

BANKING CONDUCT SUPERVISION ACTIVITIES



1.ST HALF 2020



BANCO DE
PORTUGAL
EUROSYSTEM

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1.st half 2020



BANCO DE PORTUGAL
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Lisbon, 2020 • www.bportugal.pt

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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 Accounts
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
IAS	Social Support Index (<i>Indexante dos apoios sociais</i>)
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 this issue of Banking Conduct Supervision Activities, the Banco de Portugal presents the retail banking market supervisory activities carried out during the first half of 2020.

The period under review was framed by the **COVID-19 pandemic** and was therefore considered necessary to highlight the involvement of **banking conduct supervision** in the initiatives developed to mitigate its impact on bank customers in **Chapter I**. This chapter recalls the implementation of credit moratoria, including information reported by lending institutions on bank customers' uptake of moratoria and agreements covered by these measures until 31 August 2020. It also highlights the growing importance of using digital channels to access banking products and services, in particular digital payments. Furthermore, it presents the relevant international agenda for banking conduct supervision in the fight against the impact of the current pandemic.

Chapter II describes the activities involving **banking conduct supervision of financial institutions** in retail banking markets. For each type of banking product and service, it shows the main issues analysed and the breaches identified following analysis of the information reported by institutions, the inspections carried out and the handling of bank customers' complaints. The corrective measures adopted and the administrative proceedings brought against supervised institutions in the context of banking conduct supervision are also presented.

Chapter III presents the **supervision of credit intermediaries** and **Chapter IV** details the work carried out in the **monitoring of training entities** granting the required professional certification within the scope of the marketing of home loans and other mortgage credit and credit intermediation.

⋮ The Banco de Portugal monitored the adoption of the public credit moratorium and private credit moratoria, i.e. exceptional measures designed to protect credit granted to households and firms, and assessed the information provided to bank customers by the institutions for access to these moratoria.

The Banco de Portugal regulated the information and assistance obligations to customers to be complied with by supervised institutions in terms of the application of public and private credit moratoria. To assess compliance with the obligations set out, it carried out an inspection of 99 institutions with credit agreements likely to be covered by those measures. Following this inspection, it issued 278 specific orders to 97 institutions with a view to correcting the breaches detected.

The Banco de Portugal requested that supervised institutions regularly report on the application of credit moratoria. According to the preliminary data available, between 27 March and 31 August 2020, bank customers applied for credit moratoria involving 787,807 credit agreements. By the end of August, institutions had integrated 726,996 agreements into the moratoria, 42.9% of which related to credit agreements for the purchase of permanent residence and

other mortgage credit, 28.8% to corporate credit agreements and 28.2% to consumer credit agreements. By the end of August 2020 the Banco de Portugal had received 1,022 complaints from bank customers on the application of credit moratoria: 61.1% on the public moratorium and 38.9% on private moratoria.

The Bank published information the rights and obligations of bank customers in the context of credit moratoria on the Bank Customer Website and the measures adopted to promote contactless payments. It also released content to raise awareness among bank customers about the care that should be taken when accessing financial products and services via the internet and mobile applications.

The Banco de Portugal accompanied the international agenda dedicated to reflecting on the measures taken to mitigate the impact of the pandemic on bank customers, at the level of the European Banking Authority (EBA), the International Financial Consumer Protection Organisation (FinCoNet), the G20-OECD Task Force on Financial Consumer Protection, and the Organisation for Economic Co-operation and Development (OECD).

... In the first half of 2020 the marketing of basic bank accounts remained among the Banco de Portugal's supervisory priorities.

On 30 June 2020 there were 117,491 basic bank accounts in Portugal, an increase of 13.4% from the end of 2019 and 49.2% from the end of the first half of 2019. 15,529 basic bank accounts were opened in the first half of 2020, 78.5% of which by switching from an pre-existing current account, and 1,666 accounts were closed, 85.2% of which at the customer's request.

During this period, the Banco de Portugal carried out inspections of the 104 institutions providing these services to monitor compliance with the obligation to disclose information on basic bank accounts to consumers holding current accounts in those institutions. It concluded that five institutions did not provide the required information to all their customers and that five institutions did not fully meet the requirements for including information in the first statement sent in 2020 on the possibility of converting the existing current account into a basic bank account. It also found that three institutions did not send the information document on basic bank accounts to some of their customers and that two provided an information document that did not follow the template established.

... The Banco de Portugal monitored compliance with information obligations in the advertising of financial institutions and analysed the key information documents for structured deposits.

In the first half of 2020 the Banco de Portugal analysed 4,201 advertising materials for the banking products and services of 48 financial institutions. Despite the COVID-19 pandemic, the number of advertisements released by institutions during this period increased (2% year on year), most probably due to the strong growth of marketing campaigns for products and services on digital channels.

The Banco de Portugal required changes to 123 advertisements where irregularities were detected, corresponding to 3% of those released by the institutions (3.4% in the first half of 2019). Among the advertisements with irregularities, those relating to credit lines, bank deposits and car loans recorded a higher default rate.

The Banco de Portugal analysed the key information documents for the 29 structured deposits marketed, sent by six institutions, and confirmed the rates of return on the 57 deposits that matured over the course of the semester, marketed by ten institutions.

... The Banco de Portugal monitored the sending of statements of fees that institutions must send payment account holders in January each year.

In the first half of 2020 the Banco de Portugal monitored the statements of fees sent by 121 institutions. These are harmonised documents containing information on all fees charged in the previous year for services linked to payment accounts, such as current accounts. It found that three institutions did not send a statement of fees to all customers with a current account, five did not do so within the legally established deadline (over the course of January 2020), 120 issued the statement of fees with information that did not fully comply with the applicable requirements, and 26 did not adopt the harmonised terminology when naming the services linked to the fees charged. The Banco de Portugal also assessed how the 108 institutions that made the statement of fees available to their customers via digital channels adopted the best practices it had suggested at the end of 2019, and concluded that 97 institutions were not fully compliant.

In the course of these inspections the Banco de Portugal also found that two institutions did not provide statements on the current deposit account at least annually to customers holding current deposit accounts showing no transactions in 2019.

... When monitoring the legal framework governing consumer credit, the Banco de Portugal's intervention focused on the marketing of these agreements on digital channels, given the increasing importance of these channels, which has been strengthened in the context of the pandemic.

Based on the information reported by institutions under the provisions of Circular Letter CC/2018/00000004, the Banco de Portugal analysed processes for the marketing of consumer credit products which take place entirely on digital channels. This analysis, involving products marketed by 82 institutions, covered the monitoring of compliance with the duties of information and assistance to consumers and mechanisms to guarantee the rights of free withdrawal and early repayment of credit agreements, as well as methods for confirming the customer's intention to purchase credit products.

An inspection of 18 institutions was also carried out to verify whether the information presented on their websites' open access areas on personal and car credit products complied with the applicable rules.

The Banco de Portugal launched a public consultation between 16 March and 30 April 2020 on a set of recommendations institutions must comply with when marketing banking products and services through digital channels. On 8 July 2020 it published these recommendations in Circular Letter CC/2020/0000044. These recommendations were based on the best practices conveyed to supervised institutions in the marketing of banking products and services on digital channels and on the findings of the EBA opinion on disclosure to consumers of banking services through digital means.

..... In the case of home loans and mortgage credit, the Banco de Portugal paid special attention to monitoring compliance with the information obligations on credit cost measures.

In the first half of 2020 it carried out an inspection of the 103 institutions marketing home loans and mortgage credit to assess the information provided to customers in the ESIS and in agreements on credit cost measures (total amount payable by the consumer and APRC), particularly where other products and services are marketed in connection with home loans and mortgage credit.

Inspections were also carried out at two institutions to monitor compliance with pre-contractual information obligations in connection with the marketing of home loan and mortgage credit agreements. The analysis carried out covered general information made available on the websites of the two institutions inspected, as well as the information in the ESIS provided to the customers.

The information provided by five institutions to bank customers during the lifetime of the home loan and mortgage credit agreements was also monitored. In addition to monitoring compliance with the information requirements of the statement that institutions are required to provide their customers, compliance with specific reporting rules for early credit repayment, credit default and settlement of arrears was analysed.

..... The Banco de Portugal analyses the information reported on the implementation of the general arrears regime. In the first half of the year there was an increase in the number of proceedings initiated under the out-of-court arrears settlement procedure (OASP), both for consumer credit and for home loans and mortgage credit.

In consumer credit, institutions reported 359,731 new OASP proceedings, i.e. 13% more than in the second half of 2019, concerning 302,076 credit agreements and an outstanding amount of €785.8 million. In the same period 340,091 OASP proceedings were concluded concerning 272,629 consumer credit agreements, corresponding to a total outstanding amount of €726.9 million; 41.1% of these proceedings were closed with the settlement of arrears (42.7% in the previous half-year).

In home loans and mortgage credit, institutions initiated 37,357 OASP proceedings, i.e. 11.2% more than in the second half of 2019, concerning 30,827 agreements and a total outstanding amount of €1,449.1 million. In the same period, 35,411 OASP proceedings were closed, corresponding to 26,708 home loan and mortgage credit agreements and a total outstanding amount of €1,271.7 million; 69.6% were concluded with the settlement of arrears (68.3% in the previous half-year).

... The Banco de Portugal's Bank Customer Website, contains
... a fee comparator, which is a tool for comparing fees
... for services linked to payment accounts, and is constantly
... updated with the information reported by institutions.

The fee comparator makes 93 fees available charged by around 200 entities for the provision of the most representative services linked to payment accounts and other relevant services on the domestic market.

... In the first half of 2020 the Banco de Portugal received
... 10,184 complaints from bank customers concerning institutions'
... actions. On average, around 1,700 complaints were received
... per month, accounting for a 12.5% increase from 2019.

The increase in the number of complaints was broadly based across several matters and was most notable in those linked to the COVID-19 pandemic, including on the application of public and private moratoria. Excluding complaints on these matters, the number of complaints received by the Banco de Portugal would have grown by 2.6% from the 2019 monthly average.

The COVID-19 pandemic context was also reflected in the channel used by bank customers to submit complaints, with digital channels gaining ground over physical means. The e-platform 'Livro de Reclamações' (LRE) and the Bank Customer Website (PCB) together recorded 71% of the complaints received by the Banco de Portugal in the second quarter of 2020, compared with 50% in the first quarter.

Bank deposits, consumer credit, home loans and mortgage credit continued to be the banking products that generated most complaints, accounting for 32%, 25% and 12% respectively of the complaints received during this period.

Compared to the half-yearly average in 2019, the number of complaints also grew in relative terms in the main issues. In bank deposits, it increased from 16 to 18 for every 100,000

accounts; in consumer credit, from 18 to 21 for every 100,000 agreements; and in the case of home loans, from 50 to 60 for every 100,000 agreements.

..... The Banco de Portugal issued 1,310 specific orders and recommendations addressed to 141 credit institutions and financial companies and initiated 40 administrative proceedings against 16 institutions.

Most specific orders and recommendations were issued with a view to correcting breaches detected in bank deposits (493 orders and recommendations sent to 120 institutions) and consumer credit (314 orders and recommendations addressed to 91 institutions).

The administrative proceedings initiated were mainly the result of the analysis of bank customer complaints. The matters that led to most proceedings were bank deposits (17 proceedings involving eight institutions), consumer credit (eight proceedings involving six institutions) and payment services (six proceedings involving six institutions).

..... In the first half of 2020 the Banco de Portugal received 277 applications for authorisation to pursue the activity of credit intermediary and decided on 331 applications, approving 215 and refusing 116.

On 30 June 2020, 4,880 credit intermediaries were registered with the Banco de Portugal, 199 more than at the end of 2019. Between January and the end of June 2020 the Banco de Portugal received 2,036 requests to change the registration of credit intermediaries and decided on 2,046. It also received eight complaints that unauthorised entities were acting as credit intermediaries.

During the period under review, the Banco de Portugal monitored 25 advertising materials produced by credit intermediaries. Following the monitoring of the advertising produced by credit intermediaries, the Banco de Portugal issued ten specific orders addressed to ten credit intermediaries, demanding that the irregularities identified be corrected, and initiated 12 administrative proceedings against 11 credit intermediaries. It received 49 complaints related to credit intermediation activity, most of which were related to the intermediation of consumer credit agreements (77.6%). In 62.5% of the complaints closed there was no evidence of any breach by the credit intermediary; in the other cases, the complaint was resolved by the credit intermediary on its own initiative, or following the Banco de Portugal's actions.

..... The training entities certified by the Banco de Portugal granted 1,293 professional certificates in connection with the marketing of mortgage credit and credit intermediation.

In the first half of 2020 the Banco de Portugal granted a request for certification of a training entity intending to provide training courses whose completion gave professional certification in the scope of the marketing of mortgage credit and credit intermediation, bringing the number of certified entities in this field to eight.

From 1 January to 30 June certified training entities issued 559 professional certificates on the marketing of mortgage credit, 313 on consumer credit and 421 on credit intermediation.

Banking conduct supervision in numbers **1st half of 2020**

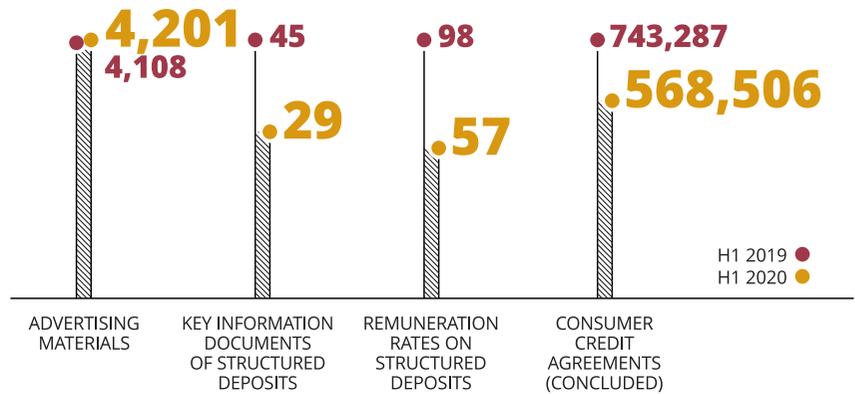
FINANCIAL INSTITUTIONS

Inspections

Institutions covered

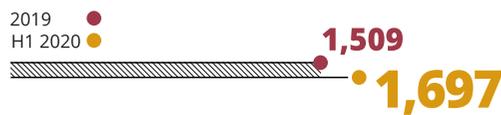


Systematic monitoring



Complaints about credit institutions

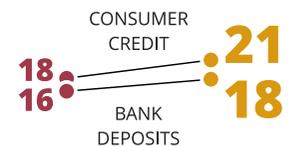
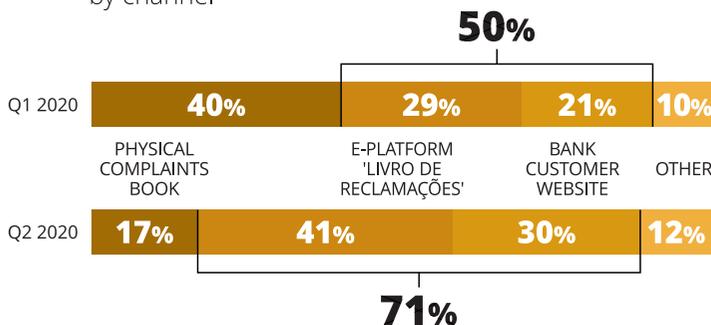
FROM BANK CUSTOMERS
monthly average



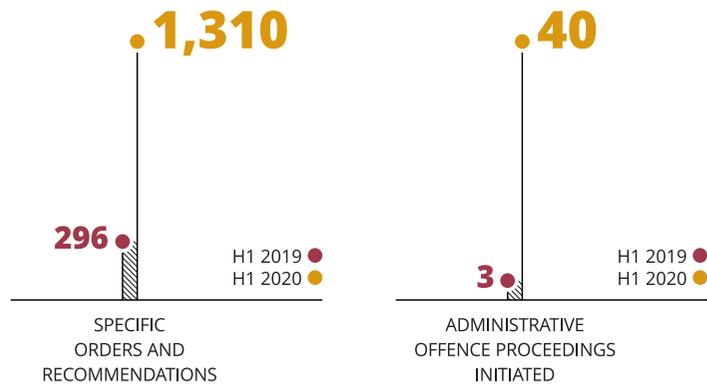
complaints for every
100,000 agreements/accounts



by channel



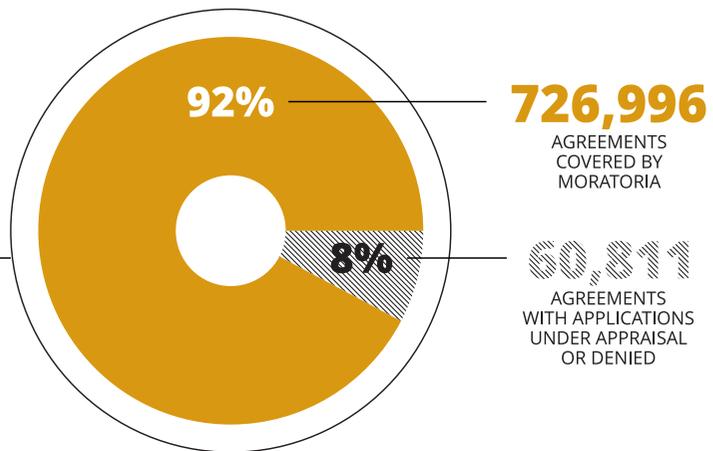
Correction of irregularities and sanctions



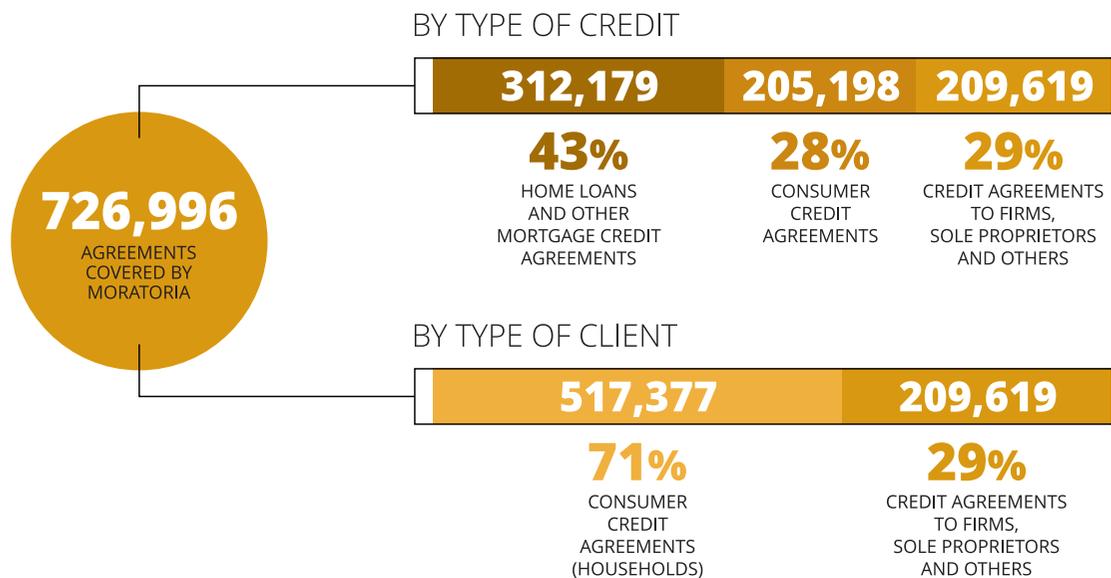
CREDIT MORATORIA UNTIL 31 AUG. 2020

Agreements with applications and covered by moratoria

787,807
AGREEMENTS WITH APPLICATIONS FOR MORATORIA



Agreements covered by moratoria

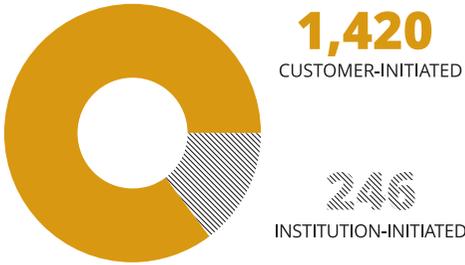
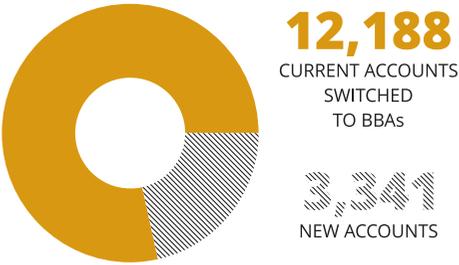


BASIC BANK ACCOUNTS

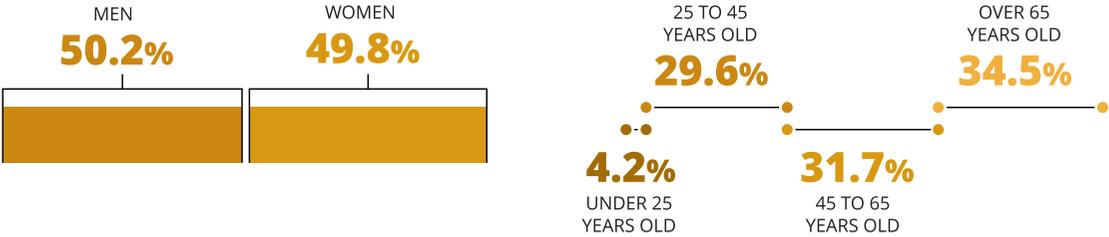
DEVELOPMENTS IN BBAs

ACCOUNTS OPENED **15,529**

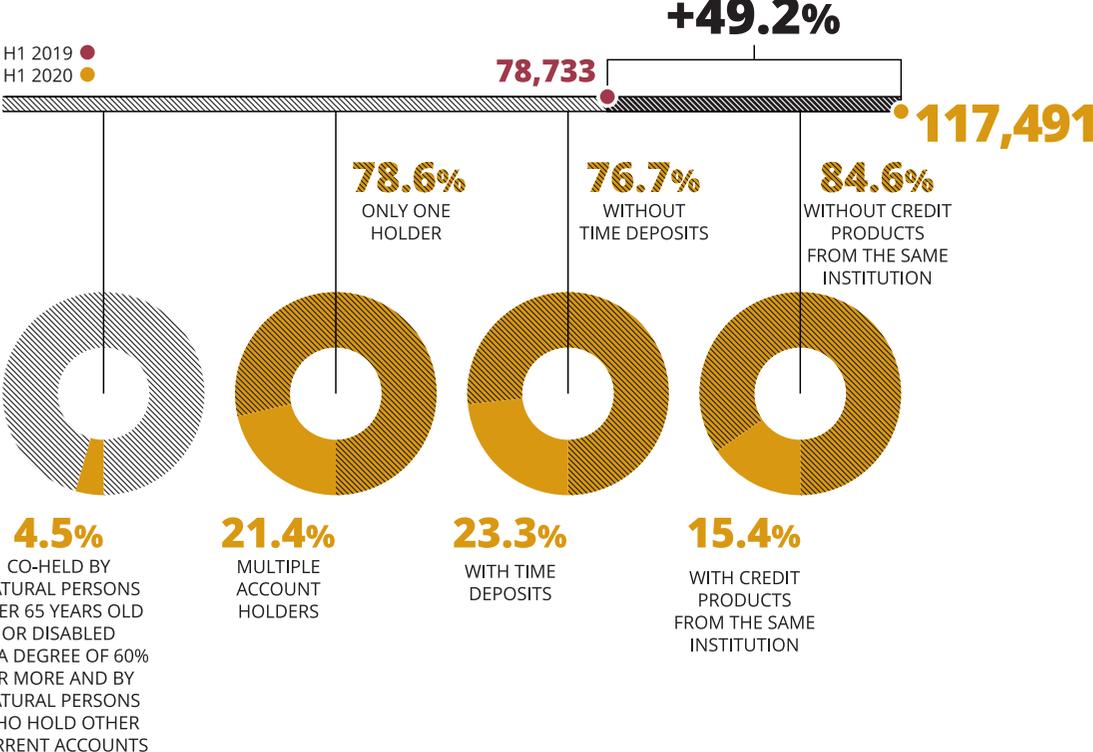
ACCOUNTS CLOSED **1,666**



Accounts opened in the 1st half of 2020 | primary account holders



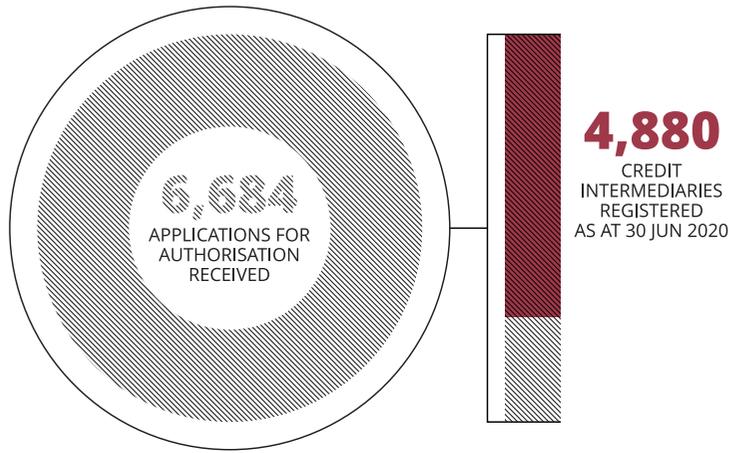
Accounts as at 30 Jun. 2020



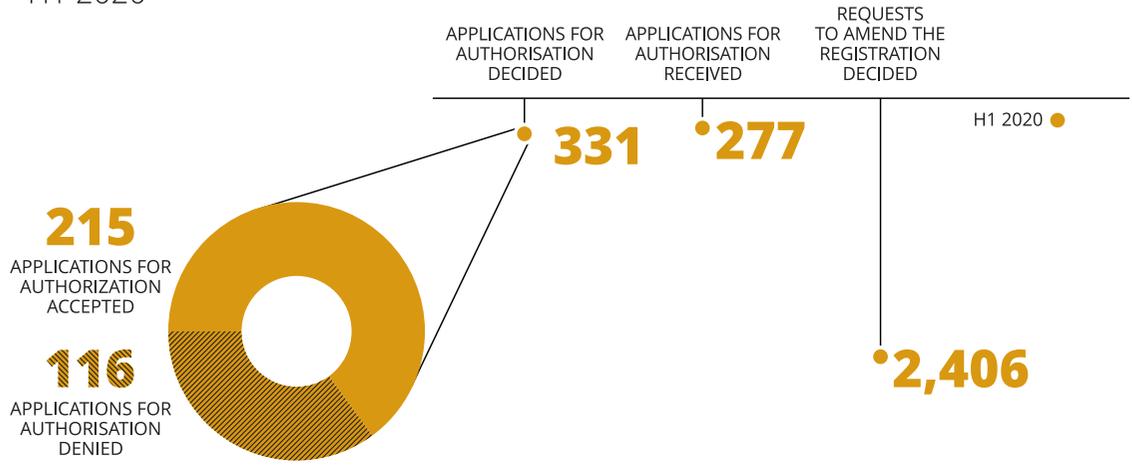
CREDIT INTERMEDIARIES

Authorisation and registration

AS OF 1 JAN. 2018



H1 2020



Authorisation requests received decreased by 33.1% from the second half of 2019, largely due to the impact of the pandemic on economic activity.

Supervision, correction of irregularities and sanctions







I Banking conduct supervision during the COVID 19 pandemic

1 Credit moratoria

2 Increased use of digital channels

3 International agenda

The COVID 19 pandemic gave rise to an adverse context with very negative consequences for the economic and financial situation of households and firms, creating the need for measures to mitigate its effects.

An important dimension of the pandemic crisis is its reflection in significant income losses that make it difficult for households and firms to repay their credit agreements on time. In order to prevent a default risk, the Portuguese legislator approved a series of extraordinary measures in March 2020, notably the adoption of a public moratorium regime¹, providing for the possibility for credit repayments to be suspended.

Credit institutions have also made private moratoria available to their customers, allowing for the temporary suspension of credit agreement payments not covered by the public moratorium.

The public moratorium and private moratoria that conform to the Guidelines by the European Banking Authority (EBA) on credit moratoria² do not result in contractual non compliance or the application of early maturity clauses, and are therefore not liable to a default record in the Banco de Portugal's Central Credit Register.

In the exercise of its regulatory powers, the Banco de Portugal has laid down obligations for institutions to provide information about credit moratoria to their customers to promote transparent clarification³. It has also ordered institutions to report information to the Banco de Portugal on the application of credit moratoria regularly⁴.

The Banco de Portugal has published information on credit moratoria on the Bank Customer Website. The specific content made available explains the characteristics and access requirements to credit moratoria and clarifies borrowers on their rights and duties. The Banco de Portugal has also responded to requests for information from bank customers on this matter.

Within the scope of its supervisory powers, the Banco de Portugal has reviewed complaints and carried out inspections of institutions' websites to ascertain whether the information made available to bank customers about moratoria complied with the requirements set out in the applicable legal and regulatory rules.

The legislator also adopted a series of exceptional measures to encourage the use of digital channels and mitigate the difficulties in physically accessing institutions' branches. Notably the collection of use related fees was suspended during the state of emergency when carrying out payment transactions through digital channels for bank customers affected by the pandemic. At the same time, the Portuguese banking system, together with the Banco de Portugal and SIBS, decided to raise the cap for card based payments using contactless technology.

These measures have intensified the use of digital channels in the acquisition of retail banking products and services. In this context, the Banco de Portugal has enhanced the promotion of digital financial training of bank customers.

The global nature of this pandemic calls for greater international cooperation in sharing experiences among banking conduct supervisory authorities on policy measures adopted to protect consumers of financial products and services. The Banco de Portugal has participated in this discussion, particularly in the context of the EBA, FinCoNet and the OECD.

1. Via Decree Law No 10 J/2020 of 26 March 2020, as successively amended by Law No 8/2020 of 10 April 2020, Decree Law No 26/2020 of 16 June 2020 and Law No 27 A/2020 of 24 July 2020.

2. Guidelines of the European Banking Authority on legislative and non legislative moratoria on loan repayments applied in the light of the COVID 19 crisis (EBA/GL/2020/02).

3. Notice of the Banco de Portugal No 2/2020 of 7 May 2020.

4. Instruction of the Banco de Portugal No 13/2020 of 21 May 2020.

1 Credit moratoria

1.1 Exceptional measures for bank customers

In the context of the COVID 19 pandemic, the Portuguese legislator approved a series of extraordinary measures aimed at supporting households and firms in repaying their credit agreements, which entered into force on 27 March.

Access to the public moratorium has been granted to consumers affected by the pandemic, particularly those in preventive or sickness isolation, due to having been subject to a reduction of their normal working hours or their employment contract being suspended due to a business crisis, or because they are unemployed. In the context of the public moratorium being applied, borrowers were given the opportunity to request the suspension of payments relating to credit agreements for the purchase of a permanent residence by 30 September 2020⁵. This payment suspension was also granted to firms, sole proprietors, private social solidarity institutions, non profit associations and other entities from the social economy. The borrowers were able to choose between suspending the repayment of the principal or suspending the repayment of the principal and payment of interest, in which case interest capitalises on the loan amount.

For the implementation of the public moratorium, the institutions were obliged to apply the protective measures within five working days following receipt of the documents required by law.

Credit institutions also offered their customers the possibility of suspending credit agreement repayments not covered by the public moratorium, such as personal and car credit agreements or mortgage credit agreements that were not intended to finance the purchase of a permanent residence.

The legislator mandated the Banco de Portugal lay down information obligations to the institutions to clarify customers on the public moratorium. It was also tasked with supervising the application of the moratorium.

The Banco de Portugal regulated the information to be provided to bank customers in this context⁶. In order to monitor institutions' activities, the Banco de Portugal has also required the institutions to report information periodically on the requests for credit moratoria to be applied⁷.

The Institutions were required to divulge the moratoria to bank customers and to provide them with information about the characteristics of the different moratoria available, always identifying their public or private nature, the requirements and procedures needed to apply, as well as the impacts of moratoria on the instalment amount and the repayment maturity of credit operations. This information also had to be disclosed through the institutions' branches, websites, home banking services and mobile applications. Institutions were also required to have mechanisms in place to clarify any borrowers' questions about the credit moratoria, namely by providing a dedicated section on frequently asked questions with answers on their websites, a helpline or human assisted chat.

5. Approved by Decree Law No 10 J/2020 of 26 March 2020.

6. Notice of the Banco de Portugal No 2/2020 of 7 May 2020.

7. Instruction of the Banco de Portugal No 13/2020 of 21 May 2020.

Through fortnightly reporting, the Banco de Portugal gathers information on application requests for the moratoria as submitted by bank customers and the agreements covered by such moratoria, as well as on the support measures adopted. The institutions are also required to report situations where the application of any moratorium has been refused for not meeting the access requirements.

In June, the legislator extended the duration of the public moratorium to 31 March 2021, allowing customers to resume the repayment of the principal and the payment of interest (or just the repayment of the principal, if they continued to pay interest) from April next year. The deadline for access to this moratorium was also extended to 30 September 2020⁸.

As of June, for consumers, the public moratorium has covered credit agreements secured by a mortgage (including those for the purchase of permanent residence), financial leasing agreements for residential property and consumer credit agreements to finance education, including academic and vocational training. Access requirements for the public moratorium were also eased, namely the criterion relating to the fulfilment of all tax and social security obligations by bank customers. Natural persons not resident in Portugal and those experiencing a temporary loss of at least 20% of their household's overall income as a result of the pandemic were also covered. The situations associated with a loss in income are now applicable not only to the borrower but also to other members of the borrower's household.

1.2 Dissemination of the measures by the Banco de Portugal

Access to credit moratoria depends on the initiative of bank customers, who must apply for them from the lending institutions. The Banco de Portugal has promoted the dissemination of information on the exceptional rights granted to customers for the repayment of credit agreements within the moratoria.

The Bank Customer Website began to publish relevant information in a specific area on the public credit moratorium and private moratoria. It explains the rights and obligations of bank customers, the access conditions and the types of credit agreements covered by the moratoria. Answers to frequently asked questions (FAQs) have also been published to clarify the main issues raised by bank customers in requests for information to the Banco de Portugal.

8. Decree Law No 26/2020 of 16 June 2020.

Figure I.1.1 • Bank Customer Website | Dissemination of information on the credit moratoria

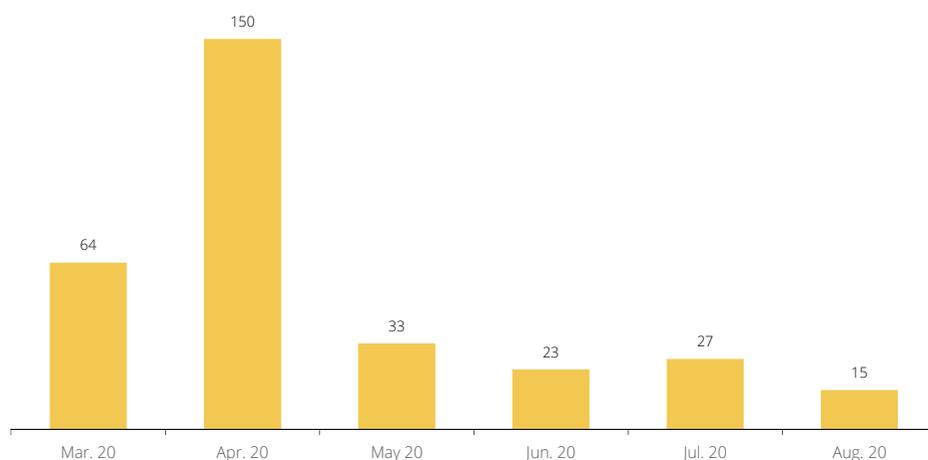
The screenshot shows the 'Portal do Cliente Bancário' of Banco de Portugal. The main heading is 'COVID-19. Moratória para contratos de crédito celebrados com clientes bancários'. The text explains that public moratoria is in effect due to the health emergency, and banks have also voluntarily implemented private moratoria for certain credit contracts. It lists the types of contracts covered by the public moratoria: mortgage and financial rental for housing, education-related credit, and credit for companies and social solidarity entities. It also mentions private moratoria for personal credit and credit cards. At the bottom, there are three buttons: 'Crédito hipotecário e educação', 'Crédito a empresas', and 'Outros créditos', each with a 'LER MAIS' link. A footer note states that Banco de Portugal regularly publishes data on the evolution of credit moratoria.

Source: Bank Customer Website (<https://clientebanuario.bportugal.pt/pt-pt/covid-19-moratoria-para-contratos-de-credito-celebrados-com-clientes-bancarios>).

Between March and August, the Banco de Portugal received 312 requests for information from bank customers on credit moratoria, which accounted for 14.8% of the total number of requests received during this period.

Most of the requests were received in April, shortly after the entry into force of the credit moratoria at the end of March (the public moratorium came into force on 27 March). In April, 150 requests for information were received (48.1% of requests regarding the moratoria), followed by March with 64 requests received (20.5%). In the following months, requests for information submitted to the Banco de Portugal decreased from previous months (33 requests received in May, 23 in June, 27 in July and 15 in August).

Chart I.1.1 • Credit moratoria | Information requests, by month of entry | March to August 2020



Source: Banco de Portugal.

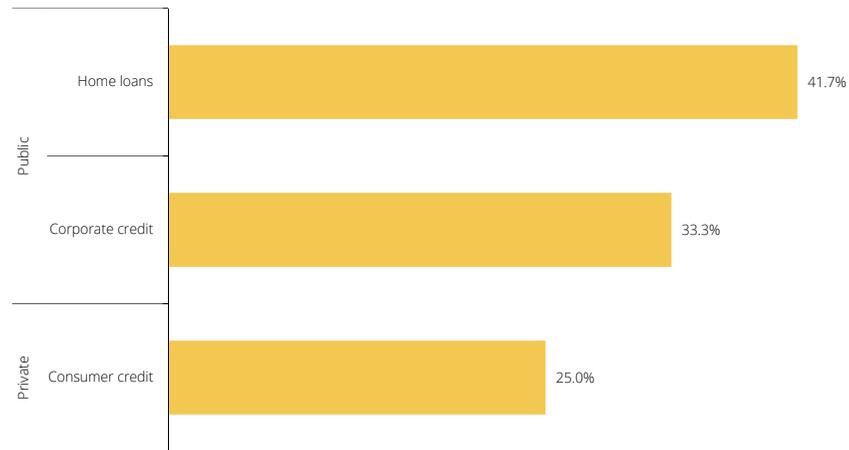
Most requests for information focused on the public moratorium (75%), with emphasis on home loans and corporate credit issues, 41.7% and 33.3% of requests for information on credit moratoria respectively. The requests for information on consumer credit under the private moratorium accounted for 25% of all requests for information on moratoria.

For home loans, the following issues were raised : (i) access requirements and the procedures necessary for the moratorium to be applied, (ii) the application of the moratorium to credit agreements not intended to finance the purchase or construction of a permanent residence, namely other loans secured by a mortgage on property intended for permanent residence or subsidised loans, (iii) refusal of access to the moratorium regime, due to defaults on home loan repayments for more than 90 days, (iv) the application of the moratorium to repayments past due at any time prior to the request for a moratorium to be applied, (v) alleged delay by credit institutions in reviewing the request for access to the moratorium and (vi) the application of the public moratorium to credit agreements concluded after the entry into force of the regime.

For corporate credit, the following are noteworthy: (i) the types of credit agreements covered by the public moratorium, (ii) the access requirements and the procedures necessary for credit institutions to apply the public moratorium and (iii) the impact of the support measures provided in the public moratorium on credit agreements entered into by firms.

Requests for information on consumer credit agreements mainly relate to: (i) initial non application of the public moratorium to consumer credit agreements, and (ii) the access requirements and procedures necessary for the application of private moratoria made available by the institutions.

Chart I.1.2 • Credit moratoria | Information requests, by topic | March to August 2020



Source: Banco de Portugal.

1.3 Bank customers' participation in credit moratoria

The Banco de Portugal monitors developments in the credit moratoria through regular reporting of information by the institutions. Immediately after the entry into force of the public moratorium, the institutions were asked to provide information on the requests received from customers to apply the moratoria, the agreements covered by the moratoria (public and private) and the requests refused.

Based on the information received from the institutions, the Banco de Portugal has published data on the implementation of the credit moratoria on the Bank Customer Website. The institutions are responsible for such data, which are subject to review in the light of the completion of the procedures for assessing the requests for the moratoria to be applied and their classification by the institutions. In this report, data are published for the period from March to August, and incorporate revisions to the data previously published by the Banco de Portugal. The data refer to the number of agreements covered and not the number of customers.

According to the available data⁹, requests to apply credit moratoria covered 787,807 credit agreements between 27 March and 31 August. Until that date, support measures for credit moratoria were applied to 726,996 agreements, with the remaining agreements corresponding to situations still under review at the end of August 2020 or situations that did not meet the access conditions.

9. Reported by the institutions to the Banco de Portugal in the first week of September.

Table I.1.1 • Credit moratoria | Agreements covered by requests for moratoria to be applied and agreements covered by moratoria, by type of credit | March to August 2020

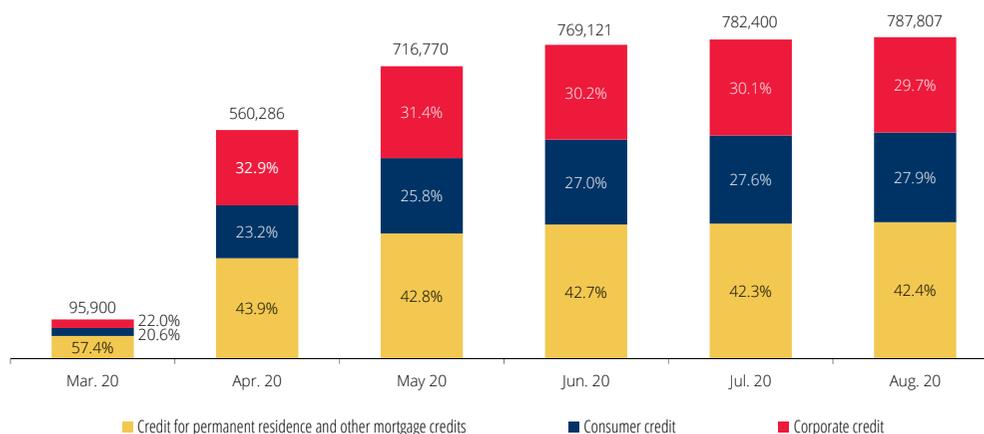
	Agreements covered by requests for moratoria to be applied	Agreements covered by moratoria
Credit granted for the purchase of permanent residence and other mortgage credit	334,185	312,179
Loans to firms, sole proprietors and others	233,684	209,619
Consumer credit	219,938	205,198
Total	787,807	726,996

Source: Banco de Portugal.

Most requests for the application of moratoria were submitted in April and May, shortly after the entry into force of the support measures at the end of March. In the following months, there were slight increases in the agreements covered by moratoria.

Of the credit agreements covered by requests for credit moratoria to be applied, 42.4% were related to credit agreements for a permanent residence and other mortgage credits, 29.7% to corporate credit and 27.9% to consumer credit agreements.

Chart I.1.3 • Credit moratoria | Developments in agreements covered by requests for moratoria | End of period values | March to August 2020

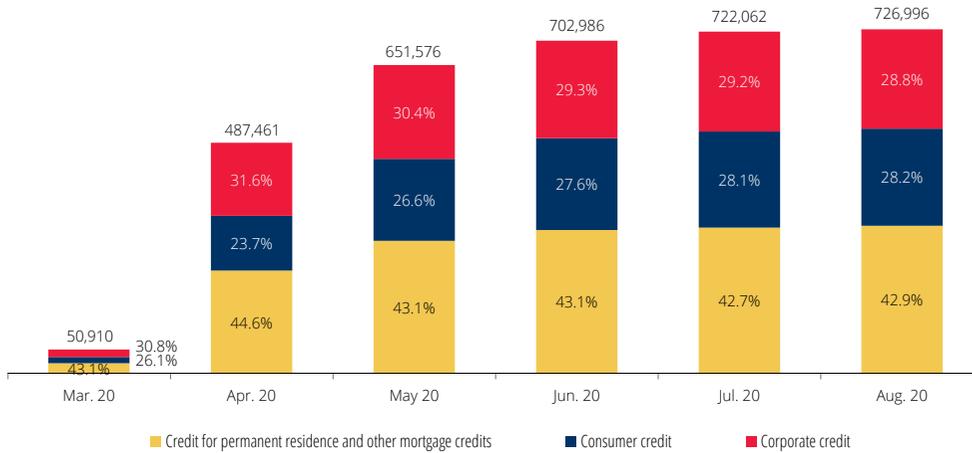


Source: Banco de Portugal.

Developments in the agreements covered by credit moratoria very closely followed the application requests submitted, increasing slightly after May.

Of the credit agreements covered by moratoria, 42.9% were credit agreements granted for permanent residence and other mortgage credit, 28.8% were credit agreements to firms, sole proprietors and others, and 28.2% were consumer credit agreements.

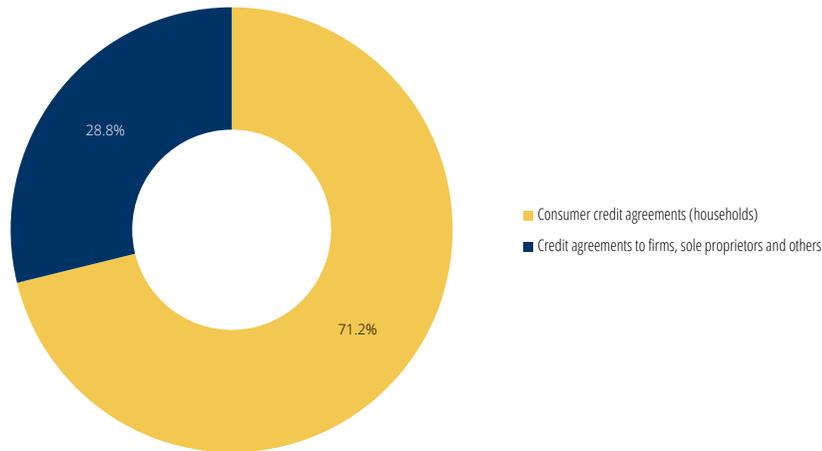
Chart I.1.4 • Credit moratoria | Developments in agreements covered by moratoria | End of period values | March to August 2020



Source: Banco de Portugal.

With regard to the type of beneficiary of credit moratoria, consumers (households) stand out, which until the end of August were the borrowers of 71.2% of the contracts covered by the support measures applied, while firms, sole proprietors and other entities accounted for 28.8%.

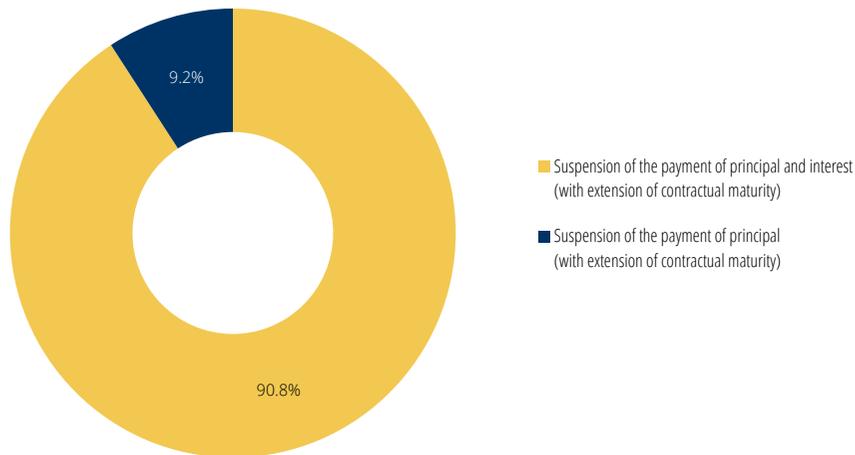
Chart I.1.5 • Credit moratoria | Agreements covered by moratoria, by type of customer | March to August 2020



Source: Banco de Portugal.

With regard to the consumer support measures in the context of the public moratorium: suspension of the payment of the principal and interest was the measure most frequently applied by the institutions (90.8%), followed by suspension of the payment of the principal relating to the credit operation (9.2%).

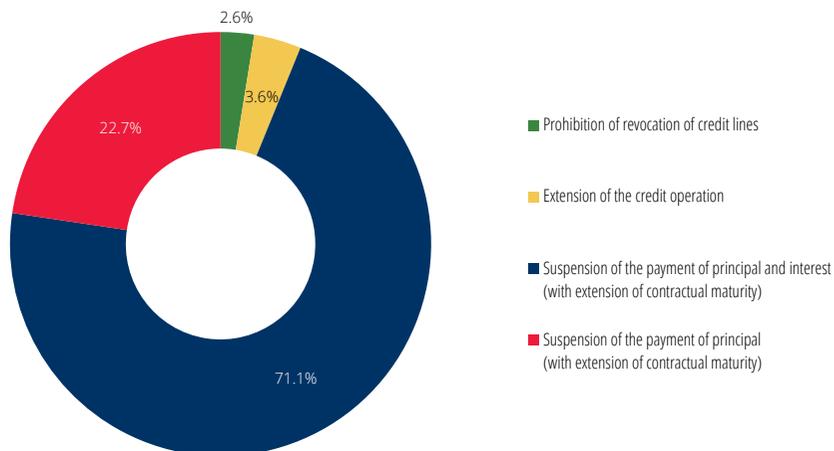
Chart I.1.6 • Public moratorium – Consumers | Support measures | March to August 2020



Source: Banco de Portugal.

With regard to the support measures applied to firms, sole proprietors and other beneficiaries in the context of the public moratorium: suspension of the payment of the principal and interest was the measure most frequently applied by the institutions (71.1%), followed by suspension of the payment of the principal relating to the credit operation (22.7%). In 3.6% of cases, the agreements were covered by an extension of the credit operation and in 2.6% by a prohibition of revocation of credit lines.

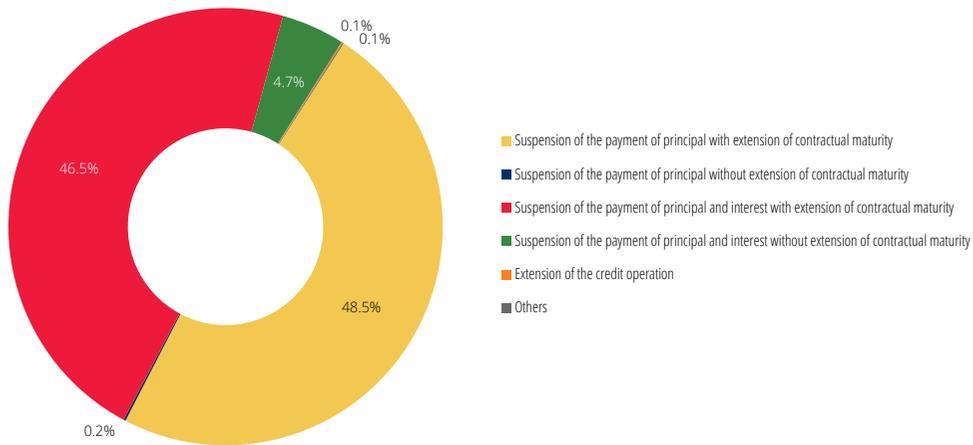
Chart I.1.7 • Public moratorium – Firms, sole proprietors and others | Support measures | March to August 2020



Source: Banco de Portugal.

With regard to the support measures applied in the context of private moratoria: in 48.5% of cases, it was agreed to suspend the payment of the principal with an extension of contractual maturity, and in 46.5% of cases the measure applied was a suspension of the payments of the principal and interest with an extension of maturity.

Chart I.1.8 • Private moratoria | Support measures | March to August 2020



Source: Banco de Portugal.

The information reported by the institutions for the period until the end of August indicates that support measures were applied to most agreements (92%) covered by requests for the application of moratoria. The remaining agreements are still under review or were refused.

For those requests for the public moratorium to be applied submitted by consumers, it appears that, of the reasons pointed out by the institutions as grounds for refusal (sometimes, more than one reason), the most frequent reasons were a situation of non compliance with the Tax and Social Security Authority and a default record of more than 90 days in the Banco de Portugal’s Central Credit Register.

For requests for to apply the public moratorium submitted by firms, the main reasons for refusal were a record of more than 90 days’ default in the Banco de Portugal’s Central Credit Register, a non compliance situation with the Tax and Social Security Authority and the fact that the firm’s head office is not located in Portugal or it does not carry out any economic activity in Portugal.

1.4 Assessment of the information provided to customers by institutions

The Banco de Portugal has assessed institutions’ compliance with the duties of providing information and assistance to customers on the access conditions and the characteristics of the public moratorium and private moratoria. To this end, it inspected the websites of 99 institutions, representing almost all the agreements that could be covered by the public moratorium and the private moratoria. Following this inspection, the Banco de Portugal issued 278 specific orders requiring 97 institutions to correct the irregularities detected.

The institutions are obliged to provide their customers with information on credit moratoria, including the credit agreements covered, the access conditions, the procedure for requesting its application, the types, duration and impact of moratoria on the credit operation’s debt service.

The Banco de Portugal has also set out that this information shall be displayed by institutions in a prominent place, at customer assistance points, on the homepage of their websites, in home banking and mobile applications. In addition, where the moratorium is applied, the customer

should be informed of its impact on the credit agreement covered and, in case of refusal, the institution must state the grounds for such a refusal. For institutions offering private moratoria, an application form must be made available for use by bank customers, clearly explaining which measures are covered and their impact.

The institutions must also fulfil a general duty of customer assistance by providing adequate mechanisms for answering questions about the application of credit moratoria by making available, in an easy and permanently accessible place (such as their websites), answers to frequently asked questions on the application of moratoria, a telephone helpline, or a human assisted chat.

Table I.1.2 • Credit moratoria | Off site inspections of websites | 1st half of 2020

Topics	Modality	Entities covered
Credit moratoria	Off site	99
Availability of information in a prominent place		
Clear identification of the nature of the moratorium		
Information requirements on the public moratorium		
Information requirements on the private moratoria		
Form for requesting the application of private moratoria		
Obligation to provide assistance		

Source: Banco de Portugal.

In the inspections of the websites, the Banco de Portugal assessed the following duties:

- The availability of information in a prominent place, having analysed whether the provision of information on credit moratoria was featured on the homepage of the institutions' websites. All the institutions analysed, where applicable, provide information in a prominent place of their website homepages on the public moratorium (for consumers and firms). In the case of the private moratoria, one institution did not disclose information, although it applied them, and two other institutions did not display information in a prominent place of their websites' homepages.
- Clear identification of the nature of the moratorium, having analysed whether information on public and private moratoria was presented separately and within a proper framework. On all institutions' websites, the information on credit moratoria was presented separately, thus ensuring clarity as to the nature of the moratorium to which published information relates.
- Compliance with the information requirements on the public moratorium, having analysed whether all the information on the operations covered by the moratorium was being correctly transmitted to the bank customer, including information on potential beneficiaries, eligibility requirements, procedures and deadlines for submitting the request for it to be applied, measures covered by the moratorium, the duration of the support measures and the impacts arising from the application of the moratorium on the instalment amount and on the repayment period of credit operations. Some of these information requirements were not fulfilled by 92 of the institutions inspected out of a total of 96 institutions required to provide such information¹⁰.

10. Three of the inspected institutions do not offer products covered by the public moratorium, particularly credit for permanent residence, which is why they do not present information on that moratorium.

- Compliance with the information requirements on the private moratoria, having analysed whether information was being correctly transmitted to the bank customer on the operations covered by the moratoria, potential beneficiaries, eligibility requirements, procedures and deadlines for submitting the request for it to be applied, the types of moratoria, the measures covered by the moratoria, the duration of each moratorium and the impacts arising from the application of the moratorium on the instalment amount and on the repayment period and collateral provided under the credit operations.

With regard to disclosure of information on private moratoria, 93 out of 98 institutions showed some irregularities to full compliance with these requirements.

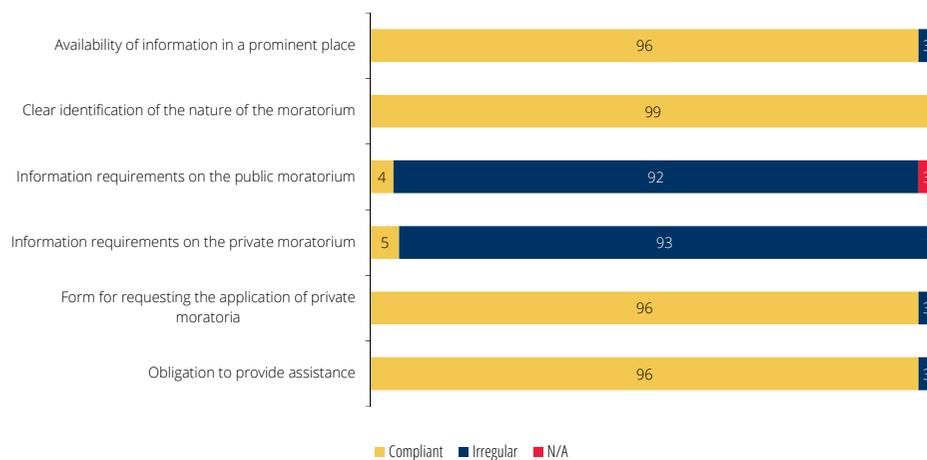
- Availability of a form to request the application of private moratoria, having been assessed whether institutions that offer the private moratoria provide a form to request the application of the moratoria to bank customers, in which the measures covered by the moratoria and their impacts are explained and customers are allowed to indicate their choices.

Out of a total of 99 institutions, 96 made the form for bank customers to request the application of the private moratoria available. Of these, 89 did so through their website and seven through their home banking services. In addition, two institutions did not make the form available through any media accessible to the bank customer and one institution made the form for requesting the application of private moratoria available through its website but did not comply with the information requirements.

- Compliance with the obligation to provide assistance to customers, having analysed whether the institutions provide mechanisms to clarify any issues from bank customers about the application of credit moratoria, particularly by providing, in an easy and permanently accessible place, a section of answers to frequently asked questions about the application of credit moratoria, a telephone helpline, or human assisted chat.

As for the obligation to provide assistance, 96 of the 99 institutions provided mechanisms for clarifying issues about the application of credit moratoria. In addition, three institutions did not provide any mechanism for clarifying issues about the application of credit moratoria, thus failing to comply with the obligation to provide assistance.

Chart I.1.9 • Credit moratoria | Institutions covered by inspections, by topic | 1st half 2020



Source: Banco de Portugal.

Following the inspections of the credit moratoria, the Banco de Portugal issued 278 specific orders and recommendations requiring 97 institutions to correct irregularities detected, mainly related to non compliance with the duties of information to bank customers.

Table I.1.3 • Credit moratoria | Specific orders | 1st half of 2020

Topics	Number	Institutions covered
Information on the public moratorium	176	92
Information on the private moratoria	93	93
Obligation to provide assistance	3	3
Disclosure of the moratoria	3	3
Form for requesting the application of private moratoria	3	3
Total	278	-

Source: Banco de Portugal. | Note: In the first half of 2020, specific orders and recommendations were issued to 97 institutions.

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

- **Disclosure of information on the public moratorium**, as institutions offering credit operations covered by the public moratorium are required to provide their customers with information on the rules applicable to that moratorium, notably in terms of credit operations covered, access requirements, applicable measures or the duration of the moratorium, among others¹¹.
- **Disclosure of information on private moratoria**, as institutions that took part in a private moratorium are required provide their customers with information on the rules applicable to that moratorium, notably in terms of the credit operations covered, access requirements, applicable measures or the duration of the moratorium, among others¹². The sanctions issued are intended to ensure that customers are fully informed of the private moratorium that the institution participates in, compliant with its requirements.
- **Obligation to provide assistance to customers on the moratoria**, as institutions should ensure that customers have any issues they may raise about moratoria clarified, by making available, in an easy and permanently accessible place, notably on their website, a section of frequently asked questions about the application of the public moratorium and private moratoria which they participate in¹³.
- **Disclosure of information on the moratoria in a prominent place**, as institutions offering credit operations covered by the public moratorium or by the private moratoria which they participate in are required to provide information on the moratoria in a prominent place on their website homepages, as well as on their home banking services and mobile applications, where applicable.
- **Availability of a form for requesting the application of private moratoria**, as the institutions that participate in the private moratoria are required to provide a form for their customers to request for the moratorium to be applied. The form should explain the measures covered by the private moratorium and its impacts allowing customers to indicate their choices.

11. Article 6 of Notice of the Banco de Portugal No 2/2020.

12. Article 3 of Notice of the Banco de Portugal No 2/2020.

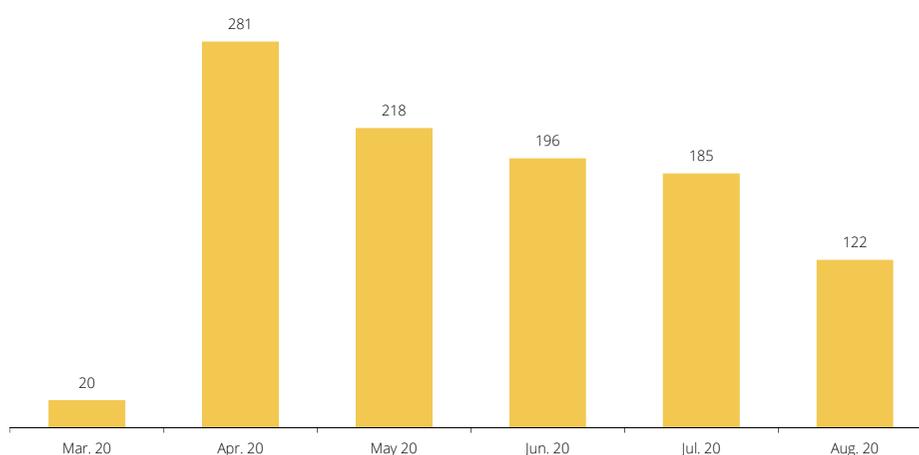
13. Article 4 of Notice of the Banco de Portugal No 2/2020.

1.5 Analysis of moratoria complaints

The Banco de Portugal has received complaints from bank customers about credit moratoria. By the end of August, they amounted to a total of 1,022 claims. These complaints accounted for about 10% of the total number received by the Banco de Portugal between March and August 2020.

The highest number of complaints received was recorded in April and May, immediately after the entry into force of the credit moratoria, corresponding to 27.5% and 21.3% respectively of the total complaints about moratoria received by the end of August. In the following months, the number of complaints received about credit moratoria decreased gradually.

Chart I.1.10 • Credit moratoria | Complaints, by month of entry | March to August 2020



Source: Banco de Portugal.

By the end of August 2020, 61.1% of the complaints about credit moratoria focused on the public moratorium and the remaining 38.9% on the private moratoria.

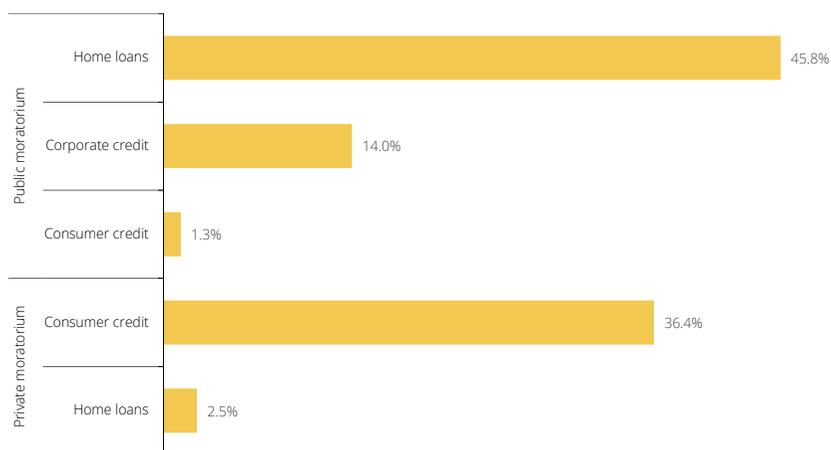
By type of credit, complaints relating to home loans and mortgage credit corresponded to 48.3% of the complaints received about credit moratoria, followed by complaints relating to consumer credit (37.7%) and corporate credit (14%).

Complaints about the public moratorium for home loans, corresponding to 45.8% of total complaints about the moratoria, were mainly related to (i) non compliance with the deadline for responding to the request for the application of the moratorium by credit institutions due to operational constraints, (ii) refusal to apply the moratorium, on the grounds of non compliance with other credit agreements and (iii) the collection of instalments during the moratorium.

For complaints about the public moratorium applied to corporate credit agreements, the following issues have taken precedence: (i) non compliance by credit institutions with the deadline for responding to the moratorium application request, (ii) refusal to apply the moratorium and (iii) the collection of instalments during the moratorium.

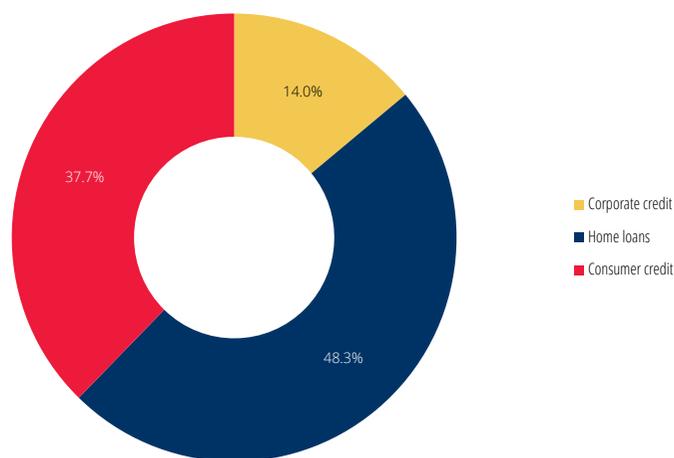
The most frequent issues for private moratoria under consumer credit agreements, corresponding to 36.4% of complaints about moratoria, were: (i) the scope for the application of the private moratoria, particularly the reasons why credit institutions applied the private moratorium when the public moratorium had been applied for, (ii) the lack of response by credit institutions to requests for the application of the private moratorium, and (iii) the refusal to apply the private moratorium, on the grounds of non compliance with other credit agreements.

Chart I.1.11 • Credit moratoria | Complaints, by topic | March to August 2020



Source: Banco de Portugal.

Chart I.1.12 • Credit moratoria | Complaints, by product | March to August 2020



Source: Banco de Portugal.

2 Added recourse to digital channels

Technological innovation has stimulated the increased use of digital channels in the offering of retail banking products and services, providing recognised benefits to bank customers, including greater convenience and speed in the signing of credit agreements¹⁴. The effects of the COVID 19 pandemic, namely the need to adopt sanitary measures, particularly lockdown and social distancing, have accelerated the already ongoing trend of an increase in the use of these channels. In view of this new situation, the digitalisation process has been identified as very important in order to ensure continuity of access to financial services, notably retail banking¹⁵, enabling the impacts of the pandemic crisis to be mitigated.

Against this background, the European Banking Authority (EBA) recommended¹⁶ as early as March that policymakers adopt measures on the functioning of payment services in the European Union to encourage contactless payments and remote payments. Payment service providers would facilitate payments without the need for physical contact, particularly using the exemption from strong authentication provided for in European standards¹⁷ and the cap for such an exemption, i.e. €50 per transaction. The EBA's recommendations also aimed at informing consumers, so they could protect themselves from possible fraud and other risks at a time of increased online purchases. Consumers were encouraged to follow best practice for accessing banking products and services through digital channels that the EBA had already disseminated¹⁸.

To support the increased use of digital channels, the Portuguese legislator adopted exceptional measures at this time to encourage the use of electronic payment instruments, such as card based payments, to the detriment of the traditional means of payment, such as banknotes and coins. Thus, the collection of the fixed component of any fee per transaction was suspended, and increases in the variable components of fees per transaction and the collection of new fixed or variable fees relating to the acceptance of card based payment transactions carried out at point of sale terminals were prohibited. These measures were in force until 30 June¹⁹.

In turn, the Portuguese banking system, together with the Banco de Portugal and SIBS, decided to raise the cap for card-based payments using contactless technology from €20 to €50²⁰.

14. Banking Conduct Supervision Report of 2018 and 2019 and Summary Report on Banking Conduct Supervision of the 1st half of 2019.

15. Report published by the G20/GPFI, G20 High Level Policy Guidelines on Digital Financial Inclusion for Youth, Women and SMEs.

16. European Banking Authority (EBA) Statement on consumer and payment issues in light of COVID 19.

17. Commission Delegated Regulation (EU) 2018/389.

18. European Banking Authority (EBA) Key tips to protect yourself when choosing online or mobile banking services available on the Bank Customer Website at (https://www.eba.europa.eu/sites/default/documents/files/document_library/0.%20EBA_Factsheet%20for%20consumers_Final_New_0.pdf).

19. Under Decree Law No 10 H/2020 of 26 March 2020.

20. As communicated in https://www.eba.europa.eu/sites/default/documents/files/document_library/0.%20EBA_Factsheet%20for%20consumers_Final_New_0.pdf.

Figure I.2.1 • Bank Customer Website | Contactless payments



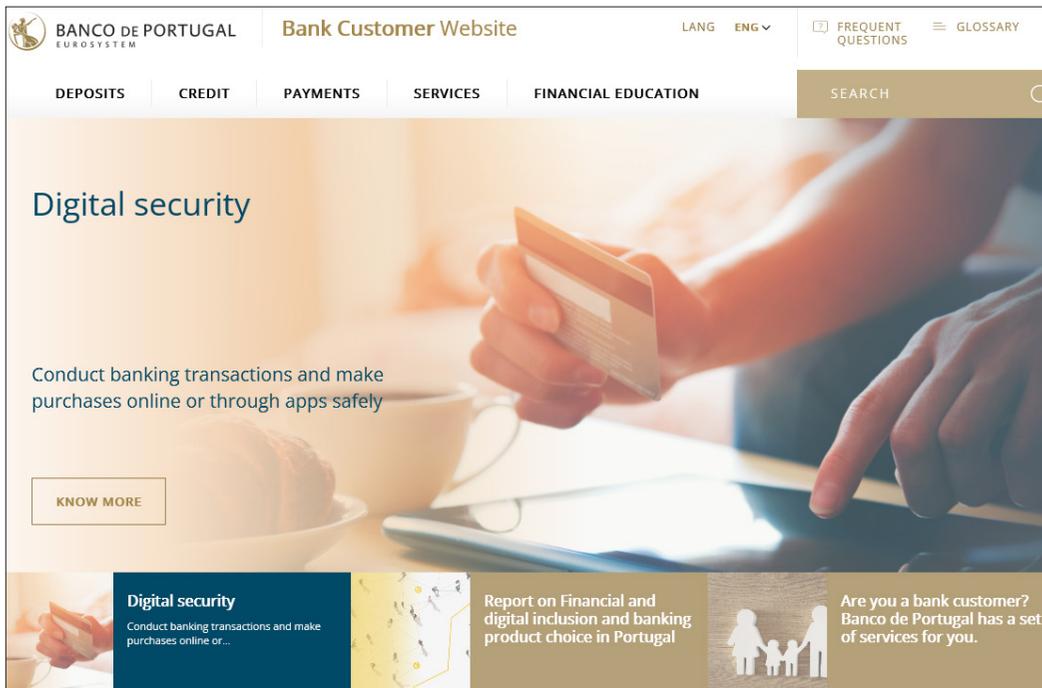
Source: Banco de Portugal (<https://www.bportugal.pt/comunicado/privilegie-pagamentos-sem-contacto-sao-comodos-e-seguros>).

The collection of fees was suspended on payment transactions through the digital platforms of payment service providers for consumers most affected by the pandemic crisis (the unemployed, those who lost at least 20% of their income or those infected with COVID 19)²¹.

The Banco de Portugal publicised these exceptional measures to protect bank customers through the Bank Customer Website, by publishing news and explanatory content. In a context of greater use of digital channels, the Banco de Portugal's digital financial training initiatives have been strengthened to raise awareness among bank customers of the care to be taken using these channels and when accessing banking products and services. While recognising that bank customers have become more exposed to the risks of fraud and cybersecurity, the Banco de Portugal has developed awareness raising initiatives through the Bank Customer Website to promote a secure use of digital channels, as well by continuing the digital financial education campaign #TopTip, with advice on the precautions to take when conducting banking transactions and purchases through internet and mobile applications.

21. Under Law No 7/2020 of 10 April.

Figure I.2.2 • Bank Customer Website | Digital security



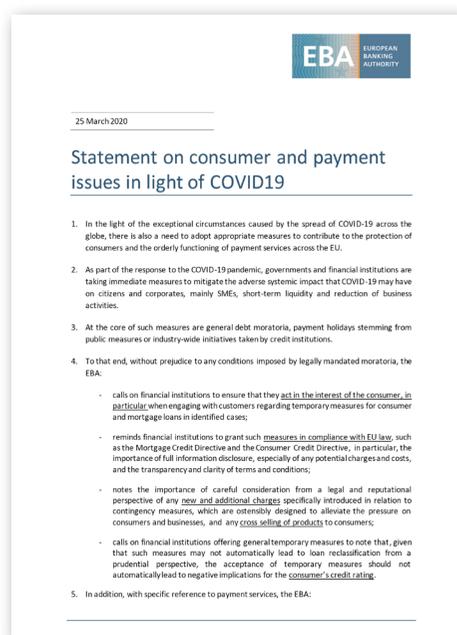
Source: Banco de Portugal (<https://clientebancario.bportugal.pt/en/digital-security-why-it-important>).

3 International agenda

Banking conduct supervision has adopted and implemented measures to mitigate the consequences of the pandemic for bank customers. Due to the global dimension of this crisis and the cross cutting nature of the challenges posed to consumers of banking products and services, international regulators and supervisors have reflected and dialogued thoroughly during the period under review.

The European Banking Authority (EBA) signalled the importance of adopting specific measures to protect customers as early as March²². In particular, the EBA has promoted the implementation of credit moratoria, calling on institutions to always act in the best interests of consumers and signalling that the application of these temporary measures should not affect the customers' credit risk assessment. The EBA also recalled that such measures should be implemented in accordance with European rules, such as those laid down in the Mortgage Credit Directive²³ and the Consumer Credit Directive²⁴, emphasising the importance of transparency of information. Since then, EBA has issued a series of guidelines²⁵ for public and private moratoria, setting out the terms and conditions so that the application of such moratoria alone does not lead to the classification of credit operations as non performing or forborne.

Figure I.3.1 • EBA | *Statement on consumer and payment issues in light of COVID-19*



Source: EBA (<https://eba.europa.eu/>).

22. EBA Statement on consumer and payment issues in light of COVID 19, 25 March 2020.

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

24. Directive 2014/17/EC of the European Parliament and of the Council of 04 February 2014 on credit agreements for consumers relating to residential immovable property. This Directive was transposed into Portuguese law by Decree Law No 133/2009 of 2 June 2009.

25. EBA Guidelines on legislative and non legislative moratoria on loan repayments applied in the light of the COVID 19 crisis (EBA/GL/2020/02) of 2 April 2020 and amended on 25 June 2020 (https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Guidelines/2020/GL%20amending%20EBA-GL-2020-02%20on%20payment%20moratoria/960349/Final%20report%20on%20EBA-GL-2020-02%20Guidelines%20on%20payment%20moratoria%20-%20consolidated%20version.pdf).

For payment services, the EBA recommended that measures be taken to help to contain the pandemic, namely by using cards with contactless technology or remote payments. Bearing the same objective in mind, it also recommended that payment service providers allow payments without the need for physical contact, by using the exemption from strong authentication provided for in European standards and the cap provided for such an exemption (€50 per transaction). In addition, and considering the increase in the use of digital channels in this context, the EBA reminded consumers of the previously issued best practices²⁶ for the use of those channels.

The adoption of measures to mitigate the effects of the pandemic on bank customers, such as the adoption of credit moratoria, has also been identified as a priority by the European Commission²⁷. The series of best practices it has released recommends that, when moratoria are applied, bank customers should receive clear and comprehensive information on the consequences of such moratoria, especially the costs involved. Also mentioned is the fact that institutions and firms should be encouraged to enable the use of non cash means of payment to mitigate health risks.

Similarly, the Organisation for Economic Co operation and Development (OECD) has streamlined a number of initiatives, e.g. the call for meetings between regulators and banking conduct supervisors represented at the G20/OECD Task Force on Financial Consumer Protection and the International Financial Consumer Protection Organisation (FinCoNet). These meetings aimed to encourage international reflection on pandemic impact mitigation measures for consumers of financial products and services, enabling peer learning, comparing different initiatives and perspectives, as well as influencing the work programmes of regulators and banking conduct supervisors within these organisations.

Using a questionnaire, the OECD also surveyed the measures adopted worldwide. This initiative has also been extended to members of the World Bank and the Alliance for Financial Inclusion (AFI), providing an even wider scope. This questionnaire, which has been regularly updated, seeks to be a comprehensive and detailed exercise on the nature and scope of the measures, particularly in the field of credit products and services and payment services. In April, the OECD published a series of guidelines²⁸ aimed at minimising the impacts of the pandemic on financial consumers, in which it encourages flexibility in the payment of credit instalments, notably through moratoria.

The results of the exchange of information between the various jurisdictions lead to the conclusion that, despite the different national circumstances, the cross cutting nature of risks to consumers resulted in the adoption of similar solutions. For mortgage and/or consumer credit products, the suspension of payments (principal and/or interest) is noteworthy, without such suspension resulting in changes to the customer's credit risk. As for payment services, stress must go to the incentive to use contactless technology cards – through the increase in use caps – and the carrying out of payment transactions through digital channels. These measures have been monitored by supervisors on the basis of reports submitted by the institutions and also by analysing customers' complaints and requests for information.

26. Key tips to protect yourself when choosing online or mobile banking services (https://www.eba.europa.eu/sites/default/documents/files/document_library/0.%20EBA_Factsheet%20for%20consumers_Final_New_0.pdf).

27. Stakeholder dialogue outcome – Best practices in relation to relief measures offered to consumers and businesses in the context of the COVID 19 Crisis of 14 July 2020 (https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/200714-best-practices-mitigate-impact-pandemic_en.pdf).

28. Financial consumer protection responses to COVID 19 Support for financial consumers, published in April 2020 (<https://www.oecd.org/daf/fin/financial-education/financial-consumer-protection/taskforcememberresponsestocovid-19.htm>).

Considering the increased use of digital channels for the offering of financial products and services, several entities have promoted awareness campaigns on cybersecurity for consumers. In addition, dedicated communication channels have been promoted to disseminate pandemic related content, as well as related financial training initiatives.

In addition to active collaboration with the OECD in different initiatives for sharing information and analysing the response to the challenges posed to bank customers by the current circumstances, FinCoNet also dedicated its June newsletter²⁹ to the measures taken in some of its member countries to address those challenges. Credit moratoria were once again analysed, this time also highlighting the perspective of banking conduct supervisors responsible for monitoring their implementation.

In the framework of a Strategic Foresight Workshop held by the OECD with the theme “COVID 19’s Medium term Implications for Policy and Budget Planning”, the organisation sought to gather perspectives from a limited group of experts, including the Banco de Portugal, in order to support its Directorate for Financial and Enterprise Affairs in the context of policy advice and budgetary planning in an environment of high uncertainty arising from the pandemic.

Considering this context of uncertainty and the possible effects of this crisis on several interlinked areas – social, technological, economic and governance – various scenarios were considered as to the pandemic’s development, without taking into account any degree of probability, and considering different variables, particularly the intensity and duration of the virus. The greatest risk identified is not being able to cover all possible scenarios and not being prepared to react immediately in the face of unforeseen risks. The discussion sought to identify new challenges and opportunities arising from the current crisis and its cascade effects, by supporting innovative policy strategies and measures and preparing policymakers for the future.

Figure I.3.2 • FinCoNet | Newsletter June 2020



Source: FinCoNet (http://www.finconet.org/FinCoNet_Newsletter_June-2020.pdf).

29. FinCoNet Newsletter, June 2020, (http://www.finconet.org/FinCoNet_Newsletter_June_2020.pdf).

In order to promote the dialogue between developed and developing countries, the AFI held a meeting dedicated to the theme “Adapting to the Crisis Financial Sector Supervision in times of COVID 19”, within the Annual African Financial Inclusion Policy Initiative (AfPI) Meeting (17 and 20 August). Within this initiative to promote dialogue and an exchange of experiences between Europe and Africa, the Banco de Portugal was invited to participate on the speakers’ panel, together with the European Central Bank, the Bank Al-Maghrib, the Central Bank of Nigeria and the Bank of Tanzania. The discussion was held in English with simultaneous interpretation into Portuguese and French. The meeting reflected on the risks and challenges of the current context and the approaches used by supervisors during the crisis, including the need to adapt their banking conduct supervisory tools to the new context.

Within the framework of financial training, the OECD International Network on Financial Education (OECD/INFE) has incorporated the study of the impacts of the pandemic into its agenda, assessing to what extent and how financial training can contribute as an answer to the crisis.

At the half year meetings held in May, it promoted a wide ranging discussion on the consequences of the pandemic for consumers of financial products and created a working group (Workstream on the consequences of the COVID 19 pandemic and on financial resilience) to conduct a survey of the measures adopted by different countries and set best practices. This survey allows the importance of boosting personal finance training courses and campaigns to disseminate the exceptional support measures for households to be identified, as well as digital financial education campaigns to prevent fraud, taking into account the risks arising from the widespread use of virtual communication. The OECD/INFE has also prepared a policy note which aims to support national authorities in managing the financial impacts of the pandemic on the elderly³⁰. The OECD has also published an infographic³¹ identifying a series of initiatives that national authorities can take to strengthen household resilience. These initiatives include campaigns to raise awareness among citizens on how to mitigate the impact of the pandemic on their personal finances.

The work of the G20/Global Partnership for Financial Inclusion (G20/GPFI), under the rotating presidency of Saudi Arabia this year, began to incorporate the effects of the pandemic crisis on consumers into concerns about financial inclusion, particularly on the most vulnerable. This year’s reports are an example of this exercise, notably those dedicated to digital financial inclusion of young people³² (prepared by the OECD), women³³ and the innovative digital funding of Small and Medium Enterprises³⁴, which served as the basis for the G20 High Level Policy Guidelines on Digital Financial Inclusion for Youth, Women, and SMEs³⁵.

30. Strengthening seniors’ financial well being throughout the COVID 19 crisis and its aftermath, <https://www.oecd.org/financial/education/Senior-financial-well-being-Covid-19.pdf>.

31. https://read.oecd-ilibrary.org/view/?ref=129_129607-awwyjpbwh4&title=Supporting-the-financial-resilience-of-citizens-throughout-the-COVID-19-crisis

32. Advancing the Digital Financial Inclusion of Youth, <http://www.oecd.org/daf/fin/financial-education/advancing-the-digital-financial-inclusion-of-youth.pdf>.

33. Advancing Women’s Digital Financial Inclusion, https://www.gpfi.org/sites/gpfi/files/sites/default/files/saudig20_women.pdf.

34. Promoting Digital and Innovative SME Financing, https://www.gpfi.org/sites/gpfi/files/saudi_digitalSME.pdf.

35. G20 High Level Policy Guidelines on Digital Financial Inclusion for Youth, Women, and SMEs, https://www.gpfi.org/sites/gpfi/files/saudiG20_youth_women_SME.pdf.



II Supervision of financial institutions

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

1 Basic bank accounts

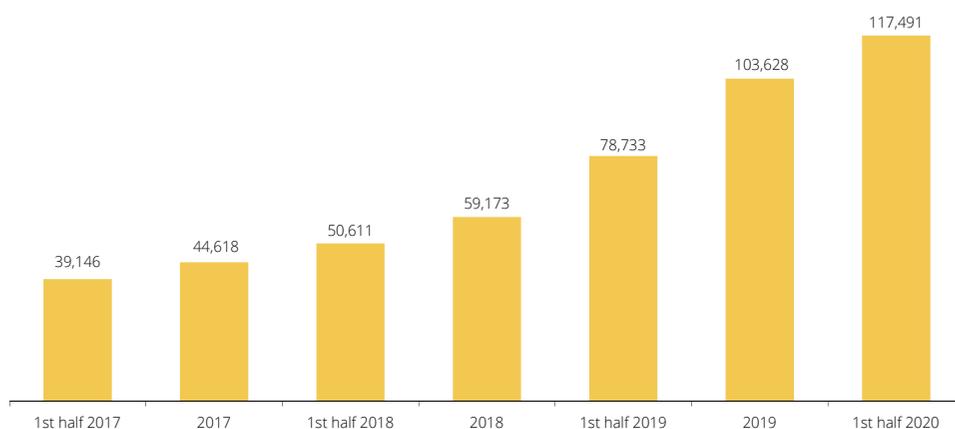
1.1 Developments in the number of accounts

As at 30 June 2020, 117,491 BBAs were open, an increase of 13.4% from the end of 2019 (13,863 new accounts) and 49.2%, from the end of the first half of 2019 (38,758 new accounts).

In the first half of 2020, 15,529 BBAs were opened. In 78.5% of cases, BBAs had been switched from an existing current account (80.4% in 2019). The remaining 21.5% corresponded to new BBAs opened (compared to 19.6% in 2019).

In the first half of 2020, 1,666 BBAs were closed, 1,420 of which on the customer's initiative (85.2%) and 246 on the institution's own initiative (14.8%). BBAs were closed on the institution's own initiative mainly owing to the fact that the account holder owned other current accounts, had ceased to be a legal resident in the European Union, had died, or the customer had failed to provide the documents needed to prove their identification¹.

Chart II.1.1 • BBAs | Developments in the number of accounts | 2017 – 1st half of 2020 (end-of-period figures)



Source: Banco de Portugal.

1. The reasons for closing the accounts are listed in Article 5(1)(a to e) of Decree-Law No 27-C/2000 of 10 March 2000.

Chart II.1.2 • BBAs | Accounts opened and closed | 1st half of 2020



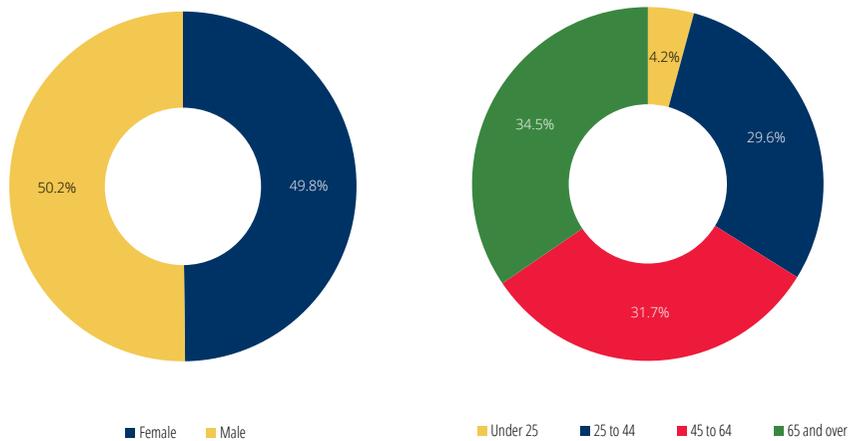
Source: Banco de Portugal.

In the first half of 2020, 865 accounts were opened, held by natural persons either over 65 years of age or disabled to a degree of 60% or more, co-held by individuals that owned other current accounts (5.6% of total accounts opened). At the end of the first half of the year, there were 5,302 co-held BBAs with these features (4.5% of the total).

During the same period, 158 BBAs were opened by co-holders of another BBA (with a natural person either over 65 years of age or disabled to a degree of 60% or more). At the end of the year, there were 1,313 BBAs whose holders held another BBA.

The 15,529 BBAs opened in the first half of 2020 were fairly evenly distributed between male (50.2%) and female customers (49.8%). The primary holders of most accounts opened during this period (61.3%) were aged between 25 and 64. Persons over 65 years of age were the holders of more than one-third of the BBAs opened in 2019 (34.5%). In contrast, young people aged under 25 used these services the least (4.2%).

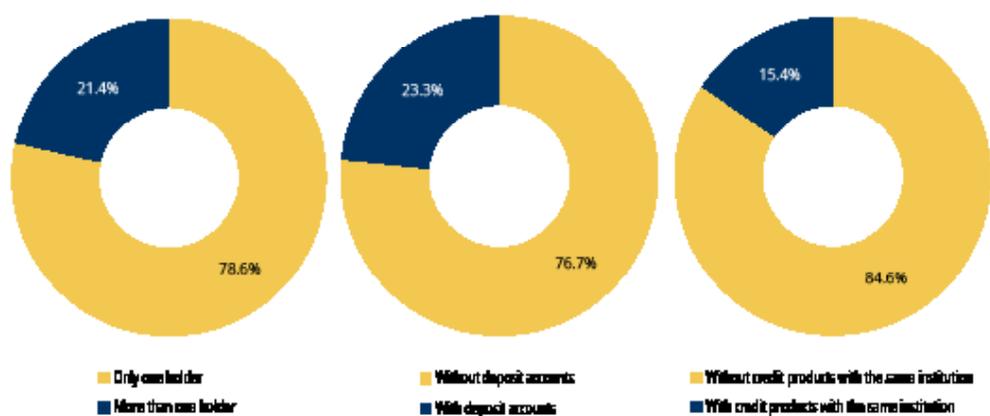
Chart II.1.3 • BBAs | Breakdown of accounts, by gender and age | 1st half of 2020



Source: Banco de Portugal.

Of the 117,491 BBAs open at the end the first half of 2020, 21.4% had more than one holder (19.9% in 2019). At the end of the first half of the year, 23.3% of BBAs were owned by holders of time deposits (21.1% in 2019) and 15.4% were owned by holders of credit products (14.9% in 2019).

Chart II.1.4 • BBAs | Breakdown of accounts | 1st half 2020



Source: Banco de Portugal.

Similarly to 2019, 90.2% of existing BBAs at the end of the first half of 2020 were held with five institutions.

Table II.1.1 • BBAs | Number of accounts, by institution | 1st half of 2020

Institution	Per cent
A	44.3%
B	16.3%
C	11.6%
D	10.0%
E	8.0%
Remaining 99 institutions	9.8%
Total	100.0%

Source: Banco de Portugal.

To provide BBAs, credit institutions may not charge fees, expenses or other charges which together exceed in a year 1% of the value of the Social Support Index (IAS), i.e. €4.38 according to the value of the IAS in 2020.

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

Fees charged by credit institutions for the maintenance of BBAs can be found in the Fees Comparator available on the Bank Customer Website². Customers may also obtain information on the cost of BBAs in the fees and expenses leaflet of credit institutions.

1.2 Inspections

In the first half of 2020, the Banco de Portugal continued to pay particular attention to monitoring compliance by institutions with the obligations to disclose information on BBAs to customers and how they make BBAs available.

Credit institutions providing BBAs are required to give natural persons who hold current accounts the possibility of switching them to a BBA and on how this may be achieved.

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

In order to assess compliance by the institutions with these duties in the first half of 2020, the Banco de Portugal has requested that all institutions selling BBAs provide information proving compliance.

Table II.1.2 • BBAs | Off-site inspections on provision of information | 1st half of 2020

Topics	Type	Entities covered
Information in statements on switching to a BBA	Off-site	104
Provision of the information document on BBAs	Off-site	104

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

In the inspections carried out, the Banco de Portugal assessed compliance by institutions with the following:

- **Provision of information to customers in the current account statement on the possibility of switching to BBAs**, checking whether the institutions informed their customers of this right in the first current account statement issued in 2020, in compliance with the requirements set out in the applicable regulations.

For the purposes of this assessment, the credit institutions are required to provide copies of account statements sent to customers and information on the channel used for sending the statement: mail, email, home banking or app.

The analysis of the 104 credit institutions made it possible to identify five institutions that did not provide the required information to all customers. In addition, five institutions did not comply with the requirements for the provision of the information in the statement, in particular with regard to the minimum font size required.

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

- **Providing customers with the information document on BBAs**, checking whether the institutions provided this document together with the first current account statement issued in 2020 and whether the document provided complied with the template set out in the applicable regulations³.

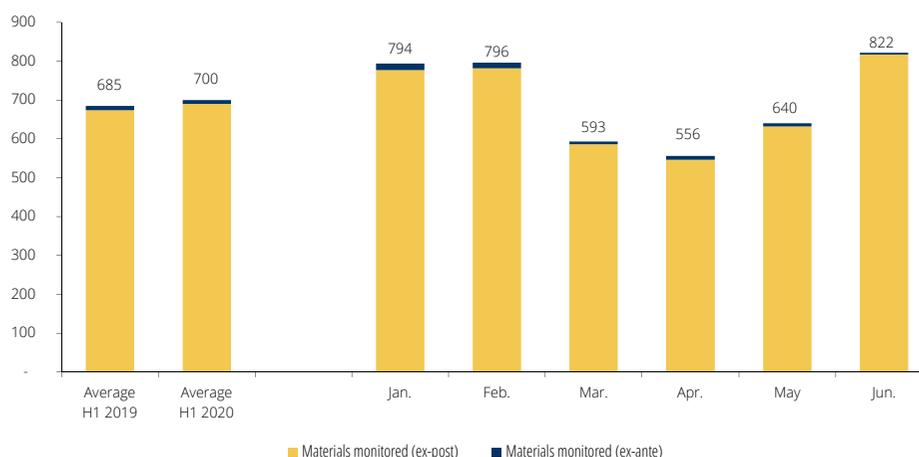
Following this assessment, three institutions were found not to have provided the information document on BBAs to some of their customers, while the information document on BBAs provided by two institutions did not comply with said template.

2 Advertising

2.1 Materials analysed

The Banco de Portugal analysed 4,201 advertising materials for banking products and services, and the institutional advertising of 48 institutions in the first half of 2020. 93 advertising materials more than in the same period of 2019 were analysed, corresponding to a 2% increase. The increase in the number of advertising materials analysed during the first half of 2020 took place despite the impact of the COVID-19 pandemic, due to the strong growth in the advertisement of banking products and services marketed through digital channels.

Chart II.2.1 • Advertising | Number of advertising materials monitored | 1st half of 2019 – 1st half of 2020



Source: Banco de Portugal. | Note: In the first half of 2020, 4,201 advertising materials were analysed, of which 61 were for structured deposits.

Of the materials analysed, 4,087 (97.3%) were monitored by the Banco de Portugal following their public disclosure by the institutions (ex-post). The remaining 114 materials (2.7%) were monitored before their disclosure, 53 (1.3%) of which following requests for prior opinion sent by credit

3. Notice of the Banco de Portugal No. 1/2018.

institutions and 61 (1.5%) were advertising materials for structured deposits, which are subject by law to prior approval by the Banco de Portugal.

The 2% year-on-year increase in the number of materials analysed was chiefly due to advertising for revolving credit, more specifically credit cards (+12%), and simple bank deposits (+150%). These increases more than offset the reductions in personal loan (-24%), multi-product (-41%) and home loans and mortgage credit campaigns (-40%).

In the first half of 2020, credit cards continued to be the most advertised banking product (45%), followed by personal loan (17%) and car loan products (7%). In turn, institutional advertising, not focused on any specific product or service, corresponded to 13% of total materials analysed.

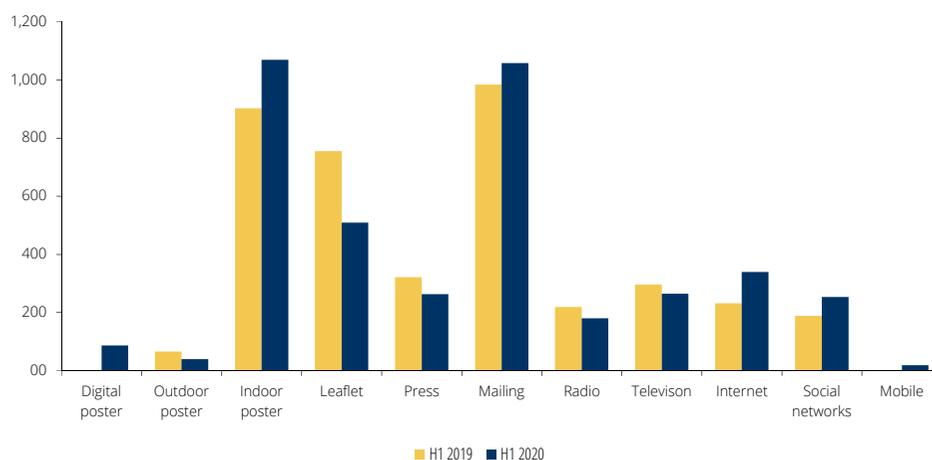
Table II.2.1 • Advertising | Advertising materials analysed, by type of product
| 1st half of 2019 – 1st half of 2020

Scope	H1 2019		H1 2020		Change
	Number	Weight	Number	Weight	
Products and services	3,590	85%	3,668	87%	2%
Consumer credit	2,895	69%	2,949	70%	2%
Credit card	1,673	40%	1,882	45%	12%
Personal loans	916	22%	695	17%	-24%
Car loans	271	6%	305	7%	13%
Overdraft facility	18	0%	11	0%	-39%
Bank current accounts	0	0%	5	0%	-
Credit line	17	0%	51	1%	200%
Home loans and mortgage credit	115	3%	69	2%	-40%
Bank deposits	116	3%	186	4%	60%
Simple deposits	50	1%	125	3%	150%
Structured deposits	66	2%	61	1%	-8%
Multi-product	196	5%	115	3%	-41%
Corporate credit	143	3%	190	5%	33%
Payment services	125	3%	159	4%	27%
Institutional	518	12%	533	13%	3%
Total	4,108	100%	4,201	100%	2%
Memo item					
Offering of products and services through digital channels	35	0.9%	279	6.6%	-

Source: Banco de Portugal.

Amid the COVID-19 pandemic lockdown, which marked part of the first half of the year, campaigns promoting retail banking products and services marketed through digital channels gained considerable momentum. The weight of these advertising materials rose from 0.9% in the first half of 2019 to 6.6% in the first half of 2020, while the number of institutions involved in those campaigns went up from 8 to 18.

Chart II.2.2 • Advertising | Advertising materials analysed ex-post, by type | 1st half of 2019 – 1st half of 2020

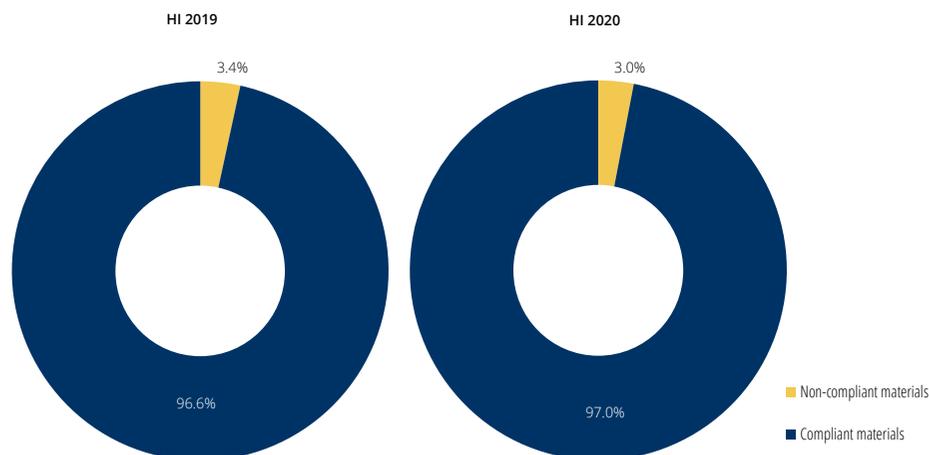


Source: Banco de Portugal. | Note: Data on advertising disseminated using digital posters (permanent materials in digital form used in stores) and the mobile channel, made available via an app, are now presented separately from the first half of 2020 onwards, as a result of their growing importance.

Changes were also made to materials used by institutions to disseminate advertisements. Compared to the same period in the previous year, there was a marked decrease in the use of leaflets usually distributed at the branches/offices of institutions and credit intermediaries as well as recourse to mass media materials, such as press, radio and TV advertisements. However, advertising disseminated through digital channels increased, more specifically online and in social networks. The number of indoor posters also grew, although mostly in January, February and June.

2.2 Materials changed

Chart II.2.3 • Advertising | Percentage of advertising materials with irregularities
| 1st half of 2019 – 1st half of 2020

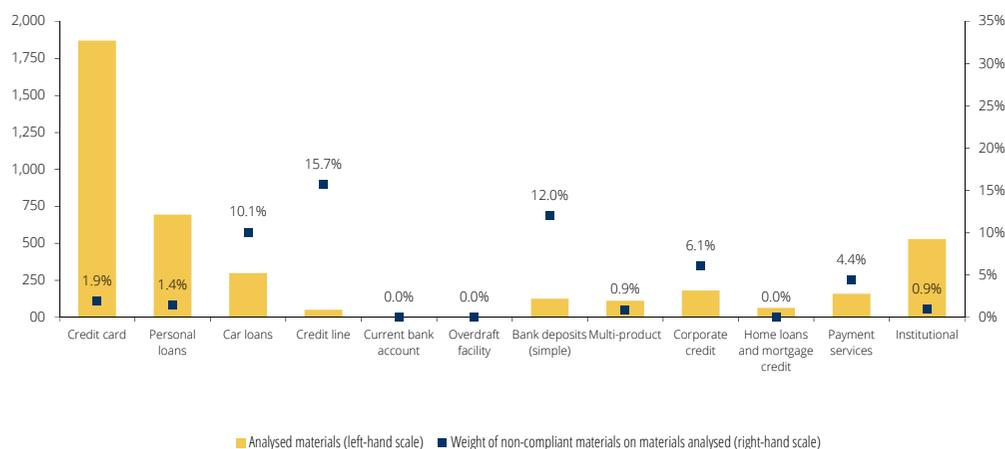


Source: Banco de Portugal.

In the first half of 2020, the ex-post analysis of advertising materials resulted in the identification of irregularities in 124 advertising materials of 21 institutions, corresponding to 3% of total materials analysed ex-post (3.4% in the first half of 2019).

Advertising materials for credit lines (15.7%), bank deposits (12%) and car loans (10.1%) posted the highest non-compliance rate. The irregularities most frequently detected in this type of materials were the absence of prominent compulsory information, namely the measure of the cost of credit (APRC) in the case of credit lines, access conditions and restrictions to the pre-specified interest rate in the case of deposits, and the maturity and amount of funding, in the case of car loans.

Chart II.2.4 • Advertising | Percentage of advertising materials with irregularities, by type of product | 1st half of 2020

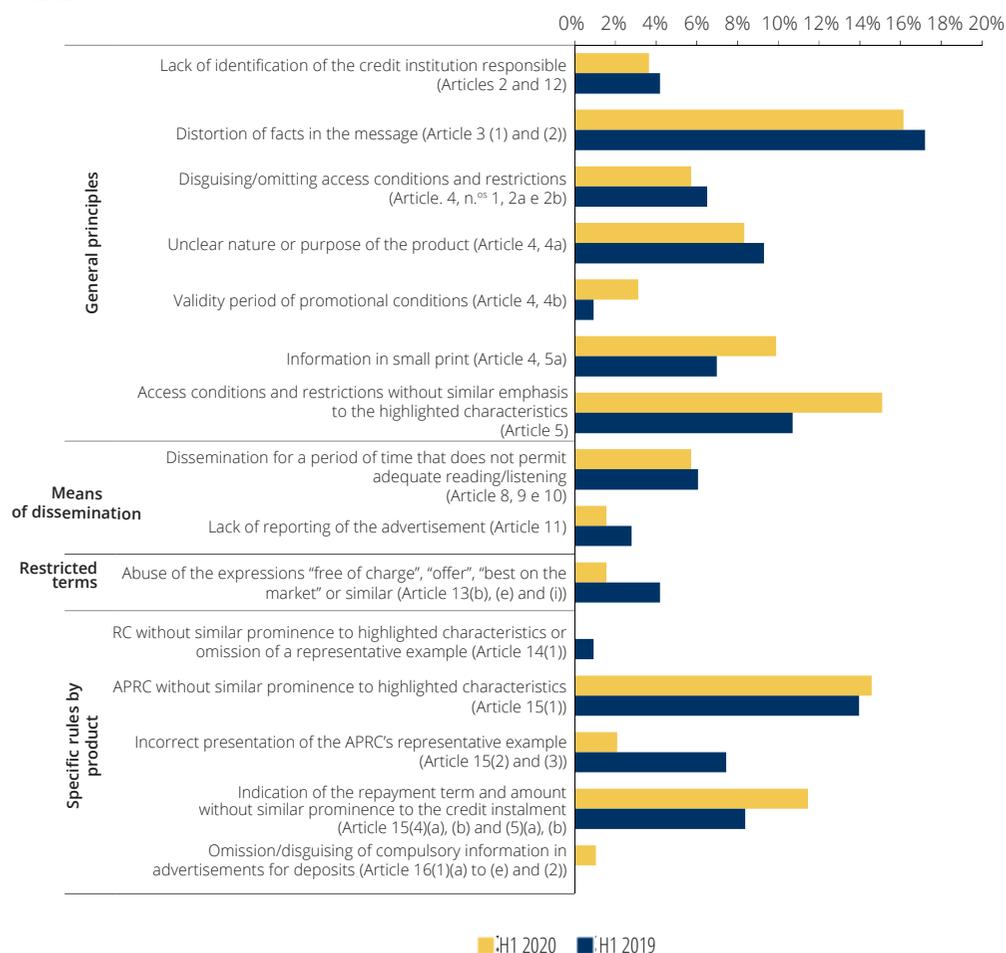


Source: Banco de Portugal.

In the first half of 2020, the irregularities most frequently detected by the Banco de Portugal were associated with the presentation of incorrect and/or incomplete information on products and their characteristics, leading to the misrepresentation of facts in the advertisement. Another frequently detected irregularity was the provision of mandatory information in advertising banking products and services without similar emphasis given to the characteristics highlighted by institutions in the materials used. There was a notable absence of prominent compulsory information on consumer credit products, namely the APRC, access conditions and restrictions on highlighted characteristics, the repayment term and amount. The presentation of information in small print was also a frequent irregularity.

Compared with the first half of 2019, there was a higher prevalence of irregularities associated with the absence of prominent compulsory information (particularly as regards access conditions and restrictions and the repayment term and amount) and excessively small print. Irregularities associated with the incorrect representative example of the APRC for consumer credit products and the misuse of restricted terms decreased in the first half of 2020.

Chart II.2.5 • Advertising | Non-compliance with Notice No 10/2008 | 1st half of 2019 – 1st half of 2020



Source: Banco de Portugal.

3 Current accounts

3.1 Inspections

3.1.1 Statement of fees

Every January, credit institutions are obliged to provide their customers with the statement of fees in a format standardised at European level, as defined by the European Commission. This document contains the fees charged in the previous year for services linked to payment accounts, such as current accounts⁴.

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

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

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

The Banco de Portugal monitored 121 institutions for compliance with the requirement to send the statement of fees to all its customers, namely the information provided on commissions charged, service packages, interest charged and paid on the account. The Banco de Portugal also assessed the way in which 108 institutions that use digital channels to provide the statement of fees (email, homebanking or app) have adopted the best practices published at the end of 2019.

Table II.3.1 • Current accounts | Off-site inspections on the statement of fees
| 1st half of 2020

Topics	Modality	Entities covered
Provision of the statement of fees to customers	Off-site	121
Template and requirements for the statement of fees	Off-site	121
Availability of the statement of fees via digital channels	Off-site	108

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

4. Decree-Law No 107/2017 of 30 August 2017, transposing the Payment Accounts Directive.

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

- **Distribution of the statement of fees in January to all customers with current accounts.**

The statement of fees must be sent out for all current accounts held by customers, consumers or not, during the preceding year, including accounts that were closed during that year, those which registered no transactions over that period and those where no interest or fee was charged for the services provided.

Three credit institutions were identified that did not send the statement of fees to all customers with a current account, namely corporate customers and those whose accounts had been closed during the course of 2019. A further five institutions sent the statement of fees to their customers outside the legally permitted time limit of the month of January.

- **The information provided to customers in the statement of fees**, having analysed whether the institutions respected the format defined by the European Commission and requirements for completing the statement of fees⁵, especially in terms of the information relating to fees charged and the use of the common identification symbol of the information document.

All the institutions assessed adopted the harmonised model in the statement sent to their customers. Notwithstanding, 120 institutions that issued the annual statement of fees using the prescribed template provided information that did not rigorously respect the applicable requirements.

- **Availability of the statement of fees through digital channels**, having analysed whether the institutions adopted the best practices disclosed at the end of 2019 for the purpose.

97 institutions were identified that did not fully adopt the best practices disclosed by the Banco de Portugal for the availability of the statement of fees through digital channels.

During the inspection of the statement of fees, the Banco de Portugal also assessed whether all the institutions had correctly adopted the **harmonised terminology for the identification and designation of the most representative services associated with payment accounts**.

Note that in 2018, aiming to promote greater transparency and comparability of fees charged, the Banco de Portugal defined a list of the 13 most representative services associated with payment accounts and harmonised the terminology that the institutions are required to use when providing information on the fees associated with these services⁶. These most representative services include, for example, account maintenance and provision of a debit card.

Table II.3.2 • Current accounts | Off-site inspections on harmonised fees terminology
| 1st half of 2020

Topics	Modality	Entities covered
Use of harmonised terminology	Off-site	121

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

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

6. Instruction of Banco de Portugal No 11/2018.

As a result of this assessment, 26 institutions were identified that did not fully adopt the harmonised terminology to identify and designate the services linked to the fees charged.

3.1.2 Current account statement

Within the scope of inspecting the offering of minimum banking services, the Banco de Portugal also assessed whether the 104 institutions that provide the service complied with the obligation to send customers a current account statement, in accordance with the applicable rules.

Table II.3.3 • Current accounts | Off-site inspections on current account statement | 1st half of 2020

Topics	Modality	Entities covered
Remittance of current account statement	Off-site	104

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

In the inspections carried out, the Banco de Portugal analysed specifically whether the current account statements contained information on the debit and credit entries undertaken on the accounts and whether the institution made the statements available on a monthly basis, except when there were no transactions on the account, respecting an annual minimum frequency.

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

4 Structured deposits

4.1 Analysis of the Key Information Document (KID)

The institutions that offer structured deposits are required to notify the Banco de Portugal of their respective KIDs at least two working days prior to the date of their intended offering to the public. The Banco de Portugal checks the KIDs' compliance with the legal requirements in force as well as the accuracy of the quantitative information presented, such as the risk and cost indicators and the performance scenarios. After the validation process has been completed, the KIDs that observe the applicable legal and regulatory requirements are published on the Bank Customer Website.

In the first half of 2020, the Banco de Portugal assessed the KIDs of 29 structured deposits, 35.6% fewer than in the first half of 2019, reflecting the ongoing decrease in this market's supply since 2016. These deposits were offered by six credit institutions during the first half of 2020.

Table II.4.1 • Structured deposits | Monitoring of pre contractual information documents
| 1st half of 2019 – 1st half of 2020

Deposit type	HY1 2019		HY1 2020	
	Submitted	Entities covered	Submitted	Entities covered
Structured	45	6	29	6

Source: Banco de Portugal.

4.2 Paid yield monitoring

The Banco de Portugal also monitored the yields of this type of deposits that matured in the first half of 2020, namely by confirming the market values of the assets underlying each deposit calculated by the institutions and their appropriate application according to the calculation method as indicated in the corresponding pre contractual information document.

As a result of this monitoring, the yields for 57 matured deposits were disclosed on the Bank Customer Website.

Table II.4.2 • Structured deposits | Yields monitored | 1st half of 2019 – 1st half of 2020

Deposit type	HY1 2019		HY1 2020	
	Matured	Entities covered	Matured	Entities covered
Indexed	75	8	9	4
Dual	20	2	6	2
Fixed component	-	-	-	-
Index linked component	20		6	2
Structured	3	1	42	8
Total	98	11	57	10

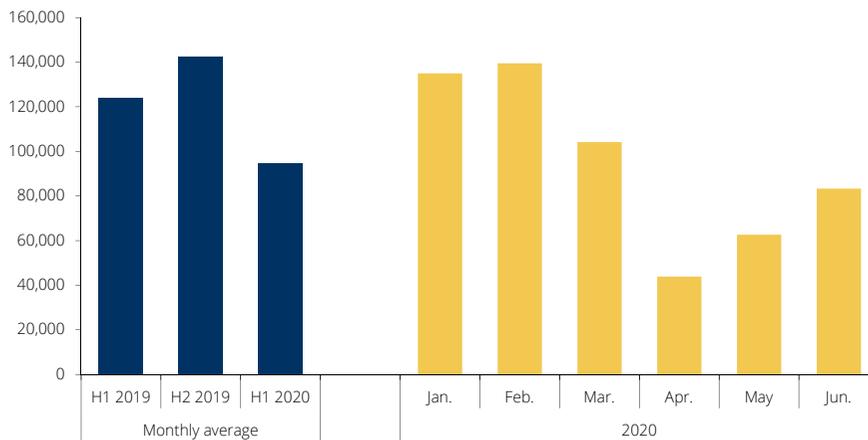
Source: Banco de Portugal.

5 Consumer credit

5.1 Evolution of new agreements

The credit institutions report monthly information to the Banco de Portugal on the characteristics of new consumer credit agreements entered into the previous month. This information allows the Banco de Portugal to classify the agreements by credit segment, i.e. personal loans, car loans and revolving loans, and to carry out a first assessment of institutions' compliance with the APRC upper limits⁷.

Chart II.5.1 • Consumer credit | Number of agreements reported | 1st half of 2019 – 1st half of 2020



Source: Banco de Portugal. | Note: The total number of agreements reported in the first half of 2020 is 568,506.

In the first half year, this assessment covered 568,506 consumer credit agreements reported by 55 institutions. Against the background of the COVID 19 pandemic, the number of new consumer credit agreements entered into in this period decreased by 23.5% from the first half of 2019.

In the first half of 2020, when checking the information reported by credit institutions, irregularities were detected in 18 agreements from two institutions with indications of non compliance with the APRC upper limits. Additional information on these agreements for assessment was requested immediately.

7. The information reported by the institutions is also used by the Banco de Portugal for the quarterly calculation of the APRC upper limits applicable to each consumer credit segment.

5.2 Inspections

In the first half of 2020, an inspection was carried out that covered 18 institutions offering credit products to consumers. This inspection aimed at monitoring the information disclosed on those institutions' websites on personal loans and car loans.

Following the compliance assessment with the Banco de Portugal's recommendations for the offering of products and services through digital channels, covering the information provided by these institutions on personal and car loans in their customers' restricted access areas, this monitoring also focused on information provided to customers about these credit products in the unrestricted access areas of their websites.

Table II.5.1 • Credit moratoria | Off site inspections of websites | 1st half of 2020

Topics	Modality	Entities covered
Personal loans and car loans	Off site	18
Availability of general information on the website		
Information provided on the cost of credit		
Cost financing by customer's choice		
Optional purchase of other products and services		
APRC calculation		

Source: Banco de Portugal.

During the inspection, the Banco de Portugal assessed:

- **The availability of general information** on the personal and car loans offered, analysing whether such information allows the bank customer to properly understand the characteristics of the products concerned, including the identification of their typology or purpose, as well as the channels through which they are offered.

It also monitored whether the terms and abbreviations used to provide such general information are duly explained in a glossary of terms and references, in explanatory notes (using tooltips or another equivalent mechanism) or in frequently asked questions (FAQs).

In situations where there is a reference to available information on other webpages, it also assessed whether the use of hyperlinks does not fragment product information, whether the customers are directly directed to the relevant page, and whether hyperlinks are easily identifiable and consistently displayed.

The analysis has led to the conclusion that five inspected institutions should reinforce the general information on the credit products concerned that they provide in the unrestricted access areas of their websites. Among other situations, it was found that the information provided did not appropriately specify the characteristics of the credit products concerned and that the bank customer was not aware of possible different costs associated with the credit products based on the credit category to which those products belong. Additionally, situations were also identified where the abbreviations used to provide general information (such as those corresponding to ANR, APRC and the total amount payable by the consumer) were not explained.

- The information provided on the cost of credit, analysing whether the information contained in the summary of the credit simulation and the representative example clearly and prominently details the financial conditions applicable to the credit products, particularly the intended amount, the instalment amount, the period of financing, the ANR, the APRC and the total amount payable by the consumer, as well as any fees and commissions and expenses included in the APRC.

The information on the cost of credit provided by seven institutions was found to be insufficient, mainly because of non inclusion of information on APRC incorporated fees and commissions and expenses in the simulation summary provided or in the representative example presented to the customer.

- The way in which the customer is offered **financing to meet the credit related charges**, namely insurance, fees and commissions, taxes and other costs, by checking whether such financing is optional and is the result of an express choice by the customer, with any situations where this option is selected by default not being accepted.

The analysis showed that two of the inspected institutions assumed by default, that the customer intended to obtain financing for the credit related charges and expenses, by presenting their customers the option already selected.

- The way in which the customer is presented with the possibility of **purchasing products and services in association with the credit agreement**, by assessing whether the optional nature of such a purchase was clear to the bank customer and whether it results from the customer's express choice. Any situations where this option is selected by default are deemed unacceptable as is the use of non uniform graphics, such as font size, colour and emphasis that may induce the customer to choose a particular option.

Incorrect practices have been found in five institutions with regard to the offering of insurance in association with credit agreements. Situations were detected where the customer could not move forward in the credit simulation without including the financing of insurance related charges in the simulated transaction, as well as cases where the option to purchase insurance was selected by default. Situations were also identified where the checkboxes used to signal interest in entering into an insurance contract showed non uniform colours and highlights that were likely to induce the customer to purchase an insurance contract.

- **The APRC of each personal loan and car loan product presented on the websites**, by monitoring whether it reflected the total cost of credit to the consumer, considering all the assumptions associated with each type of credit, and if the APRC upper limit set for the respective credit categories was observed.

The analysis allowed irregularities to be identified in three institutions, with situations where the APRCs contained in the representative examples did not reflect the total cost of credit to the consumer, as well as cases where the result of the credit simulation could lead to the application of an APRC above the current upper limit.

5.3 Monitoring offerings through digital channels

The Banco de Portugal continued to monitor the offering of retail banking products and services through digital channels during the first half of 2020.

Among the initiatives developed in this period, particular emphasis should be given to the publication of a series of recommendations the institutions are to follow when offering retail banking products and services (namely bank deposits, credit products, payment services and electronic money) through digital channels (online or mobile).

This initiative incorporates the EBA's recommendations on the transparency of information provided to consumers buying financial services through digital channels⁸ and systematises the good practices that the Banco de Portugal has addressed to supervised institutions as part of its banking conduct supervisory tasks.

With these recommendations, the Banco de Portugal intends to materialise how institutions should ensure compliance with the obligations they are subject to in the offering of retail banking products and services through digital channels, whilst it does not intend to extend or replace the legal and regulatory framework which specifically applies to the conduct of the institutions.

This initiative was subject to public consultation between 16 March and 30 April 2020. Following the analysis of the contributions received within that consultation, the Banco de Portugal publicly disclosed the recommendations on July 8 through Circular Letter of the Banco de Portugal No CC/2020/00000044.

At the same time, the Banco de Portugal carried out ex ante supervisory activities on the processes for offering credit products to consumers through digital channels. On the basis of the information reported by the institutions⁹, in the period under review, the Banco de Portugal examined the credit offering processes for two products related to personal loans and one product related to car loans.

These credit offering processes were checked for compliance with the applicable rules and the good practices that have been disseminated on the offering of consumer credit agreements through digital channels. The analyses covered the various stages of the signing up process, with a particular focus on compliance with the information and assistance obligations to consumers and the mechanisms for the proper exercise of their rights of withdrawal and early repayment. The way in which customers confirm their willingness to enter into an agreement was also assessed.

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

9. Circular Letter of the Banco de Portugal CC/2018/00000004 – “Supply of information to the Banco de Portugal on the sale of consumer credit products via digital channels”.

Table II.5.2 • Consumer credit | Inspections of consumer credit offerings through digital channels by topic | 1st half of 2020

Topics	Modality	Entities covered
Consumer credit in digital channels	Off site	82
Pre contractual and contractual information obligations		
Obligation to provide assistance		
Creditworthiness assessment		
Cost financing by customer's choice		
Optional purchase of other products and services		
Right of withdrawal from the contract		
Early repayment		
Robust methods to confirm bank customers' willingness to enter into an agreement		

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

During the inspections, the Banco de Portugal assessed:

- Compliance with **pre contractual and contractual information obligations** as provided for in the applicable legal and regulatory rules.

Among other aspects, it examined whether the method and the moment when pre contractual information is provided to the customers enable them to duly consider this information when deciding on entering into an agreement. It was also checked whether the SIS includes the preferences expressed by the customer and whether it is possible for the customer to ask for a free copy of the draft agreement. The credit offering process was also checked for mechanisms that allow customers to properly view and read pre contractual and contractual documents and whether it ensures that they cannot enter into the contract before scrolling down the entire information to the very end.

The analysis of one of the personal credit offering processes enabled the detection of pre set amounts presented at their maximum amount in the credit simulator and the use of expressions such as “pre approved”, “pre accepted” or “pre assessed” during the signing up process.

- Compliance with the **obligation to provide assistance**, by examining the means available to clarify the doubts of bank customers. It also analysed whether the information provided on the credit signing up process in the digital channel makes it possible for customers to distinguish the different stages in the process and any items of information items required.

The analysis has led to the conclusion that the information provided by the institutions and the available means to clarify any doubts ensured compliance with the obligation to provide assistance to bank customers.

- The use of indirect methods to calculate revenue and expenditure within bank customers' **creditworthiness assessments**, by checking whether these estimates are used for entering into a credit agreement of an amount equal to or lower than the equivalent to tenfold the guaranteed monthly minimum wage.

It also assessed compliance with the obligation to inform the customer about the grounds for refusing the credit, where such a refusal is based on information obtained from databases, namely credit liabilities databases.

As a result of the analysis, it was concluded that the institutions' conduct complied with the applicable legal and regulatory provisions.

- The way in which the customer is offered **financing to meet the credit related charges**, namely insurance, fees and commissions, taxes and other costs, by checking whether such financing is optional and is the result of an express choice by the customer, with any situations where this option is selected by default not being accepted.

This analysis made it possible to verify that financing credit related charges was only granted following the customer's freely expressed choice.

- The way in which the customer is presented with the possibility of **purchasing products and services in association with the credit agreement**, by assessing whether the optional nature of such purchases was clear to the bank customer and whether it results from the customer's express choice.. Any situations where this option is selected by default are deemed unacceptable as is the use of non uniform graphics, such as font size, colour and emphasis that may induce the customer to choose a particular option.

The processes analysed led to the conclusion that the purchase of products and services in association with credit resulted from a freely expressed choice made by the customer.

- The mechanisms made available to the bank customer for **exercising the right of withdrawal from the contract**, by checking whether the banking customer was granted the possibility to exercise this right through digital channels, in order to ensure that withdrawal from the contract may happen as accessibly and conveniently as entering into the contract.

The draft personal loan agreement made available within one of the reported signing up processes did not appropriately reflect the procedures and mechanisms available to the consumer for exercising the right of withdrawal from the contract.

- The mechanisms made available to the bank customer for **exercising the right of early repayment**, by checking whether the bank customer was given the opportunity to exercise this right through digital channels in order to ensure equal convenience both in the signing up and early repayment.

The available draft personal loan agreement within one of the reported signing up processes did not appropriately reflect the procedures and mechanisms available to the consumer to exercise the right of early repayment.

- The institutions' adoption of **robust methods to confirm the bank customers' willingness to enter into an agreement**, such as the qualified electronic signature, digital mobile key or requirement for two different security elements from the categories of knowledge, possession and inherence.

The analysis checked that the institutions were adopting solutions that provided robustness to the confirmation of bank customers' willingness to enter into an agreement.

5.4 Evolution of agreements included in OASPs

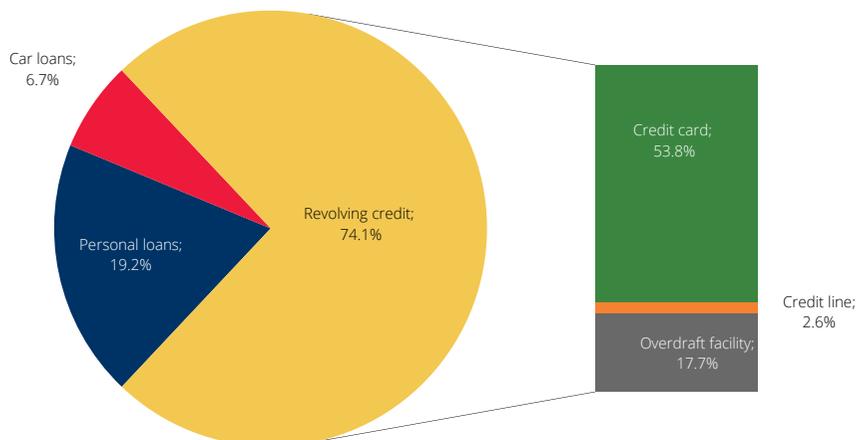
In the first half of 2020, institutions reported the opening of 359,731 out of court arrears settlement proceedings (OASPs) associated with consumer credit agreements to the Banco de Portugal, involving a total of 302,076 credit agreements and a total outstanding amount of €785.8 million. These agreements showed a default ratio of 8.7%.

Table II.5.3 • OASP | Consumer credit | Proceedings opened, under analysis and finalised | 2019 – 1st half of 2020

	Proceedings			Agreements ^(a)
	2019		2020	2020
	H1	H2	H1	H1
OASPs opened				
Number	318,304	310,053	359,731	302,076
Total amount (EUR million) ^(b)	-	-	-	785.8
Default ratio ^(c)	-	-	-	8.7%
OASPs under analysis^(d)				
Number	130,635	127,712	147,352	-
OASPs finalised				
Number	312,405	312,976	340,091	272,629
Total amount (EUR million)	-	-	-	726.9
Default ratio	-	-	-	8.9%
Of which:				
OASPs finalised with settlement of arrears ^(e)	139,813	133,553	139,646	-
Payment of amounts in arrears	129,563	122,738	128,070	-
Settlement agreement between the parties ^(f)	10,250	10,815	11,576	-
OASPs finalised with settlement of arrears/OASPs finalised	44.8%	42.7%	41.1%	-

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

Chart II.5.2 • OASP | Consumer credit | Distribution of agreements included in OASPs, by type of credit | 1st half of 2020



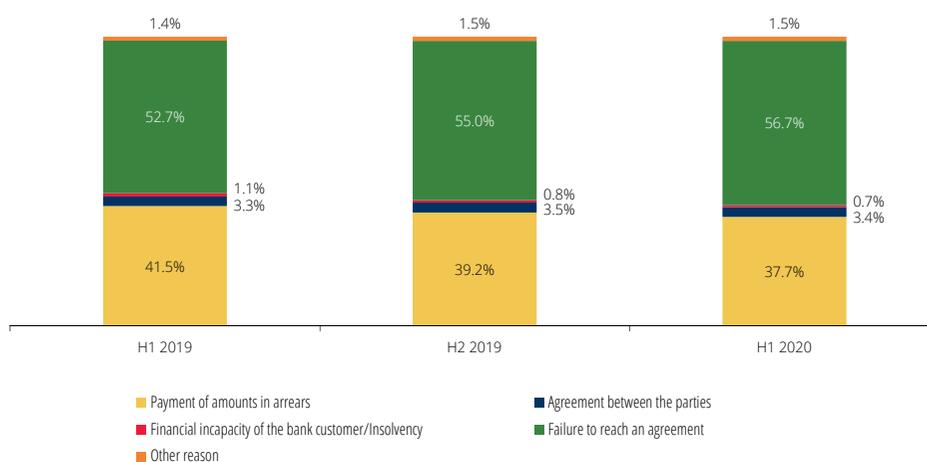
Source: Banco de Portugal.

The number of opened OASPs increased by 16% compared with the previous six months and 13% compared with the first half of 2019. These developments result mainly from the increase in proceedings included in OASPs between March and May 2020.

Most of the consumer credit agreements that were included in OASPs continued to be associated with revolving credit (about 74%), especially the debts resulting from the use of credit cards, accounting for more than half of the opened proceedings (53,8%). Personal loans and car loans accounted for 19.2% and 6.7% of the agreements included in OASPs respectively.

In the first half of 2020, a total of 340,091 OASPs were finalised, involving 272,629 consumer credit agreements, accounting for a total amount of €726.9 million. These agreements recorded a default ratio of 8.9%. At the end of June, 147,352 OASPs were under analysis or negotiation.

Chart II.5.3 • OASPs | Consumer credit | Reasons for cancellation | 2019 – 1st half of 2020



Source: Banco de Portugal.

The number of OASPs relating to consumer credit finalised with settlement of arrears increased in the first half of 2020, compared to the previous six months (4.6% more). However, the ratio of finalised proceedings with settlement of arrears was 41.1%, below the ratio observed in the second half of 2019 (42.7%). In turn, for more than half of the proceedings finalised in the first half of 2020 (56.7%) the default situation was not settled due to failure to reach an agreement between the parties, a higher share than in the second half of 2019 (55%).

In the first half of 2020, 37.7% of the consumer credit proceedings finalised with settlement of arrears resulted from the payment of amounts in arrears by the bank customer, a lower share than in the previous six months (39.2%). Nevertheless, the number of OASPs finalised following the payment of amounts in arrears increased by 4.3% compared to the previous six months.

The number of OASPs in which credit institutions and bank customers reached an agreement for settling situations arrears also increased in the first half of the year, compared to the previous six months (7% more).

Table II.5.4 • OASPs | Consumer credit | Solutions agreed in the finalised proceedings | 2019 – 1st half of 2020^{(a), (b)}

	2019				2020	
	H1		H2		H1	
	Number	Amount (EUR million)	Number	Amount (EUR million)	Number	Amount (EUR million)
Renegotiation of the credit agreement	8,000	4.8	9,053	4.3	9,905	18.6
Refinancing	1,131	8.4	864	6.8	784	5.5
Consolidation of loans	691	3.0	585	2.8	476	2.0
Additional loan for payment of instalments	407	2.9	301	2.0	393	1.9
Transfer in lieu of payment	17	-	20		19	-

Source: Banco de Portugal. | Notes: (a) This table presents the number of solutions agreed, with more than one solution per loan agreement. (b) The OASPs finalised with settlement of arrears in the first half of 2020 covered 11,107 consumer credit agreements.

The solution most frequently agreed between institutions and customers was the renegotiation of the credit agreement. In first half of 2020, a total of 9,905 OASPs led to the renegotiation of credit agreements, involving a total amount of €18.6 million. Among the terms renegotiated, the most notable were the deferral of payment of the principal until the last instalment (6,590 proceedings) and the extension of the repayment period (3,228 proceedings).

The second most common was debt refinancing (784 proceedings), followed by credit consolidation (476 proceedings).

Table II.5.5 • OASPs | Consumer credit | Renegotiated terms in the finalised proceedings
| 2019 – 1st half of 2020^{(a),(b)}

	2019		2020
	H1	H2	H1
Deferral of the principal until the last instalment	7,005	7,317	6,590
Extension of the repayment period	1,807	1,637	3,228
Grace period for principal (and/or interest)	169	141	1,194
Spread/interest rate	55	150	574
Other terms ^(c)	713	1,388	1,459

Source: Banco de Portugal. | Notes: (a) Renegotiations occasionally bring together more than one of the solutions indicated in this table. (b) The OASPs finalised with renegotiation in the first half of 2020 covered 7,466 consumer credit agreements. (c) This category covers, namely, payment plans for the settlement of late repayments, changes to the interest rate and changes in ownership. The options are reported in an aggregated way, meaning it is not possible to disaggregate the renegotiated terms included in this category.

6 Home loans and mortgage credit

6.1 Inspections

In the first half of 2020, an off-site inspection was conducted of all institutions offering home loans and mortgage credit. This off-site inspection monitored the information provided in the European Standardised Information Sheet (ESIS) and in agreements on credit cost measures (annual percentage rate of charge (APRC) and total amount of credit payable by the consumer). Special attention was given to the calculation of the APRC and the total amount of credit payable by the consumer when other products and services are associated with the loan, taking into account that reference cost measures upon being included in the agreement must not reflect the effect of cross-selling in the interest rate. This inspection also assessed the information on the APRC applied to home loans and mortgage credit that institutions report to the Banco de Portugal on an annual basis.

During the first half of 2020, inspections were conducted of two credit institutions, in order to monitor compliance with pre-contractual information requirements in the offering of home loans and mortgage credit agreements.

An off-site inspection was also carried out of the main institutions to assess compliance with periodic information obligations during the lifetime of home loans and mortgage credit agreements¹⁰.

10. Notice of the Banco de Portugal No 5/2017.

Table II.6.1 • Home loans and mortgage credit | Off-site inspections on information requirements | 1st half of 2020

Topics	Type	Entities covered
Home loans and mortgage credit	Off-site	
Pre-contractual information requirements		2
Information in the ESIS and in the agreement on the total amount of credit payable by the consumer and the APRC		103
Reporting on the APRC to the Banco de Portugal		103
Information provided during the lifetime of the agreement		5

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

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

- **Compliance with pre-contractual information requirements**, having analysed the general pre-contractual information available on the websites of the two institutions monitored, as well as full compliance with the ESIS information requirements as set out in the applicable legal and regulatory rules.

General pre-contractual information on home loans and mortgage credit agreements available on the websites of these institutions was found not to include all the mandatory elements and irregularities were detected in the ESIS provided to customers, namely non-compliance with the standardised information template, as well as omissions and inaccuracies in the information provided on the main characteristics of the loan, the annual nominal rate, the APRC and the instalment amount.

- **Information in the ESIS and in the agreement on the total amount of credit payable by the consumer and the APRC**, checking whether this information was consistent throughout the documents and whether the APRC was calculated correctly with or without cross-selling.

Several irregularities were detected in the information provided in the ESIS and in credit agreements by 12 institutions, namely omission of information on the total amount of credit payable by the consumer and the APRC, as well as failure to provide the respective reference values which must be calculated without reflecting the effect of optional cross-selling, i.e. the annual nominal rate used to calculate the cost of credit must not be reduced as a result of other products or services sold with the loan agreement.

- **Information on the APRC reported by institutions to the Banco de Portugal**, in particular information reported on the APRC applied to agreements included in the annual reporting by institutions.

Irregularities were identified in 17 institutions. Specifically, a number of these institutions were found not to have reported all credit operations, while others reported information on the APRC that did not correspond to the reference value, i.e. information that reflected the effect of optional cross-selling. Situations where the reported APRC did not correspond to the APRC applied to the home loan and mortgage credit operation included in the agreement were also identified.

- **Information provided to customers during the lifetime of home loans and mortgage credit agreements**, having assessed how frequently this information was provided and whether the

reporting requirements set out in the applicable rules were fulfilled, as well as specific rules on the provision of information where a borrower defaults on their loan.

There were instances of non-compliance in the five institutions inspected, with the highest number of irregularities involving the provision of specific information relating to defaults on credit agreements.

6.2 Developments in agreements incorporated under OASP

In the first half of 2020, institutions reported to the Banco de Portugal the initiation of 37,357 out-of-court arrears settlement procedures (OASPs) associated with home loans and mortgage credit agreements, involving 30,827 credit agreements and outstanding amounts totalling €1,449.1 million. These agreements had a default ratio of 1.4%.

Compared to the second half of 2019, the number of OASP proceedings initiated rose by 11.2%. This increase is mostly the result of developments in OASP proceedings from April 2020.

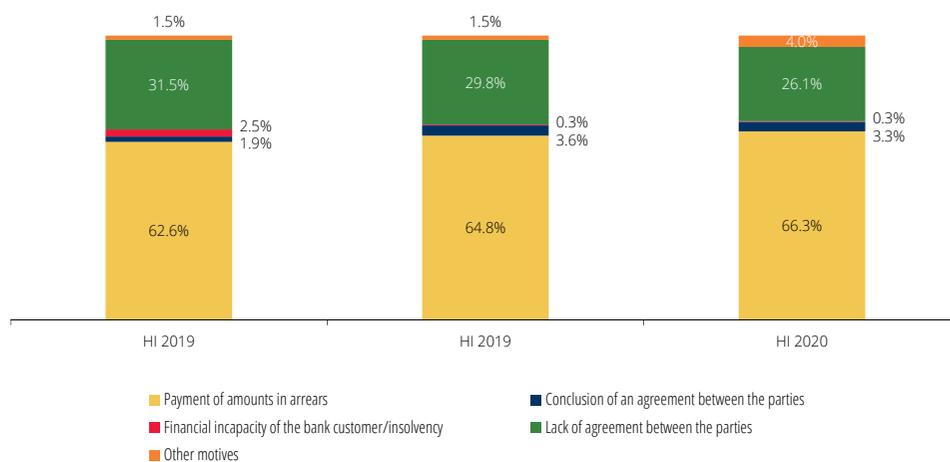
Table II.6.2 • OASP | Proceedings initiated, under analysis and concluded | Home loans and mortgage credit | 1st half of 2019 – 1st half of 2020

	Proceedings			Agreements ^(a)
	2019		2020	2020
	H1	H2	H1	
OASP proceedings initiated				
Number	37,888	33,609	37,357	30,827
Total amount (EUR millions) ^(b)	-	-	-	1,449.1
Default ratio ^(c)	-	-	-	1.4%
OASP proceedings under analysis^(d)				
Number	23,112	21,476	23,422	-
OASP proceedings concluded				
Number	36,783	35,245	35,411	26,708
Total amount (EUR millions)	-	-	-	1,271.7
Default ratio	-	-	-	1.6%
Of which:				
OASP proceedings concluded with settlement of arrears ^(e)	23,726	24,076	24,659	-
Payment of amounts in arrears	23,037	22,827	23,481	-
Conclusion of an agreement between the parties ^(f)	689	1,249	1,178	-
OASP proceedings concluded with settlement of arrears/OASP proceedings concluded	64.5%	68.3%	69.6%	-

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

In the first half of 2020, 35,411 OASP procedures were concluded, involving 26,708 home loans and mortgage credit agreements and an amount outstanding totalling €1,271.7 million. These agreements had a default ratio of 1.6%. At the end of June, 23,422 OASP proceedings were under analysis or negotiation.

Chart II.6.1 • OASP | Home loans and mortgage credit | Reasons for cancellation
| 2019 – 1st half of 2020



Source: Banco de Portugal.

Most OASP proceedings concerning home loans and mortgage credit concluded in the first half of 2020 led to the settlement of arrears (69.6%), a higher share than in the second half of 2019 (68.3%). The main reason given by credit institutions for closing OASP proceedings continued to be the payment of amounts in arrears¹¹ by bank customers (66.3% of proceedings closed in the first half of the year). The number of OASP proceedings closed after the payment of amounts in arrears by bank customers increased (by 2.9%, compared to the previous half-year).

The number of OASP proceedings concluded following an agreement between the institution and the bank customer declined by 5.7% from the previous half-year. In relative terms, in 3.3% of proceedings concluded in the first half of 2020, an agreement was concluded between the credit institution and the bank customer, slightly less than in the previous half-year (3.6%). In contrast, the share of OASP proceedings concluded because the parties failed to reach an agreement decreased (from 29.8% in the second half of 2019 to 26.1% in the first half of 2020).

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

Table II.6.3 • OASP | Home loans and mortgage credit | Solutions agreed in proceedings concluded | 2019 – 1st half of 2020^{(a),(b)}

	2019				2020	
	H1		H2		H1	
	Number	Amount (EUR millions)	Number	Amount (EUR millions)	Number	Amount (EUR millions)
Renegotiation of the credit agreement	650	13.4	1,201	10.7	1,051	9.4
Additional loan for payment of instalments	34	0.1	41	0.2	118	0.2
Consolidation of loans	0	0.0	0	0.0	4	0.0
Transfer in lieu of payment	10	-	4	-	4	-
Refinancing	3	0.1	8	0.4	3	0.1

Source: Banco de Portugal. | Notes: (a) This table presents the number of solutions agreed, where more than one solution may exist per loan agreement. (b) The OASP proceedings concluded with settlement of arrears in the first half of 2020 covered 951 home loans and mortgage credit agreements.

The renegotiation of agreement terms and conditions was the solution agreed on in 1,051 OASP proceedings, accounting for a renegotiated amount of €9.4 million. Particularly important among the terms renegotiated in these agreements was the introduction of grace periods for principal and/or interest (42 proceedings) and the extension of the repayment period (30 agreements).

Table II.6.4 • OASP | Home loans and mortgage credit | Renegotiated terms in proceedings concluded | 2019 – 1st half of 2020^{(a),(b)}

	2019		2020
	H1	H2	H1
Grace period for principal (and/or interest)	64	77	42
Maturity	40	43	30
Spread/interest rate	16	26	22
Deferral of the principal until the last instalment	32	28	15
Other terms ^(c)	554	1,117	976

Source: Banco de Portugal. | Notes: (a) Renegotiations occasionally bring together more than one of the solutions indicated in this table. (b) The OASP proceedings concluded with renegotiations in the first half of 2020 covered 755 home loans and mortgage credit agreements. (c) This category covers, namely, payment plans for the settlement of late repayments, changes to the interest rate and changes in ownership. The options are reported in an aggregated way, meaning it is not possible to disaggregate the renegotiated terms included in this category.

The credit institutions and bank customers also agreed the granting of additional loans for payment of instalments (118 proceedings), credit consolidation (four proceedings), transfer of the property in lieu of payment (four proceedings) and debt refinancing (three proceedings).

7 Bank fees

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

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

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

Institutions are free to choose most fees charged for the provision of services to their customers. However, the legislator has set limits to fees charged by institutions, in order to pursue specific objectives such as promoting bank customer mobility. Furthermore, institutions may not charge fees not described on the price list, nor may any fees exceed the amounts stated thereon.

The Banco de Portugal does not have the power to limit or prohibit institutions from charging fees.

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

7.1 Price lists

As at the end of the first half of 2020, the fees and expenses leaflets used by 184 institutions¹² and a record of leaflets since January 2017 were available on the Bank Customer Website.

By consulting the fees and expenses leaflets included in the price lists, bank customers may become aware of the maximum amount of all fees charged by institutions for the banking products and services they offer, as well as all chargeable fees.

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

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

Institutions are required to prepare their price lists in accordance with a standardised format set out by the Banco de Portugal and to provide them at all branches and customer assistance points

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

in a prominent, directly accessible place, and in a device that is easy to use, as well as on their websites without need for prior registration by users.

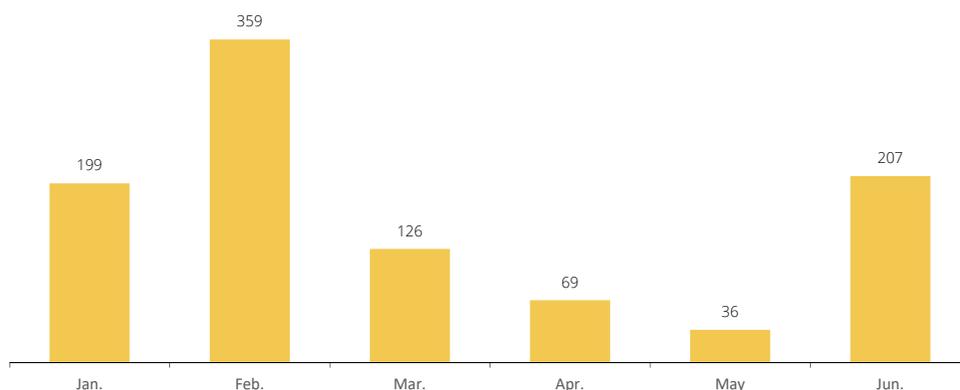
With the Bank Customer Website, users can access the fees and expenses leaflets sent to the Banco de Portugal, and bank customers can view the fees and expenses leaflet in force for each institution, as well as review its historical record.

In the first half of 2020, 143 institutions submitted changes to the Banco de Portugal that resulted in 996 amended fees and expenses leaflets being reported. Institutions must report a new fees and expenses leaflet whenever they wish to change one or several fees.

Most changes were introduced due to changes to fees charged by institutions (75%), followed by the provision of new products or services (15%) and the cancellation of products or services previously on offer (8%).

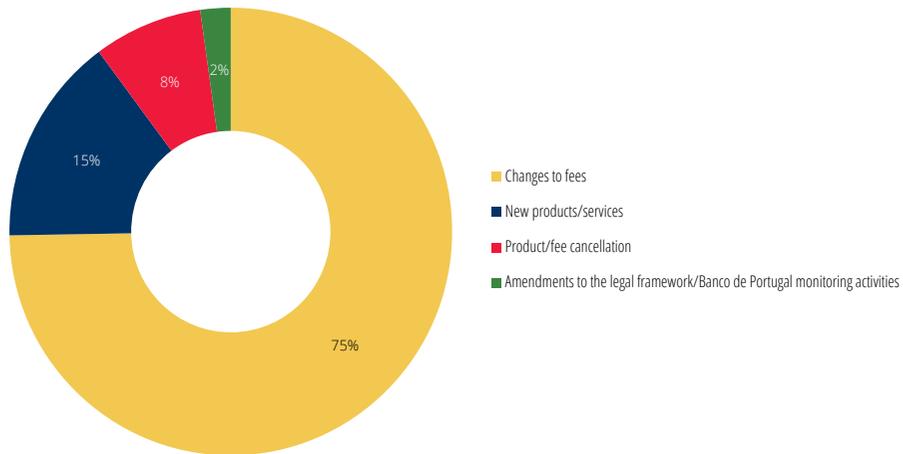
Changes to the information included in the fees and expenses leaflet are also the result of the entry into force of amendments to the applicable legal framework. This is, for instance, the case of tax changes reflected on the amount of fees charged to customers or the value of the Social Support Index (IAS) of which the cap for the maintenance fee for a basic bank account depends. The monitoring activities of the Banco de Portugal may also require changes to the information included in the fees and expenses leaflets. This was the case for 2% of total changes made to the fees and expenses leaflets of institutions.

Chart II.7.1 • Fees and expenses leaflets | Monthly developments in the number of leaflets reported | 1st half of 2020



Source: Banco de Portugal.

Chart II.7.2 • Fees and expenses leaflets | Topics changed | 1st half of 2020



Source: Banco de Portugal.

In the first half of 2020, when conducting inspections to the offering of products and services, the Banco de Portugal verified the information on fees charged against those in the price list of 25 entities, checking compliance with the obligation to provide complete, accurate and up-to-date information in the price list.

Table II.7.1 • Price list | Off-site inspections | 1st half of 2020

Subject matter	Modality	Entities covered
Complete, accurate and up-to-date information	Off-site	25

Source: Banco de Portugal.

7.2 Fees Comparator

The Fees Comparator provides information on 93 fees for services provided by around 200 institutions. From January to June 2020, the Fees Comparator had 38,655 visits, a monthly average of around 6,443.

This tool, available on the Bank Customer Website, allows customers to quickly and easily compare the fees charged for the most representative services linked to a payment account¹³.

Disclosed information is reported by institutions to the Banco de Portugal. In order to ensure this information is updated, institutions are required to inform the Banco de Portugal of any changes to information previously reported at least five working days before the date on which the change takes place. In the first half of 2020, 424 reports on 109 institutions were submitted to the Banco de Portugal¹⁴.

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

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

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

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

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

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

In order to contribute to greater disclosure of information on fees, this Section shows developments from January to June 2020 in fees linked to the most representative services included in the Fees Comparator.

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

7.2.1 Account maintenance

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

According to information reported by 112 institutions, as at 30 June, the annual fee charged for maintaining an account ranged from €0.00 (24 institutions) to €124.80 (two institutions). The median fee stood at €62.40.

Maintenance fees averaged €58.17 as at 30 June 2020. Compared to December 2019, the average fee charged recorded a change of -0.02%.

Table II.7.2 • Fees | Maintenance fee (annual figure) | 1st half of 2020

Service	Average	Median	Highest amount	Lowest amount	Change in average (Jan.-Jun. 20)
Account maintenance	€58.17	€62.40	€124.80	€0.00	-0.02%

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

7.2.2 Maintaining a BBA

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

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

In accordance with information reported by 104 institutions, the median fee stood at €3.54 as at 30 June. The fee charged for maintaining a BBA averaged €3.58 as at 30 June 2020, a change of 1.13% from the end of 2019.

It should be noted that 26 institutions did not charge for maintaining BBAs.

BBAs are a set of banking services that are considered essential, which citizens may access at a low cost. BBAs include¹⁵ opening and maintaining a current account, and providing a debit card to make transactions from the account and a set of other services that are considered essential.

Table II.7.3 • Fees | BBA maintenance fee | 1st half of 2020

Service	Average	Median	Highest amount	Lowest amount	Change in average (Jan.-Jun. 20)
BBA maintenance	€3.58	€3.54	€4.37	€0.00	1.13%

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

7.2.3 Maintaining a standard account

Maintenance fees for a standard account correspond to the annual charge for services linked to the management of this account, providing the services set by the Banco de Portugal¹⁶.

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

As at 30 June, the 93 institutions that reported information on the fee associated with this service charged annual fees ranging from €56.16 (one institution) to €124.80 (also charged by one institution). The median fee stood at €61.78.

As at 30 June 2020, the maintenance fee for a standard account averaged €63.65, a change of 0.03%, from the end of 2019.

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

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

Table II.7.4 • Fees | Maintenance fee for a standard account (annual figure) | 1st half of 2020

Service	Average	Median	Highest amount	Lowest amount	Change in average (Jan.-Jun. 20)
Maintaining a standard account	€6.65	€61.78	€124.80	€56.16	0.03%

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

7.2.4 Provision of a debit card

The fee charged for a debit card corresponds to the annual amount charged for the provision of a debit card linked to a payment account.

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

Taking into account the information provided by 107 institutions, as at 30 June, the lowest fee charged for the provision of a debit card was €0.00 (23 institutions) and the maximum fee was €31.20 (one institution). The median fee stood at €17.68.

This fee averaged €16.94 at the end of the first half of 2020, a change of 1.07% from December 2019.

Table II.7.5 • Fees | Fee for the provision of a debit card (annual figure) | 1st half of 2020

Service	Average	Median	Highest amount	Lowest amount	Change in average (Jan.-Jun. 20)
Provision of a debit card	€16.94	€17.68	€31.20	€0.00	1.07%

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

7.2.5 Provision of a credit card

The fee charged for a credit card corresponds to the annual amount charged for the provision of a credit card linked to a payment account.

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

Taking into account the information reported by 104 institutions for the Fees Comparator, as at 30 June, the fee for the provision of a credit card ranged from €0.00 (31 institutions) to €36.19 (one institution). The median fee stood at €19.24.

This fee averaged €17.52 at the end of the first half of 2020, a change of 0.75% from December 2019.

Table II.7.6 • Fees | Fee for the provision of a credit card (annual figure) | 1st half of 2020

Service	Average	Median	Highest amount	Lowest amount	Change in average (Jan.-Jun. 20)
Provision of a credit card	€ 7.52	€19.24	€36.19	€0.00	0.75%

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

7.2.6 Cash advance

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

According to information reported by 104 institutions, as at 30 June, the lowest fee required for the provision of this service at ATMs was €8.16 (one institution) and the highest was €15.08 (two institutions). The median fee stood at €11.96. This fee averaged €11.90 at the end of the first half of 2020, a change of 7.50% from December 2019.

According to information reported by 100 institutions, as at 30 June, the lowest fee required for an over-the-counter cash advance was €8.65 (one institution) and the highest was €15.34 (two institutions). This fee averaged €12.17, a change of 2.44% from December 2019. The median fee stood at €12.22.

Table II.7.7 • Fees | Cash advance fee – value per operation | 1st half year of 2020

Service	Average	Median	Highest amount	Lowest amount	Change in average (Jan.-Jun. 20)
Cash advance (cash advance) – ATM	€11.90	€11.96	€15.08	€8.16	7.50%
Cash advance (cash advance) – Over the counter	€12.17	€12.22	€5.34	€ 8.65	2.44%

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

7.2.7 Cash withdrawal

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

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

The Fees Comparator shows fees charged for withdrawing cash over the counter, at ATMs or at ATSS. However, given that institutions may not charge fees for the withdrawal of cash from cash

machines (ATMs and ATSS)¹⁷, this analysis only refers to fees charged for over-the-counter cash withdrawals.

According to information reported by 106 institutions, as at 30 June, the lowest fee required for the provision of this service over the counter was €0.00 (22 institutions) and the highest was €20.00 (one institution). The median fee stood at €3.90.

At the end of the first half of 2020, the fee charged for over-the-counter cash withdrawals averaged €4.36, compared to €3.70 in December 2019, a change of 17.84%.

Table II.7.8 • Fees | Fee for over-the-counter cash withdrawals (value per operation)
| 1st half year of 2020

Service	Average	Median	Highest amount	Lowest amount	Change in average (Jan.-Jun. 20)
Cash withdrawal – Over the counter	€4,36	€3,90	€20,00	€0,00	17,84%

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

7.2.8 SEPA+ credit transfers

Fees charged for SEPA+ credit transfers correspond to the provision of transfers of funds in euro, Swedish krona or Romanian leu made under the same conditions between accounts that are held in SEPA countries¹⁸.

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

The Fees Comparator shows information on fees charged on transfers carried out through the following channels: over the counter, ATM, ATS, online, mobile device, telephone with operator and telephone without operator. Given that institutions may not charge fees for transfers at cash machines (ATMs and ATSS)¹⁹, information shown takes into account fees charged for transfers over the counter, online and using a mobile device.

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

18. 27 Member States of the European Union and Andorra, Iceland, Liechtenstein, Monaco, Norway, San Marino, Switzerland and Vatican.

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

Table II.7.9 • Fees | Fee for SEPA+ credit transfers (value per operation) | 1st half year of 2020

Service	Average	Median	Highest amount	Lowest amount	Change in average (Jan.-Jun. 20)
SEPA+ credit transfers					
Over the counter	€7.40	€5.4	€114.40	€2.60	2.35%
Online	€0.59	€0.26	€15.60	€0.00	0.00%
Mobile device	€0.82	€1.04	€1.82	€0.00	1.23%

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

In accordance with information reported, as at 30 June, 113 institutions provided this service over the counter, charging fees ranging from €2.60 (two institutions) to €114.40 (one institution). The median fee stood at €5.41. At the end of the first half of the year, the fee charged averaged €7.40, an increase of 2.35% from December 2019.

Online SEPA+ credit transfers are provided by 100 institutions. As at 30 June, fees charged by these institutions ranged from €0.00 (27 institutions) to €15.60 (one institution), with the median fee standing at €0.26. At the end of June 2020, the fee charged for the provision of this service online averaged €0.59, remaining unchanged from December 2019.

SEPA+ credit transfers using mobile devices are provided by 14 institutions, which charged fees ranging from €0.00 (113 institutions) to €1.82 (one institution) as at 30 June. The median fee stood at €1.04.

At the end of June 2020, this fee averaged €0.82, a change of 1.23% in the first half of 2020.

8 Bank customer complaints

8.1 Recent developments

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

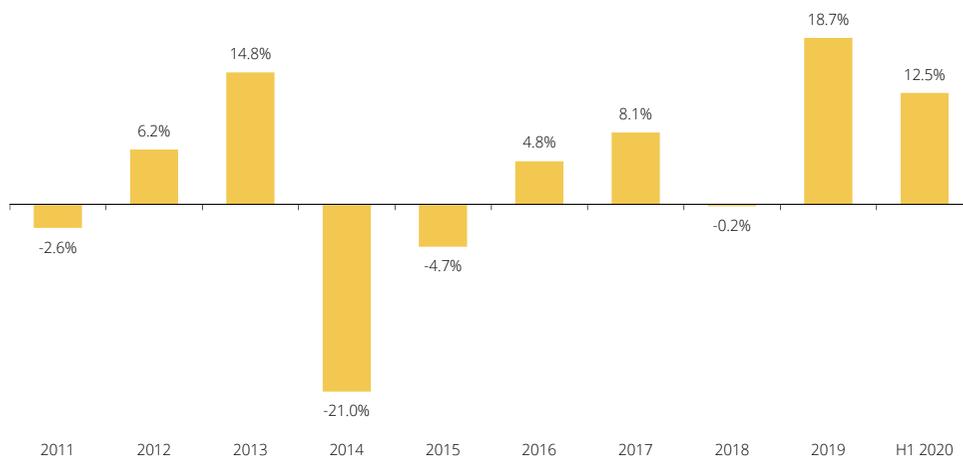
In the first half of 2020 the Banco de Portugal received 10,184 complaints about matters that fall within the Banco de Portugal's remit, averaging 1,697 complaints per month, a 12.5% increase from the monthly average in 2019. The number of complaints grew across a number of issues, most notably in relation to matters linked to the COVID-19 pandemic, such as the implementation of public and private moratoria²⁰. Excluding these complaints, the number of complaints received by the Banco de Portugal grew by 2.6% from the 2019 monthly average.

The context of the COVID-19 pandemic was also reflected in the type of channels that banking customers used to submit complaints, with digital channels taking a dominant position in this period. In the first half of 2020, the e-platform 'Livro de Reclamações' (LRE) and the Bank Customer Website (PCB) were the channels most widely used by bank customers, with a more

20. The analysis of the most claimed matters relating to the application of the public moratorium and private moratoria can be found in Chapter I – Banking conduct supervision amidst the COVID-19 pandemic.

significant share as of the second quarter, reaching 71% compared to 50% in the first quarter of 2020. Conversely, the use of the physical complaints book available at the branches of credit institutions decreased considerably between April and June.

Chart II.8.1 • Complaints | Developments in the average number of complaints submitted | 2011 – 1st half of 2020



Source: Banco de Portugal.

Table II.8.1 • Complaints | Number of entries by origin | 2019 – 1st half of 2020

Year	Month	Entries ^(a)				Total
		RCL ^(b)		RCO ^(c)		
		At the institution's branch	E-platform 'Livro de Reclamações'	Bank Customer Website	Other	
2019	1st Half	3,632	–	3,374	1,016	8,022
	2nd Half	4,380	2,635	2,115	952	10,082
	Total	8,012	2,635	5,489	1,968	18,104
2020	January	791	518	386	168	1,863
	February	626	462	340	201	1,629
	March	644	531	334	124	1,633
	April	260	675	525	188	1,648
	May	258	640	457	155	1,510
	June	345	767	552	237	1,901
	Total	2,924	3,593	2,594	1,073	10,184

Source: Banco de Portugal. | Notes: (a) Figures refer to complaints about banking products and services. In 2019 and in the first half of 2020, 3,266 and 1,402 complaints were received respectively which were beyond the remit of the Banco de Portugal, either because they related to situations with no specific applicable regulation (including complaints about service and the quality of credit institutions' premises), or because they fell under the authority of the Portuguese Securities Market Commission or Insurance and Pension Funds Supervisory Authority; (b) Complaints entered through the complaints book; (c) Complaints presented directly to Banco de Portugal;

8.2 Developments in complaints by subject matter

Bank deposits, consumer credit, home loans and mortgage credit were the products most subject to complaints. The prevalence of complaints about these products is related to the relative importance of these agreements to customers. For this reason, the analysis of developments in complaints by subject matter must take into account the size of the market, making it necessary to handle the number of complaints in relative terms on the basis of the volume of underlying products and services.

In the first half of the year, **bank deposits** continued to be the banking product subject to the most complaints (32% of total complaints received). The relative number of complaints submitted increased from 16 to 18 per 100 thousand agreements on deposit accounts, reflecting the increase in complaints submitted on this matter (10.8% more, compared to the monthly average in 2019). The rise in complaints on savings accounts was the main driver of this increase.

Consumer credit was the second issue most complained about, accounting for 25% of total complaints received by the Banco de Portugal. The number of complaints increased, in relative terms, from 18 complaints in 2019 to 21 complaints in the first half of 2020 per 100,000 consumer credit agreements. This reflects the increase in complaints on this matter (14.4% more, compared to 2019's monthly average), mainly explained by complaints about the application of private moratoria in the context of the COVID-19 pandemic. Complaints about default management and the collection of outstanding amounts, in particular credit card based, have also contributed to the increase in the number of complaints received on consumer credit.

Complaints about **home loans and mortgage credit**, the third matter most complained about in the first half of 2020 (12.2% of the complaints), increased from 50 to 60 complaints per 100,000 credit agreements, reflecting the rise in the number of complaints submitted in the first half of the year (17.6% more, compared to the monthly average in 2019). This increase was almost exclusively driven by complaints about the application of public and private moratoria in the context of the COVID-19 pandemic.

Payment cards, the fourth matter most complained about (10% of total complaints received in the first half of the year), recorded an increase in relative terms, from 43 in 2019 to 46 in the first half complaints per million cards in circulation. This development reflects the 9.5% rise in the number of complaints on this matter, mainly explained by the increased number of complaints about alleged fraud situations.

Credit transfers, which accounted for 5.2% of total complaints, increased in relative terms, from 50 in 2019 to 58 in the first half of 2020 per 10 million transfers. This increase reflects the increase in complaints received on this matter (22.3% more, compared to 2019's monthly average), mainly explained by complaints about alleged fraud situations.

In terms of complaints about **loans to enterprises**, 4% of complaints filed in the first half of the year, in relative terms, increased from 17 complaints in 2019 to 37 complaints for every 100,000 credit agreements in the first half of 2020, due to the increase in the number of complaints about this matter (by 131.4%, compared to the monthly average in 2019). This increase is mainly due to complaints about credit lines to support enterprises and the implementation of the public moratorium, both in the context of the COVID-19 pandemic.

Complaints about **cheques** accounted for 2.1% of complaints received in the first half of 2020. In relative terms, complaints about cheques remained relatively stable at 25 complaints per million cheques, reflecting not only a reduction in the number of complaints on this matter (28.6% less than the monthly average of 2019), but also a decrease in the use of this payment instrument.

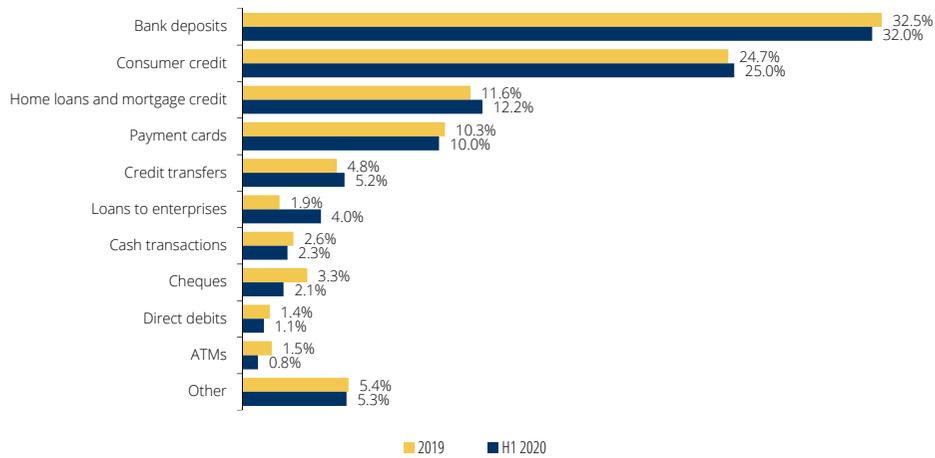
In relative terms, complaints on **cash transactions** increased from 107 to 141 complaints per 100 million deposit and withdrawal operations, reflecting the reduction in cash transactions that occurred in the first half of the year partly due to the COVID-19 pandemic, as the number of complaints in absolute terms decreased (-1.3%). In the first half of 2020, a decrease was recorded in the number of complaints about **direct debits** (from 117 to 103 complaints per 100 million transactions) and **ATMs** (from 87 to 54 complaints per 10,000 ATMs).

Table II.8.2 • Complaints | Number of complaints by banking product and service
| 2019 – 1st half of 2020

Products and services subject to complaint	Absolute values			Relative values			Reference unit
	2019	H1 2020	Δ monthly average	2019	H1 2020	Change	
Bank deposits*	5,864	3,248	10.8%	16	18	10.9%	100,000 accounts
Consumer credit*	4,455	2,549	14.4%	18	21	14.9%	100,000 agreements
Home loans and mortgage credit*	2,109	1,240	17.6%	50	60	19.5%	100,000 agreements
Payment cards*	1,866	1,022	9.5%	43	46	6.4%	1 million cards
Credit transfers	870	532	22.3%	50	58	15.3%	10 million transfers
Loans to enterprises*	350	405	131.4%	17	37	121.4%	100,000 agreements
Cash transactions	476	235	-1.3%	107	141	31.3%	100 million transactions
Cheques	602	215	-28.6%	25	25	0.3%	1 million cheques
Direct debits	257	111	-13.6%	117	103	-12.0%	100 million transactions
ATMs*	272	85	-37.5%	87	54	-37.5%	10 thousand ATMs
Other	983	542	10.3%	-	-	-	-
Total	18,104	10,184	12.5%	-	-	-	-

Source: Banco de Portugal. | Notes: (a) The figures presented here refer to matters that fall within the scope of the Banco de Portugal's activity. Figures in relative terms for starred matters (*) in 2019 reflect the six-month average. This adjustment is necessary for the relative values presented for 2019 to be comparable to those recorded in the first half of 2020, since, as the reference units used are stock variables, the comparison is only possible for equal periods of time. This adjustment is not necessary for matters not starred (*) as the reference unit is a flow variable. 'Other' covers complaints about miscellaneous matters as well as issues with less than 1% of total complaints, including, for instance, complaints resulting from the failure to provide the complaints book. (b) The reference units used in the relativisation of each matter are specified in the Annex on "Methodological notes for calculating which institutions received most complaints".

Chart II.8.2 • Complaints | Product and service subject to complaint (per cent)
| 2019 – 1st half of 2020



Source: Banco de Portugal

With regard to the three products most subject to complaints – bank deposits, consumer credit, home loans and mortgage credit, accounting overall for 69.2% of total complaints – the number of complaints received by each institution was weighted by their level of services provided or credit agreements signed²¹.

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

This section focuses on the matters subject to the most complaints in the first half of 2020, disregarding the result of the complaints analysis.

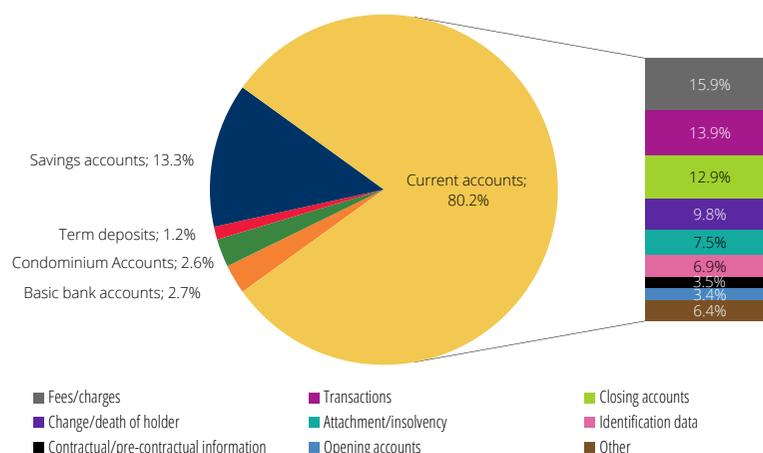
8.3.1 Bank deposits

In the first half of 2020 the monthly average of complaints on bank deposits increased by 10.8% against the monthly average in 2019, most notably regarding savings accounts.

Most complaints about bank deposits continued to focus on current accounts (80.2%). However complaints about current accounts decreased, especially in regard to attachment/insolvency and the collection of fees and charges.

21. Point 8.4 in this chapter.

Chart II.8.3 • Complaints | Bank deposits | 1st half of 2020



Source: Banco de Portugal.

During the first half of 2020, the matters subject to the most complaints with regard to current accounts were:

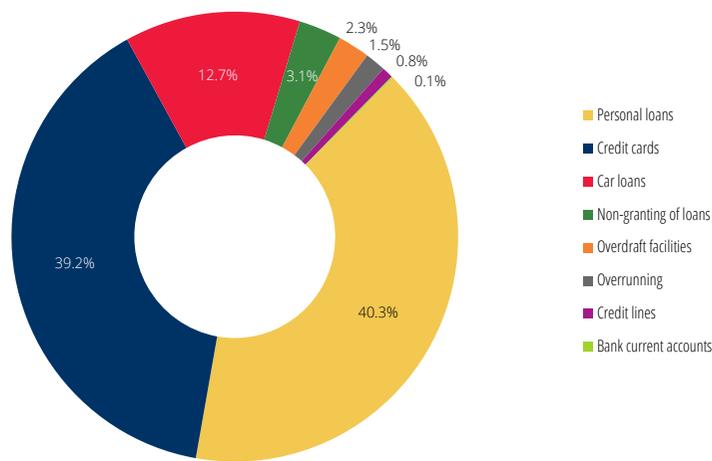
- The charging of fees, commissions or other charges (15.9%), namely in terms of information provided on the amount of fees and commissions applicable to current accounts and on changes to such fees and commissions;
- **Constraints on transactions on accounts (13.9%)**, specifically complaints on (i) the alleged failure to follow instructions from customers to perform credit or debit transactions on deposited amounts, (ii) deposited amounts unavailable, (iii) debit transactions carried out by institutions allegedly without customers' consent, and (iv) restrictions on account transactions arising from compliance with obligations imposed on institutions with regard to customer identification obligations arising from anti-money laundering and counter-terrorist financing;
- **Closing of the account (12.9%)**, chiefly regarding (i) the alleged delay in complying with the customer's instructions to close the account and (ii) the charging of fees, commissions and other charges after closure of the current account has been requested;
- **Change/death of account holder (9.8%)**, mostly involving complaints about (i) the institutions' procedure for changing the account holder of current accounts, both for the inclusion and removal of holders, (ii) the delay in accessing and making debit and credit transactions on accounts after the death of the account holder and (iii) fees and commissions relating to proof of identity to the institutions of the heirs of the deceased holder;
- **Attachment/insolvency (7.5%)**, particularly complaints regarding (i) the delay in lifting the attachment after having been ordered to proceed with such lifting and (ii) the alleged failure to comply with the limits to the unseizability of bank balances.

8.3.2 Consumer credit

In the first half of 2020, the number of complaints about consumer credit increased by 14.4% from the monthly average of 2019. This increase was mostly driven by complaints about the application of private moratoria in the context of the COVID-19 pandemic. Disregarding these complaints, the growth in the number of consumer credit complaints in the first half of the year would have been less pronounced (3.7%).

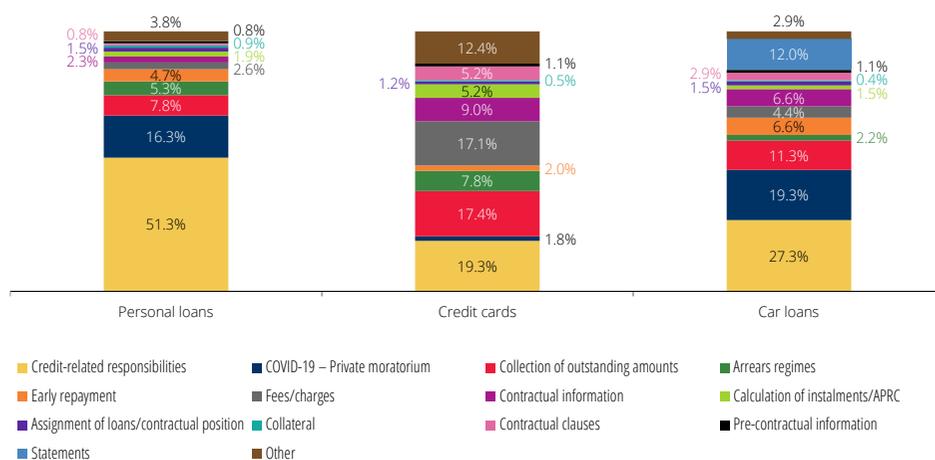
Personal loans were the consumer credit product that registered the highest number of complaints, accounting for 40.3% of total complaints, followed by credit card (39.2%) and car loans (12.7%).

Chart II.8.4 • Complaints | Consumer credit products | 1st half of 2020



Source: Banco de Portugal.

Chart II.8.5 • Complaints | Personal loans, credit cards and car loans^(a) | 1st half of 2020



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

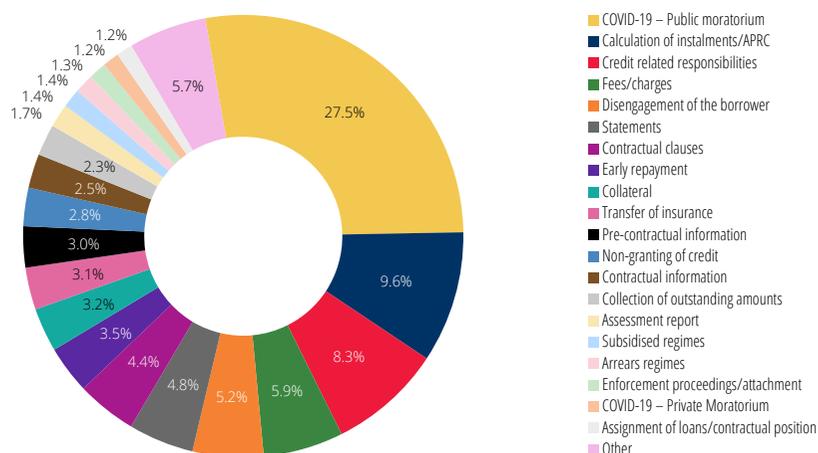
In the first half of 2020, the consumer credit²², issues subject to the most complaints were:

- **Credit liabilities (34,6%)**, mainly complaints about (i) incorrect information reported to the Central Credit Register and the delay in correcting it, including not updating information following the discharge order on the remaining liabilities in insolvency proceedings; and (ii) the failure to inform borrowers or guarantors that the reporting period on credit liabilities in arrears had started;
- **Collection of outstanding amounts (12.4%)**, particularly complaints regarding (i) differences in outstanding amounts to be paid to the credit institution, (ii) assignment of defaulted loans, and (iii) use of legal means by the institutions to recover outstanding amounts.
- **Private moratorium in the context of the COVID-19 pandemic (10.4%)**, details of which can be found in Chapter I – Banking conduct supervision amidst the COVID-19 pandemic.

8.3.3 Home loans and mortgage credit

In the first half of 2020, the monthly average of complaints about home loans and mortgage credit increased by 17.6% from 2019. This increase was almost exclusively driven by complaints about the application of public and private moratoria in the context of the COVID-19 pandemic. Excluding these complaints, the monthly average of complaints about home loans and mortgage credit would have decreased by 16.1% from 2019.

Chart II.8.6 • Complaints | Home loans and mortgage credit | 1st half of 2020



Source: Banco de Portugal.

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

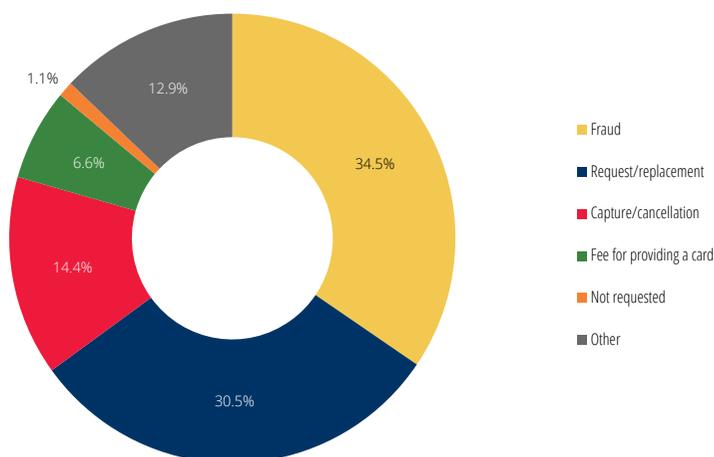
During the first half of 2020, the issues subject to the most complaints related to home loans and mortgage credit were:

- **Public moratorium in the context of the COVID-19 pandemic (27.5%)**, details of which can be found in Chapter I – Banking conduct supervision amidst the COVID-19 pandemic;
- **Calculation of instalments and APRC (9.6%)**, mainly due to (i) the determination of the spread applicable in the context of optional cross-selling and (ii) the calculation of the instalment amount on the basis of the arithmetic average of the benchmark rate at the time of its periodic revision;
- **Credit liabilities (8.3%)**, mainly complaints about (i) the reporting of incorrect information to the Central Credit Register and the delay in correcting it, including not updating information following a discharge order on remaining liabilities in insolvency proceedings; (ii) failure to communicate the reporting period on credit liabilities in arrears had started to borrowers or guarantors and (iii) the communication by participating entities of new information to the Central Credit Register, following the issuing by the Banco de Portugal of the instruction that regulates the functioning of the Central Credit Register, which concentrates information on credit liabilities²³;
- **Charging of fees, commissions or other charges (5.9%)**, focusing in particular on the amount of fees and commissions associated with (i) the entering into of credit agreements and (ii) the processing of loan instalments.

8.3.4 Payment cards

In the first half of 2020 the monthly average of complaints about payment cards increased by 9.5% from 2019, particularly about alleged fraud situations.

Chart II.8.7 • Complaints | Payment cards | 1st half of 2020



Source: Banco de Portugal.

23. Notice of the Banco de Portugal No 17/2018.

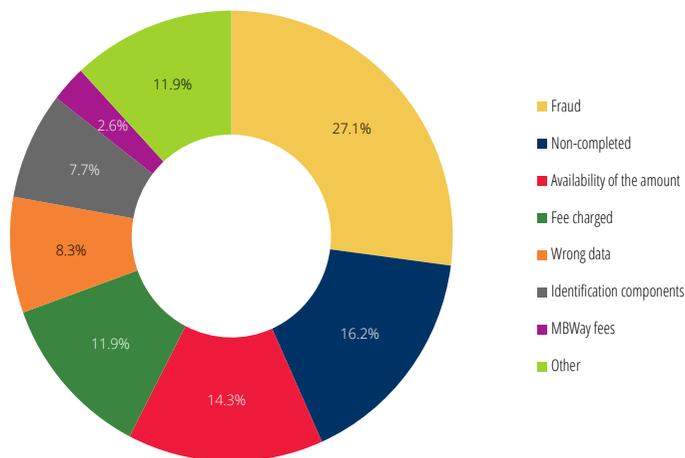
In the first half of 2020 the most frequent complaints about payment cards were:

- **Alleged fraud situations (34.5%)**, particularly (i) the use of this payment instrument by unauthorised third parties and (ii) the credit institutions' responsibility for carrying out such transactions;
- **Request/replacement of cards (30.5%)**, mostly focusing on (i) delays in payment card replacement and (ii) fees or commissions associated with their issue;
- **Capture and cancellation of cards (14.4%)**, mainly related to (i) the blocking of cards by card issuers for security reasons, and (ii) the termination of contracts for the use of cards, on the institution's initiative or by request of the customer.

8.3.5 Credit transfers

In the first half of 2020 the monthly average of complaints about credit transfers increased by 22.3% from 2019, particularly in terms of alleged fraud situations.

Chart II.8.8 • Complaints | Credit transfers | 1st half of 2020



Source: Banco de Portugal.

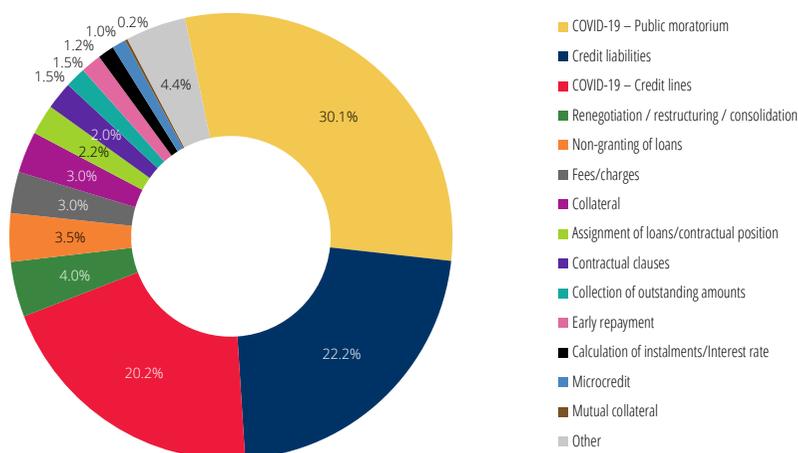
The most frequent complaints related to credit transfers in the first half of the year focused on:

- **Allegedly fraudulent transactions (27.1%)**, particularly related to (i) the origin of the instructions transmitted to the credit institution, and (ii) its responsibility for carrying out such transactions;
- **Non-completed operations (16.2%)**, essentially complaints about the non-completion of transfers ordered by the complainant as a result of (i) IT anomalies or operational error, and (ii) due to wrong identification of the details necessary for the transfer;
- **Availability of the transferred amount (14.3%)**, with issues regarding (i) alleged delays in making the transferred amount available, and (ii) non-compliance with the deadlines set by law for completing these transactions;
- **Charging of fees (11.9%)**, mainly complaints about fees charged by the credit institutions to complete transfers, namely in branches and through digital channels.

8.3.6 Loans to enterprises

The monthly average of complaints received in the first half of 2020 regarding loans to enterprises increased by 131.4% due to complaints about credit lines to support enterprises and the implementation of the public moratorium, both in the context of the COVID-19 pandemic. Disregarding these complaints, the increase in the monthly average of complaints about loans to enterprises would be 14.9%.

Chart II.8.9 • Complaints | Loans to enterprises | 1st half of 2020



Source: Banco de Portugal.

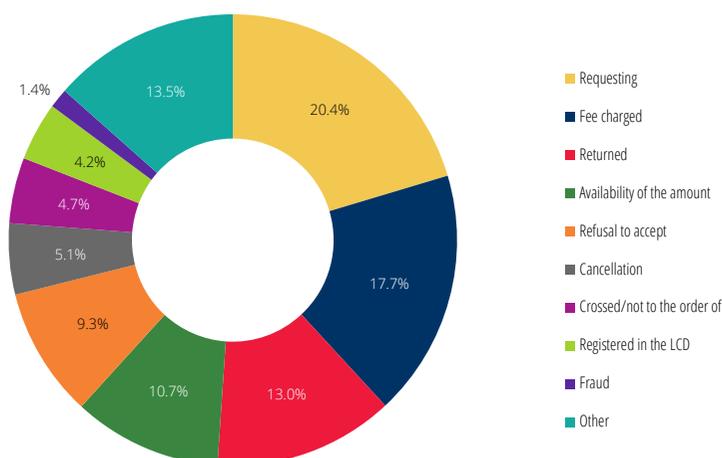
In the first half of the year the most common complaints regarding loans to enterprises were related to the following matters:

- **Public moratorium in the context of the COVID-19 pandemic (30.1%)**, details of which can be found in Chapter I – Banking conduct supervision during the COVID-19 pandemic;
- **Credit liabilities (22.2%)**, including complaints about (i) reporting incorrect information to the Central Credit Register and the delay in correcting it, and (ii) failure to communicate to borrowers or guarantors that the reporting period on credit liabilities in arrears had started;
- **Credit lines to support enterprises in the context of the COVID-19 pandemic (20.2%)**, most notably complaints from customers denied access to credit lines defined by the Government, through Mutual Guarantee Societies.

8.3.7 Cheques

Compared with 2019, in a context of reduced use, the monthly average of complaints about cheques in the first half of the year decreased by 28.6%, in particular concerning the availability of the amount, a refusal to accept cheques and the requesting of cheques.

Chart II.8.10 • Complaints | Cheques | 1st half of 2020



Source: Banco de Portugal.

In the first half of 2020 the most common complaints about cheques concerned the following matters:

- **Requesting of cheques (20.4%)**, mainly due to (i) the non-provision of cheques or cheque books by credit institutions and (ii) delays in processing requests for single cheques or cheque books submitted by customers;
- **Fees charged (17.7%)**, more specifically for (i) the issuance of cheque books, and (ii) as a result of returned cheques;
- **Returned cheques (13%)**, including complaints about the non-payment of cheques due to (i) irregular withdrawal, (ii) insufficient funds, and (iii) irregular endorsement.

8.4 Institutions subject to the most complaints

8.4.1 Bank deposits

The table below shows the number of complaints per 1,000 current accounts, by institution, for the first half of 2020. Complaints submitted to the Banco de Portugal about bank deposits were considered, irrespective of whether non-compliance or irregularity on the part of the institutions was detected by the Bank.

The institutions listed below received, on average, more than two complaints per quarter in 2020.

Other institutions were subject to complaints regarding bank deposits. However, given that the number of complaints received by those institutions was lower than that of the entities in the table, it was decided not to include them in order to be representative. The following institutions are in this situation: Banco Atlântico Europa, S. A., Banco do Brasil AG – Sucursal em Portugal, Banco Finantia, S. A., BNI – Banco de Negócios Internacional (Europa), S. A., BNP Paribas and Caixa de Crédito Agrícola Mútuo de Leiria, C. R. L.

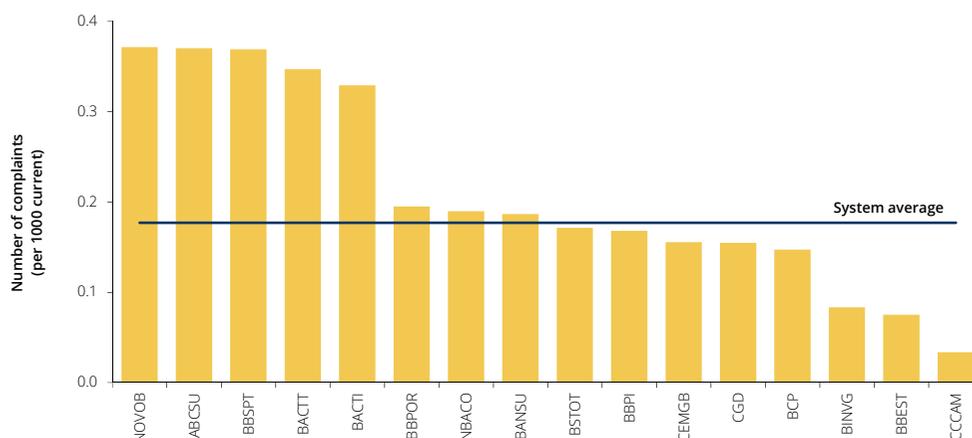
No complaints were received with regard to some institutions operating in the area of deposit accounts, namely, Banco BAI Europa, S. A., Banco Invest S. A., Banco L. J. Carregosa, S. A., Banco Português de Gestão, S. A., Caixa – Banco de Investimento, S. A., Caixa de Crédito Agrícola Mútuo do Bombarral, C. R. L., Caixa de Crédito Agrícola Mútuo da Chamusca, C. R. L., Caixa de Crédito Agrícola Mútuo de Mafra, C. R. L., Caixa de Crédito Agrícola Mútuo de Torres Vedras, C. R. L., Caixa Económica da Misericórdia de Angra do Heroísmo – Caixa Económica Bancária, S. A. and Haitong Bank, S. A.

Table II.8.3 • Complaints | Per 1,000 current accounts | 1st half of 2020

Abbreviation	Credit institution	H1 2020
NOVOB	NOVO BANCO, S. A.	0.37
ABCSU	ABANCA CORPORACIÓN BANCARIA, S. A., SUCURSAL EM PORTUGAL	0.37
BBSPT	BANCO BILBAO VIZCAYA ARGENTARIA, S. A., SUCURSAL EM PORTUGAL	0.37
BACTT	BANCO CTT, S. A.	0.35
BACTI	BANCO ACTIVOBANK, S. A.	0.33
BBPOR	BANCO BIC PORTUGUÊS, S. A.	0.20
NBACO	NOVO BANCO DOS AÇORES, S. A.	0.19
BANSU	BANKINTER, S. A. – SUCURSAL EM PORTUGAL	0.19
	System average	0.18
BSTOT	BANCO SANTANDER TOTTA, S. A.	0.17
BBPI	BANCO BPI, S. A.	0.17
CEMGB	CAIXA ECONÓMICA MONTEPIO GERAL, CAIXA ECONÓMICA BANCÁRIA, S. A.	0.16
CGD	CAIXA GERAL DE DEPÓSITOS, S. A.	0.15
BCP	BANCO COMERCIAL PORTUGUÊS, S. A.	0.15
BINVG	BANCO DE INVESTIMENTO GLOBAL, S. A.	0.08
BBEST	BEST – BANCO ELECTRÓNICO DE SERVIÇO TOTAL, S. A.	0.08
CCCAM	CAIXAS DE CRÉDITO AGRÍCOLA MÚTUO INTEGRADAS NO SICAM	0.03

Source: Banco de Portugal. | Note: The system average equates to 18 complaints per 100 thousand current accounts.

Chart II.8.11 • Complaints | Per 1,000 current accounts | 1st half of 2020



Source: Banco de Portugal.

8.4.2 Consumer credit

The table below shows the number of complaints per 1,000 consumer credit agreements in the first half of 2020, by institution. Complaints submitted to the Banco de Portugal about this product were considered, irrespective of whether non-compliance or irregularity on the part of the respective institutions was detected by the Bank.

The institutions listed below received, on average, more than one complaint per quarter in 2020²⁴.

Other institutions were subject to consumer credit complaints. However, given that the number of complaints received by those institutions was lower than that of the entities in the table, they were not included in order to be representative. The following institutions are in this situation: Banco Atlântico Europa, S. A., Banco CTT, S. A., Banco Finantia, S. A., Banco Invest, S. A., Bankinter, S. A. – Sucursal em Portugal, Best – Banco Eletrónico de Serviço Total, S. A., Caixa de Crédito Agrícola Mútuo de Leiria, C. R. L., FCA Capital Portugal – Instituição Financeira de Crédito, S. A., FCE Bank PLC and Novo Banco dos Açores, S. A.

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

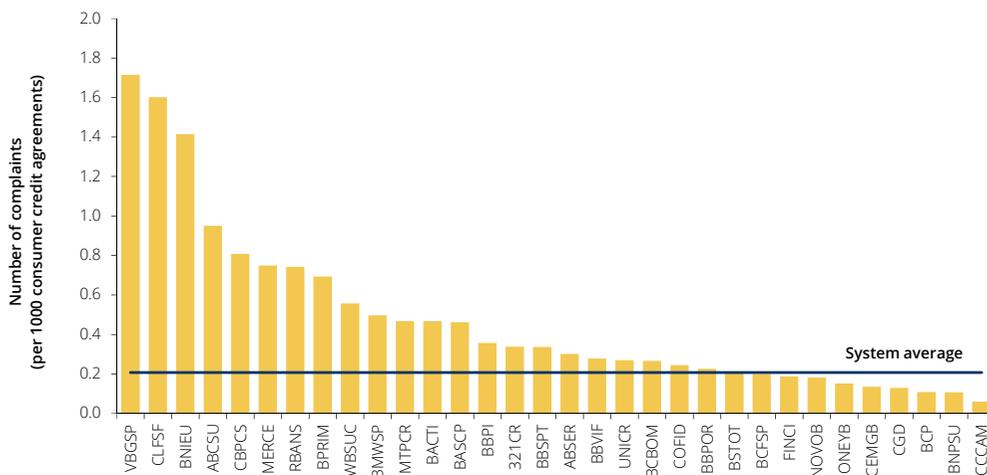
24. Institutions with head office in another Member State of the European Union and operating in Portugal under the freedom to provide services, such as the CaixaBank payments, E.F.C.E.P., S. A. have not been considered.

Table II.8.4 • Complaints | Per 1,000 consumer credit agreements | 1st half of 2020

Sigla	Credit institution	H1 2020
VBGSP	VOLKSWAGEN BANK GMBH – SUCURSAL EM PORTUGAL	1.71
CLFSF	CAIXA LEASING E FACTORING – SOCIEDADE FINANCEIRA DE CRÉDITO, S. A.	1.60
BNIEU	BNI – BANCO DE NEGÓCIOS INTERNACIONAL (EUROPA), S. A.	1.41
ABCSU	ABANCA CORPORACIÓN BANCARIA, S. A, SUCURSAL EM PORTUGAL	0.95
CBPCS	CAIXABANK PAYMENTS & CONSUMER, E.F.C., E.P., S. A. – SUCURSAL EM PORTUGAL	0.81
MERCE	MERCEDES-BENZ FINANCIAL SERVICES PORTUGAL – SOCIEDADE FINANCEIRA DE CRÉDITO, S. A.	0.75
RBANS	RCI BANQUE SUCURSAL PORTUGAL	0.74
BPRIM	BANCO PRIMUS, S. A.	0.69
WBSUC	WIZINK BANK, S. A. U. – SUCURSAL EM PORTUGAL	0.56
BMWSP	BMW BANK GMBH, SUCURSAL PORTUGUESA	0.50
MTPCR	MONTEPIO CRÉDITO – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S. A.	0.47
BACTI	BANCO ACTIVOBANK, S. A.	0.47
BASCP	BANCO SANTANDER CONSUMER PORTUGAL, S. A.	0.46
BBPI	BANCO BPI, S. A.	0.36
321CR	321 CRÉDITO – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S. A.	0.34
BBSPT	BANCO BILBAO VIZCAYA ARGENTARIA, S. A., SUCURSAL EM PORTUGAL	0.34
ABSER	ABANCA SERVICIOS FINANCIEROS, E.F.C., S. A. – SUCURSAL EM PORTUGAL	0.30
BBVIF	BBVA, INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S. A.	0.28
UNICR	UNICRE – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S. A.	0.27
BCBOM	BANCO CREDIBOM, S. A.	0.27
COFID	COFIDIS	0.24
BBPOR	BANCO BIC PORTUGUÊS, S. A.	0.23
BSTOT	BANCO SANTANDER TOTTA, S. A.	0.21
	System average	0.21
BCFSP	BANKINTER CONSUMER FINANCE, E.F.C., S. A. – SUCURSAL EM PORTUGAL	0.20
FINCI	FINANCEIRA EL CORTE INGLÉS PORTUGAL, S.F.C., S. A.	0.19
NOVOB	NOVO BANCO, S. A.	0.18
ONEYB	ONEY BANK – SUCURSAL EM PORTUGAL	0.15
CEMGB	CAIXA ECONÓMICA MONTEPIO GERAL, CAIXA ECONÓMICA BANCÁRIA, S. A.	0.13
CGD	CAIXA GERAL DE DEPÓSITOS, S. A.	0.13
BCP	BANCO COMERCIAL PORTUGUÊS, S. A.	0.11
BNPSU	BNP PARIBAS PERSONAL FINANCE, S. A. – SUCURSAL EM PORTUGAL	0.11
CCCAM	CAIXAS DE CRÉDITO AGRÍCOLA MÚTUO INTEGRADAS NO SICAM	0.06

Source: Banco de Portugal. | Note: The system average equates to 21 complaints per 100,000 consumer credit agreements.

Chart II.8.12 • Complaints | Per 1,000 consumer credit agreements | 1st half of 2020



Source: Banco de Portugal.

8.4.3 Home loans and mortgage credit

The table below shows the number of complaints per 1,000 home loan and mortgage credit agreements in the first half of 2020, by institution. Complaints submitted to the Banco de Portugal about this product were considered, irrespective of whether non-compliance or irregularity on the part of the respective institutions was detected by the Bank.

The institutions listed below received on average, more than two complaints per quarter in 2020.

Other institutions were subject to complaints in terms of home loans and mortgage credit. However, given that the number of complaints received by those institutions was lower than that of the entities in the table, they were not included in order to be representative. The following institutions are in this situation: Banco Finantia, S. A., Banco Primus, S. A., BNI – Banco de Negócios Internacional (Europa), S. A., Caixa Económica da Misericórdia de Angra do Heroísmo – Caixa Económica Bancária, S. A., Caixa Leasing e Factoring – Sociedade Financeira de Crédito, S. A., Novo Banco dos Açores, S. A. and Union de Créditos Imobiliários, S. A. – Sucursal em Portugal.

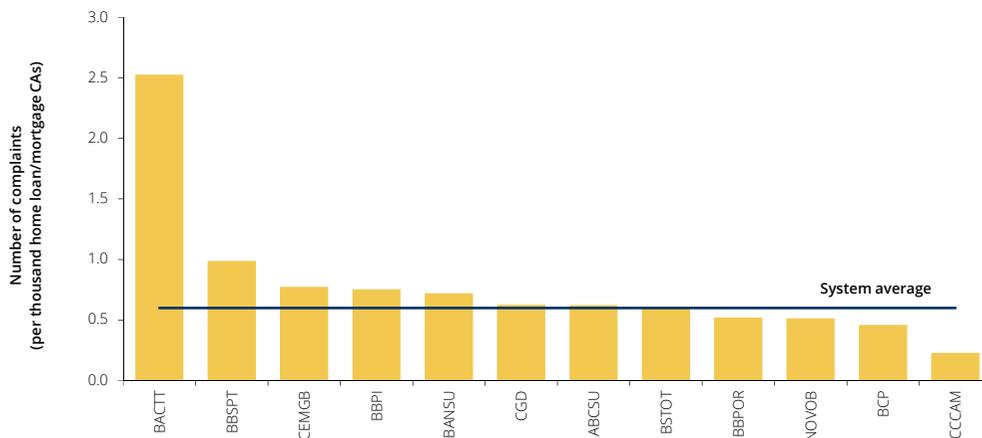
No complaints were received about other relevant institutions in home loans and mortgage credit, such as Caixa de Crédito Agrícola Mútuo de Leiria, C. R. L.

Table II.8.5 • Complaints | Per 1,000 home loan and mortgage credit agreements | 1st half of 2020

Abbreviation	Credit institution	H1 2020
BACTT	BANCO CTT, S. A.	2.53
BBSPT	BANCO BILBAO VIZCAYA ARGENTARIA, S. A., SUCURSAL EM PORTUGAL	0.99
CEMGB	CAIXA ECONÓMICA MONTEPIO GERAL, CAIXA ECONÓMICA BANCÁRIA, S. A.	0.77
BBPI	BANCO BPI, S. A.	0.75
BANSU	BANKINTER, S. A. – SUCURSAL EM PORTUGAL	0.72
CGD	CAIXA GERAL DE DEPÓSITOS, S. A.	0.62
ABCSU	ABANCA CORPORACIÓN BANCARIA, S. A., SUCURSAL EM PORTUGAL	0.62
	System average	0.60
BSTOT	BANCO SANTANDER TOTTA, S. A.	0.60
BBPOR	BANCO BIC PORTUGUÊS, S. A.	0.52
NOVOB	NOVO BANCO, S. A.	0.51
BCP	BANCO COMERCIAL PORTUGUÊS, S. A.	0.46
CCCAM	CAIXAS DE CRÉDITO AGRÍCOLA MÚTUO INTEGRADAS NO SICAM	0.23

Source: Banco de Portugal. | Note: The system average equates to 60 complaints per 100,000 housing and mortgage credit agreements.

Chart II.8.13 • Complaints | Per 1,000 home loan and mortgage credit agreements | 1st half of 2020



Source: Banco de Portugal.

8.5 Results of closed complaints²⁵

There was no evidence of infringement by the institution complained about in approximately 60.5% of total complaints closed in the first half of 2020 (61% in 2019), and in 39.5% of the cases the issue complained about was solved by the institution itself, by its own initiative or following the Banco de Portugal's intervention (39% in 2019).

The complaints regarding cheques had the highest percentage of closures without evidence of infringement by credit institutions (74.2%). In contrast, half the complaints about payment cards (50.8%) were closed following solution by the institution, or the Banco de Portugal's intervention.

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

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

8.6 Complaint closure time frame

In the first half of the year complaints took on average, 48 days to close, compared to 58 days in 2019. The average closing time for complaints lodged directly with the Banco de Portugal was 68 days (84 days in 2019), while in the case of complaints lodged through the complaints book it was 37 days (38 days in 2019). For complaints submitted through the complaints book at the branch of the institution, this time frame was 36 days (41 days in 2019), while for complaints submitted through the 'Livro de Reclamações' e-platform it was 38 days (28 days in 2019).

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

In the case of complaints lodged directly with the Banco de Portugal, the institutions are immediately questioned on the content of the complaint and have 20 working days to respond to the complainant²⁶ and to inform the Banco de Portugal thereof. The institutions may receive further requests for information from the Banco de Portugal which, after examination, lead to the closure of the complaint by the Banco de Portugal.

In the case of complaints submitted through the physical complaints book at a branch, institutions send a copy of the respective page of the book to the Banco de Portugal, together with any relevant documentation within 15 working days of the complaint being made. They often also send their case analysis. Complaints submitted through the e-platform 'Livro de Reclamações'

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

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

are immediately received at the Banco de Portugal, which must wait for the arguments from the institutions for 15 working days, after which it will begin to review the complaint²⁷. In both cases, further clarification may be requested, in which case institutions have three working days to reply.

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

9 Correction of irregularities and sanctions

9.1 Specific orders and recommendations

In the first half of 2020, the Banco de Portugal issued 1,310 specific orders and recommendations addressed to 141 credit institutions and financial companies²⁸. These measures were issued following inspections of the conduct of institutions subject to supervision and the analysis of complaints from bank customers. Within this period, a number of specific orders and recommendations related to inspections carried out in 2019 were also issued.

Most specific orders and recommendations issued concerned consumer credit and credit moratoria, targeting in particular, the correction of irregularities related to compliance with information obligations in both cases. The orders and recommendations issued concerning matters related to credit moratoria are analysed in Chapter I of this report.

For a better understanding of the information in the table below, it should be clarified that the results of each inspection may lead to the adoption of various supervisory measures.

27. As in Decree-Law No. 156/2005 of 15 September.

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

Table II.9.1 • Specific orders and recommendations | By topic | 1st half of 2020

Topics	Number	Institutions covered
Basic bank accounts	30	12
Advertising	43	21
Bank deposits	493	120
Credit moratoria ^(a)	278	97
Consumer credit	314	91
Home loans and mortgage credit	145	20
Corporate credit	4	2
Price lists	3	2
Total	1,310	-

Source: Banco de Portugal. | Note: The total number of specific orders and recommendations includes recommendations on consumer credit in digital channels. In the first half of 2020, specific orders and recommendations were issued to 141 institutions. The Caixa Central – Caixa Central de Crédito Agrícola Mútuo, C. R. L. (Central Mutual Agricultural Credit Bank) and the mutual agricultural credit banks that are members of the Sistema Integrado do Crédito Agrícola Mútuo (SICAM, Integrated Mutual Agricultural Credit Scheme) were accounted for separately.

9.1.1 Basic bank accounts

In the first half of 2020, following inspections carried out in the scope of BBAs, the Banco de Portugal issued 29 specific orders addressed to 12 institutions and one recommendation addressed to one institution.

The irregularities detected mainly concerned the provision of information to customers on the possibility of switching from current accounts to BBAs and compliance with the rules applicable to the termination of the agreement for opening a BBA.

Table II.9.2 • Specific orders and recommendations | Basic bank accounts | 1st half of 2020

Topics	Specific orders		Recommendations		Total	
	Number	Institutions covered	Number	Institutions covered	Number	Institutions covered
Provision of information on BBAs to current account holders	15	11	1	1	16	11
Adherence to the fees and charges cap	2	1			2	1
Provision of information on characteristics of BBAs	1	1			1	1
Provision of BBAs to customers complying with the access conditions provided by law	4	1			4	1
Overrunning prohibition in BBAs	1	1			1	1
Termination of the agreement governing the BBA	5	1			5	1
Reporting to the Banco de Portugal of Information on the provision of BBAs	1	1			1	1
Total	29	-	1	-	30	-

Source: Banco de Portugal. | Note: In the first half of 2020, specific orders were issued to 12 institutions and one recommendation to one institution.

The specific orders and the recommendation issued aimed to ensure compliance with obligations imposed on the supervised institutions that provide BBAs, namely relative to:

- **Annual disclosure of information on BBAs**, which the institutions are obliged to provide the holders of current accounts.

To comply with this obligation, institutions must include a reference to the possibility of switching current accounts to BBAs in the first statement issued each calendar year and, together with such first statement, provide their customers with an information document on BBAs that must conform to the template set out by the Banco de Portugal²⁹.

- **Adherence to the fees and charges cap that may be charged for the provision of BBAs**, with institutions not being allowed to demand fees, expenses or other charges from BBAs account holders for more than 1% of the value of the social support index as a whole and annually³⁰.
- **The correctness of information provided to customers on the conditions of access to BBAs**, the features of these accounts, the banking products and services included and their inherent costs³¹.
- **Provision of BBAs to customers complying with the access conditions provided by law**, by opening a BBA and by switching from an existing current account to a BBA.

The refusal to open a BBA or to switch a current account to a BBA is justified only if, on the date the affected party submits an application to open an account, the affected party holds one or more current accounts in any credit institution, except in cases of joint ownership provided by law or situations in which the affected party refuses to issue the statement declaring they are not the holder of another current account³². Thus, institutions may not refuse to provide these services based on conditions not provided by law, such as the bank customer's income, the number of holders intended for the BBA, or the fact that the customer is a borrower in credit agreements, among others³³.

- **Overrunning prohibition in BBAs**, except in situations where such use of funds beyond the balance available is the result of operations carried out with the debit card linked to the BBA³⁴.
- **Provision of information to customers on the underlying reasons for terminating the agreement regulating the BBA**, by sending a communication, on paper or another durable medium. This communication must also contain information and the required contact details on the complaint procedures and alternative dispute resolution methods available to the customer³⁵.
- **Reporting of information to the Banco de Portugal on the provision of BBAs** in accordance with the requirements laid down in the applicable standards³⁶.

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

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

31. Articles 2(3), 4 and 4-A(1) of Decree-Law No 27-C/2000 of 10 March 2000 and Article 91(c) of the Legal Framework for Payment Services and Electronic Money.

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

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

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

35. Article 5 of Decree-Law No 27-C/2000 of 10 March 2000.

36. Instruction of the Banco de Portugal No 15/2018.

9.1.2 Advertising

In the first half of 2020, the Banco de Portugal issued 43 specific orders addressed to 21 credit institutions and financial companies related to the monitoring of advertising, covering a total of 123 advertisements.

The specific orders issued were mainly concerned with the advertising of consumer credit products, a topic handled in most (70%) advertising campaigns analysed by the Banco de Portugal.

Table II.9.3 • Specific orders | Advertising | 1st half of 2020

Topics	Number	Advertisements	Institutions covered
Products and services	42	120	21
Consumer credit	34	87	17
Bank deposits	1	15	1
Corporate credit	4	11	3
Payment services	3	7	2
Institutional	1	3	1
Total	43	123	-

Source: Banco de Portugal. | Note: In the first half of 2020, specific orders were issued to 21 institutions.

The specific orders aimed at ensuring compliance with the following obligations:

- Information in advertising must be true and not distort facts³⁷;
- When advertising products and services, institutions must **include all mandatory information**, ensuring that **condições de acesso, access conditions, restrictions and limitations have similar prominence** to the characteristics of the product or service highlighted by the institutions³⁸;
- When advertising consumer credit, **the APRC must be presented with similar prominence to the highlighted characteristics of the credit products advertised in the consumer credit advertising campaigns, and a representative example of the APRC must be indicated**, including at least the credit amount, the repayment period, the nominal annual rate in the case of a fixed rate, or the reference rate and spread in the case of a variable rate³⁹;
- Mandatory information must **observe the minimum character size established**⁴⁰ and if the advertising message is broadcast via audio-visual media, the message must be **disseminated for sufficient time to allow for adequate reading and hearing**⁴¹;
- Information in advertising for financial products **must be clear and transparent** on the nature and purpose of such products, without institutions omitting or concealing information that is necessary for a correct evaluation of the product by the customer⁴²;

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

38. Article 4(2) and (4) and Article 5 of Notice of the Banco de Portugal No 10/2008.

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

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

41. Article 8 of Notice of the Banco de Portugal No 10/2008.

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

- Information in advertising must unambiguously identify the credit institution responsible for the products and services being advertised, e.g. by using a brand name clearly associated with that institution⁴³;
- The **use of restricted terms is conditioned** to the presentation, with similar prominence, of the specific conditions of the product or financial service that back up the publicising of that fact. For example, the term “0% interest” may only be used in situations where the customer is not required to pay any interest⁴⁴;
- **Institutions must adhere to best practice**, in institutional advertising notably that related to the **disclosure of prizes awarded by third entities**. In particular, they must provide information explaining the context of those prizes, such as the scope and entity responsible for awarding the prize⁴⁵.

9.1.3 Bank deposits

In the first half of 2020, the Banco de Portugal issued 493 specific orders and recommendations to 120 credit institutions, following inspections and the analysis of complaints from bank customers related to bank deposits. The irregularities detected mainly concerned how the statement of fees was provided.

Table II.9.4 • Specific orders and recommendations | Bank deposits | 1st half of 2020

Topics	Number	Institutions covered
Use of standardised terminology in the provision of information on fees and commissions	26	26
Provision of periodic information	2	2
Provision of the statement of fees	459	120
Exercise of the right of unilaterally change the agreement	4	1
Right to terminate the agreement	1	1
Other obligations	1	1
Total	493	-

Source: Banco de Portugal. | Note: In the first half of 2020, specific orders and recommendations were issued to 120 institutions.

The specific orders issued aimed to ensure compliance with obligations imposed on the supervised entities:

- **Use of standardised terminology** as laid down in the applicable legal and regulatory rules **on the provision of information on fees and commissions** related to services linked to consumer current accounts.

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

44. Article 13 of Notice of the Banco de Portugal No 10/2008.

45. Circular letter of the Banco de Portugal No CC/2014/0000065.

The institutions must ensure that the information provided to customers follows the standardised terminology. That is, information provided on fees and commissions, in advertising, at the pre-contractual stage, in the contractual provisions governing the current account and the provision of such services as well as during the lifetime of such provisions⁴⁶.

- **Provision of periodic information to customers through the account statement**, which among other elements, must contain information on all debit and credit transactions on customers' current accounts.

The statement must be sent to customers at least once a month, except where no transactions have occurred during the month in question, notwithstanding, a statement must be sent at least once a year⁴⁷.

- **Provision of the statement of fees**, which must contain information on all fees charged for services linked to a payment account and, where appropriate, information on interest rates applied to overdraft facilities associated with that account or to overrunning, as well as on the compensatory interest rate applied to the current account, where applicable.

The statement of fees must comply with a standardised format, and institutions are required to send them annually in January⁴⁸. When providing the statement of fees through digital channels or e-mail, institutions must observe the guidelines laid down in Circular Letter of the Banco de Portugal No CC/2019/00000083⁴⁹.

- **Provision of information to customers on the exercise of the right to unilaterally change agreements for the opening of current accounts**, when the institutions wish to exercise any contractual prerogatives allowing them to unilaterally modify the terms and conditions of such open-ended agreements.

The institutions must inform such account holders of the changes they intend to make to the agreements at least two months before the proposed date the changes apply, and of the right of customers who do not agree to such changes to resolve such contracts immediately free of charge. In situations where, by agreement between the parties, the lack of any response from the customer is considered acceptance of the changes, it is also incumbent on the institutions to draw the customers' attention to this⁵⁰.

- **Guarantee that current account holders reserve right to terminate their account opening agreement** at any time unless the parties have agreed on a notice period, which may not exceed one month. The right to termination is free of charge. Institutions must ensure that the agreement is terminated immediately after the notice period required of the customer⁵¹.

46. Article 5 of Decree-Law No 107/2017 of 30 August 2017 and Instruction of the Banco de Portugal No 11/2018 and Instruction of the Banco de Portugal No 19/2018.

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

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

49. <https://www.bportugal.pt/cartacircular/cc201900000083>.

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

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

9.1.4 Consumer credit

In the first half of 2020, the Banco de Portugal issued 74 specific orders and recommendations to 12 institutions, following inspections and the analysis of complaints from bank customers related to consumer credit. These concerned irregularities related to information made available to bank customers, institutions' conduct during the signing-up process of consumer credit products and the reporting of information to the Central Credit Register.

Table II.9.5 • Specific orders | Consumer credit | 1st half of 2020

Topics	Number	Institutions covered
Pre-contractual information obligations	26	8
Cost financing by customer's choice	3	2
Optional purchase of other products and services	11	5
Duties of information during the lifetime of the agreement	3	1
APR calculation	1	1
APRC upper limits	4	3
Reporting to the Central Credit Register	26	1
Total	74	-

Source: Banco de Portugal. | Note: In the first half of 2020, specific orders and recommendations were issued to 12 institutions.

The specific orders and recommendations issued aimed to ensure that:

- **The institutions provide pre-contractual information to customers** on consumer credit agreements, and **general information on consumer credit products made available on their websites** allows customers to know the characteristics of such credit products, as well as the channels through which they are offered⁵².

To this end, the institutions have been asked to present, in a clear and comprehensive manner, the general characteristics of the different categories and subcategories of consumer credit products they offer, including information on the specific conditions inherent to each of these categories and subcategories, particularly the applicable interest rate and the APRC. In addition, it has also been pointed out to the institutions that make simulators available on their websites that the summary provided to customers using these simulators must include information on fees and commissions, expenses and other costs included in the APRC.

The provision of an SIS prepared based on the preferences expressed by customers in the credit simulation was another situation subject to the specific orders and recommendations issued on this matter⁵³.

- **The financing of credit-related charges**, in particular insurance, fees and commissions, taxes and other costs, must be expressly requested **by customers**⁵⁴.

In particular, it was pointed out to the institutions that the checkboxes in which customers are asked to express their interest in obtaining financing for these charges must not be selected by default.

52. Article 77 of the Legal Framework of Credit Institutions and Financial Companies.

53. Article 77 of the Legal Framework of Credit Institutions and Financial Companies and Article 6 of Decree-Law No 133/2009 of 2 June 2009.

54. Article 74 of the Legal Framework of Credit Institutions and Financial Companies and Circular Letter of the Banco de Portugal No 45/2011/DSC.

- The purchase of products and services in association with the credit agreement is optional and is the result of the customer's express choice⁵⁵.

In particular, it was pointed out to the institutions that the checkboxes in which customers are asked to express their interest in the purchase of these products and services must not be selected by default, nor may non-uniform graphics be used, such as font size, colour or emphasis that induce the customer to choose a particular option.

- The institutions provide information to customers on any developments in the credit relationship during the lifetime of their credit agreements, by making a statement available with the frequency and the information required in the applicable rules⁵⁶.
- Institutions comply with the APRC upper limits in force for each consumer credit category⁵⁷ and calculate the APRC in accordance with the methodology laid down in the applicable legal and regulatory standards⁵⁸. When calculating the APRC, the total credit amount, the planned repayments envisaged and all the costs associated with the credit transaction agreed on between the creditor and the consumer should be considered, as well as the interest remuneration based on the amounts and periods of the actual use of the funds made available.
- The information that institutions report to the Central Credit Register on the actual or potential liabilities resulting from credit transactions with their customers is correct and up-to-date⁵⁹.

Where the institutions are aware of inaccuracies in the reported data, they must rectify that information within five working days⁶⁰.

In the first half of 2020, when monitoring of consumer credit offered through digital channels, the Banco de Portugal issued 240 specific orders and recommendations to 80 institutions. The irregularities detected mainly concerned pre-contractual and contractual information obligations.

Table II.9.6 • Specific orders and recommendations | Monitoring the offering of consumer credit through digital channels | 1st half of 2020

Topics	Number	Institutions covered
Pre-contractual information obligations	80	80
Contractual information obligations	160	80
Total	240	-

Source: Banco de Portugal. | Note: In the first half of 2020, specific orders and recommendations were issued to 80 institutions.

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

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

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

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

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

60. Instruction of the Banco de Portugal No 17/2018.

The specific orders and recommendations issued aimed to ensure that:

- The credit simulators available on digital channels **show information on the selected credit amount for the minimum available limit**, and the choice of any other amount is the result of an express choice by the customer⁶¹.
- Institutions must **refrain from using expressions such as “pre-approved, “pre-accepted” or “pre-assessed”**⁶².
- The draft credit agreement contains mandatory information, including, but not limited to, **identification of the credit category to which the transaction belongs**, specification of the procedures and mechanisms that the customer may use to exercise the rights of withdrawal from the contract and of early repayment of the loan, in whole or in part, through digital channels⁶³.

9.1.5 Home loans and mortgage credit

In the first half of 2020, the Banco de Portugal issued 145 specific orders and recommendations on home loans and mortgage credit to 20 institutions following inspections. The irregularities detected mainly concerned compliance with the pre-contractual information and reporting obligations to the Banco de Portugal incumbent upon the institutions.

Table II.9.7 • Specific orders and recommendations | Home loans and mortgage loans | 1st half of 2020

Topics	Number	Institutions covered
Pre-contractual and contractual information obligations	61	15
Duties of information during the lifetime of the agreement	19	6
Creditworthiness assessment	1	1
Early repayment	2	2
Fees and charges	5	2
APRC calculation	3	3
Interest rate applied	2	1
Reporting to the Banco de Portugal	38	17
Arrears regime	3	2
Reporting to the Central Credit Register	3	1
Other obligations	8	4
Total	145	-

Source: Banco de Portugal. | Note: In the first half of 2020, specific orders and recommendations were issued to 20 institutions.

The specific orders and recommendations issued aimed to ensure:

- **The provision of pre-contractual and contractual information on the characteristics and conditions of home loans and mortgage credit products.**

Some of the orders and recommendations issued focused on general pre-contractual information on home loans and mortgage credit agreements that the institutions make available on their websites. Among other elements, such information must include the purposes for

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

62. Article 77 of the Legal Framework of Credit Institutions and Financial Companies.

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

which the credit is granted, specify the guarantees that may be provided, indicate the types of interest rates that may be applied, present a representative example including the total credit amount and the APRC, as well as describe the conditions for early repayment of the credit⁶⁴.

Others focused on the ESIS provided by the institutions, particularly the ESIS not complying with the standardised model and the set information requirements⁶⁵.

The information contained in the agreements was also the subject of some of the specific orders and recommendations issued in this field. Among other elements required by the applicable rules, home loans and mortgage credit agreements must include information on the fees and charges the customer is liable for and the terms and conditions to maintain and possibly review the effects of optional cross-selling associated with the credit agreement.

- **The provision of information during the lifetime of home loans and mortgage credit agreements**, particularly in situations of default and early repayment of the credit agreement.

The institutions must provide, through a statement or stand-alone document, specific information if the consumer fails to comply with any contractual obligations and settles arrears, as well as in cases where the consumer repays the credit agreement early, in whole or in part⁶⁶.

- **The provision of information to customers in situations where the request for credit is refused** on the basis of the data contained in the credit liability databases, the public list of enforcement proceedings or other databases considered useful for the consumer creditworthiness assessment.

Customers must immediately be informed of this fact and of the elements contained in such databases unless the provision of this information is prohibited by other legal provisions or is contrary to public policy or public security⁶⁷.

- **The exercise of the customers' right to early repayment of the loan, in whole or in part, at any time during the lifetime of the agreement**⁶⁸.
- **Compliance with the rules that prevent institutions from charging fees and commissions that are not provided for in the price list**⁶⁹.
- **The correct application of the methodology for the APRC calculation**, namely in relation to the inclusion of all charges required for contracting the credit operation and the use, where applicable, of the calculation assumptions established by law⁷⁰.
- **The interest rate applied that was agreed with the customer**, to ensure that interest on the credit transaction is calculated taking into account the outstanding principal amount at each point in time and the interest rate agreed between the parties⁷¹.
- **The reliability of the annual information reported by institutions to the Banco de Portugal on the characteristics of home loans and mortgage credit agreements, their collateral and the**

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

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

66. Article 15 of Notice of Banco de Portugal No 5/2017.

67. Article 16 of Decree-Law No 74-A/2017 of 23 June 2017.

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

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

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

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

borrowers' income, as well as on repayments, whether early, in whole or in part, and on the renegotiations of these credit agreements⁷².

- **The correct application and calculation of arrears interest**, taking into account the maximum annual surcharge of 3% which, by law, may be added to the compensatory interest rate applicable to the transaction⁷³.

Institutions must calculate the amount of arrears interest, in particular that relating only to the outstanding and unpaid principal, without including taxes the payment obligation of which is not due, and exclusively for the time during which the default event has subsisted⁷⁴. Interest not yet due may not be charged to the customer when renegotiating agreements in default⁷⁵. Amounts due as a fee for the recovery of outstanding amounts and not paid by bank customers may only be added to the outstanding principal amount in case of restructuring or consolidation of credit agreements⁷⁶.

- **Reporting of correct and up-to-date information to the Central Credit Register** on the actual or potential liabilities resulting from credit transactions with customers⁷⁷.

Where the institutions are aware of inaccuracies in the reported data, they must rectify the reported information within five working days⁷⁸.

9.1.6 Corporate credit

In the first half of 2020, following analysis of complaints from bank customers and inspections of institutions' price lists, the Banco de Portugal issued four specific orders and recommendations on corporate credit to two institutions. The irregularities detected concerned compliance with the arrears regime and the reporting of information to the Central Credit Register.

Table II.9.8 • Specific orders and recommendations | Corporate credit | 1st half of 2020

Topics	Number	Institutions covered
Arrears regime	3	1
Reporting to the Central Credit Register	1	1
Total	4	-

Source: Banco de Portugal. | Note: In the first half of 2020, specific orders and recommendations were issued to two institutions.

The specific orders and recommendations issued aimed to ensure:

- **The correct application of the arrears regime**, particularly in relation to the fees and commissions charged by the institutions on the basis of borrowers' arrears.

Based on borrowers' arrears, credit institutions may not charge any fees or other amounts, even as an arrears penalty clause, in addition to the debt recovery fee provided for in the arrears regime⁷⁹.

72. Instruction of the Banco de Portugal No 33/2018.

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

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

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

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

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

78. Instruction of the Banco de Portugal No 17/2018.

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

- **Reporting of correct and up-to-date information to the Central Credit Register** on the actual or potential liabilities resulting from credit transactions with customers⁸⁰.

Where the institutions are aware of inaccuracies in the reported data, they must rectify the reported information within five working days⁸¹.

9.1.7 Price lists

In the first half of 2020, the Banco de Portugal issued three specific orders and recommendations on price lists to two credit institutions following inspections of product and service offerings. The irregularities detected concerned updating the price list and reporting information to the Banco de Portugal.

Table II.9.9 • Specific orders and recommendations | Price lists | 1st half of 2020

Topics	Number	Institutions covered
Update of the price list	2	1
Reporting to the Banco de Portugal	1	1
Total	3	-

Source: Banco de Portugal. | Note: In the first half of 2020, specific orders and recommendations were issued to two institutions.

The specific orders and recommendations issued aimed to ensure:

- **The availability of the interest rate leaflet** of the duly updated price list, so that customers can, at any time, become acquainted with the representative rates normally applied by the institution concerned⁸².
- **Reporting of the interest rate leaflet to the Banco de Portugal**, within the time limits laid down for this purpose⁸³.

9.2 Administrative offence proceedings

With regard to banking conduct supervision, in the first half of 2020 the Banco de Portugal initiated 40 administrative offence proceedings against 16 institutions. The proceedings initiated resulted mostly from the Banco de Portugal's supervision via the analysis of bank customer complaints (94.9%). The proceedings initiated were based on 126 complaints and several proceedings were based on more than one complaint. For reasons of procedural economy and where appropriate, indications of irregularities committed by the same institution were joined in the same proceedings.

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

81. Instruction of the Banco de Portugal No 17/2018.

82. Articles 3 and 7 of Notice of the Banco de Portugal 8/2009.

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

Table II.9.10 • Administrative offence proceedings initiated | 1st half of 2020

Topics	Number	Institutions covered
Bank deposits	17	8
Consumer credit	8	6
Home loans and mortgage credit	4	3
Corporate credit	2	2
Payment services	6	6
Complaints book	1	1
Bank secrecy	2	2
Total	40	-

Source: Banco de Portugal. | Note: In the first half of 2020, administrative offence proceedings were initiated against 16 institutions..

9.2.1 Bank deposits

The 17 administrative offence proceedings initiated against eight institutions in relation to deposits, including irregularities detected in 89 complaints, concerned non-compliance with the following obligations:

- Institutions must ensure that current accounts are closed immediately upon the customers' request, unless a notice period has been agreed, which cannot exceed one month⁸⁴;
- Institutions must act with diligence, impartiality, loyalty, discretion and respect for the interests entrusted to them, both in the direct relationship with bank customers and in the relationship with other institutions⁸⁵.

9.2.2 Consumer credit

The eight administrative offence proceedings initiated against six institutions in relation to consumer credit, including irregularities detected in 12 complaints and during the inspection of information reported by institutions on consumer credit agreements, concerned non-compliance with the following obligations:

- The institutions must provide the consumer with pre-contractual information by delivering the standard information sheet⁸⁶;
- Institutions must observe the APRC upper limits released by the Banco de Portugal for each type of consumer credit agreement⁸⁷;
- Institutions may not provide digital credit card statements after the customer has expressly requested such information be provided in physical form⁸⁸;

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

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

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

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

88. Article 7 of Notice of the Banco de Portugal No 10/2014.

- Institutions may only claim that the credit is due immediately and in full, or terminate the agreement if the customer has cumulatively failed to pay two consecutive instalments in excess of 10% of the total credit amount and the customer has also been granted a further period of at least 15 days to settle the instalments in arrears⁸⁹;
- The institutions must inform customers when they first communicate a credit agreement in arrears, prior to reporting the situation to the Central Credit Register⁹⁰.

9.2.3 Home loans and mortgage credit

The four administrative offence proceedings initiated against three institutions in relation to home loans and mortgage credit, covering irregularities detected in ten complaints, concerned the following situations:

- The institutions must inform the insurance undertaking in a timely way of all developments in the amount outstanding under the home loan agreement in order to update the capital insured⁹¹;
- The institutions must reflect the negative interest rate on home loans and mortgage credit agreements, as provided by law⁹²;
- The institutions must incorporate those customers whose credit agreements have remained in default for a period of over 60 days in an OASP⁹³.

9.2.4 Corporate credit

The two administrative offence proceedings initiated against two institutions in relation to corporate credit, including irregularities detected in two complaints, concerned non-compliance with the obligation to inform customers when they first communicate a credit agreement in arrears, prior to reporting the situation to the Central Credit Register⁹⁴.

9.2.5 Payment services

Six administrative offence proceedings were initiated against six institutions in relation to payment services. These included irregularities in ten complaints, and were based on a disregarding of the payment service provider's obligation to inform the payer of the payment instrument being blocked and the reasons for this in an agreed manner, where possible, prior to the payment instrument being blocked or at the latest immediately thereafter, unless providing such information compromises objectively justified security reasons or is prohibited by other relevant legal provisions⁹⁵.

9.2.6 Complaints book

The administrative offence proceedings initiated against one institution in relation to the complaints book concerned non-compliance with the legal obligation to reply to the

89. Article 20 of Decree-Law No 133/2009 of 2 June 2009.

90. Point 9 of Instruction of the Banco de Portugal No 17/2018.

91. Article 7 of Decree-Law No 222/2009 of 11 September 2009.

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

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

94. Point 9 of Instruction of the Banco de Portugal No 17/2018.

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

complainant within 15 working days from the date of the complaint, to the email address indicated on the form, informing the complainant where applicable, of the measures taken as a result of the complaint⁹⁶.

9.2.7 Bank secrecy

The two administrative offence proceedings initiated against two institutions in relation to banking secrecy, following irregularities detected in the analysis of two complaints, concerned non-compliance with the duty of banking secrecy to which members of the management or supervisory bodies of credit institutions and their staff are subject⁹⁷.

In the first half of 2020, the Banco de Portugal concluded the analysis of and decided on 34 administrative offence proceedings that were initiated in previous years and related to banking conduct infringements⁹⁸. The proceedings involved 20 institutions and concerned consumer credit, banking secrecy, the complaints book, payment services, bank deposits and corporate credit.

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

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

98. Information available on the Banco de Portugal's website.



III Supervision of credit intermediaries

- 1 Authorisation and registration
- 2 Supervision of the activity
- 3 Requests for information
- 4 Communications on the pursuit of the activity by unauthorised entities
- 5 Correction of irregularities and sanctions

1 Authorisation and registration

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

The Banco de Portugal is the authority responsible for the supervision of the entities authorised to operate as credit intermediaries, granting them authorisation for the pursuit of the activity of credit intermediary and the provision of consultancy services, creating, maintaining and permanently updating the credit intermediaries register, as well as monitoring compliance with the legal and regulatory rules governing access to and pursuit of this activity, in the context of the application of the legal framework for credit intermediaries¹.

1.1 Pedidos de autorização

In the first half of 2020, a total of 277 applications for authorisation were submitted to pursue the credit intermediary activity. Considering the requests for authorisation received since the entry into force of the legal framework for credit intermediaries on 1 January 2018, the total number of applications submitted to the Banco de Portugal amounts to 6,684 up to 30 June 2020.

Compared to the second half of 2019, the number of applications for authorisation to pursue the credit intermediary activity received by the Banco de Portugal fell by 33.1% in the first six months of 2020.

Between 1 January 2020 and 30 June 2020, the Banco de Portugal issued a decision on 331 applications for authorisation to pursue the activity of credit intermediary, of which 215 requests were approved (65%) and 116 were refused (35%).

The number of finalised applications was greater than the total number of applications for authorisation submitted in the same period by those interested in pursuing the activity of a credit intermediary. More than half (51.4%) of the applications for authorisation with a decision issued in the first half of 2020 were submitted to the Banco de Portugal in 2019, with the remainder being submitted in the first half of 2020.

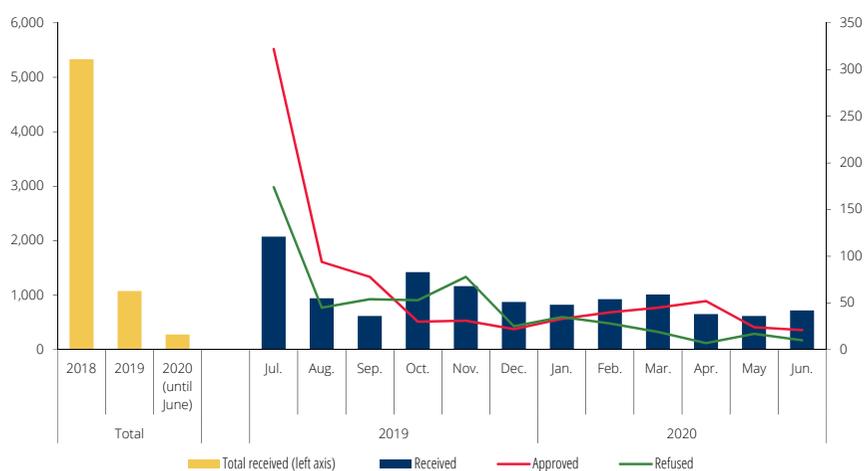
This is due to the fact that the Banco de Portugal has a 90-day time limit to decide on the applications for authorisation to pursue the credit intermediary activity it receives. This time limit may be extended for the receipt of any clarification or for the analysis of any elements requested in connection with the examination of the application. Under this procedure, the Banco de Portugal should also promote the prior hearing of the concerned parties before issuing a decision refusing the application, by notifying them of the draft decision and granting them a time limit to render their opinion; such time limit may not be less than ten working days.

1. Decree-Law No 81-C/2017 of 7 July 2017, a legal instrument which approved the legal framework that establishes the requirements applicable to access to and pursuit of the credit intermediation activity and the provision of consultancy services.

In addition, during the first half of 2020, in order to mitigate the impact of the epidemiological situation, the legislator laid down an exceptional framework for the suspension of procedural time limits², which affected the time limits in place for the Banco de Portugal to take a decision on applications for authorisation, as well as the time limits granted to the concerned parties to perform acts under these procedures, in particular for the exercise of their right of prior hearing. This has led to an extension of the time limits for these procedures, also affecting the number of applications for authorisation finalised during the first half of 2020.

Between 1 January 2020 and 30 June 2020, as for the management of requests for authorisation from credit intermediaries, 124 requests for additional information were sent, 227 notifications were made for the exercise of the right of prior hearing and 116 refusal decisions were issued.

Chart III.1.1 • Credit intermediaries | Status of authorisation applications
| 1 January 2018 – 30 June 2020



Source: Banco de Portugal.

1.2 Registration

At the end of the first half of the of 2020, there were 4,880 credit intermediaries registered with the Banco de Portugal, 199 more than at the end of 2019.

The list of registered credit intermediaries is available on the Bank Customer Website, and the elements subject to public disclosure for each credit intermediary may also be consulted.

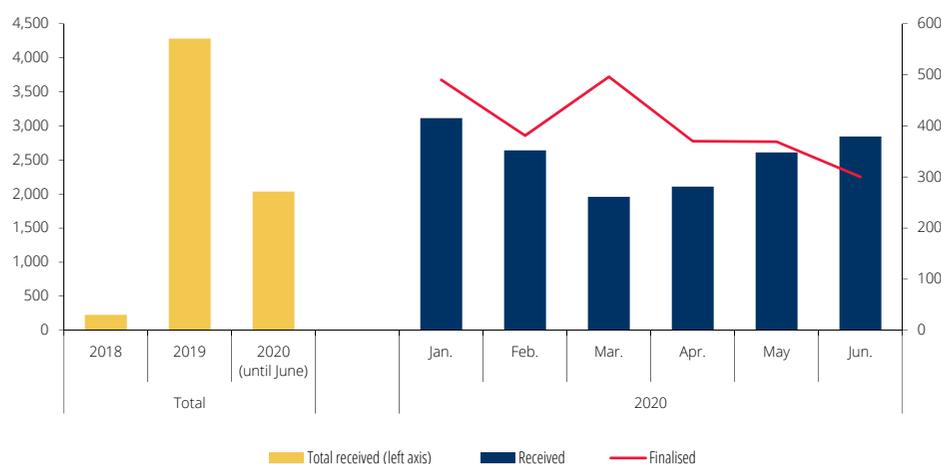
1.3 Amendments to the registration

In the first half of 2020, a total of 2,036 requests to amend registrations were received from credit intermediaries. In the same period, the Banco de Portugal issued a decision on 2,406 requests to amend registrations, the vast majority of which were accepted (93.7%).

2. Cf. Law No 1-A/2020 of 19 March 2020.

The requests to amend registrations received during the reference period mainly related to modifications to the professional indemnity insurance resulting from the activity of credit intermediary and the change in identity of the lending institutions with which the credit intermediaries have entered into tying contracts.

Chart III.1.2 • Credit intermediaries | Status of registration amendments
| 1 January 2018 – 30 June 2020



Source: Banco de Portugal.

1.4 Expiry of authorisation and cancellation of registration

In the first half of 2020, the Banco de Portugal initiated the procedure for cancelling the registration of 17 credit intermediaries as a result of expiry of their authorisation. In 14 of these cases, expiry of authorisation was due to renunciations of the authorisation granted to the pursuit of the credit intermediary activity and the remainder were based on the winding-up of the credit intermediary.

Within this period, no registration was cancelled due to the revocation of the authorisation granted for the pursuit of the credit intermediary activity.

1.5 Communications related to the pursuit of the activity under the freedom to provide services and freedom of establishment

In the first half of 2020, the Banco de Portugal did not receive any communication from competent authorities of other Member States of the European Union related to the pursuit, in Portugal, of the credit intermediary activity, namely home loans and mortgage credit by entities authorised to operate as such in those Member States.

On 30 June 2020, a total of 20 credit intermediaries from other Member States of the European Union were operating in Portugal. These credit intermediaries, from the United Kingdom³ (nine), France (eight) and the Netherlands (three), carry out their activity as non-tied credit intermediary and, as a rule, operate under the freedom to provide services. Only one has chosen to pursue its activity in national territory through the establishment of a branch.

Also, during this period, no notification has been received from a credit intermediary authorised to operate in Portugal with regard to home loans and mortgage credit agreements as to the intention of pursuing that activity in another Member State of the European Union.

Until the end of June 2020, only one credit intermediary authorised to operate in Portugal with regard to home loans and mortgage credit agreements notified the Banco de Portugal of its intention to pursue the activity in another EU Member State, by way of the establishment of a branch in Spain. This information was also provided opportunely to the competent authority of that country⁴.

1.6 Communications from financial institutions intending to operate as credit intermediaries

At the end of the first half of 2020, the list of credit institutions, financial companies, payment institutions and electronic money institutions that provide credit intermediation services, published on the Bank Customer Website⁵, was composed of 19 entities. In this period, only one financial institution reported changes to the elements listed on the Bank Customer Website.

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

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

4. Credit intermediaries authorised to operate in Portugal, which intend to pursue the credit intermediary activity and provide consultancy services with regard to home loans and mortgage credit agreements in other Member States of the European Union, must notify the Banco de Portugal of such intention in advance. Having received such a notification, the Banco de Portugal communicates information to the host Member State on the intention of the credit intermediary and on the authorisation granted in Portuguese territory.

5. At <https://www.bportugal.pt/en/instituicoes-financeiras-intermediacao>.

2 Supervision of the activity

The Banco de Portugal is the entity responsible for supervising the activity of credit intermediaries, by using the supervisory instruments set by the legislator, in particular through the analysis of the advertising released by the credit intermediaries, the review of complaints and the carrying out of inspections.

Bearing in mind that, by virtue of the COVID-19 pandemic, many of the credit intermediaries' establishments open to the public were closed during a substantial part of the first half of 2020, the supervisory activity carried out by the Banco de Portugal in this period focused on the analysis of advertising released by the credit intermediaries and the review of complaints submitted on these entities' conduct.

2.1 Advertising

In the first half of 2020, ten advertising materials specifically related to the activity of credit intermediation were analysed by the Banco de Portugal.

Advertising relating to the activity of credit intermediation must comply with a set of requirements, including the obligation to indicate the category of credit intermediary concerned, the services which the credit intermediary is authorised to provide and, where applicable, the lending institutions or group of lending institutions with which the credit intermediary has a tying contract.

As a result of this analysis, the correction of all analysed advertising materials related to the credit intermediary activity was ordered.

Tied credit intermediaries and credit intermediaries in an ancillary capacity may also release advertising for credit products which they have produced, provided that these have been previously approved by the lending institution responsible for the credit product concerned⁶.

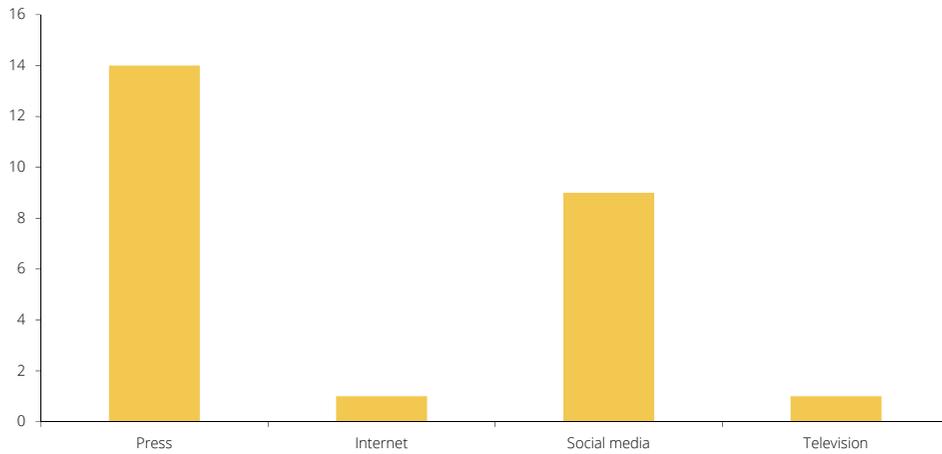
In the first six months of 2020, a total of 15 advertising materials were analysed, relating to consumer credit agreements, which, having been produced by credit intermediaries, did not identify the lending institutions responsible for the credit products concerned. These mainly concerned advertising materials relating to car loan agreements (86.7%) and the others related to personal loans products (13.3%).

Where the advertising materials relating to credit products produced by credit intermediaries do not identify the lending institution responsible for the advertised product, the Banco de Portugal notifies the credit intermediary concerned and the lending institutions with which it has a tying contract, in order to establish the identity of that institution and determine whether it has approved the relevant material.

6. Advertising materials released by credit intermediaries in respect of credit products and in which the institution responsible for this credit product is identified are analysed in conjunction with other advertising materials for banking products and services in Chapter 2 of Part II of this summary report.

Most of the advertising materials inspected in the first half of 2020 were released through the press (14), followed by material released through social media (nine). The release of advertising through other channels was less significant, with one advertising material broadcast on television and another released on the Internet being subject to inspection.

Chart III.2.1 • Credit intermediaries | Advertising materials monitored | 1st half of 2020



Source: Banco de Portugal.

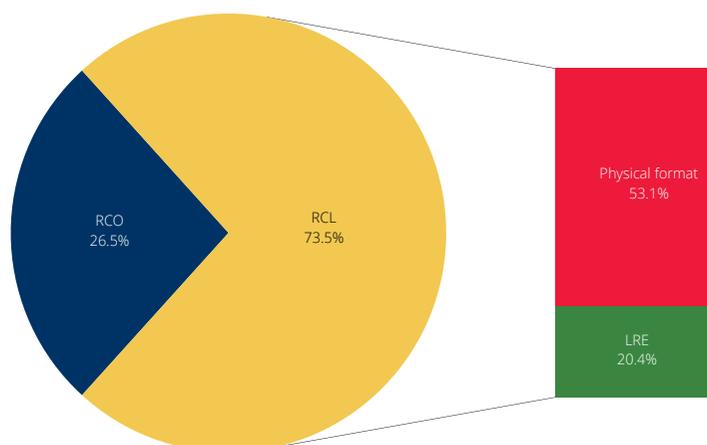
In the period under analysis, one advertising material regarding the activity of a credit intermediary and released through the press was also analysed, in which it was concluded that it concerned an entity not authorised to carry out such activity; subsequent inquiries were carried out.

2.2 Bank customer complaints

The Banco de Portugal is responsible for reviewing complaints about the conduct of entities authorised to operate as credit intermediary, both when such complaints are directly submitted to the Banco de Portugal and when they are submitted through the physical complaints book (RCL) available in the establishments open to the public of the entities and through the e-platform 'Livro de Reclamações' (LRE).

In the first half of 2020, the Banco de Portugal received 49 complaints about the conduct of the entities authorised to provide credit intermediation services, most of which were submitted through the complaints book available in their establishments open to the public (53.1%). Around 20.4% of the complaints received by the Banco de Portugal during the reference period were submitted through the LRE. All other complaints were submitted directly to the Banco de Portugal (RCO).

Chart III.2.2 • Credit intermediaries | Complaints received, by source | 1st half of 2020



Source: Banco de Portugal.

The vast majority of complaints (69.4%) focused on the conduct of the credit intermediaries. Only 30.6% of the complaints focused on credit intermediation services provided by credit institutions, financial companies, payment institutions and electronic money institutions.

Complaints received by the Banco de Portugal in the first half of 2020 mainly targeted entities providing credit intermediation services in the field of consumer credit agreements (77.6%). Only 12.2% of the complaints received focused on credit intermediaries operating with regard to home loans and mortgage credit agreements. All other complaints focused on other issues and no complaint was received about the provision of consultancy services.

In this period, 21 complaints were also submitted that, despite identifying credit intermediaries as the entity being complained of, concerned the conduct of the lending institution.

With regard to the outcome of the complaints finalised⁷ in the first half of 2020, in 62.5% of the cases no evidence of infringement was found by the credit intermediary subject to the complaint. In the remaining complaints, the situation complained about was resolved on the initiative of the credit intermediary or following the intervention of the Banco de Portugal.

As for the complaints submitted through the physical complaints book, credit intermediaries must send a copy of the corresponding page of the book and of the answer sent to the complainant to the Banco de Portugal within 15 working days, as well as any clarification deemed appropriate. Complaints submitted through the LRE are immediately received by the Banco de Portugal, with the credit intermediaries having to send, within 15 working days, a copy of the answer sent to the complainant, as well as any clarification deemed appropriate⁸.

7. The results described here only refer to complaints that fall within the Banco de Portugal's remit and do not encompass complaints whose subject matter falls outside the field of competence of this authority.

8. Decree-Law No 156/2005 of 15 September 2005.

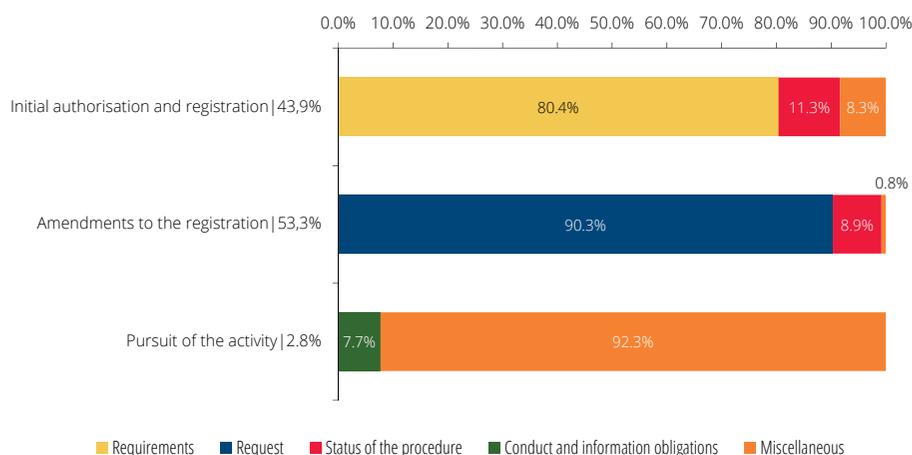
When claims are submitted directly to the Banco de Portugal, the credit intermediaries are notified to render their opinion on the complaint within 20 working days and to provide all necessary elements for a full clarification of the matter being complained about, including a copy of the documents substantiating the position taken by the credit intermediary.

Regardless of the channel used for the submission of the complaint, the Banco de Portugal may request any additional clarification necessary for the analysis of the facts being complained about, and the credit intermediaries must respond to such requests within the time limit set for that purpose.

3 Requests for information

In the first half of 2020, the Banco de Portugal received 465 requests for information on access to and pursuit of the credit intermediary activity. More than half of these requests for information (248) focused on amendments to the registration of the credit intermediary, in particular on how the request for amendments to the registration should be submitted. In turn, 204 requests for information (43.9%) concerned the authorisation and initial registration of credit intermediaries, most of which related to the requirements for access to the activity (164 requests). The remaining 13 requests for information were related to the pursuit of the credit intermediary activity.

Chart III.3.1 • Credit intermediaries | Requests for information received, by topic | 1st half of 2020



Source: Banco de Portugal.

In the first half of 2020, a total of 522 requests for information were answered, 83.7% of which were submitted in that period. In most cases, the response sent sought to clarify the applicants about the way a request for amendments to the registration of the credit intermediary (42.7%) should be submitted and the requirements for access to the credit intermediary activity (36.2%).

4 Communications on the pursuit of the activity by unauthorised entities

During the first half of 2020, the Banco de Portugal received eight communications, mostly sent by consumers, which referred to the pursuit of the credit intermediary activity by entities not authorised for this purpose.

In view of the powers conferred on the Banco de Portugal in the fight against illicit financial activity, mechanisms were launched to investigate alleged facts.

The activity of credit intermediation and the provision of consultancy services in respect of credit agreements may only be pursued by entities authorised for such purpose.

Specifically, these activities may only be pursued by: (i) natural or legal persons authorised by and registered with the Banco de Portugal, (ii) credit intermediaries authorised to carry out the credit intermediary activity and provide consultancy services in respect of home loans and mortgage credit in another Member State of the European Union and operating in Portugal under the freedom to provide services or through the establishment of a branch, and (iii) credit institutions, financial companies, payment institutions and electronic money institutions legally authorised to operate in Portugal regarding credit agreements in which they do not act as creditors.

5 Correction of irregularities and sanctions

Following the supervision of the activity of credit intermediaries carried out by the Banco de Portugal, ten specific orders were issued to ten entities in the first six months of 2020, requiring the correction of detected irregularities, all concerning the release of advertising related to the credit intermediary activity.

The adopted measures aimed to ensure that in the advertising concerning their activity, credit intermediaries:

- Do not use expressions that are likely to create confusion between their activity and the granting of credit;
- Indicate their category as credit intermediary;
- Identify the credit intermediation services they are authorised to provide;
- Include, where appropriate, a reference to the authorisation to provide consultancy services;
- Identify the lending institutions or group of lending institutions with which they have a tying contract;
- Where appropriate, make a reference to the carrying out of their activity exclusively on behalf of only one lending institution.

Table III.5.1 • Credit intermediaries | Specific orders | 1st half of 2020

Topics	Specific orders	
	Number	Entities covered
Advertising	10	10
Total	10	10

Source: Banco de Portugal.

In the period under analysis, the Banco de Portugal initiated 12 administrative offence proceedings relating to the conduct of 11 credit intermediaries. The proceedings initiated resulted from the supervision carried out by the Banco de Portugal in the context of advertising released by credit intermediaries and were based on failure to comply with the obligation to release advertising relating to credit products produced by credit intermediaries only if the lending institution responsible for the relevant product has approved such advertising in advance.

Table III.5.2 • Credit intermediaries | Administrative offence proceedings | 1st half of 2020

Topics	Administrative offence proceedings	
	Number	Entities covered
Advertising	12	11
Total	12	11

Source: Banco de Portugal.



IV Monitoring of training entities

1 Certification

2 Following-up of the activity

1 Certification

In the first half of 2020, the Banco de Portugal approved the application for certification submitted by a training entity that intended to provide training courses from the National Qualifications Catalogue for professional certification in the drafting, offering and granting of credit secured by a mortgage and credit intermediation.

Since 1 January 2018 the Banco de Portugal has certified eight training entities. This information is available for consultation on the Bank Customer Website:

Figure IV.1.1 • Training entities | List of entities certified by the Banco de Portugal

The screenshot shows the 'Training institution' page on the Banco de Portugal website. It features a navigation menu with options like 'The Bank', 'Media', 'Publications and research', 'Statistics', 'Supervision', 'Monetary policy', 'Payment systems', and 'Banknotes and coins'. Below the navigation, there is a search bar and a list of 8 certified training entities. The entities listed are: APEMIP Serviços, Unipessoal Lda.; Rede Global - Gestão e Exploração de Franquias, S.A.; Anabela Santiago da Fonseca Reis; Max Finance - Intermediários de Crédito, Lda.; Deloitte Technology, S.A.; UNYLEYA - Ensino e Formação à Distância, S.A.; SPESI - Sociedade de Promoção de Ensino Superior Imobiliário, S.A.; and Associação Portuguesa de Bancos / Instituto de Formação Bancária.

Source: Banco de Portugal (<https://www.bportugal.pt/entidades-formadoras>).

2 Following-up of the activity

Based on the data reported by the training entities, 1,293 professional certifications were granted in the first half of the year, of which 559 for completing the “Offering of mortgage credit” training course, 313 for the “Offering of consumer credit” training course and 421 for the “Credit intermediation” training course.

Table IV.2.1 • Training entities | Professional certifications granted | 2018 – 1st half of 2020

	2018	H1 2019	H2 2019	H1 2020
Training on “Offering of mortgage credit”	4,879	22,598	1,169	559
Training on “Offering of consumer credit”	232	473	434	313
Training on “Credit intermediation”	631	1,190	537	421

Source: Banco de Portugal.

The number of certifications granted in the first half of 2020 is lower than that recorded in previous semesters. The decrease is especially noteworthy in comparison with the second half of 2019, as that period of time no longer reflected the effects of the transitional regime provided by law for parties interested in carrying on the activity of credit intermediary and their workers, and workers of lending institutions involved in the drafting, offering and granting of home and mortgage loans to prove compliance with the knowledge and skills requirements¹.

This situation is mainly explained by the pandemic situation Portugal experienced in the period under analysis. Due to the limitations put in place by public authorities, training entities were forced to suspend training courses for a few periods of time and to delay final examinations.

In the context of the monitoring of the activity carried out by the training providers, the Banco de Portugal responded to requests for clarification from training providers concerning the effects of the epidemiological situation on the training activities of those providers, in particular as regards the impact of the restrictions in force during the state of emergency on the attendance of training courses that had already started and, in particular, on the face-to-face assessment of trainees.

Having found that a certified training entity had decided to carry out the final assessments of the trainees through distance communication means, the Banco de Portugal reminded the training entity that only a face-to-face assessment was admissible in view of the certification requirements laid down in the Annex to the Executive Order No 385-D/2017 of 29 December 2017, as the use of distance communication means for carrying out the final assessments does not provide sufficient assurance that trainees have acquired the level of professional knowledge and competence required for being granted professional certification. In addition, the Banco de Portugal ordered this training entity to cease the practice identified and to repeat, face-to-face, the final assessments that had been carried out by distance communication means.

It should be noted that this intervention by the Banco de Portugal had no impact on the applications for authorisation to operate as credit intermediary or on requests to amend registrations of credit intermediaries that were already under way, taking into account the suspension of the procedural time limits for acts by individuals set forth by the legislator until the end of the exceptional situation caused by the epidemiological situation in Portugal². For this reason, if individuals were unable, during this exceptional period, to take the exam to prove compliance with the requirement on knowledge and skills to obtain professional certification, such individuals would not be disadvantaged in the process of authorisation or amendment of the registration.

1. As of 21 March 2019, proof of compliance with these requirements is no longer based on professional experience but by obtaining professional certification from a training entity certified by the Banco de Portugal or, alternatively, by an academic degree or diploma whose study plan includes a set of minimum content.

2. For more details, see 3.1.1. of Chapter III in this report.

Note that, according to the legal framework of credit intermediaries, obtaining professional certification to prove compliance with the requirement on knowledge and skills requires, as a rule, the completion of at least two training courses: the “Credit intermediation” training course and, depending on the scope of the intermediary’s activity, the “Offering of mortgage credit” and “Offering of consumer credit” training courses. The only exception to that rule is workers of credit intermediaries who work in home loans or who provide consultancy services in relation to such loans, in which case they are only required to complete the “Offering of mortgage credit” training course.

In turn, the obtaining of professional certification by the workers and service providers of lending institutions involved in the drafting, marketing and granting of home and mortgage loans, as well as of the ancillary services normally offered in connection with those loans, entails the completion of the “Offering of mortgage credit” training course.





Annexes

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

1 Legislative and regulatory initiatives

Table IV.1.1 • Legislative and regulatory initiatives

Date	Diploma identification	Subject matter
16 March	Circular Letter No CC/2020/00000017	Discloses measures for more flexible regulatory and supervisory requirements in the context of the COVID-19 pandemic.
26 March	Decree-Law No 10-J/2020	Establishes extraordinary measures to protect the credits of households, firms, private social solidarity institutions and other entities of the social economy, as well as a special regime for State guarantees in the context of the COVID-19 pandemic.
26 March	Decree-Law No 10-H/2020	Establishes exceptional and interim measures to promote the acceptance of card-based payments in view of the current COVID-19 pandemic.
31 March	Instruction of Banco de Portugal No 7/2020	Releases for the second quarter of 2020 the maximum rates to be applied in consumer credit agreements under Decree-Law No 133/2009 of 2 June 2009.
1 April	Circular Letter No CC/2020/00000021	Issues a set of additional recommendations and easing measures related to the Banco de Portugal's duties in the areas of banking supervision and cash circulation, in the context of the COVID-19 pandemic.
8 April	Circular Letter No CC/2020/00000022	Underlines the importance of credit institutions and financial companies complying with the Guidelines of the European Banking Authority on treatment of public and private moratoria in light of COVID-19 measures (EBA/GL/2020/02).
10 April	Law No 7/2020	Sets forth exceptional and temporary regimes in the context of the COVID-19 pandemic, among them the suspension of the collection of fees on payment transactions through the digital platforms of payment service providers under some circumstances.
10 April	Law No 8/2020	Introduces the first amendment to Decree-Law No 10-J/2020, of 26 March 2020, which created the public moratorium, clarifying the list of beneficiaries and establishing the duty to provide information to bank customers.
7 May	Notice of Banco de Portugal No 2/2020	Regulates the institutions' duty to provide information to bank customers regarding the moratoria created in the context of the COVID-19 pandemic.
25 May	Instruction of Banco de Portugal No 13/2020	Sets forth the information institutions must report to the Banco de Portugal on the implementation of the moratoria created as a response to the COVID-19 pandemic.
4 June	Instruction of Banco de Portugal No 15/2020	Releases for the third quarter of 2020 the maximum rates to be applied in consumer credit agreements under Decree-Law No 133/2009 of 2 June 2009.
16 June	Decree-Law No 26/2020	Introduces the second amendment to Decree-Law No 10-J/2020, of 26 March 2020, extending the public moratorium and broadening the list of beneficiaries and credits included.
18 June	Circular Letter No CC/2020/00000041	Announces the cessation of the measures for more flexible handling of complaints, defined in Circular Letter No CC/2020/00000017.
7 July	Circular Letter No CC/2020/00000044	Establishes a set of recommendations to be adopted when selling retail banking products and services through digital channels (online or mobile).

2 Methodological notes for calculating which institutions received most complaints

Universe of complaints

The data used in the statistical analysis relate to complaints received by the Banco de Portugal, in 2019 and in the first half of 2020, whose subject matter falls within its scope, either submitted through the complaints book made available in credit institutions, the e-platform 'Livro de Reclamações' or directly sent to the Banco de Portugal by bank customers.

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

Matters subject to complaint

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

- Payment cards – complaints regarding the issue and use, as a means of payment, of debit and credit cards;
- Cheques – complaints regarding the issue and use of cheques;
- Home loans and mortgage loans – complaints related to the access to, and execution and contractual conditions of credit agreements relating to residential immovable property and credit secured by a mortgage under Decree-Law No 74-A/2017 of 23 June 2017;
- Consumer credit – complaints related to the access to, and execution and contractual conditions of credit agreements, other than credit agreements relating to residential immovable property and credit secured by a mortgage under Decree-Law No 74-A/2017 of 23 June 2017. These are complaints related to consumer or other credit granted to private individuals through credit cards or other means;
- Loans to enterprises – complaints about agreements relating to loans to enterprises, including agreements concluded with private entrepreneurs, within the scope of their professional activity;
- Deposit accounts – complaints related to the opening, debiting, crediting and management of deposit accounts, as well as to their contractual conditions. This includes complaints about any type of deposit, namely current accounts and time deposits, deposits with a special regime or other deposits, defined in Decree-Law No 430/91 of 2 November 1991;
- Direct debits – complaints related to the processing of direct debit instructions regarding a current account;
- ATMs – complaints related to the operation of Automated Teller Machines (ATMs);

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

Reference units

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

- Payment cards – number of debit and credit cards in circulation in 2019 and in the first half of 2020 (average between the values of the start and end of each period). Data are gathered from the information reported by credit institutions under Instruction of Banco de Portugal No 8/2010;
- Cheques – number of cheques processed in the Interbank Clearing System (Sistema de Compensação Interbancário – SICOI) in 2019 and in the first half of 2020 (average number of cheques issued and drawn). Data are collected from the information regularly reported by SIBS;
- Home loans and mortgage loans – number of credit agreements relating to residential immovable property and credit secured by a mortgage under Decree-Law No 74-A/2017, in force in 2019 and in the first half of 2020 (average between the values of the start and end of each period). Data are gathered from the information reported by credit institutions under Instruction of Banco de Portugal No 8/2010;
- Consumer credit – number of agreements in force in 2019 and in the first half of 2020 (average between the values of the start and end of each period) relating to consumer credit, including credit cards. Data are gathered from the information reported by credit institutions under Instruction of Banco de Portugal No 8/2010;
- Loans to enterprises – number of agreements in force in 2019 and in the first half of 2020 (average between the values of the start and end of each period) relating to loans to enterprises and private entrepreneurs. Data are gathered from the information reported by credit institutions under Instruction of Banco de Portugal No 8/2010;
- Deposit accounts – number of current accounts in 2019 and in the first half of 2020 (average between the values of the start and end of each period). Data are gathered from the information reported by credit institutions under Instruction of Banco de Portugal No 8/2010;
- Direct debits – number of direct debit instructions actually processed through SICOI and carried out as part of SEPA (Single European Payments Area) in 2019 and in the first half of 2020. Data are collected from the information regularly reported by SIBS;
- ATMs – number of automated teller machines (ATMs), including dedicated networks, existing in 2019 and in the first half of 2020 (average between the values of the start and end of each period). Data are collected from the information regularly reported by SIBS and credit institutions;

- Cash operations – number of cash deposit and withdrawal operations in the Multibanco network (ATMs) in 2019 and in the first half of 2020 (excluding international deposit and withdrawal operations). Data are collected from the information regularly reported by SIBS;
- Credit transfers – number of transfers processed through SICOI in 2019 and in the first half of 2020. Data are collected from the information regularly reported by SIBS.

Institutions

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

The relative number of complaints was calculated for the institutions that carried out activity throughout the whole period under analysis and in relation to which the Banco de Portugal received, in the first half of 2020, 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 credit institutions about which no complaints were lodged with the Banco de Portugal on the subject matters referred to above – which are explicitly mentioned in the report – are the relevant ones for the activity in question, according to criteria defined by the Banco de Portugal and the information reported by the credit institutions themselves.

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

