

# Banking Conduct Supervision Report

2017



BANCO DE  
PORTUGAL  
EUROSYSTEM



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**BANCO DE PORTUGAL**  
EUROSYSTEM

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# Acronyms and abbreviations

ADR	Alternative dispute resolution
AFI	Alliance for Financial Inclusion
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
BBA	Basic bank account
CCR	Central Credit Register ( <i>Central de Responsabilidades de Crédito</i> )
CMVM	Portuguese Securities Market Commission ( <i>Comissão do Mercado de Valores Mobiliários</i> )
DIF	Fundamental Information Document ( <i>Documento de Informação Fundamental</i> )
EAR	Effective annual rate
EBA	European Banking Authority
ESIS	European Standardised Information Sheet
FinCoNet	International Financial Consumer Protection Organization
G20	Group of Twenty
GPFI	Global Partnership for Financial Inclusion
ICO	Initial Coin Offering
INFE	International Network on Financial Education
OASP	Out-of-court Arrears Settlement Procedure
OECD	Organisation for Economic Co-operation and Development
PRAP	Pre-arrears Action Plan
PRIIPs	Packaged retail and insurance-based investment products
PSD2	Payment Services Directive
RCL	Complaint from the official complaints book ( <i>Reclamação proveniente do Livro de Complaints</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 Services and Electronic Money ( <i>Regime Jurídico dos Serviços de Pagamento e Moeda Eletrónica</i> )
SEPA	Single Euro Payments Area
SICAM	Integrated Mutual Agricultural Credit Scheme ( <i>Sistema Integrado do Crédito Agrícola Mútuo</i> )
SICOI	Interbank Clearing System ( <i>Sistema de Compensação Interbancária</i> )

# Introductory note

Banking conduct supervision of the retail banking markets is one of the tasks assigned by law to Banco de Portugal. In the Strategic Plan for 2017-20, Banco de Portugal acts in accordance with Broad Strategic Guideline 2, which states: to participate in the definition of regulatory frameworks and implementation of supervisory practices, in order to ensure the soundness and stability of the Portuguese financial system and confidence among economic agents. One of the priorities of these strategic guidelines is directly associated with banking conduct supervision: to ensure a balanced relationship between financial institutions and their customers, guided by high standards of conduct and appropriate financial education.

Banco de Portugal published its first banking conduct supervision report in 2008 (with reference to 2007). This issue of the Banking Conduct Supervision Report refers to 2017, thus marking the 10<sup>th</sup> anniversary of a crucial tool to communicate on how Banco de Portugal undertakes this mission and, consequently, to be accountable to the community.

This ten-year period saw events with a major impact in financial, economic, social and technological terms, chiefly as a result of the largest international financial and economic crisis since the Great Depression of 1929, which also changed the national, European and global environment as regards banking conduct regulations and supervision.

Recently, there has been well-founded talk of a paradigm shift in banking conduct supervision.

In fact, at an early stage, banking conduct supervision focused on information transparency, with a view to mitigating asymmetric information shared between bank customers and institutions. It was also recognised that the establishment of rules of conduct applicable to the marketing of retail banking products and services was a key priority.

However, over the past few years, as a result of lessons learned from the global financial crisis and the Portuguese experience, other types of task were entrusted to conduct of business supervisors, which now monitor the assessment and compensation policies of staff working in institutions closely involved in the marketing of retail banking products and services and the procedures adopted when creating and offering such products and services, with a view to ensuring that the interests, characteristics and needs of the target population are taken into consideration. Bank customer rights were strengthened, streamlined and expanded.

These developments in regulations on conduct of business will necessarily entail increased responsibilities for supervisors, more specifically as regards the requirements, quality and sophistication of their actions.

In turn, supervisory authorities work in an environment characterised by a new wave of technological innovation, where the financial system plays a key role. Indeed, institutions use digital channels to provide services as well as customer data to identify their consumption and risk profiles. As such, in a context where the provision of retail banking products and services tends to rely increasingly on digital channels, where new products and services are often offered by new providers with different business models, banking conduct regulations and supervision must find the right answers so that the process of technological innovation and the digital environment can safely flourish and consumer rights are safeguarded. This will create the conditions to maximise the resulting gains.

In fact, the provision of innovative banking products and services (or the provision of banking products and services in an innovative form) must not jeopardise compliance with the regulatory framework and leave bank customers unprotected. The main challenge is perhaps how to guarantee security, due to the difficulties this poses and the fact that it is key in the building up of trust, which is crucial for the development of any financial system.

For these reasons, conduct of business supervisors must closely monitor developments in these markets, in a timely fashion, using new supervisory tools where necessary.

However, bank customers must also play an increasingly active role in the protection of their interests, and it is to be hoped that they become more attentive and exacting, and better equipped to make wider and more diversified choices and to put in place safe procedures. It is therefore important to foster financial literacy.

Finally, it is also worth noting that the scope of banking conduct supervision has been extended, and Banco de Portugal has been entrusted with powers to authorise and supervise the conduct of credit intermediaries.

This Report discusses all of the above matters. This year, as in previous issues, it provides a wealth of information. However, it should be noted that it is meant to be more than a simple report on banking conduct supervisory activities. As pointed out above, the Banking Conduct Supervision Report is one of the many tools used by Banco de Portugal to fulfil its accountability duty. It is also meant to be an essential document for updating and encouraging discussion on the challenges posed by the banking conduct regulations and supervision.

Luís Máximo dos Santos

Vice-Governor

# Executive Summary

In the 2017 Banking Conduct Supervision Report, Banco de Portugal describes the supervisory activities carried out in the course of the year in retail banking markets.

Chapter I looks into recent changes to the framework governing retail banking markets, which led to the strengthening of bank customer rights, more intrusive measures by the supervisory authority and the extension of the scope of banking conduct supervision, against a background of growing digitalisation of banking products and services.

Chapter II discusses the digitalisation of retail banking markets, describing the topics under discussion in international fora in which Banco de Portugal participates, most notably technological innovation in consumer protection, digital payments and the promotion of digital financial education, as well as the use of consumer data by institutions (Big Data) and feeding back lessons learned from behavioural economics in this context.

Chapter III summarises banking conduct supervision activities carried out by Banco de Portugal in 2017, including systematic monitoring, inspections and the management of bank customer complaints. It also presents initiatives to correct irregularities detected and the associated sanctions. This chapter briefly describes Banco de Portugal's actions to implement both the basic bank account regime and the general arrears regime.

Chapter IV reviews the financial information and education initiatives carried out by Banco de Portugal, via its regional network, and in the scope of the National Plan for Financial Education. It also looks into Banco de Portugal's participation in international and financial education fora.

## Strengthening regulations and banking conduct supervision

In 2017 the regulatory framework applicable to the sale of retail banking products and services underwent significant changes, most notably in terms of mortgage credit, the application of fees related to payment accounts and payment account switching, access to basic bank accounts and structured deposits. These changes considerably strengthened bank customer rights.

At the same time, the scope of banking conduct supervision was extended to cover activities monitored by Banco de Portugal that had not been previously subject to specific rules, particularly activities carried out by credit intermediaries.

Furthermore, banking conduct supervision now includes the assessment of knowledge and skills of staff working in institutions involved in the sale of products and services and of their compensation policy, as well as the monitoring of compliance with the internal procedures adopted by institutions when creating and offering banking products and service.

Against a background of growing digitalisation of banking activities, Banco de Portugal established the conditions for opening bank deposit accounts exclusively via digital channels. As of 2018, institutions must report information to Banco de Portugal on the sale of consumer credit products initiated and concluded via digital channels, particularly as regards the characteristics of the credit product and its contract process, including the security measures that have been put in place.

## The challenges posed by digital channels to banking conduct supervision

Technological innovation applied to financial services has been foremost on the agenda of banking conduct regulatory and supervisory authorities at international level, namely the European Commission and the European Supervisory Authorities, as well as entities such as the International Financial Consumer Protection Organisation (FinCoNet) and the World Bank.

The European Commission is committed to establishing a regulatory framework geared towards digital innovation in financial markets without jeopardising consumers' confidence and security. The European Commission proposes to review the technological neutrality of regulatory frameworks and their ability to adapt to innovation, with due allowance where necessary. Given to the importance of consumer education and awareness about the mitigation of security risks, the Commission is also committed to developing the population's digital competences and skills.

The European Banking Authority (EBA) has established a set of priorities, most notably the monitoring of the regulatory scope, with the assessment of authorisation procedures of FinTech companies and the analysis of regulatory sandboxes and innovation hubs, in order to promote good practice in this field. The EBA has also analysed cybersecurity and its impact on supervision and business models of incumbent institutions.

The use of consumer data by financial institutions is another key issue brought up by the digitalisation of financial services. The European Commission has forewarned consumers about the importance of safeguarding their personal data and has established a strict regulatory framework on this matter, including rules governing the treatment of personal data and the free movement of such data.

The EBA has also drawn attention to the risks underlying the misuse of consumer data and has recommended that institutions take measures to mitigate risks of making decisions on the basis of inaccurate data as well as security and reputational risks, which may result from such use. To foster consumer protection, the EBA deems it necessary to strengthen cooperation among supervisory authorities and promote financial information and education initiatives.

In turn, the Joint Committee of the European Supervisory Authorities has alerted to the fact that regulatory and supervisory authorities must monitor how the financial system uses Big Data (i.e. voluminous data sets that are processed with advanced technological tools and analytical methods, the use of which makes it possible to predict consumption behaviour and patterns), therefore preventing possible risks to consumers and institutions. Although European supervisory authorities consider that the current and future European regulatory framework (particularly the General Data Protection Regulation) will mitigate some of the potential risks that have been identified, they have forwarded a set of good practices to financial institutions and a warning to consumers on the use of Big Data.

Turning to digital payments, in 2018 FinCoNet published a report on Online and Mobile Payments – an overview of supervisory practices to mitigate security risks. According to that document, digital payments must be a priority to conduct of business supervisors and close collaboration between conduct of business supervisors, prudential supervisors and payment systems overseers is key. The report also references the adequacy of supervisory tools in a digital environment, and deems as good practice the use of supervision technology (SupTech).



Other good practices identified in the report are financial education initiatives that make payment service users aware of security precautions they should follow to prevent security risks in digital channels and that foster trust in these channels.

Also in 2017, the World Bank revised its reference document on Good Practices for Financial Consumer Protection, to adapt it to the digitalisation of financial services, by incorporating new approaches and including a wider range of experiences.

Amid the growing use of digital channels to sell financial products and services, the lessons learned from behavioural economics have become particularly important for conduct of business supervisors. A specificity regarding the digitalisation of retail banking markets is the ease of access to credit via digital channels, which may result in consumer over-indebtedness. The concepts advocated by behavioural economics may support conduct of business supervisors when adopting tools to mitigate risks associated with consumer decision-making specific features.

## Supervision activities

### Systematic monitoring

In the course of the year, Banco de Portugal received 603 fees and charges leaflets and 487 interest rates leaflets. Of the 418 fees and charges leaflets reported by institutions on their own initiative, approximately half were due to the introduction, modification or elimination of products, one-quarter was due to changes in the value of fees charged and the remaining share due to other changes in the information provided. Of all fees and charges leaflets, 185 were reported as a result of changes requested by Banco de Portugal for the correction of irregularities.

Banco de Portugal monitored 9,501 advertising media for banking products and services, i.e. 11% more than in 2016, which reflects an increase in the number of advertising campaigns launched by institutions. Advertising media promoting credit cards continued to be predominant (55%). Of all media analysed, 2.1% failed to comply with its instructions, 0.5 p.p. less than in the previous year.

Banco de Portugal checked the accuracy of information provided in 145 leaflets on indexed and dual deposits, 26% less than in 2016. These evolution resulted from a lower supply of this type of deposits.

Banco de Portugal also analysed information on 1.6 million new consumer credit agreements reported, to check the maximum rates charged in this type of loans.

### Inspections

In 2017 Banco de Portugal carried out further inspections to institutions, covering a larger number of entities and a wider range of issues. In the course of the year, Banco de Portugal conducted 147 inspections on the branches of 31 institutions (compared with 132 inspections and 22 institutions in the previous year) and 95 inspections to the central services of 16 institutions (66 inspections to 12 institutions in 2016). It also carried out 632 off-site inspections to 126 institutions (612 inspections to 105 institutions in 2016).

These inspections chiefly focused on consumer credit, payment accounts and services, most notably basic bank accounts.

As regards consumer credit, Banco de Portugal conducted 'mystery shopping' actions to check the institutions' compliance with the duty to assist customers as well as the transparency and completeness of information provided to customers. On-site identified inspections were also carried out in branches to check pre-contractual and contractual information actually provided to customers when selling consumer credit. In its inspections of central services, Banco de Portugal assessed whether products were correctly distributed across consumer credit segments, the accurate date of conclusion of the contract, and compliance with the upper limits applicable to the annual percentage rate of charge established in the contract, to check if the rate had been calculated according to regulations in force.

Turning to payment accounts and services, and taking into consideration the complaints it received, Banco de Portugal carried out inspections to institutions' central services to assess the application of existing laws and regulations, particularly in transfers and the closing/blocking of accounts and payment cards, checking the conformity of procedures adopted by the institutions and the proper fulfilment of information duties to customers. The basic bank account regime was subject to on- and off-site monitoring.

Through off-site inspections, Banco de Portugal also checked compliance with the obligation to send an 'invoice-receipt' to customers on an annual basis. This document provides information on the fees associated with the demand deposit account and payment services charged in the previous year, and must be produced together with documentary proof that it was sent within the legal deadlines. Furthermore, Banco de Portugal assessed compliance with the regular reporting requirements on credit cards, via the card account statement, and requested institutions to provide documentary proof of its shipping to customers.

### Bank customer complaints

Banco de Portugal received 15,282 bank customer complaints in 2017, 8.1% more than in 2016, chiefly due to the contribution from mortgage credit and consumer credit.

In mortgage credit, the increase in the number of complaints (by 26.4%) led to a rise from 74 to 91 complaints per 100 thousand credit agreements. This was chiefly due to an increase in complaints on fees and charges, the non-timely issuance of statements for mortgage extinction, and contractual clauses.

Complaints on consumer credit rose by 7.9%, but remained at 29 per 100 thousand contracts. The greater number of complaints received was chiefly due to complaints on information incorrectly reported to the Central Credit Register and the collection of fees and charges.

On average, complaints were closed within 39 days in 2017 (38 days in 2016). 62% of complaints were closed with no signs of infringement. In the remaining 38% of complaints, the situation was solved by the institution on its own initiative or on Banco de Portugal's intervention.

### Correction of irregularities and sanctions

As part of its supervisory activities, Banco de Portugal issued 753 specific orders and recommendations requiring 59 institutions to correct the irregularities detected. Of all orders and recommendations issued, 77% stemmed from inspections conducted.

As a result of the supervisory priorities for 2017, nearly half of the irregularities (47.3%) were detected in consumer credit and were mostly related to non-compliance with pre-contractual and contractual information requirements. Approximately one-fourth (23.6%) of the irregularities

were linked to the basic bank account regime (one of the supervisory priorities for 2017), chiefly due to non-compliance with information requirements.

Banco de Portugal initiated 55 administrative proceedings against 21 institutions, 98.5% of which resulted from the analysis of 131 bank customer complaints. The greater number of proceedings stemmed from non-compliance associated with deposit accounts (19 proceedings), more specifically the blocking of accounts and the inability to complete any transaction due to the delay in lifting attachments of bank accounts; consumer credit (15, of which 5 linked to the general arrears regime); and information reported to the Central Credit Register (10).

### Implementation of the basic bank account regime

Monitoring the basic bank account regime was one of the priorities for banking conduct supervision in 2017.

Banco de Portugal conducted 'mystery shopping' actions to check information provided to customers for transparency and comprehensiveness as regards access conditions, services included and applicable fees. During these inspections, it also checked the adequate disclosure of the poster with information on basic bank accounts that institutions must provide in their branches, as well as the standardised information sheet on the account. Where irregularities were detected, 'mystery shopping' actions were supplemented with on-site identified inspections.

Banco de Portugal also assessed compliance with the institutions' obligation to inform demand deposit account holders of their right to switch to a basic bank account, through off-site inspections where, by sampling, institutions were required to show documentary proof.

With a view to correct the irregularities detected during these inspections, Banco de Portugal issued 177 specific orders to 79 institutions.

In 2017 Banco de Portugal received 67 complaints on the basic bank account regime, 49% more than in 2016. Most notable among these were complaints on the opening/switching to a basic bank account, access conditions, its limitations and services included. Of the 58 complaints closed in 2017, Banco de Portugal detected irregularities in just one case, and issued a specific order requesting that it be corrected. For the remaining 9 complaints, which were assessed only in 2018, there was evidence of infringement in just one case, which led to an administrative proceeding.

There were 60 information requests on the basic bank account regime, 18% more than in 2016. Banco de Portugal focused on publicising the regime under its financial information and education initiatives.

### Implementation of the general arrears regime

Against a background of decreasing household over-indebtedness levels, the number of proceedings initiated by credit institutions under the out-of-court arrears settlements procedure (OASP) fell by 12.3%. As regards mortgage credit, most OASP proceedings closed in 2017 (63.7%) resulted in a settlement. Turning to consumer credit, the percentage of OASP proceedings that were solved was lower (45.5%). The most commonly agreed solution under the OASP continued to be the renegotiation of credit agreements between institutions and customers.

Compared with 2016, there was a reduction of 16.7% in the number of complaints and of 15.2% in the number of information requests on the general arrears regime.

In the wake of its supervisory activities under the general arrears regime, Banco de Portugal issued 13 specific orders and recommendations and initiated 8 administrative proceedings.

## Financial information and education initiatives

In 2017 Banco de Portugal redesigned the Bank Customer Website, to better serve its different target audiences, offering a more intuitive navigation and using a more simple and straightforward language.

With the support of its regional network, it carried out 375 financial education courses, with approximately 12,577 participants, mostly students. Therefore, one of the most widely discussed topics was the importance of managing the household budget and savings.

Together with other financial supervisory authorities and the support of a wide range of partners, Banco de Portugal bolstered the National Plan for Financial Education. In 2017, it established new partnerships under the Plan to reach new audiences: with the Comissão de Coordenação e Desenvolvimento Regional do Norte (Northern Portugal Regional Coordination and Development Commission) to carry out financial education initiatives in conjunction with local authorities in the North, and with the Professional Football Players Union (Sindicato dos Jogadores Profissionais de Futebol) to promote awareness and financial education of football players.

## International participation and cooperation

Due to the importance of consumer protection on banking products and services in the international agenda, Banco de Portugal has increasingly participated in major international fora discussing banking conduct supervision.

In 2017, in addition to work in partnership with European authorities (the EBA and the Joint Committee of ESAs) and international bodies directed towards banking conduct supervision, Banco de Portugal was invited to participate in several international conferences and seminars to share its experience on this matter.

Also in 2017 Banco de Portugal was appointed a non-G20 member country of the Global Partnership for Financial Inclusion, and was actively involved in OECD/INFE and FinCoNet.

Within the scope of its cooperation activity with other central banks from Portuguese-speaking countries, Banco de Portugal hosted the third meeting on financial inclusion and education. At this meeting, central banks from Portuguese-speaking countries signed a protocol with the Alliance for Financial Inclusion to foster financial inclusion and education.

## Banking conduct supervision in numbers | 2017

### Systematic monitoring:

- 1,090 price lists received (603 fees and expenses leaflets and 487 interest rate leaflets) from 96 institutions;
- Fees and expenses leaflets of 105 institutions were published on the Bank Customer Website;
- 185 fees and expenses leaflets (31%) were changed upon request by Banco de Portugal;
- 9,501 advertising materials of 55 institutions were analysed;
- Banco de Portugal requested the correction of 2.1% of the materials analysed. Non-compliance was highest in car loans (11%) and mortgage credit (9.3%);
- Conducted prior inspections of 145 information leaflets on indexed and dual deposits offered by 12 institutions;
- Checked the calculation of returns on 187 matured indexed and dual deposits offered by 15 institution;
- 1,601,050 new consumer credit agreements were reported by 56 institutions.

### Inspections conducted:

- 147 inspections of branches of 31 institutions, of which 102 were 'mystery shopping' actions;
- 95 inspections of the central services of 16 institutions;
- 632 off-site inspections of 126 institutions.

### Complaints management:

- 15,282 complaints received against 77 institutions, of which 33.2% were linked to deposit accounts, 22.5% to consumer credit and 12.6% to mortgage credit;
- 62% of complaints closed with no signs of infringement and 38% with the complaint being solved by the institution on its own initiative or on Banco de Portugal's intervention;
- Complaints closed on average within 39 days.

### Correction of irregularities and sanctions:

- 753 specific orders and recommendations issued requiring 59 institutions to correct irregularities;
- 55 administrative proceedings initiated against 21 institutions.

**Basic bank accounts:**

- 44,618 basic bank accounts were reported, of which 11,992 were opened in 2017 (50.7% by converting a demand deposit account into a basic bank account);
- 99 inspections of branches of 31 entities, of which 68 were 'mystery shopping' actions;
- 141 off-site inspections of 110 entities;
- 67 complaints received;
- 60 information requests received;
- 178 specific orders issued requiring 29 institutions to correct irregularities.

**Monitoring of the general arrears regime:**

- Information analysed on 629,850 proceedings under the OASP on mortgage credit and consumer credit agreements offered by 53 institutions;
- 355 complaints received;
- 39 information requests received;
- 13 specific orders issued requiring 9 institutions to correct irregularities;
- 8 administrative proceedings initiated against 6 institutions.

**Information requests:**

- 2,457 information requests received from bank customers.

**Financial education initiatives via the regional network:**

- 375 courses involved 12,577 participants.

An abstract graphic consisting of multiple concentric, overlapping circular bands in various shades of orange and brown, creating a dynamic, swirling effect that frames the central text.

# I Strengthening regulation and banking conduct supervision

- 1 Reinforcement of bank customer rights
- 2 New fields of action for supervisors
- 3 Expansion of the scope  
of banking conduct supervision
- 4 Digitalisation of banking products  
and services





In 2017 the regulatory framework applicable to the sale of retail banking products and services underwent significant changes, whose effects will be felt mostly as of 2018. These changes will considerably strengthen bank customer rights and require that supervisors take increasingly more far-reaching, intrusive measures.

Amid a profound, rapid shift in retail banking markets, the challenges posed by the growing digitalisation of banking activity are foremost on the banking conduct supervision agenda.

The challenges to banking conduct supervision are growing increasingly complex. The gradual assignment of new powers to banking conduct supervisors reflects the growing recognition of their important role in building the confidence of bank customers and safeguarding financial system stability.

# 1 Reinforcement of bank customer rights

The legislative and regulatory initiatives related to credit secured by a mortgage and payment accounts undertaken in the course of the year have reinforced the existing set of rights and established new rights for bank customers.

The new legal framework on credit secured by a mortgage, published in June<sup>1</sup>, has tightened the requirements on the information that institutions must provide to customers prior to entering into an **agreement for credit relating to residential immovable property** or other credit agreements secured by a mortgage for consumers, with the submission of a **European Standardised Information Sheet (ESIS)**.

In Portugal institutions were already obliged to provide pre-contractual information to customers before entering into a credit agreement secured by a mortgage<sup>2</sup>. However, the ESIS<sup>3</sup> is more detailed, and makes it possible for customers to better understand the features, costs and risks associated with the credit agreements that they are about to sign.

Among other relevant data, the ESIS states the annual percentage rate of charge (APRC), which helps compare the costs of different products with similar features. This measure of credit costs, which was already mandatory on consumer credit, is more comprehensive than the previous effective annual rate (EAR) on housing credit, thus allowing for a more rigorous assessment of credit costs.

1. The new legal framework on mortgage credit, which entered into force on 1 January 2018, was approved by Decree-Law No. 74-A/2017, of 23 June 2017, transposing into domestic law Directive 2014/17/EU of the European Parliament and of the Council of 4 February 2014 on credit agreements for consumers relating to residential immovable property and amending Directives 2008/48/EC and 2013/36/EU and Regulation (EU) No. 1093/2010.

2. The ESIS replaced the SIS that provided pre-contractual information in the sale of these credit agreements pursuant to Notice of Banco de Portugal No. 2/2010.

3. Banco de Portugal regulated the ESIS content in its Instruction No. 19/2017.

With the ESIS, customers are also informed of the risks associated with the credit agreement which they are about to sign. As such, for instance, when a variable rate loan agreement is concluded, customers are notified about the risk of changes to the conditions over the full time span of the loan and the impact it might have on their ability to meet their obligations under the credit agreement. To illustrate that risk, the ESIS contains a repayment plan that assumes interest rate increases over the time span of the loan to the highest value posted by Euribor over the past 20 years.

Customers can also make use of a period of time to assess whether the credit agreement suits their needs and goals, and look for other, possibly more advantageous products on the market. The new legal framework on credit secured by a mortgage prohibits credit institutions from withdrawing or changing the offer for 30 days following its provision to the customers, and establishes that the credit agreement shall not be concluded for at least seven days after it has been presented, which corresponds to a mandatory reflection period for borrowers and guarantors. To foster reflection, credit institutions must provide any information and clarification that may be necessary to inform customers about the features and risks associated with the credit agreement that they are offering<sup>4</sup>.

### **Box 1 • Credit secured by a mortgage: new customer rights**

The framework for credit secured by a mortgage<sup>5</sup>, which entered into force on 1 January 2018, has consolidated a number of requirements established in several regulations, while granting new rights to bank customers. The most notable are the following:

- **Consumers and guarantors now receive the ESIS.**

The ESIS replaced the SIS and must also be presented when:

- the loan is simulated;
- the credit agreement proposal is approved.

Where it concerns a variable rate credit agreement, the ESIS must include a repayment plan that assumes an increase in the benchmark rate to the highest value posted by Euribor over the past 20 years.

- **Institutions are obliged to assist consumers**

Credit institutions and, where applicable, credit intermediaries must clarify the content of the ESIS, its annexed documents and the draft credit agreement, as well as the credit underwriting process.

- **The offer made to consumers is now valid for at least 30 days**

4. The duty for credit institutions to assist customers is enshrined in Notice of Banco de Portugal No. 5/2017, of 22 September 2017.

5. Established in Decree-Law No. 74-A/2017, of 23 June 2017, which partially transposes into domestic law Directive 2014/17/EU of the European Parliament and of the Council of 4 February 2014 on credit agreements for consumers relating to residential immovable property and lays down new rules applicable to credit relating to immovable property and other credit secured by a mortgage. Decree-Law No. 74-A/2017 was supplemented by Notice of Banco de Portugal No. 5/2017, which regulated the duty to assist and information obligations of institutions as regards the negotiation, conclusion and term of agreements for credit relating to residential immovable property and other credit secured by a mortgage, and Instruction of Banco de Portugal No. 19/2017, which systematised the ESIS model and the instructions on how to fill out the sheet and regulated the content of additional information provided to consumers.

The institution is bound by the offer for a time period of at least 30 days.

- **The agreement cannot be signed in the course of the first seven days**

Consumer and guarantors must wait seven days after the offer has been made before they can sign the agreement.

- **The cost of credit is now assessed on the basis of the APRC and the total amount payable by the customer**

The EAR is replaced by the APRC, which measures with greater accuracy the total cost of credit to the customer. Another way to measure costs is the total amount payable by the customer.

The total amount payable by the customer corresponds to the total amount that the customer must pay to the institution over the full term of the loan. It results from the sum of the total amount of the loan repayable and the cost of credit (interest, fees, taxes and other charges also incorporated in the APRC).

Institutions must also assess the bank customer's ability to repay the credit. The duty to assess creditworthiness, established in the new framework on credit secured by a mortgage, lays down a set of procedures adopted for that purpose.

When making an assessment of the customer's creditworthiness, be it credit secured by a mortgage or consumer credit, institutions must follow the procedures established by Banco de Portugal in 2017<sup>6</sup>.

These procedures envisage the need for institutions to compile information and documents on the customer's income and expenses, without precluding indirect methods, where the amount of the credit agreements is below ten times the national minimum wage. Institutions should also account for future circumstances with potential impact on the customer's ability to repay the credit, such as the termination of a fixed-term contract of employment or an interest rate increase on credit agreements with a variable or mixed borrowing rate<sup>7</sup>. These requirements supplement the macroprudential recommendation<sup>8</sup> issued by Banco de Portugal in early 2018, which introduces limits for some of the criteria used in the risk assessment of credit operations, for instance, the borrower's debt-service rate or, in the case of credit secured by a mortgage, the loan-to-value ratio.

6. Through Notice No. 4/2017, of 22 September 2017, Banco de Portugal defines the principles and rules that must be followed in the pursuance of the duty to assess creditworthiness.

7. Instruction of Banco de Portugal No. 3/2018, of 1 February 2018, lays down the criteria to measure the impact on the consumers' creditworthiness of increases in the benchmark rate applicable to variable or mixed rate credit agreements.

8. Recommendation of Banco de Portugal within the legal framework of new credit agreements for consumers, approved by deliberation of the Board of Directors on 30 January 2018.

### Box 2 • Creditworthiness assessment: institutions' obligations

Banco de Portugal published a Notice<sup>9</sup> establishing procedures and criteria that institutions must take into account when they assess the bank customers' ability to discharge the obligations under the credit agreements that they are about to sign.

Among other relevant elements, **when assessing creditworthiness, institutions must take into account:**

- age and occupational status of the bank customer;
- regular income and expenses of the bank customer;
- information available on credit liabilities databases, more specifically Banco de Portugal's Central Credit Register.

When assessing a bank customer's creditworthiness, **institutions must take into account future circumstances** that may have a negative impact on the bank customer's ability to repay the credit, such as:

- the risk that consumers will be liable for payment of a debt for which they stand as guarantors;
- the possible increase in the benchmark rate during the full time span of the variable or mixed credit agreement. For that purpose, Banco de Portugal released an Instruction<sup>10</sup> establishing the criteria that must be followed.

In the case of credits of an amount below ten national minimum wages or of a temporary increase (for less than three months) in the total amount of credit, **institutions may use indirect methods** to gauge the customer's ability to repay the credit.

Rules applicable to payment accounts were also amended in 2017, to boost transparency and make it easier to compare fees charged, to facilitate the account switching service<sup>11</sup> and widen the range of services provided with a basic bank account.

As a result of these changes, Banco de Portugal released the list of the most representative services associated with payment accounts<sup>12</sup> which incorporates the standardised terms and definitions established by the European Commission.

To find out the fees associated with the most representative fees, customers may use the fees comparator on the Bank Customer Website. This function, which already includes the maintenance fees charged on basic bank accounts, will include all other benchmark fees as of 2018.

9. Notice of Banco de Portugal No. 4/2017, which implements the guidelines on creditworthiness assessment in credit agreements secured by a mortgage issued by the European Banking Authority in August 2015.

10. Instruction of Banco de Portugal No. 3/2018.

11. These rules are laid down in Decree-Law No. 107/2017, of 30 August 2017, which transposed into domestic law Directive 2014/92/EU of the European Parliament and of the Council of 23 July 2014.

12. Instruction of Banco de Portugal No. 11/2018, of 26 April 2018.

Fees charged for the most representative services associated with a payment account must also be included in a document on fees presented by payment service providers over their counters, customer assistance points and websites.

Payment service providers must also supply the **account switching service**. Customers have the right to be informed by the payment service provider, free of charge, of the existence of this service and its operation, including any applicable fees.

The **basic bank account** regime was also revised in 2017 following the transposition of the Payment Accounts Directive<sup>13</sup> which widened the set of rights of basic bank account holders to include being provided with a debit card that can be used outside Portugal and which allows them to process 12 interbank transfers via homebanking per calendar year.

The maximum amount to be charged per year by credit institutions for the provision of a basic bank account is now 1% of the indexing social aid (instead of 1% of the national minimum wage), which led to a decrease of that upper limit to €4.28<sup>14</sup>.

Furthermore, customers that want to buy **structured deposits** will have the right to receive additional information, and will be given a new information document prior to entering into the agreement<sup>15</sup>. These pre-contractual information documents – the key information documents (KIDs; *Documento de Informação Fundamental*) – replace the previous information leaflet and should be a maximum of three pages and indicate the main features of the product, with recourse to summary indicators of risks, costs and pay scenarios.

### Box 3 • Structured deposits: content of the key information

As of 1 January 2018, bank customers that want to buy a structured deposit have the right to receive KIDs before any agreement is made. These documents replace the former information leaflet on indexed and dual deposits<sup>16</sup>.

KIDs are prepared on the basis of a standardised model<sup>17</sup>. Pursuant to PRIIPs Regulation, it must contain accurate, clear, concise and up-to-date information, so as not to mislead bank customers on the nature and features of the structured deposit concerned.

KIDs should be a maximum of three A4 pages, and include the following information:

- the name of the structured deposit and the identity of the credit institution offering the deposit;
- the factors governing interest on the deposit, underlying assets and the type of customers to whom it is intended to be marketed;

13. The amendments to the legal framework on basic bank accounts, approved by Decree-Law No. 27-C/2000, of 10 March 2000, were introduced by Decree-Law No. 107/2017, of 30 August 2017.

14. Point 5 of Chapter III presents a more thorough analysis of developments in the basic bank account regime over the past ten years, along with a description of the monitoring carried out by Banco de Portugal to that regime in 2017.

15. Regulation (EU) No. 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs).

16. KIDs replace the information leaflet envisaged in Notice of Banco de Portugal No. 5/2009, following entry into force of Regulation (EU) No. 1286/2014 of the European Parliament and of the Council of 26 November 2014 ("PRIIPs Regulation").

17. Pursuant to Commission Delegated Regulation (EU) 2017/653 of 8 March 2017.

- risks associated with making a structured deposit, with the indication of the summary risk indicator, which is determined by the combined credit and market risk;
- a set of possible return scenarios and corresponding assumptions;
- the amount covered by the Deposit Guarantee Fund (€100,000 euros per depositor)<sup>18</sup>;
- costs that may be associated with the structured deposit;
- the term of the structured deposit and the requirements for early withdrawal, where allowed;
- the complaint procedures to be followed by bank customers.

KIDs must be provided to bank customers on paper or another durable medium, free of charge, before the deposit agreement is concluded. The credit institution offering that structured deposit must also publish the corresponding KID on its website.

Furthermore, bank customers have new mechanisms in place to respond to situations where they feel their rights have not been enforced by credit institutions. The institutions concerned must now provide **non-judicial means of dispute settlement** to their customers on a broader spectrum of items.

As in the case of payment services and electronic money issuance, credit institutions must provide access to at least two alternative dispute resolution (ADR) entities for disputes associated with credit products secured by a mortgage or consumer credit, basic bank accounts or specific aspects related to payment accounts, such as the payment account switching service and the comparability of fees applicable to payment accounts.

On its Bank Customer Website, Banco de Portugal publishes a list of ADR entities to which credit institutions are associated.

## 2 New areas of action for supervisors

The scope and mode of operation of retail banking market supervisors are changing, and the transition to a new supervision paradigm is already being discussed.

Under the new paradigm, in addition to the traditional concerns about transparency of information and conduct of business obligations of institutions in their interaction with bank customers, banking conduct supervisors have the power to intervene in new areas, with an impact on the institutions' business model.

Banking conduct supervisors are now empowered to act upstream in the contracting process, by assessing the conformity of internal procedures adopted by institutions in connection with the creation and distribution of banking products and services, and must ensure the adequacy of such products/services and the channels selected for their distribution for the features, needs and goals of the respective target groups. For that purpose, Banco de Portugal recommended

18. Without detriment to provision of the information leaflet for depositors, which should always be given to bank customers when entering into a deposit agreement.

that institutions<sup>19</sup> implement the “Guidelines on product oversight and governance arrangements for retail banking products” (EBA/GL/2015/18), issued by the European Banking Authority (EBA), which entered into force on 3 January 2017. Furthermore, Banco de Portugal has worked with supervised entities in an effort to ensure that these Guidelines are adequately implemented to fit the characteristics of the Portuguese market.

A series of new obligations of relevance for banking conduct supervision now applies to the institutions’ remuneration policies for sales staff. Pursuant to these rules, institutions must implement approval and monitoring mechanisms of remuneration policies applicable to the workers involved in the drafting, sale and granting of credit secured by a mortgage, and credit intermediaries bound by a binding contract, to prevent conflicts of interest.

In addition, specific requirements were established regarding **knowledge and competence** that these employees must possess. In doing so, the aim is to ensure that, in addition to the information provided to bank customers, employees at credit institutions have a level of knowledge and skills that helps them provide the necessary assistance for customers to better understand the features and risks of products that they intend to buy.

With regard to the measures taken in Portugal, this new paradigm, which is chiefly based on principles and open standards (the emphasis of which is on the satisfaction of the customer’s needs and interests) poses an additional challenge to the supervised entities and the regulator.

#### **Box 4 • Sales incentives: remuneration of sales staff**

Banco de Portugal established, by means of a Notice<sup>20</sup>, 20 requirements for the definition, approval and monitoring of remuneration policies applicable to employees of institutions involved in the drafting, sale and granting of credit secured by a mortgage.

These requirements are aimed at both ensuring that such policies are not biased in favour of the institution or its employees to the detriment of consumers and at preventing conflicts of interest. Remuneration policies are applicable to employees that are bound to the credit institution by a contract of employment or of service, and to employees that, although not bound to the institution, work and act on its behalf and interest and develop contacts with consumers.

According to these requirements, remuneration policies implemented by institutions should:

- achieve balance between the fixed and variable components of return, where foreseeable;
- meet quantitative and qualitative criteria for the payment of the variable component, with qualitative criteria corresponding, for instance, to indicators related to the quality of the service provided to consumers;
- deem as compensation the various types of benefits, monetary or otherwise, that may be extended to employees as an inducement;
- include monitoring mechanisms that identify where compensation policies are likely to harm consumers, and review their adequacy every year.

19. Through Circular Letter of Banco de Portugal No. 69/2016/DSC.

20. Notice of Banco de Portugal No. 5/2017, which implements the guidelines on remuneration policies and practices related to the provision and sale of retail banking products and services, issued by EBA, on 13 December de 2016.

### 3 Expansion of the scope of banking conduct supervision

In addition to the new rights conferred upon bank customers, the legislative changes implemented in 2017 led to the expansion of the scope of banking conduct supervision, by covering activities that had not been previously subject to specific rules monitored by Banco de Portugal.

The legal framework that regulates access to and engagement in the activity of **credit intermediary** and the provision of consultancy services for credit agreements<sup>21</sup>, which entered into force on 1 January 2018, makes access to this activity conditional on prior authorisation by Banco de Portugal, now in charge of monitoring its exercise.

Credit intermediaries are natural or legal persons that, exclusively or as a supplement to another professional or commercial activity, present or offer credit agreements to consumers, support consumers with preparatory work in respect of credit agreements, enter into credit agreements on behalf of lending institutions, and provide consultancy services on credit agreements. This is namely the case of points-of-sale that are involved in the credit lending process when selling their goods or services and, in the pursuance of this supplementary activity, must now meet a series of requirements to ensure greater transparency and stringency in their customer relations.

#### **Box 5 • Credit intermediaries: obligations**

Credit intermediaries are now governed by the legal framework that establishes the requirements applicable to access to and engagement in credit intermediation and the provision of consultancy services.

The rules governing the conduct of this activity are particularly important. This concerns conduct of business obligations and the provision of mandatory information to consumers, the precepts on how intermediaries are compensated for their services, rules governing the advertisement of services provided by credit intermediaries and laying down the conditions under which they may market the credit products they sell.

#### **Conduct of business obligations**

Credit intermediaries are required to act with diligence, loyalty, discretion and meticulous respect for the rights and interests of consumers.

If the intermediaries are not bound to a credit institution, they must act independently from these institutions, and impartially present to the consumers a series of credit products representative of the available offering.

21. The legal framework of credit intermediaries was approved by Decree-Law No. 81-C/2017, of 7 July 2017, which partially transposed into domestic law Directive 2014/92/EU of the European Parliament and of the Council of 23 July 2014.



In the cases where they provide consultancy services related to credit agreements, intermediaries must comply with a series of specific rules.

Under the law, it is also prohibited that credit intermediaries receive or give any amounts associated with the development, performance and early settlement of credit agreements. This excludes the compensation that credit intermediaries are entitled to for the provision of credit intermediation or consultancy services associated with credit agreements.

### **Information obligations**

Without prejudice to the information and assistance obligations when offering consumer credit agreements<sup>22</sup> and credit agreements secured by a mortgage<sup>23</sup>, credit intermediaries must comply with a series of information obligations regarding their activity.

In particular, intermediaries must indicate, in an easily visible and legible location outside any establishment open to the public, their name or business name, their category as credit intermediary and their registration number at Banco de Portugal. They must also provide information on their activities on their website and inside any establishment open to the public.

### **Fees**

Non-tied credit intermediaries can only charge fees to consumers, and are prohibited from being remunerated by creditors. Conversely, tied and ancillary credit intermediaries are remunerated by the creditors, and shall not charge any fees to consumers.

### **Advertising**

When advertising their activities, credit intermediaries must meet a number of legal requirements.

Tied and ancillary credit intermediaries are only allowed to disseminate their own ads for credit products if the creditor responsible for said products has approved it in advance. In turn, non-tied credit intermediaries are prohibited from advertising credit products, and may only disseminate ads produced by creditors.

### **Complaint procedures**

Consumers may register complaints about the performance of credit intermediaries, by filling out the complaints book or directly with Banco de Portugal. Credit intermediaries must have proper and efficient procedures in place to ensure that such complaints are reviewed and treated in a timely way.

### **Alternative means of dispute settlement**

Credit intermediaries must provide access to at least two alternative dispute resolution (ADR) entities on the provision of credit intermediation and consultancy services associated with credit agreements.

22. Decree-Law No. 133/2009, of 2 June 2009.

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

## 4 Digitalisation of banking products and services

The described developments are set against a background of deep and rapid transformation of retail banking markets, boosted by the gradual digitalisation of the channels used by institutions to market their banking products and services.

Banco de Portugal has followed closely this process of change, by coordinating and participating in a number of think tanks at both domestic and international level, and by seeking solutions that, from a regulatory and supervisory viewpoint, ensure an adequate level of protection to bank customers, without prejudice to the necessary financial innovation and the Portuguese institutions' ability to compete with their European counterparties on an equal footing.

Based on the results of the questionnaire addressed to institutions at the end of 2016, entitled *Commercialisation of banking products and services on digital channels in Portugal*<sup>24</sup>, which aimed at identifying possible constraints in the legal and regulatory framework applicable to the commercialisation of banking products and services in a digital environment, Banco de Portugal revisited the applicable rules and removed the obstacles preventing the opening of accounts exclusively through digital channels<sup>25</sup>. Therefore, as of July 2017 customers can open a current account without having to go into a bank branch.

Furthermore, Banco de Portugal started to request that institutions<sup>26</sup> report information, on a regular and systematic basis, on the sale of credit products to consumers that enter into credit agreements exclusively via digital channels, more specifically through homebanking and mobile apps. Banco de Portugal's goal is to obtain information on the specifics of this process, the features of the products and the security mechanisms put in place by institutions.

Monitoring security standards is also a top priority for supervisors. While being aware that the use of digital channels poses higher security risks, supervisors must ensure that the security mechanisms applied to strong customer authentication are provided by institutions to mitigate such risks.

24. The results may be downloaded from the following link: [https://cliente.bancario.bportugal.pt/sites/default/files/relacionados/publicacoes/QuestCanaaisDigitais2016\\_EN.pdf](https://cliente.bancario.bportugal.pt/sites/default/files/relacionados/publicacoes/QuestCanaaisDigitais2016_EN.pdf)

25. By amending Notice of Banco de Portugal No. 5/2013, on the preventive obligations regarding money laundering and terrorist financing, and which regulates customer identification obligations when opening an account.

26. Through Circular Letter CC/2018/00000004.

### Box 6 • Opening an account via digital channels: requirements for the videoconference process

As of early 2017 credit institutions with their head office or branch in Portugal may offer their customers the option of opening a deposit account exclusively via the Internet or mobile devices.

Banco de Portugal acknowledged this option<sup>27</sup> and consequently amended the regulatory framework for customer identification obligations when opening an account.

Amid the growing digitalisation of retail banking products and services, the changes implemented by Banco de Portugal reflect the new expectations and needs of bank customers and acknowledge the importance of ensuring a level playing field for credit institutions established in Portugal and other EU countries.

To guarantee the proper mitigation of risks of money laundering and terrorist financing potentially associated with the use of distance communication means, Banco de Portugal also established the technical requirements applicable to alternative verification procedures for customer identification data<sup>28</sup>.

Credit institutions that let their customers open an account exclusively via digital channels must allocate duly trained staff in the field of prevention of money laundering and terrorist financing to verify customer identification data when videoconferencing. This also entails a previous risk analysis, effectiveness and security tests on the procedure, and the prior opinion from the institution's compliance officer.

Videoconferencing must be held in real time without interruption, and sounds and images must be recorded, with the respective date and time stamp, subject to the consent of the customer. If the technical conditions necessary for completion of the identification verification process are not in place, including poor image quality, weak light and sound conditions, or interruptions in the video transmission, the videoconference shall be interrupted and considered invalid.

During the videoconference, the credit institution must capture the front and back of the bank customer's identification document, so that the institution can verify the customer's identification data. Where the identification document presented during the videoconference raises doubts about its content, eligibility, authenticity, validity date, accuracy, or sufficiency, the videoconference shall not produce the intended effects regarding verification of the identification data.

To step up the security of the customer identification verification procedure, credit institutions must also require that customers introduce a limited-duration one-time password (OTP), generated specifically for that purpose, which must be confirmed by the institution's system.

Although videoconferencing is chiefly used for opening deposit accounts, institutions may also use it, *mutatis mutandis*, to establish other banking relations beyond deposit accounts, more specifically, when granting credit to consumers.

Banco de Portugal is constantly on the lookout for technologically innovative solutions, and, in the future, alternative verification procedures may be regulated, where they prove to be at least as secure.

27. Following the release of Notice of Banco de Portugal No. 3/2017, which revised Notice of Banco de Portugal No. 5/2013.

28. Established in Instruction of Banco de Portugal No. 9/2017.





## II Digital challenges for conduct of business supervision

- 1 Technological innovation and consumer protection
- 2 Use of consumer data by financial institutions
- 3 Digital payments and the role of conduct of business supervisors
- 4 Good practices in conduct of business supervision
- 5 The relevance of behavioural economics in protecting digital financial consumers



# 1 Technological innovation and consumer protection

The growing digitalisation of retail banking markets, with known benefits for consumers, including convenience, easy access, speed and products that are better suited to their interests, poses significant challenges and has been one of the main topics of discussion for regulators and supervisors both at national and international level.

Dubbed by some as the FinTech Revolution, the present moment calls on regulators and supervisors to play a more active role in the digital financial ecosystem, channelling the benefits and hedging against the risks that might emerge.

Regulation and supervision should not block innovation, while ensuring that bank customers are protected, regardless of the channel used for their banking transactions (over the counter, telephone, home banking, apps, etc.).

By means of an increasingly coordinated approach, regulators and supervisors must be vigilant when monitoring retail banking markets, reflect on whether the current legal framework is appropriate, rethink supervisory tools and cooperate with one another.

European authorities have played a key role in this respect.

The **European Commission** is committed to creating a European regulatory and supervisory environment that supports digital innovation in financial markets and boosts trust and security.

The European Commission has established the financial sector as a key element to its strategy to create a Digital Single Market, underlining that technological advances in this sector may boost the competitiveness of the European economy, while benefiting consumers and businesses<sup>1</sup>.

In its *Consumer Financial Services Action Plan: Better Products, More Choice*<sup>2</sup> the European Commission established as its objective 'to support the development of an innovative digital world [...] while maintaining a high level of security'.

In its *FinTech Action plan: For a more competitive and innovative European financial sector*<sup>3</sup>, presented at the start of March 2018, the European Commission again underlines the importance of stimulating digital financial services in the European Union, where the regulatory framework must catch up with digitalisation.

The Commission takes note of the fact that several Member States already have FinTech facilitators – innovation hubs or regulatory sandboxes – which, in addition to promoting innovation, allow supervisors to understand innovative business models and potential risks for consumers at an early stage. However, Member States do not have a uniform approach to this subject, which might even result in regulatory arbitrage.

1. European Commission, Green Paper on retail financial services: Better products, more choice, and greater opportunities for consumers and business, December 2015, available for download at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:52015DC0630>.

2. This Action Plan, published in March 2017, draws the conclusions from the public consultation, conducted by the European Commission in December 2015, as regards the Green Paper on retail financial services (available for download at <https://ec.europa.eu/transparency/regdoc/rep/1/2017/EN/COM-2017-139-F1-EN-MAIN-PART-1.PDF>).

3. Available for download at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52018DC0109>.



Under the assumption that there might be European rules creating obstacles to financial innovation (for example, requirements for paper-based disclosures), the European Commission aims to assess the extent to which the rules are technology neutral and able to adjust to new technologies, and suggest adjustments to this end, where necessary.

Cybersecurity is also part of the European Commission's agenda and the improvement of the financial sector's cyber resilience is one of its priorities. It promotes the adoption of a 'security by design' approach and the strengthening of basic cyber hygiene practices<sup>4</sup>. Given the global nature of threats in cyberspace, there is also a need to promote channels for collaboration and information sharing on cyber threats.

The Directive on security of network and information systems (NIS Directive)<sup>5</sup> will be an important step towards a high common level of security in the networks and information systems of the European Union. However, the European Commission admits that holes might subsist concerning the financial sector.

In turn, aware of the importance of providing training and raising the awareness of consumers to mitigate security risks, the European Commission states that it is strongly committed to promoting the development of digital skills and competences for digital transformation, a priority established in its Digital Education Action Plan<sup>6</sup>.

Customer due diligence and know your customer is another area receiving special attention from the European Commission, given that, in December 2017, it had already created a dedicated expert group on electronic identification and remote know-your-customer processes<sup>7</sup>. The eIDAS Regulation<sup>8</sup> occupies a relevant place in this respect. By allowing the cross-border recognition of electronic identification of public services and trust services in the Single Market, it stimulates the secure sale of financial services in a digital environment, with legal effects equivalent to face-to-face transactions<sup>9</sup>.

In addition, the European Commission has set the following goals for 2018 and 2019:

- establishing an EU FinTech Lab to foster contact between European and national authorities and technology services providers on regulatory and supervisory issues. In particular, discussions are expected to address authentication and identification technologies, cases for using distributed ledger technology, cloud computing, artificial intelligence, open banking standards and RegTech<sup>10</sup>;
- assessing the current regulatory framework to ascertain whether it might pose unjustified obstacles to financial innovation;

4. I.e. the adoption of simple routine measures to minimise the risks from cyber threats, reducing vulnerabilities in organisations.

5. Directive (EU) 2016/1148 of the European Parliament and of the Council of 6 July 2016 concerning measures for a high common level of security of network and information systems across the Union.

6. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the Digital Education Action Plan (in <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52018DC0022&from=EN>).

7. Commission Decision C(2017) 8405 of 14 December 2017 (in <http://ec.europa.eu/transparency/regexpert/index.cfm?do=groupDetail.groupDetailDoc&id=36277&no=1>).

8. Regulation (EU) No. 910/2014 of the European Parliament and of the Council of 23 July 2014 on electronic identification and trust services for electronic transactions in the internal market and repealing Directive 1999/93/EC.

9. In this respect, the Commission establishes as one of its actions to facilitate 'the cross-border use of electronic identification and know-your-customer portability based on eIDAS to enable banks to identify customers digitally'.

10. RegTech (regulatory technology) has been defined as the use of innovative technologies to follow regulatory and compliance requirements applicable to financial services more effectively and efficiently.



- organising seminars to improve the exchange of information on cyber-security;
- presenting good practices on regulatory sandboxes; and
- monitoring developments in virtual currencies and Initial Coin Offerings (ICOs).

The **European Parliament** – which includes ‘any actor’ in its reflection on financial innovation<sup>11</sup>, from incumbents to alternative actors (start-ups and tech giants – BigTech and TechFin) – also believes that regulation and supervision must take digitalisation into account, striking the right balance between incentives to ‘innovative consumer protection’ and financial stability; defends the principles of ‘same services and same risks’ and technology neutrality; and suggests a risk-based approach.

Given that consumers are ‘the driving force behind the rise of FinTechs’, the Parliament considers it vital to increase their trust in financial innovation. It therefore calls for consumer awareness regarding the positive impact of FinTech, as well as security precautions consumers should adopt, encouraging the promotion of financial literacy and digital literacy. The Parliament calls on the European Commission and the European Supervisory Authorities to work in this field.

### **Box 7 • Promoting financial and digital literacy in the international agenda**

On 20 April 2017, G20/OECD INFE published the Report *Ensuring financial education and consumer protection for all in the digital age*<sup>12</sup>.

Financial education, financial inclusion and consumer protection are identified as essential ingredients for the empowerment of individuals and the stability of the financial system, in particular within a context of financial innovation.

The digitalisation of financial services may entail risks, specifically market driven risks (new types of fraud, mis-selling, security and confidentiality of data, rapid access to (often high-cost) short-term credit), regulation and supervision driven risks, with uneven protection across countries (inadequate disclosure of information, unfair customer treatment, lack of transparency, variety and liability of providers, regulatory arbitrage) and consumer driven risks associated with low digital literacy.

Within this context, digital financial literacy initiatives should be promoted, aimed at increasing consumers’ knowledge of digital financial services and their benefits and raising their awareness of potential risks, with regard to the needs of particularly vulnerable groups. These initiatives may be carried out through awareness campaigns, specific workshops and seminars, school programmes, websites, online courses, mobile applications or automated alerts in devices to avoid impulse buying.

11. Report on *FinTech: the influence of technology on the future of the financial sector*, European Parliament, April 2017, at <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+REPORT+A8-2017-0176+0+DOC+XML+V0//EN>.

12. In <http://www.oecd.org/finance/g20-oecd-report-on-ensuring-financial-education-and-consumer-protection-for-all-in-the-digital-age.htm>. This report supports the implementation of principles 5 and 6 of the *G-20 High-Level Principles for Digital Financial Inclusion* (<https://www.gpfi.org/publications/g20-high-level-principles-digital-financial-inclusion>), respectively, to establish responsible digital financial practices to protect consumers and strengthen digital and financial literacy and awareness.

In addition, one of the challenges for consumer protection in the digital ecosystem concerns the transparency and disclosure of information, in particular on contractual terms and conditions, fees, consumer rights, privacy and security of customer transactional and/or personal data or the provision of out-of-court dispute resolution mechanisms.

Among the solutions presented to foster an effective consumer protection are promoting transparency and facilitating comparison on innovative payment services, and implementing appropriate standards for disclosure of information, including the use of digital tools, such as interactive presentation of information through videos, apps, games or audio presentations.

EBA has also recently presented its FinTech action plan – *The EBA's FinTech Roadmap – Conclusions from the consultation on the EBA's approach to financial technology (FinTech)*<sup>13</sup> – following a public consultation conducted through the *Discussion Paper on the EBA's approach to financial technology (FinTech)*<sup>14</sup>.

In alignment with the definition of the Financial Stability Board<sup>15</sup> EBA has defined FinTech as 'technologically enabled financial innovation that could result in new business models, applications, processes or products with an associated material effect on financial markets and institutions and the provision of financial services'<sup>16</sup>, also clarifying that its reflection includes incumbent institutions and new entrants using financial technology to support the provision of financial services.

Following the principle 'same activities, same risks, same rules, same supervision', EBA assumes that its approach will continue to be technologically neutral and proportionate.

Among the priorities established by EBA for the next two years are monitoring the regulatory perimeter by assessing current authorisation approaches to FinTech firms and analysing regulatory sandbox and innovation hub regimes<sup>17</sup>, with a view to developing best practices in this area. Also relevant is the promotion of best supervisory practices on assessing cybersecurity or monitoring emerging trends and their impact on incumbent institutions' business models.

EBA initiatives on consumer protection will focus primarily on transparency of information, the provision of cross-border financial services, specifically via the internet, and virtual currency.

13. In <https://www.eba.europa.eu/documents/10180/1919160/EBA+FinTech+Roadmap.pdf>.

14. In <https://www.eba.europa.eu/documents/10180/1919160/EBA+Discussion+Paper+on+FinTech+%28EBA-DP-2017-02%29.pdf>.

15. Cf. <http://www.fsb.org/what-we-do/policy-development/additional-policy-areas/monitoring-of-fintech/>.

16. For example, the following were considered innovative technologies: online only channel and mobile only channel, virtual currency, biometric technology, Big Data analytics, cloud computing, distributed ledger technology, RegTech, etc.

17. EBA defines 'regulatory sandboxes' as controlled 'safe spaces' provided by the industry's regulators in which innovative products, financial services and their business models can be tested for a limited period of time. 'Innovation hub' is defined as an institutional 'scheme whereby regulated or unregulated entities can engage with competent authorities to discuss FinTech-related issues and seek clarification on the conformity of business models with the regulatory framework' and licencing requirements.

However, EBA will also continue to accompany the reflection on the interaction between the new Payment Services Directive (PSD2)<sup>18</sup> and the General Data Protection Regulation<sup>19</sup> the implementation of the eIDAS Regulation in respect of the interoperability of national digital customer identification frameworks<sup>20</sup>, advice automation (within the Joint Committee of the European Supervisory Authorities<sup>21</sup>) and Big Data-based business models.

EBA has also created the FinTech Knowledge Hub, a forum for the sharing of experiences and knowledge among market players (including competent authorities, financial service providers, incumbent institutions, new entrant institutions and technology providers), which will contribute to the monitoring of the impact of FinTech on business models, interconnectedness in the financial system, and on fostering technology neutrality in regulatory and supervisory approaches.

Within this context, the reflection of the **Bank for International Settlements (BIS)**<sup>22</sup> on the implications of FinTech for the financial system is also relevant. In February 2018, the BIS published the report *Sound Practices: implications of fintech developments for banks and bank supervisors*<sup>23</sup> which presents a forward-looking analysis of the impact of FinTech on the financial industry and financial supervision, stressing in particular that:

- the safety and soundness of the financial system should be ensured, while practices that might unduly hamper beneficial innovations in the financial industry should be monitored;
- cooperation among supervisors, regulators and other relevant authorities, specifically regarding consumer protection, data protection, competition and security, should be promoted;
- cooperation and coordination among supervisors should be enhanced given the increase in the provision of cross-border financial services;
- supervisors should have effective knowledge, skills and tools for supervising the risks of innovative technologies and business models;
- supervisors should explore the potential of new technologies to improve their processes (SupTech);
- legal frameworks should be reviewed, in order to adapt them to new risks in a manner that ensures the removal of obstacles unduly hampering financial innovation.

18. Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No. 1093/2010, and repealing Directive 2007/64/EC.

19. Regulation (EU) 2016/679 of the European Parliament of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC.

20. EBA will work in close cooperation with the European Commission, specifically within the expert group, of which it is a member, on the use of electronic identification and authentication tools provided for in the eIDAS Regulation.

21. The *Report on automation in financial advice* was published in 2016, available for download at [https://esas-joint-committee.europa.eu/Publications/Reports/EBA%20BS%202016%20422%20\(JC%20SC%20CPI%20Final%20Report%20on%20automated%20advice%20tools\).pdf](https://esas-joint-committee.europa.eu/Publications/Reports/EBA%20BS%202016%20422%20(JC%20SC%20CPI%20Final%20Report%20on%20automated%20advice%20tools).pdf).

22. *Implications of fintech developments for banks and bank supervisors – consultative document*, available for download at <https://www.bis.org/bcbs/publ/d415.htm>.

23. Available for download at <https://www.bis.org/bcbs/publ/d431.pdf>.

## 2 Use of consumer data by financial institutions

We live in the digital age and, in particular, the datafication age. For firms, data are a valuable commodity and, for citizens, an asset to be protected<sup>24</sup>.

The **European Commission** has raised awareness among consumers on the importance of preserving their personal data and has established a stringent legal framework on this subject. The General Data Protection Regulation, applicable from 25 May 2018, establishes rules on the processing of personal data and on the free movement of such data, in order to strengthen the protection of European citizens. It applies to entities located in the European Union and entities using personal data belonging to European Union residents.

Data protection is based on principles of transparency, minimisation, accuracy, confidentiality, strengthening the rights of data holders. Particularly significant is the 'right to be forgotten'<sup>25</sup>, the right to data portability<sup>26</sup> or the right not to be subject to a decision based solely on automated processing<sup>27</sup>.

All entities processing personal data are now subject to a complex legal framework and stringent security requirements.

Financial institutions are among the entities holding the largest amount of data on their customers, a fact boosted by the increase in computing power and the use of innovative ways to collect and analyse these data, such as Big Data, artificial intelligence and the internet of things.

Financial institutions use data that they hold internally, combined with data obtained from external sources, including data from vendors and social media, to provide tailor-made products to their customers, for credit risk assessment and credit scoring or early detection of default risk or fraud, to launch marketing campaigns, for profiling or for compliance purposes (RegTech).

Considering the volume of personal data processed by financial institutions, compliance with the Regulation will involve a significant effort to adapt to and, in many cases, implement new procedures.

24. According to the European Commission, 'data are becoming very valuable for today's economy and are essential to daily lives of the citizens.', in the Communication from the Commission to the European Parliament and the Council *Stronger protection, new opportunities – Commission guidance on the direct application of the General Data Protection Regulation as of 25 May 2018* (available for download at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52018DC0043&from=PT>).

25. The right to data erasure means the right of the data subject to obtain from the controller the erasure of personal data concerning him or her without undue delay (Article 17 of the Regulation).

26. The data subject shall have the right to receive the personal data concerning him or her, which he or she has provided to a controller, in a structured, commonly used and machine-readable format and have the right to transmit those data to another controller, where the processing is based on consent or on a contract and is carried out by automated means (Article 20 of the Regulation).

27. The data subject shall have the right not to be subject to a decision based solely on automated processing, including profiling, which produces legal effects concerning him or her or similarly affects him or her (Article 22 of the Regulation).

In particular, institutions must ensure that they adequately obtain the consent of customers to process their data and provide information on the processing. They must also adopt the procedures needed to ensure that, by design and by default, their activity takes into account the protection of their customers' personal data and, in the case of a data breach, that they are able to notify the competent supervisory authority of this within 72 hours.

Banco de Portugal must also adapt its internal architecture to the new framework for the protection of personal data and closely monitor the reflection on possible intersections between data protection and the legal framework applying specifically to financial services (in particular, the intersection between the Regulation and PSD2).

Indeed, the use of bank customer data by financial institutions has also been the subject of reflection by the **European Supervisory Authorities**.

In the *Report on innovative uses of consumer data by financial institutions*<sup>28</sup> EBA weighed the benefits and risks associated with the innovative collection and analysis of customer data. As regards consumer risks, EBA points to the risks of consumers receiving inaccurate information on the purposes for which their data are being used and the risk of their data being misused. Institutions, in turn, must adopt measures to mitigate the risk that they take decisions based on inaccurate information, security risks and reputational risks if they make questionable use of customer data. Within this context, EBA highlighted the importance of ensuring consumer protection, strengthening cooperation among supervisors and promoting financial literacy and education initiatives.

Over the course of 2017, the Joint Committee of the European Supervisory Authorities also discussed the Big Data phenomenon, given that the financial sector increasingly uses data analysis techniques using this technology, often based on artificial intelligence solutions, which may entail risks for consumers and the financial sector. Particularly relevant are risks arising from the use of inaccurate data, cyber risk and the risk of financial exclusion, in particular of consumers with high risk profiles or without a relevant digital presence.

Although the current and future legal framework, in particular the General Data Protection Regulation, mitigates a number of potential risks identified, in the *Joint Committee Final Report on Big Data*<sup>29</sup> the European Supervisory Authorities reinforced the need for regulators and supervisors to monitor the Big Data phenomenon and communicated a set of best practices to financial institutions on the use of Big Data.

28. Available for download at <https://www.eba.europa.eu/documents/10180/1720738/Report+on+Innovative+uses+of+data+2017.pdf>.

29. Available for download at <http://www.eba.europa.eu/documents/10180/2157971/Joint+Committee+Final+Report+on+Big+Data+%28JC-2018-04+%29.pdf>.

**Box 8 • Requirements for financial institutions to consider when using Big Data**

The European Supervisory Authorities suggest that financial institutions take into account the following set of requirements when using Big Data:

- The adoption of robust Big Data algorithms and processes and the close monitoring of their functioning;
- The periodical assessment of whether Big Data-based products and services are aligned with consumers' interests;
- The setting-up of procedures aimed at taking appropriate remedial actions where issues that lead to consumer detriment materialise or are anticipated;
- Factor the potential risks associated with the use of Big Data together with the financial institution's transparency policy when designing and enforcing complaint handling procedures;
- The adherence to and strict compliance with codes of conduct under the General Data Protection Regulation;
- Pay special attention to the data processing policy regarding data gathered from social media considering consumers' varied level of understanding of privacy settings and the risks of inaccuracies in such data;
- Maintain a balance between automated decision-making tools and human interventions;
- Ensure a high level of transparency towards customers concerning the use of Big Data technologies to process their data;
- Raise public awareness and promote consumer education on their rights, on the phenomenon of Big Data and its use by financial institutions.

The European Supervisory Authorities have also warned consumers on the precautions they should adopt to mitigate the risks arising from the use of Big Data<sup>30</sup>.

The use of Big Data by financial institutions is expected to continue to be debated, focusing in particular on how algorithms are created.

They acknowledge several benefits for financial institutions of using algorithms, namely that they optimise credit risk indicators (risk of default and the customer's propensity to pay the loan), reduce human error, or improve the customer's experience (for example, faster responses to requests for loans).

However, in addition to discussing issues related to the veracity of the data used in the algorithms and the legitimacy of institutions to collect these data, an increasing number of ethical and social issues have been raised.

30. Banco de Portugal published this warning on the Bank Customer Website (available for download at [https://cliente bancario.bportugal.pt/sites/default/files/uploaded/ESA\\_BigDataPT.pdf](https://cliente bancario.bportugal.pt/sites/default/files/uploaded/ESA_BigDataPT.pdf)). For the English version, see EBA's website (<https://www.eba.europa.eu/documents/10180/2157971/Big+Data+Factsheet.pdf>)

The possibility that these innovative ways of using data may be increasing consumer financial exclusion (in particular of those without a digital presence) is another key issue.

The credit risk assessment of bank customers using algorithms for the automated processing of data based on Big Data technology and artificial intelligence has also warranted reflection. If, on the one hand, the use of these algorithms will admittedly promote access to credit for consumers with limited financial records or credit history, on the other, it is claimed that it may lead to biased results, given that they take into account data obtained from location registers, internet browsing history, purchasing patterns and social media activity, which do not always arrive at an appropriate conclusion.

The use of Big Data-based technologies or business models poses significant and complex challenges for supervisors, who must continue to reflect on the issue in its different aspects. Particularly significant is the admissibility of collecting and using personal data and subsequent analysis to support decisions by financial institutions, the need to separate admissible and inadmissible data sources, and how to ensure data quality. Also under discussion is the potential need to ensure the transparency of the algorithms and the criteria used to develop them, or how to monitor lending activities that use these innovative mechanisms. All of this takes place in an environment of growing and rapid technological transformation.

**Figure II.2.1 • Warning for consumers on Big Data available at the Bank Customer Website**



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

### 3 Digital payments and the role of conduct of business supervisors

Digital payments are also at the top of the agenda of conduct of business supervisors. The reflection in international fora has focused in particular on mitigating the security risks these payments may entail.

In the new PSD2<sup>31</sup> the European legislator has strengthened the security requirements for digital payments in order to increase the protection of payment service users, while strengthening their trust in these instruments. The Directive is based on the principle of technological neutrality. This aims to ensure that payment service users have exactly the same degree of protection irrespective of the channel used (for example, over the counter, homebanking or apps) to carry out payment transactions.

In line with EBA's Guidelines on the security of internet payments<sup>32</sup> PSD2 sets out the principle of strong customer authentication for digital payments. For example, whenever payment service users want to carry out a transfer through homebanking, the payment service provider must request at least two elements categorised as knowledge (something only the user knows, e.g. a password), ownership (something only the user possesses, e.g. a token) and inherence (something the user is, e.g. biometric characteristic). At least one of the elements should be non-reusable, non-replicable and not capable of being surreptitiously stolen by a third-party.

Payment service providers also have increased obligations to mitigate security risks, and should therefore establish effective procedures for the management of operational and security incidents.

Payment service providers should have a procedure in place to monitor, handle and follow up a security incident and security related customer complaints. This procedure should accompany the request for authorisation of a payment institution.

Providers are required to provide periodically to the supervisory authority a comprehensive and updated assessment of the operational and security risks relating to the payment services they provide and of the adequacy of the risk mitigation measures and control mechanisms implemented in response to those risks.

In the case of a major operational or security incident, payment service providers must, without undue delay, notify the competent supervisory authority. Where the incident has or may have an impact on the financial interests of payment service users, payment service providers shall, without undue delay, also inform them of the incident and of all measures that they can take to mitigate the adverse effects of the incident.

31. Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No. 1093/2010, and repealing Directive 2007/64/EC.

32. Available for download at <https://www.eba.europa.eu/documents/10180/934179/EBA-GL-2014-12+%28Guidelines+on+the+security+of+internet+payments%29.pdf/f27bf266-580a-4ad0-aaec-59ce52286af0>. Compliance with these Guidelines was recommended by Banco de Portugal through Circular Letter No. 55/2015/DSP.



EBA has developed a set of regulatory technical standards and guidelines with the aim of enhancing the security of payments, in particular digital payments, under the mandates conferred on it by PSD2.

Regulatory technical standards for strong customer authentication and common and secure open standards of communication were recently published<sup>33</sup>.

At the end of 2017, EBA published *Guidelines on the security measures for operational and security risks under PSD2*<sup>34</sup>. These Guidelines specify requirements for the establishment, implementation and monitoring of the security measures that payment service providers must take, in accordance with PSD2, to manage the operational and security risks relating to the payment services they provide.

Through the analysis of complaints from payment service users in particular, conduct of business supervisors play a significant role in identifying security incidents and raising the awareness of users about the security measures they should adopt to perform secure payment transactions.

European legislation reflects the importance of analysing the complaints from payment service users for the supervision of the activities of payment service providers, with PSD2 expressly setting out the right of payment service users to submit complaints with regard to infringements of the national provisions transposing the Directive.

In accordance with the mandate conferred on it, in October 2017, EBA published guidelines strengthening the procedures for managing complaints from payment service users under PSD2<sup>35</sup>.

Raising payment service users' awareness of the importance of adopting enhanced security measures when carrying out payment transactions in digital channels is crucial for mitigating security risks potentially associated with these channels. Well informed customers are the first barrier of protection against security risks.

This was one of the conclusions of the International Financial Consumer Protection Organisation (FinCoNet), in the reports it published on the security challenges related to digital payments, coordinated by Banco de Portugal.

Since 2015, FinCoNet has been reflecting on payments carried out through the internet and mobile devices, considering the challenges they pose to banking conduct supervision.

33. Through Commission Delegated Regulation (EU) 2018/389 of 27 November 2017 supplementing PSD2.

34. Available for download at [https://www.eba.europa.eu/documents/10180/2081899/Guidelines+on+the+security+measures+under+PSD2+%28EBA-GL-2017-17%29\\_PT.pdf/f2ef7577-439f-46e6-b64a-cf548e0a4a0d](https://www.eba.europa.eu/documents/10180/2081899/Guidelines+on+the+security+measures+under+PSD2+%28EBA-GL-2017-17%29_PT.pdf/f2ef7577-439f-46e6-b64a-cf548e0a4a0d)

35. See *Guidelines on procedures for complaints of alleged infringements of Directive (EU) 2015/2366* at <https://www.eba.europa.eu/documents/10180/1989045/Final+Guidelines+on+complaint+procedures+under+PSD2+%28EBA-GL-2017-13%29.pdf>.

### Box 9 • FinCoNet identifies supervisory practices to mitigate digital payment risks

In response to the conduct of business supervisory challenges identified in the 2016 report (*Online and mobile payments: supervisory challenges to mitigate security risks*)<sup>36</sup> at the start of 2018 FinCoNet published the report *Online and Mobile Payments – an overview of supervisory practices to mitigate security risks*<sup>37</sup>, identifying the practices adopted by supervisors to mitigate security risks in digital payments.

This report, coordinated by Banco de Portugal, is based on the analysis of 32 responses to a questionnaire sent to FinCoNet Members and Observers, non-member conduct of business supervisors and international organisations.

The report underlines that digital payments should be a priority for conduct of business supervisors owing to the potential risks they entail for bank customers, particularly security risks, and considers that close cooperation among conduct of business supervisors, prudential supervisors and payment systems overseers is crucial at this level.

The use of appropriate supervisory tools in the digital context is another issue highlighted by the report<sup>38</sup> identifying the use of technology in supervision (SupTech) as a good practice. In this respect, the report also suggests the setting-up of multidisciplinary supervisory groups, including experts on information systems.

The report also mentions the various initiatives by conduct of business supervisors in financial information and education (training in schools, awareness campaigns on their websites, conferences, etc.) in order to provide information to payment service users on security precautions in digital channels and to increase their trust in digital channels.

**Figure B9.1 • FinCoNet Report**  
*Online and Mobile Payments – an overview of supervisory practices to mitigate security risks*



Source: FinCoNet ([http://www.finconet.org/FinCoNet\\_SC3\\_Report\\_Online\\_Mobile\\_Payments\\_Supervisory\\_Practices\\_Security\\_Risks.pdf](http://www.finconet.org/FinCoNet_SC3_Report_Online_Mobile_Payments_Supervisory_Practices_Security_Risks.pdf)).

In addition, the role of digital channels in promoting financial inclusion is increasingly recognised. GPFI of the Group of Twenty (G20), whose work is followed by Banco de Portugal, as a non-G20 member country, includes digital payments in its agenda, owing to their contribution to including vulnerable populations in the financial system.

36. Available for download at [http://www.finconet.org/FinCoNet\\_Report\\_Online\\_Mobile\\_Payments.pdf](http://www.finconet.org/FinCoNet_Report_Online_Mobile_Payments.pdf).

37. Available for download at [http://www.finconet.org/FinCoNet\\_SC3\\_Report\\_Online\\_Mobile\\_Payments\\_Supervisory\\_Practices\\_Security\\_Risks.pdf](http://www.finconet.org/FinCoNet_SC3_Report_Online_Mobile_Payments_Supervisory_Practices_Security_Risks.pdf).

38. In this respect, FinCoNet discusses the effectiveness of different supervisory tools to mitigate risks to consumers of digital banking services. Banco de Portugal participates in this working group, coordinated by Banco de España. Cf. <http://www.finconet.org/FinCoNet-Priorities-2017.pdf>.

The *G20 High-Level Principles for Digital Financial Inclusion*<sup>39</sup> are aimed at increasing digital financial inclusion in a sustainable and inclusive way, balancing the opportunities of financial innovation with the risks it may entail, specifically in terms of security.

The *GPFI Guidance Note on Building Inclusive Digital Payments Ecosystems*<sup>40</sup> poses the following challenges to implementing financial inclusion strategies based on the use of digital channels: (i) managing multiple and diverse stakeholders, requiring a coordination effort among the stakeholders involved, (ii) adequately balancing innovation, market protection, and system integrity, which means that regulation should be agnostic (technological neutrality) and focused on the potential benefits and risks arising from digital payments, (iii) building trust in digital payments, based on an adequate protection of payment service users (transparency of information and effective risk management) and (iv) establishing an appropriate and proportional regulatory environment, mitigating the risks potentially associated with digital payments and providing adequate protection to all market participants.

Lastly, Instant payments will soon be introduced, increasing the speed at which payments in euro are processed in the European Union, with payments being made in real time. Consumers will have the possibility of making and receiving payments at any time, with funds being transferred immediately; optimising the use of cash, with increased flexibility and convenience; and to make payments immediately via their mobile phone (C2C). The development of innovative payment products through the use of smart devices is also expected to be facilitated<sup>41</sup>.

The discussion around financial innovation is inevitable. Regulators, supervisors, financial institutions, technology providers and consumers must play an active part in this debate. Greater penetration of digital financial services in society will largely depend on increasing trust, to which the security and an increasing digital financial literacy of consumers greatly contribute, while it is also important to ensure an appropriate legal framework and timely and effective supervision.

## 4 Good practices in conduct of business supervision

International organisations have been focusing on issues related to the digitalisation of financial services, revisiting reference documents on consumer protection and adapting them to this new environment.

One of these papers, prepared by the World Bank in 2012, *Good Practices for Financial Consumer Protection*, was revised in 2017<sup>42</sup> and published with the aim of adapting good practices to the issue of the digitalisation of financial services, incorporating new approaches and including a more diversified range of examples. In this edition, the World Bank also compiles guidance in

39. Cf. <https://www.gpfi.org/sites/default/files/documents/G20%20High%20Level%20Principles%20for%20Digital%20Financial%20Inclusion%20-%20Full%20version-.pdf>.

40. [https://www.gpfi.org/sites/default/files/documents/GPFI%20Guidance%20Note%20Building%20Inclusive%20Dig%20Payments%20Ecosys-tems%20final\\_0.pdf](https://www.gpfi.org/sites/default/files/documents/GPFI%20Guidance%20Note%20Building%20Inclusive%20Dig%20Payments%20Ecosys-tems%20final_0.pdf).

41. In <https://www.ecb.europa.eu/paym/retpaym/instant/html/index.en.html>.

42. Available for download at <https://openknowledge.worldbank.org/bitstream/handle/10986/28996/122011-PUBLIC-GoodPractices-WebFi-nal.pdf?sequence=1&isAllowed=y>.

financial consumer protection from other reference international organisations and reflects on the lessons learned from past diagnostics.

The document covers the entire process of regulating and supervising financial products and services and establishes good practices, organised as follows:

- Legal and supervisory framework: legal framework, mandates, supervisory activities, and enforcement;
- Disclosure and transparency: format and manner of disclosure, disclosure of terms and conditions, notifications of changes in rates, terms and conditions;
- Fair treatment and business conduct: unfair terms and conditions, unfair practices, product suitability, customer mobility, agents, compensation of staff, fraud and misuse of customer assets;
- Data protection and privacy: collection and usage of customer data and sharing customer information;
- Dispute resolution mechanisms: complaints handling and out-of-court formal dispute resolution mechanisms.

The following are a few references to the digitalisation of retail banking markets, including payment markets.

Regarding the mandate of competent authorities, the World Bank sees as good practice the effective coordination between different authorities implementing the consumer protection legal framework, as well as coordination with other authorities outside the financial sector, for example, telecommunications regulators.

As regards disclosure and transparency of information, the World Bank introduces a reference to the electronic format in good practices that are already known on transparency of information in documents with precontractual and contractual information and notifications during the life of the contract. It also introduces good practices that suggest adapting regulations on the design and delivery of products in digital channels to mitigate risks to consumers due to formats that are less comprehensive, more difficult to read, and harder to store.

Digital channels are also referred to in good practices on customer mobility. According to the World Bank, financial service providers should be required to provide information to customers about the cancellation or portability of products that are delivered through digital channels.

It also mentions that payment service providers should have mechanisms to protect against fraud (for example, by hackers) and should be required to provide appropriate authentication methods.

Good practices are also provided on specific procedures on consumer data protection and their use by institutions, including payment service providers.

### Box 10 • Main results from the World Bank's *Global Financial Inclusion and Consumer Protection Survey 2017*

In addition to publishing these good practices, the World Bank has released a report with the results from the second round of the *Global Financial Inclusion and Consumer Protection Survey 2017*<sup>43</sup> conducted from November 2016 to July 2017 in 124 jurisdictions<sup>44</sup>. In this report, the World Bank describes the global financial sector and recent developments regarding financial inclusion and consumer protection, compared with the first round in 2013.

As regards financial inclusion, the survey mentions that national financial inclusion strategies are a tool increasingly used by developing countries. In total, around 27% of jurisdictions have a financial inclusion strategy in place and 23% report having a strategy in development. In low-income countries, these percentages increase to 55% and 27%, respectively, which shows a clear concern for the need for financial inclusion. The report also mentions the use of agents or other third parties as a way to reduce exclusion, barriers to inclusion from a lack of documentation on the part of citizens, and the dissemination of microsavings or microcredit products, which are relevant in developing countries.

With this survey, the World Bank concluded that over 95% of jurisdictions have a legal or regulatory framework for financial consumer protection and that, in 45% of jurisdictions, financial consumer protection responsibilities fall under multiple authorities.

As regards specific financial consumer protection issues, the following results stand out.

- around 58% of jurisdictions have no regulation in place to limit account fees and only 10% apply maximum maintenance fees for accounts;
- around 68% of jurisdictions provide bank customers with standardised information sheets on at least one banking product;
- around 90% of jurisdictions have some type of regulation that restricts excessive borrowing by consumers;
- most jurisdictions include in their supervisory activities offsite inspections (72%) and onsite inspections (71%), but less than 30% report undertaking mystery shopping;
- around 78% of jurisdictions have procedures in place for complaints handling and 65% of jurisdictions have dispute resolution mechanisms;
- around 84% of jurisdictions with enforcement powers impose fines and penalties, 81% issue warnings to financial institutions and 53% issue public notices of violation;
- around 35% of jurisdictions have a financial education or literacy strategy in place and 22% of jurisdictions report such a strategy to be in development.

43. Available for download at <https://openknowledge.worldbank.org/handle/10986/28998>.

44. These 124 jurisdictions correspond to 141 countries owing to the fact that some are responsible for more than one country.

As regards credit provided through digital channels, the publication at the end of 2017 of the *Report on the Digitalisation of Short-Term, High-Cost Consumer Credit*<sup>45</sup> by FinCoNet was particularly important. The report analyses the sale of short-term, high-cost consumer credit (payday loans) through digital channels, on the basis of information collected in a survey of 25 jurisdictions. Through an analysis of the results obtained, FinCoNet seeks to develop a set of guidelines for supervisors, in order to mitigate the risks identified in the sale of these products.

One of the main conclusions of this report is that the convenience of, and ease of access to, these types of loans in digital channels introduce new risks associated with lack of transparency of information and lack of consumer digital literacy, aggravating the risks associated with over-indebtedness, due to lack of human intervention in the process and the fact that the loans are disbursed very quickly. The report also highlights the fact that, although these products are widely sold in some jurisdictions, most of them do not have specific regulations in place for the sale of short-term, high-cost consumer credit through digital channels.

FinCoNet points out the importance of collaboration amongst supervisors, as well as engagement with industry in developing the guidelines for conduct of business supervisors to mitigate the risks associated with the sale of short-term, high-cost consumer credit through digital channels.

In this reflection, FinCoNet also considers that the following are essential: a legal and regulatory framework adjusted to the supervision of credit provided through digital channels; appropriate supervisory tools; appropriate formats to disclose information; means for complaints handling and dispute resolution consistent with the sale of credit through digital channels; mechanisms to prevent over-indebtedness; and means to assess the interest of consumers.

FinCoNet also highlights the fact that conduct of business supervisors should consider using lessons learned from behavioural economics in their supervision of credit products provided through digital channels.

Conduct of business supervisors should assess the need for human intervention in the process of selling this type of credit and ensure that security risks are minimised.

Authorisation requirements for entities selling short-term, high-cost consumer credit through digital channels should ensure consumer protection.

## 5 The relevance of behavioural economics in protecting digital financial consumers

A characteristic of the digitalisation of retail banking markets is ease of access to credit through digital channels, which leads to consumer over-indebtedness. Against the background of the digitalisation of retail banking markets, the concepts of behavioural economics are thus particularly important for conduct of business supervisors. Identifying behavioural gaps or biases – such as overvaluing the present over the future or taking decisions without giving consideration to their global context or on the basis of a subconscious choice from irrational reference points

45. Available for download at <http://www.finconet.org/finconetreportonthedigitalisationofshort-termhigh-costconsumercredit.htm>.

– allows regulators to design environments that limit consumer choices in a positive manner, thus mitigating the negative effects of recourse to credit through digital channels and fostering the positive effects of a more stable and balanced financial life.

Behavioural economics describes how people deviate from rational behaviour that is present in most economic models, underlining that people do not always take decisions which are consistent with their own preferences or act in a rational way.

Behavioural economics associates psychology with the mathematical analysis of economics. It is based on the classification of different biases, which refer to the systematic and unconscious deviations from rational behaviour.

Financial consumer protection may therefore benefit from the lessons learned from behavioural economics<sup>46</sup>.

The working paper *Behavioural economics and financial consumer protection*<sup>47</sup> prepared by the G20/OECD Task Force on financial consumer protection, closely followed in this analysis, reviews the literature on behavioural economics applied to financial consumer protection. The paper alludes to the biases most commonly encountered in financial decisions and suggests a number of actions that conduct of business supervisors may take to reduce these biases (on the basis of the concept of choice architecture developed by Thaler<sup>48</sup>). This paper also describes a number of actions involving the theory of behavioural economics, developed by regulators and supervisors for financial markets.

The paper highlights the following relevant biases in financial decisions<sup>49</sup>:

- **Heuristics:** a quick, informal and intuitive shortcut used to generate an approximate answer to a question involving complex reasoning. The use of heuristics may be helpful. However, if used as a rule of thumb, it can result in serious cognitive biases (for example, allocating the pension pot equally across a set of investment possibilities rather than across different investment options after carefully weighing the risk and return of each one).
- **Overvaluing the present:** People overvalue the present over the future, systematically choosing short-term benefits even though long-term benefits outweigh them. Present bias is related to situations of over-indebtedness (for example: people overvalue the benefit of having access to a good in the present, using a loan, over the benefit of saving in the future).
- **Anchoring effect:** Consumers assess outcomes relative to a reference point chosen subconsciously, generating choices that depend on the reference point rather than on a balanced assessment of the costs and benefits of that decision. This reference point is generally chosen in order to overweight gains and underweight losses (for example: consumers perceive a product sold through bundling as cheaper because it is sold together with a product that is completely different, but has a higher price).

46. For more on this issue, see the 2011 Banking Conduct Supervision Report (in Portuguese only), where Banco de Portugal published a reflection on consumer decisions and financial regulation using behavioural economics.

47. Lefevre, A. and M. Chapman (2017), *Behavioural economics and financial consumer protection*, OECD Working Papers on Finance, Insurance and Private Pensions, No. 42, OECD Publishing, Paris. Available for download at <http://dx.doi.org/10.1787/0c8685b2-en>.

48. Thaler R. and Sunstein C. (2008), *Nudge: Improving decisions about health, wealth and happiness*, Yale University Press.

49. The examples of anchoring effect, regret, overconfidence, over-extrapolation and narrow bracketing were adjusted to the reality of retail banking markets, and are therefore different from the descriptions made by the authors of the study.

- **Regret and other emotions:** People act to avoid ambiguity, regret, fear or stress (for example: consumers may borrow in the present only because they fear it may be difficult to borrow in the future).
- **Overconfidence:** People tend to have excessive confidence in their own ability to perform a particular task or to make an accurate judgement (for example: consumers tend to have an excessive belief in their ability to meet their payment obligations under a credit agreement).
- **Over-extrapolation:** People generally make predictions on the basis of a few observations, when these observations are not representative (for example: consumers tend to over-extrapolate their income when they prepare to take out a loan).
- **Projection bias:** People have a tendency to believe that their choices and preferences will remain the same over time, and that their present situation will not alter considerably in the future (for example: consumers tend to consider that future income and expenses will be similar to present ones, and do not save for situations where their expenses may increase and their income decline).
- **Mental accounting:** People tend to use their money differently according to its purpose (for example: at the same time, consumers may save at a low interest rate while borrowing at a higher interest rate).
- **Narrow bracketing:** People tend to take decisions in isolation, without giving consideration to their global financial context (for example: people decide to take out another loan based solely on its cost rather than considering all of their financial commitments).
- **Persuasion and social influence:** People allow themselves to be persuaded and trust the sales person because he or she is likeable, seems trustworthy or is successful (for example: people trust the advice of bank employees due to their social status).
- **Endowment effect or status quo bias:** People give more value to something they possess than to something similar they would need to acquire (for example: bank customers are often reluctant to switch credit institution, even where their contract is not the most advantageous).

According to choice architecture, policy decision-makers may design environments limiting consumer options by mitigating the negative effects of the biases mentioned before. Framing is part of choice architecture and describes how people tend to reach different conclusions or make different choices depending on how options are presented to them. The following are a few examples of framing used to protect consumers of retail banking products<sup>50</sup>:

- **Default option:** Presenting as a pre-set option the choice that induces consumers to take the best decision or that grants them greater protection (for example: selling a credit card with the pre-set option of paying 100%).
- **Attribute framing:** Involves influencing decisions by describing an event in a positive (negative) manner, given that the event will be evaluated more (less) favourably when presented in a positive (negative) light (for example: in a situation where interest rates are expected to decrease, a bank employee may inform a bank customer that taking out a loan at a floating rate might be preferable to a fixed-rate loan).

50. Examples were adjusted to the reality of retail banking markets, and are therefore different from the descriptions made by the authors of the study.



- **Salience effect:** Involves focusing consumers' attention on the particularly important aspects of a situation (for example: in precontractual information, the use of standardised documents, with a limited amount of simple text, that prominently display interest rates and commissions allows consumers to more easily compare a given product with other products).

As regards the use of concepts of behavioural economics by regulators and supervisors of retail banking markets, the work developed by the European Commission in the preparation of regulation on PRIIPs was particularly relevant, as well as the rules already introduced to the Consumer Credit Directive and the Mortgage Credit Directive. Examples of this are measures such as the right of withdrawal from a consumer credit agreement for a period of 14 days and a mandatory cooling off period of seven days before entering into a mortgage credit agreement.

Regarding PRIIPs, one of the pre-contractual information requirements is the KID, which is designed to inform bank customers about the nature and main features of PRIIPs, also enabling bank customers to compare these features with those of other products and even with products of a different nature.

The contents of the KID were prepared in order to mitigate some of the more common biases when choosing a complex product, such as heuristics, anchoring effect, overconfidence and over-extrapolation.

Consequently, in 2010, the European Commission conducted a pilot study<sup>51</sup> which analysed the reactions of consumers to different products and investments in a laboratory environment. This study concluded that consumers make worse investment decisions when the information provided is complex, ambiguous and hard to understand. When they are subject to simple, standardised documents in a short format with pre-calculated summary indicators, it is easier for consumers to identify the best option.

To complement this analysis, in 2015 the European Commission carried out tests on a representative set of European consumers on the basis of surveys and focus groups to analyse how these would react to different KID contents<sup>52</sup>. This study identified the usefulness of a simplified graphic presentation of risks with a single scale for all products.

These conclusions were taken into account in the preparation of the standardised KID<sup>53</sup>, which, in a maximum of three pages, gives customers information on the nature and main features of the PRIIP, using plain language, graphic presentations and a single scale to present the product's summary risk indicator.

Also within the scope of the Payment Accounts Directive, the principles described before were used to prepare standardised pre-contractual and contractual documents, establishing common formats and symbols for the Fee Information Document<sup>54</sup> (showing the fees for services linked to a payment account included in the list of the most representative services established by each Member State) and the Statement of Fees<sup>55</sup> (showing information on all fees paid and interest paid and received).

51. *Consumer Decision-Making in Retail Investment Services: A Behavioural Economics Perspective* ([https://www.wiwi.uni-frankfurt.de/fileadmin/user\\_upload/dateien\\_abteilungen/abt\\_fin/Dokumente/PDFs/Allgemeine\\_Dokumente/Inerst\\_Downloads/POLICY\\_PAPERS\\_and\\_POLICY\\_RELATED\\_REPORTS/consumer\\_decision-making\\_in\\_retail\\_investment\\_services\\_-\\_final\\_report\\_en.pdf](https://www.wiwi.uni-frankfurt.de/fileadmin/user_upload/dateien_abteilungen/abt_fin/Dokumente/PDFs/Allgemeine_Dokumente/Inerst_Downloads/POLICY_PAPERS_and_POLICY_RELATED_REPORTS/consumer_decision-making_in_retail_investment_services_-_final_report_en.pdf)).

52. *Consumer testing study of the possible new format and content for retail disclosures of packaged retail and insurance-based investment products*, available for download at [https://ec.europa.eu/info/sites/info/files/consumer-testing-study-2015\\_en.pdf](https://ec.europa.eu/info/sites/info/files/consumer-testing-study-2015_en.pdf).

53. Commission Delegated Regulation (EU) 2017/653 of 8 March 2017.

54. Commission Implementing Regulation (EU) 2018/34 of 28 September 2017.

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





### III Supervisory activities

- 1 Systematic monitoring
- 2 Inspections
- 3 Bank customer complaints
- 4 Correction of irregularities and sanctions
- 5 Implementation of the basic bank account regime
- 6 Implementation of the general arrears regime



In undertaking its banking conduct supervisory tasks, Banco de Portugal monitors the activity of institutions in the sale of retail banking products and services, by inspecting the institutions, analysing bank customer complaints and reviewing the information reported by institutions. Where, in the course of its monitoring activities, irregularities and non-compliances are detected, Banco de Portugal issues specific orders requesting that institutions correct such irregularities, and may also initiate administrative proceedings.

# 1 Systematic monitoring

Banco de Portugal reviews changes to fees and charges leaflets and interest rate leaflets reported by institutions, monitors advertising materials released by credit institutions, conducts prior inspections of information on index and dual deposits, and assesses the annual percentage rates of charge (APRC) on new consumer credit agreements reported to Banco de Portugal.

## 1.1 Price lists

In 2017, 603 fees and charges leaflets and 487 interest rate leaflets were reported to Banco de Portugal<sup>1</sup>. Of the 603 fees and charges leaflets reported, 418 were due to updates, while 185 followed requests by Banco de Portugal for the correction of irregularities.

At the end of 2017 fees and charges leaflets of 105 institutions were published on the Bank Customer Website<sup>2</sup>.

Table III.1.1 • Price lists | Number of price lists reported | 2017

	Leaflets reported	Entities covered
Fees and charges leaflets	603	73
Interest rate leaflets	487	85
Total	1,090	-

Source: Banco de Portugal. | Note: Banco de Portugal received leaflets from 96 institutions.

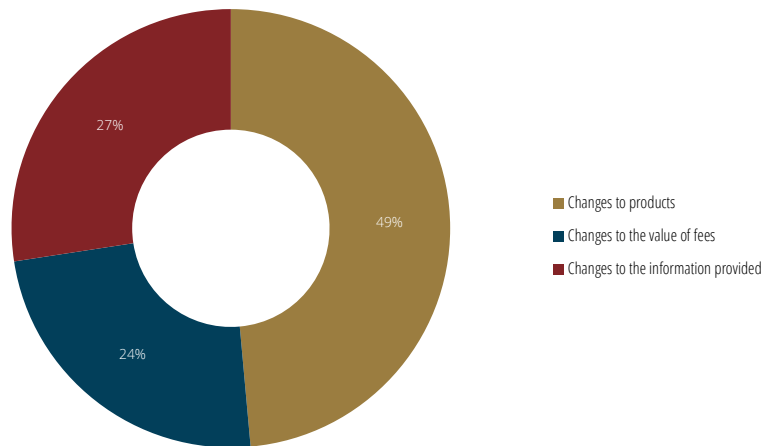
Of all changes made by institutions, approximately half (49%) corresponded to the introduction, modification or discontinuation of products, around one-quarter (24%) was due to changes in the value of fees charged and the remaining share due to changes in the information provided (27%).

Approximately half of all changes made to the fees and charges leaflets of institutions was due to the introduction, modification or discontinuation of products.

1. The fees leaflet is reported whenever changes are made to its content, while the interest rate leaflet must be reported, at least, on a quarterly basis.

2. On the Bank Customer Website, users can consult the historical archives of fees and charges leaflets in force as of 1 January 2017.

Chart III.1.1 • Price lists | Types of changes made by institutions | 2017



Source: Banco de Portugal.

## 1.2 Advertising

In 2017, 9,501 advertising materials for banking products and services of 55 credit institutions were analysed. Compared with 2016, the total number of advertisements released by institutions rose by 11%, with a notable increase in personal loans (40%) and mortgage credit (35%) stemming from more buoyant credit markets.

Of all advertisements analysed, 9,104 (96%) were reported to Banco de Portugal after their release. In the remaining share, 221 related to requests for prior opinion sent by credit institutions and 176 corresponded to advertising media associated with index and dual deposits, which are subject by law to prior approval. In 2017 advertisements on index and dual deposits decreased by 45%, due to the reduction in the number of marketed index and dual deposits (-26%).

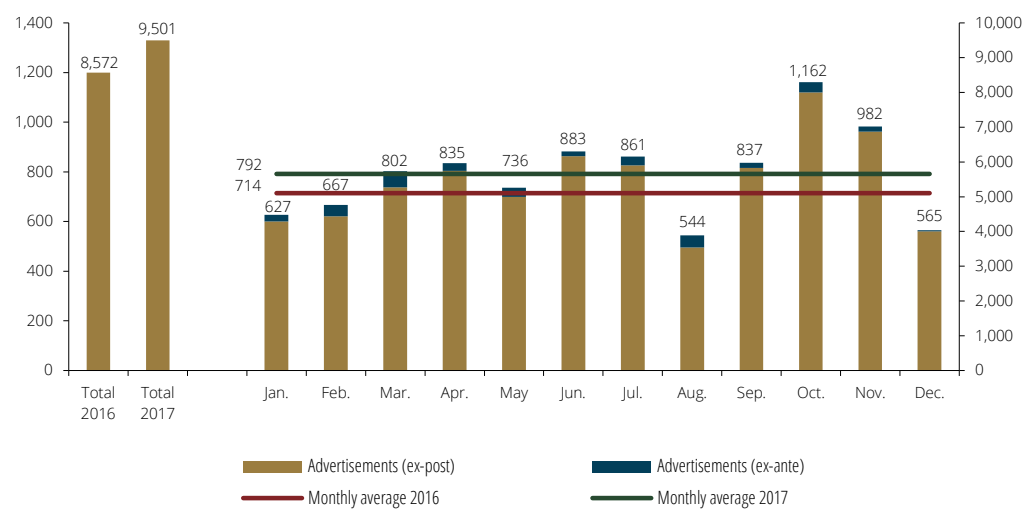
Banco de Portugal required 27 credit institutions to correct 192 advertisements, due to their non-compliance with the applicable legal and regulatory standards, which corresponded to 2.1% of the analysed advertisements (0.5 p.p. less than in 2016).

### ∴ Non-compliance was highest in car loan campaigns.

The advertising campaigns with the most irregularities were associated with car loans and mortgage credit, which posted non-compliance rates of 11% and 9.3% respectively. Also notable were the campaigns on overdraft facilities, where 5.3% of all advertisements did not comply with standards in force.

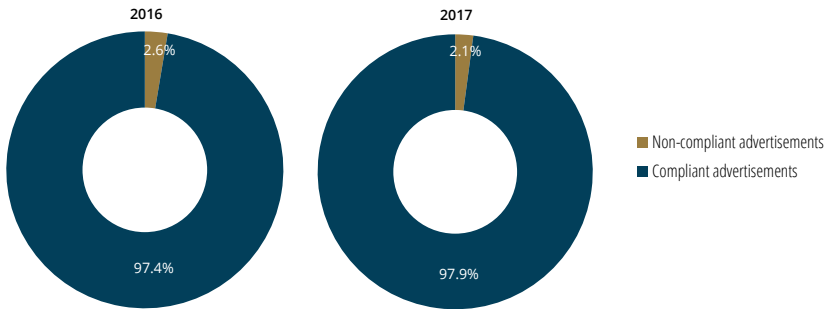
Campaigns on credit cards were non-compliant in 1.2% of the cases, even though they account for the largest number (55% of all advertisements). In the case of personal loans (the second most advertised product with 15% of all advertisements), the share of non-compliant campaigns stood at 2.8%.

Chart III.1.2 • Advertising | Number of advertisements monitored | 2016-2017



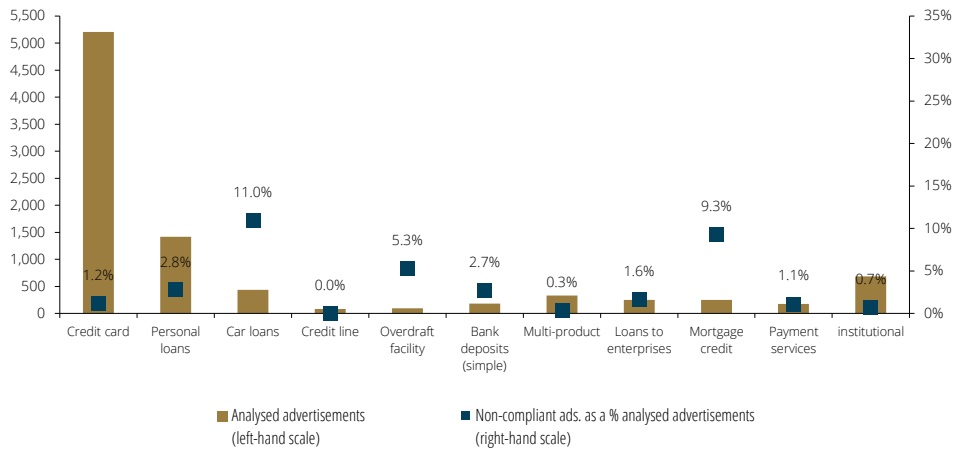
Source: Banco de Portugal. | Note: In 2017, 9,501 advertisements were monitored, of which 176 related to index-linked and dual deposits.

Chart III.1.3 • Advertising | Share of non-compliant advertisements | 2016-2017



Source: Banco de Portugal.

Chart III.1.4 • Advertising | Share of non-compliant advertisements media, by type of product | 2017



Source: Banco de Portugal.

### Box 11 • Characteristics of the advertisements monitored

Most advertisements (77%) monitored by Banco de Portugal in 2017 related to consumer credit products. Also notable among advertisements were those regarding credit cards (55%), followed by personal loans (15%) and car loans (5%).

For other banking products and services, advertising accounts for only 2% (payment services) to 4% (bank deposits and multi-product solutions).

Institutional advertising by credit institutions, which does not concern a specific banking product or service, accounted for 8% of all advertisements analysed.

**Table B11.1 • Advertising | Monitored advertisements, by type of product | 2016-2017**

Scope	2016		2017		Δ
	Number	Weight	Number	Weight	
<b>Products and services</b>	<b>7,844</b>	<b>92%</b>	<b>8,764</b>	<b>92%</b>	<b>12%</b>
Consumer credit	6,166	72%	7,322	77%	19%
Credit card	4,402	51%	5,224	55%	19%
Personal loan	1,044	12%	1,462	15%	40%
Car loan	461	5%	459	5%	0%
Credit line	166	2%	82	1%	-51%
Overdraft facility	93	1%	95	1%	2%
Bank deposits	554	6%	369	4%	-33%
Multi-product	437	5%	336	4%	-23%
Loans to enterprises	265	3%	251	3%	-5%
Mortgage credit	225	3%	303	3%	35%
Payment services	197	2%	183	2%	-7%
<b>Institutional</b>	<b>728</b>	<b>8%</b>	<b>737</b>	<b>8%</b>	<b>1%</b>
<b>Total</b>	<b>8,572</b>	<b>100%</b>	<b>9,501</b>	<b>100%</b>	<b>11%</b>

Source: Banco de Portugal.

Regarding advertising campaigns for consumer credit products, the most common means of dissemination were posters placed inside bank branches and at points-of-sale, which correspond to 37% of all advertisements analysed for this type of product, followed by mailings (25%) and leaflets (16%).

In advertising related to bank deposits, online advertising accounts for the largest share (41%) of the means of dissemination used, followed by mailings (34%), which is to be expected as these are the preferred means when advertising index and dual deposits. The latter account for 48% of total advertisements on bank deposits monitored in 2017.

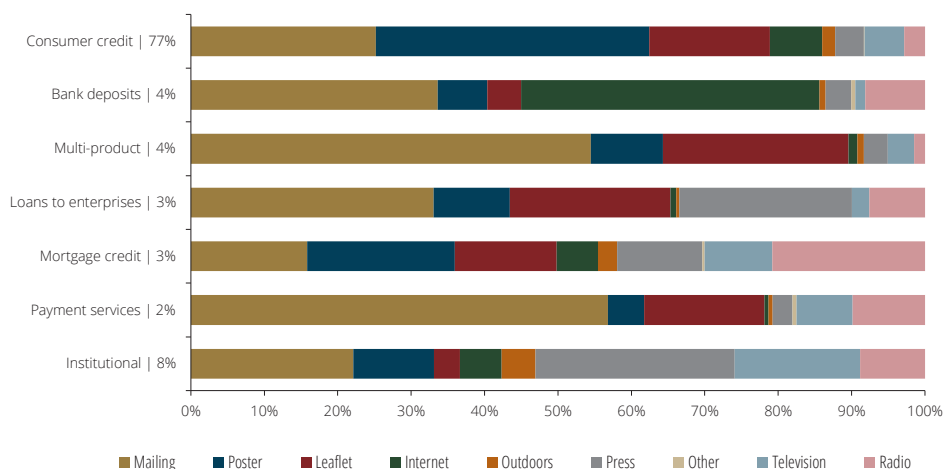
In the case of multi-product solutions and loans to enterprises, mailings were the most used advertising medium (54% and 33% respectively).

Advertising on credit relating to mortgage credit was mostly disseminated via radio (21%) and posters (20%), but also mailings (16%).

In institutional campaigns, press advertising was the most commonly used means, representing 27% of all advertisements analysed in this category, followed by mailings (24%).



**Chart B11.1 • Advertising | Types of advertisements monitored | 2017**



Source: Banco de Portugal.

## 1.3 Index and dual deposits

### Fewer index and dual deposits were marketed.

In light of the prior compliance assessment of pre-contractual information disseminated in information leaflets on index and dual deposits, Banco de Portugal analysed 145 leaflets submitted by 12 credit institutions in 2017, of which 111 related to index deposits and 34 to dual deposits. Compared with the previous year, the number of information leaflets submitted by credit institutions to Banco de Portugal declined by 26%.

This decrease was due to a reduction in the number of leaflets on index deposits (-34%), in line with the trend seen in previous years, which more than offset the increase in the number of information leaflets on dual deposits (21.4%).

**Table III.1.2 • Index and dual deposits | Information leaflets | 2016-2017**

Type of deposit	2016		2017	
	Submitted	Entities covered	Submitted	Entities covered
<b>Index</b>	<b>169</b>	<b>-</b>	<b>111</b>	<b>-</b>
1 <sup>st</sup> quarter	43	9	29	9
2 <sup>nd</sup> quarter	50	9	27	8
3 <sup>rd</sup> quarter	43	9	32	6
4 <sup>th</sup> quarter	33	6	23	6
<b>Dual</b>	<b>28</b>	<b>3</b>	<b>34</b>	<b>3</b>
<b>Total</b>	<b>197</b>	<b>-</b>	<b>145</b>	<b>-</b>

Source: Banco de Portugal. | Note: In 2017, 12 institutions submitted leaflets on index-linked and dual deposits, similarly to 2016.

In addition to pre-contractual information provided in information leaflets on index and dual deposits, Banco de Portugal also checked the interest rate paid for this type of deposit on maturity. The interest rate for 143 matured index deposit and 44 dual deposit components in 2017 were monitored. In its supervisory capacity, Banco de Portugal checked the benchmark interest rate(s) associated with each deposit calculated by institutions and its application according to the calculation method of remuneration as indicated in the corresponding information leaflets. Subsequently, Banco de Portugal released the remuneration on its Bank Customer Website.

**Table III.1.3 • Matured index and dual deposits | 2016–2017**

Type of deposit	2016		2017	
	Matured	Entities covered	Matured	Entities covered
Index	187	10	143	13
Dual	36	4	44	3
Fixed component	26		30	
Index component	10		14	
Total	223	–	187	–

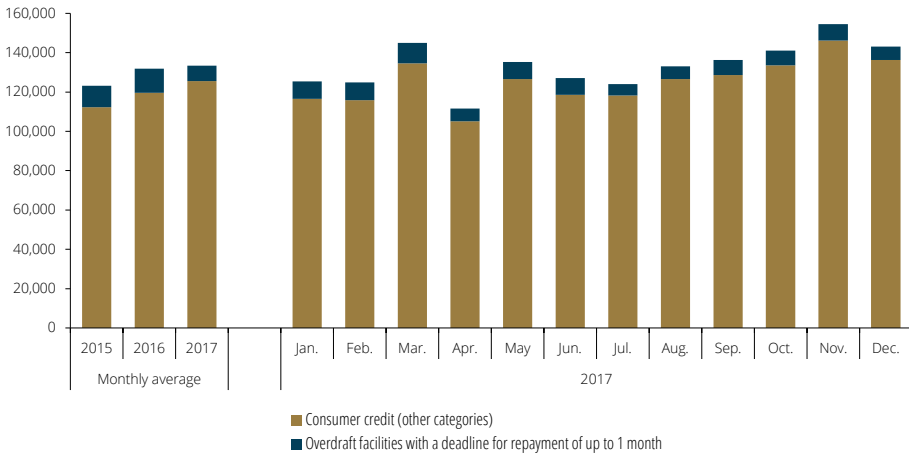
Source: Banco de Portugal. | Note: In 2016 and 2017 the yields paid by 13 and 15 institutions, respectively, were monitored.

## 1.4 Maximum rates charged in consumer credit

### Institutions reported more consumer credit agreements to Banco de Portugal.

In 2017, 56 institutions reported information to Banco de Portugal on 1,601,050 consumer credit agreements, which corresponds to an average of approximately 133 thousand agreements per month and a 1.1% increase from 2016. Excluding overdraft facility agreements with a deadline for repayment of up to 1 month, the number of agreements rose by 5%.

**Chart III.1.5 • Consumer credit | Number of agreements reported | 2015–2017**



Source: Banco de Portugal.

The information on the characteristics of new agreements is reported every month by credit institutions for the purpose of calculating the maximum consumer credit rates. This helps in the assessment of whether the APRCs reported with every new credit agreement comply with the current upper limits and assists with the tracking of market developments. When checking the information reported by credit institutions, irregularities were detected in 48 agreements, associated with nine institutions, due to non-compliance with the applicable maximum rates. Additional information was requested on these agreements, for legal analysis purposes.

## 2 Inspections

Inspections conducted by Banco de Portugal as part of its banking conduct supervisory tasks take various forms: off-site, mystery shopping and on-site identified actions. The modality chosen depends on the issue subject to Banco de Portugal's monitoring.

Off-site inspections are conducted on the basis of information reported by institutions or collected from their websites, while Banco de Portugal's mystery shopping or on-site identified actions entails visits to the institutions: their branches, in the first case, and their central services and branches, in the latter.

Inspections of central services are always on-site identified actions and generally occur over a period of several days, to check agreements and other documentation, procedures and IT systems.

On-site inspections at the branches, which are shorter and may be the mystery shopper variety or identified actions, help assess, for instance, compliance with information requirements during the pre-contractual stage of sale of products or customers' access to their rights.

### 2.1 Inspections of branches

... Banco de Portugal prioritised basic bank accounts, chiefly  
... through mystery shopping actions.

In 2017 inspections conducted to branches mostly focused on the monitoring of basic bank accounts<sup>3</sup>. Of the 147 inspections conducted, 99 focused on basic bank account matters involving 31 entities, 68 were mystery shopping actions and 31 were on-site identified actions.

Banco de Portugal checked the compliance with the information duty on basic bank accounts through the adequate display of basic bank accounts posters.

As regards opening a low-cost current account, Banco de Portugal, in its mystery shopping inspections, also assessed the information provided on basic bank accounts, and their access conditions and features, more specifically, services included and applicable fees. It also checked the completeness of pre-contractual information provided, on a durable medium, namely the SIS and the draft agreement.

3. Point 5 in this chapter.

31 on-site identified actions were conducted in branches, so that Banco de Portugal could verify documentary proof that information had been sent to the customer, internal standards and procedures and the adequacy of institutions' practice in the marketing of basic bank accounts.

Banco de Portugal closely monitored the marketing of consumer credit given the buoyancy in this market segment.

14 mystery shopper inspections were conducted to check compliance with pre-contractual information requirements and the clarification of the features of products offered to customers (duty to assist customers). These actions also focused on the truthfulness, transparency and completeness of information provided to customers. Pre-contractual information – the SIS and the draft credit agreement – was checked to determine if it had been provided to customers in a durable medium. All inspections were on-site identified actions to assess the information actually provided to customers and the internal procedures and standards adopted to market products.

In 10 branches, price lists were checked for compliance and timeliness, and whether the complaints book had been advertised in a prominent place.

**Table III.2.1 • Inspections | Inspections of branches | 2017**

	Mystery shopper	Identified	Total	Entities covered
<b>Information requirements and marketing practices</b>	<b>51</b>	<b>45</b>	<b>96</b>	
Basic bank accounts	37	31	68	31
Consumer credit	14	14	28	14
<b>Over-the-counter information requirements</b>	<b>51</b>		<b>51</b>	
Basic bank accounts	31		31	31
Price list	10		10	10
Complaints book	10		10	10
<b>Total</b>	<b>102</b>	<b>45</b>	<b>147</b>	<b>-</b>

Source: Banco de Portugal. | Note: These inspections involved 31 institutions.

## 2.2 Inspections of central services

When monitoring consumer credit, Banco de Portugal assessed compliance with information requirements, the application of the maximum rate regime and early repayment.

In 2017 inspections conducted at the central services of institutions continued to focus mostly on the monitoring of compliance with the consumer credit regime. 71 inspections were conducted on 13 institutions, to check on the marketing of car loans, personal loans, credit cards, overdraft facilities and overrunning.

Compliance with the maximum rate regime was analysed as part of this. Banco de Portugal assessed whether products were correctly distributed across credit segments, the accurate date of conclusion of the contract, and compliance with the upper limits applicable to the APRC established in the contract as well as its calculation.

Furthermore, in these inspections Banco de Portugal assessed compliance with the regular reporting requirements, more specifically the timely delivery of information on the APRC.

Pre-contractual and contractual information requirements were also checked for compliance, also during the term of the contract, as well as the rules governing the calculation of interest rates and the periodical review of the benchmark rate in credit agreements with variable rate.

As regards the early repayment of credit agreements, the measures taken by institutions were assessed in the course of inspections of central services, more specifically their fee-charging practices.

Draft agreements used by the institutions were also checked and compared with those reported to Banco de Portugal.

In addition to assessing compliance with legal requirements throughout the consumer credit marketing process, Banco de Portugal also checked the controls put in place and the business support IT systems.

The central services of 11 institutions were also checked for compliance with the arrears regime. The maximum default surcharge and the maximum fee that may be charged to customers in the recovery of a debt were also checked, as well as the completeness of information provided in contractual documentation and communications with customers on the penalties envisaged by law in case of default. Banco de Portugal focused on the entire default management process, including any settlement reached to rectify these situations.

The inspection programme to central services also covered institutions which received complaints. 12 inspections were conducted to check for compliance with the legal and regulatory provisions, most notably regarding transfers and the closing/blocking of current accounts, debit cards and credit cards.

Two one-off inspections were conducted: one focused on the marketing of products and services packages associated with the current account, and another focused on the marketing of credit for the purchase, construction and improvement of permanent or secondary residential property or residential leased property.

**Table III.2.2 • Inspections | Inspections of central services | 2017**

	Identified	Covered entities
<b>Consumer credit</b>	<b>71</b>	
Practices for credit agreements	12	12
Maximum rate regime	11	11
Information requirements	13	13
Calculation and collection of interest	12	12
Early repayment	12	12
Reporting information to Banco de Portugal	11	11
<b>Arrears regime</b>	<b>11</b>	
Interest, fees and other charges	11	11
<b>Accounts and payment services</b>	<b>12</b>	
Closing/blocking of accounts	4	4
Termination of contract and blocking of payment instruments	6	6
Payment operations	1	1
Products and services packages	1	1
<b>Mortgage credit</b>	<b>1</b>	
Early repayment	1	1
<b>Total</b>	<b>95</b>	<b>-</b>

Source: Banco de Portugal. | Note: These inspections involved 16 institutions.

## 2.3 Off-site inspections

... The information on the possibility of switching from a current account to a basic bank account, the delivery of the 'invoice-receipt' and the completeness of credit card statements were assessed across the board.

In 2017 off-site inspections also focused on compliance with the basic bank account regime<sup>4</sup>.

Banco de Portugal assessed compliance with the institutions' obligation to inform current account holders, on an annual basis, of their right to switch to a basic bank account, via the deposit account statement or other means, in the case of accounts supported by a bankbook. It required that all 110 institutions<sup>5</sup> obliged to offer basic bank accounts show documentary proof of this.

The submission by credit institutions, in January of each year, of an 'invoice-receipt' breaking down the fees and expenses charged to current accounts in the previous year was also monitored in the course of 126 off-site inspections<sup>6</sup>. As part of this, institutions were asked to submit copies and supporting evidence of the information provided and its delivery within the legal deadlines.

Banco de Portugal also checked compliance with the regular reporting requirements<sup>7</sup> on credit cards (via the card account statement), on the use of credit and, where applicable, default positions and the settlement of default. 106 institutions were required to provide documentary proof of this<sup>8</sup>.

Institutions acting as acquirers were inspected to check the information provided to merchants in POS operation statements<sup>9</sup>.

Banco de Portugal also checked on institutions' websites whether the APRC on consumer credit had been correctly calculated, as well as the fees charged on arrears and the early repayment of credit relating to immovable property and consumer credit.

It also conducted inspections to assess, across the board, whether the APRC on consumer credit had been correctly calculated, as well as maximum fees applicable to the failure to repay credit agreement instalments (arrears regime) and fees charged on early repayment in credit relating to immovable property and consumer credit.

These inspections focused on all institutions that offer this type of credit operation and were based on information compiled from price lists and, where necessary, clarifications from the institutions.

4. Point 5 in this chapter.

5. Of which, 82 mutual agricultural credit banks that are part of SICAM.

6. Of which, 82 mutual agricultural credit banks that are part of SICAM.

7. Established in Notice of Banco de Portugal No. 10/2014.

8. Of which, 82 mutual agricultural credit banks that are part of SICAM.

9. Regulation (EU) 2015/751.

Table III.2.3 • Inspections | Off-site inspections | 2017

	Off-site inspections	Entities
<b>Information requirements</b>	<b>472</b>	
Basic bank accounts	141	110 <sup>(a)</sup>
Invoice-receipt <sup>(a)</sup>	126	126
Credit card statements <sup>(a)</sup>	106	106
Price lists (updated on websites and reporting)	92	85
Points-of-sale	7	7
<b>Marketing practice</b>	<b>160</b>	
Early repayment (immovable property and consumer credit)	60	59
Arrears and default regime	50	49
APRC calculation	49	33
Other	1	1
<b>Total</b>	<b>632</b>	<b>—<sup>(b)</sup></b>

Source: Banco de Portugal. | Note: (a) Includes 82 mutual credit agricultural banks that are part of SICAM. (b) These inspections included 126 institutions.

### 3 Bank customer complaints

Banco de Portugal reviews bank customer complaints about accounts, deposits, credit products, payment services and other matters within its scope of competences. With the review of complaints, institutions can monitor compliance with standards more easily and Banco de Portugal can identify matters that should be inspected.

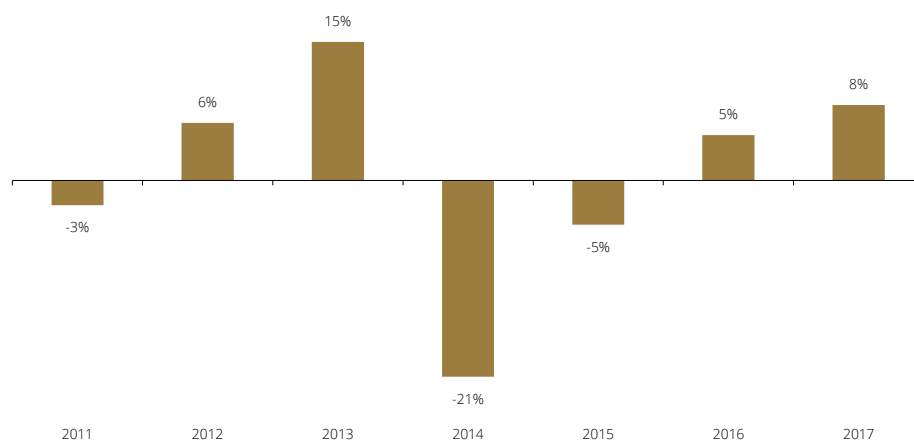
#### 3.1 Recent developments

⋮ Complaints received by Banco de Portugal increased by 8.1%.

In 2017 Banco de Portugal received 15,282 complaints about banking conduct supervisory matters, averaging 1,274 complaints per month, which corresponded to an 8.1% increase from 2016. The number of complaints increased for most matters compared with the previous year. This increase was due to credit secured by a mortgage and consumer credit, more specifically to complaints about the collection of fees and charges and about information incorrectly reported to the Central Credit Register. By contrast, the number of complaints about loans to enterprises decreased. Complaints sent directly to Banco de Portugal (RCO) accounted in 2017 for around 50% of the total, in line with the share observed in 2016. The Bank Customer Website (BCW) continued to be the most commonly used means to send complaints (79% of the cases, compared with 75% in 2016). The other half of total complaints was lodged by bank customers through the complaints book of credit institutions (RCL).

In 38% of the cases, complaints reviewed by Banco de Portugal in 2017 were solved by the credit institution on its own initiative or following Banco de Portugal's recommendation or specific order (compared with 36% in 2016). 62% of complaints were closed with no signs of infringement (64% in 2016).

**Chart III.3.1 • Complaints | Developments in the number of entries | 2011–2017**



Source: Banco de Portugal.

**Table III.3.1 • Complaints | Number of entries, by origin | 2015–2017**

Year	Month	Entries <sup>(a)</sup>			
		RCL <sup>(b)</sup>	RCO <sup>(c)</sup>		Total
			Total	Of which: BCW	
2015		6,268	7,219	5,245	13,487
2016		7,060	7,081	5,306	14,141
2017	January	689	636	491	1,325
	February	556	652	491	1,208
	March	731	698	544	1,429
	April	552	577	460	1,129
	May	669	696	569	1,365
	June	558	589	463	1,147
	July	679	613	501	1,292
	August	705	740	574	1,445
	September	615	591	469	1,206
	October	646	668	537	1,314
	November	685	682	528	1,367
	December	567	488	400	1,055
	2017	7,652	7,630	6,027	15,282

Source: Banco de Portugal. | Notes: (a) Figures refer to complaints that fall within the scope of Banco de Portugal's tasks (banking products and services). In 2017, 3,020 complaints were lodged outside Banco de Portugal's scope, on matters not governed by specific regulations or which fall under the scope of the Portuguese Securities Market Commission (CMVM) or the Portuguese Insurance and Pension Funds Supervisory Authority (ASF). Complaints that fell under the scope of the latter two entities, accounting for one-third of this group, and according to commonly agreed procedures among the three financial supervisors, were immediately forwarded to CMVM or ASF, and customers were informed by Banco de Portugal. (b) Complaints lodged through the complaints book. (c) Complaints lodged directly with Banco de Portugal.

## 3.2 Developments in complaints by subject matter

Deposit accounts were the matter most subject to complaints, followed by consumer credit and credit secured by a mortgage. Their prevalence is due to the number of agreements on deposit accounts, consumer credit and mortgage credit between credit institutions and their 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 treat the number of complaints in relative terms on the basis of the volume of underlying products and services.

... In terms of deposit accounts, there was a notable decrease in complaints about savings accounts and current accounts, more specifically on contractual clauses and attachment/insolvency situations.

In 2017 **deposit accounts** represented 33.2% of total complaints received (35.9% in 2016). Given that the number of current accounts reported by institutions decreased and the number of complaints received remained virtually unchanged from 2016 (-0.2%), the number of complaints about deposit accounts rose from 25 to 27 per 100 thousand accounts. The number of complaints about savings accounts and current accounts decreased, more specifically regarding changes to contractual clauses and the inability to switch accounts due to attachment or insolvency. On the other hand, the number of complaints about basic bank accounts increased, more specifically about access conditions, and the operation of condominium accounts.

... As regards consumer credit, the increase in complaints (7.9%) was chiefly due to the greater number of complaints about information incorrectly reported to the Central Credit Register, and fees and charges.

Complaints about **consumer credit**, which accounted for 22.5% of the total, continued to stand at 29 per 100 thousand agreements, similarly to 2016. The increase in the number of complaints (7.9%) was in line with the greater number of agreements reported by institutions. In terms of number of complaints, there was an increase in those associated with information incorrectly reported by institutions to the Central Credit Register and the collection of fees and charges. By type of product, credit cards and personal loans made a large contribution to the rise in complaints.

... The increase in complaints about mortgage credit (26.4%) was mostly due to complaints about fees and charges, the non-timely issuance of statements for mortgage extinction, and contractual clauses.

In **mortgage credit**, which represented 12.6% of the total, complaints rose to 91 per 100 thousand agreements, compared with 74 in 2016. These developments reflect the marked growth in the number of complaints (26.4%) amid a slight rise in the number of mortgage credit agreements reported by institutions. This growth is chiefly due to the greater number of complaints about fees and charges, the non-timely issuance of statements for mortgage extinction, and contractual clauses.

In **payment cards**, which accounted for 9.5% of the total, the number of complaints per million cards in circulation stood at 72, in line with that seen in 2016. Growth in complaints was associated with the increase in matters related to the value of annual fees charged, and the unavailability or cancellation of payment cards.

In **credit transfers** (which ranks fifth among the matters subject to the most complaints), accounting for 4.6% of the total, the number of complaints per 10 million transfers moved up from 45 to 48. The growth in complaints (17.5%), which exceeded the volume of transfers processed by institutions, was mostly due to complaints about non-completed transfers, alleged delays in making the transferred amount available, and personal details.

In 2017 complaints also increased for subject matters with a low weight (below 5%) in total complaints received, more specifically associated with cheques, cash transactions, ATMs and direct debits.

In the case of **cheques**, the relative number of complaints went up from 15 to 17 per million cheques. There was a slight increase in the number of complaints about cheques (1.5%) against a background of decreasing use of this payment instrument. This growth stemmed from the rise in complaints about situations where cheques were not accepted and where cheques were returned, as well as the reduction in complaints about the availability of funds.

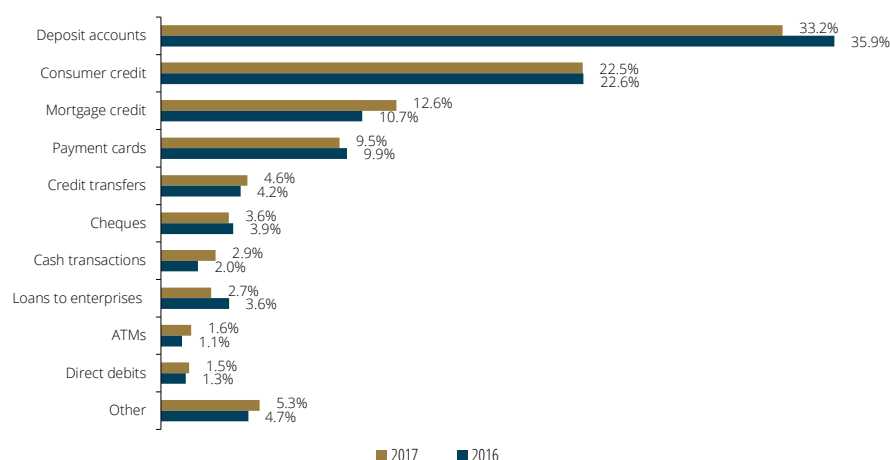
Complaints about **direct debits** increased from 102 to 116 per 100 million transactions, with the number of complaints received growing (23.5%) mostly due to complaints about cancellation orders and charges associated with the return of direct debits.

In **cash transactions**, complaints increased from 66 to 103 complaints per 100 million deposit and withdrawal transactions. The 58.9% growth in the number of complaints received mostly results from discrepancies in deposits/withdrawals, either over the counter or using automatic devices.

As regards complaints about **ATMs**, there was an increase from 99 to 156 per 10 thousand ATMs. The 54.4% rise in the number of complaints received was chiefly due to the ageing of the ATM fleet, its maintenance and replacement.

In **loans to enterprises**, there was a 20.2% decrease in the number of complaints received compared with the previous year. This reduction was chiefly due to the lower number of complaints about information incorrectly reported by institutions to the Central Credit Register, fees and charges, and collection of debts. In relative terms, complaints moved down from 42 to 39 per 100 thousand corporate credit agreements.

**Chart III.3.2 • Complaints | Product and service subject to complaints (per cent) | 2016–2017**



Source: Banco de Portugal.

Table III.3.2 • Complaints | Number of complaints by banking product and service  
| 2016–2017

Complaint subject matter <sup>(a)</sup>	Absolute values			Relative values <sup>(b)</sup>			
	2016	2017	Δ	2016	2017	Δ	Reference unit
Deposit accounts	5,081	5,070	-0.2%	25	27	7.4%	100 thousand account
Consumer credit	3,189	3,440	7.9%	29	29	0.4%	100 thousand agreements
Mortgage credit	1,520	1,921	26.4%	74	91	22.9%	100 thousand agreements
Payment cards	1,405	1,455	3.6%	71	72	0.8%	million cards
Credit transfers	600	705	17.5%	45	48	8.0%	10 million transfers
Cheques	546	554	1.5%	15	17	14.9%	million cheques
Cash transactions	280	445	58.9%	66	103	56.6%	100 million transactions
Loans to enterprises	514	410	-20.2%	42	39	-7.3%	100 thousand agreements
ATMs	160	247	54.4%	99	156	57.8%	10 thousand ATMs
Direct debits	187	231	23.5%	102	116	14.0%	100 million transactions
Other	659	804	22.0%	–	–	–	–
Total	14,141	15,282	8.1%	–	–	–	–

Source: Banco de Portugal. | Notes: (a) The figures presented here refer to matters that fall within the scope of Banco de Portugal's activity. 'Other' covers complaints about various 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 to the customer. (b) The reference units used in the relativisation of each matter are specified in Annex 2.

As regards the three products most subject to complaints – deposit accounts, consumer credit and mortgage credit, which accounted overall for 68.3% of total complaints – the number of complaints received by each institution was weighted by their level of services provided or credit agreements signed (Boxes 12 to 14).

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

This section focuses on the matters subject to the most complaints in 2017, disregarding the result of the analysis on complaints.

#### 3.3.1 Deposit accounts

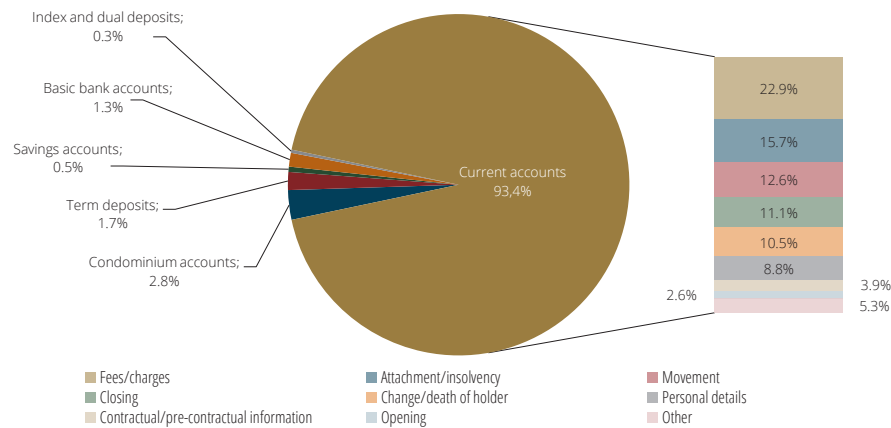
Nearly all complaints about deposit accounts were associated with current accounts (93.4%). Compared with 2016, the number of complaints about savings accounts decreased, while complaints about basic bank accounts increased. In complaints about current accounts, there was a decrease in the number of complaints related to changes introduced in contractual clauses, and attachment/insolvency situations, by contrast to an increase in complaints about the closing of accounts and personal details of the account holder.

In deposit accounts, the matters subject to the most complaints were:

- **Collection of fees/charges (22.9%)**, where complaints focused mainly on: the provision of information on fees associated with the current account and the conditions for their applicability, and the amounts charged as account maintenance fees;

- **Attachment/insolvency (15.7%)**, where complaints related mainly to: the delay in terminating the attachment after the amount owed has been paid, and the alleged failure to comply with the limits to the unseizability of bank deposits;
- **Conditions for the movement of accounts (12.6%)**, where complaints focused on: the alleged failure by credit institutions to perform customers' instructions for the movement of current accounts, debit transactions carried out by institutions allegedly without the customer's consent, and complaints related to the compliance with identification obligations that fall on credit institutions in the context of their business links;
- **Closing of accounts (11.1%)**, mainly due to complaints about: the alleged failure by institutions to perform customers' instructions to close the account, and the closing of the account on the institution's own initiative allegedly contrary to legal requirements.

**Chart III.3.3 • Complaints | Deposit accounts | 2017**



Source: Banco de Portugal.

### 3.3.2 Consumer credit

In 2017 the number of complaints about consumer credit rose by 7.9%, with a notable increase in complaints about the collection of fees and charges and about information incorrectly reported by institutions to the Central Credit Register.

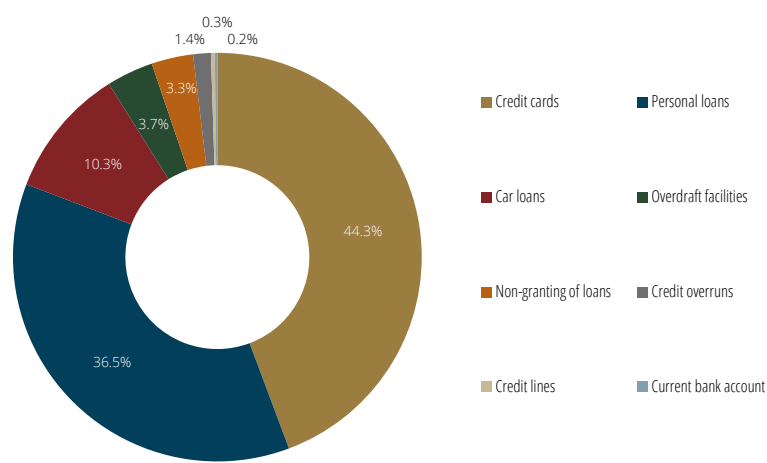
Credit cards continued to be the credit consumer product subject to the most complaints, corresponding to 44.3% of total complaints on this matter. The second product with the most complaints was personal loans, with 36.5% of complaints, followed by car loans, with 10.3%.

In consumer credit, the matters subject to the most complaints were:

- **Credit liabilities (35.1%)**, where complaints focused on the reporting of information by participating entities to the Central Credit Register, most notably topics related to: the failure to inform borrowers or guarantors that the reporting period on credit obligations defaulted has started, the provision of up-to-date information in situations where there was a discharge from bankruptcy in the course of insolvency proceedings, and delays in the rectification of incorrectly reported information;

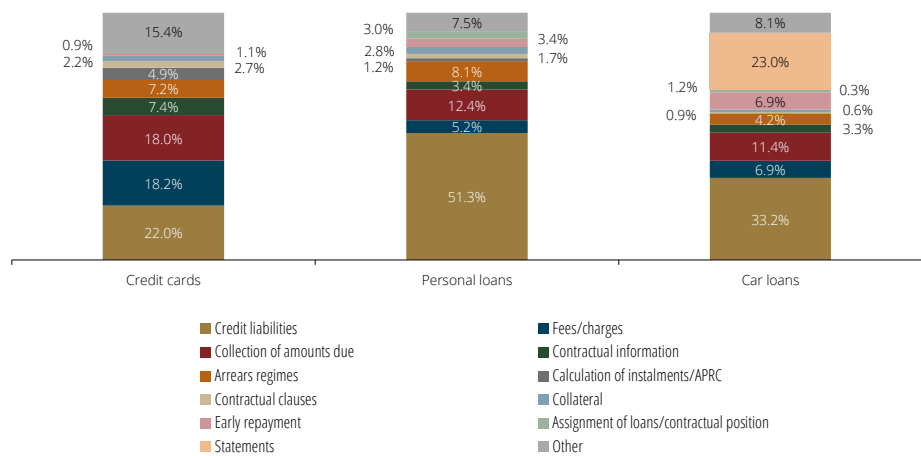
- **Collection of outstanding amounts (15%),** mainly due to: the calculation of the outstanding amounts to be paid to the credit institution, default situations that do not fall under the arrears prevention and management regime governing credit agreements, the methods used by credit institutions and entities subcontracted by them for the collection of amounts due, and the assignment of claims by institutions;
- **Collection of fees/charges (11.7%),** more specifically: the alleged failure of credit institutions to provide information on fees and the assumptions for their application, the amounts demanded as fees for services provided by institutions, and the collection of fees due to delays in the payment of credit instalments;
- **Prevention and management of default (7.2%),** mostly complaints related to: the way in which credit institutions conducted the negotiation process under the PRAP or the OASP, the credit institution's failure to present proposals for the prevention or settlement of default, and the non-timely adoption of OASP procedures.

Chart III.3.4 • Complaints | Consumer credit products | 2017



Source: Banco de Portugal.

Chart III.3.5 • Complaints | Credit cards, personal loans and car loans | 2017



Source: Banco de Portugal.

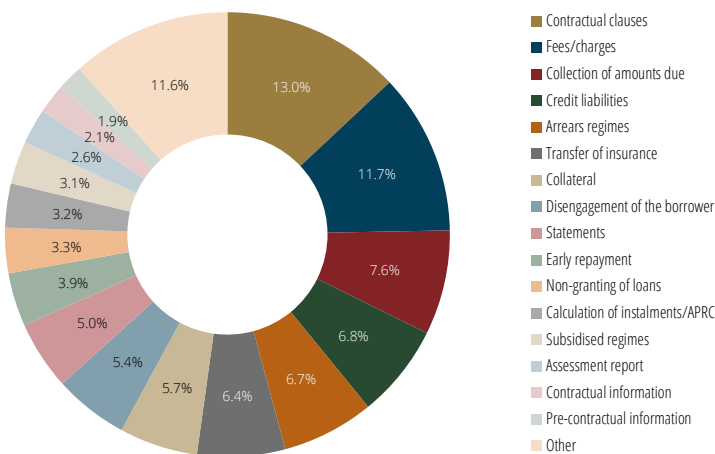
### 3.3.3 Mortgage credit

In 2017 the number of complaints about mortgage credit increased from the previous year (26.4% more), with a notable increase in the number of complaints about fees/charges and statements. By contrast, there was a decrease in the number of complaints related to the arrears regimes.

In 2017 the most frequent complaints about credit secured by a mortgage were related to:

- **Contractual clauses (13%),** where complaints focused on: increases in the interest rate margin due to non-compliance with bundling conditions, the change in terms and conditions established in the credit agreement (more specifically as regards the interest rate, the parties involved and the repayment plan), and the calculation of the instalment amount on the basis of the arithmetic average of the benchmark rate at the time of its periodic revision;
- **Collection of fees/charges (11.7%),** mainly due to: the fees charged in the credit underwriting process, the processing fees on the instalment, and the fees charged for late instalment payments;
- **Collection of outstanding amounts (7.6%),** where complaints focused mainly on: the calculation of outstanding amounts to be paid to the credit institution, default situations that do not fall under the arrears prevention and management regime governing credit agreements, and the methods used by credit institutions and entities subcontracted by them for the collection of amounts due;
- **Credit liabilities (6.8%),** mainly focusing on: the reporting of information by credit institutions to the Central Credit Register, alleged delays in the correction of communications by credit institutions, and the failure to inform borrowers or guarantors that the reporting period on credit obligations defaulted has started;
- **Prevention and management of default situations (6.7%),** mainly complaints related to the implementation of the OASP focusing on: the way in which credit institutions conducted the negotiation process, the failure to submit proposals for settlement of the default, and non-timely adoption of OASP procedures;
- **Statements (5.0%),** in particularly complaints related to the non-timely issuance by the credit institution of a statement for mortgage extinction.

Chart III.3.6 • Complaints | Mortgage credit | 2017



Source: Banco de Portugal.

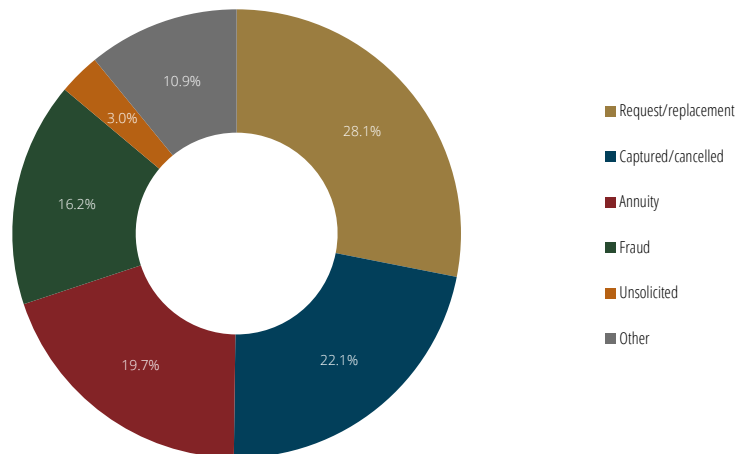
3.3.4 Payment cards

In 2017 there was a 3.6% increase in complaints about payment cards, most notably regarding the card's annuity, and the capture and cancellation of cards. By contrast, complaints about fraud situations decreased.

The most frequent complaints in 2017 relating to payment cards were:

- **Request/replacement of cards (28.1%)**, mostly focusing on: the refusal to issue a payment card, and delays in their replacement;
- **Capture/cancellation of cards (22.1%)**, where complaints mainly focused on: the blocking of cards stemming from the exercise of contractual prerogatives by card issuers (more specifically for security reasons), and the termination of contracts governing the use of cards, on the institution's own initiative or by request of the customer;
- **Annuity (19.7%)**, where complaints addressed: conditions for the exemption from or payment of the annuity, the annuity charged by institutions, and the alleged failure to inform customers on changes to the annuity;
- **Alleged fraud situations (16.2%)**, stemming from the use of cards by third parties other than the cardholder, where complaints focused on: the origin of the instructions transmitted to the issuer, its responsibility for carrying out payments (particularly in transactions carried out abroad, ATM withdrawals, and the online purchase of goods and services).

Chart III.3.7 • Complaints | Payment cards | 2017



Source: Banco de Portugal.

3.3.5 Credit transfers

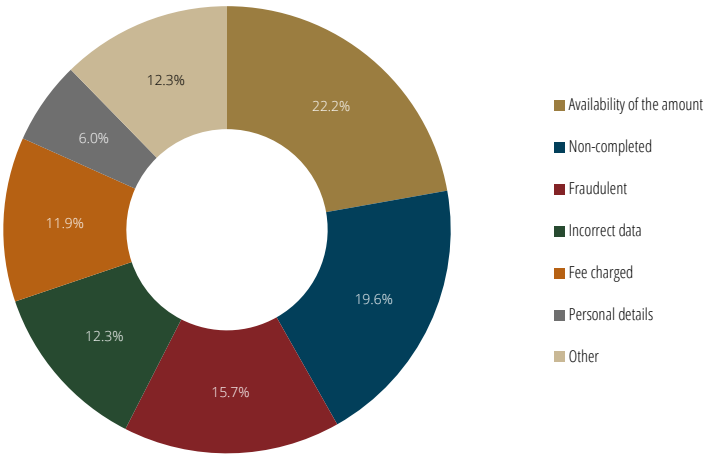
In 2017 there was a 17.5% increase in complaints about credit transfers, particularly non-completed transactions, alleged delays in making the transferred amount available, and personal details requested. By contrast, there was a decrease in complaints about allegedly fraudulent transactions.

The most frequent complaints related to credit transfers focused on:

- **Alleged delays in making the transferred amount available (22.2%)**, namely: the failure to make available to the beneficiaries the amount transferred due to difficulties in checking their personal details, and compliance with the execution deadlines established by law;

- Non-completed operations (19.6%), most notably complaints focusing on the non-completion of transfers ordered by the complainant allegedly as a result of: IT anomalies when processing transactions, and insufficient identification of the details necessary for the transfer;
- Allegedly fraudulent transactions (15.7%), particularly as regards homebanking, regarding: the origin of the instructions transmitted to the credit institution, and its responsibility for carrying out such transactions.

Chart III.3.8 • Complaints | Credit transfers | 2017



Source: Banco de Portugal.

### 3.3.6 Cheques

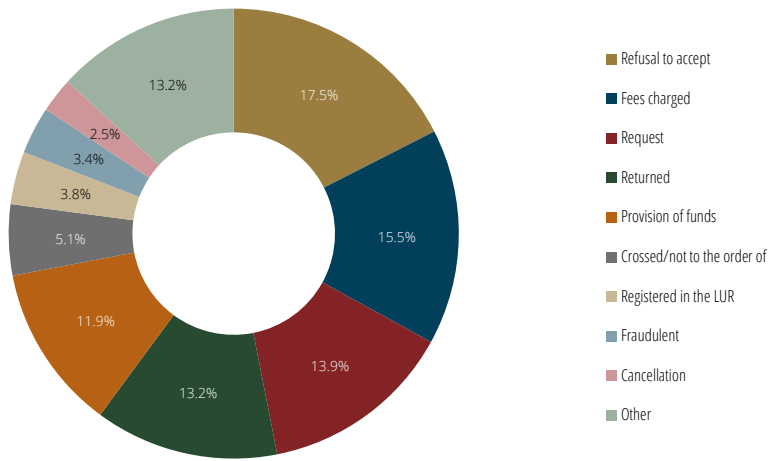
In 2017 there was a 1.5% increase in the number of complaints about cheques, partly due to the refusal to accept cheques and the return of cheques, and the decrease in complaints about the provision of funds.

The most frequent complaints about cheques focused on:

- **Refusal to accept cheques (17.5%)**, mostly due to: the incorrect completion of cheques, presenting a cheque for payment by a person other than its beneficiary, presenting the cheque after the deadline for payment, and presenting a crossed cheque at the drawee institution by a non-customer;
- **Fees charged (15.5%)**, more specifically: in the issuance of cheque books, and as a result of returned cheques;
- **Requesting cheques (13.9%)**, mostly due to the refusal by credit institutions to provide cheque books;
- **Returned cheques (13.2%)**, including complaints about the non-payment of cheques due to: irregular withdrawal, insufficient funds, and irregular endorsement.
- **Provision of funds (11.9%)**, where issues focused on compliance with the deadlines established by law for situations where cheques are deposited over the counter and in ATMs



Chart III.3.9 • Complaints | Cheques | 2017



Source: Banco de Portugal.

## Box 12 • Institutions that received the most complaints as regards deposit accounts

**Table B12.1 • Complaints | Per 1,000 current accounts | 2017**

Abbr.	Credit institution	2017
BACTT	BANCO CTT, SA	1.91
BBRAG	BANCO DO BRASIL AG – SUCURSAL EM PORTUGAL	1.35
DBAKT	DEUTSCHE BANK AKTIENGESELLSCHAFT – SUCURSAL EM PORTUGAL	1.26
BBVA	BANCO BILBAO VIZCAYA ARGENTARIA (PORTUGAL), SA	0.95
BANSU	BANKINTER, SA – SUCURSAL EM PORTUGAL	0.48
BSTOT	BANCO SANTANDER TOTTA, SA	0.35
BAPOP	BANCO POPULAR PORTUGAL, SA	0.31
NOVOB	NOVO BANCO, SA	0.28
BBPOR	BANCO BIC PORTUGUÊS, SA	0.28
<b>System average</b>		<b>0.27</b>
CGD	CAIXA GERAL DE DEPÓSITOS, SA	0.26
BCP	BANCO COMERCIAL PORTUGUÊS, SA	0.21
BBPI	BANCO BPI, SA	0.21
CEMG	CAIXA ECONÓMICA MONTEPIO GERAL	0.21
BACTI	BANCO ACTIVOBANK, SA	0.20
BBEST	BEST – BANCO ELECTRÓNICO DE SERVIÇO TOTAL, SA	0.16
NBACO	NOVO BANCO DOS AÇORES, SA	0.15
BINVG	BANCO DE INVESTIMENTO GLOBAL, SA	0.15
SICAM	CAIXAS DE CRÉDITO AGRÍCOLA MÚTUO INTEGRADAS NO SICAM	0.07

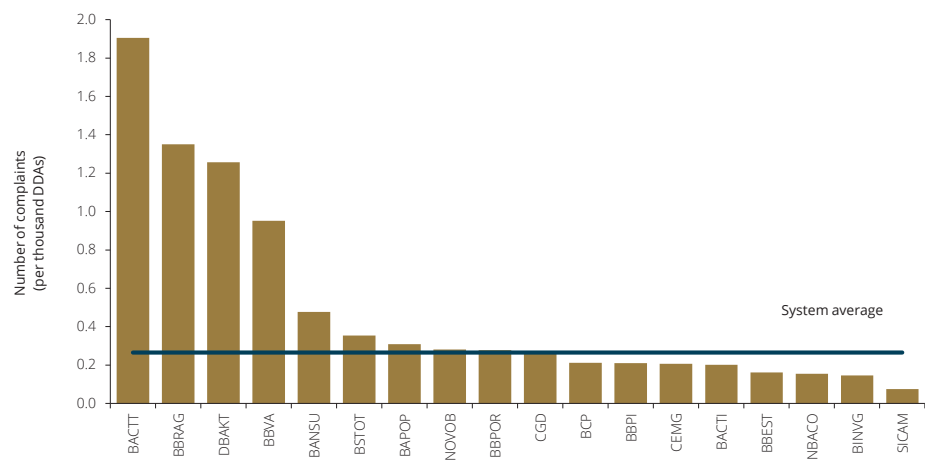
Source: Banco de Portugal. | Note: The system average corresponds to 27 complaints per 100 thousand current accounts.

The table above shows the number of complaints per thousand current accounts in 2017, by credit institution. It includes complaints sent to Banco de Portugal on this product, regardless of whether or not the institution showed any evidence of non-compliance/irregularity.

Credit institutions listed above received, on average, more than one complaint per quarter in 2017. Other institutions received even fewer complaints, which, given their relative importance, is not mentioned above. This group includes ABANCA Corporación Bancaria – Sucursal em Portugal, Banco Finantia, Banco Invest, Banco L. J. Carregosa, BNI – Banco de Negócios Internacional (Europa), BNP Paribas, Caixa de Crédito Agrícola Mútuo de Bombarral and Caixa de Crédito Agrícola Mútuo de Leiria.

No other complaints were sent about institutions of importance in terms of deposit accounts, as is the case of Banco BAI Europa, Banco Português de Gestão, Banco Privado Atlântico – Europa, Banif – Banco de Investimento, Caixa – Banco de Investimento, Caixa de Crédito Agrícola Mútuo da Chamusca, Caixa de Crédito Agrícola Mútuo de Mafra, Caixa de Crédito Agrícola Mútuo de Torres Vedras, Caixa Económica da Misericórdia de Angra do Heroísmo and Haitong Bank.

Chart B12.1 • Complaints | Per 1,000 current accounts | 2017



Source: Banco de Portugal.

**Box 13 • Institutions that received the most complaints as regards consumer credit****Table B13.1 • Complaints | Per 1,000 consumer credit agreements | 2017**

Abbr.	Credit institution	2017
BACTT	BANCO CTT, SA	6.85
FCE	FCE BANK PLC	1.56
DBAKT	DEUTSCHE BANK AKTIENGESELLSCHAFT – SUCURSAL EM PORTUGAL	1.52
CIFIC	CAIXA LEASING E FACTORING – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, SA	1.46
FCACP	FCA CAPITAL PORTUGAL – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, SA	1.37
BAPOP	BANCO POPULAR PORTUGAL, SA	1.22
BANSU	BANKINTER, SA – SUCURSAL EM PORTUGAL	1.17
321CR	321 CREDITO – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, SA	1.16
BFT	BANCO FINANTIA, SA	1.00
WBSUC	WIZINK BANK, SA – SUCURSAL EM PORTUGAL	0.62
BASCP	BANCO SANTANDER CONSUMER PORTUGAL, SA	0.58
BBVIF	BBVA – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, SA	0.57
BMWSP	BMW BANK GMBH, SUCURSAL PORTUGUESA	0.49
PSFSP	ABANCA SERVICIOS FINANCIEROS, E.F.C., SA – SUCURSAL EM PORTUGAL	0.48
CEMG	CAIXA ECONÓMICA MONTEPIO GERAL	0.47
BPRIM	BANCO PRIMUS, SA	0.44
RBANS	RCI BANQUE SUCURSAL PORTUGAL	0.42
COFID	COFIDIS	0.40
VBGSP	VOLKSWAGEN BANK GMBH – SUCURSAL EM PORTUGAL	0.38
BBPOR	BANCO BIC PORTUGUÊS, SA	0.38
BBVA	BANCO BILBAO VIZCAYA ARGENTARIA (PORTUGAL), SA	0.37
FINCI	FINANCEIRA EL CORTE INGLÉS PORTUGAL, S.F.C., SA	0.37
BSTOT	BANCO SANTANDER TOTTA, SA	0.35
MTPCR	MONTEPIO CRÉDITO – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, SA	0.32
BBEST	BEST – BANCO ELECTRÓNICO DE SERVIÇO TOTAL, SA	0.32
<b>System average</b>		<b>0.29</b>
NOVOB	NOVO BANCO, SA	0.29
UNICR	UNICRE – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, SA	0.27
BCBOM	BANCO CREDIBOM, SA	0.24
BBPI	BANCO BPI, SA	0.23
SICAM	CAIXAS DE CRÉDITO AGRÍCOLA MÚTUO INTEGRADAS NO SICAM	0.21
BBNPP	BANCO BNP PARIBAS PERSONAL FINANCE, SA	0.19
BACTI	BANCO ACTIVOBANK, SA	0.18
BCP	BANCO COMERCIAL PORTUGUÊS, SA	0.17
CGD	CAIXA GERAL DE DEPÓSITOS, SA	0.13
ONEYB	ONEY BANK – SUCURSAL EM PORTUGAL	0.12

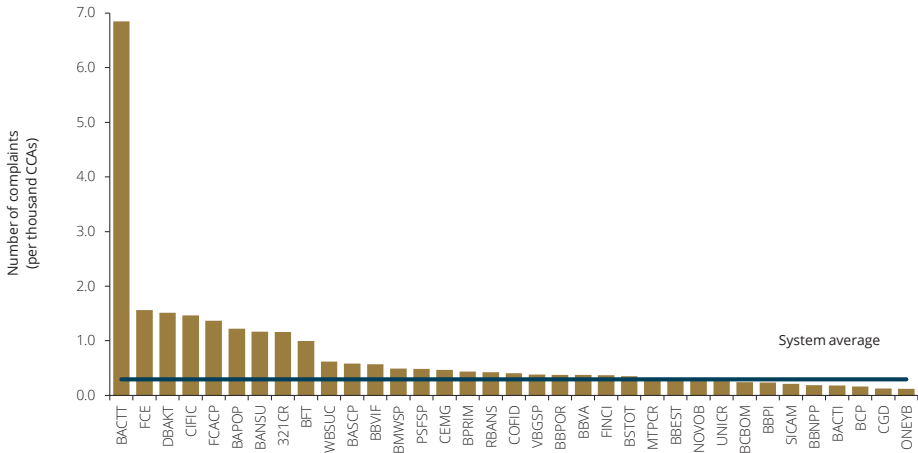
Source: Banco de Portugal. | Note: The system average corresponds to 29 complaints per 100 thousand consumer credit agreements.

The table above shows the number of complaints per thousand consumer credit agreements in 2017, by credit institution. It includes complaints sent to Banco de Portugal on this product, regardless of whether or not the institution showed any evidence of non-compliance/irregularity.

Credit institutions listed above received, on average, more than one complaint per quarter in 2017. Other institutions received even fewer complaints, which, given their relative importance, is not mentioned above. This group includes ABANCA Corporación Bancaria – Sucursal em Portugal, Banco do Brasil – Sucursal em Portugal, Banco Efi BNI – Banco de Negócios Internacional (Europa), Caixa de Crédito Agrícola Mútuo de Mafra, Mercedes-Benz Financial Services Portugal, Montepio Investimento, Novo Banco dos Açores and Sofinloc – Instituição Financeira de Crédito.

No other complaints were sent about institutions of importance in terms of consumer credit, as is the case of Banco de Investimento Global, Banco Invest, Banco Privado Atlântico – Europa, Caixa de Crédito Agrícola Mútuo de Leiria, Caixa Económica da Misericórdia de Angra do Heroísmo and Union de Creditos Inmobiliarios, Establecimiento Financiero de Credito (Sociedad Unipersonal) – Sucursal em Portugal.

Chart B13.1 • Complaints | Per 1,000 consumer credit agreements | 2017



Source: Banco de Portugal.

**Box 14 • Institutions that received the most complaints as regards mortgage credit**

**Table B14.1 • Complaints | Per 1,000 mortgage credit agreements | 2017**

Abbr.	Credit institution	2017
BBPOR	BANCO BIC PORTUGUÊS, SA	2.27
BAPOP	BANCO POPULAR PORTUGAL, SA	1.74
BSTOT	BANCO SANTANDER TOTTA, SA	1.57
CEMG	CAIXA ECONÓMICA MONTEPIO GERAL	1.56
BBVA	BANCO BILBAO VIZCAYA ARGENTARIA (PORTUGAL), SA	1.44
BANSU	BANKINTER, SA – SUCURSAL EM PORTUGAL	1.43
NBACO	NOVO BANCO DOS AÇORES, SA	1.24
DBAKT	DEUTSCHE BANK AKTIENGESELLSCHAFT – SUCURSAL EM PORTUGAL	1.23
System average		0.91
NOVOB	NOVO BANCO, SA	0.72
CGD	CAIXA GERAL DE DEPÓSITOS, SA	0.65
BBPI	BANCO BPI, SA	0.65
BCP	BANCO COMERCIAL PORTUGUÊS, SA	0.62
SICAM	CAIXAS DE CRÉDITO AGRÍCOLA MÚTUO INTEGRADAS NO SICAM	0.47
UNCRE	UNION DE CREDITOS INMOBILIARIOS, SA, ESTABLECIMIENTO FINANCIERO DE CREDITO (SOCIEDAD UNIPERSONAL) – SUCURSAL EM PORTUGAL	0.34

Source: Banco de Portugal. | Note: The system average corresponds to 91 complaints per 100 thousand mortgage credit agreements.

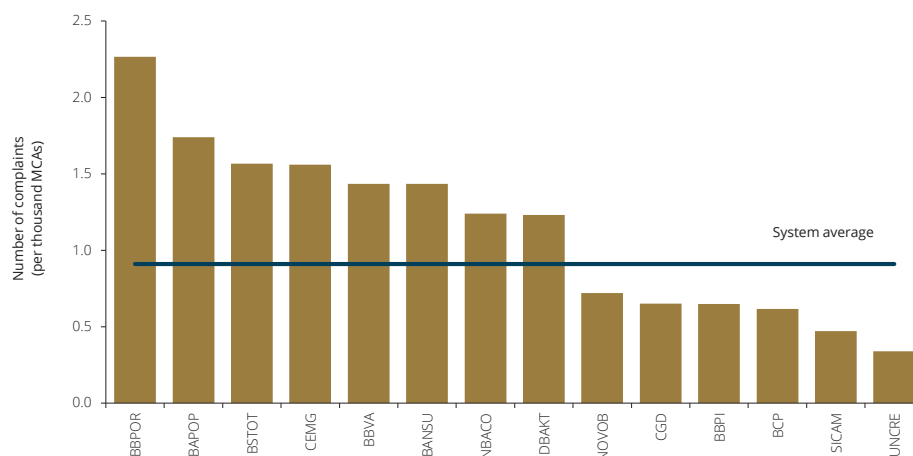
The table above shows the number of complaints per thousand mortgage credit agreements in 2017, by credit institution. It includes complaints sent to Banco de Portugal on this product, regardless of whether or not the institution showed any evidence of non-compliance/irregularity.

Credit institutions listed above received, on average, more than one complaint per quarter in 2017. Other institutions received even fewer complaints, which, given their relative importance, is not mentioned above. This group includes ABANCA Corporación Bancaria – Sucursal em Portugal, Banco Activobank, Banco de Investimento Imobiliário, Banco Primus and Caixa Leasing e Factoring – Instituição Financeira de Crédito.

The table above also excludes credit institutions that, despite receiving more than one complaint per quarter, did not carry out any mortgage credit business throughout the year, as is the case of Banco CTT.

No other complaints were sent about institutions of importance in terms of mortgage credit, as is the case of Caixa de Crédito Agrícola Mútuo de Leiria.

Chart B14.1 • Complaints | Per 1,000 mortgage credit agreements | 2017



Source: Banco de Portugal.

### 3.4 Results of closed complaints<sup>10</sup>

In 2017 there was no evidence of infringement by credit institutions in approximately 62% of total complaints closed (64% in 2016), and in 38% of the cases the matter subject to complaint was solved by the credit institution, on its own initiative or following Banco de Portugal's intervention (36% in 2016).

In a number of cases, bank customers complain about the performance of a credit institution, even though it is proceeding correctly. This generally happens when customers are not fully aware of the characteristics of the products or of their rights under the law.

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

#### ∴ The average period for closing complaints was 39 days.

The average period for closing complaints in 2017 (39 days) was relatively stable compared with 2016 (38 days). The average closing time for complaints lodged directly with Banco de Portugal was 53 days (54 days in 2016), while in the case of complaints lodged through the complaints book it was 24 days (23 days in 2016).

10. The type of results described here refer to complaints that fall within Banco de Portugal's scope. As regards complaints outside that scope, results may be due to: forwarding the complaint to another regulatory entity (CMVM or ASF), or falling outside the scope of the powers of financial supervisors.

The channels used to submit complaints to Banco de Portugal have different deadlines for analysis, given that different procedures apply depending on whether the complaint is lodged directly with Banco de Portugal (RCO) or recorded in the complaints book of a credit institution (RCL).

In the case of complaints lodged directly with Banco de Portugal, credit institutions are immediately questioned on the content of the complaint, and they have 20 working days to respond to the complainant<sup>11</sup> and to inform Banco de Portugal thereof. Further inquiries may be made to credit institutions by Banco de Portugal which, after examination, lead to the closure of the complaint by Banco de Portugal.

In the case of complaints submitted through the complaints book, institutions send a copy of the respective page of the book to Banco de Portugal, together with any relevant document, within ten working days. Often, they send also their case analysis<sup>12</sup>. After the complaint has been lodged with Banco de Portugal, further clarification may be requested, in which case institutions have five working days to send a reply.

The average period for closing complaints includes the time of analysis of the complaint by Banco de Portugal and credit institutions. Banco de Portugal must always consult the institution subject to the complaint, with the average period depending on any further inquiries to institutions and their reply to Banco de Portugal's questions.

## 4 Correction of irregularities and sanctions

Most specific orders and recommendations issued concerned consumer credit.

In 2017, following inspections of supervised institutions, Banco de Portugal issued 753 specific orders and recommendations addressed to 59 institutions.

Most specific orders and recommendations issued concerned consumer credit and the legal framework of basic bank accounts, as a result of the inspection priorities set out for 2017.

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

12. As in Circular Letter No. 6/2008 of 24 January 2008.



Table III.4.1 • Specific orders and recommendations | By topic | 2017

Topics	Total	Institutions covered
Advertising	68	27
Price lists	22	9
Bank deposits	211	34
of which: Basic bank accounts	178	29
Pre-contractual and contractual information	17	8
Mortgage credit	11	10
Consumer credit	356	39
of which: Pre-contractual and contractual information	207	30
Interest rates and maximum rates	55	16
Reporting to Banco de Portugal	19	8
Credit liabilities	51	7
Payment services	33	11
Other topics	1	1
Total	753	-

Source: Banco de Portugal. | Note: In 2017 specific orders and recommendations were issued to 59 institutions.

## 4.1 Specific orders and determinations

### 4.1.1 Price lists

... The specific orders and recommendations on price lists were  
... issued following inspections.

Over the course of 2017 Banco de Portugal issued 22 specific orders and recommendations addressed to 9 institutions, with a view to correcting irregularities relating to compliance with information requirements in terms of price lists, detected over the course of inspections.

Table III.4.2 • Specific orders and recommendations | Price lists | 2017

Topics	Number	Institutions covered
Inaccuracies in information	4	2
Omissions in the price list	9	5
Information transparency	5	5
Price list update	4	4
Total	22	-

Source: Banco de Portugal. | Note: In 2017 specific orders and recommendations were issued to 9 institutions.

The specific orders and recommendations issued concerned the following information requirements and obligations:

- A full price list with the general conditions of conduct of operations and financial products and services should be made available to the public<sup>13</sup>;
- The information in the price list should be true, objective and updated and be in clear language<sup>14</sup>;
- The information in the interest rate leaflet should be updated according to market conditions, allowing the public to be acquainted with the representative rates applied by institutions in their usual operations<sup>15</sup>.

#### 4.1.2 Advertising

... In advertising also, specific orders and recommendations mostly concerned consumer credit products.

In 2017 Banco de Portugal issued 68 specific orders and recommendations addressed to 27 credit institutions, involving a total of 192 advertising campaigns. Among these are in particular two specific orders that implied the suspension of campaigns due to the seriousness of the infringements identified.

Specific orders and recommendations mostly concerned advertising on consumer credit products (79%) handled in most (77%) advertising campaigns released by institutions and analysed by Banco de Portugal.

**Table III.4.3 • Specific orders and recommendations | Advertising | 2017**

	Number	Campaigns	Entities covered
<b>Products and services</b>	<b>64</b>	<b>187</b>	<b>24</b>
Consumer credit	54	152	23
Mortgage credit	6	23	5
Cross-product	1	1	1
Bank deposits	1	5	1
Payment services	1	2	1
Corporate credit	1	4	1
<b>Institutional</b>	<b>4</b>	<b>5</b>	<b>4</b>
<b>Total</b>	<b>68</b>	<b>192</b>	<b>-</b>

Source: Banco de Portugal. | Note: In 2017 specific orders and recommendations were issued to 27 institutions.

In 2017 Banco de Portugal ordered the correction of 192 advertising campaigns from 27 credit institutions, accounting for 2.1% of the campaigns analysed, i.e. 0.5 p.p. less than in the previous year. There was a reduction in non-compliance with regard to the concealment of critical information by using small print. Likewise, there was also a reduction in non-compliance with regard to the presentation of the annual percentage rate of charge (APRC) without similar prominence

13. Article 3(1) of Notice of Banco de Portugal No. 8/2009.

14. Article 3(2) of Notice of Banco de Portugal No. 8/2009.

15. Article 7 of Notice of Banco de Portugal No. 8/2009.

to the highlighted characteristic of the credit product, the omission of the validity of promotional conditions and the incorrect presentation of the above rate's representative example. By contrast, there was an increase in non-compliance with regard to the concealment or omission of the access conditions and restrictions, the highlighted characteristics of products and the distortion of facts due to incomplete or inconsistent information.

The most frequent types of non-compliance with the specific rules on advertising related to the presentation of incorrect names and inconsistent information, namely in the APRC's representative example, or incomplete information liable to lead to the distortion of facts. Among the most frequent is also non-compliance related to the fact that the APRC in credit products and the access conditions and restrictions are without similar prominence to the highlighted characteristics of products in advertising.

The specific orders and recommendations issued required compliance with the following obligations:

- To present true information in advertising and not distort facts<sup>16</sup>;
- To include all mandatory information, ensuring that access conditions, restrictions and limitations have similar prominence to the characteristics highlighted by the institutions of the product or service when advertising products and services<sup>17</sup>;
- To release mandatory information, observing the minimum character size established<sup>18</sup>;
- To present the APRC with similar prominence to the highlighted characteristics of the credit products announced in the consumer credit advertising campaigns<sup>19</sup>;
- When advertising consumer credit, to indicate a representative example of the APRC 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 rate<sup>20</sup>;
- To indicate the repayment term and amount with similar prominence to the credit instalment announced<sup>21</sup>.

Banco de Portugal required that institutions complied with a series of good practices in institutional advertising when disclosing prizes awarded by third entities, namely as regards the use of expressions such as the restricted term 'the best in the market', which should be accompanied by background information. Disclosure of a prize awarded by third entities should also be accompanied by the wording 'This prize is the exclusive responsibility of the entity awarding it'.

16. Article 3(1) of Notice of Banco de Portugal No. 10/2008.

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

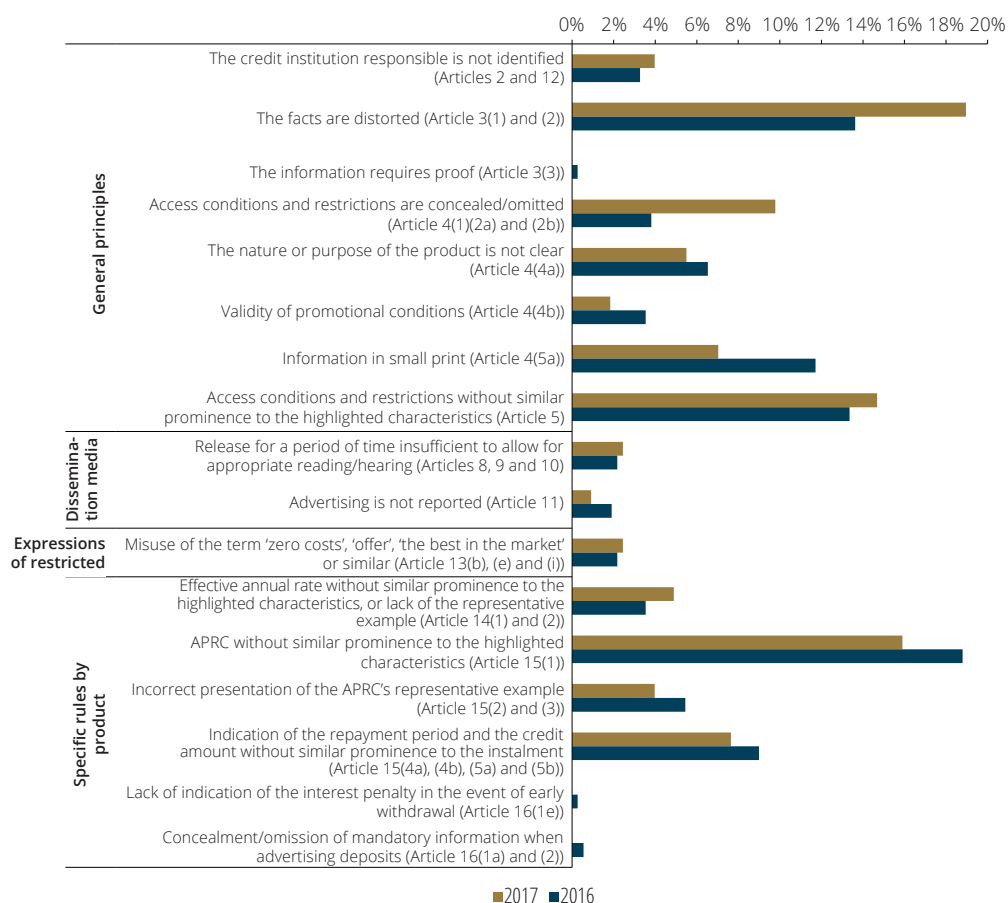
18. Article 4(5) of Notice of Banco de Portugal No. 10/2008.

19. Article 15(1) of Notice of Banco de Portugal No. 10/2008.

20. Article 15(2) of Notice of Banco de Portugal No. 10/2008.

21. Article 15(4) of Notice of Banco de Portugal No. 10/2008.

**Chart III.4.1 • Specific orders and recommendations | Non-compliance with Notice No. 10/2008 | 2016-2017**



Source: Banco de Portugal.

#### 4.1.3 Deposits

Over the course of 2017, Banco de Portugal issued 211 specific orders and recommendations for remedying irregularities detected in deposits, covering a total of 34 institutions. Around 95% of the specific orders and recommendations originated in inspections.

**Table III.4.4 • Specific orders and recommendations | Bank deposits | 2017**

Topics	Number	Institutions covered
Basic bank accounts	178	29
Pre-contractual and contractual information	17	8
Closing of accounts	7	4
Transactions on the accounts	2	2
Fees and charges	2	2
Index and dual deposits	2	1
Other obligations	3	3
<b>Total</b>	<b>211</b>	<b>-</b>

Source: Banco de Portugal. | Note: In 2017 specific orders and recommendations were issued to 34 institutions.

## ... Around 84% of specific orders and recommendations on bank deposits concerned the legal framework of basic bank accounts.

178 specific orders and recommendations were addressed to 29 institutions, resulting from inspections under the monitoring of the legal framework of basic bank accounts<sup>22</sup>.

The other specific orders and recommendations chiefly concerned compliance with the following obligations in terms of bank deposit agreements:

- To provide customers with a Standardised Information Sheet prior to their opening a current account or signing a deposit agreement<sup>23</sup>;
- Not to block deposit accounts without justified legal or contractual basis<sup>24</sup>;
- To credit or debit a deposit account only with the authorisation of the respective holder, observing the credit and debit conditions agreed on<sup>25</sup>;
- To guarantee the closing of deposit accounts on the customer's initiative at any time, except if the parties have agreed on a notice period, which cannot exceed one month<sup>26</sup>;
- To terminate the agreements for the opening of current accounts in the situations envisaged therein, giving at least two months' notice<sup>27</sup>;
- To identify the target market in the marketing of index-linked and dual deposits, considering demographic and other factors, and recognise the market segments that in principle should be considered unsuitable for these products and services, so as to ensure that they meet the customers' interests, objectives and characteristics <sup>28</sup>.

### 4.1.4 Mortgage credit

In 2017 Banco de Portugal issued 11 specific orders and recommendations to ten institutions, to correct the irregularities detected in terms of mortgage credit and other credit secured by a mortgage. Around 82% of the specific orders and recommendations resulted from the analysis of bank customer complaints.

22. Point 5 of this chapter.

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

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

25. Article 65 of the legal framework governing payment services and electronic money.

26. Article 56(1) of the legal framework governing payment services and electronic money.

27. Article 56(4) of Decree-Law No. 317/2009 of 30 October 2009, as amended.

28. Circular Letter No. 69/2016/DSC.

**Table III.4.5 • Specific orders and recommendations | Mortgage credit | 2017**

Topics	Number	Institutions covered
<b>Mortgage credit</b>	<b>9</b>	<b>8</b>
Pre-contractual and contractual information	7	7
Withdrawal of the borrower from the agreement	2	1
<b>General arrears regime</b>	<b>1</b>	<b>1</b>
<b>Arrears regime</b>	<b>1</b>	<b>1</b>
<b>Total</b>	<b>11</b>	<b>–</b>

Source: Banco de Portugal. | Note: In 2017 specific orders and recommendations were issued to ten institutions.

The specific orders and recommendations issued concerned compliance with the following obligations:

- To include the interest rates resulting from the simple arithmetic mean of daily quotations for the month prior to the interest calculation period in the representative examples included in the interest rate leaflet<sup>29</sup>;
- Not to introduce limits in credit and financing agreements on the full effects of the legal rule establishing that the index value should result from the simple arithmetic mean of daily quotations for the month prior to the interest calculation period<sup>30</sup>.
- Not to charge any fees in the event of early repayment for reasons of death, unemployment or professional trips<sup>31</sup>;
- Not to charge any fees for analysing the renegotiation of credit conditions, namely the spread or the duration of the credit agreement<sup>32</sup>;
- To provide information, in particular pre-contractual information, to bank customers and other stakeholders about the risks of excessive indebtedness and the consequences of defaulting on credit agreements, as well as the procedures in place for the settlement of default situations within the scope of the general arrears regime<sup>33</sup>;
- To undertake the measures necessary to assess any signs of deterioration in the customers' creditworthiness, for gauging the existence of actual default risk and its magnitude, whenever signs of non-compliance with credit agreements are detected, or customers convey facts indicating default risk<sup>34</sup>.

#### 4.1.5 Consumer credit

In 2017, 356 specific orders and recommendations were addressed to 39 institutions for the correction of irregularities concerning consumer credit-related issues. Around 98% of these specific orders and recommendations originated in inspections.

29. Article 3 of Decree-Law No. 240/2006 of 22 December 2006 and Articles 1 and 3 of Decree-Law No. 171/2007 of 8 May 2007.

30. Article 3 of Decree-Law No. 240/2006 of 22 December 2006 and Articles 1 and 3 of Decree-Law No. 171/2007 of 8 May 2007.

31. Article 6(3) of Decree-Law No. 51/2007 of 7 March 2007.

32. Article 3(1) of Decree-Law No. 171/2008 of 26 August 2008.

33. Article 7(1) of Decree-Law No. 227/2012 of 25 October 2012.

34. Article 10(1) of Decree-Law No. 227/2012 of 25 October 2012.

Table III.4.6 • Specific orders and recommendations | Consumer credit | 2017

Topics	Number	Institutions covered
<b>Consumer credit regime</b>	<b>329</b>	<b>32</b>
Pre-contractual and contractual information	207	30
Interest rates and maximum rates	55	16
Reporting to Banco de Portugal	19	8
Fees and charges	11	8
Early repayment	10	6
Cross selling	9	9
Product adequacy	4	3
Creditworthiness assessment	2	2
Other obligations	12	9
<b>Arrears regime</b>	<b>15</b>	<b>13</b>
<b>General arrears regime</b>	<b>12</b>	<b>8</b>
<b>Total</b>	<b>356</b>	<b>–</b>

Source: Banco de Portugal. | Note: In 2017 specific orders and recommendations were issued to 39 institutions.

... Around 58% of specific orders and recommendations on consumer credit concerned pre-contractual and contractual information requirements.

With regard to compliance with information requirements at the pre-contractual and contractual stages and over the lifetime of agreements, Banco de Portugal issued 207 specific orders and recommendations on compliance with the following obligations:

- To provide consumers with a Standardised Information Sheet allowing them to compare different offers, so as to take informed decisions when presented with a credit proposal, or prior to concluding a credit agreement<sup>35</sup>;
- To provide consumers upon request with a free copy of the draft agreement, in addition to the Standardised Information Sheet<sup>36</sup>;
- To comply with the assistance obligation to consumers to which institutions are legally bound, so as to allow them to assess whether the proposed agreement meets their needs and financial situation<sup>37</sup>;
- To ensure that credit agreements contain all information requirements, namely the credit amount and the APRC, including credit card agreements and credit agreements in the form of an overdraft facility<sup>38</sup>;
- To ensure, in the case of refinanced or consolidated credit agreements, compliance with the legal obligations set forth in Decree-Law No. 133/2009 of 2 June 2009, as amended<sup>39</sup>;

35. Article 6 of Decree-Law No. 133/2009 of 2 June 2009 and Instruction of Banco de Portugal No. 12/2013.

36. Article 6(8) of Decree-Law No. 133/2009 of 2 June 2009.

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

38. Articles 8 and 12 of Decree-Law No. 133/2009 of 2 June 2009.

39. Articles 3, 6 and 12 of Decree-Law No. 133/2009 of 2 June 2009.

- To complete credit agreements in the form of an overdraft facility in a separate document from the current account agreement, which is exclusive for that purpose<sup>40</sup>;
- To provide bank customers with a statement including all information details established by Banco de Portugal during the lifetime of agreements involving personal credit, car loans and revolving credit (credit cards, credit lines and current accounts)<sup>41</sup>;
- To provide information on non-compliance with contractual obligations and their rectification and on early repayment, through a statement or in an autonomous document, no later than 15 days after the situations occurred<sup>42</sup>.

Banco de Portugal also issued 55 specific orders and recommendations on interest rates and the application of the maximum rate scheme with regard to observance of the following obligations:

- To calculate the APRC according to the applicable legal and regulatory provisions, considering the total credit amount, the repayments envisaged and all the costs associated with the credit transaction agreed on between the creditor and the consumer<sup>43</sup>;
- To calculate the APRC in revolving credit agreements, considering the immediate use of the credit cap and a one-year duration, as well as the costs associated with the credit agreement<sup>44</sup>;
- A credit agreement whose APRC at the time of its signing exceeds by a quarter the average APRC applied by credit institutions in the previous quarter for each type of consumer credit agreement is considered as usurious, or an agreement whose APRC at the time of its signing, although not exceeding this limit, exceeds by 50% the average APRC of consumer credit agreements completed in the previous quarter<sup>45</sup>;
- A credit agreement is also considered as usurious when it is in the form of overrunning and its nominal annual rate at the time of its signing exceeds the maximum value of the APRC set out for credit agreements in the form of overdraft facilities establishing an obligation to repay credit over a period longer than one month<sup>46</sup>.

Specifically as regards arrears and default regimes, Banco de Portugal issued 27 specific orders and recommendations on compliance with the following obligations:

- To apply the Out-of-court Arrears Settlement Procedure (OASP) to bank customers in arrears between the 31<sup>st</sup> and the 60<sup>th</sup> day following the due date for the relevant obligation<sup>47</sup>;
- To inform bank customers via a durable medium of the result of the creditworthiness assessment, by submitting proposals to settle arrears, where shown by this assessment to be viable within 30 days of applying the OASP<sup>48</sup>;

40. Article 6(2) of Notice of Banco de Portugal No. 4/2009.

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

42. Article 5 of Notice of Banco de Portugal No. 10/2014.

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

44. Points 6, 9 and 12 of Instruction of Banco de Portugal No. 13/2013.

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

46. Article 28(5) of Decree-Law No. 133/2009 of 2 June 2009.

47. Article 14(1) of Decree-Law No. 227/2012 of 25 October 2012.

48. Article 15(1), (2) and (4) of Decree-Law No. 227/2012 of 25 October 2012.



- Not to charge any fees for negotiating the terms of the credit agreement under the arrears regime, namely as regards the operation's analysis and formalisation<sup>49</sup>;
- To charge arrears interest, by applying a maximum annual surcharge of 3%, to be added to the compensatory interest rate applicable to the operation, with the excess reduced to this maximum limit, in case of arrears and for as long as it is maintained<sup>50</sup>;
- Not to charge, due to creditor arrears, any fees or other amounts other than for the recovery of debt, even as a clause for penalising arrears<sup>51</sup>.

Other specific orders and recommendations were also issued on compliance with the following obligations:

- Consumers have the right, at any time and upon giving notice to creditors, to repay the credit in full or in part, with a corresponding reduction in the total cost, through a reduction in interest and in the costs from the remaining lifetime of the agreement<sup>52</sup>;
- Not to make the signing of consumer credit agreements, as well as their renegotiation, conditional on the purchase of other financial products or services<sup>53</sup>;
- To report to Banco de Portugal consumer credit agreements signed during the previous month, within ten working days of the end of that month, according to the specifics set out by Banco de Portugal<sup>54</sup>.

#### 4.1.6 Reporting to the Central Credit Register

In 2017, 51 specific orders and recommendations were issued to seven institutions, with the purpose of correcting irregularities in the reporting to the CCR. These specific orders and recommendations resulted mostly (98%) from the analysis of bank customer complaints.

**Table III.4.7 • Specific orders and recommendations | Reporting to the Central Credit Register | 2017**

Topics	Number	Institutions covered
Consumer credit	38	5
Corporate credit	9	2
Mortgage credit	4	2
<b>Total</b>	<b>51</b>	<b>–</b>

Source: Banco de Portugal. | Note: In 2017 specific orders and recommendations were issued to seven institutions.

49. Article 8(1) of Decree-Law No. 227/2012 of 25 October 2012.  
50. Article 8(1) of Decree-Law No. 58/2013 of 8 May 2013.  
51. Article 9 of Decree-Law No. 58/2013 of 8 May 2013.  
52. Article 19 of Decree-Law No. 133/2009 of 2 June 2009.  
53. Article 29 of Decree-Law No. 133/2009 of 2 June 2009.  
54. Paragraphs 4 and 5 of Instruction of Banco de Portugal No. 14/2013.

## Almost all specific orders and recommendations on the reporting to the CCR resulted from bank customer complaints.

The orders and recommendations issued concerned compliance with the following obligations:

- To report to the CCR at the end of each month the balances of the actual or potential liabilities resulting from credit granted<sup>55</sup>;
- Whenever a participant in the CCR, on its own initiative or upon request of the debtor, detects an omission or error in any past or present reporting of liabilities, it must amend it, and inform Banco de Portugal accordingly<sup>56</sup>;
- Inform customers with credit overdue of the start of the reporting of their name to the CCR, in case of default<sup>57</sup>;
- Inform bank customers immediately, free of charge and providing justification if the credit request is rejected on the grounds of consultation of the CCR, giving information on the details in this database<sup>58</sup>.

### 4.1.7 Payment services

In the period under review Banco de Portugal issued 33 specific orders and recommendations to correct irregularities detected within the scope of the provision of payment services, addressed to 11 institutions. Around 73% of these specific orders and recommendations resulted from inspections carried out.

**Table III.4.8 • Specific orders and recommendations | Payment services | 2017**

Topics	Number	Institutions covered
Pre-contractual and contractual information	11	6
Fees	3	3
Blocking of payment instruments	3	2
Inclusion in the list of cheque defaulters (LCD)	2	2
Fraud	2	2
Value dates and provision of funds	1	1
Other obligations	11	6
<b>Total</b>	<b>33</b>	<b>-</b>

Source: Banco de Portugal. | Note: In 2017 specific orders and recommendations were issued to 11 institutions.

55. Article 3(1) and (2) of Decree-Law No. 204/2008 of 14 October 2008.

56. Points 10.1 and 10.2 of Instruction of Banco de Portugal No. 21/2008.

57. Point 4(b) of Instruction of Banco de Portugal No. 21/2008.

58. Article 10(3) of Decree-Law No. 133/2009.

The specific orders and recommendations issued concerned compliance with the following obligations:

- To inform customers on the blocking and its justification via the agreed means, in those cases where it is legally or contractually admissible to block the payment instruments. Institutions should pass on this information to the customers, if possible before the blocking, at the latest immediately thereafter, unless there are exceptional circumstances legally provided for<sup>59</sup>;
- A payment operation or set of payment operations will only be considered authorised if the payer agrees to their execution<sup>60</sup>;
- Customers have the right to obtain rectification from the institution if, after becoming aware of an unauthorised or incorrect payment transaction, they report it to their payment service provider with no undue delay and no later than 13 months from the debit date<sup>61</sup>;
- To include specific individual information on the amount of merchant, interchange and system fees applicable to each category and brand of payment cards in agreements governing the use of point-of-sale terminals signed between institutions and the payees of card-based payment transactions (generally merchants)<sup>62</sup>;
- Following a card-based payment transaction, the payment service provider of the payee should give him/her a reference making it possible to identify the payment transaction, as well as the amount of costs, listing the amount of merchant and interchange fees<sup>63</sup>;
- To make available the payment transaction amount in the payee's account immediately after the transfer of the amount to be credited<sup>64</sup>;
- In the event of termination of the framework agreement, the annual fees of credit cards are only due in proportion to the time elapsed up to the agreement's date of termination. If these have been paid beforehand, they should be repaid in proportion to the time left<sup>65</sup>;
- Not to charge service users for the costs inherent to compliance with their information requirements or relating to the replacement, loss or defectiveness of the payment instruments<sup>66</sup>;
- The termination of the cheque convention extends only to co-holders of the account on which the cheque concerned was issued<sup>67</sup>.

#### 4.1.8 Other topics

In 2017 Banco de Portugal issued a specific order for the correction of irregularities concerning the application of legislation governing complaints books<sup>68</sup>.

59. Article 66 of the legal framework governing payment services and electronic money.

60. Article 65 of the legal framework governing payment services and electronic money.

61. Articles 69 and 71 of the legal framework governing payment services and electronic money.

62. Article 9(2) of Regulation (EU) No. 2015/751.

63. Article 12 of Regulation (EU) No. 2015/751.

64. Article 80(4) and Article 84(2) of the legal framework governing payment services and electronic money.

65. Article 56(6) of the legal framework governing payment services and electronic money.

66. Article 63(3) of the legal framework governing payment services and electronic money.

67. Article 1(3) of Decree-Law No. 454/91 of 28 December 1991 and point IV. (9) of Notice of Banco de Portugal No. 1741-C/98.

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

## 4.2 Administrative proceedings

In 2017, within the scope of banking conduct supervision, Banco de Portugal initiated 55 administrative proceedings against 21 institutions.

The proceedings initiated in 2017 resulted mostly (98.5%) from Banco de Portugal's supervision via the analysis of bank customer complaints. These proceedings involved 131 complaints, and the same administrative proceeding could be based on more than one complaint. The initiation of administrative proceedings followed a procedural efficiency strategy and, where appropriate, sought to join various irregularities of the same institution within the same proceeding.

... Around 35% of the administrative proceedings initiated within  
... the scope of banking conduct supervision concerned deposits.

**Table III.4.9 • Administrative proceedings | Topics covered | 2017**

Topics	2017	Institutions covered
Bank deposits	19	8
Mortgage credit	6	4
of which: General arrears regime	5	3
Consumer credit	15	12
of which: General arrears regime	5	5
Maximum rates	1	1
Reporting to the Central Credit Register	10	8
of which: Consumer credit	7	6
Mortgage credit	3	3
Payment services	7	6
Complaints book	4	4
Other	3	3
<b>Total</b>	<b>55</b>	<b>–</b>

Source: Banco de Portugal. | Note: Administrative proceedings were initiated against 21 institutions. Each administrative proceeding may involve more than one topic.

### 4.2.1 Deposits

The 19 administrative proceedings initiated in relation to deposits, including irregularities detected in 73 complaints, were based on situations concerning the following:

- Failure to provide customers, prior to completion of simple deposit agreements, with a Standardised Information Sheet containing all the elements required by Banco de Portugal<sup>69</sup>;
- Failure to provide customers, prior to completion of simple deposit agreements, with a copy of the general terms and conditions of the agreement to be completed<sup>70</sup>;
- Failure to provide customers, prior to completion of deposit agreements, with a copy of these agreements<sup>71</sup>;

69. Article 4(1) of Notice of Banco de Portugal No. 4/2009.

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

71. Article 6 of Notice of Banco de Portugal No. 4/2009.

- Failure to send customers a statement detailing all debits and credits to their deposit accounts<sup>72</sup>;
- Non-compliance by credit institutions with the frequency for sending account statements to their customers<sup>73</sup>;
- Credit of the repayment value in the settlement of non-current accounts with value date and availability date of over one day<sup>74</sup>;
- Blocking of the deposit account with no legal or contractual grounds<sup>75</sup>;
- Customers' inability to make transactions on accounts due to the credit institution's delay in carrying out attachment lifting orders on bank balances<sup>76</sup>;
- Non-compliance or failure to comply on timely basis with bank customer requests for closing accounts<sup>77</sup>;
- Debiting of deposit accounts without the consent of the bank customers<sup>78</sup>.

#### 4.2.2 Mortgage credit

The six administrative proceedings initiated on mortgage credit, which include irregularities detected in seven complaints (including six on the general arrears regime), concerned the following situations:

- Non-compliance with the obligation to provide bank customers with a monthly statement during the lifetime of agreements, containing the mandatory information established by Banco de Portugal<sup>79</sup>;
- Non-compliance with the obligation to assess the customers' creditworthiness set forth by the OASP and, where assessing as creditworthy, non-compliance with the obligation to submit proposals suited to their financial situation, objectives and needs<sup>80</sup>;
- Failure to apply the OASP to customers whose credit agreements have remained in default for a period of over 60 days<sup>81</sup>;
- Non-compliance with the obligation to communicate the application of the OASP to bank customers<sup>82</sup>;
- Non-compliance with the period of 30 days after starting the OASP to communicate to customers the result of their creditworthiness assessment and, if feasible, propose to them settlement solutions suited to their financial situation, objectives and needs<sup>83</sup>.

72. Article 7 of Notice of Banco de Portugal No. 4/2009.

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

74. Article 5(1) of Notice of Banco de Portugal No. 6/2009.

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

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

77. Article 56(1) of the legal framework governing payment services and electronic money.

78. Article 65 of the legal framework governing payment services and electronic money.

79. Article 7(1) of Notice of Banco de Portugal No. 2/2010.

80. Article 10(2) and (4) of Decree-Law No. 227/2012 of 25 October 2012.

81. Article 14(1) of Decree-Law No. 227/2012 of 25 October 2012.

82. Article 14(4) of Decree-Law No. 227/2012 of 25 October 2012.

83. Article 15(1), (2) and (4) of Decree-Law No. 227/2012 of 25 October 2012.

### 4.2.3 Consumer credit

The 15 administrative proceedings initiated on consumer credit, which cover irregularities detected in 17 complaints (including six complaints on the general arrears regime) and the infringement of the maximum rate scheme, concerned the following situations:

- Consumer credit agreements should contain the mandatory elements and observe other legal and regulatory provisions governing consumer credit<sup>84</sup>;
- Agreements completed remotely should ensure compliance, immediately after completion, with the obligations to inform required by law, namely to provide a Standardised Information Sheet on consumer credit<sup>85</sup>;
- When completing consumer credit agreements, institutions should ensure compliance with the maximum limits for the APRC released by Banco de Portugal for each type of consumer credit agreement<sup>86</sup>.
- When granting credit and during the lifetime of consumer credit agreements, institutions should act with diligence, impartiality, loyalty and discretion, and with scrupulous regard for the interests entrusted to them<sup>87</sup>;
- During the lifetime of credit agreements, institutions should provide consumers with a periodical statement, in line with the elements, frequency and form set out by Banco de Portugal<sup>88</sup>;
- Institutions should provide information on non-compliance with contractual obligations and their settlement, complementing the periodical information<sup>89</sup>;
- Institutions should observe the legal requirements for the exercise of the right to termination of the credit agreement in the event of the consumer's non-compliance<sup>90</sup>.

Infringements detected in the application of the general arrears regime concerned the following situations:

- Credit institutions' non-compliance with the obligation to assess the customers' creditworthiness and, where assessing as creditworthy, non-compliance with the obligation to submit proposals suited to their financial situation, objectives and needs<sup>91</sup>;
- Failure to apply the OASP to customers whose credit agreements have remained in default for a period of over 60 days<sup>92</sup>;
- Failure to apply the OASP to customers who, defaulting on their obligations, have asked to undertake this procedure through a communication via durable medium<sup>93</sup>;

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

85. Article 6(7) of Decree-Law No. 133/2009 of 2 June 2009.

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

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

88. Article 14(4) of Decree-Law No. 133/2009 of 2 June 2009 and Articles 4 and 6 of Notice of Banco de Portugal No. 10/2014.

89. Article 5(1) to (4) of Notice of Banco de Portugal No. 10/2014.

90. Article 20(1) of Decree-Law No. 133/2009 of 2 June 2009.

91. Article 10(2) and (4) of Decree-Law No. 227/2012 of 25 October 2012.

92. Article 14(1) of Decree-Law No. 227/2012 of 25 October 2012.

93. Article 14(2)(a) of Decree-Law No. 227/2012 of 25 October 2012.

- Non-compliance with the obligation to communicate the application of the OASP to bank customers<sup>94</sup>.

#### 4.2.4 Reporting to the Central Credit Register

Over the course of 2017 ten administrative proceedings were initiated due to non-compliance by supervised institutions of the obligation to report to the CCR, detected following analysis of 12 bank customer complaints. Initiation of the proceedings was based on:

- Non-compliance with the obligation to report to Banco de Portugal at the end of each month the balances of the liabilities resulting from credit granted<sup>95</sup>;
- Failure to rectify on a timely basis information incorrectly reported to the CCR<sup>96</sup>;
- Non-compliance with the obligation to inform debtors on facts warranting communications to the CCR and the obligation to begin communicating these facts in the event of default<sup>97</sup>.

#### 4.2.5 Payment services

The seven administrative proceedings initiated in 2017 on payment services, which include irregularities detected in 17 complaints, had the following grounds:

- Payment transactions that were not authorised by the payment service users<sup>98</sup>;
- Non-compliance with the obligation to repay customers for the amounts of unauthorised transactions and, where appropriate, to restore the payment account to its original situation<sup>99</sup>;
- Non-observance of the rules applicable to the blocking of payment instruments, namely the need for legal and contractual grounds, the provision of information on the blocking, and its justification in the agreed form, if possible before the blocking or at the latest immediately thereafter, unless there are exceptional circumstances provided for in the law<sup>100</sup>;
- Non-compliance with the payment service provider's obligation to ensure that the amount of the payment transaction is at the payee's disposal immediately after the crediting of the account of said payment service provider<sup>101</sup>;
- Non-compliance, in transfers between accounts domiciled in different institutions, with the deadline of one working day for the availability of funds after receipt of the payment order by the payee's payment service provider<sup>102</sup>;
- Non-observance of the obligation to make available the value of standardised cheques and certified cheques deposited in branches and drawn on the credit institution in which they are deposited on the same working day that they are presented for payment<sup>103</sup>;

94. Article 14(4) of Decree-Law No. 227/2012 of 25 October 2012.

95. Article 3(1) and (2) of Decree-Law No. 204/2008 of 14 October 2008.

96. Points 10.1 and 10.2 of Instruction of Banco de Portugal No. 21/2008.

97. Point 4 of Instruction of Banco de Portugal No. 21/2008.

98. Article 65 of the legal framework governing payment services and electronic money.

99. Article 71 of the legal framework governing payment services and electronic money.

100. Article 66 of the legal framework governing payment services and electronic money.

101. Article 84(2) of the legal framework governing payment services and electronic money.

102. Article 80(1) of the legal framework governing payment services and electronic money.

103. Article 5(1) of Decree-Law No. 18/2007 of 22 January 2007.

- Unavailability of the value of standardised cheques and certified cheques deposited in branches and drawn on a credit institution other than that in which they are deposited on the second working day following their presentation for payment;
- Non-compliance with the deadline for availability of cheques deposited at ATMs, which should have the value date of the second working day following that of the deposit, with the respective credit balance available on that same working day<sup>104</sup>.

#### 4.2.6 Complaints book

The four administrative proceedings initiated over the course of 2017 concerning the complaints book had the following grounds:

- Non-compliance with the obligation to have a complaints book in branches of credit institutions<sup>105</sup>;
- Non-compliance with the obligation to send to Banco de Portugal the originals of the pages of the complaints book within ten working days from the filing of the complaint<sup>106</sup>.

#### 4.2.7 Other

The other three administrative proceedings, which include irregularities detected in four complaints, had the following grounds:

- Non-observance of the duty of professional secrecy to which members of the management or supervisory bodies of credit institutions, their staff, legal representatives, agents and other persons providing services to them on a temporary or permanent basis are subject with regard to facts or data regarding the activity of the institution or its relationship with customers which come to their knowledge solely as a result of the performance of their duties or the provision of their services<sup>107</sup>;
- Non-observance of the obligation to report to the Accounts Database information on bank accounts and individuals with the powers to debit and credit these accounts, including information on the termination of these persons' powers<sup>108</sup>.

104. Article 5(4) of Decree-Law No. 18/2007 of 22 January 2007.

105. Article 3(1)(a) of Decree-Law No. 156/2005 of 15 September 2005, as amended.

106. Article 5(1) of Decree-Law No. 156/2005 of 15 September 2005, as amended.

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

108. Article 81(3) of the Legal Framework of Credit Institutions and Financial Companies and Point 4.4.4 of Instruction of Banco de Portugal No. 7/2011.



## 5 Implementation of the basic bank account regime

Basic bank accounts provide low-cost essential banking services to citizens, including opening/maintaining a current account – the basic bank account – and instruments used for transactions on the account, such as a debit card. These services are provided by all credit institutions authorised to accept deposits from the public and offer the basic bank account package.

Monitoring the basic account regime was a priority for banking conduct supervision in 2017, together with the dissemination of financial information and training initiatives on this regime.

### 5.1 Changes to the basic bank account regime over the past 10 years

Portugal was a frontrunner in the European Union in establishing a basic bank account regime, which was designed to promote financial inclusion. Basic bank accounts have been provided in Portugal since 2000<sup>109</sup>, and the regime has changed significantly over time.

In 2011 the legislator clarified the list of services included in basic bank accounts, made it possible to switch from existing current accounts to basic bank accounts (free of charge), laid down specific rules for dissemination by Social Security and credit institutions that have voluntarily joined the system, and gave Banco de Portugal express powers to monitor compliance in this matter<sup>110</sup>.

A penalty framework was established in 2012 for any breach of duty by credit institutions that have voluntarily joined the basic bank account regime, with Banco de Portugal being given the powers to initiate and impose the corresponding sanctions<sup>111</sup>.

As of 2015 offering basic bank accounts is no longer voluntary for credit institutions that provide services to the public that are included in the list of basic bank account services. Access conditions to basic bank accounts were also eased, to allow current account holders to become basic bank account co-holders, provided that the other account holder does not own any current accounts and is over 65 years old or is disabled to a degree of 60% or more<sup>112</sup>.

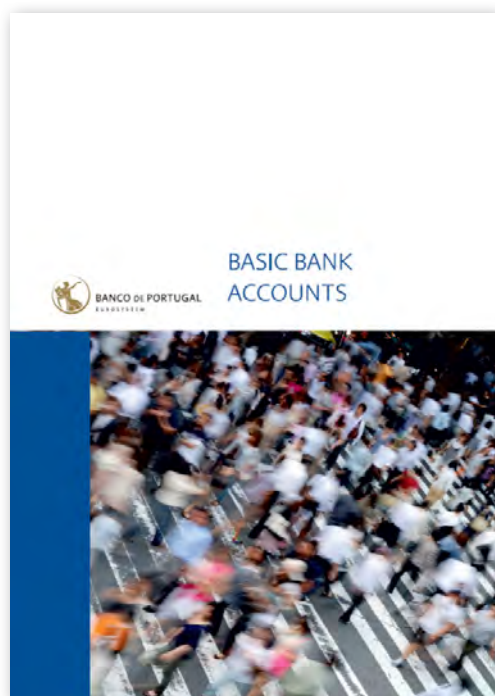
109. Decree-Law No. 27-C/2000, of 10 March 2000.

110. Law No. 19/2011, of 20 May 2011.

111. Decree-Law No. 225/2012, of 17 October 2012.

112. Law No. 66/2015, of 6 July 2015.

**Figure III.5.1 • Leaflet on basic bank accounts.**



Source: Banco de Portugal. Available at <https://cliente.bancario.bportugal.pt/pt-pt/material/servicos-minimos-bancarios>

As of 2017 credit institutions are required to offer their customers alternative dispute resolution means associated with basic bank accounts, and the list of services they comprise was expanded<sup>113</sup>. In addition to ATM transfers, basic bank accounts now also comprise 12 interbank transfers per calendar year, through homebanking, as well as other intra-EU payment operations. The maximum maintenance fee charged for the provision of basic bank accounts was cut, and is now 1% of the indexing social aid (€4.28 in 2018), instead of 1% of the national minimum wage<sup>114</sup>. These changes entered into force on 1 January 2018<sup>115</sup>.

## 5.2 Developments in basic bank accounts

Better access to basic bank accounts and the increased awareness of the regime have affected the number of basic bank accounts. At the end of 2017 there were 44,618 basic bank accounts, 9,665 more than at the end of the previous year, which corresponds to 27.7% growth. In 2017, 11,992 accounts were opened (5,121 in the first half and 6,871 in the second half of the year)<sup>116</sup>.

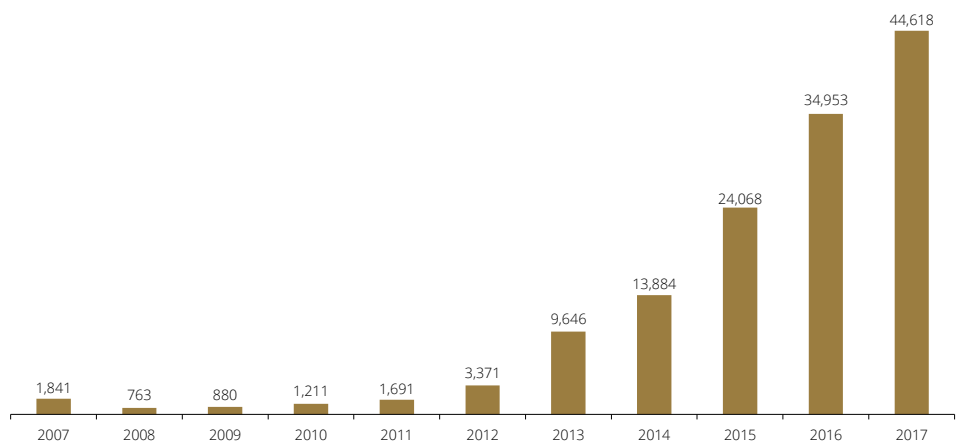
113. Following the transposition of Directive 2014/92/EU, of the European Parliament and of the Council, of 23 July 2014.

114. Decree-Law No. 107/2017, of 30 August 2017.

115. In the first quarter of 2018, a new revision of the basic bank account regime was adopted by the Parliament, which was yet to be published on 30 April.

116. This data refers to the end of 2017 and, as such, its developments do not reflect any impact from legal changes to the basic bank account regime that entered into force on 1 January 2018.

Chart III.5.1 • BBA | Developments in the number of accounts (end-of-period) | 2007-2017



Source: Banco de Portugal.

In 2017, 50.7% of basic bank accounts had been switched from an existing current account (47.8% in 2016), while in 49.3% of the cases, they corresponded to a new account (52.2% in 2016). Of all accounts in 2017, only approximately 1.7% (206 accounts) were opened with institutions that started to offer basic bank accounts following changes to the regime in 2015. In 2017, 552 accounts were co-held by individuals that owned other current accounts (4.6% of the total).

Chart III.5.2 • BBA | Opened and closed accounts | 2017

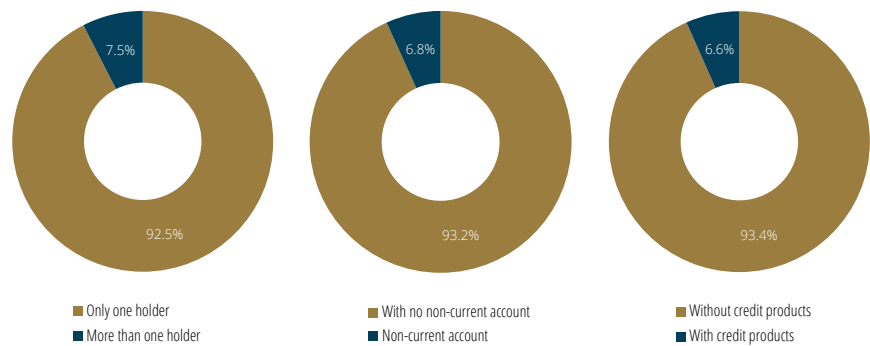


Source: Banco de Portugal.

Also in 2017, 2,327 accounts were closed, of which 1,870 (approximately 80.4%) on the customer's initiative and 457 were on the credit institution's own initiative (around 19.6%), were due to non-compliance with applicable rules (if there have been no movements to the account or the account holder owns other current accounts).

At the end of the year, most accounts (92.5%) had only one holder. Most holders did not own non-current accounts (93.2%) nor credit products (93.4%). These percentages were virtually unchanged from the end of the previous year.

Chart III.5.3 • BBA | Characterisation of accounts | 2017



Source: Banco de Portugal.

As of 1 January 2018 the maximum fee charged on basic bank accounts corresponds to 1% of the indexing social aid (€4.28), instead of 1% of the national minimum wage.

At the end of April 2018 the customers of eight institutions were exempt from paying fees and other charges on basic bank accounts: Banco Activobank, Banco BPI, Banco CTT, Banco Popular Portugal, BEST – Banco Electrónico de Serviço Total, BNI – Banco de Negócios Internacional (Europa), Caixa de Crédito Agrícola Mútuo de Leiria and Caixa Geral de Depósitos. 94 other institutions charge less than the maximum fee.

### 5.3 Inspections

In 2017 basic bank accounts were monitored through on-site and off-site inspections of credit institutions.

Banco de Portugal conducted 68 mystery shopping inspections in 31 credit institutions to check whether customers were informed of the existence of basic bank accounts when opening a low-cost current account. During these actions, Banco de Portugal also checked for completeness and transparency of the information on access conditions, services included and applicable fees. It also checked the mandatory display of the poster giving information on basic bank accounts at credit institutions’ branches, and analysed the content of the SIS provided in the course of the ‘mystery shopping’ actions.

When necessary, mystery shopping inspections were supplemented by 31 on-site identified inspections to check documentary proof that information had been provided to the customer, internal procedures and the adequacy of institutions’ practice in the marketing of basic bank accounts.

Off-site inspections were also conducted, covering all 110 institutions obliged to offer basic bank accounts, to check compliance with the obligation to inform their customers via the first statement of the year of their right to switch from a current account to a basic bank account. For that purpose, Banco de Portugal asked credit institutions for documentary proof, by sampling, of whether this information had been sent to customers. Where non-compliance was detected, Banco de Portugal followed up with an assessment to check if it had been corrected.

**Table III.5.1 • Inspections in the scope of the basic bank account regime | 2017**

	No. of inspections	No. of entities
On-site inspections		
Mystery shopping	68	31
Identified	31	31
Off-site inspections	141	110

Source: Banco de Portugal.

## 5.4 Complaints and information requests

With the growing number of basic bank accounts, the related bank customer complaints have also increased, moving from 12 to 15 per 10 thousand basic bank accounts. This was due to the fact that complaints outgrew basic bank accounts in 2017 (49% growth versus 28% growth respectively).

Complaints on the basic bank account regime mostly focused on: opening or switching to a basic bank account, access conditions, restrictions (namely, the inability to use the debit card in Europe and to make low-value payments) and the services included in the regime. Of the 58 complaints closed in 2017, Banco de Portugal detected an infringement in just one case, and subsequently issued a specific order requiring it to be corrected. As regards the remaining 9 complaints, whose assessment was concluded in 2018, in 8 cases no signs of infringement were detected, while in one case an administrative proceeding was initiated.

There were 60 information requests on the basic bank account regime, 18% more than in 2016. These requests mainly focused on the content of the basic bank account package and the possibility of opening a basic bank account by switching from another account, in cases where the customer has taken a housing loan or own credit cards.

**Table III.5.2 • Complaints and information requests in the scope of the basic bank account regime | 2016–2017**

	2016	2017	Δ
Complaints	45	67	48.9%
Information requests	51	60	17.6%

Source: Banco de Portugal.

## 5.5 Correction of irregularities and sanctions

As part of its supervisory activities linked to the basic bank account regime, Banco de Portugal issued 178 specific orders requiring 29 institutions to correct the irregularities detected, of which 177 stemmed from inspections conducted.

The orders issued were linked to non-compliance with the following obligations:

- to ensure access to basic bank accounts, allowing customers to open, maintain and manage a current account and own a debit card, and make deposits, withdrawals, payments of goods and services, direct debits and transfers<sup>117</sup>;
- to make publicly available, at all times, in their branches and on their website, information on basic bank accounts, more specifically their price list<sup>118</sup>;
- to not impose fees, expenses and other charges that, in 2017 and overall, account for more than 1% of the national minimum wage<sup>119</sup>;
- in the first statement of the year regarding the current account, to clearly indicate information on their right to switch from a current account to a basic bank account, and its requirements<sup>120</sup>;
- to ensure that the current account is switched to a basic bank account at the request of the party concerned, by closing the existing current account or switching directly to a basic bank account<sup>121</sup>;
- prior to issuing the statement of non-ownership of other current accounts, to inform the customer about the optional nature of the statement, the consequences of a refusal and the consequences of owning other current accounts<sup>122</sup>;
- to not provide services under the basic bank account regime with idiosyncrasies that result in stricter conditions than those applicable to similar services outside the scope of that regime<sup>123</sup>;
- to comply with the legal requirements established in contracts and contract addenda under the basic bank account regime, by identifying the basic bank account and listing the services it comprises<sup>124</sup>;
- to display a poster advertising basic bank accounts, in a prominent place in all their branches and customer assistance points, in accordance with the prototype approved by Banco de Portugal<sup>125</sup>.

117. Articles 1 and 2 of Decree-Law No. 27-C/2000, of 10 March 2000.

118. Article 2 of Notice of Banco de Portugal No. 2/2015.

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

120. Articles 2 and 3 of Notice of Banco de Portugal No. 2/2015 and Article 7-A(2)(b) of Decree-Law No. 27-C/2000, of 10 March 2000.

121. Article 4-A(1) of Decree-Law No. 27-C/2000, of 10 March 2000.

122. Article 4(3) of Decree-Law No. 27-C/2000, of 10 March 2000.

123. Article 4-C(3) of Decree-Law No. 27-C/2000, of 10 March 2000.

124. Article 4-C(4) of Decree-Law No. 27-C/2000, of 10 March 2000.

125. Article 2(1) and (2) of Notice of Banco de Portugal No. 2/2015.

**Table III.5.3 • Specific orders and recommendations in the scope of the basic bank account regime | 2017**

	Number	Institutions covered
Pre-contractual information	94	27
Contractual information	58	8
Transactions on accounts	10	2
Closing of accounts	16	4
<b>Total</b>	<b>178</b>	

Source: Banco de Portugal. | Note: In 2017 specific orders and recommendations were issued to 29 institutions.

## 5.6 Promotion of basic bank accounts

The promotion of basic bank accounts is a key priority under Banco de Portugal's financial information and education initiatives. The Bank Customer Website features dedicated content, such as the characteristics of basic bank accounts, their costs and how to access them. In 2017 Banco de Portugal prepared (in)formational materials on changes to the basic bank account regime, creating a decoder answering bank customers' questions about "what a basic bank account is" and updating the leaflet and the flyer available on the website.

The Bank Customer Website also provides information on fees charged by institutions that are obliged to offer basic bank accounts, as some of them do not charge any fees. On the website, customers can use a fee comparison service<sup>126</sup> which shows the fees charged by each institution and how they compare to those charged by other institutions.

Basic bank accounts are also discussed in a class prepared by Banco de Portugal for the *Todos Contam* e-learning platform. This platform includes a video discussing the characteristics of basic bank accounts, the services included, the maximum fee that may be charged and access conditions. The lesson is supplemented by documents and other (in)formational materials that add to and analyse in greater detail the information presented in the video.

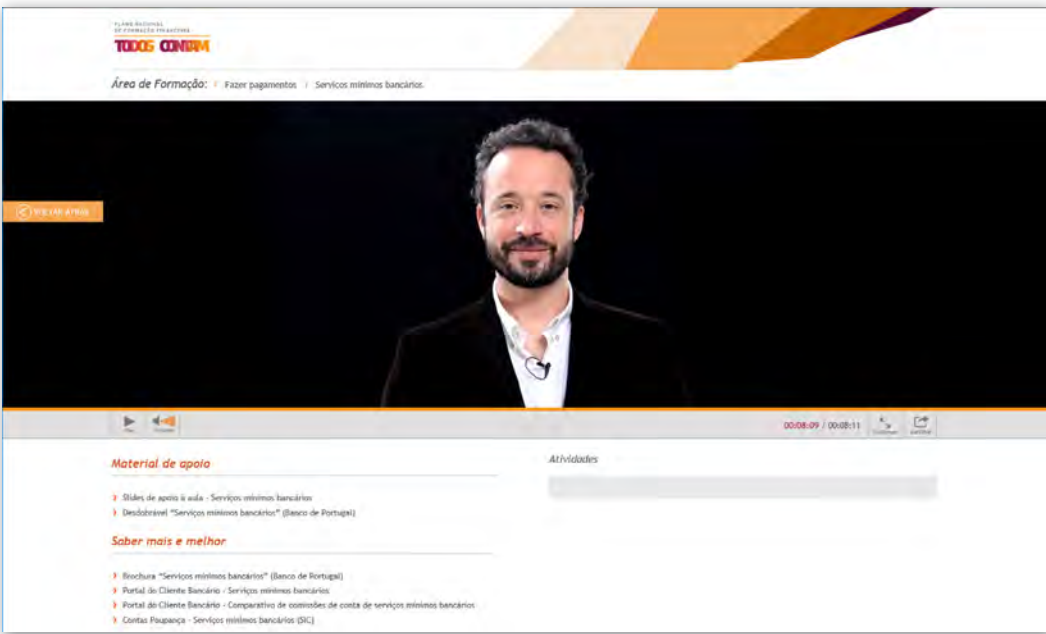
126. <https://cliente bancario.bportugal.pt/aplicacao/comparador-de-comissoes>.

Figure III.5.2 • BBA | Promotion | Decoder on the Bank Customer Website



Source: Banco de Portugal – Bank Customer Website > Deposits (<https://cliente.bancario.bportugal.pt/en/what-it-1>). | Note: Available for download at <https://www.bportugal.pt/page/o-que-sao-os-servicos-minimos-bancarios-smb>

Figure III.5.3 • Basic bank accounts on the *Todos Contam* e-learning platform



Source: National Plan for Financial Education – *Todos Contam* e-learning platform (<http://elearning.todoscontam.pt/#areas-formacao/pagamentos/t11ahiaecidaeeekflgbikijimdbdhgig6/video>) (Only in Portuguese).



## 6 Implementation of the general arrears regime

Banco de Portugal monitors the implementation of the general arrears regime, assessing the conduct of credit institutions by analysing data reported on credit agreements entered into the OASP, assessing bank customer complaints and conducting inspections. When irregularities are detected in the implementation of the general arrears regime, Banco de Portugal issues specific orders requiring that institutions correct such irregularities, and may also initiate administrative proceedings.

In 2017 the number of OASP proceedings initiated by credit institutions declined by 12.3%, to some extent due to the decrease in household over-indebtedness levels, on the basis of data provided by the Central Credit Register. These point to a decline in the amount of credit overdue and a decrease in the number of borrowers in the household sector that are in arrears, which has been declining since 2013 and, in particular, in the past two years. The number of complaints on this subject matter has also decreased (a decline of 16.7% compared with 2016). Following the supervision of the implementation of the general arrears regime, Banco de Portugal has issued 13 specific orders and initiated eight administrative proceedings.

### 6.1 Default in mortgage credit

... Fewer OASP proceedings concerning mortgage credit were  
... initiated (-19.2% year-on-year).

In the mortgage credit segment, in 2017, institutions initiated a total of 96,387 OASP proceedings concerning 55,028 credit agreements involving a total amount of €2,509 million. These credit agreements recorded a default ratio of around 1.3%, below the ratio observed in 2016 (2.4%).

Throughout the year, credit institutions closed 104,741 OASP proceedings concerning mortgage credit, covering 63,421 credit agreements, with a total outstanding amount of €2,994 million and a default ratio of 1.9%. At the end of 2017, 22,720 OASP proceedings concerning mortgage credit agreements were still under analysis or negotiation.

**Table III.6.1 • Proceedings initiated, under analysis and closed | Mortgage credit**  
| 2015–2017

	Proceedings			Agreements <sup>(a)</sup>
	2015	2016	2017	2017
<b>OASP proceedings initiated</b>				
Number	132,108	119,269	96,387	55,028
Total amount (EUR millions) <sup>(b)</sup>	–	–	–	2,509
Default ratio <sup>(c)</sup>	–	–	–	1.3%
<b>OASP proceedings under analysis<sup>(d)</sup></b>				
Number	24,724	31,074	22,720	–
<b>OASP proceedings closed</b>				
Number	129,013	112,919	104,741	63,421
Total amount (EUR millions)	–	–	–	2,994
Default ratio	–	–	–	1.9%
Of which:				
OASP proceedings closed with settlement of arrears <sup>(e)</sup>	85,238	74,206	66,704	–
Payment of amounts in arrears	80,325	70,800	63,720	–
Agreement reached between the parties <sup>(f)</sup>	4,913	3,406	2,984	–
<b>OASP proceedings closed with settlement of arrears/OASP proceedings closed</b>	<b>66.1%</b>	<b>65.7%</b>	<b>63.7%</b>	<b>–</b>

Source: Banco de Portugal. | Notes: (a) The total number of agreements entered into the OASP does not reflect situations where the same credit agreement is entered into the OASP more than once. (b) The total amount corresponds to the sum of the amount outstanding under normal circumstances and the amount in default (due). (c) Ratio of the amount in default (due) to the total amount. (d) Amounts at the end of the period. (e) Proceedings concluded for one of the following reasons: payment of amounts in arrears, renegotiation of the credit agreement, credit consolidation, refinancing of the credit agreement, granting of an additional loan to pay instalments, transfer in lieu of payment. (f) Renegotiation; credit consolidation; refinancing; granting of an additional loan for the payment of instalments; and transfer in lieu of payment.

## 6.2 Default in consumer credit

... Fewer OASP proceedings concerning consumer credit were initiated (-11% year-on-year).

In the consumer credit segment, credit institutions initiated, in 2017, 533,463 OASP proceedings, involving a total of 368,862 credit agreements. The credit agreements in question accounted for a total amount outstanding of €764 million and a default ratio of 14.4%, below that observed in 2016 (22.1%).

Credit cards accounted for the majority of consumer credit agreements that were entered into the OASP in 2017 (55.8%), similarly to previous years. Of these agreements, default on revolving credit products accounted for 73.6% of agreements entered into the OASP in 2017, followed by personal credit agreements (20.9%) and car loans (5.5%).

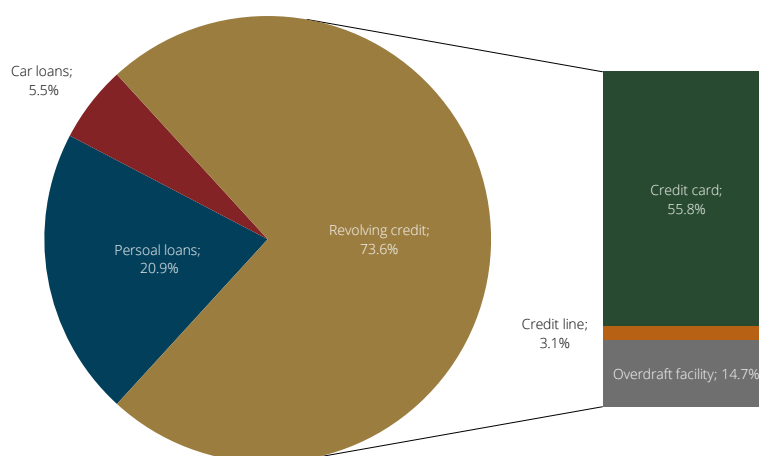
In 2017, 539,694 OASP proceedings were closed, involving 386,817 consumer credit agreements, totalling €822 million and giving a default ratio of 15.8%. At the end of the year, 114,298 OASP proceedings concerning consumer credit agreements were under analysis or negotiation.

**Table III.6.2 • OASP | Proceedings initiated, under analysis and closed | Consumer credit | 2015–2017**

	Proceedings			Agreements <sup>(a)</sup>
	2015	2016	2017	2017
<b>OASP proceedings initiated</b>				
Number	569,577	599,210	533,463	368,862
Total amount (EUR millions) <sup>(b)</sup>	–	–	–	764
Default ratio <sup>(c)</sup>	–	–	–	14.4%
<b>OASP proceedings under analysis<sup>(d)</sup></b>				
Number	95,051	120,529	114,298	
<b>OASP proceedings closed</b>				
Number	572,664	573,732	539,694	386,817
Total amount (EUR millions)	–	–	–	822
Default ratio	–	–	–	15.8%
Of which:				
OASP proceedings closed with settlement of arrears <sup>(e)</sup>	242,298	264,968	245,408	–
Payment of amounts in arrears	225,790	242,360	227,367	–
Agreement reached between the parties <sup>(f)</sup>	16,508	22,608	18,041	–
<b>OASP proceedings closed with settlement of arrears/OASP proceedings closed</b>	<b>42.3%</b>	<b>46.2%</b>	<b>45.5%</b>	<b>–</b>

Source: Banco de Portugal. | Notes: (a) The total number of agreements entered into the OASP does not reflect situations where the same credit agreement is entered into the OASP more than once. (b) The total amount corresponds to the sum of the amount outstanding under normal circumstances and the amount in default (due). (c) Ratio of the amount in default (due) to the total amount. (d) Amounts at the end of the period. (e) Proceedings concluded for one of the following reasons: payment of amounts in arrears, renegotiation of the credit agreement, credit consolidation, refinancing of the credit agreement, granting of an additional loan to pay instalments, transfer in lieu of payment. (f) Renegotiation; credit consolidation; refinancing; granting of an additional loan for the payment of instalments; and transfer in lieu of payment.

**Chart III.6.1 • OASP | Distribution of consumer credit agreements entered into the OASP, by type of credit | 2017**



Source: Banco de Portugal.

## 6.3 Proceedings closed

... The renegotiation of credit agreements continued to be the main solution agreed between institutions and customers for the settlement of arrears.

Most OASP proceedings concerning **mortgage credit** that were closed in 2017 led to the settlement of arrears (63.7%). The main reason given by credit institutions for closing OASP proceedings was the payment of amounts in arrears by bank customers (60.8%). In 2.8% of proceedings concluded, an agreement was celebrated between the customer and the credit institution and, in 30.2% of proceedings, the amount in arrears was not settled because the parties failed to reach an agreement.

In mortgage credit, 2,727 OASP proceedings were renegotiated, involving a total amount of €70.5 million. As regards the solutions agreed in the renegotiation, the introduction of grace periods for principal or interest (580 proceedings) and the extension of the repayment period (261 proceedings) were particularly relevant.

In addition to the renegotiation of credit agreements, credit institutions and bank customers agreed, under the OASP proceedings concerning mortgage credit agreements, granting of additional loans for payment of instalments (169 OASP proceedings), transfer in lieu of payment (46 proceedings), debt refinancing (36 proceedings) and credit consolidation (13 proceedings).

In the **consumer credit** segment, 45.5% of total OASP proceedings that were closed led to the settlement of arrears, slightly below the share observed in the previous year (46.2%). Most proceedings with a settlement of arrears led to the payment of amounts in arrears by bank customers (42.2%). In 3.3% of proceedings closed, the parties reached an agreement and, in 51.1% of proceedings closed, the amount in arrears was not settled because the parties failed to reach an agreement.

In consumer credit, 13,666 OASP proceedings were renegotiated, to a total amount of €9.8 million. The solutions most frequently agreed in the renegotiation were the deferral of payment of principal until the last instalment (10,687 proceedings) and the extension of the repayment period (2,692 proceedings).

In consumer credit, the second most common solution, under the OASP proceedings closed in 2017, was debt refinancing (2,162 proceedings), followed by granting of additional loans for payment of instalments (1,161 proceedings) and credit consolidation (1,038 proceedings).

**Table III.6.3 • OASP | Solutions agreed in proceedings closed | 2017<sup>(a)-(b)</sup>**

	Mortgage credit	Consumer credit
Renegotiation of the credit agreement (number)	2,727	13,666
Amount renegotiated (EUR millions)	70.5	9.8
Credit consolidation (number)	13	1,038
Amount consolidated (EUR millions)	0.4	5.1
Refinancing (number)	36	2,162
Amount refinanced (EUR millions)	1.1	15.7
Additional loan to pay instalments (number)	169	1,161
Credit amount (EUR millions)	1.0	9.1
Transfer in lieu of payment (number)	46	22

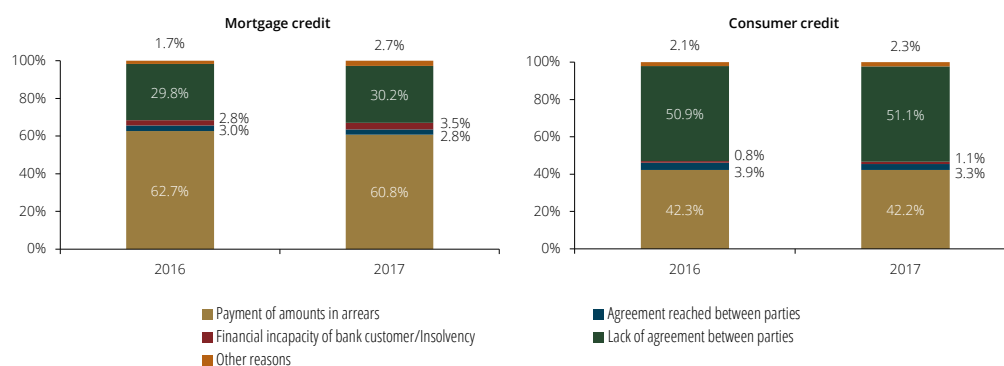
Source: Banco de Portugal. | Notes: (a) This table presents the number of solutions agreed. There may be more than one solution per agreement. (b) OASP proceedings closed with settlement of arrears in 2017 covered a total of 19,390 agreements (16,681 concerning consumer credit and 2,709 concerning mortgage credit).

**Table III.6.4 • OASP | Renegotiated conditions in proceedings closed | 2017<sup>(a)-(c)</sup>**

	Mortgage credit	Consumer credit
Spread/Interest rate	106	209
Repayment period	261	2,692
Grace period for principal (or interest)	580	230
Deferral of principal until the last instalment	116	10,687
Other conditions <sup>(b)</sup>	2,359	2,042

Source: Banco de Portugal. | Notes: (a) Renegotiations sometimes combine more than one of the solutions indicated in this table. (b) This category includes, inter alia, payment plans for the settlement of overdue instalments, changes in the interest rate regime and changes in ownership. Given that all these options are reported on an aggregate basis, the renegotiated conditions included in this category could not be broken down. (c) OASP proceedings closed in 2017 that adopted renegotiated solutions covered a total of 9,427 agreements (7,687 concerning consumer credit and 1,741 mortgage credit).

**Chart III.6.2 • OASP | Reasons for termination | 2016–2017**



Source: Banco de Portugal.

## 6.4 Complaints and requests for information

### Fewer complaints and requests for information on arrears received.

In 2017 Banco de Portugal received 355 bank customer complaints on the general arrears regime, a monthly average of 30 complaints, representing a decline of 16.7% compared with 2016. These complaints account for 2.3% of total complaints received, below the share observed in the previous year (3%).

In 2017, 75.5% of complaints received concerned the OASP. Most complaints on this subject matter relate to failure by credit institutions to present proposals for the settlement of arrears on credit agreements or the way in which credit institutions conducted the negotiation process.

Failure by credit institutions to present solutions for the prevention of default was also the main reason for complaints submitted under the PRAP.

There were no signs of infringement in around 69% of complaints under the general arrears regime that were closed in 2017, a higher share than in 2016 (67%).

Requests for information from bank customers on the general arrears regime also declined. In 2017 Banco de Portugal received 39 requests for information, seven less than in 2016. Of requests received in 2017, a decline of 31% was observed in the number of requests for information on the OASP.

**Table III.6.5 • Complaints and requests for information received under the general arrears regime | 2016–2017**

	2016	2017	Δ
Complaints	426	355	-16.7%
PRAP	123	87	-29.3%
OASP	303	268	-11.6%
Requests for information	46	39	-15.2%
PRAP	17	19	11.8%
OASP	29	20	-31.0%

Source: Banco de Portugal.

## 6.5 Correction of irregularities and sanctions

### Most specific orders issued on arrears focused on consumer credit.

Following its supervision of the implementation of the general arrears regime, Banco de Portugal issued 13 specific orders, of which 12 related to consumer credit agreements involving 8 institutions. Of the 13 specific orders issued, nine resulted from inspections and four from the analysis of bank customer complaints. These orders refer to non-compliance with the following obligations:

- to provide information, in particular pre-contractual information, to bank customers and other stakeholders about the risks of excessive indebtedness and the consequences of defaulting on credit agreements, as well as the procedures in place for the settlement of default situations within the scope of the general arrears regime<sup>127</sup>;
- to undertake the measures necessary to assess any signs of deterioration in the customers' creditworthiness in regard to credit agreements and to assess the facts conveyed by customers indicating default risk, in order to gauge the existence of an actual default risk and its extent to the OASP<sup>128</sup>;
- to apply the OASP to bank customers in arrears between the 31<sup>st</sup> and the 60<sup>th</sup> day following the due date for the relevant obligation<sup>129</sup>;
- to inform bank customers via a durable medium of the result of the creditworthiness assessment, by submitting proposals to settle arrears, where shown by this assessment to be viable within 30 days of applying the OASP<sup>130</sup>;
- not to charge any fees for renegotiating the terms of the credit agreement under the arrears regime, namely as regards the operation's analysis and formalisation<sup>131</sup>.

127. Article 7(1) of Decree-Law No. 227/2012 of 25 October 2012.

128. Article 10(1) of Decree-Law No. 227/2012 of 25 October 2012.

129. Article 14(1) of Decree-Law No. 227/2012 of 25 October 2012.

130. Article 15(1), (2) and (4) of Decree-Law No. 227/2012 of 25 October 2012.

131. Article 8(1) of Decree-Law No. 227/2012 of 25 October 2012.

During 2017, under the general arrears regime, Banco de Portugal also initiated eight administrative proceedings against six institutions, based on the analysis of 12 complaints. These administrative proceedings referred to the following situations:

- non-compliance with the obligation to assess the customers' creditworthiness set forth by the OASP, and, where assessing as creditworthy, non-compliance with the obligation to submit proposals suited to their financial situation, objectives and needs<sup>132</sup>;
- failure to apply the OASP to customers whose credit agreements have remained in default for a period of over 60 days<sup>133</sup>;
- failure to apply the OASP to customers who, defaulting on their obligations, have asked to undertake this procedure through a communication via durable medium<sup>134</sup>;
- non-compliance with the obligation to communicate the application of the OASP to bank customers<sup>135</sup>;
- non-compliance with the period of 30 days after starting the OASP to communicate to customers the result of their creditworthiness assessment and, if feasible, propose to them settlement solutions suited to their financial situation, objectives and needs<sup>136</sup>.

**Table III.6.6 • Sanctions under the general arrears regime | 2017**

	Number	Institutions covered
<b>Specific orders and recommendations</b>	<b>13</b>	<b>9</b>
Consumer credit	12	8
Mortgage credit	1	1
<b>Administrative proceedings</b>	<b>8</b>	<b>6</b>
Consumer credit	5	5
Mortgage credit	5	3

Source: Banco de Portugal.

132. Article 10(2) and (4) of Decree-Law No. 227/2012 of 25 October 2012.

133. Article 14(1) of Decree-Law No. 227/2012 of 25 October 2012.

134. Article 14(2)(a) of Decree-Law No. 227/2012 of 25 October 2012.

135. Article 14(4) of Decree-Law No. 227/2012 of 25 October 2012.

136. Article 15(1), (2) and (4) of Decree-Law No. 227/2012 of 25 October 2012.



### Box 15 • Activities of the Assistance Network for Indebted Consumers

(Text prepared by the Directorate-General for Consumers)

The Assistance Network for Indebted Consumers was created by the general arrears regime with the aim of ensuring that bank customers at risk of default or in arrears on their obligations under credit agreements are granted access to information, advice and assistance free of charge, in particular in the course of negotiations with credit institutions.

In their work, the entities making up the Assistance Network for Indebted Consumers must obey principles of independence, impartiality, lawfulness and transparency. The assistance provided to bank customers must also be swift and follow criteria of high technical rigor, and the confidentiality of the information provided must be ensured at all times.

These entities may not act in representation or on behalf of bank customers and are also prevented from adopting conciliation, mediation or arbitration mechanisms. In addition, their intervention ceases as soon as legal proceedings are filed by the credit institution in relation to the credit agreement for which support is being provided.

The entities that make up the Assistance Network for Indebted Consumers are recognised by the Directorate-General for Consumers following an opinion of Banco de Portugal and have to demonstrate that they fulfil a set of requirements relating to their technical competence, independence and repute.

In operation since May 2013, the Assistance Network for Indebted Consumers currently comprises the following entities:

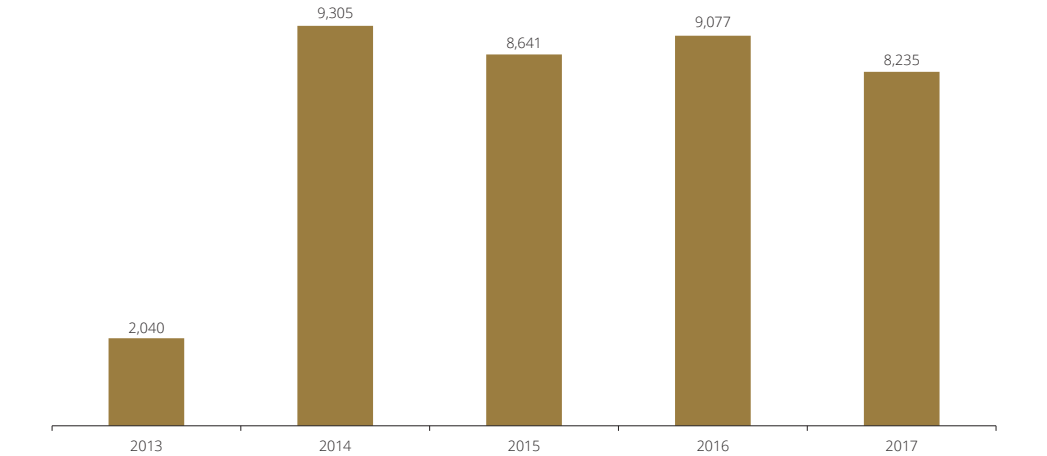
- Município de S. João da Pesqueira – districts of Vila Real, Bragança, Viseu and Guarda;
- Universidade de Aveiro – Aveiro and neighbouring areas;
- CIRIUS/GOEC – Centro de Investigações Regionais e Urbanas – nationwide;
- CIAB – Centro de Informação, Mediação e Arbitragem de Consumo – Minho and part of Trás os Montes and Alto Douro;
- Serviço de Defesa do Consumidor do Instituto da Saúde e Assuntos Sociais da Madeira – IPRAM – Autonomous Region of Madeira;
- APUSBANC Consumo – Associação Portuguesa de Usuários de Serviços Bancários – nationwide;
- CICAP – Centro de Informação de Consumo e Arbitragem do Porto – Porto metropolitan area;
- AMRT – Associação de Melhoramentos e Recreativo do Talude – Municipality of Loures;
- Serviço Jesuíta aos Refugiados – Associação Humanitária – Lisbon metropolitan area;
- APOIARE – Associação para Observação, Investigação e Apoio na Reeducação em Matéria de Endividamento – Lisbon and Porto;
- ATLAS – Cooperativa Cultural, CRL – Porto metropolitan area;
- ENSINUS – Estudos Superiores – nationwide;
- Serviço de Informação e Apoio ao Consumidor da Câmara Municipal de Beja – Municipality of Beja;
- ALCC – Associação Lusofonia, Cultura e Cidadania, Lisbon metropolitan area (ex. Mediar);

- Junta de Freguesia de Águeda – Municipality of Águeda;
- APDC – Associação Portuguesa de Direito do Consumo – districts of Coimbra, Castelo Branco, Leiria, Viseu and Guarda;
- Beira Amiga – Municipality of Viseu;
- Centro de Arbitragem de Conflitos de Consumo de Lisboa – Lisbon metropolitan area;
- Município de Oliveira de Azeméis – Municipality of Oliveira de Azeméis;
- ANIMAR – Associação Portuguesa para o Desenvolvimento Local – Lisbon and Tagus Valley Region;
- Município de Ourém – Municipality of Ourém;
- Ipsum Home – Municipality of Porto.

The Directorate-General for Consumers is responsible for monitoring and assessing the activities of the entities making up the Assistance Network for Indebted Consumers. For this purpose, the aforementioned entities submit to the Directorate-General for Consumers, on a quarterly basis, a set of statistical data on the treatment of requests for information, advice and assistance to bank customers, as well as on financial education initiatives.

In 2017 the entities of the Assistance Network for Indebted Consumers responded to a total of 8,235 proceedings, including requests for information and proceedings monitoring bank customers. This is a decline from 2016, when the entities of the Assistance Network for Indebted Consumers responded to around 9,077 requests for information and assistance.

**Chart B15.1 • Assistance Network for Indebted Consumers | Proceedings responded by entities of the Assistance Network for Indebted Consumers | 2013-2017**



Source: Directorate-General for Consumers.



## IV Financial information and education initiatives

1 Financial information

2 Financial education

3 Participation in international financial  
inclusion and education forums



Bank customers' financial information and education is one of the pillars of Banco de Portugal's banking conduct supervision strategy, complementing regulation and oversight of retail banking products and services.

Banco de Portugal promotes **financial information** through the Bank Customer Website, publishing bank customers' rights and obligations and the laws governing retail banking products and services. This website is also used to promote financial education, in order to improve the quality of demand for banking products and services.

Banco de Portugal's **financial education** initiatives are developed with the support of its regional network, which has a key role in promoting education throughout the country. Banco de Portugal also runs activities as part of the National Plan for Financial Education, in conjunction with the other financial supervisors and in partnership with a broad set of entities.

# 1 Financial information

Banco de Portugal's Bank Customer Website was created in 2008 and provides information on bank customers' rights and obligations when using banking products and services (mortgage and consumer credit, deposits and accounts, and payment services). On this site, bank customers also have access to a set of services provided by Banco de Portugal, such as filing a complaint or information request, consulting the credit liabilities report and the accounts database.

## ⋮ Banco de Portugal redesigned the Bank Customer Website.

Banco de Portugal redesigned the Bank Customer Website in 2017, reinforcing its role in promoting financial information and education for bank customers. Now with more advanced functionality, a simpler, more direct language and a more intuitive interface, supported by new audio-visual tools, like videos and decoders, the redesigned site was launched on 19 November, with refreshed content to meet the needs of the different target users more effectively.

Figure IV.1.1 • Redesign of the Bank Customer Website



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

Over the course of the year, the information released through the Bank Customer Website tracked the legislative and regulatory changes affecting banking products and services, by reporting news, updating content and publishing financial information and education materials, like leaflets, flyers or decoders.

Figure IV.1.2 • Decoders available on the Bank Customer Website



Source: Banco de Portugal – Bank Customer Website > Financial education (<https://cliente bancario.bportugal.pt/en/materiais>).



Figure IV.1.3 • Decoders available on the Bank Customer Website



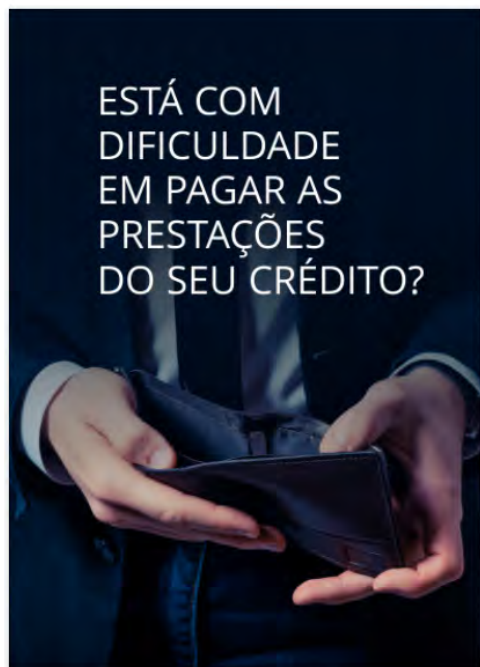
Novas regras no crédito hipotecário

#### CRÉDITOS



O que é uma conta de serviços mínimos bancários?

#### DEPÓSITOS



Está com dificuldade em pagar as prestações do seu crédito?

#### CRÉDITOS



Carro novo, financiamento responsável

#### CRÉDITOS



NAS DECISÕES  
FINANCEIRAS  
**LER TAMBÉM  
É O MELHOR  
REMÉDIO**

Depósitos a prazo: nas decisões financeiras ler também é o melhor

#### DEPÓSITOS



**ANO NOVO,  
SERVIÇOS MÍNIMOS  
BANCÁRIOS NOVOS**

Ano novo, serviços mínimos bancários novos

#### DEPÓSITOS



**INTERMEDIÁRIOS  
DE CRÉDITO**  
O QUE MUDOU  
PARA O CLIENTE  
BANCÁRIO?

Intermediários de crédito - o que mudou para o cliente bancário

#### CRÉDITOS



**É CLIENTE  
BANCÁRIO**  
CONHEÇA OS  
SERVIÇOS QUE  
TEMOS PARA SI

É cliente bancário? O Banco de Portugal tem um conjunto de serviços

#### SERVIÇOS

Source: Banco de Portugal – Bank Customer Website > Financial education (<https://cliente bancario.bportugal.pt/en/materiais>).



In November, the site added a new area specifically for financial education, where Banco de Portugal publishes training initiatives it has carried out, focusing on those organised by its regional network. Users can use this new area to access information and training materials on various topics linked to banking products and services and can also access the National Plan for Financial Education's *Todos Contam* (Everybody Counts) website and e-learning platform.

## The Bank Customer Website now has a fees comparator.

In May 2017, Banco de Portugal launched a fees comparator on its Bank Customer Website, comparing fees either by credit institution or by service.

This feature launched with information on the maintenance fees applying to basic bank accounts and the base accounts, which are now standardised in Portugal.

Banco de Portugal will include a wider set of fees in the fees comparator by October 2018, with the entry into force of the Decree-Law transposing the Payment Accounts Directive<sup>1</sup> and the Commission Delegated Regulation of the European Commission with regard to standardised terminology for most representative services linked to a payment account<sup>2</sup>. These fees' amount and evolution will thus become searchable by institution. This information also offers a link to the fee and expenses leaflet of each credit institution's price list.

Figure IV.1.4 • Fees comparator tool of the Bank Customer Website



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

1. Decree-Law No. 107/2017 of 30 August 2017.

2. Commission Delegated Regulation (EU) 2018/32 of 28 September 2017.

Figure IV.1.5 • Fees comparator of the Bank Customer Website

**BANCO DE PORTUGAL** **Portal do Cliente Bancário** **PERGUNTAS FREQUENTES** **GLOSSÁRIO**

DEPÓSITOS CRÉDITOS PAGAMENTOS SERVIÇOS FORMAÇÃO FINANCEIRA **PESQUISAR**

INÍCIO / COMPARADOR DE COMISSÕES

## Comparador de comissões

**Por instituições de crédito** **Por serviço**

**BANCO DE PORTUGAL** **Portal do Cliente Bancário** **PERGUNTAS FREQUENTES** **GLOSSÁRIO**

DEPÓSITOS CRÉDITOS PAGAMENTOS SERVIÇOS FORMAÇÃO FINANCEIRA **PESQUISAR**

INÍCIO / COMPARADOR DE COMISSÕES

## Comparador de comissões

**Comparação por serviço**

Selecionar os serviços cujas comissões poderá comparar.  
Os valores apresentados correspondem ao valor máximo cobrado para os serviços selecionados para todas as instituições de crédito.

**Comissão 1** **Comissão 2**

Contas

Manutenção da Conta de Serviço

Anual

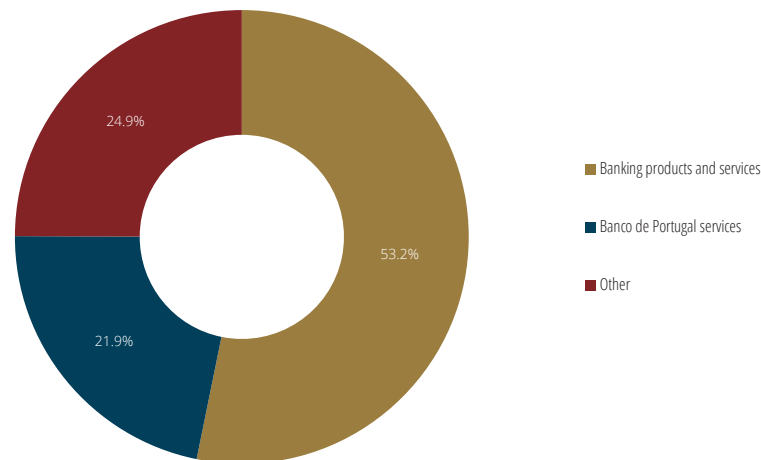
**Comparar** **Limpar**

Source: Banco de Portugal – Bank Customer Website > Fees comparator (<https://clientebancario.bportugal.pt/pt-pt/aplicacao/comparador-de-comissoes>).

**Box 16 • Bank customer information requests**

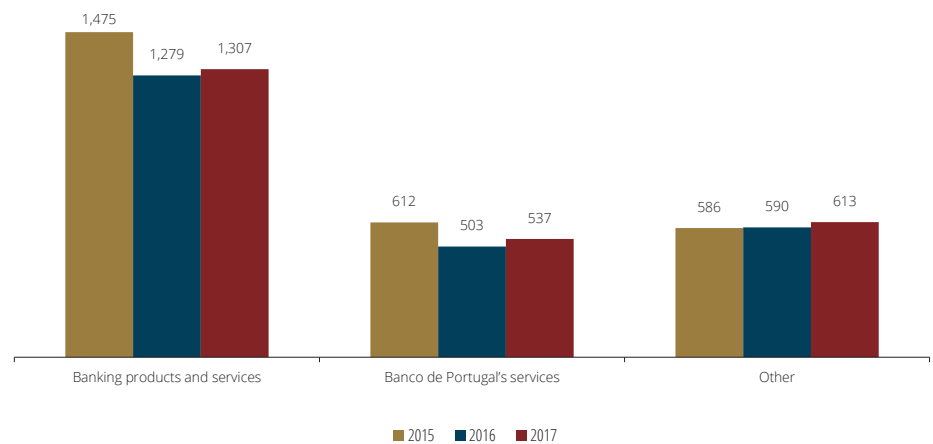
In 2017, Banco de Portugal received 2,457 information requests, 53.2% of which related to banking products and services, 21.9% to Banco de Portugal's services and 24.9% to other subjects. The number of information requests was higher in 2017 than in 2016 (by 3.6%), driven by requests relating to Banco de Portugal's services, which grew by 6.8% year on year.

**Chart B16.1 • Information requests | Distribution by topic | 2017**



Source: Banco de Portugal.

**Chart B16.2 • Information requests | Evolution by topic | 2015–2017**



Source: Banco de Portugal.

In 2017, 1,307 information requests were submitted to Banco de Portugal on banking products and services (2.2% more than in 2016). Questions relating to deposit accounts continued to stand out, despite their number falling from the year before (by 4.8%). Requests relating to mortgage and consumer credit contributed the most to the increase in information requests on banking products and services (10.3% and 12.1% growth respectively). There was also an increase in information requests relating to payment services (up by 8.3%). Offsetting this, questions relating to corporate credit fell (down by 47.9%).

537 information requests were received regarding Banco de Portugal's services (up 6.8% on 2016). These requests related mostly to credit liabilities and complaints. Questions on credit liabilities increased (46.4% more than the year before) and the accounts database (33.3% more), and questions on complaints and on prohibition of the use of cheques (down 39.6% and 23.1% on 2016 respectively).

In 2017, there were 613 information requests on other subjects (3.9% more than the year before), including topics relating to money laundering, terrorist financing and unauthorised activity. Questions relating to topics beyond the scope of Banco de Portugal, also included in other subjects, contributed the most to the increase in this item (of 48%).

**Table B16.1 • Information requests | Evolution by type of banking product and service | 2016–2017**

Type of deposit	Number of requests			Percentage distribution		
	2016	2017	Δ (%)	2016	2017	Δ (p.p.)
Deposit accounts	501	477	-4.8%	39.2%	36.5%	-2.7
Mortgage credit	291	321	10.3%	22.8%	24.6%	1.8
Of which: Arrears regimes	25	15	-40.0%	2.0%	1.1%	-0.8
Consumer credit	223	250	12.1%	17.4%	19.1%	1.7
Of which: Arrears regimes	23	25	8.7%	1.8%	1.9%	0.1
Corporate credit	48	25	-47.9%	3.8%	1.9%	-1.8
Payment instruments	216	234	8.3%	16.9%	17.9%	1.0
Total	1,279	1,307	2.2%	100.0%	100.0%	–

Source: Banco de Portugal.

## 2 Financial education

### 2.1 Banco de Portugal's sectoral financial education activity

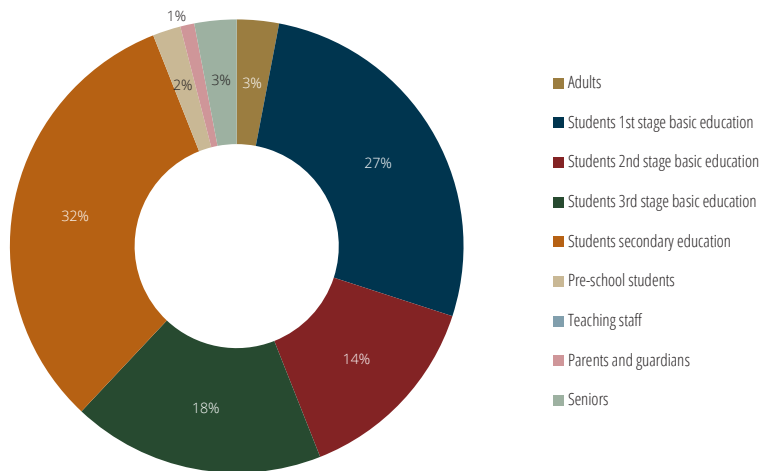
Over the course of 2017, Banco de Portugal ran financial education courses in various parts of the country, with the support of its regional network. In 2017, 375 financial education courses were held across the country, 7% more than in 2016, involving 12,577 participants (Box 17).

These courses largely targeted young people with the goal of promoting appropriate life-long financial attitudes and behaviours. As a result, the main themes included the importance of planning the household budget, savings, and precautions when taking out credit and using payment means, with a view to preventing fraud situations.

**Box 17 • Training courses with the support of Banco de Portugal's regional network**

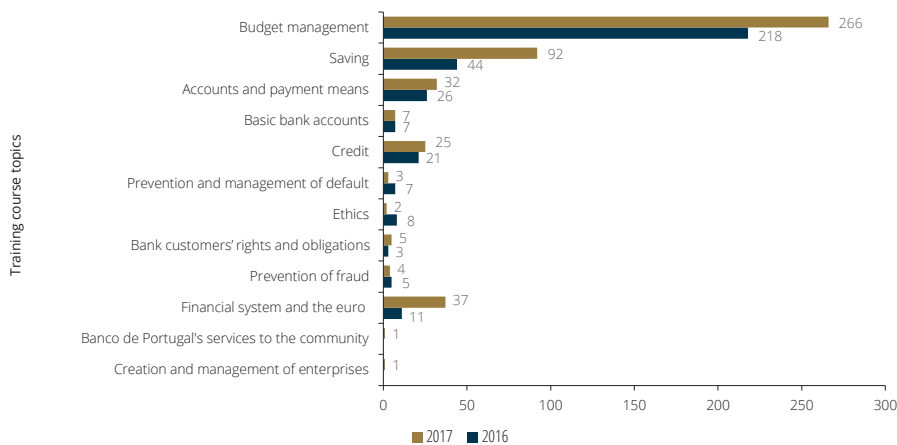
In 2017, Banco de Portugal held 375 financial education courses with the help of its regional network, involving a total of 12,577 participants. Of these, 93% were students, principally from secondary education (32%), 1<sup>st</sup> stage of basic education (27%) and 3<sup>rd</sup> stage of basic education (18%). The main topics included 'drawing up the household budget' and 'the importance of saving'. The courses took place in different points around the country, assisted by Banco de Portugal's presence in seven districts on the mainland (Braga, Porto, Viseu, Coimbra, Castelo Branco, Évora and Faro) and in the Autonomous Regions of the Azores and Madeira, which boosts the regional footprint of the financial education courses.

**Chart B17.1 • Distribution of the number of participants by target group | 2017**



Source: Banco de Portugal.

**Chart B17.2 • Financial education course topics | 2016-2017**



Source: Banco de Portugal.





Initiative developed with Banco de Portugal's Regional Delegation of the Azores.



Initiative developed with Banco de Portugal's Braga Agency.



Initiative developed with Banco de Portugal's Castelo Branco Agency.



Initiative developed with Banco de Portugal's Coimbra Agency.



Initiative developed with Banco de Portugal's Évora Agency.



Initiative developed with Banco de Portugal's Faro Agency.



Initiative developed with Banco de Portugal's Porto Branch.



Initiative developed with Banco de Portugal's Viseu Agency.

## 2.2 Participation in the National Plan for Financial Education

Cooperation protocols were signed with the Norte Portugal Regional Coordination and Development Commission and the Portuguese Union of Professional Football Players

Besides strengthening the strategic pillars guiding its activity in schools (with the Ministry of Education) and among managers of micro, small and medium-sized enterprises (with IAPMEI), Banco de Portugal and the other financial supervisors (the Portuguese Securities Market Commission (Comissão do Mercado de Valores Mobiliários – CMVM) and the Portuguese Insurance and Pension Funds Supervisory Authority (Autoridade de Supervisão de Seguros e Fundos de Pensões – ASF) signed cooperation protocols with two new partners: the Norte Portugal Regional Coordination and Development Commission (CCDR-N) and the Portuguese Union of Professional Football Players (SJPF), broadening the activities of the National Plan for Financial Education.

As part of the financial education promotion strategy in schools, a first round of training courses for teachers and educators was completed across the country, including a training course in the Autonomous Region of Madeira, promoted by Banco de Portugal and the other financial supervisors, with support from the respective Regional Secretariat for Education.

The training programme for teachers is designed to contribute to the implementation of the Core Competencies for Financial Education in Kindergarten, Basic Education, Secondary Education and Adult Learning and Training. Since the start of the programme and until the end of 2017, 296 educators and teachers attended from a total of 977 applicants.



Teacher training course in Funchal.



To promote financial education in schools, supervisors have also published financial education workbooks in support of students and teachers approaching the topics defined in the Core Competencies for Financial Education for the different education stages. In 2017, to assess the impact of Financial Education Workbooks 1 and 2 on financial knowledge, attitudes and behaviours among students of the 1<sup>st</sup> and 2<sup>nd</sup> stages of basic education respectively, Banco de Portugal and the other financial supervisors began a pilot study of these materials among 800 students of Agrupamento de Escolas Fernando Pessoa, in Lisbon.



Delivery of the financial education workbooks to the students of Agrupamento de Escolas de Fernando Pessoa.

Figure IV.2.1 • Poster for the 6<sup>th</sup> *Todos Contam* Competition



Source: National Plan for Financial Education – *Todos Contam* website > *Todos Contam* Competition (<https://www.todoscontam.pt/pt-pt/noticias-termo/concurso-todos-contam>).

The 6<sup>th</sup> *Todos Contam* Competition also took place in 2017, an initiative of the National Council of Financial Supervisors (CNSF) in collaboration with the Ministry of Education to recognise the best financial education projects to be implemented in schools in each academic year. This event received 55 applications, involving over 14,000 students from 92 schools. The *Todos Contam* Competition jury awarded five prizes, plus the continuity prize as laid down in the regulation, and a special award. Four honourable mentions were also awarded.

Another strategic priority of the Plan is the promotion of financial training among managers of micro, small and medium-sized enterprises through a partnership with the Ministry of Economy. The financial supervisors, IAPMEI and Turismo de Portugal held two train-the-trainer courses with the intention of preparing the trainers to implement the Core Competencies for Financial Education in the corporate context, with several events running between December 2016 and September 2017. Assessment of the trainees included real-life training sessions.



In June 2017, the CNSF established a multi-year collaboration protocol with the CCDR-N, promoting financial training among target groups in this region. This partnership is a pilot project that is to be replicated among other Regional Coordination and Development Commissions.

At the same time, a cooperation agreement was signed between the financial supervisors, the CCDR-N and the local authorities of the Intermunicipal Community of Tâmega e Sousa, under which the supervisors ran a train-the-trainer programme, targeting local authority staff members of the Norte region, including those that provide information and support to citizens in organisations associated with the local authorities.



Signing of the cooperation agreement between the CNSF, the CCDR-N and the local authorities of the Intermunicipal Community of Tâmega e Sousa. Left to right: Rui Pinto, Member of the Management Board of CMVM; Fernando Freire de Sousa, President of CCDR-N; José Figueiredo Almaça, President of ASF; Elisa Ferreira, Vice-Governor of Banco de Portugal; Carlos da Silva Costa, Governor of Banco de Portugal; Inácio Ribeiro, President of the Intermunicipal Community of Tâmega e Sousa; Paulo Pereira, Mayor of Baião; Manuel Moreira, Mayor of Marco de Canaveses; Pedro Machado, Mayor of Lousada.



Train-the-trainers of the local authorities of the Intermunicipal Community of Tâmega e Sousa.



Signing of the cooperation protocol between the CNSF and the SJPF. Left to right: Joaquim Evangelista, President of SJPF; Filomena Oliveira, Vice-Chair of the Management Board of CMVM; Carlos da Silva Costa, Governor of Banco de Portugal; José Figueiredo Almeida, President of ASF and Elisa Ferreira, Vice-Governor of Banco de Portugal.

In 2017, the CNSF and the SJPF established a partnership with the aim of holding awareness and financial training courses for young, active and former footballers.

At the end of July 2017, the Plan ran a pilot awareness course for footballers who took part in the 15<sup>th</sup> Footballer Internship, promoted by the SJPF at Jamor Stadium. The goal was to raise players' awareness of the importance of managing their personal finances adequately, with particular consideration for the challenges these professionals face due to their short career and rapid decline.



Presentation of the project "Todos Contam. E no futebol também" ("Everybody counts. In football too").



Awareness course for players of the 15<sup>th</sup> Footballer Internship.

... The first Financial Literacy Week was marked under the motto, "Na Formação Financeira *Todos Contam!*" ('Everybody Counts in Financial Literacy').

For the first time, initiatives marking World Savings Day lasted a week in 2017, called Financial Literacy Week, which took place between 30 October and 3 November. This week aimed to involve the Plan's partners, particularly those with which protocols were already signed, resulting in broader coverage of the different target groups.

Under the motto, "Na Formação Financeira *Todos Contam!*" ('Everybody Counts in Financial Literacy'), the initiatives of Financial Literacy Week 2017 ran in various locations around the country, addressing different target groups, including young people, managers of micro and small enterprises, footballers, the elderly and the general public.

On 30 October, the initiatives related to the school community and were held in Escola EB 2,3 Fernando Pessoa, in Lisbon. The school pavilions were transformed into financial education themed spaces and were filled with activities for various education stages, with financial education workshops, games, ateliers and other recreational activities. These activities were spread among spaces with the following themes: budget, risk, currency, saving and the financial system. Across the country, many other schools joined in the Financial Literacy Week events, holding various initiatives for their students.

The prize-giving ceremony also took place at this school for the projects that won the 6<sup>th</sup> *Todos Contam* Competition. In attendance were the Secretary of State for Education and the CNSF's members.

On 31 October, the financial supervisors, IAPMEI and Turismo de Portugal held the initiative "Financial education for managers of small and medium-sized enterprises | Conference and themed workshops". This conference took place in the Associação Empresarial da Região de Viseu and was attended by 40 managers of small and medium-sized enterprises.

Also on 31 October, the financial supervisors and the SJPF ran a workshop for young footballers and high-performance athletes in Escola Secundária de Fontes Pereira de Melo, in Porto. This workshop highlighted the importance of financial education for the footballers' career management and some ex-players shared their personal experience.

On 2 and 3 November, ten local authorities of the Intermunicipal Community of Tâmega e Sousa ran various initiatives and awareness campaigns for the general public on the importance of financial education, including conferences and workshops, and released material to the press and on local radio.

The Plan launched a Facebook page in 2017 during Financial Literacy Week, to publicise the events that took place across the country.





Financial Literacy Week, on 30 October. Left to right: José Figueiredo Almagá, President of ASF; João Costa, the Secretary of State for Education; Elisa Ferreira, Vice-Governor of Banco de Portugal; Gabriela Figueiredo Dias, Chair of the Management Board of CMVM and Carlos da Silva Costa, Governor of Banco de Portugal.



30 October: Events at EB 2,3 Fernando Pessoa as part of Financial Literacy Week 2017.



31 October: Event for managers of SMEs as part of Financial Literacy Week 2017.



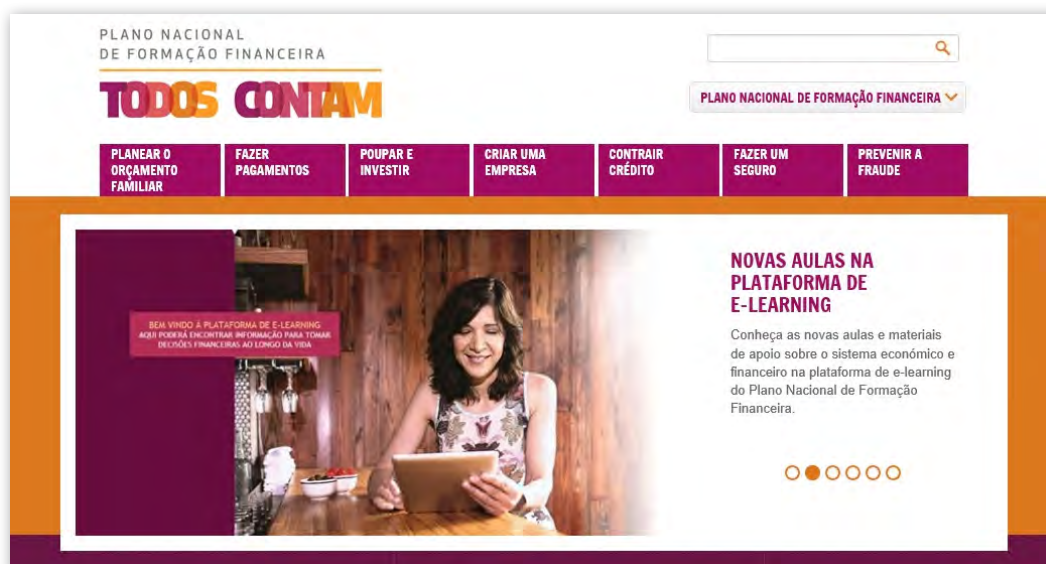
31 October: Event for footballers as part of Financial Literacy Week 2017.



2 and 3 November: Events in the Intermunicipal Community of Tâmega e Sousa as part of Financial Literacy Week 2017.

Financial training through digital channels also continued under the Plan. In 2017, the themes for the e-learning platform, *Todos Contam*, were broadened, with the introduction of a new set of teaching materials prepared by Banco de Portugal associated with the topic 'Economic and financial system', which includes classes on: economic agents, gross domestic product, economic growth, inflation, unemployment and financial institutions. The topics are presented in all the classes through a video complemented by support materials exploring and delving into the topics.

**Figure IV.2.2 • New training area 'Economic and financial system' on the *Todos Contam* website**



Source: National Plan for Financial Education – *Todos Contam* Website (<https://www.todoscontam.pt>).

The National Plan for Financial Education was once again linked with events marking Global Money Week, an international initiative of Child and Youth Finance International (CYFI), which took place between 27 and 31 March. In Portugal, 27 schools took part in Global Money Week, promoting training courses and other kinds of games and sessions.

Banco de Portugal held various activities in the Money Museum in Lisbon, with one school from São Pedro do Sul and two schools from Leiria and Faro, which received honourable mentions in the 5<sup>th</sup> *Todos Contam* Competition. 84 students of various ages took part in these activities.

Over the course of the week, Banco de Portugal also held training sessions through its regional network on budgeting and saving for students of all ages from schools of the districts of Porto, Viseu, Coimbra and Faro.



Participation of Agrupamento de Escolas de S. Pedro do Sul in Global Money Week, in the Money Museum of Banco de Portugal in Lisbon.



'Balance the budget' game with students of Agrupamento de Escolas de S. Pedro do Sul in Global Money Week, in the Money Museum of Banco de Portugal in Lisbon.



Participation of Agrupamento de Escolas João de Deus, from Faro, and Jardim-Escola João de Deus, from Leiria, in Global Money Week, in the Money Museum of Banco de Portugal in Lisbon.



'Arrumar para ganhar' ('Organise to win') game with students of Jardim-Escola João de Deus, in Global Money Week, in the Money Museum of Banco de Portugal in Lisbon.

Aside from these initiatives, the Plan ran training and awareness courses in schools, approaching topics related to household budget management, the importance of saving, accounts and payment means, and insurance.



Train-the-trainer course for staff of Serviço de Informação e Apoio ao Consumidor in Oliveira de Azeméis.



Awareness course in Escola Secundária Dr. José Afonso in Seixal.



## 2.3 Cooperation with the Central Banks of Portuguese-speaking Countries

In the 3<sup>rd</sup> Meeting on Financial Inclusion and Education for Central Banks of Portuguese-speaking Countries, the Portuguese-speaking central banks signed a protocol with the Alliance for Financial Inclusion (AFI) for the promotion of financial inclusion and education.

In July 2017, Banco de Portugal hosted the 3<sup>rd</sup> Meeting on Financial Inclusion and Education for Central Banks of Portuguese-speaking Countries. This meeting was part of the cooperation programme between the Portuguese-speaking central banks, and brought together representatives of the central banks of Angola, Brazil, Cabo Verde, Guinea-Bissau, Mozambique, Portugal, São Tomé and Príncipe, and Timor-Leste.

The first day of the meeting was dedicated to discussion of the role of the central banks in implementing national financial inclusion and education initiatives. In this part of the meeting the central banks shared their experiences in this area, focusing on the national financial inclusion strategies implemented by the countries with high financial exclusion levels. There was also a discussion on the introduction of basic banking service systems, as enablers of financial inclusion.

The second day of the meeting addressed topics related with the digitisation of financial services, featuring sharing of the financial training courses on the use of digital channels and how digital channels enable financial inclusion. Experiences of using digital channels to promote financial training were also shared.

Another topic was financial education in schools, with the central banks presenting recent developments in their initiatives in this field and sharing experiences on the application of methodologies for assessing and monitoring financial training initiatives. The presentation by Flore-Anne Messy of the International Network on Financial Education (INFE), an entity of the Organisation for Economic Co-operation and Development (OECD), contributed greatly to this discussion, which focused on the results of the 2015 Survey on measuring financial literacy and financial inclusion and on the PISA financial literacy test.

As part of this 3<sup>rd</sup> Meeting on Financial Inclusion and Education for Central Banks of Portuguese-speaking Countries, Banco de Portugal and Banco Central do Brasil promoted a protocol between the Central Banks of Portuguese-speaking Countries and the AFI, to work towards financial inclusion and education in Portuguese-speaking countries, signed on the first day of the Meeting in the presence of Luís Máximo dos Santos, the Vice-Governor of Banco de Portugal, Isaac Sidney, the Vice-Governor of Banco Central do Brasil and Alfred Hannig, the Executive Director of the AFI (Box 18).

### Box 18 • Cooperation protocol between the Central Banks of Portuguese-speaking Countries and the Alliance for Financial Inclusion

This protocol lays down the institutional collaboration between the Central Banks of Portuguese-speaking Countries and the AFI, with a view to promoting projects strengthening competences that build financial inclusion and education in Portuguese-speaking countries, namely by sharing training and experiences on the development of adequate methodologies for different target groups and different social and economic contexts.

The protocol strengthened the pre-existing cooperation between the Central Banks of Portuguese-speaking Countries in this area, with the knowledge and experience of the AFI, an international organisation known for its work in the field preparing financial inclusion and education initiatives, targeting in particular underprivileged social groups.



Signing of the protocol between the Central Banks of Portuguese-speaking Countries and the AFI, with Banco de Portugal represented by Vice-Governor Luís Máximo dos Santos.

The AFI promotes underprivileged social groups' access to quality financial services, through knowledge-sharing, identification of best practice and empowerment of public decision-makers.

The AFI is recognised by the Group of Twenty (G20), and comprises central banks, supervisors and other financial system regulators from over 90 developing countries. This organisation is present around the world and is structured into working groups that give it in-depth knowledge of different national contexts and arenas for implementing financial inclusion and education initiatives.

A first initiative developed as part of implementation of the protocol took place at the start of 2018, from 19 to 23 February in Lisbon, led by trainers from Banco de Portugal and Banco Central do Brasil.



### 3 Participation in international financial inclusion and education forums

Banco de Portugal participated in international financial education forums, including the work of the OECD/INFE; the G20's Global Partnership for Financial Inclusion (GPFI), Child and Youth Finance International (CYFI) and CEMLA (Center for Latin American Monetary Studies)<sup>3</sup>.

#### **OECD/International Network on Financial Education (OECD/INFE)**

Banco de Portugal is a founder member of the OECD's INFE, with a presence on the Advisory Board, the body that establishes the INFE's strategic guidelines, as well as its thematic working groups.

Banco de Portugal took an active role in the OECD/INFE's meetings that took place in May and November 2017. At the 'High-level Global Symposium: Implementing effective financial literacy policies in a changing financial landscape', held in New Delhi in November, in parallel with the INFE meeting, Banco de Portugal was invited by the Reserve Bank of India and the OECD to speak at the session 'Implementing and evaluating national strategies, what have we learnt?'.

#### **European Banking Authority (EBA)**

As a member of the EBA, Banco de Portugal was a part of the working group of the Standing Committee on Consumer Protection and Financial Innovation (SCConFin), and helped prepare the first EBA Financial Education Report.

This report was published at the beginning of 2018, and describes over 80 financial education initiatives held in the 28 Member States in 2016/2017, raising consumers' awareness of the characteristics and risks of banking products and services and the importance of the management of personal finances.

#### **Global Partnership for Financial Inclusion do G20 (G20/GPFI)**

Since 2016, Banco de Portugal has taken part in G20/GPFI meetings. In 2017, it was recognised as a participating non-G20 member country, due to its contributions in financial inclusion and education and in the protection of consumers of financial products.

This platform is led by the G20 countries and comprises international organisations with the status of Implementing Partners or Affiliated Partners, with an agenda focusing on the implementation of its Action Plan for Financial Inclusion.

In 2017, during the German presidency of the G20, Banco de Portugal took part in the GPFI Forum which took place in Berlin on 2 and 3 May, as guest speaker for the panel 'Strengthening digital and financial literacy and awareness – financial capability, behavioural patterns and what does data teach the financial service providers about me?'.

3. Banco de Portugal also took part in initiatives developed under FinCoNet, where the Bank is currently the Vice-Chair

### **Child and Youth Finance International (CYFI)**

Banco de Portugal customarily takes part in initiatives of the CYFI, an NGO based in Amsterdam working in promotion of financial inclusion and education among children and young people around the world.

As part of the activities of Global Money Week, run by the CYFI, Banco de Portugal was invited to the session held on 30 March in Amsterdam, entitled Safer Payment Products for Minors, chaired by Queen Máxima of the Netherlands (the patron of the organisation). The document 'Safer Payment Products for Minors – guiding minors towards financial autonomy' was presented, prepared by the CYFI in collaboration with several of its partners. It was followed by a webinar on this topic, in which Banco de Portugal played an active part.

### **Alliance for Financial Inclusion (AFI)**

Banco de Portugal was present at the 9<sup>th</sup> Global Policy Forum of the AFI, which took part in Sharm El Sheik in Egypt from 13 to 15 September, on the sidelines of the AFI's General Assembly.

At this Forum, Banco de Portugal was the guest speaker at the session on the topic 'Responsible Financial Inclusion'.

### **Central Bank of Russia and Russian Microfinance Center**

Banco de Portugal took part in the 26<sup>th</sup> International Financial Congress, with the title Financial System: Stability for Growth, at the invitation of the Central Bank of the Russian Federation, taking place in St. Petersburg from 6 to 8 June, where it was a speaker in the round table discussion 'Protecting the rights of investors and financial services consumers: the role and objectives of conduct oversight'.

Banco de Portugal also took part in the Third International Conference on Financial Literacy and Financial Inclusion (FINFIN 2017) in Moscow on 16 February 2017, at the invitation of the Ministry of Finance of the Russian Federation and the Russian Microfinance Center. At this conference, Banco de Portugal was a speaker on the panel National Strategies for Financial Literacy and Financial Inclusion and Sustainable Development of the Financial Market.

### **Central banks and supervisory authorities of Latin America (CEMLA)**

Banco de Portugal took part in the 9<sup>th</sup> Conference on financial education and inclusion in Latin America and the Caribbean, organised by the central banks of Latin America under the aegis of CEMLA (Center for Latin American Monetary Studies).

At this conference, which took place in October in the Dominican Republic, Banco de Portugal spoke on the panel 'Virtual platforms to encourage financial and economic education'.



## V Annex

1 International agenda

2 Methodological notes for calculating  
which institutions received most complaints



# 1 International agenda

**Table V.1.1 • International agenda**

Subject matter	Date	Entity	Initiative
FinTech	15/03/2018	EBA	The EBA's FinTech roadmap – Conclusions from the consultation on the EBA's approach to financial technology (FinTech) <a href="https://www.eba.europa.eu/documents/10180/1919160/EBA+FinTech+Roadmap.pdf">https://www.eba.europa.eu/documents/10180/1919160/EBA+FinTech+Roadmap.pdf</a>
FinTech	08/03/2018	European Commission	FinTech action plan: For a more competitive and innovative European financial sector <a href="https://eur-lex.europa.eu/resource.html?uri=cellar:6793c578-22e6-11e8-ac73-01aa75ed71a1.0001.02/DOC_1&amp;format=PDFPDF">https://eur-lex.europa.eu/resource.html?uri=cellar:6793c578-22e6-11e8-ac73-01aa75ed71a1.0001.02/DOC_1&amp;format=PDFPDF</a>
FinTech	10/01/2018	FinCoNet	FinCoNet Report Online and mobile payments: An overview of supervisory practices to mitigate security risks <a href="http://www.finconet.org/FinCoNet_SC3_Report_Online_Mobile_Payments_Supervisory_Practices_Security_Risks.pdf">http://www.finconet.org/FinCoNet_SC3_Report_Online_Mobile_Payments_Supervisory_Practices_Security_Risks.pdf</a>
FinTech	04/08/2017	EBA	EBA Discussion Paper on Fintech (EBA-DP-2017-02) <a href="https://www.eba.europa.eu/-/eba-publishes-a-discussion-paper-on-its-approach-to-fintech">https://www.eba.europa.eu/-/eba-publishes-a-discussion-paper-on-its-approach-to-fintech</a>
FinTech	15/06/2017	EBA	EBA response to the European Commission Consultation Document on FinTech <a href="https://www.eba.europa.eu/-/eba-responds-to-the-european-commission-public-consultation-on-fintech">https://www.eba.europa.eu/-/eba-responds-to-the-european-commission-public-consultation-on-fintech</a>
FinTech	23/03/2017	European Commission	Public consultation on FinTech: a more competitive and innovative European financial sector <a href="https://ec.europa.eu/info/sites/info/files/2017-fintech-consultation-document_en_0.pdf">https://ec.europa.eu/info/sites/info/files/2017-fintech-consultation-document_en_0.pdf</a>
Financial innovation	15/03/2018	ESAs	Joint Committee Final Report on Big Data <a href="https://www.esma.europa.eu/sites/default/files/library/jc-2018-04_joint_committee_final_report_on_big_data.pdf">https://www.esma.europa.eu/sites/default/files/library/jc-2018-04_joint_committee_final_report_on_big_data.pdf</a>
Financial innovation	12/02/2018	ESAs	Joint ESAs Warning on Virtual Currencies <a href="https://www.eba.europa.eu/documents/10180/2139750/Joint+ESAs+Warning+on+Virtual+Currencies.pdf">https://www.eba.europa.eu/documents/10180/2139750/Joint+ESAs+Warning+on+Virtual+Currencies.pdf</a>
Financial innovation	28/06/2017	EBA	Report on Innovative uses of consumer data by financial institutions 2017 <a href="https://www.eba.europa.eu/documents/10180/1720738/Report+on+Innovative+uses+of+data+2017.pdf">https://www.eba.europa.eu/documents/10180/1720738/Report+on+Innovative+uses+of+data+2017.pdf</a>
Financial innovation	11/10/2017	OECD	OECD Digital Economy Outlook 2017 <a href="http://www.oecd.org/internet/oecd-digital-economy-outlook-2017-9789264276284-en.htm">http://www.oecd.org/internet/oecd-digital-economy-outlook-2017-9789264276284-en.htm</a>
Financial innovation	10/05/2017	European Commission	DigComp 2.1: The Digital Competence Framework for Citizens with eight proficiency levels and examples of use <a href="http://publications.jrc.ec.europa.eu/repository/bitstream/JRC106281/web-digcomp2.1pdf_(online).pdf">http://publications.jrc.ec.europa.eu/repository/bitstream/JRC106281/web-digcomp2.1pdf_(online).pdf</a>
PSD2	12/12/2017	EBA	Guidelines on security measures for operational and security risks under the PSD2 (EBA-GL-2017-17) <a href="https://www.eba.europa.eu/regulation-and-policy/payment-services-and-electronic-money/guidelines-on-security-measures-for-operational-and-security-risks-under-the-psd2">https://www.eba.europa.eu/regulation-and-policy/payment-services-and-electronic-money/guidelines-on-security-measures-for-operational-and-security-risks-under-the-psd2</a>

Table V.1.1 • International agenda

Subject matter	Date	Entity	Initiative
PSD2	11/12/2017	EBA	Draft RTS on central contact points under PSD2 (EBA-RTS-2017-09) <a href="https://www.eba.europa.eu/regulation-and-policy/payment-services-and-electronic-money/rts-on-central-contact-points-under-psd2">https://www.eba.europa.eu/regulation-and-policy/payment-services-and-electronic-money/rts-on-central-contact-points-under-psd2</a>
PSD2	27/10/2017	EBA	Consultation Paper on RTS on Home-Host cooperation under PSD2 (EBA-CP-2017-16) <a href="https://www.eba.europa.eu/-/eba-consults-on-requirements-for-home-host-cooperation-under-psd2">https://www.eba.europa.eu/-/eba-consults-on-requirements-for-home-host-cooperation-under-psd2</a>
PSD2	13/10/2017	EBA	Guidelines on complaint procedures under PSD2 (EBA-GL-2017-13) <a href="https://www.eba.europa.eu/regulation-and-policy/payment-services-and-electronic-money/guidelines-on-procedures-for-complaints-of-alleged-infringements-of-the-psd2">https://www.eba.europa.eu/regulation-and-policy/payment-services-and-electronic-money/guidelines-on-procedures-for-complaints-of-alleged-infringements-of-the-psd2</a>
PSD2	07/07/2017	EBA	Guidelines on PII under PSD2 (EBA-GL-2017-08) <a href="https://www.eba.europa.eu/regulation-and-policy/payment-services-and-electronic-money/guidelines-on-the-criteria-on-how-to-stipulate-the-minimum-monetary-amount-of-the-professional-indemnity-insurance-under-psd2">https://www.eba.europa.eu/regulation-and-policy/payment-services-and-electronic-money/guidelines-on-the-criteria-on-how-to-stipulate-the-minimum-monetary-amount-of-the-professional-indemnity-insurance-under-psd2</a>
Payment accounts directive (PAD)	28/09/2017	European Commission	Commission Delegated Regulation (EU) 2018/32 with regard to regulatory technical standards for the Union standardised terminology for the most representative services linked to a payment account <a href="https://eur-lex.europa.eu/legal-content/en/ALL/?uri=CELEX:32018R0032">https://eur-lex.europa.eu/legal-content/en/ALL/?uri=CELEX:32018R0032</a>
Payment accounts directive (PAD)	28/09/2017	European Commission	Commission implementing Regulation (EU) 2018/33 laying down implementing technical standards with regard to the standardised presentation format of the statement of fees and its common symbol <a href="https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2018.006.01.0026.01.ENG&amp;toc=OJ:L:2018:006:FULL">https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2018.006.01.0026.01.ENG&amp;toc=OJ:L:2018:006:FULL</a>
Payment accounts directive (PAD)	28/09/2017	European Commission	Commission Implementing Regulation (EU) 2018/34 laying down implementing technical standards with regard to the standardised presentation format of the fee information document and its common symbol <a href="https://eur-lex.europa.eu/legal-content/en/TXT/?uri=CELEX:32018R0034">https://eur-lex.europa.eu/legal-content/en/TXT/?uri=CELEX:32018R0034</a>
Payment accounts directive (PAD)	05/05/2017	EBA	Draft RTS and ITSs under PAD (EBA-RTS-2017-04, EBA-ITS-2017-03, EBA-ITS-2017-04) <a href="https://www.eba.europa.eu/-/eba-publishes-final-draft-technical-standards-under-the-payment-accounts-directive-to-enhance-transparency-and-comparison-of-payment-account-fees">https://www.eba.europa.eu/-/eba-publishes-final-draft-technical-standards-under-the-payment-accounts-directive-to-enhance-transparency-and-comparison-of-payment-account-fees</a>
PRIIPs	20/11/2017	ESAs	Q&As on the Key Information Document for PRIIPs (JC 2017 49) <a href="https://esas-joint-committee.europa.eu/Pages/News/European-Supervisory-Authorities-publish-the-third-set-of-QAs-on-the-Key-Information-Document-for-PRIIPs-.aspx">https://esas-joint-committee.europa.eu/Pages/News/European-Supervisory-Authorities-publish-the-third-set-of-QAs-on-the-Key-Information-Document-for-PRIIPs-.aspx</a>
Consumer protection	15/12/2017	World Bank	Good Practices for Financial Consumer Protection: 2017 Edition <a href="https://openknowledge.worldbank.org/bitstream/handle/10986/28996/122011-PUBLIC-GoodPractices-WebFinal.pdf?sequence=1&amp;isAllowed=y">https://openknowledge.worldbank.org/bitstream/handle/10986/28996/122011-PUBLIC-GoodPractices-WebFinal.pdf?sequence=1&amp;isAllowed=y</a>
Consumer protection	29/11/2017	FinCoNet	FinCoNet Report on the Digitalisation of Short-Term, High-Cost Consumer Credit <a href="http://www.finconet.org/finconetreportonthedigitalisationofshort-termhigh-costconsumercredit.htm">http://www.finconet.org/finconetreportonthedigitalisationofshort-termhigh-costconsumercredit.htm</a>

**Table V.1.1 • International agenda**

Subject matter	Date	Entity	Initiative
Consumer protection	28/06/2017	EBA	Consumer Trends Report 2017 <a href="https://www.eba.europa.eu/-/eba-publishes-2017-consumer-trends-report">https://www.eba.europa.eu/-/eba-publishes-2017-consumer-trends-report</a>
Consumer protection	15/01/2017	OECD – Task force on financial consumer protection	Lefevre, A. and M. Chapman (2017), "Behavioural economics and financial consumer protection", OECD Working Papers on Finance, Insurance and Private Pensions, No. 42, OECD Publishing, Paris <a href="http://dx.doi.org/10.1787/0c8685b2-en">http://dx.doi.org/10.1787/0c8685b2-en</a>
Financial inclusion	15/12/2017	World Bank	Global Financial Inclusion and Consumer Protection Survey, 2017 Report <a href="http://documents.worldbank.org/curated/en/430051513370920202/Global-financial-inclusion-and-consumer-protection-survey-2017-report">http://documents.worldbank.org/curated/en/430051513370920202/Global-financial-inclusion-and-consumer-protection-survey-2017-report</a>
Financial inclusion	17/08/2017	GPFI of G20	2017 GPFI Forum Documentation <a href="https://www.gpfi.org/sites/default/files/documents/g20-gpfi-broschuere-web.pdf">https://www.gpfi.org/sites/default/files/documents/g20-gpfi-broschuere-web.pdf</a>
Financial inclusion	15/6/2017	GPFI of G20	GPFI Guidance Note on Building Inclusive Digital Payments Ecosystems <a href="https://www.gpfi.org/publications/gpfi-guidance-note-building-inclusive-digital-payments-ecosystems">https://www.gpfi.org/publications/gpfi-guidance-note-building-inclusive-digital-payments-ecosystems</a>
Financial inclusion	24/04/2017	GPFI of G20	G20 report on Digital Financial Inclusion: Emerging Policy Approaches <a href="https://www.gpfi.org/publications/g20-report-digital-financial-inclusion-emerging-policy-approaches">https://www.gpfi.org/publications/g20-report-digital-financial-inclusion-emerging-policy-approaches</a>
Financial education	01/03/2018	EBA	EBA financial education report 2017/18 <a href="https://www.eba.europa.eu/documents/10180/2087449/EBA+Financial+Education+Report.pdf">https://www.eba.europa.eu/documents/10180/2087449/EBA+Financial+Education+Report.pdf</a>
Financial education	11/01/2018	European Commission	Digital education action plan <a href="https://ec.europa.eu/education/sites/education/files/digital-education-action-plan.pdf">https://ec.europa.eu/education/sites/education/files/digital-education-action-plan.pdf</a>
Financial education	20/04/2017	OECD/INFE	Report on Ensuring financial education and consumer protection for all in the digital age <a href="http://www.oecd.org/daf/fin/financial-education/G20-OECD-INFE-Report-Financial-Education-Consumer-Protection-Digital-Age.pdf">http://www.oecd.org/daf/fin/financial-education/G20-OECD-INFE-Report-Financial-Education-Consumer-Protection-Digital-Age.pdf</a>

## 2 Methodological notes for calculating which institutions received most complaints

### Universe of complaints

The data used in the statistical analysis refer to complaints received by Banco de Portugal, between 2015 and 2017, whose subject matter falls within its scope of action, either submitted through the complaints book made available in the credit institutions, or directly sent to Banco de Portugal by bank customers.

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

### Subject matters of complaints

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.
- Mortgage credit – complaints related to the access to, and execution and contractual conditions of housing loans and related credit under Decree-Law No. 51/2007 of 7 March 2007.
- Consumer credit – complaints related to the access to, and execution and contractual conditions of credit agreements, other than housing loans and related credit agreements under Decree-Law No. 51/2007 of 7 March 2007. 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 credit granted to companies, 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 data base, banking guarantees, non-presentation of the complaints book, 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 subject matters of complaints, 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 2016 and 2017 (average between the values of the start and end of each period). Source: 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 2016 and 2017 (average number of cheques issued and drawn). Source: information regularly reported by SIBS.
- Mortgage credit – number of housing loan agreements and related credit under Decree-Law No. 51/2007 of 7 March 2007, in force in 2016 and 2017 (average between the values of the start and end of each period). Source: information reported by credit institutions under Instruction of Banco de Portugal No. 8/2010.
- Consumer credit – number of agreements in force in 2016 and 2017 (average between the values of the start and end of each period) relating to consumer credit, including credit cards. Source: information reported by credit institutions under Instruction of Banco de Portugal No. 8/2010.
- Loans to enterprises – number of agreements in force in 2016 and 2017 (average between the values of the start and end of each period) relating to credit granted to companies and private entrepreneurs. Source: information reported by credit institutions under Instruction of Banco de Portugal No. 8/2010.
- Deposit accounts – number of current accounts in 2016 and 2017 (average between the values of the start and end of each period). Source: 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 under SEPA (Single Euro Payments Area) in 2016 and 2017. Source: information regularly reported by SIBS.
- ATMs – number of automated teller machines (ATMs), including dedicated networks, existing in 2016 and 2017 (average between the values of the start and end of each period). Source: information regularly reported by SIBS and credit institutions.
- Cash operations – number of cash deposit and withdrawal operations in the Multibanco network (ATMs) in 2016 and 2017 (excluding international deposit and withdrawal operations). Source: information regularly reported by SIBS.
- Credit transfers – number of transfers processed through SICOI in 2016 and 2017. Source: information regularly reported by SIBS.

### **Credit institutions**

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

The relative number of complaints was calculated for the credit institutions that carried out activity throughout the whole year and in relation to which Banco de Portugal received, in 2017, on average, more than one complaint per quarter on each subject matter receiving complaints, as a lower number is not considered representative of complaints submitted by bank customers.

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

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

