lists

2 Fees Comparator



Institutions are required to disclose information on the maximum amount of all fees charged in their price list, a document to be made available on the institutions' websites and at all their branches and points of public service. Pre-contractual information documents made available to customers prior to the contracting of the various retail banking products must also specify the fees charged by institutions for the provision of services associated with those products.

In addition, bank customers are entitled to receive information about the fees that are actually charged. This information is sent to customers in the regular statements of deposit accounts, consumer credit, home loans and other mortgage loans. Customers who hold current accounts also receive, in January of each year, a statement of fees, which contains detailed information on the fees charged in the previous year for the services associated with that account.

Banco de Portugal is responsible for overseeing compliance with the rules that impose limits or prohibit the collection of fees, as well as for compliance with the reporting obligations of institutions.

More recently, in order to increase the comparability of fees for services associated with current accounts and other payment accounts, the terminology used by the institutions in relation to such services was harmonised. In this context, Banco de Portugal launched the Fees Comparator, a tool that is available on the Bank Customer Website and allows this comparison.

Most of the fees charged by institutions for providing services to their customers are freely established by them. However, the legislator has set limits on the collection of fees, motivated by the pursuit of specific objectives, such as promoting the mobility of bank customers. Banco de Portugal has no power to limit or prohibit the collection of fees.

## 1 Price lists

Through price lists, bank customers can get to know the maximum limits applicable to all fees charged by institutions for the banking products and services they market. Fees not listed in the price list or that exceed the amount indicated therein may not be charged.

The information presented must be harmonised, up to date and accessible, and institutions are obliged to disclose their price lists in all branches and places of public service in a conspicuous place of direct access, on an easy-to-read device, as well as on their websites, without the need for prior registration by interested parties.

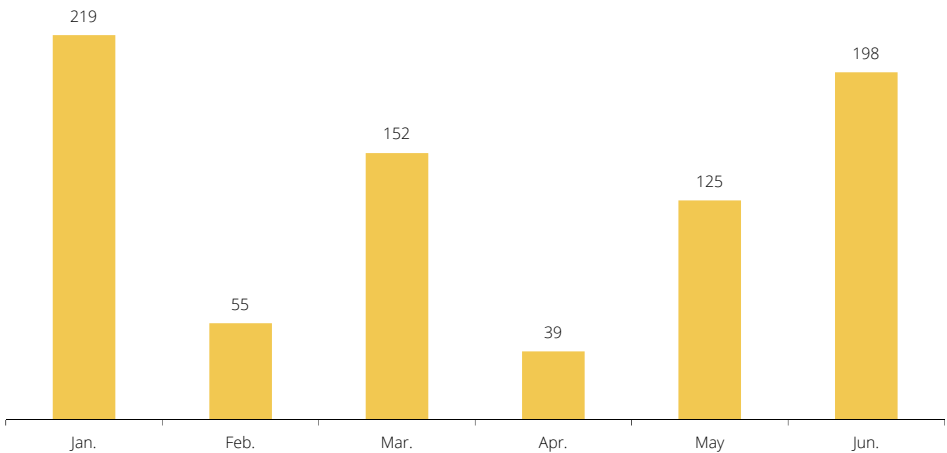
Banco de Portugal publishes the leaflets on fees and expenses that are reported to it in its Bank Customer Website, where bank customers can refer to the current fees and expense leaflet for each institution, as well as all those dating back to January 2017. The leaflets on fees and expenses of 187 institutions can be found on the Bank Customer Website.

Institutions shall notify Banco de Portugal of any changes to the content of the fees and expenses leaflet at least five working days in advance of the date envisaged for their application. In addition to allowing the disclosure of information to the public through the Bank Customer Website, this report is also an instrument for overseeing the duties applicable to the disclosure of price lists and other rules governing the collection of fees.

In the first half of 2019, changes to the content of 788 fees and expenses leaflets of 154 institutions were reported to Banco de Portugal.

These changes arise in particular from modifications made to the amount of fees, the provision of new products or services, the entry into force of changes to the applicable legal framework (for example, in the case of tax changes or the value of the social support index (IAS), which implies changing the maximum annual amount that institutions may charge as a maintenance fee for a basic bank account<sup>1</sup>) or the supervision of Banco de Portugal, which may also require changes to the contents of the fees and expenses leaflet.

**Chart II.1.1 • Monthly developments in the number of leaflets on fees and expenses reported | 1<sup>st</sup> half of 2019**



Source: Banco de Portugal.

In order to assess compliance with the applicable reporting obligations through price lists, Banco de Portugal conducted 25 “mystery shopper” inspections at branches of 14 institutions.

Through these inspections, Banco de Portugal assessed compliance with the duty to disclose the price list in a clearly visible and directly accessible position. It also checked if the price list on display was complete and corresponded to the version reported to Banco de Portugal.

Banco de Portugal also supervised the submission and requirements of the “fees statement” in the various channels used by the institutions and evaluated the provision and frequency of the submission of the current account statement<sup>2</sup>.

**Table II.1.1 • Inspection of the price list | 1<sup>st</sup> half of 2019**

Matters	Type of inspection	Entities covered
Disclosure of the price list	“Mystery shopper”	14
Updating of the price list and compliance with that reported to Banco de Portugal	“Mystery shopper”	14

Source: Banco de Portugal. | Note: “Mystery shopper” inspections included 25 branches.

1. The amount of the basic bank account maintenance fee is limited by law and may not exceed 1% of the value of the social support index.

2. See section “2.5 Payment services” in Chapter III.



## 2 Fees Comparator

The Fees Comparator is available on the Bank Customer Website and contains information on 93 fees for services provided by about 200 institutions. The Comparator includes information on the most representative services associated with payment accounts<sup>3</sup> and others of particular relevance in the domestic market.

Through this tool, customers can compare fees for different services provided by one institution or compare the fees applied by various institutions for the provision of a particular service.

The fees presented correspond to maximum amounts and include the amounts due as tax. The information provided also takes into account the most relevant marketing channels: branch, ATM, ATS, online, mobile, SMS, operator telephone, non-operator telephone and mail.

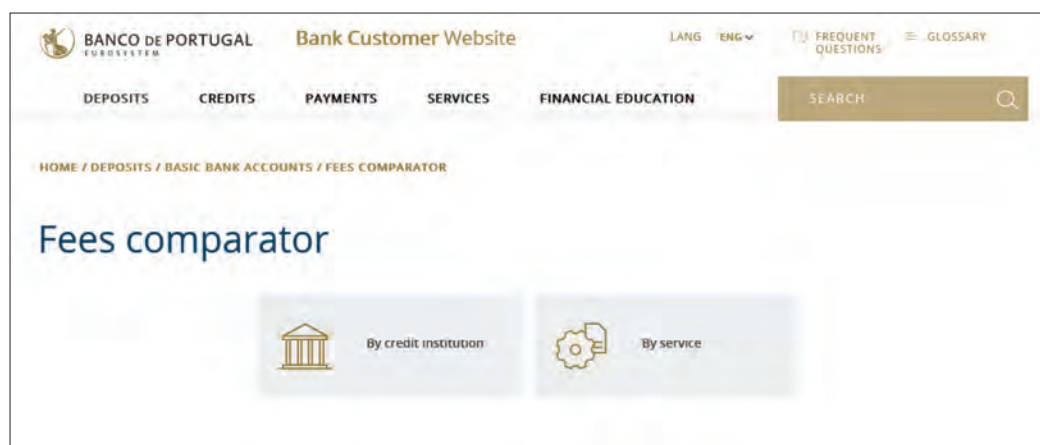
In products where there is greater diversity in the offer of institutions (package accounts, debit cards, credit cards and private credit cards), customers can compare the fee charged for the provision of services based on the most representative products of the offer of each institution. For information on the characteristics of the services included in the Fees Comparator, you can refer to the “i” icon associated with each service.

The Fees Comparator presents objective, accurate and up-to-date information, ensuring unbiased treatment of institutions, including research results, as required by law. The Fees Comparator does not recommend or advise bank customers on the purchase of products and services, and information search criteria are defined by customers themselves.

The information disclosed in the Fees Comparator is reported to Banco de Portugal by institutions. To ensure that this information is kept up to date, institutions are required to notify Banco de Portugal of any changes to the information previously reported at least five business days prior to the date of its application.

To support the use of the Fees Comparator, a video showing how this tool works is available on Banco de Portugal's Bank Customer Website. Customers also have access to a glossary and FAQ, accessible through buttons located on the bottom toolbar.

3. The most representative services associated with payment accounts and their standardised terminology have been identified in Instruction No. 11/2018.

**Figure II.2.1 • Fees Comparator available on the Bank Customer Website**

Source: Banco de Portugal – Bank Customer Website (<https://cliente bancario.bportugal.pt/en/aplicacao/comparador-de-comissoes>).

Between January and June 2019, the Fees Comparator had 28,618 visits, which corresponds on average to approximately 4,770 visits per month.

The information provided in the Comparator makes it possible to monitor the evolution of fees associated with the services included therein, and any customer can access information on the amount of fees charged. Search results can be saved or printed, and customers can also download files on all current fees and past fees of all the institutions offering the services covered.

As a way of contributing to greater dissemination of information on fees, this chapter presents developments in the period from January to June 2019 for the most representative services in Fees Comparator.

The information presented on the mean and median that characterise the fees charged for each service in the period under analysis considers the institutions identified in the comparator on an individual basis, not considering their relative weight in the market.

## 2.1 Account maintenance

The account maintenance fee is the maximum amount charged annually for the management of the payment account that is most representative of the institution's offering, with the simplest characteristics and not targeting for specific customer segments.

According to the information reported by 115 institutions, as at 30 June 2019, the annual amount of the account maintenance fee ranged from EUR 0.00 (charged by ten institutions) to EUR 124.80 (charged by two institutions). The median fee was EUR 62.40.

The account maintenance fee was on average EUR 58.04. Between January and June 2019, the average fee suffered a variation of 1.02%.

Table II.2.1 • Account maintenance fee (annual amount) | June 2019

Service	Mean	Median	Highest amount	Lowest amount	Mean variation (Jan.-Jun. 2019)
Account maintenance	58.04€	62.40€	124.80€	0.00€	1.02%

Source: Banco de Portugal. | Note: The 80 mutual agricultural credit banks of the SICAM are considered on a stand-alone basis.

## 2.2 Maintenance of a basic bank account

The maintenance fee of a basic bank account is the amount charged for the service of managing a basic bank account.

Basic bank accounts are a set of essential banking services that citizens can access at reduced cost. These services include<sup>4</sup> opening and maintaining a current account, providing a debit card to operate the account and a range of other services deemed essential.

The maintenance fee of a basic bank account is limited by law and may not exceed 1% (annually) of the value of the social support index (IAS), i.e. EUR 4.35, according to the value of IAS in 2019.

According to information reported by 108 institutions, in 30 June, six institutions did not charge any amount for the provision of a basic bank account and only one institution charged the maximum annual amount of EUR 4.35. The median fee was EUR 3.54. On average, on 30 June 2019 the maintenance fee of the basic bank account was EUR 3.48.

Table II.2.2 • Amount of the maintenance fee of the basic bank account | June 2019

Service	Mean	Median	Highest amount	Lowest amount	Mean variation (Jan.-Jun. 2019)
Maintenance of a basic bank account	3.48€	3.54€	4.35€	0.00€	0.00%

Source: Banco de Portugal. | Note: The 80 mutual agricultural credit banks of the SICAM are considered on a stand-alone basis.

## 2.3 Maintenance of the base account

The maintenance fee of the base account is the annual remuneration for the service associated with the management of the base account defined by Banco de Portugal<sup>5</sup>.

The base account includes the following services: (i) opening and maintenance of a current account; (ii) provision of a debit card to operate the account; (iii) access to account operations through ATMs, homebanking service and bank branches (institutions may limit the number of withdrawals made in branches to three a month); (iv) deposits, withdrawals, payments for goods and services, direct debits and domestic intrabank transfers.

4. The services included in the basic bank accounts are provided for in Article 1 of Decree-Law No. 27-C/2000, of 10 March, as currently worded.

5. Through Circular Letter No. 24/2014/DSC, of 10 March.

The 96 institutions that reported information on the fee associated with the provision of this service charged, on 30 June, annual fees ranging from EUR 56.16 (amount charged by one institution) to EUR 126.51 (also charged by one institution). The median fee was EUR 61.78.

At the end of the first semester, the maintenance fee of the base account amounted to an average of EUR 64.40. Between January and June 2019 this fee varied by 1.94%.

**Table II.2.3 • Maintenance fee of the base account (annual amount) | June 2019**

Service	Mean	Median	Highest amount	Lowest amount	Mean variation (Jan.-Jun. 2019)
Maintenance of the base account	64.40€	61.78€	126.51€	56.16€	1.94%

Source: Banco de Portugal. | Note: The 80 mutual agricultural credit banks of the SICAM are considered on a stand-alone basis.

## 2.4 Provision of a debit card

The fee associated with the provision of a debit card is the amount charged annually for the service relating to the provision of a debit payment card associated with a payment account.

The Fees Comparator presents fees for the three most representative debit cards in each institution's offering that are not intended for specific customer segments. However, this analysis considers only the information reported regarding the first debit card identified by each institution.

Taking into account the information provided by 110 institutions, on 30 June the lowest fee for the provision of a debit card was EUR 0.00 (charged by four institutions) and the highest was EUR 31.20 (charged by one institution). The median fee was EUR 17.68.

On average, at the end of the first half of 2019, this commission amounted to 16.85 euros and from 16.66% between January and June 2019.

**Table II.2.4 • Fee for the provision of a debit card (annual amount) | June 2019**

Service	Mean	Median	Highest amount	Lowest amount	Mean variation (Jan.-Jun. 2019)
Provision of a debit card	16.85€	17.68€	31.20€	0.00€	16.66%

Source: Banco de Portugal. | Note: The 80 mutual agricultural credit banks of the SICAM are considered on a stand-alone basis.

## 2.5 Provision of a credit card

The fee for this service is the annual remuneration associated with the service for providing a credit payment card associated with a payment account.

The Fees Comparator presents the fees for the three most representative credit cards in each institution's offering that are not targeted at specific customer segments. This analysis considers only the information reported for the first credit card indicated by each institution.

On June 30, the fee for the provision of a credit card ranged from EUR 0.00 (fee charged by eight institutions) to EUR 31.20 (fee charged by three institutions). The median fee was EUR 19.24.

On average, at the end of the first half of 2019 this fee amounted to EUR 17.63 and between January and June 2019 it varied by 1.10%.

**Table II.2.5 • Fee for the provision of a credit card (annual amount) | June 2019**

Service	Mean	Median	Highest amount	Lowest amount	Mean variation (Jan.-Jun. 2019)
Provision of a credit card	17.63€	19.24€	31.20€	0.00€	1.10%

Source: Banco de Portugal. | Note: The 80 mutual agricultural credit banks of the SICAM are considered on a stand-alone basis.

## 2.6 Cash withdrawal

The fee associated with a cash withdrawal is the remuneration for the service through which customers withdraw cash from their payment account.

The fee presented in Fees Comparator is the amount charged for each cash withdrawal transaction.

The Fees Comparator presents cash withdrawal fees at the branch, ATM and ATS. However, considering that institutions cannot charge any fees for cash withdrawals at cash machines (ATM and ATS)<sup>6</sup>, the analysis presented here only concerns fees associated with cash withdrawals at branches.

According to information reported by 108 institutions, as at 30 June, the lowest fee charged for providing the service through this channel was EUR 0.00 (fee charged by one institution) and the maximum was EUR 26 (fee charged by one institution). The median fee was EUR 3.12.

At the end of the first half of 2019, the fee for cash withdrawals at branches was on average EUR 3.94, with a variation of 6.17% between January and June.

**Table II.2.6 • Fee for cash withdrawals at branches (amount per transaction) | June 2019**

Service	Mean	Median	Highest amount	Lowest amount	Mean variation (Jan.-Jun. 2019)
Cash withdrawal at branches	3.94€	3.12€	26.00€	0.00€	6.17%

Source: Banco de Portugal. | Note: The 80 mutual agricultural credit banks of the SICAM are considered on a stand-alone basis.

6. Decree-Law No. 3/2010, of 5 January.

## 2.7 SEPA + credit transfer

The fee associated with a SEPA + credit transfer corresponds to the fee due for the provision of the service to transfer funds in euro, Swedish kronor or Romanian lei, carried out on equivalent terms, between accounts domiciled in SEPA<sup>7</sup> countries.

The fee shown in the Fees Comparator is the maximum amount of the fee associated with a normal (non-urgent) SEPA + credit transfer, with a valid BIC and IBAN, in the indicative amount of EUR 99,999.99, that being the case, in its counter value in Swedish kronor or Romanian lei. If a particular marketing channel does not allow a transfer of EUR 99,999.99, the fee shown will be the maximum amount that institutions charge for making the highest transfer allowed in that trading channel.

The Fees Comparator provides information on fees charged when transfers are made through the following channels: branch, ATM, ATS, online, mobile device, operator telephone and non-operator telephone. Given that institutions cannot charge fees for making transfers through cash machines (ATMs and ATS)<sup>8</sup>, the information presented takes into account fees charged at branches, online and on mobile devices.

According to the information reported, on June 30, 115 institutions made this service available at branches, charging a fee ranging from EUR 2.6 (amount charged by two institutions) to EUR 114.4 (amount charged by one institution). The median fee was EUR 5.41.

On 30 June 2019, the average fee amounted to EUR 7.23 with a variation of -0.17% between January and June 2019.

Online SEPA + credit transfers are available from 109 institutions. The fees charged by this universe of institutions on June 30 ranged from EUR 0.00 (fee charged by seven institutions) to EUR 15.60 (fee charged by one institution), with the median fee being EUR 0.26.

The fee charged for the provision of this online service averaged EUR 0.59 at the end of June 2019, and varied by 48.67% between January and June 2019.

The SEPA + credit transfer service via mobile is provided by 15 institutions, which on 30 June charged a fee ranging from EUR 0.00 (two institutions) to EUR 1.82 (one institution). The median fee was EUR 1.04.

At the end of June 2019, the fee in question amounted to an average of EUR 0.78, a variation of -2.49% in the first half of 2019.

7. The 28 Member States of the European Union, Andorra, Iceland, Liechtenstein, Monaco, Norway, San Marino, Switzerland and the Vatican.

8. Decree-Law No. 3/2010, of 5 January.

Table II.2.7 • Fee charged for a SEPA + credit transfer (amount per transaction) | June 2019

Service	Mean	Median	Highest amount	Lowest amount	Mean variation (Jan.-Jun. 2019)
SEPA + credit transfer					
Branch	7.23€	5.41€	114.40€	2.60€	-0.17%
Online	0.59€	0.26€	15.60€	0.00€	48.67%
Mobile device	0.78€	1.04€	1.82€	0.00€	-2.49%

Source: Banco de Portugal. | Note: The 80 mutual agricultural credit banks of the SICAM are considered on a stand-alone basis.

Fees related to SEPA + credit transfers made at branches are higher than fees associated with the provision of this service through online and mobile channels. Comparing the fees associated with the use of these two channels, it is also found that the fees related to the provision of the service through mobile devices are lower, but the universe of institutions that provides this channel is also reduced.







## III Supervision of credit institutions

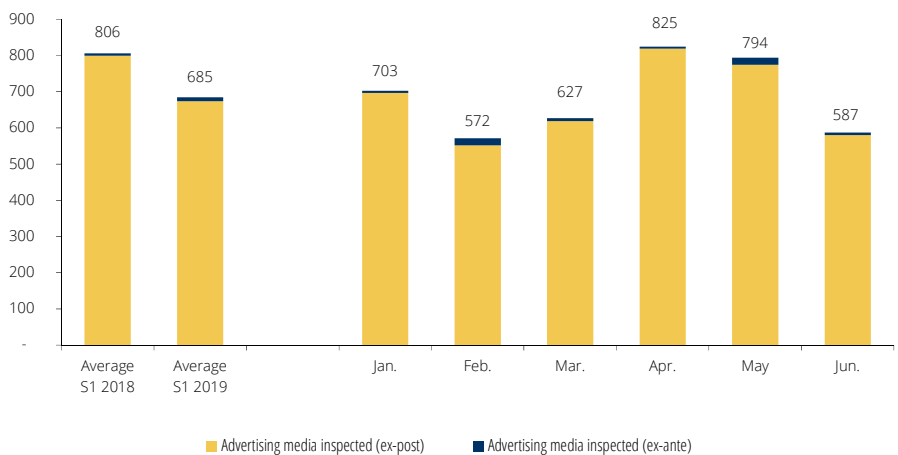
- 1 Monitoring of advertising
- 2 Inspection by product
- 3 Complaints from bank customers
- 4 Correction of irregularities  
and sanctioning



# 1 Monitoring of advertising

In the first half of 2019, 4,108 advertising media for banking products and institutional advertising disclosed by 48 credit institutions were analysed. Compared to the first semester of 2018, there was a 15% drop in the number of advertising media disseminated by institutions, notably the reduction in credit card advertising, home loans and simple deposits.

**Chart III.1.1 • Advertising | Number of advertising media analysed | 1<sup>st</sup> half of 2018 – 1<sup>st</sup> half of 2019**



Source: Banco de Portugal.

Of the set of advertising media analysed, 3,962 (96.4%) were reported to Banco de Portugal after their public disclosure (*ex-post*). The remaining 146 (3.6%) cases were analysed prior to their disclosure, 80 (1.9%) in response to requests for a prior opinion received from credit institutions. 66 (1.6%) advertising campaigns for structured deposits, subject to the prior approval of Banco de Portugal, were also analysed.

**Table III.1.1 • Advertising | Advertising media analysed, by type of product | 1<sup>st</sup> half of 2018 – 1<sup>st</sup> half of 2019**

Scope	S1 2018		S1 2019		Variation
	Number	Weight	Number	Weight	
<b>Products and services</b>	<b>4,390</b>	<b>91%</b>	<b>3,590</b>	<b>87.4%</b>	<b>-18%</b>
Consumer credit	3,538	73%	2,895	70.5%	-18%
Credit card	2,335	48%	1,673	40.8%	-28%
Personal loans	805	17%	916	22.3%	14%
Car loans	320	7%	271	6.6%	-15%
Overdraft facility	59	1%	18	0.4%	-69%
Credit line	19	0%	17	0.4%	-11%
Home loans	264	5%	115	3.5%	-56%
Bank deposits	200	4%	116	2.8%	-42%
Simple deposits	162	3%	50	1.2%	-69%
Structured deposits	38	1%	66	1.6%	74%
Multiproduct	171	4%	196	4.8%	15%
Corporate credit	114	2%	143	3.5%	25%
Payment services	103	2%	125	3.0%	21%
<b>Institutional</b>	<b>448</b>	<b>9%</b>	<b>518</b>	<b>12.6%</b>	<b>16%</b>
<b>Total</b>	<b>4,838</b>	<b>100%</b>	<b>4,108</b>	<b>100.0%</b>	<b>-15%</b>
Memo item					
Consumer credit digital channels	-	-	30	1%	-

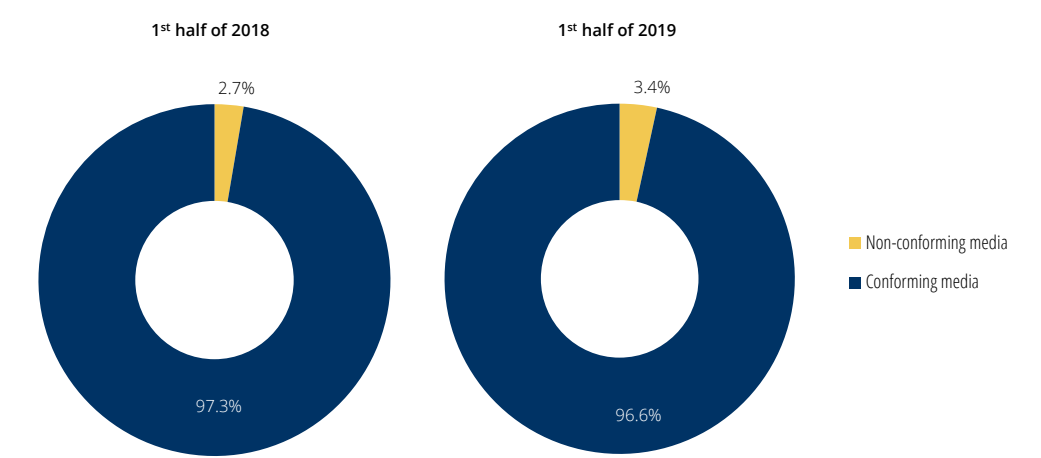
Source: Banco de Portugal.

In the first half of 2019, credit cards continued to be the most frequently advertised banking product (41% of total media analysed), above personal loans products (22%) and car loans (7%). Institutional advertising, in turn, corresponded to 13% of the total advertising media analysed.

Compared to the same period of 2018, there was a significant reduction in advertising campaigns for consumer credit, in particular for credit cards (28% less) and home loans (56% less), as well as campaigns of simple bank deposits (69% less). These reductions were partially offset by the increase in institutional campaigns (16% more) and structured deposits (74% more, following the increase in the number of deposits marketed).

In a context of growing marketing of banking products and services through digital channels, it should be noted that around 1% of the media analysed during the first half of 2019 corresponded to advertising for consumer credit, personal loans and credit cards marketed on digital channels by eight credit institutions.

**Chart III.1.2 • Advertising | Percentage of advertising media with irregularities | 1<sup>st</sup> half of 2018 – 1<sup>st</sup> half of 2019**

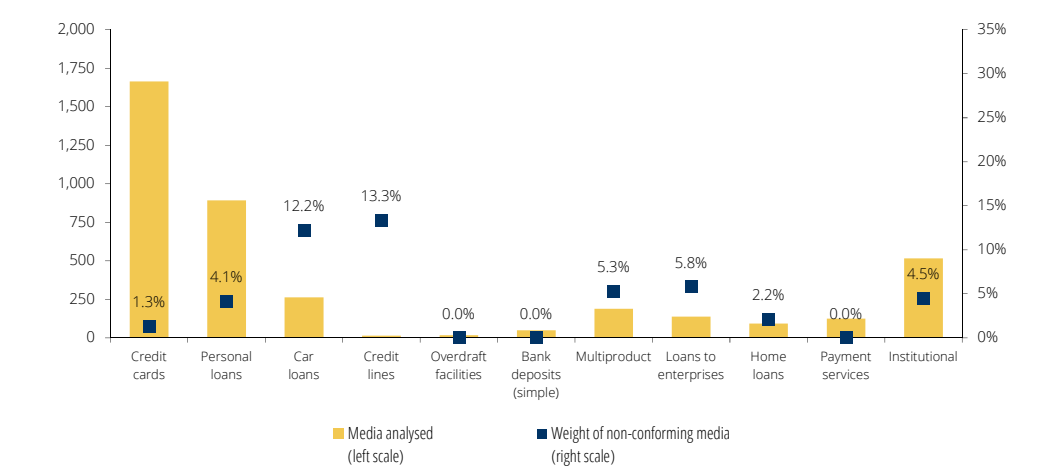


Source: Banco de Portugal.

Of the 3,962 media analysed by Banco de Portugal after their disclosure, irregularities and defaults were identified in 136 media of 20 institutions, the correction of which was required by Banco de Portugal through the issuance of specific orders and recommendations<sup>1</sup>.

Corrected media accounted for 3.4% of advertising media analysed on an *ex-post* basis, compared with 2.7% in the first half of 2018. This concerned mainly personal loans and car loans, which presented default ratios of 4.1% and 12.2%, respectively.

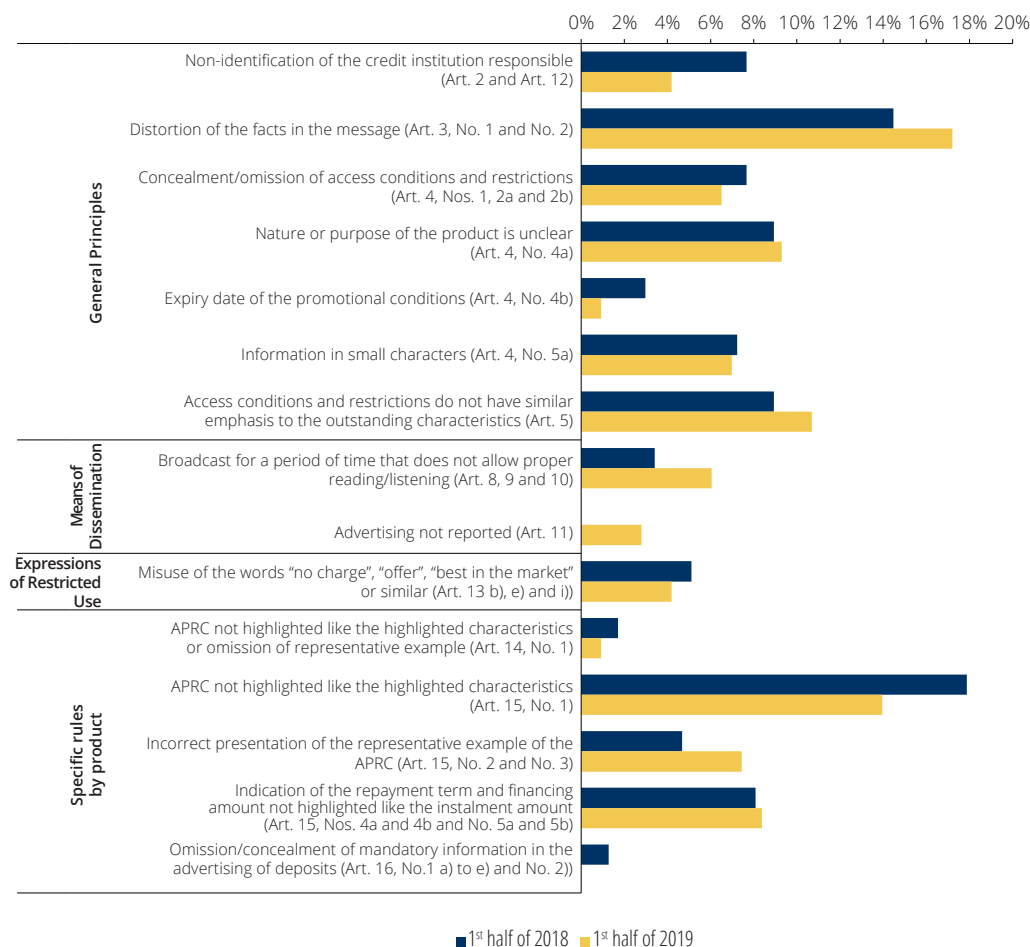
**Chart III.1.3 • Advertising | Percentage of advertising media with irregularities, by type of product | 1<sup>st</sup> half of 2019**



Source: Banco de Portugal.

1. Point 4.1 of this Chapter.

Chart III.1.4 • Advertising | Failure to comply with Notice No. 10/2008 | 1<sup>st</sup> half of 2018  
– 1<sup>st</sup> half of 2019



Source: Banco de Portugal.

In the first half of 2019, the most frequent non-compliances identified by Banco de Portugal were related to the presentation of incorrect information on the products and their characteristics, leading to situations of distortion of the facts in the advertising message. The absence of similar prominence (to the product characteristics evidenced by the institutions) in the submission of mandatory consumer credit information, in particular the APRC and the conditions of access and restrictions, was another frequently identified non-compliance. The unclear indication of the nature of credit products was also a frequent non-compliance.

Compared with the first half of 2018, there is a greater incidence of non-compliance associated with distortion of facts due to incorrect information and lack of transparency, in particular as regards insufficient time for adequate reading and hearing of messages, against a reduction in non-compliance with the lack of the APRC and the identification of the lending institution.

## 2 Inspection by product

### 2.1 Basic bank accounts

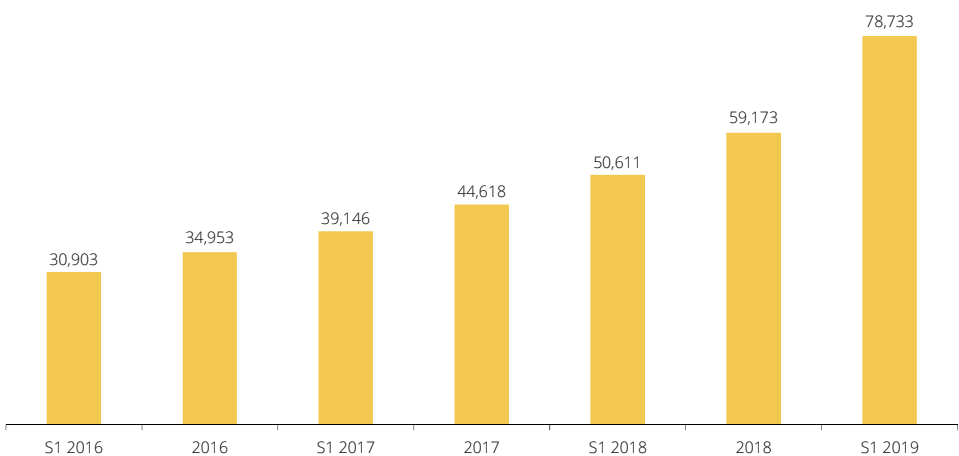
#### 2.1.1 Developments in accounts

As at 30 June 2019, there were 78,733 basic bank accounts, corresponding to a growth of 33.1% compared to the end of 2018 (19,560 more accounts) and 55.6% in comparison to the first half of 2018 (28,122 more accounts).

In the first half of 2019, 20,922 basic bank accounts were constituted. In 80.6% of the cases, the accounts were the result of the conversion of a current deposit account already existing in the institution, a higher percentage than in 2018 (59.6%). The remaining cases (19.4%) resulted from the opening of a new account.

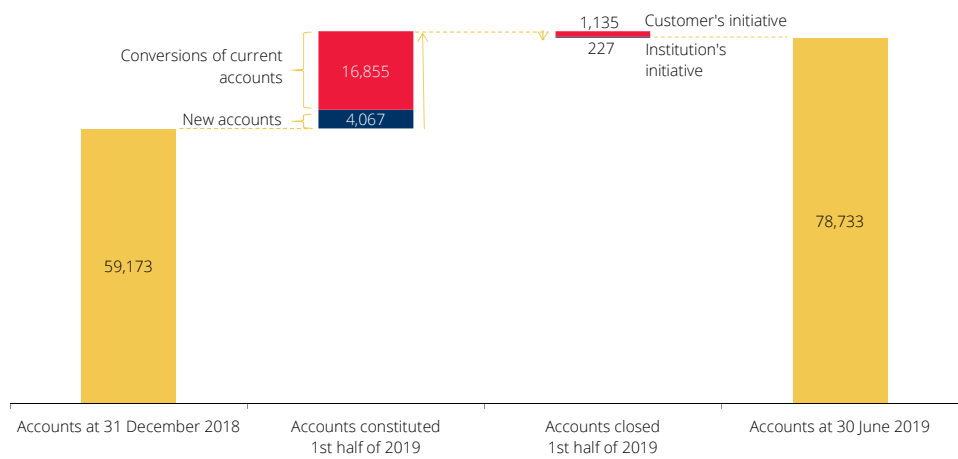
In the first half of the year, 1,362 basic bank accounts were closed, of which 1,135 (83.3%) at the customer's initiative and 227 at the credit institution's initiative (16.7%). The institution's closure of basic bank accounts is mainly related to the holder having other current accounts and the absence of account movements in the last 24 months.

**Chart III.2.1 • Basic bank accounts | Developments in the number of accounts (end-of-period values) | 2016 – 1<sup>st</sup> half of 2019**



Source: Banco de Portugal.

Chart III.2.2 • Basic bank accounts | Accounts constituted and closed | 1<sup>st</sup> half of 2019



Source: Banco de Portugal.

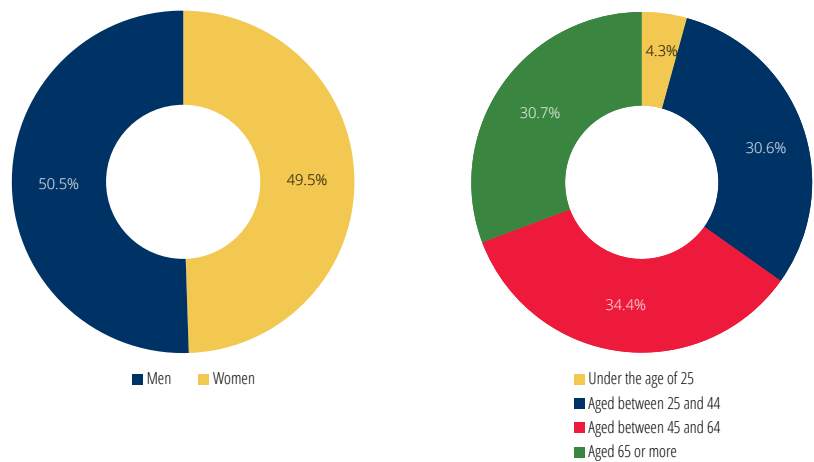
In the first half of 2019, 1,259 accounts were constituted by holders over the age of 65 or with a permanent disability of 60% or more, co-held by holders of other current accounts (6% of the total of accounts constituted). At the end of the semester, there were 2,594 basic bank accounts co-held by other current account holders (3.3% of total).

In this semester, 230 basic bank accounts were also constituted by holders of another basic bank account (with an Individual over the age of 65 or with a permanent disability of 60% or more). At the end of the first half of 2019, there were 469 basic bank accounts where the holders were co-holders of another basic bank account.

In the 20,922 accounts constituted in the first half of the year, there was a relatively even distribution between male (50.5%) and female (49.5%) customers, as in the previous half of the year. In most accounts opened in the first half, the first holders were aged between 25 and 65 (65%), while young people under the age of 25 held 4.3% of the accounts set up.



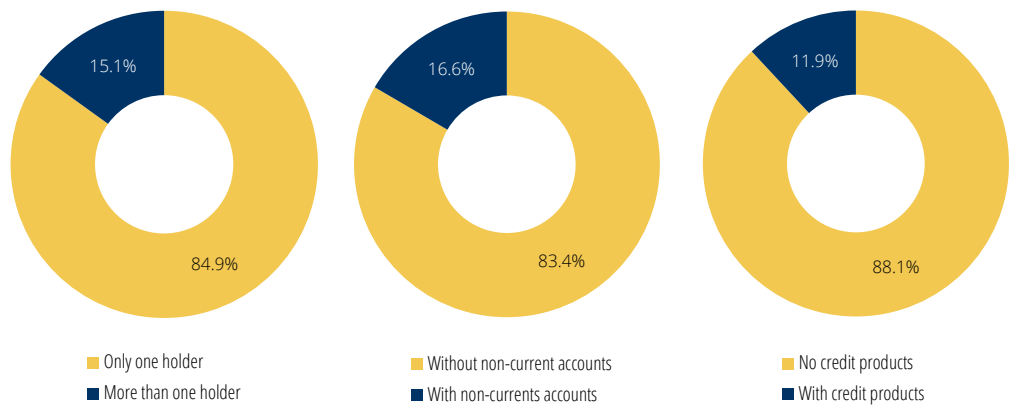
**Chart III.2.3 • Basic bank accounts | Characterisation of accounts constituted in the 1<sup>st</sup> half of 2019, by gender and age**



Source: Banco de Portugal.

Of the 78,733 basic bank accounts in existence at the end of the first half of 2019, 84.9% had only one holder and 15.1% had multiple holders (compared with 10.1% at the end of 2018). In most basic bank accounts, the holders had no term accounts (83.4%) or credit products (88.1%), although these percentages were lower than at the end of 2018 (90.3% and 91.4%, respectively).

**Chart III.2.4 • Basic bank accounts | Characterisation of the accounts | 1<sup>st</sup> half of 2019**



Source: Banco de Portugal.

At the end of the first half of the year, there were five institutions that exempted their customers from fees or other charges. (Banco Activobank, S. A., Banco CTT, S. A., BNI – Banco de Negócios Internacional (Europa), S. A., Caixa de Crédito Agrícola Mútuo de Leiria, C.R.L. and Caixa Geral de Depósitos, S. A.). The maximum annual amount of the fee that credit institutions can charge for basic bank accounts is 1% of the Social Support Index (IAS), which in 2019 corresponds to a maximum of EUR 4.35.

Basic bank accounts include opening and maintaining a current account, the provision of a debit card to operate the account, access to account operations of the basic bank account through ATMs, homebanking and bank branches and to deposits, withdrawals, payments of goods and services, direct debits, domestic intrabank transfers and 24 transfers to other banks through homebanking.

2.1.2 Inspections

In the first half of 2019, Banco de Portugal continued to pay particular attention to the supervision of basic bank accounts.

In order to assess the disclosure of information by credit institutions, Banco de Portugal carried out remote inspections, covering the 107 institutions that market basic bank accounts. In 2019, institutions were required to provide their current account holders with an information document on basic bank accounts, together with the first statement issued in each calendar year. Greater emphasis was also required on the information provided in the statement on the possibility of converting current accounts into basic bank accounts.

Table III.2.1 • Remote inspections to basic bank accounts | 1<sup>st</sup> half of 2019

Matters	Type of inspection	Entities covered
Information in the statement on conversion into a basic bank account	Remote	107
Provision of the information document on basic bank accounts	Remote	107

Source: Banco de Portugal. | Note: In remote inspections, the inspections carried out on SICAM's 80 mutual agricultural credit banks are considered individually.

**Information in the statement on conversion into basic bank accounts.** It was assessed whether credit institutions providing basic bank accounts have informed their customers of the possibility of converting their existing current account into a basic bank account. The information in question must be provided annually in the first statement of the current account issued each calendar year and must comply with the terms defined by Banco de Portugal.

To this effect, copies of bank statements sent to customers were required and specific information on the channels used to send the statement (mail, e-mail, availability via homebanking or via apps) was requested, in order to assess the adequacy of the information provided.

**Provision of the information document on basic bank accounts.** Banco de Portugal supervised whether the institutions provided the information document on the basic bank accounts regime, according to a model defined by Banco de Portugal, together with the first statement issued in each calendar year.

Banco de Portugal asked credit institutions for evidence of submission of this document, requesting copies of the information made available to customers.

As part of the obligations to disclose information on basic bank accounts, “mystery shopper” inspections were also conducted with the branches of 14 institutions<sup>2</sup>.

Table III.2.2 • “Mystery shopper” inspection of basic bank accounts | 1<sup>st</sup> half of 2019

Matters	Type of inspection	Entities covered
Poster on basic bank accounts – display and content	“Mystery shopper”	14

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

**Poster on basic bank accounts – display and content.** Institutions must display a poster on basic bank accounts defined by Banco de Portugal in a prominent place at their branches and places of public service.

“Mystery shopper” inspections were carried out to 25 branches of 14 institutions to check that the poster had been placed in a conspicuous place and that it complied with the defined model.

These actions were complemented by **inspections to the central services**, through which the organisation and internal procedures adopted by institutions for the provision of basic bank accounts were assessed. Inspections to the central services make it possible to evaluate the treatment given by institutions to the requests for access to basic bank accounts and the situations of account closure by the institution, involving the verification of the processes and respective documentation, computer systems and parameterisation of basic bank accounts in them.

Table III.2.3 • Inspection at the central services of basic bank accounts | 1<sup>st</sup> half of 2019

Matters	Type of inspection	Entities covered
Basic bank accounts	Central services	1
Access conditions		
Maximum limit of fees and charges		
Characteristics of the debit card		
Existence of credit overruns		
Account closure at the institution's initiative		

Source: Banco de Portugal.

**Conditions of access.** Compliance with the rules governing access to basic bank accounts was assessed by analysing the internal procedures adopted by the institutions in opening such accounts.

**Maximum limit on fees and charges.** Compliance with the legal limit on the collection of fees and charges for the provision of basic bank accounts was evaluated, namely the maximum limit defined by law of 1% of the value of the social support index.

2. At these branches, the disclosure of the price list and information on the existence of the complaints book was also evaluated.

**Characteristics of the debit card.** The parameterisation of the debit card associated with basic bank accounts was assessed, namely the possibility of use outside the national territory and in off-transactions (such as toll payments). The characteristics of the debit card associated with basic bank accounts may not have more restrictive terms of use than those for debit cards provided to customers outside this regime.

**Existence of credit overruns.** It was assessed whether the characteristic that basic bank accounts do not allow credit overruns, except when originated by using the debit card for offline operations, was observed.

**Account closure at the institution’s initiative.** It was assessed whether the basic bank accounts closed at the institution’s initiative meet the requirements in the standards.

## 2.2 Structured deposits

**Assessment of the key information document.** 1 January 2019 marked the date of entry into force of the European rules applicable to the marketing of PRIIPs<sup>3</sup>, a concept that covers structured deposits. These standards harmonised the provision of pre-contractual information to customers, namely through the key information document (KID), at European level.

As the competent supervisory authority, during the first half of 2019 Banco de Portugal assessed the information provided in 45 KID of structured deposits marketed by six institutions, 40.6% more than in the first half of 2018. Banco de Portugal supervised compliance of the KID with the applicable standards, namely the risk and cost indicators and the performance scenarios presented. Following this verification, the compliant KIDs were published on the Bank Customer Website.

**Table III.2.4 • Structured deposits | Key information documents | 1<sup>st</sup> half of 2018 – 1<sup>st</sup> half of 2019**

Type of deposit	S1 2018		S1 2019	
	Submitted	Entities covered	Submitted	Entities covered
Structured	32	8	45	6

Source: Banco de Portugal.

**Verification of remuneration rates.** The remuneration rates calculated by institutions on deposits maturing during the first semester of 2019 were also assessed, namely by checking the value(s) of the index(es) associated with each deposit and its(their) application in accordance with the calculation formula indicated in the relevant pre-contractual information document. Following the verification of the interest rates of 98 matured deposits, these were disclosed on the Bank Customer Website.

3. Regulation (EU) No. 1286/2014 of the European Parliament and of the Council, of 26 November 2014 Delegated Regulation (EU) 2017/653 of the Commission, of 8 March 2017.

Table III.2.5 • Structured deposits | Remuneration verified | 1<sup>st</sup> half of 2018 – 1<sup>st</sup> half of 2019

Type of deposit	S1 2018		S1 2019	
	Matured	Entities covered	Matured	Entities covered
Indexed	61	10	75	8
Dual	16	3	20	2
Fixed component	4			
Indexed component	12		20	
Structured			3	1
Total	77	12	98	11

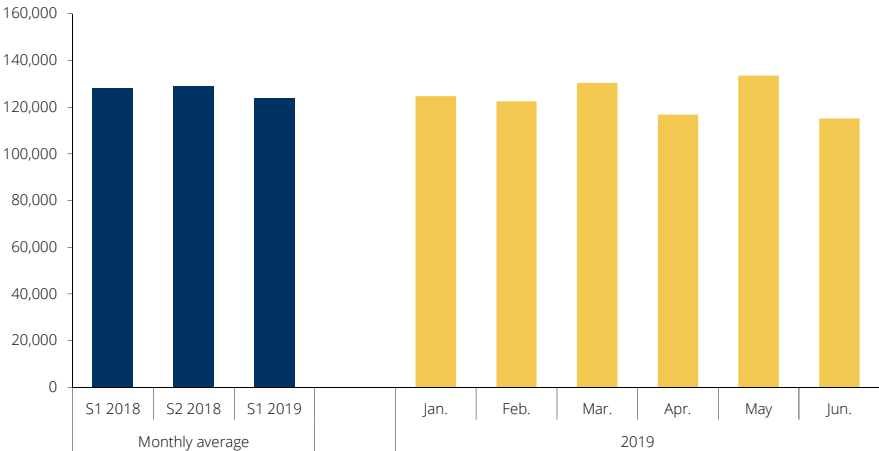
Source: Banco de Portugal.

## 2.3 Consumer credit

### 2.3.1 Reporting of new agreements

Credit institutions provide Banco de Portugal with monthly reports on the main features of new consumer credit agreements (i.e. personal loans, car automobile and revolving credit) entered into in the previous month. The information is submitted to calculate the APRC limits in force for consumer credit. Based on this information, Banco de Portugal makes a first assessment of the compliance of institutions with the maximum rates applicable to the agreements entered into.

Chart III.2.5 • Consumer credit | Number of new agreements reported | 1<sup>st</sup> half of 2018 – 1<sup>st</sup> half of 2019



Source: Banco de Portugal. | Note: Total agreements reported in the 1<sup>st</sup> half of 2019 = 743,287

In the first half of 2019, this assessment focused on 743,287 consumer credit contracts reported by 55 institutions, which corresponds to an average of around 124 thousand contracts per month and a decrease of 3.3% compared to first half of 2018.

In supervising the information reported by credit institutions, in 2019 ten agreements of four institutions revealed indications of non-compliance with the APRC limits. Information was immediately requested from the institutions to evaluate these indications.

2.3.2 Inspections

In the first half of 2019, Banco de Portugal continued to monitor compliance with the regulatory framework applicable to the marketing of consumer credit agreements. The characteristics of the credit products associated with current accounts justified the attention devoted to checking the procedures adopted by institutions in the marketing and contracting of overdraft facilities and credit overruns. During this period, inspections were carried out at the central services of two credit institutions.

In these inspections, the contracting and management of loans was evaluated, namely compliance with the information requirements applicable in the pre-contractual and contractual stages and while the agreement is in force. Compliance with the calculation of interest and the APRC, compliance with the maximum APRC limits, the correct application of fees and other charges, the reliability of the information reported to Banco de Portugal, the adequacy of the internal procedures adopted and the application of the arrears regime were all assessed.

Table III.2.6 • Inspection of consumer credit | 1<sup>st</sup> half of 2019

Matter	Type of inspection	Entities covered
<b>Overdraft facilities</b>	<b>Central services</b>	<b>2</b>
Pre-contractual and contractual information requirements		
Creditworthiness assessment		
Date of conclusion of agreements		
Maximum APRC limits		
Reporting obligation to Banco de Portugal		
Default and charges associated with default		
Information during the term of the agreement		
<b>Credit overruns</b>	<b>Central services</b>	<b>2</b>
Pre-contractual and contractual information requirements		
Maximum limits of the annual nominal rate		
Default and charges associated with default		
Information during the term of the agreement		

Source: Banco de Portugal.

**Pre-contractual and contractual information requirements.** The way in which the obligation to provide pre-contractual information was fulfilled was assessed and the consistency between the conditions contracted by the consumer and the information provided by the institution prior to the conclusion of the contract was checked.

**Creditworthiness assessment.** Procedures for assessing customer solvency prior to granting credit were evaluated. It was also evaluated whether customers are informed about the refusal of credit when it is based on information consulted in databases, namely credit liabilities.

**Date of conclusion of agreements.** The procedures adopted regarding the definition of the date of conclusion of consumer credit agreements were assessed, which is crucial for the fulfilment of a number of duties, namely those associated with the assessment of consumer creditworthiness and compliance with maximum limit of the APRC.

**Maximum APRC limits and annual nominal rate.** Compliance with maximum APRC limits and annual nominal rate was assessed for overdraft facility agreements and credit overruns, respectively. To this effect, the manner in which the APRC was calculated in credit operations already contracted was verified. Based on information gathered from the information systems of institutions, it was checked whether all charges had been correctly considered in the calculation of the APRC and whether the remuneratory interest charged and the fees applied were in compliance.

**Reporting obligation to Banco de Portugal.** The timely compliance with reporting obligations to Banco de Portugal and the quality of information on new credit agreements entered into were assessed.

**Default and charges associated with default.** Compliance with the rules applicable to the debtor's default in credit agreements was assessed, namely the correction of the calculation of late payment charges, default interest and fee for the recovery of outstanding amounts. In the case of default interest, it was checked whether the calculation complies with the application of a maximum annual surcharge of 3% in addition to the default interest rate and whether the calculation is based on the unpaid and overdue capital, which may include remuneration interest. In the case of the recovery fee, it was confirmed if that does not exceed 4% of the value of the outstanding instalment, assuming a minimum charge of EUR 12 and a maximum charge of EUR 150, or 0.5% of the instalment if it exceeds EUR 50,000 euros, and may be charged only once for each overdue and unpaid instalment.

**Information during the term of the agreement.** Compliance with the information duties established during the term of consumer credit agreements was assessed<sup>4</sup>.

### 2.3.3 Monitoring of marketing in digital channels

The offer of consumer credit products through digital channels is increasingly present in the Portuguese retail market as a result of the growing development of online and mobile marketing platforms by institutions, even though credit products marketed digitally have not undergone significant changes compared to those already offered to customers through the so-called traditional channels.

In the first half of 2019, Banco de Portugal continued to assess compliance by institutions with the regulatory framework governing the marketing of consumer credit through digital channels, which is independent of the contracting channel used (principle of technological neutrality). The supervision was carried out on an *ex-ante* basis<sup>5</sup>, monitoring the creation by institutions of products to be made available to customers. Institutions must report to Banco de Portugal information on consumer credit products whose procurement process begins and ends in a digital environment at least ten business days in advance. Banco de Portugal is thus informed about the target audience of the product and the respective channels used to make it available (online or mobile), the manner in which customers are given access to the standardised information sheet and the draft contract, the manner in which customers can view this information and the manner

4. Notice No. 10/2014 of Banco de Portugal.

5. Under Circular Letter No. 4/2018 of Banco de Portugal.

in which they can store contractual information on the credit agreement. Institutions also report the security procedures implemented to ensure the bank customer's access to the digital channel and to enable customers to confirm their willingness to enter into the credit agreement. In conjunction with the provision of this information, institutions must provide Banco de Portugal with the pre-contractual information documents (standardised information sheet) and the technical file for the product concerned.

In addition, it should be noted that the *ex-ante* supervision methodology used to evaluate new credit products and marketing processes through digital channels has resulted in frequent interaction between institutions and Banco de Portugal during technological developments and before their entry into production. This interaction was based on bilateral meetings with institutions to demonstrate the contracting flows in quality or production environments and translated into a more streamlined implementation by institutions of best market practices even before making the product available to consumers.

In this context, several inspections were carried out on the marketing processes of the products reported by institutions, which aimed to verify the adoption of good practices transmitted to institutions by Banco de Portugal regarding the provision of pre-contractual and contractual information, optional associated sales of other products, obligation to provide assistance to consumers, creditworthiness assessment, right of withdrawal, right of early repayment and security procedures.

**Table III.2.7 • Monitoring of the marketing of consumer credit agreements in digital channels by matter | 1<sup>st</sup> half of 2019**

Matter	Type of Inspection	Entities covered
Consumer credit in digital channels	Remote	9
Pre-contractual and contractual information		
Optional sale of products and funding of charges		
Obligation to provide assistance to consumers		
Creditworthiness assessment		
Right of withdrawal and right to early repayment		
Safety procedures		

Source: Banco de Portugal.

**Table III.2.8 • Monitoring of the marketing of consumer credit agreements in digital channels by product | 1<sup>st</sup> half of 2019**

Product	Type of inspection	Marketing products/ processes
Consumer credit in digital channels	Remote	
Personal loans		7
Car loans		3
Credit cards		6
Credit lines		4
Overdraft facilities		1

Source: Banco de Portugal.



In the first half of 2019, Banco de Portugal analysed the following marketing processes: seven personal loans, six credit cards, four credit lines, three car loans and one overdraft facility marketed by nine institutions through online and/or mobile channels.

The analysis carried out by Banco de Portugal focused on the various stages of the contracting process, in particular the way in which the information and consumer assistance duties are met, ensuring the right of withdrawal and early repayment, namely the use of mechanisms as convenient as those used for contracting, the safety procedures implemented and the way to confirm the willingness to enter into the agreement.

**Pre-contractual and contractual information to the consumer.** The moment when the standardised information sheet is presented to the customer was assessed so as to enable the customer to adequately consider entering into the credit agreement, as well as whether the information in this document is adapted to the preferences expressed by the customer. It was also assessed whether customers have the possibility of requesting a copy of the draft agreement free of charge and when they are granted this possibility. In addition, it was checked whether the credit marketing process incorporates mechanisms for proper viewing and reading of pre-contractual and contractual documents by customers, in particular ensuring the mandatory scroll down by them of all information presented.

It was found that in some situations the standardised information sheet was not presented at the most appropriate moment and that a mandatory scroll down mechanism was not provided for all pages of the contractual and pre-contractual information documents that the customer was declaring to accept. It was also found that the clauses of credit agreements did not include information on the digital contracting process or on how to confirm the willingness to enter into the agreement.

**Optional sale of products.** The joint marketing of the consumer credit agreement with other financial products, in particular insurance (optional), was assessed, namely whether the customer has the possibility to manifestly express the intention to contract these products. It was also assessed whether the same practice occurs within the scope of the possibility of financing the charges associated with the credit, i.e. whether customers can make their choice through a question posed positively and clearly.

It was found that the choice of taking out life insurance associated with the credit product being marketed was, in some cases, pre-selected with the option “Yes”, and it was not always clear to customers that it was an optional product. Also, sometimes the option of financing charges and expenses was pre-selected. The frequency of these shortfalls decreased compared to 2018 as a result, inter alia, of the institutions subject to previous inspections of other products having corrected the remaining credit marketing processes through digital channels in accordance with the previous recommendations.

**Obligation to provide assistance to consumers.** The mechanisms provided by institutions on digital channels for customer enlightenment were assessed in a way equivalent to those provided by bank employees, such as the presentation of warnings and information notes, access to pages with answers to frequently asked questions (FAQs), free customer helplines, access to a chat with the institution's assistant, or chatbot, as well as whether or not the information provided on the characteristics of the credit product is appropriate. In addition, it was evaluated whether the indication of the different stages of the marketing process allow customers to identify the necessary steps and information elements before starting the credit contracting process, should they choose the digital channel.

It was found that customer support mechanisms were not always available in an accessible and convenient manner and that the information provided was not specific to the credit product being marketed. However, it was noted that institutions updated the information on marketing processes, mainly by providing pages with answers to frequently asked questions, by providing warnings and explanatory notes on the main financial concepts associated with consumer credit (e.g. annual nominal rate, APRC and total amount payable by the customer).

**Duty of creditworthiness assessment.** The procedures used by institutions to assess the customer's solvency were checked, which included the use of indirect methods to determine revenue and expenses when agreements involving a total amount of credit of less than ten national minimum wages are concerned. The fulfilment of the obligation to inform customers about the refusal of credit was also evaluated when it is based on information consulted in databases, namely on credit liabilities.

It was found that, in some situations analysed, customers were not informed about the reason for the credit refusal when it was based on the information available in credit liability databases.

**Right of withdrawal and right to early repayment.** The way in which institutions ensure that bank customers exercise the right of withdrawal and the right to early repayment in digital channels was assessed. It was checked whether bank customers have the possibility of revoking the credit agreement in digital channels within 14 days of its conclusion, ensuring that the revocation occurs as conveniently as the contracting. It was also analysed whether customers have the possibility of communicating their intention to repay the loan through digital channels, so as to ensure the same convenience in contracting and early repayment.

It was found that, in some cases, it was not foreseen that bank customers could exercise the right of withdrawal in digital channels and in cases where withdrawal was possible in digital channels, the information contained in the contractual documentation provided to the customer made no mention of this possibility.

**Safety procedures.** Based on Banco de Portugal's understanding timely conveyed to institutions on the conclusion of credit agreements in digital channels, the safety procedures adopted to ensure that credit products are contracted through strong customer authentication mechanisms similar to those provided for payment services were assessed.

It was found that institutions use two or more elements independent of each other and belonging to the categories knowledge (e.g. password), possession (e.g. security card with coordinates) or inherence (e.g. fingerprint) for customers to express their willingness to enter into a credit product.

### 2.3.4 Reporting of agreements integrated in the OASP<sup>6</sup>

In the first half of 2019, 318,304 OASP (out-of-court arrears settlement procedure) proceedings concerning consumer credit agreements were initiated, involving a total of 268,425 credit agreements and an outstanding amount of EUR 614.7 million. These agreements had a default ratio of 10.4%.

The number of OASP processes initiated went up 6.7% in relation to the previous semester.

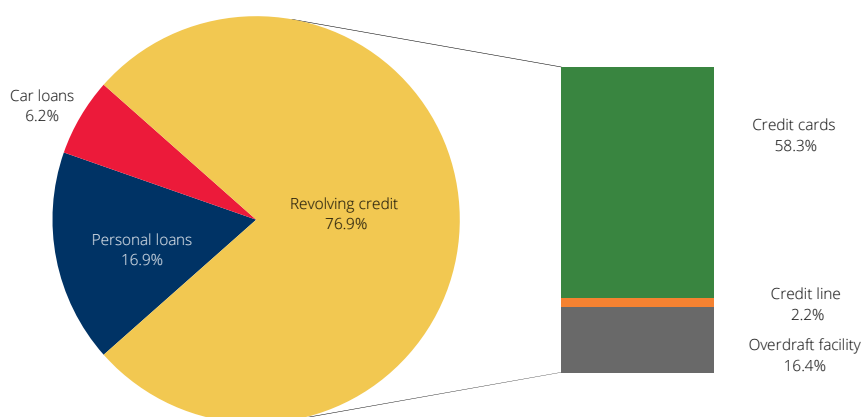
6. The information provided comes from the report submitted by credit institutions to Banco de Portugal. In this context, corrections were made to the information submitted in the first half of 2018, which is why the information presented in this report does not fully coincide with that disclosed in the *Banking Conduct Supervision Activities* for the first half of 2018.

**Table III.2.9 • Processes initiated, under analysis and concluded | Consumer credit | 1<sup>st</sup> half of 2018 – 1<sup>st</sup> half of 2019**

	Processes			Agreements <sup>(a)</sup>
	2018		2019	2019
	S1	S2	S1	
<b>OASP processes initiated</b>				
Number	301,174	298,416	318,304	268,425
Total amount (Eur million) <sup>(b)</sup>	-	-	-	614.7
Default ratio <sup>(c)</sup>	-	-	-	10.4%
<b>OASP processes under analysis<sup>(d)</sup></b>				
Number	126,868	124,736	130,635	-
<b>OASP processes concluded</b>				
Number	288,604	300,548	312,405	252,845
Total amount (Eur million)	-	-	-	575.7
Default ratio	-	-	-	10.8%
<b>Of which:</b>				
OASP processes concluded with settlement of the arrears <sup>(e)</sup>	127,841	124,497	139,813	-
Payment of the amounts in arrears	118,164	115,901	129,563	-
Agreement reached between the parties <sup>(f)</sup>	9,677	8,596	10,250	-
<b>OASP processes concluded with settlement of the arrears/OASP processes concluded</b>	<b>44.3%</b>	<b>41.4%</b>	<b>44.8%</b>	<b>-</b>

Source: Banco de Portugal. | Notes: (a) The total number of agreements integrated in the OASP does not reflect situations in which the same credit agreement is integrated into the OASP more than once. (b) The total amount corresponds to the sum of the outstanding amount and the amount overdue. (c) Ratio between the overdue amount and the total amount. (d) Amounts at end of period. (e) Processes concluded for one of the following reasons: payment of the 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 an additional loan to pay the instalments; transfer in lieu of payment.

**Chart III.2.6 • OASP | Distribution of the agreements integrated in the OASP, by type of credit | Consumer credit | 1<sup>st</sup> half of 2019**



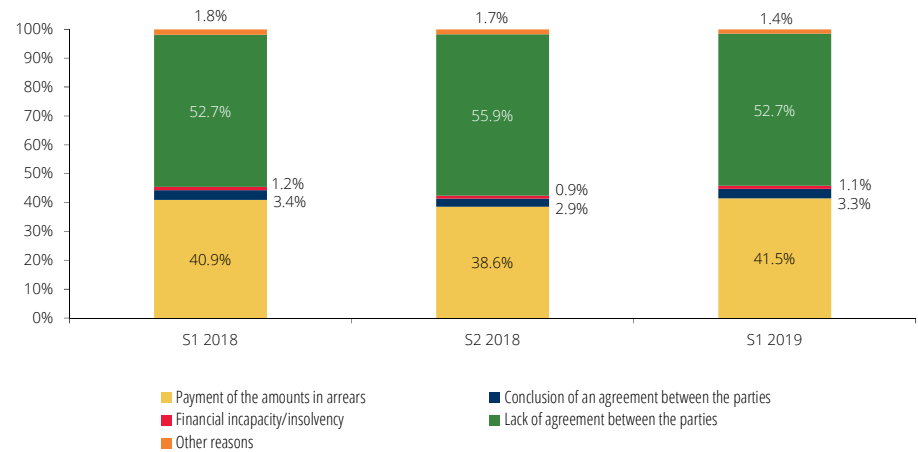
Source: Banco de Portugal.

Most of the consumer credit agreements integrated in the OASP continued to be revolving credit (approximately 77%), with emphasis on the debts resulting from the use of credit cards, which involved more than half of the proceedings initiated (58.3%). Personal loans and car loans accounted for 16.9% and 6.2%, respectively, of OASP agreements.

In the first half of 2019, 312,405 OASP processes were concluded relating to 252,845 consumer credit agreements, in a total amount of EUR 575.7 million. These agreements recorded a default ratio of 10.8%. At the end of June, 130,635 OASP cases were under analysis or negotiation.

The number of consumer credit OASP processes concluded with the settlement of the arrears increased in the first half of 2019, compared to the previous semester (12.3% more). In relative terms, the ratio of processes concluded with settlement of the arrears was 44.8%, above the ratio observed in the second half of 2018 (41.4%). By contrast, in about half of the processes completed in the first half of 2019 (52.7%), the situation of default was not resolved due to lack of agreement between the parties, a lower proportion than in the second half of 2018 (55.9%).

**Chart III.2.7 • OASP | Reasons for extinction | Consumer credit | 1<sup>st</sup> half of 2018 – 1<sup>st</sup> half of 2019**



Source: Banco de Portugal.

Settlement of default may occur because the customer has paid the arrears or because the bank customer and the institution have reached an agreement (which may include, for example, renegotiation or refinancing of the agreement, or the conclusion of a credit consolidation agreement). In the first half of 2019, most consumer credit proceedings concluded with settlement of the arrears resulted from the payment of the amounts in arrears by the bank customer. The number of OASP processes concluded following the payment of the amounts in arrears increased by 11.8% over the previous semester.

**Table III.2.10 • OASP | Solutions agreed in concluded processes | Consumer credit**  
| 1<sup>st</sup> half of 2018 – 1<sup>st</sup> half of 2019<sup>(a)-(b)</sup>

	2018				2019	
	S1		S2		S1	
	Number	Amount (Eur million)	Number	Amount (Eur million)	Number	Amount (Eur million)
Renegotiation of the credit agreement	7,532	3.9	6,828	3.1	8,000	4.8
Credit consolidation	816	3.5	639	2.6	691	3.0
Refinancing	794	5.2	716	4.9	1,131	8.4
Additional loan to pay instalments	547	4.6	360	2.8	407	2.9
Transfer in lieu of payment	22	–	21	–	17	–

Source: Banco de Portugal. | Notes: (a) The table shows the number of agreed solutions; there may be more than one solution per agreement. (b) The OASP processes concluded with settlement of the arrears in the first half of 2019 covered 9,634 consumer credit agreements.

The number of OASP processes in which credit institutions and bank customers reached an agreement to settle the default also increased in the first half of the year, compared to the previous semester (19.2% more). The most commonly agreed solution was the renegotiation of the agreement. In the first half of 2019, 8,000 OASP processes led to the renegotiation of agreements, involving a renegotiated amount of 4.8 million. The renegotiated conditions include the deferral of the payment of principal to the last instalment (7,005 processes) and the extension of the term of the agreement (1,807 processes).

The second most frequent solution was debt refinancing (1,131 processes), followed by credit consolidation (691 processes).

**Table III.2.11 • OASP | Conditions renegotiated in the processes concluded | Consumer credit**  
| 1<sup>st</sup> half of 2018 – 1<sup>st</sup> half of 2019<sup>(a)-(c)</sup>

	2018		2019
	S1	S2	S1
Spread/interest rate	69	58	55
Term	1,628	1,837	1,807
Grace periods for principal (and/or interest)	99	128	169
Deferral of principal to the last instalment	5,272	6,351	7,005
Other conditions <sup>(b)</sup>	1,293	858	713

Source: Banco de Portugal. | Notes: (a) Renegotiations sometimes combine more than one of the solutions given 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. All of these options are reported on an aggregate basis so it is not possible to disaggregate the renegotiated conditions included in this category. (c) The OASP processes concluded in the first half of 2019 with renegotiation solutions adopted covered 5,523 consumer credit agreements.

## 2.4 Home loans and mortgage credit

### 2.4.1 Inspections

After conducting inspections to branches and remote inspections in 2018 to assess compliance with the new home loans and mortgage credit scheme, in particular with regard to duties of pre-contractual information and consumer assistance, Banco de Portugal inspected central services to evaluate the practices in the marketing and contracting of this type of credit. The assessment focused in particular on the contracting process, including the contractual and pre-contractual information provided by institutions to their customers and the application of the minimum seven-day cooling-off period prior to the conclusion of the agreement, the practice of optional associated sales, the calculation of interest and the APRC, the fee applied, the exercise of the right to early repayment, the late payment scheme and the provision of periodic information during the term of the agreement.

By conducting inspections of the central services, Banco de Portugal analyses the marketing practices of institutions, involving the evaluation of the established procedures, the information systems supporting the commercial activity, the existing conduct risks and the structure controls implemented. Inspections target the matter identified as having the greatest risk and impact for the bank customer.

**Table III.2.12 • Inspection of home loans and mortgage credit | 1<sup>st</sup> half of 2019**

Matter	Type of inspection	Entities covered
Home loans and other mortgage credit	Central services	3
Pre-contractual and contractual information requirements		
Creditworthiness assessment		
Calculation of the APRC		
Associated sales		
Early repayment		
Default and charges associated with default		
Information during the validity of the agreement		

Source: Banco de Portugal.

**Pre-contractual and contractual information requirements.** The way in which the duty to provide personalised pre-contractual information was fulfilled was assessed and the consistency between the conditions contracted by the consumer and the information provided by the institution prior to the conclusion of the agreement was checked. The provision to the consumer of information on property appraisal reports and other documents was also assessed.

**Creditworthiness assessment.** Procedures for assessing customer solvency prior to granting credit were evaluated. It was also evaluated whether the client is informed about the credit refusal when it is based on information consulted in databases, namely, of credit liabilities.

**Calculation of the APRC.** The way in which the APRC was calculated in credit operations already contracted was assessed, in particular whether all charges were correctly considered, based on the information collected in the information systems of institutions. The conformity of the remuneratory interest charged, which should be related to the credit amounts used in the respective periods of actual use, and the fees applied, was also evaluated.

**Associated sales.** Compliance with the duties of associated sales was assessed, namely the information provided for customers to assess the benefits and charges related to the optional associated sales, as well as the circumscription of the associated sales required to open and maintain a current account associated with the home loans and the taking out of insurance related to the credit agreement.

**Early repayment.** Compliance with the rules governing the total or partial early repayment of credit agreements was assessed, namely the obligation of the institutions to ensure the exercise of the right to early repayment at any time, by requiring customers to give advance notice of no more than ten days. With regard to the reporting obligations to which institutions are obliged in this context, Banco de Portugal assessed the provision, upon receipt of the customer's request, of information on the impact of the credit repayment for the consumer, with a description of the assumptions used. Compliance with the upper limits to the fees that may be required of customers for the early repayment of loans was also assessed, namely 0.5% or 2% to be added to the principal that is repaid, depending on whether the agreement has a variable or fixed rate, respectively.

**Default and charges associated with default.** Compliance with the rules applicable to delay by the debtor in credit agreements was assessed, namely the correction of the calculation of late payment charges, default interest and fee for the recovery of outstanding amounts. In the case of default interest, it was assessed whether the calculation complies with the application of a maximum annual surcharge of 3% in addition to the default interest rate and uses the unpaid and overdue capital as the basis of calculation, which may include remuneratory interest. In the case of the debt recovery fee, Banco de Portugal checked if that does not exceed 4% of the value of the outstanding debt, with provision for the collection of a minimum value of EUR 12 and a maximum of EUR 150, or 0.5% of the said instalment if it exceeds EUR 50,000. This fee may be charged only once for each overdue and unpaid instalment.

**Information during the term of the agreement.** Compliance with the reporting obligations established during the term of mortgage loan agreements was assessed<sup>7</sup>.

#### **2.4.2 Reporting of agreements integrated in the OASP**

Institutions initiated 37,888 OASP proceedings relating to home loans and mortgage credit during the first half of 2019, involving 30,193 agreements and a total outstanding amount of EUR 1,391.7 million. These agreements had a default ratio of 1.3%.

7. Notice No. 5/2017 of Banco de Portugal.

**Table III.2.13 • OASP | Processes initiated, under analysis and concluded | Home loans and mortgage credit | 1<sup>st</sup> half of 2018 – 1<sup>st</sup> half of 2019**

	Processes			Agreements <sup>(a)</sup>
	2018		2019	2019
	S1	S2	S1	
<b>OASP processes initiated</b>				
Number	44,773	40,465	37,888	30,193
Total amount (Eur million) <sup>(b)</sup>	–	–	–	1,391.7
Default ratio <sup>(c)</sup>	–	–	–	1.3%
<b>OASP processes under analysis<sup>(d)</sup></b>				
Number	23,035	22,007	23,112	–
<b>OASP processes concluded</b>				
Number	44,458	41,493	36,783	26,204
Total amount (Eur million)	–	–	–	1,233.7
Default ratio	–	–	–	1.4%
<b>Of which:</b>				
OASP processes concluded with settlement of the arrears <sup>(e)</sup>	28,774	27,233	23,726	–
Payment of the amounts in arrears	27,590	26,369	23,037	–
Agreement reached between the parties <sup>(f)</sup>	1,184	864	689	–
<b>OASP processes concluded with settlement of the arrears/OASP processes concluded</b>	<b>64.7%</b>	<b>65.6%</b>	<b>64.5%</b>	<b>–</b>

Source: Banco de Portugal. | Notes: (a) The total number of agreements integrated in the OASP does not reflect situations in which the same credit agreement is integrated into the OASP more than once. (b) The total amount corresponds to the sum of the outstanding amount and the amount overdue. (c) Ratio between the overdue amount and the total amount. (d) Amounts at end of period. (e) Processes concluded for one of the following reasons: payment of the 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 an additional loan to pay the instalments; transfer in lieu of payment.

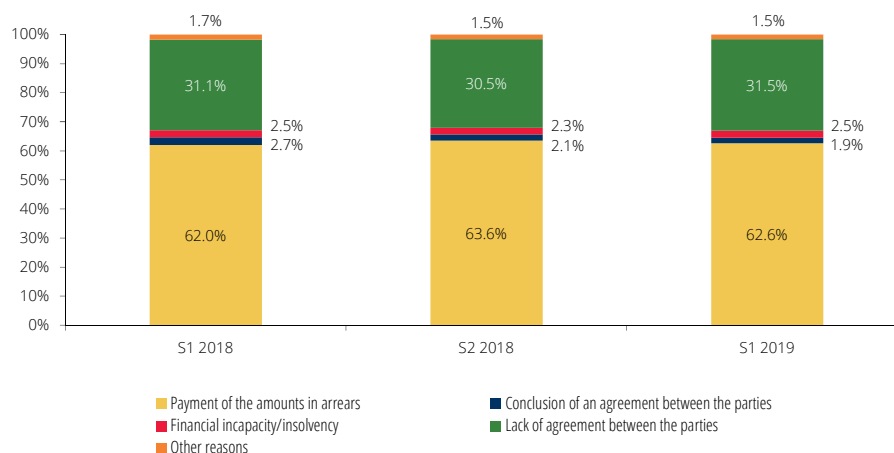
Compared to the second half of 2018, the number of OASP processes initiated went down by 6.4%.

In the first half of 2019, 36,783 OASP processes were concluded, involving 26,204 home loans and mortgage credit and a total outstanding amount of EUR 1,233.7 million. These agreements had a default ratio of 1.4%. At the end of June, 23,112 OASP processes were under review or negotiation.

Most of the OASP processes relating to home loans and mortgage credit concluded in the first half of 2019 allowed for the settlement of arrears (64.5%), slightly less than in the second half of 2018 (65.6%).



**Chart III.2.8 • OASP | Reasons for extinction | Home loans and mortgage credit | 1<sup>st</sup> half of 2018 – 1<sup>st</sup> half of 2019**



Source: Banco de Portugal.

The reason most indicated by credit institutions for the closure of OASP processes continued to be the payment of the amounts in arrears by bank customers (62.6% of processes closed in the first half of the year). However, in the first half of 2019, the number of OASP processes concluded following the payment of the amounts in arrears by bank customers decreased (12.6% less than in the previous semester). This reason for extinction also includes situations where payment of the amounts in arrears is made in various monthly instalments over time.

The number of OASP processes concluded following the conclusion of an agreement between institutions and bank customers dropped by 20.3% over the previous semester. In relative terms, in 1.9% of the processes concluded in the first half of 2019, an agreement was signed between the credit institution and the bank customer, a lower proportion than in the previous semester (2.1%). By contrast, the proportion of OASP processes concluded due to lack of agreement between the parties went up (from 30.5% in the second half of 2018 to 31.5% in the first half of 2019).

**Table III.2.14 • OASP | Solutions agreed in concluded processes | Home loans and mortgage credit | 1<sup>st</sup> half of 2018 – 1<sup>st</sup> half of 2019<sup>(a)-(b)</sup>**

	2018				2019	
	S1		S2		S1	
	Number	Amount (Eur million)	Number	Amount (Eur million)	Number	Amount (Eur million)
Renegotiation of the credit agreement	1,120	21.3	811	15.3	650	13.4
Credit consolidation	0	0.0	3	0.4	0	0.0
Refinancing	10	0.3	10	0.9	3	0.1
Additional loan to pay instalments	49	0.2	32	0.1	34	0.1
Transfer in lieu of payment	11	–	8	–	10	–

Source: Banco de Portugal. | Notes: (a) The table shows the number of agreed solutions; there may be more than one solution per agreement. (b) The OASP processes concluded with settlement of the arrears in the first half of 2019 covered 599 home and mortgage loan agreements.

Renegotiation of the terms and conditions of agreements was the agreed solution in 650 OASP processes, representing a renegotiated amount of EUR 13.4 million. Among the renegotiated conditions in these agreements, the introduction of grace periods for principal and/or interest (64 processes) is highlighted.

**Table III.2.15 • OASP | Conditions renegotiated in the processes concluded | Home loans and mortgage credit | 1<sup>st</sup> half of 2018 – 1<sup>st</sup> half of 2019<sup>(a)-(c)</sup>**

	2018		2019
	S1	S2	S1
Spread/interest rate	20	16	16
Term	88	72	40
Grace periods for principal (and/or interest)	207	118	64
Deferral of principal to the last instalment	62	26	32
Other conditions <sup>(b)</sup>	944	702	554

Source: Banco de Portugal. | Notes: (a) Renegotiations sometimes combine more than one of the solutions given 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. All of these options are reported on an aggregate basis so it is not possible to disaggregate the renegotiated conditions included in this category. (c) The OASP processes concluded in the first half of 2019 with renegotiation solutions adopted covered 483 home and mortgage loan agreements.

Credit institutions and bank customers also agreed on additional loans to pay instalments (34 OASP processes), transfer in lieu of payment of the property (ten processes) and refinancing of the agreement (three processes).

## 2.5 Payment services

### 2.5.1 Statement of fees

In January 2019, institutions were required to provide customers with an annual statement of fees associated with their current account and payment services using a harmonised format defined by the European Commission. This obligation stems from the entry into force of Decree-Law 107/2017, which transposed the Payment Accounts Directive into the Portuguese legal system, and aims to increase the comparability of fees related to payment accounts within the European Union. This harmonised format is applicable in Portugal to consumer and non-consumer customers through the Legal Framework of Credit Institutions and Financial Companies.

In order to evaluate the submission of the annual fee statement in accordance with the new rules defined, Banco de Portugal requested institutions with current accounts to provide quantitative information on the accounts covered and the communication channels used, as well as copies of the statements of fees sent to customers.

Table III.2.16 • Inspection of the statement of fees | 1<sup>st</sup> half of 2019

Matter	Type of inspection	Entities covered
Submission of the statement of fees	Remote	119
Template and completion requirements of the statement of fees	Remote	119

Source: Banco de Portugal. | Note: In remote inspections, the inspections carried out on the 80 SICAM mutual agricultural credit banks are considered individually.

**Submission of the statement of fees.** It was evaluated whether institutions submitted an annual statement of fees to all customers with current accounts in January. The duty to send the annual statement of fees covers all current accounts held by customers, consumers or non-consumers, in the previous year, even if the account was closed during the year, had no movements or no interest or fees were charged for the services rendered (e.g. for account maintenance).

To this, all institutions with current accounts had to provide quantitative information on the accounts covered in the provision of this information, as well as on the communication channels used (mail, e-mail, homebanking, app). Copies of the fees statements sent to customers, consumers and non-consumers were also requested and it was also verified whether this information was sent in January, as required by the rules in force.

**Template and completion requirements of the statement of fees.** It was assessed if the information on the fees charged used the standardised presentation format and common identification symbol of the information document, as well as the other requirements defined by European standards<sup>8</sup>, such as font size, indication of circumstances and collection channels of fees and the correct completion of the tables of fees charged and interest applicable to the accounts.

2.5.2 Current account statement

Through remote inspections to 107 institutions, Banco de Portugal assessed compliance with the obligation to send current account statements and requested copies of statements sent to customers.

Table III.2.17 • Inspection of the current account statement | 1<sup>st</sup> half of 2019

Matter	Type of inspection	Entities covered
Submission of the current account statement	Remote	107

Source: Banco de Portugal. | Note: In remote inspections, the inspections carried out on the 80 SICAM mutual agricultural credit banks are considered individually.

**Submission of the current account statement.** The obligation of institutions to provide customers with a current account statement at least once a month was assessed, except when there were no movements in the month concerned. Nevertheless, this statement should be sent out at least once a year.

8. Implementing regulation (EU) 2018/33 of the European Commission.

# 3 Complaints from bank customers

## 3.1 Recent developments

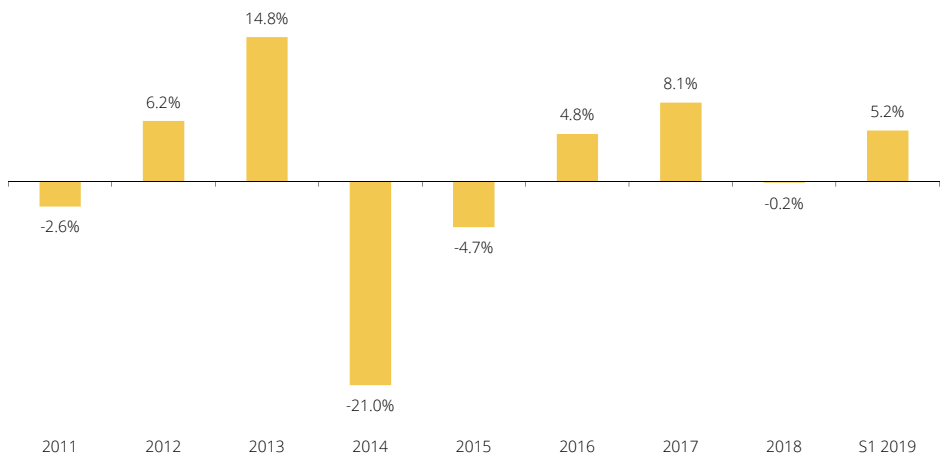
The analysis of complaints is an instrument for monitoring compliance by supervised entities with the rules in force and is key to Banco de Portugal's banking conduct supervision activities.

In the first half of 2019, 8,022 complaints were received about matters within its remit, averaging 1,337 complaints per month, an increase of 5.2% compared to the monthly average of 2018. In the first half of 2019, the number of complaints received on most matters went up. However, the contribution of complaints received about consumer credit and current accounts is highlighted.

The complaints book made available in the branches of institutions<sup>9</sup> continued to be the channel most frequently used by bank customers (45.2% of complaints lodged in the first half of 2019), followed by the Bank Customer Website (42.1%). Banco de Portugal also receives complaints sent by other means (namely e-mail or letter), accounting for 12.7% of the total complaints received in the first half of 2019.

The analysis of complaints by Banco de Portugal in the first half of 2019 led, in 38% of cases, to the resolution of the situation by the credit institution, either on its own initiative or following Banco de Portugal's performance (compared with 44%, in 2018). In around 62% of the complaints, no signs of infringement by the entity (56% in 2018) were found.

**Chart III.3.1 • Complaints | Developments in the monthly average number of complaints lodged | 2011 – 1<sup>st</sup> half of 2019**



Source: Banco de Portugal.

9. As of 1 July 2019, bank customers can now also submit complaints through the Electronic Complaints Book. However, the data in this chapter refer to the first half of 2019 and therefore do not yet include this new input channel.

**Table III.3.1 • Complaints | Number of entries, by origin | 2018 – 1<sup>st</sup> half of 2019**

Year	Month	Entries <sup>(a)</sup>			
		RCL <sup>(b)</sup>	RCO <sup>(c)</sup>		Total
			Total	of which PCB <sup>(d)</sup>	
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
	July	650	756	588	1,406
	August	780	639	503	1,419
	September	521	572	462	1,093
	October	653	632	490	1,285
	November	572	704	563	1,276
	December	598	632	504	1,230
	<b>2018</b>	<b>7,379</b>	<b>7,875</b>	<b>6,257</b>	<b>15 254</b>
2019	January	655	739	545	1,394
	February	552	815	635	1,367
	March	612	736	586	1,348
	April	514	643	512	1,157
	May	722	835	620	1,557
	June	577	622	476	1,199
	<b>2019</b>	<b>3,632</b>	<b>4,390</b>	<b>3,374</b>	<b>8,022</b>

Source: Banco de Portugal. | Notes: (a) Figures refer to complaints about banking products and services. In 2018 and in the first half of 2019, complaints totalling 2,664 and 1,376, respectively, were also received which were beyond the remit of Banco de Portugal, either because they related to situations with no specific applicable regulation (these included complaints about service and the quality of credit institutions' premises), or because they fell under the authority of the Portuguese Securities Market Commission or Insurance and Pension Funds Supervisory Authority. (b) Complaints received via the complaints book. (c) Complaints presented directly to Banco de Portugal. (d) Bank Customer Website.

## 3.2 Developments in complaints by matter

Deposit accounts, consumer credit and home loans and mortgage credit were the matters most complained about. The preponderance of these matters is related to the greater number of deposit account, consumer credit and home loan and mortgage credit agreements entered into between institutions and their customers. For this reason, the analysis of developments in complaints by matter must consider the size of the respective market, treating the number of complaints in relative terms on the basis of the volume of underlying products and services.

In the first half of 2019, **deposit accounts** continued to be the bank product most complained about, representing 31.7% of total complaints received, a similar percentage to that of 2018. The relative number of complaints lodged increased from 13 to 14 per 100,000 deposit account agreements, reflecting the increase in the number of complaints lodged on this matter (up 5.2% from the monthly average of 2018). This growth was mainly due to the increase in the number of complaints on basic bank accounts. In the first half of 2019, 108 complaints on basic bank accounts were received, an increase of 84.6% compared to the monthly average of 2018.

**Consumer credit** was the second biggest cause of complaints from bank customers, representing 26.8% of the total number of complaints within Banco de Portugal's remit. The relative number of complaints went up from 16 per 100,000 consumer credit agreements in 2018 to 18 complaints in the first half of 2019. This development reflects the increase in the number of complaints on this matter (up 13.7%, compared to the monthly average of 2018), with emphasis on the contribution of complaints on credit liabilities, which grew by 53% compared to the monthly average of 2018, partly due to the implementation of new reporting requirements to Banco de Portugal.

Complaints on **home loans and mortgage credit**, the third matter most complained about in the first half (12.2% of complaints), went down from 47 to 46 complaints for 100,000 credit agreements. The number of complaints lodged in the first semester on this matter decreased by 1.3%, compared to the monthly average of 2018, mainly due to the reduction in the number of complaints on contractual clauses and collection of outstanding amounts.

In **payment cards**, the fourth matter most complained about (8.2% of the total number of complaints received in the first half of 2019), the relative number of complaints decreased from 35 in 2018 to 31 complaints per million cards in circulation in the first half of 2019. This decrease reflects the reduction in the number of complaints in this area (10.3% less than the monthly average of 2018), mainly explained by the lower number of complaints on the fee charged for the provision of the card (formerly referred to as "annuity").

In **credit transfers**, which accounted for 4.5% of the total number of complaints, the relative number of complaints increased to 43 complaints for every 10 million transfers in the first half of 2019 (compared to 41 complaints in 2018). This increase reflects the rise in the number of complaints lodged on this subject (up 10.2% from the monthly average of 2018). In the first half of 2019, emphasis is placed on the increase in the number of complaints about identification elements, alleged fraud situations and non-executed operations, compared to the monthly average of 2018.

Complaints about **cheques** accounted for 3.3% of the total number of complaints lodged in the first half of 2019, with their relative value increasing from 18 to 22 complaints per million cheques. This increase in relative value is related not only to the reduction in the number of cheques used, but also to the increase in the number of complaints on this matter (up 7.1% from the monthly average of 2018). In this context, we highlight the growth in the number of complaints regarding the availability of the amount and the requisition and cancellation of cheques.

In complaints on **loans to enterprises**, 2.4% of the complaints lodged in the first half of the year, the relative value went from 17 to 19 for every 100,000 credit agreements, due to the increase in the number of complaints lodged on this matter (13.4% more compared to the monthly average of 2018). The number of complaints on credit liabilities contributed to this development.

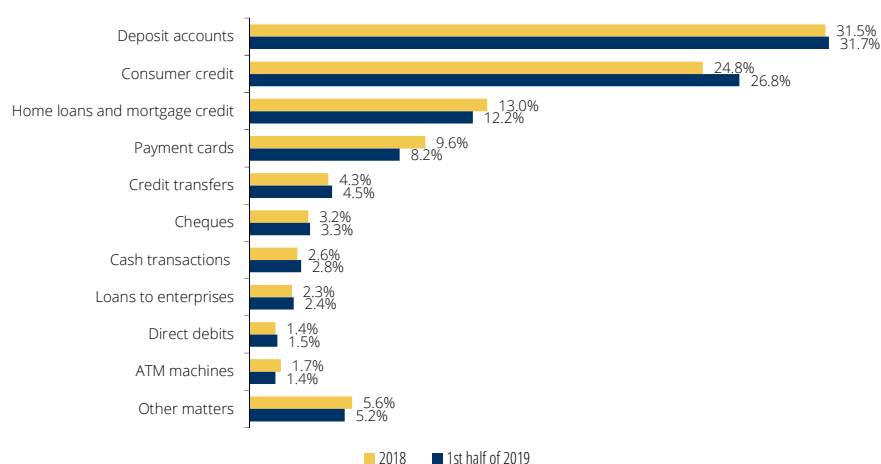
In the first half of the year, there was an increase in the number of complaints on cash transactions (from 89 to 104 complaints for every 100 million deposit and withdrawal transactions) and direct debits (from 107 to 110 for every 100 million transactions). By contrast, complaints on ATM machines decreased from 82 to 74 complaints for every 10,000 ATM machines.

**Table III.3.2 • Complaints | Number of complaints per banking product and service**  
| 2018 – 1<sup>st</sup> half of 2019

Products and services complained about	Absolute values			Relative values			
	2018	S1 2019	Average monthly variation	2018	S1 2019	Variation	Unit of reference
Deposit accounts*	4,811	2,531	5.2%	13	14	5.5%	100 thousand accounts
Consumer credit*	3,788	2,153	13.7%	16	18	12.4%	100 thousand agreements
Home loans and mortgage credit*	1,989	982	-1.3%	47	46	-0.9%	100 thousand agreements
Payment cards*	1,472	660	-10.3%	35	31	-12.0%	1 million cards
Credit transfers	659	363	10.2%	41	43	5.7%	10 million transfers
Cheques	495	265	7.1%	18	22	23.2%	1 million cheques
Cash transactions	390	225	15.4%	89	104	16.2%	100 million transactions
Loans to enterprises*	344	195	13.4%	17	19	11.8%	100 thousand agreements
Direct debits	216	119	10.2%	107	110	3.1%	100 million transactions
ATM machines*	255	116	-9.0%	82	74	-9.3%	10 thousand ATM machines
Other matters	835	413	-1.1%	–	–	–	–
<b>Total</b>	<b>15,254</b>	<b>8,022</b>	<b>5.2%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

Source: Banco de Portugal. | Notes: The figures presented respect the matters that fall within Banco de Portugal's remit. For matters marked with (\*), the relative value shown for 2018 corresponds to the six-month average. This adjustment is necessary in order for the relative value presented for 2018 to be comparable with that recorded in the first half of 2019, since, as the units of reference used in these matter are stock variables, the comparison is only possible for time periods of equal dimension. For matters not marked with (\*), this correction is not necessary, as the unit of reference itself is a flow variable. The item "Other matters" includes complaints on various matters as well as thematic content of less than 1% of the total number of complaints. Other matters include, for example, complaints resulting from the non-availability of the complaints book. The units of reference used in the treatment in relative terms of each matter are specified in the Annex on Methodological Notes.

**Chart III.3.2 • Complaints | Product and service complained about (as a percentage)**  
| 2018 – 1<sup>st</sup> half of 2019



Source: Banco de Portugal.

For the three products with the highest number of complaints – deposit accounts, consumer credit and home loans and mortgage credit, which in conjunction accounted for 70.7% of the total – the number of complaints addressed to each institution was weighted by the respective level of services rendered or agreements concluded<sup>10</sup>.

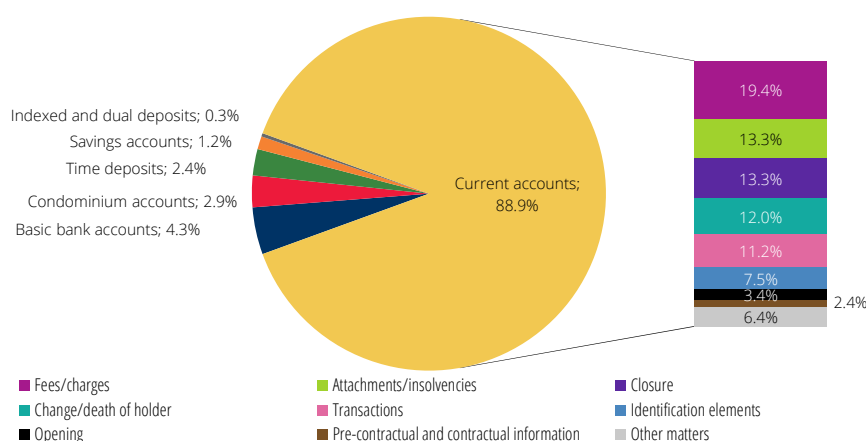
### 3.3 Matter most complained about by banking product and service

In this section, the topics addressed under the main matters complained about in the first half of 2019, are highlighted, regardless of the outcome of the analysis of the complaints.

#### 3.3.1 Deposit accounts

In the first half of 2019, complaints about deposit accounts went up 5.2% compared to the monthly average of 2018, with emphasis on the contribution of complaints on basic bank accounts, which grew 84.6% in this period. Most complaints on deposit accounts continued to focus on current accounts (88.9%). In complaints on this topic, the increase in the number of complaints related to account closure and attachments or insolvencies is highlighted.

**Chart III.3.3 • Complaints | Deposit accounts | 1<sup>st</sup> half of 2019**



Source: Banco de Portugal.

In current accounts, the matter most complained about in the first half of the year were:

- **The collection of fees or charges (19.4%)**, in particular the provision of information on the amount of fees associated with current accounts and changes made to the fees of these accounts;
- **Attachments or insolvencies (13.3%)**, most of which are related to the delay in the termination of attachment after settlement of the debt and to the alleged non-compliance with the limits on the unseizability of bank deposits;

10. Point 3.4 of this Chapter.



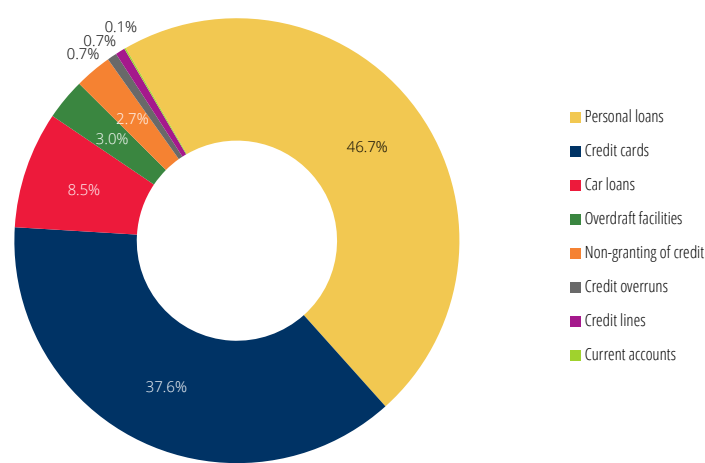
- **The closure of the account (13.3%)**, focusing in particular on alleged non-compliance with instructions given by the customer to close the account and the collection of fees and other charges following the request to close the account.

### 3.3.2 Consumer credit

In the first half of 2019, the monthly average of complaints on consumer credit increased by 13.7%, with emphasis on the marked increase in the number of complaints on credit liabilities.

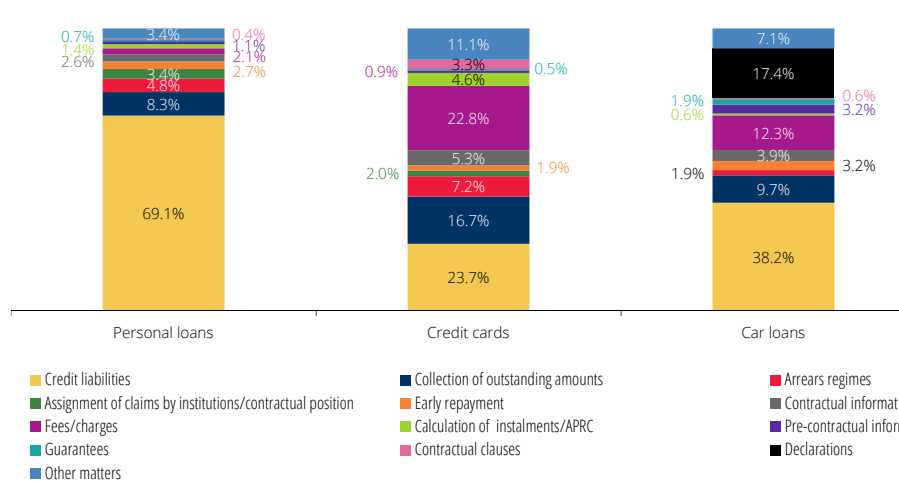
Personal loans were the consumer credit product with the highest number of complaints, corresponding to 46.7% of the total number of complaints on this matter. The second product most complained about was credit cards (37.6% of complaints), followed by car loans (8.5%).

Chart III.3.4 • Complaints | Consumer credit products | 1<sup>st</sup> half of 2019



Source: Banco de Portugal.

Chart III.3.5 • Complaints | Credit cards, personal loans and car loans<sup>(a)</sup> | 1<sup>st</sup> half of 2019



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

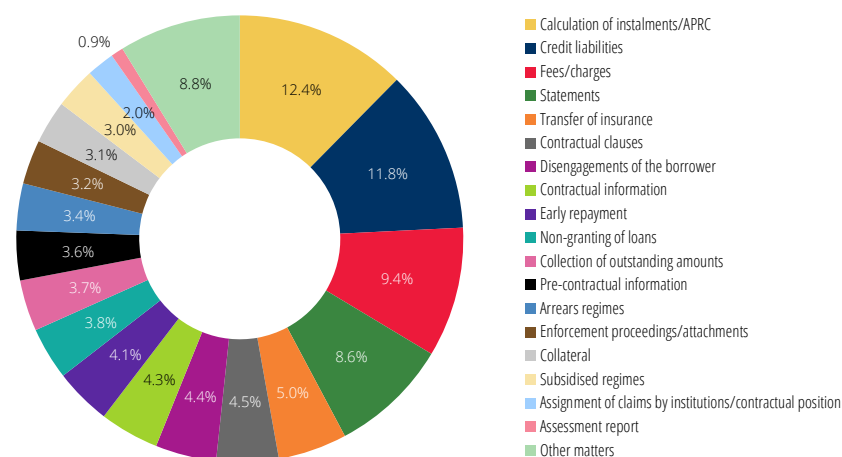
In the first half of 2019, the matters most complained about in relation to consumer credit<sup>11</sup> were:

- **Credit liabilities (48.1%)**, in particular the delay in rectifying incorrectly reported information to the Central Credit Register, not informing borrowers or guarantors of the start of the reporting of credit liabilities in default and not updating the reported information following the discharge of the remaining liability decreed in insolvency proceedings;
- **Collection of outstanding amounts (11.8%)**, in particular situations related to the calculation of the outstanding amount required by the credit institution and the filing of legal means for debt collection;
- **Collection of fees or charges (11.4%)**, in particular the lack of information on the fees charged and the assumptions for their application and the amount required as fees for the services rendered by institutions.

### 3.3.3 Home loans and mortgage credit

In the first half of 2019, there was a 1.3% decrease in the monthly average of complaints on home loans and mortgage credit, in particular the reduction in the number of complaints on contractual clauses and collection of outstanding amounts, compared to 2018. By contrast, there was an increase in complaints on the calculation of instalments/APRC and on credit liabilities.

**Chart III.3.6 • Complaints | Home loans and mortgage credit | 1<sup>st</sup> half of 2019**



Source: Banco de Portugal.

The matters most complained about in relation to home loans and mortgage credit in the first half of 2019 were:

- **The calculation of instalments/APRC (12.4%)**, in particular situations related to the application of the negative interest rate and the determination of the applicable spread in relation to optional associated sales;

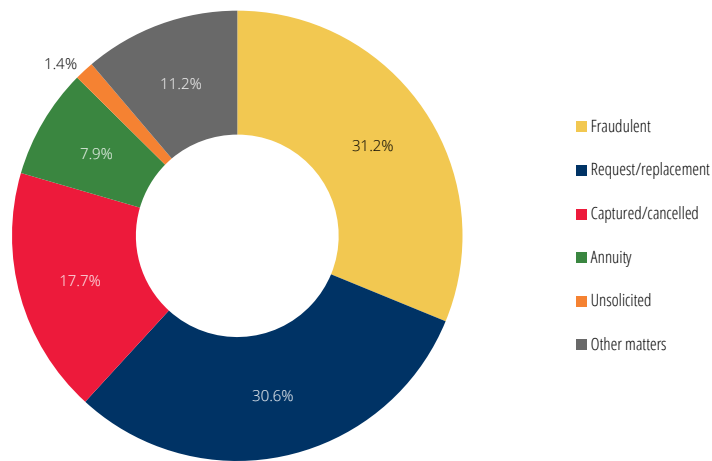
11. The percentages indicated refer to complaints about personal loans, credit cards and car loans (excluding financial leases/long-term rentals), the three products with the highest number of complaints.

- **Credit liabilities (11.8%)**, which show complaints related to the delay in rectifying incorrectly reported information to the Central Credit Register, not informing borrowers or guarantors of the start of the reporting of credit liabilities in default and not updating the reported information following the discharge of the remaining liability decreed in insolvency proceedings;
- **Collection of fees or charges (9.4%)**, in particular situations related to the amount of fees charged during the credit contracting process and the fees charged for late payment of instalments.

### 3.3.4 Payment cards

In the first half of the year, there was a 10.3% reduction in the monthly average of complaints about payment cards, in particular the reduction in the number of complaints about the fee charged to issue the card (previously referred to as “annuity”). Conversely, the rise in the number of complaints about alleged fraud situations is emphasised.

Chart III.3.7 • Complaints | Payment cards | 1<sup>st</sup> half of 2019



Source: Banco de Portugal.

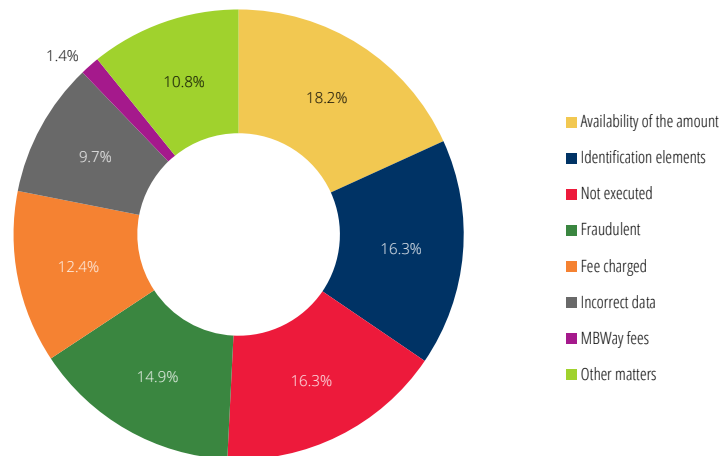
The matters most complained about in the first half of 2019 in relation to payment cards were:

- **Alleged fraud (31.2%)**, resulting from the use of the card by unauthorised third parties, raising the question of the assignment of responsibilities to the institution for the execution of the transactions carried out with the card;
- **Request/replacement of cards (30.6%)**, in particular the refusal to issue payment cards and the delay in replacing them;
- **Capture and cancellation of cards (17.7%)**, most of which related to the blocking of cards by the issuing institutions for security reasons and to the termination of agreements regulating the use of cards.

3.3.5 Credit transfers

In the first half of 2019, there was a 10.2% increase in the number of complaints about credit transfers, compared to the monthly average of 2018, with emphasis on the increase in the number of complaints about identification elements, alleged fraud and operations not executed.

Chart III.3.8 • Complaints | Credit transfers | 1<sup>st</sup> half of 2019



Source: Banco de Portugal.

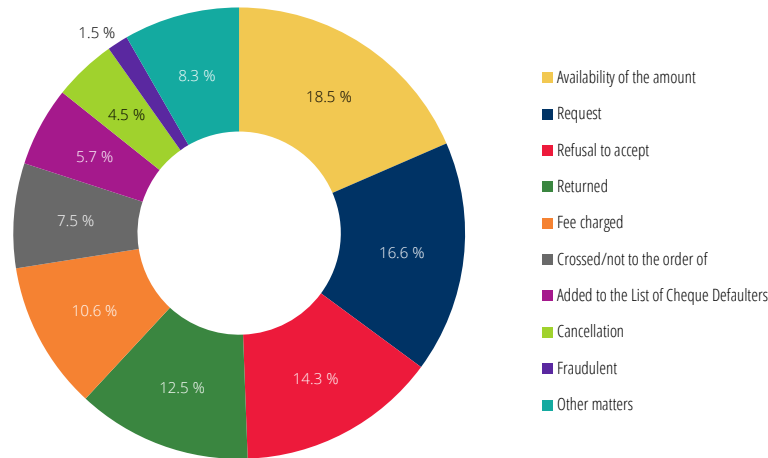
In the first half of 2019, the most frequent complaints about credit transfers were:

- **Availability of the transferred amount (18.%)**, namely the non-availability to the beneficiary of the transferred amount and non-compliance with the legally provided execution periods;
- **Identification elements (16.3%)**, highlighting the delay and impediment of the possibility of making transfers based on the fulfilment of identification duties;
- **Operations not executed (16.3%)**, involving the non-execution of a transfer ordered by the complainant due to a computer malfunction or operational error, the poor execution of a payment order issued by the payer and the incorrect indication of the elements necessary to complete the transfer.

3.3.6 Cheques

The number of complaints about cheques increased by 7.1% in the first half of 2019, compared to the monthly average of 2018, notably the growth in complaints related to the availability of the amount and the requisition and withdrawal of cheques.

Chart III.3.9 • Complaints | Cheques | 1<sup>st</sup> half of 2019



Source: Banco de Portugal.

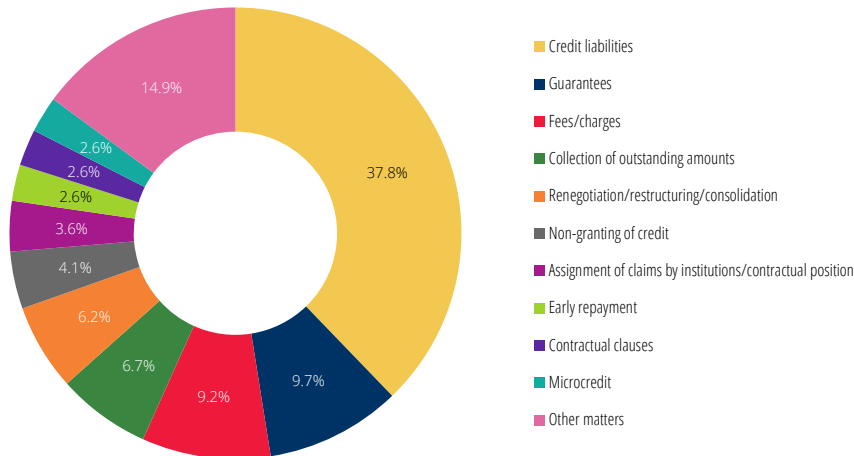
In the first half of 2019, the most frequent complaints about cheques were:

- **Availability of the cheque amount (18.5%)**, especially the alleged failure by the institution to comply with the deadlines provided by law for situations in which the cheque is deposited over the counter and in ATMs;
- **Cheque requisition (16.6%)**, mostly focusing on the refusal by credit institutions to provide cheques and the delay in providing them;
- **Refusal to accept cheques (14.3%)**, which essentially concerns the irregular completion of the cheque, the presentation of the cheque for payment by a person other than the beneficiary of the cheque and the presentation of the cheque after the legal deadline for payment (eight days) or its expiry date.

### 3.3.7 Loans to enterprises

The number of complaints about loans to enterprises increased by 13.4% in the first half of 2019 compared to the monthly average of 2018, in particular the increase in the number of complaints about credit liabilities.

**Chart III.3.10 • Complaints | Loans to enterprises | 1<sup>st</sup> half of 2019**



Source: Banco de Portugal.

In the first half of 2019, the most frequent complaints about loans to enterprises were:

- **Credit liabilities (37.8%)**, which includes, inter alia, complaints about alleged delays in reporting the settlement of arrears or termination of credit liabilities, failure to notify borrowers or guarantors of the start of the reporting of liabilities in arrears and delay in rectifying incorrectly reported information;
- **Guarantees (9.7%)**, in particular concerning complaints relating to the allegedly improper execution of guarantees provided in the context of loans to enterprises;
- **Collection of fees/charges (9.2%)**, mainly concerning the amount of fees charged and the provision of information on them.

### 3.4 Institutions subject to the most complaints

#### 3.4.1 Deposit accounts

Table III.3.3 • Complaints | Per 1000 current accounts | 1<sup>st</sup> half of 2019

Abbreviation	Credit institution	S1 2019
DBAKT	DEUTSCHE BANK AKTIENGESELLSCHAFT – SUCURSAL EM PORTUGAL	0.33
BACTT	BANCO CTT, S. A.	0.26
BACTI	BANCO ACTIVOBANK, S. A.	0.26
BBPI	BANCO BPI, S. A.	0.18
BSTOT	BANCO SANTANDER TOTTA, S. A.	0.18
NOVOB	NOVO BANCO, S. A.	0.17
BBVA	BANCO BILBAO VIZCAYA ARGENTARIA, S. A., SUCURSAL EM PORTUGAL	0.17
BANSU	BANKINTER, S. A. – SUCURSAL EM PORTUGAL	0.16
BBPOR	BANCO BIC PORTUGUÊS, S. A.	0.14
System average		0.14
ABCSU	ABANCA CORPORACIÓN BANCARIA, S.A – SUCURSAL EM PORTUGAL	0.13
CGD	CAIXA GERAL DE DEPÓSITOS, S. A.	0.13
BCP	BANCO COMERCIAL PORTUGUÊS, S. A.	0.12
BINVG	BANCO DE INVESTIMENTO GLOBAL, S. A.	0.12
CEMG	CAIXA ECONÓMICA MONTEPIO GERAL, CAIXA ECONÓMICA BANCÁRIA, S. A.	0.10
BBEST	BEST – BANCO ELECTRÓNICO DE SERVIÇO TOTAL, S. A.	0.09
SICAM	CAIXAS DE CRÉDITO AGRÍCOLA MÚTUO INTEGRADAS NO SICAM	0.03

Source: Banco de Portugal. | Note: The system average is equal to 14 complaints for each 100,000 current accounts.

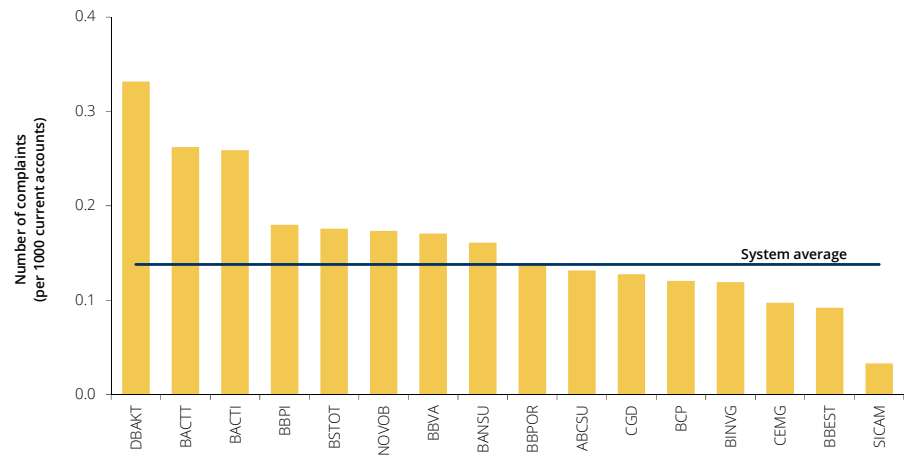
The table above shows, for the first half of 2019, the number of complaints for each thousand current account in force, by institution. Complaints filed with Banco de Portugal on this product were considered, regardless of whether, in its analysis, non-compliances or irregularities were detected by the complainant institutions.

The credit institutions in the table above received more than two complaints per quarter in 2019, on average.

There are other institutions that were subject to complaints about deposit accounts. However, given that the number of complaints received by these institutions was lower than that of the entities that appear in the table, it was decided not to include them for reasons of representativeness. The following institutions are in this situation: Banco L. J. Carregosa, S. A.; Banco Atlântico Europa, S. A.; BNI – Banco de Negócios Internacional (Europa), S. A.; Caixa de Crédito Agrícola Mútuo de Leiria, C.R.L.; and Novo Banco dos Açores, S. A.

No complaints were received regarding other relevant institutions in the area of deposit accounts, namely Banco BAI Europa, S. A., do Banco do Brasil AG – branch in Portugal, do Banco Finantia, S. A., Banco Invest S. A., Banco Português de Gestão, S. A., Bison Bank, S. A., BNP Paribas, Caixa – Banco de Investimento, S. A., Caixa de Crédito Agrícola Mútuo da Chamusca, C.R.L, Caixa de Crédito Agrícola Mútuo do Bombarral, C.R.L, Caixa de Crédito Agrícola Mútuo de Mafra, C.R.L., Caixa de Crédito Agrícola Mútuo de Torres Vedras, C.R.L., da Caixa Económica da Misericórdia de Angra do Heroísmo Caixa Económica Bancária, S. A. and Haitong Bank, S. A.

Chart III.3.11 • Complaints | Per 1000 current accounts | 1<sup>st</sup> half of 2019



Source: Banco de Portugal.



### 3.4.2 Consumer credit

**Table III.3.4 • Complaints | Per 1000 consumer credit agreements | 1<sup>st</sup> half of 2019**

Abbreviation	Credit institution	S1 2019
BANSU	BANKINTER, S. A. – SUCURSAL EM PORTUGAL	1.81
CIFIC	CAIXA LEASING E FACTORING – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S. A.	1.56
BBPOR	BANCO BIC PORTUGUÊS, S. A.	1.41
DBAKT	DEUTSCHE BANK AKTIENGESELLSCHAFT – SUCURSAL EM PORTUGAL	1.06
VBGSP	VOLKSWAGEN BANK GMBH – SUCURSAL EM PORTUGAL	0.88
MTPCR	MONTEPIO CRÉDITO – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S. A.	0.62
321CR	321 CREDITO – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S. A.	0.39
WBSUC	WIZINK BANK, S. A. – SUCURSAL EM PORTUGAL	0.34
BASCP	BANCO SANTANDER CONSUMER PORTUGAL, S. A.	0.33
RBANS	RCI BANQUE SUCURSAL PORTUGAL	0.33
BACTI	BANCO ACTIVOBANK, S. A.	0.30
BBPI	BANCO BPI, S. A.	0.28
BBVIF	BBVA – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S. A.	0.28
PSFSP	ABANCA SERVICIOS FINANCIEROS, E.F.C., S. A. – SUCURSAL EM PORTUGAL	0.27
UNICR	UNICRE – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S. A.	0.24
BCFSP	BANKINTER CONSUMER FINANCE, S. A.	0.24
NOVOB	NOVO BANCO, S. A.	0.24
COFID	COFIDIS	0.23
BCBOM	BANCO CREDIBOM, S. A.	0.22
BBVA	BANCO BILBAO VIZCAYA ARGENTARIA, S. A., SUCURSAL EM PORTUGAL	0.19
FINCI	FINANCEIRA EL CORTE INGLÉS PORTUGAL, S.F.C., S. A.	0.18
<b>System average</b>		<b>0.18</b>
BSTOT	BANCO SANTANDER TOTTA, S. A.	0.16
CGD	CAIXA GERAL DE DEPÓSITOS, S. A.	0.12
CEMG	CAIXA ECONÓMICA MONTEPIO GERAL, CAIXA ECONÓMICA BANCÁRIA, S. A.	0.12
BCP	BANCO COMERCIAL PORTUGUÊS, S. A.	0.11
ONEYB	ONEY BANK – SUCURSAL EM PORTUGAL	0.10
BBNPP	BANCO BNP PARIBAS PERSONAL FINANCE, S. A.	0.09
SICAM	CAIXAS DE CRÉDITO AGRÍCOLA MÚTUO INTEGRADAS NO SICAM	0.08

Source: Banco de Portugal. | Note: The system average is equal to 18 complaints for each 100,000 consumer credit agreements.

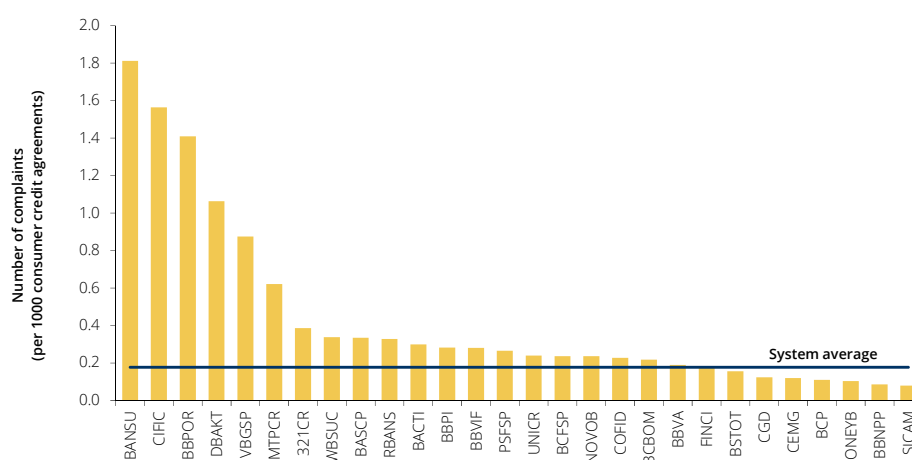
The table above shows, for the first half of 2019, the number of complaints for each thousand consumer credit agreements, by institution. Complaints filed with Banco de Portugal on this product were considered, regardless of whether, in its analysis, non-compliances or irregularities were detected by the complainant institutions.

These credit institutions received more than two complaints per quarter in 2019, on average<sup>12</sup>.

There are other institutions that were subject to complaints about consumer credit. However, given that the number of complaints received by these institutions was lower than that of the entities that appear in the table, it was decided not to include them for reasons of representativeness. The following institutions are in this situation: Abanca Corporación Bancária, S. A. – branch in Portugal; Banco CTT, S. A.; Banco Efisa, S. A.; Banco Finantia, S. A.; Banco Invest, S. A.; BEST – Banco Eletrónico de Serviço Total, S. A.; BNI – Banco de Negócios Internacional (Europe), S. A.; FCA Capital Portugal – Instituição Financeira de Crédito, S. A.; FCE Bank PLC; Mercedes-Benz Financial Services Portugal – Sociedade Financeira de Crédito, S. A.; Montepio Investimento, S. A. and o Novo Banco dos Açores, S. A.

No complaints were received regarding other relevant institutions in the area of consumer credit, namely Banco de Investimento Global, S. A., Banco Primus, S. A., Banco Atlântico Europa S. A., BMW Bank GMBH, Portuguese branch, Caixa de Crédito Agrícola Mútuo de Leiria, C.R.L., Caixa Económica da Misericórdia de Angra do Heroísmo, Caixa Económica Bancária, S. A. and Toyota Kreditbank GMBH – branch in Portugal.

**Chart III.3.12 • Complaints | Per 1000 consumer credit agreements | 1<sup>st</sup> half of 2019**



Source: Banco de Portugal.

12. Institutions which, being based in other EU Member States, are active in Portugal under the freedom to provide services, such as CaixaBank Payments, E.F.C. E.P., S. A., were not considered.

3.4.3 Home loans and mortgage credit

Table III.3.5 • Complaints | Per 1000 home loan and mortgage credit agreements | 1<sup>st</sup> half of 2019

Abbreviation	Credit institution	S1 2019
BACTT	BANCO CTT, S. A.	2.82
DBAKT	DEUTSCHE BANK AKTIENGESELLSCHAFT – SUCURSAL EM PORTUGAL	0.99
BANSU	BANKINTER, S. A. – SUCURSAL EM PORTUGAL	0.65
BSTOT	BANCO SANTANDER TOTTA, S. A.	0.65
UNCRE	UNION DE CREDITOS INMOBILIARIOS, S. A., ESTABLECIMIENTO FINANCIERO DE CREDITO (SOCIEDAD UNIPERSONAL) – SUCURSAL EM PORTUGAL	0.61
BBPOR	BANCO BIC PORTUGUÊS, S. A.	0.60
NOVOB	NOVO BANCO, S. A.	0.54
CEMG	CAIXA ECONÓMICA MONTEPIO GERAL, CAIXA ECONÓMICA BANCÁRIA, S. A.	0.53
ABCSU	ABANCA CORPORACIÓN BANCARIA, S. A. – SUCURSAL EM PORTUGAL	0.51
System average		0.46
CGD	CAIXA GERAL DE DEPÓSITOS, S. A.	0.38
BCP	BANCO COMERCIAL PORTUGUÊS, S. A.	0.37
BBVA	BANCO BILBAO VIZCAYA ARGENTARIA, S. A., SUCURSAL EM PORTUGAL	0.37
SICAM	CAIXAS DE CRÉDITO AGRÍCOLA MÚTUO INTEGRADAS NO SICAM	0.36
BBPI	BANCO BPI, S. A.	0.31

Source: Banco de Portugal. | Note: The system average is equal to 46 complaints for each 100,000 mortgage credit agreements.

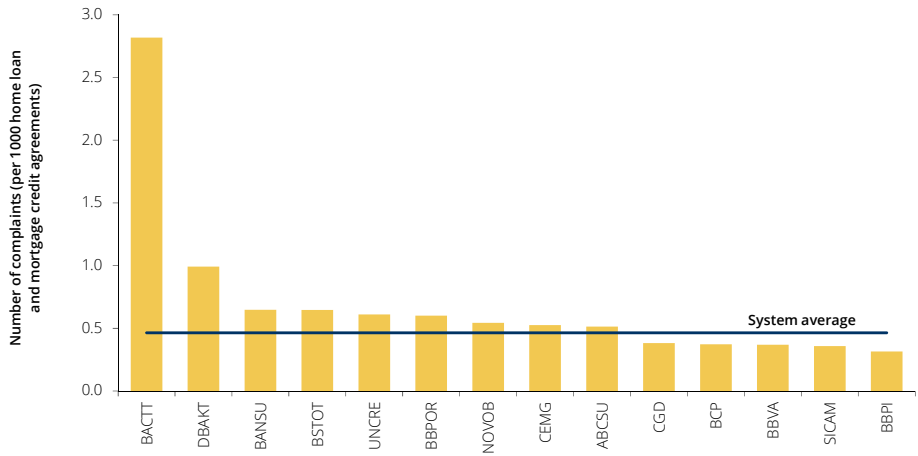
The table above shows, for the first half of 2019, the number of complaints for every thousand home loan and mortgage credit agreements, by institution. The complaints filed with Banco de Portugal on this product were considered, regardless of whether, in its analysis, non-compliances or irregularities were detected by the institutions subject to complaint.

The credit institutions in the table above received more than two complaints per quarter in 2019, on average.

It should be noted that there are other institutions that were subject to complaints about home loans and mortgage credit. However, given that the number of complaints received by these institutions was lower than that of the entities in the table, it was decided not to include them, for reasons of representativeness. The following institutions are in this situation: Banco de Investimento Imobiliário, S. A.; Caixa Leasing e Factoring – Sociedade Financeira de Crédito, S. A.; and Novo Banco dos Açores, S. A.

No complaints were received regarding other relevant mortgage credit institutions, such as Caixa de Crédito Agrícola Mútuo de Leiria, C.R.L.

Chart III.3.13 • Complaints | Per 1000 home loan and mortgage credit agreements | 1<sup>st</sup> half of 2019



Source: Banco de Portugal.

### 3.5 Results of closed complaints<sup>13</sup>

In the first half of 2019, there was no evidence of infringement by the credit institution in about 62% of complaints closed (56% in 2018) and in 38% of cases the matter subject to complaint was solved by the credit institution on its own initiative or following Banco de Portugal's intervention (44% in 2018).

Complaints closed on transfers were those in which the percentage of closures with no evidence of infringement by the institution was the highest (76.7%). On the other hand, in payment cards, almost half of the complaints (48.7%) were closed with resolution by the institution, on its own initiative or by intervention of Banco de Portugal.

In some situations, bank customers may complain about the performance of the credit institution even though it is acting correctly. These cases generally occur when customers do not have full knowledge of the characteristics of products or of the rights that the existing regulatory framework assures them.

Institutions correct the situation being complained about when it results from non-compliance with the applicable rules, complying with Banco de Portugal's specific orders. Banco de Portugal may also institute administrative proceedings. Institutions can accept complaints made by their customers about their conduct, even if there is no irregularity or failure.

13. The type of results described applies to complaints that fall under Banco de Portugal's remit. With regard to complaints that do not fall under Banco de Portugal's remit, the results can be of two types: referral of the complaint to another regulatory entity (CMVM or ASF) or outside the scope of the financial supervisors.

## 3.6 Complaint closure time frame

In the first half of 2019, the average time frame of complaints closed was 36 days, compared to 28 days in 2018. In the first half of the year, the average time frame of complaints that were submitted directly to Banco de Portugal was 51 days (41 days in 2018), while in the case of complaints lodged through the complaints book it was 21 days (15 days in 2018).

The channel used to send complaints to Banco de Portugal determines different analysis periods, as different procedures apply depending on whether the complaint is submitted directly to Banco de Portugal (RCO) or entered in a credit institution's complaints book (RCL), which result from different regulatory frameworks.

In the case of Complaints submitted directly to 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>14</sup> and to inform Banco de Portugal of their response. Banco de Portugal may request further information from credit institutions which, upon examination, lead to the closure of the complaint by Banco de Portugal.

In the case of complaints submitted through the complaints book, institutions have ten working days to send a copy of the page of the complaints book together with the relevant documents and often with their analysis of the situation to Banco de Portugal<sup>15</sup>. After the complaint has been submitted to Banco de Portugal, additional clarifications may be requested, with the institutions having five working days to reply.

This time frame includes time for analysis of complaints by Banco de Portugal as well as the institutions themselves. Banco de Portugal must always give a hearing to the institution subject to complaint, depending on the average period for fully analysing the reply and the time frame for replying to questions posed by Banco de Portugal.

# 4 Correction of irregularities and sanctioning

## 4.1 Specific orders and recommendations

In the first half of 2019, Banco de Portugal issued 256 specific orders and 40 recommendations to 42 institutions. These supervisory measures were adopted following inspections specifically directed at the conduct of the supervised institutions.

For a better understanding of the information in the table below, it is clarified that the elements found in each inspection may lead to the adoption of various supervisory measures. It is also noted that, in the first half of 2019, specific orders and recommendations were issued as a result of supervisory actions carried out in 2018.

14. According to Circular Letter No. 25/2008, of 26 March.

15. According to Circular Letter No. 6/2008, of 24 January.

**Table III.4.1 • Specific orders and recommendations | By topic | 1<sup>st</sup> half of 2019**

Matter	Specific orders		Recommendations		Total	
	Number	Institutions covered	Number	Institutions covered	Number	Institutions covered
Advertising	41	17	6	5	47	20
Basic bank accounts	47	12	7	7	54	12
Consumer credit	58	7	14	5	72	7
Home loans and mortgage credit	55	12	3	2	58	12
Payment services	36	18	9	9	45	18
Price lists	15	9	1	1	16	9
Complaints book	4	4			4	4
Total	256	42	40	21	296	42

Source: Banco de Portugal.

#### 4.1.1 Advertising

As part of the supervision of advertising media for banking products and services and institutional advertising, in the first half of 2019, Banco de Portugal issued 41 specific orders and six recommendations. The specific orders aimed at correcting irregularities in campaigns for banking products and services and were addressed to 17 institutions, covering a total of 113 advertising media. The recommendations were addressed to five institutions and covered a total of 23 institutional advertising media.

Most of the 35 specific orders related to consumer credit aimed at correcting irregularities in personal loan, credit card and car loan campaigns. These specific orders were addressed to 15 institutions and involved the modification of a total of 93 advertising media.

**Table III.4.2 • Specific orders and recommendations | Advertising | 1<sup>st</sup> half of 2019**

Matter	Specific orders			Recommendations			Total		
	Number	Media changed	Institutions covered	Number	Media changed	Institutions covered	Number	Media changed	Institutions covered
<b>Products and services</b>	<b>41</b>	<b>113</b>	<b>17</b>				<b>41</b>	<b>113</b>	<b>17</b>
Consumer credit	35	93	15				35	93	15
Car loans	10	32	7				10	32	7
Personal loans	13	37	7				13	37	7
Credit cards	11	22	7				11	22	7
Credit lines	1	2	1				1	2	1
Multiproduct	3	10	2				3	10	2
Home loans	1	2	1				1	2	1
Simple bank deposits									
Loans to enterprises	2	8	2				2	8	2
Payment services									
<b>Institutional</b>				<b>6</b>	<b>23</b>	<b>5</b>	<b>6</b>	<b>23</b>	<b>5</b>
<b>Total</b>	<b>41</b>	<b>113</b>	<b>17</b>	<b>6</b>	<b>23</b>	<b>5</b>	<b>47</b>	<b>136</b>	<b>20</b>

Source: Banco de Portugal.

The specific orders and recommendations issued were intended to comply with the following duties on supervised institutions:

- The information contained in advertising messages must be true and not distort the facts<sup>16</sup>;
- In consumer credit advertising campaigns, the APRC should be shown with similar prominence to the highlighted characteristics of the advertised credit products, and a representative example of the APRC must be indicated, including, at least, the credit amount, the repayment term and the nominal annual interest rate, in the case of fixed rate, or the index and spread, in the case of variable rate<sup>17</sup>;
- Advertising messages must ensure that the nature or purpose of the products and services advertised are clearly presented<sup>18</sup> and that the conditions of access and restrictions thereof are shown with similar prominence to those of the characteristics of the products or services highlighted by the institutions<sup>19</sup>;
- Advertising that announces the provision of consumer credit with fixed instalments should indicate the repayment term and amount with similar prominence to that of the provision of the advertised credit<sup>20</sup>;

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

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

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

19. Article 5 of Notice No. 10/2008 of Banco de Portugal.

20. Article 15 of Notice No. 10/2008 of Banco de Portugal.

- Compulsory information must comply with the minimum font size established<sup>21</sup> and in the case of an audio-visual medium, it must be broadcast for a period of time sufficient to allow adequate reading and listening<sup>22</sup>;
- Advertising messages must refer unambiguously to the credit institution responsible for the products and services advertised<sup>23</sup>;
- Advertising campaigns for loans to enterprises must indicate the APR through a representative example<sup>24</sup>;
- Credit institutions must send to Banco de Portugal a copy of the advertising campaigns involving written media made available in branches, direct mailing or posters exclusively used inside branches on the start date of the advertising campaigns<sup>25</sup>;
- Institutional campaigns, in particular those related to the disclosure of prizes awarded by third parties, must observe a set of good practices, especially when using expressions of restricted use, such as “the lowest on the market”, “the best on the market” or the like. Institutions must provide information to enable the contextualisation of the award of such prizes, such as the year and the scope as well as the statement “This/These award/awards is/are the sole responsibility of the entity/entities that assigned it”.

#### 4.1.2 Basic bank accounts

As a result of the inspections conducted on basic bank accounts, in the first half of 2019 Banco de Portugal issued 54 specific orders and recommendations, covering 12 institutions.

Some of the corrective measures required were the result of inspections conducted at the branches of various institutions at the end of 2018 to assess the adequacy of the information provided by employees in the marketing of basic bank accounts on the conditions of access to these accounts, the characteristics of these accounts and the possibility of customers contracting other products, with the exception of overdraft facilities.

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

22. Article 8 d of Notice No. 10/2008 of Banco de Portugal.

23. Article 2 of Notice No. 10/2008 of Banco de Portugal.

24. Article 7 of Decree-Law No. 220/94, of 23 August.

25. Article 11 of Notice No. 10/2008 of Banco de Portugal.



Table III.4.3 • Specific orders and recommendations | Basic bank accounts | 1<sup>st</sup> half of 2019

Matter	Specific orders		Recommendations		Total	
	Number	Institutions covered	Number	Institutions covered	Number	Institutions covered
Provision of information on the account	18	9	7	7	25	10
Provision of pre-contractual information	14	7			14	9
Access restrictions	10	7			10	7
Display of a poster on basic bank accounts	4	4			4	4
Other duties	1	1			1	1
Total	47	12	7	7	54	12

Source: Banco de Portugal. | Note: In its annual Banking Conduct Supervision Report, Banco de Portugal discloses the names of the credit institutions that have been found to be in breach of the regulatory framework applicable to basic bank accounts, in accordance with Article 7-C (2) of Decree-Law No. 27-C/2000 of 10 March, which establishes the system of access to basic bank accounts.

The specific orders and recommendations issued required institutions to observe a set of duties and to adopt good practices, respectively.

**Provision of information on access and characteristics.** Institutions must ensure that their branches provide customers with correct information on the characteristics of basic bank accounts, the conditions of access to these accounts, the identification of the banking services included in basic bank accounts and the fee applicable for these services<sup>26</sup>.

As a best practice, institutions must disclosure the existence of basic bank accounts to customers when they express interest in opening a free-of-charge or reduced-charge current account<sup>27</sup>.

**Provision of pre-contractual information.** Institutions must provide customers with pre-contractual information, such as the standardised information sheet of basic bank accounts and a copy of the respective contractual conditions<sup>28</sup>.

**Conditions of access.** Institutions must ensure that there are no conditions of access to basic bank accounts not provided for by law, namely that the account is for people with low income, that the account can only have one holder, and that the holder does not have access to credit or to cheques<sup>29</sup>.

**Display of a poster on basic bank accounts.** Institutions must display the poster on basic bank accounts in a conspicuous place and ensure its dissemination in all branches and places of customer service<sup>30</sup>.

**Characteristics of the debit card.** Institutions must adopt the necessary procedures to ensure that the debit cards associated with basic bank accounts are replaced with new cards with the same characteristics as those provided outside the scope of basic bank accounts<sup>31</sup>.

26. Articles 74 and 77 of the RGICSF.

27. Articles 74 and 77 of the RGICSF.

28. Articles 4 and 5 of Notice No. 4/2009.

29. Article 4 (5) of Decree-Law No. 27-C/2000.

30. Article 7-A of Decree-Law No. 27-C/2000, of 10 March, and Article 2 of Notice No. 1/2018.

31. Article 4 of Law No. 21/2018.

### 4.1.3 Consumer credit

As a result of consumer credit inspections, Banco de Portugal issued 72 specific orders and recommendations in the first half of 2019, addressed to seven institutions.

**Table III.4.4 • Specific orders and recommendations | Consumer credit | 1<sup>st</sup> half of 2019**

Matter	Specific orders		Recommendations		Total	
	Number	Institutions covered	Number	Institutions covered	Number	Institutions covered
<b>Consumer credit regime</b>	35	5	14	5	49	5
Pre-contractual and contractual information requirements	7	4	5	4	12	4
Pre-contractual information	2	2			2	2
Contractual information	5	4	5	4	10	4
Information during the validity of the agreement	5	4	2	2	7	4
Creditworthiness assessment	2	2			2	2
Maximum APRC limits	4	2			4	2
Fees and charges	4	1			4	1
Suitability of the product	3	3			3	3
Reporting of information to Banco de Portugal	10	5			10	5
Other duties			5	5	5	5
<b>General arrears regime</b>	4	4			4	4
<b>Late payment regime</b>	19	6	2	2	21	6
<b>Total</b>	<b>58</b>	<b>7</b>	<b>14</b>	<b>5</b>	<b>72</b>	<b>7</b>

Source: Banco de Portugal.

The specific orders and recommendations issued required institutions to observe a set of duties and to adopt good practices, respectively. Most of the measures resulted from inspections conducted in 2018.

**Late payment regime.** Institutions must comply with the rules applicable to late payment and default on credit agreements, in particular as regards the application of default interest and the fee charged for the recovery of outstanding amounts or the obligation to question customers prior to the termination of credit agreements, granting a minimum additional period of 15 days for payment of the outstanding amounts, with express warning to the customer of the effects of losing the benefit of this additional period or of the termination of the agreement<sup>32</sup>.

**Reporting to Banco de Portugal.** Institutions must comply with the reporting obligations to Banco de Portugal in a timely manner and ensure the accuracy of the reported information, in particular as regards data relating to new credit agreements entered into and amendments or new draft agreements<sup>33</sup>.

32. Articles 8 and 9 of Decree-Law No. 58/2013, of 8 May, and Article 20 of Decree-Law No. 133/2009, of 2 June.

33. Instructions No. 14/2013 and No. 24/2010.

**Maximum APRC limits.** Institutions must ensure compliance with the maximum rates in force for each credit category and the correct calculation of the APRC, taking into account all of the charges associated with the credit operation<sup>34</sup>.

**General arrears regime.** Institutions may not charge fees for analysing or formalising new agreements within the framework of settlement solutions agreed between the institution and the customer at risk of default or in default during the OASP<sup>35</sup>.

**Information during the validity of the agreement.** Institutions must provide consumers with a periodic statement of information that includes all the elements required by the applicable standards at the various stages of the credit agreement<sup>36</sup>.

**Fees and other charges.** Institutions must ensure that the fees charged do not exceed the maximum values set in the price list and that no fees are generated by credit overruns<sup>37</sup>.

**Pre-contractual and contractual information requirements.** Institutions must ensure the provision of pre-contractual information, that agreements are concluded on a durable medium and include information on all requirements laid down in the rules in force, in particular as regards the specific financial conditions of the credit, approved and applicable to the consumer. They must also ensure that the date of conclusion of the credit agreement is clearly defined and known to the consumer and that the overdraft facility with salary domiciliation is entered into in a separate document to the current account agreement<sup>38</sup>.

**Suitability of the product.** Institutions must ensure that the characteristics of the products they market are in agreement with the type of credit to which they relate (Article 74 of the RGICSF).

**Creditworthiness assessment.** Institutions must ensure that the customer's creditworthiness assessment is carried out prior to the conclusion of the credit agreement, based on the necessary information, obtained by consulting the credit liability databases<sup>39</sup>.

**Other duties.** Institutions must observe good practice in implementing appropriate control procedures to ensure strict compliance with applicable standards, including the monitoring of credit granting and management processes by compliance and the development of specific internal audit programmes, to follow up on these matters<sup>40</sup>.

34. Articles 24 and 28 of Decree-Law No. 133/2009, of 2 June, and Article 6 of Decree-Law No. 58/2013, of 8 May.

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

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

37. Articles 19 and 23 of Decree-Law No. 133/2009, of 2 June, and Article 6 of Notice No. 8/2009.

38. Article 12 of Decree-Law No. 133/2009, of 2 June, and Article 6 of Notice No. 4/2009.

39. Article 10 of Decree-Law No. 133/2009.

40. Notice No. 5/2008.

**Table III.4.5 • Specific orders and recommendations | Monitoring of the marketing of consumer credit in digital channels | 1<sup>st</sup> half of 2019**

Matter	Specific orders		Recommendations		Total	
	Number	Institutions covered	Number	Institutions covered	Number	Institutions covered
Provision of pre-contractual and contractual information	2	1	8	3	10	3
Duty of assistance	–	–	2	2	2	2
Right to withdrawal and early repayment	–	–	2	2	2	2
<b>Total</b>	<b>2</b>	<b>1</b>	<b>12</b>	<b>3</b>	<b>14</b>	<b>3</b>

Source: Banco de Portugal. | Note: The total number includes 10 recommendations e 2 orders issued in early July.

**Provision of contractual and pre-contractual information.** Banco de Portugal issued two specific orders and eight recommendations addressed to three institutions regarding the fulfilment of the following duties:

- Ensuring that pre-contractual information media contain all legally required information and are tailored to customer preferences;
- Ensuring that the contract proposal reflects the specific conditions of the credit operation in accordance with customer preferences and that the credit agreement, when approved, contains all required information, including the approved credit limit, the annual nominal rate, the charges and the effective APRC applicable to the operation;
- Ensuring that the contracting process can only proceed to the next phase after the customer has scrolled down through all of the pages of the pre-contractual and contractual documents and has confirmed they have been read at the bottom of the page;
- Ensuring the existence of clear information in credit agreements regarding the contracting process in the digital channel and form of signature of the credit agreement;
- Ensuring that the customer is informed of the reason for the refusal, when it is justified on the basis of the result of consulting the public list of executions and on credit liability databases, or other relevant databases.

**Obligation to provide assistance to consumers.** Banco de Portugal issued two recommendations addressed to two institutions regarding the fulfilment of the following duties:

- Ensuring assistance mechanisms are conveniently accessible to customers and include information explaining the credit process and the product they are contracting, for example through FAQs, easy access to helplines, free telephone support lines and tooltips explaining the key financial concepts of the credit such as annual nominal rate, APRC and total amount payable by the consumer.

**Right to withdrawal.** Banco de Portugal issued two recommendations addressed to two institutions on the fulfilment of the duty to:

- Ensure the adaptation of mechanisms that enable customers to exercise the right to withdrawal from the agreement through the same means the agreement was entered into.

#### 4.1.4 Home loans and mortgage credit

In the first half of 2019, Banco de Portugal issued 55 specific orders and three recommendations to correct irregularities detected in the matter of home loans and mortgage credit, including the application of the default and the general arrears regime. The specific orders issued resulted almost entirely in inspections, some of which were conducted in 2018.

**Table III.4.6 • Specific orders and recommendations | Home loans and mortgage credit**  
| 1<sup>st</sup> half of 2019

Matter	Specific orders		Recommendations		Total	
	Number	Institutions covered	Number	Institutions covered	Number	Institutions covered
Home loan and mortgage credit regime	55	12	3	2	58	12
Pre-contractual and contractual information	48	12	1	1	49	12
Duty of assistance	30	12			30	12
Pre-contractual information	16	2	1	1	17	2
Contractual information	2	1			2	1
Information during the validity of the agreement	1	1	2	1	3	1
Calculation of the APRC	3	2			3	2
Reporting to Banco de Portugal	2	2			3	2
Associated sales	1	1			1	1
<b>Total</b>	<b>55</b>	<b>12</b>	<b>3</b>	<b>2</b>	<b>58</b>	<b>12</b>

Source: Banco de Portugal.

The specific orders and recommendations issued required institutions to fulfil a set of duties and to adopt good practices, respectively.

**Obligation to provide assistance to consumers.** Institutions must comply with their customer information and assistance duties in the marketing of home loans and mortgage credit, in particular by providing adequate clarifications to enable them to assess whether the contractual conditions presented are tailored to their needs and financial situation<sup>41</sup>.

**Pre-contractual information duties.** Institutions must comply with the standardised information sheet template and present the information provided for in the applicable rules on charges and interest rates, insurance and the optional purchase of other products in association with the loan<sup>42</sup>.

**Contractual information duties.** Institutions must include all of the information requirements defined in the applicable standards in the agreement<sup>43</sup>.

**Calculation of the APRC.** Institutions must include all of the charges required to contract the credit operation in the calculation of the APRC using the assumptions defined in the legislation<sup>44</sup>.

41. Article 14 of Decree-Law No. 74-A/2017, of 23 June.

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

43. Article 11 of Notice No. 5/2017.

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

**Reporting to Banco de Portugal.** Institutions must inform Banco de Portugal of the characteristics of home loan and mortgage credit agreements<sup>45</sup>, the respective collateral and income of the borrower(s), as well as information on early repayments, total and partial, and on the renegotiations that occurred in these credit agreements. This information must be sent to Banco de Portugal every year by 31 January of the year following the reporting period<sup>46</sup>.

**Associated sales.** Institutions must ensure that customers are clearly informed that sales of other financial products associated to the credit are optional<sup>47</sup>.

#### 4.1.5 Payment services

In the first half of 2019, Banco de Portugal issued 45 specific orders and recommendations related to deposit accounts and payment services, which were addressed to 18 institutions.

These measures originated from inspections carried out in 2018 aimed at assessing the reimbursement of charges, namely the fee for issuing the card, charged in proportion to the period not yet elapsed when the payment card agreement is terminated or cancelled (e.g. credit cards and debit cards), the compliance with the notice periods for the termination of agreements, at the initiative of the customer or of the institution, and the accuracy of the information contained in the agreements.

**Table III.4.7 • Specific orders and recommendations | Payment services | 1<sup>st</sup> half of 2019**

Matter	Specific orders		Recommendations		Total	
	Number	Institutions covered	Number	Institutions covered	Number	Institutions covered
Payment services	36	18	9	9	45	18
Pre-contractual and contractual information	8	8			8	8
Notice periods for termination of agreements	17	14			17	14
Fees and charges	10	9			10	9
Other duties	1	1	9	9	10	9
<b>Total</b>	<b>36</b>	<b>18</b>	<b>9</b>	<b>9</b>	<b>45</b>	<b>18</b>

Source: Banco de Portugal.

The specific orders and recommendations issued required institutions to comply with a set of duties.

**Pre-contractual and contractual information.** Institutions must comply with the information requirements set out in the framework contract identifying and quantifying the charges associated with payment cards<sup>48</sup>.

45. Regulated by Decree-Law No. 74-A/2017.

46. No. 4 (b), of Instruction No. 33/2018 of Banco de Portugal.

47. Article 14 of Decree-Law No. 74-A/2017, of 23 June.

48. Article 91 (c) of the RJSPME.

**Notice period for termination of agreement.** Institutions must ensure that termination of the agreement, at the customer’s initiative, occurs immediately after the notice period required to the customer, and that at the institution’s initiative, the minimum period of two months provided for by law is met<sup>49</sup>.

**Fees and charges.** Institutions must ensure that in the event of termination or cancellation of payment card agreements, bank customers are reimbursed for prepaid charges in proportion to the period not yet elapsed and already paid<sup>50</sup>.

**Other duties.** Institutions must implement appropriate computer systems and control procedures to ensure strict compliance with applicable standards, including, inter alia, compliance with the notice period for termination of the agreement<sup>51</sup>.

4.1.6 Price lists and complaints book

As a result of inspections conducted on the price list and complaints book, Banco de Portugal issued 16 specific orders and recommendations in the first half of 2019 addressed to nine institutions regarding the price list and three specific orders concerning the complaints book.

Table III.4.8 • Specific orders and recommendations | Price lists | 1<sup>st</sup> half of 2019

Matter	Specific orders		Recommendations		Total	
	Number	Institutions covered	Number	Institutions covered	Number	Institutions covered
Price lists	15	9	1	1	16	9
Correction of information	3	3			3	3
Updating of the price list	7	5			7	5
Dissemination of the price list	5	5	1	1	6	5
Total	15	9	1	1	16	9

Source: Banco de Portugal.

Table III.4.9 • Specific orders and recommendations | Complaints book | 1<sup>st</sup> half of 2019

Matter	Specific orders		Recommendations		Total	
	Number	Institutions covered	Number	Institutions covered	Number	Institutions covered
Complaints book	4	4			4	4
Information on the provision of the complaints book	4	4			4	4
Total	4	4	0	0	4	4

Source: Banco de Portugal.

49. Article 94 (1) and (4) of the RJSPME.

50. Article 94 (6) of the RJSPME.

51. Notice No. 5/2008.

The specific orders and recommendations issued required institutions to fulfil a set of information duties. The corrective measures required in the first half of 2019 include:

**Correction of information.** Institutions must ensure that the information in the price list is true, objective, up-to-date and clear<sup>52</sup>.

**Updating of the price list.** Institutions must ensure that the information contained in the leaflet on interest rates provides up-to-date information on interest rate indexes and the effective rate calculated using representative examples for each credit operation<sup>53</sup>.

**Disclosure of the price list.** Institutions must ensure that the price list is published and displayed at all branches and places of public service, in a place of direct and properly identified access, and on websites, in a conspicuous and easily-accessible place, on a device of easy and direct consultation. They must also ensure that when made available in electronic devices, they function under appropriate conditions<sup>54</sup>.

**Information about the existence of the complaints book.** Institutions must display in a conspicuous place in their establishments open to the public the information that the institution has a complaints book, indicating the competent supervisory authority<sup>55</sup>.

## 4.2 Administrative proceedings

Banco de Portugal instituted an administrative proceeding for breach of pre-contractual information obligations in connection with the conclusion of consumer credit agreements<sup>56</sup>.

In the course of its banking conduct supervision, in the first half of 2019 Banco de Portugal instituted three administrative proceedings against three credit institutions. The proceedings filed resulted from the analysis of complaints presented by bank customers.

In the context of the analysis of two complaints, signs of infringement were identified in relation to the regime applicable to the complaints book. One case involved the delay in sending the original sheet from the complaints book to Banco de Portugal<sup>57</sup> and the other, the failure to make the complaints book available to the complainant<sup>58</sup>.

52. Article 3 of Notice No. 8/2009.

53. Article 7 of Notice No. 8/2009.

54. Articles 3 and 4 of Notice No. 8/2009.

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

56. Article 6 (3) (j) of Decree-Law No. 133/2009, of June.

57. Article (1) of Decree-Law No. 156/2005, of 15 September.

58. Article 3 (1) and (3) (b) of Decree-Law No. 156/2005, of 15 September.



Table III.4.10 • Administrative proceedings | Topics covered | 1<sup>st</sup> half of 2019

Matter	Number	Institutions covered
Consumer credit	1	1
Pre-contractual and contractual information	1	1
Complaints book	2	2
Non-provision of the complaints book	1	1
Delay in sending the page of the complaints book	1	1
Total	3	3

Source: Banco de Portugal.





## IV Certification of training entities

- 1 Certified training entities
- 2 Follow-up of the activity of certified training entities
- 3 Data on the activity of training entities



Certification of training entities and the follow-up and monitoring of the quality of the certification system continued to be a priority in Banco de Portugal's activities during the first half of 2019.

It is recalled that since 1 January 2018, Banco de Portugal has been acting as the competent authority to certify training entities wishing to teach the qualifications contained in the National Catalogue of Qualifications, the conclusion of which grants the professional certification provided for in the legal regime governing mortgage credit, approved by Decree-Law No. 74-A/2017, of 23 June, and in the legal regime governing credit intermediaries, approved by Decree-Law No. 81-C/2017, of 7 July.

These diplomas provide that employees of credit institutions involved in the drafting, marketing and conclusion of home loan and mortgage credit agreements, as well as individuals acting as credit intermediaries, members of the Board of Directors of credit intermediaries that are legal persons and, where they exist, those responsible for the activity of credit intermediary must have an adequate level of knowledge and skills in matters related to the marketing of mortgage credit, marketing of consumer credit, and also the activity of credit intermediation<sup>1</sup>.

In accordance with the aforementioned laws, Banco de Portugal is responsible for certifying the training entities wishing to teach the training in question and for ensuring their compliance with the regularly defined requirements applicable to them.

Certification of training entities and monitoring of their training activity became even more urgent in the first half of 2019, since, as of 21 March 2019, the fulfilment of the knowledge and skills requirement can no longer be met by previous professional experience<sup>2</sup>. Thus, as of that date, persons covered by the standard setting out the said knowledge and skills requirement must have professional certification or, alternatively, hold an academic degree, a vocational higher education diploma, or a post-secondary diploma conferring that level, whose curriculum includes the minimum training content referred to in Order in council No. 385-B/2019, of 29 December, and Order in council No. 385-C/2019, of 29 December.

In this context, during the first half of 2019 Banco de Portugal received new certification requests from training entities, while continuing to monitor the activity of certified training entities in 2018.

1. These matters are identified in Article 6 of Decree-Law No. 74-A/2017, of 23 June, and Article 13 of Decree-Law No. 81-C/2017, of 7 July, and implemented in Order in council No. 385-B/2017, of 29 December, in Order in council No. 385-C/2017, of 29 December, and in the training references published in the National Catalogue of Qualifications.

2. It is recalled that until 21 March 2019, such persons could prove that they fulfilled the knowledge and skills requirement if they had at least three consecutive or interpolated years of professional experience in the field, duties or responsibilities related to the conclusion of credit agreements.

# 1 Certified training entities

In the first half of 2019, Banco de Portugal received three new requests for certification. It should be noted that, when assessing the requests for certification, Banco de Portugal must ensure that training entities comply with the requirements set forth in Order in council No. 385-D/2018, of 29 December, related inter alia to human resources and to the planning, management and development of their training activity.

Of the requests for certification received by the Bank of Portugal in the first half of 2019, two were granted and one was refused.

Thus, in total, and considering the requests filed at the end of 2018 (which had not yet been decided upon on 31 December 2018) and the requests filed in the first half of 2019, three requests were accepted, submitted by the following training entities:

- Deloitte Consultores, S. A.
- Anabela Santiago da Fonseca Reis
- Max Finance – Intermediários de Crédito, Lda.

**Table IV.1.1 • Requests for certification of training entities | 1<sup>st</sup> half of 2019**

	Number
Number of requests for certification submitted	3
Requests for certification accepted	3
Requests for certification refused	1

Source: Banco de Portugal. | Note: This table includes a request for certification submitted in the last quarter of 2018, the decision of which was taken in early 2019.

# 2 Follow-up of the activity of certified training entities

Throughout the first half of 2019, Banco de Portugal continued to interact with the training entities, either by providing clarifications related to the certification process or by responding to requests for information subsequent to the certification of the training entities.

In addition, in early 2019, Banco de Portugal requested training entities already certified to send a set of information, with a view to close monitoring of the training activity that was certified.

In this context, training entities had to submit a report on the training activities carried out by them in 2018, in compliance with the provisions of points 1 and 2 of Section III of the Annex to Order in council No. 385-D/2017, of 29 December, as well as of the training plan to be developed in 2019.

It should be noted that the report on the training entities' training activities plays a major role in the analysis of the results of this activity, allowing Banco de Portugal to evaluate the following information on an annual basis:

- Fulfilment of the planned objectives and results;
- Results of the assessment of the degree of satisfaction of trainees, as well as of the director of studies and trainers;
- Results related to the participation and completion of the training actions, drop-outs and achievement of trainees;
- Results of the performance evaluation of the director of studies and trainers;
- Critical analysis of the results referred to in the previous points;
- Improvement measures to be implemented, resulting from the analysis performed.

In addition to the evaluation procedure of the annual report, which is part of Banco de Portugal's policy of regular monitoring the activity of training entities, a monitoring action<sup>3</sup> of a group of certified training entities was initiated during the first half of the year to assess their compliance with the certification requirements.

The monitoring action, which is ongoing and will end in 2019, focused mainly on remote training actions and aimed in particular to assess the accuracy of the contents taught and the evaluation criteria and methods used.

### 3 Data on the activity of training entities

As mentioned above, there are already training entities teaching the courses that provide professional certification since 2018.

The entities that are qualified to provide this training submitted information to Banco de Portugal on the number of certifications granted since 2018 and, in particular, during the first half of 2019.

3. The possibility of auditing the activity of the training entities by Banco de Portugal is provided for in Article 11 of Order in council No. 851/2010, of 6 September, as amended and republished by Order in council No. 208/2013, of 26 June, applicable by reference to Article 6 of Order in council No. 385-D/2017, of 29 December.

Table IV.3.1 • Number of certifications granted | 2018 – 1<sup>st</sup> half of 2019

	2018	S1 2019	Total
Training on “Marketing of mortgage credit”	4,879	22,598	27,477
Training on “Marketing of consumer credit”	232	473	705
Training on “Credit Intermediation”	631	1,190	1,821
Total	5,742	24,261	30,003

Source: Banco de Portugal.

From the analysis of the data on the activity of training entities it can be concluded that, as expected, the number of certifications has been increasing since 2018: during 2018, 5,742 certifications were granted and the number increased to 24,261 in the first half of 2019.

It is recalled that, under the legal regime governing credit intermediaries, obtaining the necessary professional certification to demonstrate the fulfilment of the knowledge and skills requirements depends, as a rule, on the conclusion of at least two training courses: “Credit intermediation” and, depending on the agreements covered by the intermediary’s activity, the training on “marketing of mortgage credit” and “marketing of consumer credit”. The only exception to this rule relates to the employees of credit intermediaries who carry out their activity in home loan agreements or who provide advisory services on such loans, in which case only the completion of the training on mortgage credit is required.

In turn, obtaining the professional certification by the employees and service providers of the lenders involved in the drafting, marketing and conclusion of mortgage credit agreements and the ancillary services usually offered in connection with such agreements, implies completing the training on the marketing of mortgage credit.

In this context, and considering that, as of 21 March 2019, professional experience is no longer considered to be a relevant factor for the demonstration of the knowledge and skills requirement, the rather high number of certifications granted during the first half of the year is understandable, with credit institutions striving to ensure the training of their employees involved in the drafting, marketing and conclusion of mortgage credit agreements.

Finally, it should be noted that, according to the information submitted to Banco de Portugal by the training entities, most of these training courses were carried out in the form of e-learning.





## V Annex

- 1 Methodological notes for calculating which institutions received the most complaints
- 2 Legislative and regulatory initiatives



# 1 Methodological notes for calculating which institutions received most complaints

## Universe of complaints

The data used in the statistical analysis relate to complaints received by Banco de Portugal, in 2018 and in the first half of 2019, whose matter falls within its scope, either submitted through the complaints book made available in the institutions, or directly sent to Banco de Portugal by bank customers

This analysis excludes complaints received by Banco de Portugal whose matter falls outside its scope, as well as complaints directly submitted by customers to the institutions without using the complaints book. The latter are not sent to Banco de Portugal, but are handled between customers and institutions bilaterally.

## Matters subject to complaint

Complaints are classified by matter according to the banking product or service subject to complaint. Complaints are allocated to a certain banking product or service for acts related to banking conduct rules regarding that product or service. Thus, the complaints are classified, as follows:

- Payment cards – complaints regarding the issue and use, as a means of payment, of debit and credit cards.
- Cheques – complaints regarding the issue and use of cheques.
- Home loans and mortgage credit – complaints related to the access to, and execution and contractual conditions of credit agreements relating to residential immovable property and credit secured by a mortgage under Decree-Law No. 74-A/2017, of 23 June.
- Consumer credit – complaints related to the access to, and execution and contractual conditions of credit agreements, other than credit agreements relating to residential immovable property and credit secured by a mortgage under Decree-Law No. 74-A/2017, of 23 June. These are complaints related to consumer or other credit granted to private individuals through credit cards or other means.
- Loans to enterprises – complaints about agreements relating to loans to enterprises, including agreements concluded with private entrepreneurs, within the scope of their professional activity.
- Deposit accounts – complaints related to the opening, debiting, crediting and management of deposit accounts, as well as to their contractual conditions. This includes complaints about any type of deposit, namely current accounts and time deposits, deposits with a special regime or other deposits, defined in Decree-Law No. 430/91, of 2 November.
- Direct debits – complaints related to the processing of direct debit instructions regarding a current account.
- ATMs – complaints related to the operation of Automated Teller Machines (ATMs).

- Cash operations – complaints related to coin and banknote operations, namely exchange of coins and differences in withdrawal and deposit.
- Credit transfers – complaints related to the processing of transfers.
- Other – includes all other matters representing less than 1% of the total volume of complaints, including for instance point-of-sale terminals, foreign exchange operations, the accounts database, banking guarantees, non-presentation of the complaints book, account switching service, as well as complaints about sundry operations and banking conduct that do not fit into the usual matter classification.

### Reference units

For the main matters subject to complaint, the number of complaints is assessed and analysed in relative terms, through recourse to reference units. The following were used:

- Payment cards – number of debit and credit cards in circulation in 2018 and in the first half of 2019 (average between the values of the start and end of each period). Source: information reported by credit institutions under instruction No. 8/2010 of Banco de Portugal.
- Cheques – number of cheques processed in the Interbank Clearing System (Sistema de Compensação Interbancário – SICOI), in 2018 and in the first semester of 2019 (average number of cheques issued and drawn). Source: information regularly reported by SIBS.
- Home loans and mortgage credit – number of credit agreements relating to residential immovable property and credit secured by a mortgage under Decree-Law No. 74-A/2017, in force in 2018 and in the first half of 2019 (average between the values of the start and end of each period). Source: information reported by credit institutions under Instruction No. 8/2010 of Banco de Portugal.
- Consumer credit – number of agreements in force in 2018 and in the first half of 2019 (average between the values of the start and end of each period) relating to consumer credit, including credit cards. Source: information reported by credit institutions under Instruction No. 8/2010 of Banco de Portugal.
- Loans to enterprises – number of agreements in force in 2018 and in the first half of 2019 (average between the values of the start and end of each period) relating to loans to enterprises and private entrepreneurs. Source: information reported by credit institutions under Instruction No. 8/2010 of Banco de Portugal.
- Deposit accounts – number of current accounts in 2018 and in the first half of 2019 (average between the values of the start and end of each period). Source: information reported by credit institutions under Instruction No. 8/2010 of Banco de Portugal.
- Direct debits – number of direct debit instructions actually processed through SICOI and carried out as part of SEPA (Single European Payments Area) in 2018 and in the first half of 2019. Source: information regularly reported by SIBS.
- ATMs – number of ATMs, including dedicated networks, existing in 2018 and in the first half of 2019 (average between the values of the start and end of each period). Source: information regularly reported by SIBS and by credit institutions.

- Cash operations – number of cash deposit and withdrawal operations in the Multibanco network in 2018 and in the first half of 2019 (excluding international deposit and withdrawal operations). Source: information regularly reported by SIBS.
- Credit transfers – number of transfers processed through SICOI in 2018 and in the first half of 2019. Source: information regularly reported by SIBS.

### **Institutions**

The above-described reference units were also used to calculate the relative number of complaints per institution about deposit accounts, consumer credit and home loans and mortgage credit.

The relative number of complaints was calculated for the institutions that carried out activity throughout the whole semester and in relation to which Banco de Portugal received, in the first half of 2010, on average, more than two complaints per quarter on each matter subject to complaint, as a lower number is not considered representative of complaints submitted by bank customers

The institutions about which no complaints were lodged with Banco de Portugal on the matters referred to above – which are explicitly mentioned in the report – are the relevant ones for the activity in question, according to criteria defined by Banco de Portugal and the information reported by the institutions themselves.

The Central Mutual Agricultural Credit Bank (Caixa Central de Crédito Agrícola Mútuo) and the Mutual Agricultural Credit Banks (Caixas de Crédito Agrícola Mútuo), that are members of the Integrated Mutual Agricultural Credit Scheme (Sistema Integrado do Crédito Agrícola Mútuo – SICAM), were considered together as one single institution. The mutual agricultural credit banks of Bombarral, Chamusca, Leiria, Mafra and Torres Vedras are not members of SICAM.

## 2 Legislative and regulatory initiatives

Table V.2.1 • Legislative and regulatory initiatives

Date	Identification of the document	Object
12 February	Law No. 13/2019	This document lays down measures to remedy imbalances between tenants and landlords, to enhance the security and stability of urban leasing and to protect tenants in a particularly fragile situation, in particular through the third amendment to Decree-Law No 74-A/2017, of 23 June.
13 March	Instruction No. 6/2019	This document discloses, for the second quarter of 2019, the maximum rates to be applied in consumer credit agreements under Decree Law No. 133/2009, of 2 June.
5 June	Instruction No. 9/2019	This document discloses, for the third quarter of 2019, the maximum rates to be applied in consumer credit agreements under Decree-Law No. 133/2009, of 2 June.

