### Banking Conduct Supervision Report

2018



#### Banking Conduct Supervision Report

2018



#### Contents

Acronyms and abbreviations   12
Introductory note   15
Executive Summary   17
Main banking conduct supervision activities 2018   29
<ul> <li>1 Fees Comparator   31</li> <li>1.1 Information provided and functions   31</li> <li>1.2 Available services   32</li> </ul>
<ul> <li>2 Credit intermediaries   34</li> <li>2.1 The importance of credit intermediation   34</li> <li>2.2 Implementation of the new regime   36</li> <li>2.3 Legal framework for credit intermediaries   37</li> <li>2.4 Authorisation of credit intermediaries   39</li> <li>2.5 Disclosure of authorised entities   44</li> </ul>
3 Training entities   46 3.1 Technical competence requirements   46 3.2 Certified training entities   47 3.3 Monitoring training entities   49
4 Consumer credit in digital channels   49 4.1 The growing use of digital channels   49 4.2 Ex ante monitoring   50 4.3 Supervisory priorities   51 4.4 Banking conduct supervision concerns   53
<ul> <li>5 Home loans and mortgage credit   54</li> <li>5.1 The new framework   54</li> <li>5.2 Disclosure and monitoring   56</li> </ul>
6 Basic bank accounts   57 6.1 New rights   57 6.2 Features of BBAs   58 6.3 Developments in BBAs   59
6.4 Disclosure and monitoring   62

```
7.1 The new legal framework | 65
   7.2 Disclosure and monitoring | 66
II Banking conduct supervision activities | 71
   1 Monitoring of advertising | 73
   2 Monitoring by product | 77
   2.1 Basic bank accounts | 77
   2.2 Structured deposits | 80
   2.2.1 Assessment of the Key Information Document | 80
   2.2.2 Yield monitoring | 80
   2.3 Consumer credit | 81
   2.3.1 Report of new agreements | 81
   2.3.2 Inspections | 82
   2.3.3 Monitoring offerings through digital channels | 84
   2.3.4 Reporting of agreements incorporated under OASP | 86
   2.4 Home loans and mortgage credit | 90
   2.4.1 Inspections | 90
   2.4.2 Report of agreements incorporated under OASP | 91
   2.5 Payment services | 94
   3 Price lists and complaints book | 96
   4 Bank customer complaints | 97
   4.1 Recent developments | 97
   4.2 Developments in complaints by subject matter | 98
   4.3 Matters subject to the most complaints, by banking product and service | 101
   4.3.1 Deposit accounts | 101
   4.3.2 Consumer credit | 102
   4.3.3 Home loans and mortgage credit | 104
   4.3.4 Payment cards | 105
   4.3.5 Credit transfers | 106
   4.3.6 Cheques | 107
   4.3.7 Loans to enterprises | 108
   4.4 Institutions subject to the most complaints | 109
   4.4.1 Deposit accounts | 109
   4.4.2 Consumer credit | 110
   4.4.3 Home loans and mortgage credit | 112
   4.5 Results of closed complaints | 114
   4.6 Complaint closure time frame | 114
```

7 Structured deposits | 65

```
5 Correction of irregularities and sanctions | 115
   5.1 Specific orders and recommendations | 115
   5.1.1 Advertising | 116
   5.1.2 Deposit accounts | 117
   5.1.3 Consumer credit | 119
   5.1.4 Home loans and mortgage credit | 124
   5.1.5 Payment services | 126
   5.1.6 Price lists | 127
   5.1.7 Complaints book | 128
   5.2 Administrative proceedings | 128
   5.2.1 Deposits | 129
   5.2.2 Consumer credit | 129
   5.2.3 Home loans and mortgage credit | 130
   5.2.4 Reporting to the Central Credit Register | 131
   5.2.5 Payment services | 131
   5.2.6 Complaints book | 132
   5.2.7 Other | 132
III Financial information and education initiatives 1 133
   1 Bank Customer Website | 135
   1.1 New bank customer rights | 135
   1.2 New entities within the perimeter of supervision | 136
   1.3 Services to the public | 137
   1.4 Requests for information | 138
   2 Financial education initiatives of Banco de Portugal | 139
   2.1 Financial education materials and campaigns | 139
   2.2 Financial training courses | 142
   2.3 Cooperation with the Central Banks of Portuguese-speaking Countries | 143
   3 Participation in the National Plan for Financial Education | 146
IV International banking conduct supervision environment | 151
   1 International forums | 153
   1.1 European Banking Authority | 153
   1.2 Joint Committee of the European Supervisory Authorities | 156
   1.3 European Commission | 156
   1.4 International Financial Consumer Protection Organisation (FinCoNet) | 157
   1.5 G20/OECD Task Force on Financial Consumer Protection | 158
```

- 1.6 OECD/International Network on Financial Education (INFE) | 159
- 1.7 G20/Global Partnership for Financial Inclusion | 160
- 1.8 Participation in the Intergovernmental Group of Experts on Consumer Protection Law and Policy of UNCTAD | 160
- 2 International cooperation | 161
- 2.1 Work visits of supervisory authorities | 161
- 2.2 Financial Citizenship Forum of Banco Central do Brasil | 161
- 2.3 CEMLA | **161**
- V Annex 1: Legislative and regulatory initiatives | 163
- VI Annex 2: Methodological notes for calculating which institutions received most complaints | 167

#### Charts

- Chart I.2.1 Consumer Credit | Amount granted by distribution channel | EUR millions | 2015-2017 | 35
- Chart I.2.2 · Car loans | Credit granted by distribution channel | EUR millions | 2017 | 36
- Chart I.2.3 · Credit intermediaries | Status of applications for authorisation | 2018 | 39
- Chart I.2.4  $\cdot$  Credit intermediaries | Applications for authorisation by type of applicant | 2018 | 40
- Chart I.2.5 Credit intermediaries | Applications for authorisation submitted by legal persons, by main economic activity division | 2018 | 40
- Chart I.2.6 Credit intermediaries | Applications for authorisation by type of applicant | 2018 | 42
- Chart I.2.7 Credit intermediaries | Applications for authorisation by type of credit | 2018 | 43
- Chart I.2.8 Credit intermediaries | Applications for authorisation to provide consultancy services by category | 2018 | 43
- Chart I.2.9 Credit intermediaries | Applications for authorisation to provide consultancy service by type of credit | 2018 | 44
- Chart I.6.1 BBAs | Developments in the number of accounts | 2015–2018 | 60
- Chart I.6.2 BBAs | Accounts opened and closed | 2018 | 60
- Chart I.6.3  $\cdot$  BBAs | Breakdown of accounts opened in the 2nd half of 2018 by gender and age | 61
- Chart I.6.4 BBAs | Breakdown of accounts | 2018 | 62
- Chart II.1.1 Advertising | Number of advertising materials monitored | 2017–2018 | 73
- Chart II.1.2 Advertising | Types of advertising materials monitored | 2018 | 74
- Chart II.1.3 Advertising | Percentage of advertising materials with irregularities | 2017–2018 | 75
- Chart II.1.4 Advertising | Percentage of advertising materials with irregularities by type of product | 2018 | 75
- Chart II.1.5 · Advertising | Non-compliance with Notice No 10/2008 | 2017–2018 | 76
- Chart II.2.1 · Consumer credit | Number of agreements reported | 2016–2018 | 81
- Chart II.2.2 OASP | Distribution of consumer credit agreements integrated in the OASP by type of credit | 2018 | 88
- Chart II.2.3 OASP | Reasons for cancellation | Consumer credit products | 2017–2018 | 88
- Chart II.2.4 OASP | Reasons for cancellation | Home loans and mortgage credit | 2017–2018 | 93

- Chart II.4.1 · Complaints | Developments in the number of entries | 2011–2017 | 97
- Chart II.4.2 Complaints | Product and service subject to complaint (per cent) | 2017–2018 | 100
- Chart II.4.3 · Complaints | Deposit accounts | 2018 | 101
- Chart II.4.4 · Complaints | Consumer credit products | 2018 | 102
- Chart II.4.5 Complaints | Credit cards, personal loans and car loans | 2018 | 103
- Chart II.4.6 · Complaints | Home loan and mortgage credit | 2018 | 104
- Chart II.4.7 · Complaints | Payment cards | 2018 | 105
- Chart II.4.8 · Complaints | Credit transfers | 2018 | 106
- Chart II.4.9 · Complaints | Cheques | 2018 | 107
- Chart II.4.10 · Complaints | Loans to enterprises | 2018 | 108
- Chart II.4.11 · Complaints | Per 1,000 current accounts | 2018 | 110
- Chart II.4.12 · Complaints | Per 1,000 consumer credit agreements | 2018 | 112
- Chart II.4.13 Complaints | Per 1,000 home loan and mortgage credit agreements | 2018 | 113
- Chart III.2.1 Distribution of participants by target group | 2018 | 143

#### **Tables**

- Table I.6.1 BBAs | Type of non-compliance by credit institution | 64
- Table II.1.1 Advertising | Advertising materials analysed by type of product | 2017–2018 | 73
- Table II.2.1 Inspections of BBAs by topic and type of action | 2018 | 77
- Table II.2.2 Structured deposits | Pre-contractual information documents | 2017–2018 | **80**
- Table II.2.3 Structured deposits | Yields monitored | 2017–2018 | 81
- Table II.2.4 Inspections of central services of institutions related with consumer credit by topic and type of action | 2018 | 82
- Table II.2.5  $\cdot$  Inspections of consumer credit offerings through digital channels by topic and type of credit | 2018 | 84
- Table II.2.6 Proceedings launched, under analysis and concluded | Consumer credit | 2017–2018 | 87
- Table II.2.7 OASP | Solutions agreed in the proceedings concluded | Consumer credit | 2017–2018 | 89
- Table II.2.8 OASP | Renegotiated terms in the proceedings concluded | Consumer credit | 2017–2018 | 89
- Table II.2.9 Inspections of home loans and mortgage credit by topic and type of action | 2018 | 90
- Table II.2.10 OASP | Proceedings launched, under analysis and concluded | Home loans and mortgage credit | 2017–2018 | 92
- Table II.2.11 OASP | Solutions agreed in the proceedings concluded | Home loans and mortgage credit | 2017–2018 | 93
- Table II.2.12  $\cdot$  OASP | Renegotiated terms in the proceedings concluded | Home loans and mortgage credit | 2017–2018 | 94
- Table II.2.13  $\cdot$  Inspectionsof deposit accounts and payment services by topic and type of action | 2018 | 94
- Table II.3.1 Inspections of price lists and complaints books by topic and type of action | 2018 | 96
- Table II.3.2 Price list reports | 2018 | 96
- Table II.4.1 · Complaints | Number of entries by origin | 2017–2018 | 98
- Table II.4.2 Complaints | Number of complaints by banking product and service | 2017–2018 | 100
- Table II.4.3 · Complaints | Per 1,000 current accounts | 2018 | 109
- Table II.4.4 · Complaints | Per 1,000 consumer credit agreements | 2018 | 111

- Table II.4.5 Complaints | Per 1,000 home loan and mortgage credit agreements | 2018 | 113
- Table II.5.1 Specific orders and recommendations | By topic | 2018 | 115
- Table II.5.2 Specific orders and recommendations | Advertising | 2018 | 116
- Table II.5.3 Specific orders and recommendations | Basic bank accounts | 2018 | 118
- Table II.5.4 · Specific orders and recommendations | Bank deposits | 2018 | 118
- Table II.5.5 Specific orders and recommendations | Consumer credit | 2018 | 120
- Table II.5.6 Recommendations | Monitoring the offering of consumer credit through digital channels | 2018 | 123
- Table II.5.7 Specific orders and recommendations | Home loans and mortgage credit | 2018 | 125
- Table II.5.8 Specific orders and recommendations | Payment services | 2018 | 126
- Table II.5.9 Specific orders and recommendations | Price lists | 2018 | 127
- Table II.5.10 Specific orders and recommendations | Complaints book | 2018 | 128
- Table II.5.11 · Administrative proceedings | Topics covered | 2018 | 128
- Table III.1.1 Requests for information from bank customers | Evolution by type of banking product and service | 2017–2018 | 139
- Table VI.1.1 Legislative and regulatory initiatives | 165

#### **Figures**

- Figure I.1.1 Fees Comparator available on the Bank Customer Website | 34
- Figure I.2.1 Credit intermediaries | Map of the applications for authorisation by residence or head office territorial unit | 2018 | 41
- Figure I.2.2 Bank Customer Website | Authorised credit intermediaries | 45
- Figure I.3.1 · Certification of training entities by Banco de Portugal | 47
- Figure I.3.2 Access to the list of training entities certified by Banco de Portugal | 48
- Figure I.7.1 Searches for pre-contractual information documents on the Bank Customer Website | 67
- Figure 1.7.2 Return on structured deposits available on the Bank Customer Website | 68
- Figure III.1.1 Materials on credit intermediaries on the Bank Customer Website | 137

- Figure III.2.1 New materials on credit available on the Bank Customer Website | 140
- Figure III.2.3 Dissemination of the #toptip campaign on the Bank Customer Website and social media | 141
- Figure III.2.2 Poster on basic bank accounts | 141
- Figure III.2.4 5 tips for staying safer online' brochure | 142
- Figure III.2.5 Financial Inclusion and Education Initiatives | 145
- Figure III.3.1 2018 Annual Report of the National Plan for Financial Education | 146
- Figure III.3.2 Financial Education Workbook 3 | 148
- Figure IV.1.1 EBA Consumer Trends Report 2018/19 | 154
- Figure IV.1.2 EBA Financial Education Report 2017/18 | 154
- Figure IV.1.3 EBA Report on Cost and Past Performance of Structured Deposits | 155
- Figure IV.1.4 The EBA's Fintech Roadmap | 155
- Figure IV.1.5 · Joint Committee Final Report on Big Data | 156
- Figure IV.1.6 European Commission | Evaluation of the Consumer Credit Directive | 156
- Figure IV.1.7 · Digitalisation of Short-term, High-cost Consumer Credit: Guidance to Supervisors | 157
- Figure IV.1.8  $\cdot$  Practices and Tools required to support Risk-based Supervision in the Digital Age | 157
- Figure IV.1.9 G20/OECD Policy Guidance on Financial Consumer Protection Approaches in the Digital Age  $\mid$  158
- Figure IV.1.10 Short-term consumer credit: provision, regulatory coverage and policy responses | 158
- Figure IV.1.11 G20/OECD INFE Policy Guidance Note on Digitalisation and Financial Literacy | 159
- Figure IV.1.12 G20 Policy Guide: Digitisation and informality Harnessing digital financial inclusion for individuals and MSMEs in the informal economy | 160

#### Acronyms and abbreviations

AFI	Alliance for Financial Inclusion
AFM	Dutch Authority for the Financial Markets
APB	Portuguese Banking Association (Associação Portuguesa de Bancos)
APFIPP	Portuguese Association of Investment Funds, Pension Funds and Asset Managemen (Associação Portuguesa de Fundos de Investimento, Pensões e Patrimónios)
APR	Annual percentage rate
APRC	Annual percentage rate of charge
APS	Portuguese Association of Insurers (Associação Portuguesa de Seguradores)
ASF	Portuguese Insurance and Pension Funds Supervisory Authority <i>(Autoridade de Supervisão de Seguros e Fundos de Pensões)</i>
ASFAC	Association of Specialised Credit Institutions (Associação de Instituições de Crédito Especializado)
ATM	Automated Teller Machine
ATS	Automatic Teller Safe
BBA	Basic bank account
BCPLP	Central Banks of Portuguese-speaking Countries
BCTL	Central Bank of Timor-Leste
BCW	Bank Customer Website
CASES	António Sérgio Cooperative for Social Economy (Cooperativa António Sérgio para a Economia Social)
CCDR-N	Norte Portugal Regional Coordination and Development Commission (Comissão de Coordenação e Desenvolvimento Regional do Norte)
CCR	Central Credit Register (Central de Responsabilidades de Crédito)
CEMLA	Center for Latin American Monetary Studies <i>(Centro de Estudios Monetarios Latinoamericanos)</i>
CMVM	Portuguese Securities Market Commission <i>(Comissão do Mercado de Valores Mobiliários)</i>
CNSF	National Council of Financial Supervisors (Conselho Nacional de Supervisores Financeiros)
EAR	Effective annual rate
EBA	European Banking Authority
ESIS	European Standardised Information Sheet
nCoNet	International Financial Consumer Protection Organization
G20	Group of Twenty
GPFI	Global Partnership for Financial Inclusion
IAPMEI	Public Agency for Competitiveness and Innovation (Agência para a Competitividade e Inovação, I.P.)
IAS	Social Support Index (Indexante dos Apoios Sociais)
IEFP	Institute for Employment and Vocational Training (Instituto do Emprego e Formação Profissional)

IGE Intergovernmental Group of Experts on Consumer Protection Law and Policy

INFE	International Network on Financial Education
INFORDEPE	National Institute for Training of Teachers and Education Professionals of Timor-Leste (Instituto Nacional de Formação de Docentes e Profissionais da Educação)
JCESA	Joint Committee of the European Supervisory Authorities
KID	Key information document
LCD	List of cheque defaulters
NACE	EU economic activity classification system (Nomenclature statistique des Activités économiques dans la Communauté Européenne)
NCA	National competent authority
OECD	Organisation for Economic Co-operation and Development
OPP	Portuguese Psychologists Association (Ordem dos Psicólogos Portugueses)
POG	Product oversight and governance arrangements for retail banking products
PRIIPs	Packaged retail and insurance-based investment products
RCL	Complaint from the official complaints book (Reclamação proveniente do Livro de Reclamações)
RCO	Complaint received from other means (Reclamação proveniente de outros meios)
SCPS	Standing Committee on Payment Services
SEPA	Single Euro Payments Area
SICAM	Integrated Mutual Agricultural Credit Scheme (Sistema Integrado do Crédito Agrícola Mútuo)
SICOI	Interbank Clearing System (Sistema de Compensação Interbancária)
SIMPLEX	Portuguese Government's administrative and legislative simplification programme
SIS	Standardised Information Sheet
UNCTAD	United Nations Conference on Trade and Development

#### Introductory note

The Banking Conduct Supervision Report for 2018 speaks for itself in terms of the intensity of the work carried out by Banco de Portugal in fulfilling its core mission, as bound by law.

With a slightly different structure from previous years, the Report begins with a set of achievements, which were deemed important to single out because they had a wide impact and were truly innovative.

Firstly, the creation and launch of the bank fees comparator, undoubtedly a fundamental tool to help bank customers manage their options in regard to institutions in a more informed and rational way.

Secondly, the huge change arising from broadening the perimeter of banking conduct supervision to encompass credit intermediaries, which saw Banco de Portugal taking on responsibility for authorising, registering and supervising their activity. For some, the legal framework may be too ambitious. However, Banco de Portugal's duty is to comply with it rigorously, as well as appropriately, proportionally and with good sense. This legal framework was, quite rightly, called for long ago. It arose from the need to implement the European legislation in Portugal and I am certain that, in time, the benefits of this legislation for a more efficient market in this area will be evident.

Another new power of Banco de Portugal is the responsibility for certifying entities that train credit institutions' staff in the field of home loans and mortgage credit, and credit intermediaries. Another step in the right direction, but one that forced the Bank to make an extra effort to carry out that task in full.

In another area, the growth in consumer credit offered through digital channels meant that oversight of observance of the consumer protection laws in these markets was also one of the Bank's priorities in 2018.

It is a field that consistently poses new challenges for the supervisor and, for that reason, following the right path means remembering, equally consistently, to assess the methodologies used, and change them if necessary.

The legal framework for basic bank accounts (BBAs) was also subject to alteration in 2018, resulting in new obligations for Banco de Portugal. Measures were taken, specifically, to improve awareness about BBAs among the institutions' customers and to increase oversight of compliance with the laws governing them.

Also receiving special attention was the implementation of various legislative measures to strengthen and broaden bank customers' rights in the offering of home loans and other mortgage-backed credit, as laid down in the new mortgage credit framework (including obligations to provide the European Standardised Information Sheet – ESIS) and in the new structured deposit framework (e.g. the Key Information Document – KID).

Of course, this all took place in parallel with day-to-day supervision work (chapter II) and the financial information and education activity, some of which was ground-breaking, such as the #toptip campaign (chapter III).

As may be seen in chapter IV, the work in the international sphere was intense, with Banco de Portugal hosting the international "Conference on Banking Conduct Supervision: new challenges ten years after the financial crisis" in 2018 – the importance of which warranted the publication of a stand-alone report.

Thus 2018 was a year of work and achievements, which we present in this Report. As always, the Report sets out to be an instrument that holds us to account and provides a source for analysis of the topics.

However, we cannot afford to be satisfied with this. Far from it. We are fully aware that the importance of the mission attributed to us calls upon us to "always do better", the motto, no less, of the Strategic Plan of Banco de Portugal.

Luís Máximo dos Santos Vice-Governador

#### **Executive Summary**

In 2018, very substantial amendments to the regulations on the offering of retail banking products and services entered into force in Portugal. These amendments broadened and strengthened bank customers' rights across a wide range of matters and expanded the obligations binding the financial institutions. They also brought new powers and responsibilities to Banco de Portugal as the banking conduct supervisor. Banking conduct supervision also began to encompass new entities in the retail banking markets, such as credit intermediaries and training entities, on topics such as home loans and mortgage credit and consumer credit.

The growing use of digital channels in offering banking products and services also poses new challenges to the way in which Banco de Portugal oversees compliance with the legal framework applicable and new requirements in regard to financial information and training given to bank customers.

All these changes had a clear impact on the work carried out by Banco de Portugal in 2018 in supervising the retail banking markets: in regulation and oversight, in requiring correction of irregularities, in the release of information and in the promotion of financial literacy among the Portuguese population.

To improve the way it reports its banking conduct supervision work, Banco de Portugal has made changes to the usual structure of its Banking Conduct Supervision Report.

The first part of the report sets out Banco de Portugal's main banking conduct supervision activities in 2018:

- The launch of the Fees Comparator;
- The broadening of the scope of banking conduct supervision to include credit intermediaries and training entities responsible for certifying intermediaries and those working in institutions offering home loans and mortgage credit. Detailed information is released for credit intermediaries about applications for authorisation and registration submitted to Banco de Portugal;
- The work carried out in regard to the offering of consumer credit through digital channels;
- The monitoring of the implementation of the new rules applicable to home loans and mortgage credit, basic bank accounts (BBAs) and structured deposits. In the case of BBAs, for the first time Banco de Portugal presents information on non-compliance found during 2018, in accordance with a legal obligation.

The second part gives detail on the supervision work carried out by Banco de Portugal over the year, henceforth presented by type of retail banking product and service, giving readers a comprehensive overview of the initiatives undertaken by Banco de Portugal, through the different oversight tools used to check compliance with the laws applicable to deposit accounts, consumer credit, home loans and mortgage credit, payment services, price lists and the provision of the complaints book. Information about the types of topics analysed is provided along with the noncompliance identified by the supervisory activity undertaken and the complaints analysed.

The third part of the report describes the initiatives carried out promoting financial information and training; and lastly, the fourth part summarises the main topics on the agenda of international banking conduct supervision forums and the cooperation initiatives carried out by Banco de Portugal.

One of Banco de Portugal's main concerns as banking conduct supervisor is the transparency of the information provided to customers about the characteristics of the retail banking products and services. In this field there were important developments during 2018, including the launch of the Fees Comparator.

In 2018, Banco de Portugal launched the Fees Comparator on the Bank Customer Website, which allows its users to compare 93 maximum fees applied by around 200 institutions in Portugal for the most representative services linked to payment accounts. This initiative resulted from the mandate awarded by the national legislator to Banco de Portugal in the context of the transposition of the Payment Accounts Directive and resulted in compliance with a measure laid down by the Portuguese Government in its administrative and legislative simplification programme.

#### The legislator assigned authorisation, registration and supervision of credit intermediaries to Banco de Portugal.

Credit intermediaries are entities that are not authorised to grant credit, but play a part in marketing credit agreements. They present or propose agreements, conclude them with consumers in the name of the lending institutions (that grant the credit), they assist consumers in preparatory documentation for entering into those agreements, or provide them consultancy services, by issuing personalised recommendations about credit agreements. This activity has seen significant development over the last few years in Portugal. According to the information provided by the lending institutions, credit intermediaries sold 45.4% of the consumer credit agreements concluded in 2017. The work of credit intermediaries is predominant in car loans: 90.9% of the agreements concluded in 2017 were marketed by these entities.

In recognition of the importance of credit intermediaries, the national legislator decided that access to this activity was to be dependent on authorisation by and registration with Banco de Portugal. The legislator also established a set of specific laws applicable to the activity – including duties of conduct, duties of information and rules regarding the remuneration of these entities – which supplement the rules governing the offering of consumer credit and mortgage credit.

In 2018, Banco de Portugal received 5,329 applications for authorisation to pursue the activity of credit intermediary, of which it approved 924 and refused 128. The applications were mainly received from July onwards; December was the month with the highest volume of application submissions (41%). The entities showing interest in operating in credit intermediation were mainly legal persons in the areas of motor vehicle sales (46.3%) and real estate (22.2%) wishing to operate under the responsibility of institutions authorised to grant credit (95.7%), and consumer credit (82%).

At the end of 2018, 878 credit intermediaries were registered in Portugal, including 11 authorised in other European Union Member States; 16 credit institutions were also qualified to carry out this activity which do not need to obtain specific authorisation for this purpose.

#### Banco de Portugal also assumed responsibility for certifying the entities that train staff of credit institutions working in home loans and mortgage credit, and the credit intermediaries.

With the purpose of ensuring that the customers are duly informed about the characteristics and risks of the products presented to them, in order to be able to assess the suitability of those products for their needs and financial situation, the new framework establishes that the credit institutions must ensure that the staff involved in the drafting, distribution and conclusion of home loans and mortgage credit agreements have specific knowledge and skills.

Likewise, the natural persons acting as credit intermediaries, the members of the board of directors of the credit intermediaries that have the nature of legal person and, where they exist,

those responsible for credit intermediary activity, are also obliged, by law, to demonstrate that they possess adequate knowledge and skills on relevant matters for exercising the activity. The same is required of credit intermediaries' staff wishing to operate in home loans and mortgage credit.

The legislator awarded Banco de Portugal the responsibility of certifying the training entities that provide professional certification, one of the means by which compliance with these new requirements may be demonstrated. Banco de Portugal is also responsible for assessing the quality of the content taught and the suitability of the assessment model used by the certified training entities.

In 2018, the Bank received seven certification requests from training entities, four of which it deferred until the end of the year.

The offering of consumer credit through digital channels has increased, posing new challenges for the verification of compliance with the applicable legal framework. Oversight of this market was one of Banco de Portugal's priorities in 2018.

In 2018, Banco de Portugal introduced the requirement for institutions to report information on the consumer credit products whose signing-up process begins and ends in digital channels (through home banking, internet platforms or mobile apps). This information allows Banco de Portugal to monitor the evolution of this market and to oversee compliance with the applicable regulatory framework, ensuring that bank customers' rights are protected, irrespective of whether the retail banking products and services are sold over the counter or at distance.

The Bank monitored the signing-up process for personal credit products and overdrafts sold exclusively through digital channels (14 products from 13 institutions), having assessed compliance with the obligations binding the institutions, those of information, assistance and assessment of the consumer's creditworthiness, the cross-selling of associated products, the security mechanisms implemented, the way in which the customer confirms his/her willingness to enter into an agreement and the provision of tools through the digital channels for exercising the customers' right of free revocation and the right of early repayment. As a result of this monitoring, Banco de Portugal issued 56 recommendations to 10 institutions.

In 2019, Banco de Portugal will continue to monitor the way in which the institutions sell banking products through digital channels, specifically weighing the results of the 2nd questionnaire on banking products and services in digital channels launched in December 2018.

The new framework on credit relating to residential immovable property and credit secured by a mortgage strengthened and broadened the rights of bank customers purchasing home loans and other mortgage credit.

With the entry into force of the new legal framework on 1 January 2018, credit institutions became obliged to present consumers with the European standardised information sheet (ESIS), replacing the standardised information sheet that they had been obliged to present from 2010. The ESIS provides consumers with detailed information on the characteristics, costs and risks associated with entering into mortgage credit agreements. This document introduced two measures for the cost of the credit: the annual percentage rate of charge (APRC) – a more accurate measure of the cost of credit – and the total amount of credit payable by the customer, which represents the sum of all amounts to be payed by the customer under the credit agreement.

This legal framework was supplemented by Banco de Portugal, which regulated the obligations to provide assistance, carry out a creditworthiness assessment and provide information, observable by the institutions when offering these credit products.

Customers' access to BBAs was eased. Banco de Portugal required the institutions to strengthen announcement of these services to their customers.

Under the new laws applicable to payment accounts, entering into force on 1 January 2018, it became possible to use BBAs through ATMs in the European Union and make interbank transfers to other accounts held in the European Union.

On that occasion, the national legislator also decided to start using the Social Support Index to determine the maximum annual cost of BBAs, replacing the national minimum wage value, which resulted in a reduction of the cost associated with the provision of these services.

New amendments were introduced in May, also upon the initiative of the national legislator: access to BBAs was eased, the number of free-of-charge interbank transfers through home banking was increased from 12 to 24, and it became possible to make transactions on the BBA beyond the funds available in situations arising from the use of the debit card, namely when payment systems are not operating in real time (which can happen, for example, in the case of toll payments or in certain payments made abroad). Supplementing these amendments, Banco de Portugal defined new duties to be observed by the institutions providing BBAs, requiring among other things that they start providing the holders of demand deposit accounts with a standardised document that informs them of the possibility of converting their account into a BBA, along with the statement issued in each calendar year.

By the end of 2018, there were 59,173 BBAs, an increase of 32.6% from the end of 2017. During the year, 17,202 accounts were opened; by converting a demand deposit account in 59.6% of cases.

Credit institutions are now obliged to present customers with a new standardised precontractual information document which formalises the features of the structured deposit, adopting standards that are harmonised across Europe.

During 2018, new laws entered into force applicable to the offering of structured deposits – previously known as "indexed deposits" – whose offering is subject to supervision by Banco de Portugal.

The new rules laid down, among other things, that institutions would be required to provide customers with a new standardised pre-contractual information document, the "key information document" (KID), which formalises the features of the structured deposit. Banco de Portugal's ex ante intervention continues to involve analysis of the information contained in the KID. On the other hand, the institutions were prohibited from offering deposits in conjunction with other financial products that do not safeguard the capital invested at all times, along with making signing up to a deposit conditional on entering into an agreement for other products without guarantee of capital, in line with Banco de Portugal's recommendation of 2011.

Banco de Portugal also became able to prohibit or suspend the sale of a structured deposit in the case of non-compliance with the applicable laws, taking into consideration the protection of the rights of bank customers and the confidence of depositors.

Banco de Portugal gave priority to oversight of BBAs, consumer credit and home loans and mortgage credit.

Banco de Portugal supervises the conduct of the entities in the retail banking markets through checking the information that is reported to it by these entities, through inspections and through analysis of the complaints presented by the bank customers against these entities.

Executive Summary

In 2018, Banco de Portugal checked 9,739 advertising materials for retail banking products and services, 3% more than in 2017, issued by 56 credit institutions. No irregularities were found in 97.7% of the advertising materials analysed (97.9% in 2017).

To assess implementation of the BBA system, Banco de Portugal held inspections in 106 institutions, in which it verified compliance with the obligations to announce these services and implementation of the amendments to the legal framework.

In structured deposits, aside from advertising, which is subject to prior approval, Banco de Portugal verified 91 KIDs submitted by the institutions. It also monitored the yields calculated for the 162 structured deposits that matured in that year.

In consumer credit, the Bank assessed compliance with the APRC upper limits for 1,627,313 credit agreements, 1.6% more than in 2017, which were reported to it by 55 institutions. It found signs of non-compliance with those limits in 244 agreements from 10 institutions, having adopted suitable measures in regard to 196 agreements from one institution.

Aside from giving special attention to products offered through digital channels, Banco de Portugal carried out 85 inspections on the head offices of 24 institutions to assess compliance with the legal framework applicable to the offering of consumer credit. The procedures relating to the setting of the date of the agreements' conclusion were analysed; the APRC upper limits; compliance with the pre-contractual and contractual information requirements; observance of the obligation to report to Banco de Portugal; respect for the rules regarding early repayment; the application of the arrears regime; and the information provided to the customers during the lifetime of the credit agreements.

In mortgage credit, Banco de Portugal carried out 250 inspections on 29 institutions to verify the information supplied in their respective locations, the provision of the ESIS, the calculation of the APRC and compliance with the duties of information and assistance to customers.

The Bank continued to monitor the implementation of the general arrears regime. In consumer credit, 599,590 new cases were reported to Banco de Portugal within the scope of the out-of-court arrears settlements procedure (OASP), in regard to 442,337 consumer credit agreements and a debt amount of €994.6 million. The number of new cases grew by 12.4%, contrasting with the 11% decrease in 2017. During the year, the institutions concluded 589,152 OASP cases; 42.8% were closed with settlement of the arrears (45.5% in 2017). In mortgage credit, the institutions communicated the opening of 85,238 OASP cases, 11.6% fewer than in 2017, covering 55,413 consumer credit agreements and a debt amount of €2.5 billion. 85,951 cases were closed, 65.2% of which with settlement of the arrears (63.7% in 2017).

In payment services, Banco de Portugal carried out 195 inspections on 123 institutions to assess the issuance of the invoice/receipt, the procedures associated with the cessation of the framework agreement and the provision of the new information document about fees.

The Bank also carried out 161 inspections to check the provision of the price lists and the complaints book in 81 institutions.

#### Banco de Portugal received 15,254 complaints from bank customers, a number near, but just below, that of 2017.

In 2018, Banco de Portugal received 15,254 complaints presented by bank customers against supervised institutions (15,282 complaints in 2017). Due to their predominance in terms of the number of agreements concluded between the institutions and their customers, the subjects mentioned the most continued to be deposit accounts, consumer credit and home loans and

mortgage credit, which represented 31.5%, 24.8% and 13.0% respectively of the complaints received.

Complaints about deposit accounts fell 5.1% compared to 2017; the charging of fees or commissions was the subject receiving the most complaints in this field, despite its share of the total declining from the year before. In contrast, complaints about consumer credit increased 10.1%; in this area, the reporting of customers' credit liabilities was the subject causing the most complaints.

No signs of breaches by the credit institution were detected in 56% of the complaints closed (62% in 2017); in the other 44%, the situation was resolved by the credit institution, on its own initiative or by order of Banco de Portugal.

In 2018, Banco de Portugal took 28 days on average to close a complaint, 11 days fewer than the vear before.

In retail banking markets supervision, Banco de Portugal issued 922 specific orders and recommendations to 66 institutions and initiated 47 administrative proceedings against 19 institutions.

Following the oversight activities carried out and analysis of customer complaints, Banco de Portugal issued 922 specific orders and recommendations to 66 institutions in 2018. Most of the orders and recommendations related to home loans and mortgage credit (344 orders and recommendations issued to 25 institutions) and consumer credit (301 orders and recommendations addressed to 32 institutions), taking into particular consideration compliance with duties of information to bank customers.

Within its supervision of the retail banking markets, Banco de Portugal brought 47 administrative proceedings against 19 institutions, chiefly for matters related to deposits, consumer credit and payment services. Most of the proceedings (85.1%) arose from analysis of complaints brought by bank customers.

Promotion of financial information and training continued to be one of Banco de Portugal's priorities. Better informed customers tend to be more careful and more demanding, and are in a better position to choose financial products and services that suit their profile and objectives.

Bank customers' financial information and training constitute one of the pillars of Banco de Portugal's banking conduct supervision.

Banco de Portugal uses the Bank Customer Website as a primary channel to promote bank customers' financial information. In 2018, it published the amendments to the rights and duties of the retail banking markets' customers on this site, along with materials such as brochures, leaflets, decoders and videos. It also received and processed 2,647 applications for information from bank customers; these applications chiefly related to banking products and services and services provided by Banco de Portugal.

Banco de Portugal launched a digital financial education strategy, with the goal of promoting the safe use of digital channels when accessing banking products and services. In September, the Bank began a digital financial education campaign on the Bank Customer Website and its Instagram page, #toptip, to raise awareness among young people of the care to be taken when using the internet and mobile devices, with a view to the adoption of safe procedures to prevent fraud and over-indebtedness. As part of this campaign, Banco de Portugal prepared a brochure to distribute to schools. Supported by its regional network, Banco de Portugal also organised 449 training initiatives, with a total of 14,364 participants.

Through the National Council of Financial Supervisors (CNSF), and in partnership with a broad set of entities, Banco de Portugal promoted the National Plan for Financial Education. In 2018, the supervisors entered into protocols with new partners, including the Institute for Employment and Vocational Training (Instituto do Emprego e da Formação Profissional) and the Portuguese Psychologists Association (Ordem dos Psicólogos Portugueses), in order to strengthen the Plan's geographical footprint. The CNSF launched the Financial Education Workbook for the 3rd stage of basic education with the Ministry of Education and the financial sector associations, thereby fulfilling another phase in the implementation strategy of financial education in schools. The Plan also continued its work with local authorities through a new agreement with the Intermunicipal Community of Alto Tâmega, supported by the Norte Portugal Regional Coordination and Development Commission.

Banco de Portugal participated in the main international forums on banking conduct supervision, being involved in the discussion of the relevant topics in this field, and cooperated with the Central Banks of Portuguese-speaking Countries, particularly in the promotion of financial education.

Banco de Portugal took part in the work of the European Banking Authority (EBA), the Joint Committee of the European Supervisory Authorities (JCESA) and the International Financial Consumer Protection Organisation (FinCoNet) and in dedicated groups of the Organisation for Economic Co-operation and Development, of the G20/Global Partnership for Financial Inclusion and of the European Commission.

Through FinCoNet, of which it holds the Vice Presidency, Banco de Portugal coordinated work on security in digital payments and on short-term credit offered through digital channels, culminating in the publication of two reports by that entity.

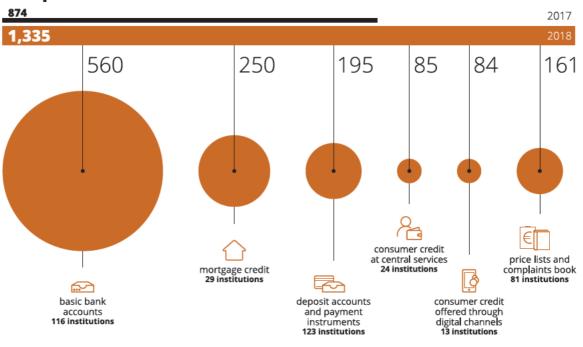
In 2018, in cooperation with the Central Banks of Portuguese-speaking Countries, Banco de Portugal began a technical assistance programme with Banco Central de Timor-Leste under its National Strategic Plan for Financial Education, and the holding, in Lisbon, of the first train-the-trainers course in personal finances for staff from the Central Banks of Portuguese-speaking Countries, jointly with the Alliance for Financial Inclusion (AFI) and Banco Central do Brasil.

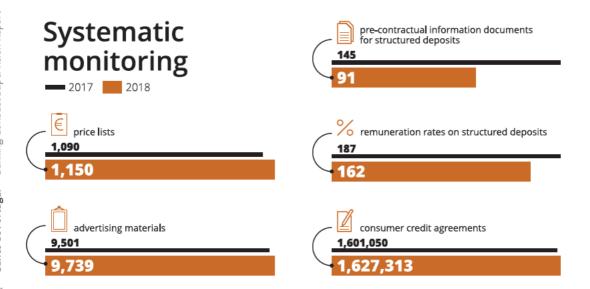
The cooperation with the AFI resulted in this entity presenting a special recognition award to Banco de Portugal and Banco Central do Brasil in 2018 for their contribution to the promotion of financial inclusion and education in Portuguese-speaking countries.

# Banking conduct supervision in numbers **2018**

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

#### Inspections



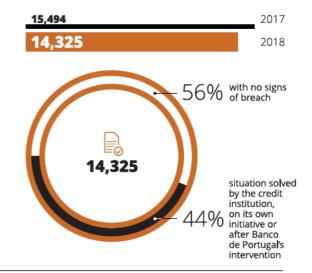


#### Complaints

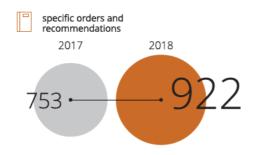
#### from bank customers

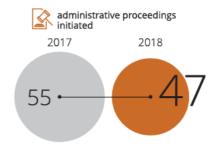
# 15,282 2017 15,254 2018 complaints for every 100,000 agreements//accounts home loans and mortgage credit consumer credit 29 • 32 deposit accounts 27 • 26

#### closed

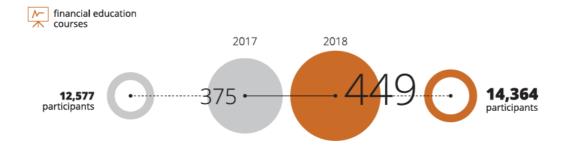


#### Correction of irregularities and sanctions





#### Financial education



Informed clients are in a better position to choose financial products and services that suit their profile and objectives.

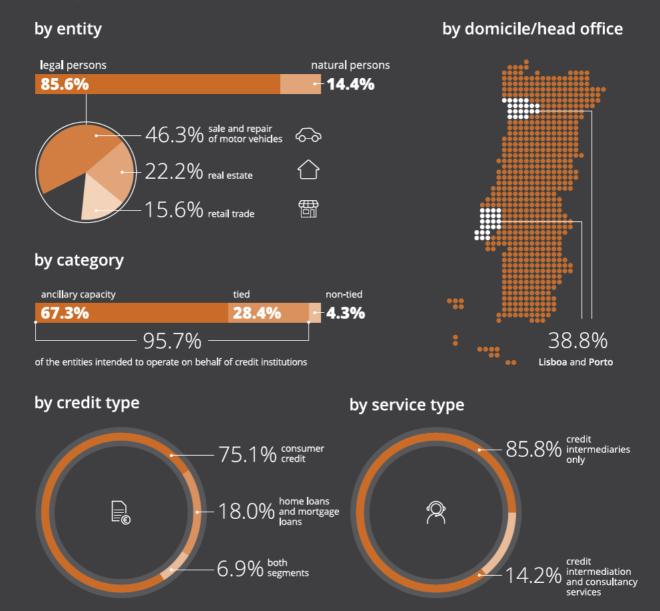
# Banco de Portugal • Banking Conduct Supervision Report • October 2019

# Authorisation and registration of credit intermediaries

#### 2018

In 2018, Banco de Portugal became responsible for authorising and registering credit intermediaries. Over the course of the year, Banco de Portugal received 5,329 applications for authorisation to exercise this activity, of which 924 were authorised and 128 rejected. About 41% of the applications were submitted in December and 65% in the last quarter of the year.

#### Requests for authorisation



# Developments in basic bank accounts

#### 2018

In 2018, the legislator facilitated access to basic bank accounts (BBAs) and extended the set of services provided. By the end of the year there were 59,173 BBAs, 32.6% more than in the same period in 2017.

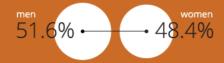
#### **Accounts opened**

#### **Accounts closed**





#### accounts opened in the 2<sup>nd</sup> half | primary account holders

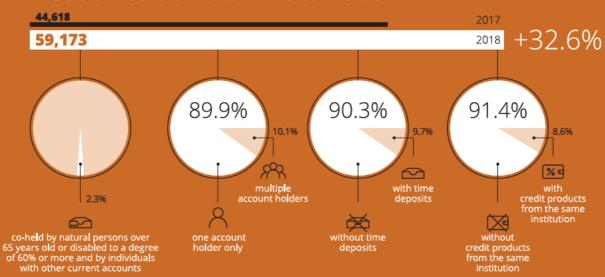




25 to 45 years old 45 to 65 years old more than 65 years old

39.3% 15.6%

#### Accounts as at 31 Dec. 2018





#### 1 Fees Comparator

#### 1.1 Information provided and functions

Banco de Portugal launched the Fees Comparator on 1 October 2018.

This tool – available on the Bank Customer Website – compares 93 fees charged for services linked to payment accounts provided by approximately 200 institutions, including the most representative services, previously identified and standardised by Banco de Portugal¹.

The Fees Comparator meets the legal requirements imposed by the transposition of the Payment Accounts Directive<sup>2</sup> and implements one of the measures included in Simplex – the Portuguese Government's administrative and legislative simplification programme<sup>3</sup>.

This tool makes it possible to compare fees charged by a given institution for different services or fees charged by different institutions for a given service. Search results may be printed or saved, and users may download files with data on all the existing fees, as well as a record of fees charged by all institutions that provide these services.

This tool shows maximum fees charged, including taxes. Available information takes into account the most representative distribution channels: branch, ATM, ATS, online, mobile device, SMS, telephone with operator, telephone without operator and mail. Where there is a wider range of products on offer (package accounts, debit cards, credit cards and private credit cards), consumers can compare costs charged for the services based on the most representative products offered by each institution. For information on the features of the services included in the Fees Comparator, click on the 'i' icon associated with each service.

Information provided to the public is objective, accurate, and up-to-date, reflecting at each point in time the fees applied by the institutions offering these services on the basis of data provided.

Institutions are required to inform Banco de Portugal of any changes to information previously reported at least five business days before the date on which the change takes place, thereby ensuring figures provided are up-to-date.

Information is disclosed in a way that ensures institutions are given equal treatment, for example in search results, as required by law. The Fees Comparator does not make recommendations or advise bank customers, providing information according to the search criteria set by the user.

<sup>1.</sup> The fees of the most representative services linked to a payment account are identified in Instruction of Banco de Portugal No 11/2018.

<sup>2.</sup> Article 11 of Decree-Law No 107/2017 of 30 August 2017, which transposed Directive 2014/92/EU of the European Parliament and of the Council of 23 July 2014 on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features.

<sup>3.</sup> Measure No 199 of SIMPLEX+2017 – *Consumo financeiro* + *informado* (More informed financial consumption).

<sup>4.</sup> Instruction of Banco de Portugal No 19/2018 regulates reporting of information for the Fees Comparator.

#### **1.2** Available services

The Fees Comparator includes the most representative services defined by Banco de Portugal, in compliance with the mandate conferred on it by the legislator, and any other particularly relevant services in the domestic market. The services provided by this tool are:

- Maintaining an account. Corresponding to the management of the most representative payment account offered by the institution, which has the most basic features and is not targeted at any specific customer segment.
- Maintaining a package account. Corresponding to the management of a payment account
  that includes the provision of other services and requires the payment of a single fee. The Fees
  Comparator shows fees charged on the three most representative package accounts offered by
  each institution which are not targeted at any specific customer segment.
- Maintaining a basic bank account. Corresponding to the management of a basic bank account<sup>5</sup>.
- Maintaining a standard account. Corresponding to the management of a standard account<sup>6</sup>.
- **Providing a debit card.** Corresponding to the provision of a debit card linked to a payment account. The Fees Comparator shows fees charged on the three most representative debit cards offered by each institution which are not targeted at any specific customer segment.
- Providing a credit card. Corresponding to the provision of a credit card linked to a payment
  account. The Fees Comparator shows fees charged on the three most representative credit
  cards offered by each institution which are not targeted at any specific customer segment.
- Providing a private credit card. Corresponding to the provision of a card under a credit
  agreement concluded between the institution and the customer. This card may only be used in
  certain stores or to purchase a very limited range of goods or services. The Fees Comparator
  shows the fees charged on the three most representative private credit cards offered by each
  institution which are not targeted at any specific customer segment.
- Cash withdrawal. Corresponding to a service where the customer takes cash out of their payment account. The Fees Comparator shows fees charged for withdrawing cash over the counter, at ATMs or at ATSs<sup>7</sup>.
- Cash advance. Corresponding to a service where the customer takes cash out up to the credit limit available on the credit card. The Fees Comparator shows maximum fees for a cash advance<sup>8</sup> of EUR 200 using the three most representative credit cards offered by each institution. Fees are shown depending on the channel used for this service: branch, ATM or ATS.
- Requisition and delivery of to-order and not-to-order crossed cheques. Corresponding to
  the delivery of to-order and not-to-order crossed cheques. The Fees Comparator shows fees
  charged depending on the distribution channel used to request the cheque (branch, ATM, ATS,
  online, mobile device, SMS, telephone with operator and telephone without operator) and to
  deliver the cheque (branch or mail).

<sup>5.</sup> The services included in the basic bank account are set out in Article 1 of Decree-Law No 27-C/2000 of 10 March 2000, in its current wording.

<sup>6.</sup> Under the terms established by Banco de Portugal (Circular Letter No 24/2014/DSC of 10 March 2014).

<sup>7.</sup> Institutions cannot charge fees for cash withdrawals at ATMs or ATSs.

<sup>8.</sup> The maximum fee for a cash advance of EUR 200 may be shown in its equivalent in Swedish krona or Romanian leu in any of the countries of the European Economic Area (including the 28 Member States of the European Union, Norway, Liechtenstein and Iceland).

- Intrabank credit transfer. Corresponding to the transfer of funds by the institution, on the instruction of the customer, from the customer's account to another account held in the same institution. The Fees Comparator shows fees on transfers carried out through the following channels: branch, ATM, ATS, online, mobile device, telephone with operator and telephone without operator.
- Intrabank standing order. Corresponding to the regular transfer of a fixed amount of money from the customer's account to another account in the same institution. The Fees Comparator shows fees on standing orders carried out through the following channels: branch, online, mobile device, telephone with operator and telephone without operator.
- SEPA+ credit transfer. Corresponding to a transfer of funds in euro, Swedish krona or Romanian
  leu under the same conditions between accounts that are held in SEPA countries<sup>9</sup>. The Fees
  Comparator shows information on fees charged on transfers carried out through the following
  channels: branch, ATM, ATS, online, mobile device, telephone with operator and telephone
  without operator.
- SEPA+ standing order. Corresponding to a regular transfer of a fixed amount in euro, Swedish
  krona or Romanian leu under the same conditions between accounts that are held in SEPA
  countries. The Fees Comparator shows information on fees charged on transfers carried out
  through the following channels: branch, online, mobile device, telephone with operator and
  telephone without operator.
- Non-SEPA+ credit transfer. Corresponding to a transfer of funds where the accounts of the
  payer, payee or both are not held in the SEPA area or where the transfer is made in a currency
  other than the euro, the Swedish krona or the Romanian leu, even if the accounts of the payer,
  payee or both are held in the SEPA area. The Fees Comparator shows information on transfers
  carried out through the following channels: branch, online, mobile device, telephone with
  operator and telephone without operator.
- Non-SEPA+ standing order<sup>10</sup>. Corresponding to a regular transfer of funds where the accounts of the payer, payee or both are not held in the SEPA area. The Fees Comparator shows information on orders carried out through the following channels: branch, online, mobile device, telephone with operator and telephone without operator.

Banco de Portugal may in the future include other services in the Fees Comparator.

The Fees Comparator is available on the Bank Customer Website, which also provides a video on how to use this tool. The website also features a glossary of terminology and a list of frequently asked questions.

<sup>9. 28</sup> Member States of the European Union and Andorra, Iceland, Liechtenstein, Monaco, Norway, San Marino, Switzerland and Vatican.

<sup>10.</sup> A 'non-SEPA+ standing order' is also considered to be a transfer made in a currency other than the euro, the Swedish krona or the Romanian leu, even if the accounts of the payer, payee or both are held in the SEPA area..

Some state to contribute the contribute of the c

Figure I.1.1 • Fees Comparator available on the Bank Customer Website

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

The Bank Customer Website received a considerable number of visits following the launch of the Fees Comparator on 1 October 2018. Around 26% of the visits to the website in October focused on this tool. In the fourth quarter, the number of visits to the Fees Comparator accounted for 14% of total visits to the Bank Customer Website.

From October 2018 to March 2019, the Fees Comparator received 88,179 visits, a monthly average of around 14,697.

#### 2 Credit intermediaries

#### 2.1 The importance of credit intermediation

Credit intermediation is an activity carried on by natural or legal persons that, although not authorised to grant credit, are involved in marketing credit agreements. These entities, called credit intermediaries, present or propose credit agreements, although they may also enter into credit agreements on behalf of the lending institutions, help consumers in preparatory documentation for entering into such agreements, or provide them with consultancy services.

The activity of credit intermediaries has been subject to regulation for a number of years in several EU countries. The important role played by credit intermediaries in those markets and the detection of risks associated with their intervention, in particular as regards the appropriateness of information provided to bank customers, led to this activity being regulated.

The EU legislator recognises the importance of credit intermediaries' activity and the risks associated with it since the second Consumer Credit Directive<sup>11</sup>, with credit intermediaries operating in the context of consumer credit being required to comply with the same precontractual information and support obligations as credit institutions. Six years later, the EU

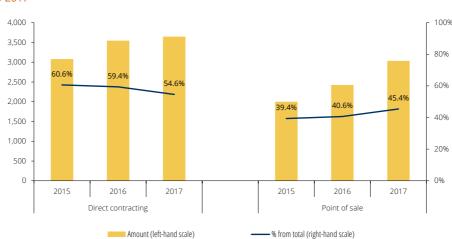
<sup>11.</sup> Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers, which was transposed into the Portuguese law by Decree-Law No 133/2009 of 2 June 2017.

Credit intermediaries

legislator enhanced the regulation of credit intermediaries, by creating the Mortgage Credit Directive<sup>12</sup>, a set of harmonised rules on the access to and pursuit of this activity in the context of loans relating to residential immovable property and credit agreements secured by a mortgage. This regulatory enhancement arose from concerns about responsible lending and the promotion of marketing practices that take into account the interests of bank customers and ensure they fully understand the characteristics and risks of credit agreements. The EU legislator also pursued other objectives with this action, such as mitigating reputational risks for lending institutions, harmonising regulatory frameworks and promoting competition.

Credit intermediation in Portugal has developed significantly in recent years, currently playing an important role in the operation of the credit market.

According to the information provided by the lending institutions operating in the area of consumer credit, credit intermediaries sold 45.4% of the total credit agreements concluded in 2017<sup>13</sup>. Between 2015 and 2017, credit intermediaries' share of sales of consumer credit agreements grew by six percentage points.



**Chart I.2.1** • Consumer Credit | Amount granted by distribution channel | EUR millions | 2015-2017

Source: Banco de Portugal.

With regard to car loans, credit intermediaries' action is indeed predominant, having concluded 90.9% of the contracts in 2017.

<sup>12.</sup> Directive 2014/17/EC of the European Parliament and of the Council of 4 February 2014 on credit agreements for consumers relating to residential immovable property. This Directive was transposed into the Portuguese law by Decree-Law 74-A/2017 of 23 June 2017 and by Decree-Law No 81-C/2017 of 7 July 2017.

<sup>13.</sup> For further information, see the Retail Banking Markets Monitoring Report 2017, available on the Bank Customer Website (in Portuguese only).

9.1%

Direct contracting

Point of sale

Chart I.2.2 • Car loans | Credit granted by distribution channel | EUR millions | 2017

Moreover, the relevance of credit intermediaries' role in marketing consumer credit agreements and home loans and mortgage credit agreements is shown by the number of intermediaries with which the lending institutions operating in these markets intend to work. Based on evidence available for credit intermediaries registered in 2018, on average each of the 23 lending institutions that uses credit intermediaries for the marketing of consumer credit agreements entered into tying contracts with 100 credit intermediaries. Similarly, on average each of the 13 lending institutions that uses credit intermediaries to market home loans and mortgage credit entered into tying contracts with 25 credit intermediaries.

#### 2.2 Implementation of the new regime

Acknowledging the importance of credit intermediation, the Portuguese legislator chose to regulate this activity in a cross-cutting manner in the transposition of the Mortgage Credit Directive into Portuguese law, by laying down rules that, in general terms, apply to credit intermediaries intending to operate in home loans and mortgage credit and to those intending to operate in consumer credit<sup>14</sup>.

From 1 January 2018 onwards, in accordance with the mandate assigned to it by law, Banco de Portugal monitors the implementation of the legal framework for credit intermediaries.

The first step in this process is the authorisation and registration of credit intermediaries. The legislator allowed the entities exercising the activity of credit intermediation before 1 January 2018 to continue to operate without being authorised and registered with Banco de Portugal until 31 December of that year.

Through a decision taken by the legislator at the end of 2018, the entities which were already operating as credit intermediaries before 1 January 2018 and which submitted an application for authorisation by the end of that year were allowed to continue to operate without the authorisation of Banco de Portugal until 31 July 2019, at the latest<sup>15</sup>.

<sup>14.</sup> Decree-Law No 81-C/2017 of 7 July 2017, which approved the legal framework that establishes the requirements applicable to access to and engagement in credit intermediation and the provision of consultancy services.

<sup>15.</sup> Decree-Law No 122/2018 of 28 December 2018.

At the beginning of 2018, as a means of supporting those interested in carrying on the activity of credit intermediary in the preparation and submission of their applications for authorisation, Banco de Portugal launched a video tutorial with general information about the authorisation procedure. Also, specific content and materials were made available on the Bank Customer Website, including a brochure on the legal framework for credit intermediaries, the access requirements and the procedure to be followed in the application for authorisation.

In addition, in order to help consumers understand the activity of credit intermediaries and the main obligations to which they are subject, a decoder was made available called 'Credit intermediaries – what has changed for the bank customer'.

Throughout 2018 Banco de Portugal clarified the doubts raised in relation to the applicable legal framework and the authorisation procedure to pursue the activity. 791 requests for information about access to credit intermediary activity and the rules governing its pursuit were answered. Also, more than twenty meetings with stakeholders and associations representing different sectors of economic activity were held, including the car trade, distribution companies and real estate intermediation sectors. In addition, working sessions were held with financial sector associations and credit institutions to clarify aspects related to the regulatory framework for this activity, in order to boost the support provided by these institutions to those interested in acting as credit intermediaries.

The Porto Branch and agencies of Banco de Portugal on the mainland and in the autonomous regions guided those interested in operating as credit intermediaries. In addition to receiving approximately 300 applications for authorisation submitted in physical form, they provided clarification to the public on the rules governing the pursuit of the activity and on the authorisation procedure, as well as by making IT equipment available so that those interested could apply for authorisation electronically.

A tool was also made available on the Bank Customer Website to check the status of each application for authorisation to pursue the activity of credit intermediary. As of December 2018 Banco de Portugal discloses overall data on applications submitted and the progress of their analysis on the Bank Customer Website, on a weekly basis.

#### 2.3 Legal framework for credit intermediaries

Access to credit intermediary activity depends on authorisation and registration with Banco de Portugal.

To this end, those interested must submit an application for authorisation to Banco de Portugal using the form available on the Bank Customer Website. The application for authorisation must be accompanied by documents showing compliance with the requirements laid down by law, in particular with regard to adequate knowledge and skills, suitability, appropriate commercial and administrative organisation, and the possession of professional indemnity insurance or other comparable guarantee. As a rule, after granting an authorisation, Banco de Portugal proceeds with an ex officio registration of credit intermediaries and publicly discloses the particulars contained in the registration concerned, inter alia, with regard to the identity of the authorised credit intermediaries, the corresponding registration number, their category, and credit agreements in relation to which they provide intermediation services<sup>16</sup>.

Credit institutions, financial companies, payment institutions and electronic money institutions may also act as credit intermediaries, without needing specific authorisation for that purpose. If they wish to pursue this activity, the said institutions must inform Banco de Portugal of such intention, which discloses a list of these institutions to the public on the Bank Customer Website<sup>17</sup>.

Those credit intermediaries which obtained authorisation in other Member States of the European Union and which operate in the area of home loans and mortgage credit may also carry on this activity within Portuguese territory through a branch or under the freedom to provide services. The competent authorities of these countries are required to communicate to Banco de Portugal information on the credit intermediary concerned and on the activity that it intends to pursue in Portugal. Banco de Portugal proceeds with the registration of these credit intermediaries on the basis of the information received, and it publicly discloses the particulars entered in the list of authorised entities.

The legislator has provided for a general set of provisions applicable to the pursuit of the activity of credit intermediaries which complements the specific rules laid down in the regulations governing the marketing of consumer credit, home loans and mortgage credit. These include duties of conduct and provision of information to consumers on credit intermediation services and the conditions under which such services are provided.

The remuneration for services rendered by credit intermediaries is also regulated, in particular by establishing that non-tied credit intermediaries may only be remunerated by bank customers and that credit intermediaries acting on behalf and under the responsibility of a lending institution (tied credit intermediaries and credit intermediaries in an ancillary capacity) are remunerated only by the lending institution, and are not allowed to receive any amounts from consumers, namely as compensation, fee or expense.

Specific rules governing the advertising of services provided by credit intermediaries are also laid down, as well as the conditions under which credit intermediaries may advertise the credit products they offer.

The legislator has instructed Banco de Portugal to regulate the various aspects of the legal framework for credit intermediaries. To comply with this mandate, Banco de Portugal has specified the requirements contained in the legal framework for credit intermediaries with regard to the submission of and documentation for the application for authorisation to operate as credit intermediary, and clarified the rules to be observed in the definition, approval, monitoring and revision of remuneration policies to be adopted by entities operating as credit intermediaries<sup>18</sup>.

<sup>17.</sup> The list of credit institutions, financial companies, payment institutions and electronic money institutions that act as credit intermediaries is available on the Bank Customer Website, at https://www.bportugal.pt/en/instituicoes-financeiras-intermediacao.

<sup>18.</sup> Notice of Banco de Portugal No 6/2017 and Instruction of Banco de Portugal No 16/2017.

In 2018, Banco de Portugal received 5,329 applications for authorisation to pursue the activity of credit intermediary, of which 924 were approved and 128 were refused.

Applications for authorisation were received principally from the beginning of the second half of the year onwards, with a high number of applications in December.

2,250 2,000 1,750 1,500 1,250 1,000 750 500 250 0 Feb 18 Mar 18 Apr 18 Aug 18 Sep 18 Jul 18 Dec 18 May 18 24 203 399 382 334 489 698 2,191 0 0 26 13 51 145 262 426 Approved 0 0 0 Rejected 0 0 0 0 13 18 21

Approved

Rejected

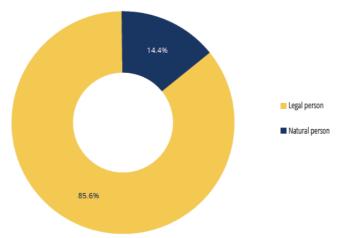
Chart I.2.3 • Credit intermediaries | Status of applications for authorisation | 2018

Received

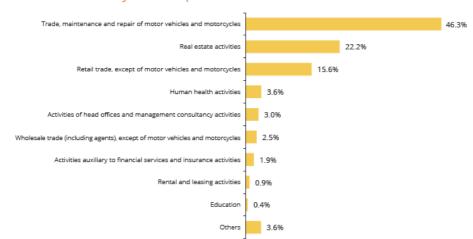
Source: Banco de Portugal.

Those interested in acting as a credit intermediary which submitted applications for authorisation in 2018 were mainly legal persons engaged in a commercial activity in other fields. In particular, in the sale and repair of motor vehicles (46.3%), real estate activity (22.2%) and retail trade (15.6%).

**Chart I.2.4** • Credit intermediaries | Applications for authorisation by type of applicant | 2018



**Chart I.2.5** • Credit intermediaries | Applications for authorisation submitted by legal persons, by main economic activity division<sup>(a)</sup> | 2018



Source: Banco de Portugal. | Note: (a) NACE Rev 3.

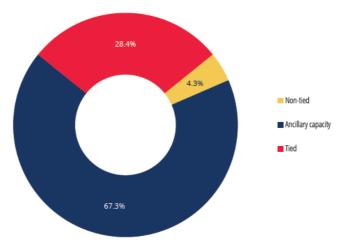
Those interested in operating as credit intermediary are distributed across Portuguese territory, although the mainland coast shows a greater concentration, in particular in Lisbon and Porto, which are districts of residence or head office of 38.8% of the applicants for authorisation in 2018.

Bragança Braga Vila Real Porto ≤ 50 51-100 Guarda 101-200 Coimbra Castelo Branco 201-300 Leiria 301-400 Santarém Portalegre 401-500 Lisbon ≥ 501 Évora 🔾 Setúbal Faro

**Figure I.2.1** • Credit intermediaries | Map of the applications for authorisation by residence or head office territorial unit | 2018

Most of the applicants intend to act on behalf and under the responsibility of lending institutions, with only 4.3% of the applicants intending to pursue the activity independently and without any link to lending institutions.

**Chart I.2.6** • Credit intermediaries | Applications for authorisation by type of applicant | 2018



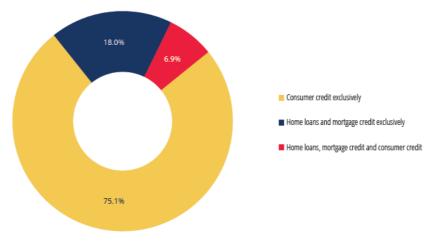
The great majority of the applicants want to act on behalf of more than one lending institution, although some of them also mention their intention to act exclusively on behalf of only one lending institution (9%). The applications for authorisation to operate as credit intermediary only in the area of consumer credit are accompanied, on average, by draft tying contracts with two different lending institutions, while those that intend to operate only in home loans and mortgage credit submitted, on average, draft tying contracts with four lending institutions<sup>19</sup>.

According to the applicable rules, credit intermediaries may enter into tying contracts with a single lending institution, a single group of lending institutions, or a number of lending institutions or groups that do not represent the 'majority of the market'. A 'majority of the market' is deemed to exist where the lending institutions or groups of lending institutions concerned account for more than 50% of the total number of lending institutions marketing home loans or mortgage or consumer credit, depending on the type of credit on which the intermediary intends to base its activity.

Most of the applicants applied for authorisation to operate exclusively in the area of consumer credit (75.1%), with around 25% intending to operate in the area of home loans and mortgage credit, of which approximately 18% was on an exclusive basis.

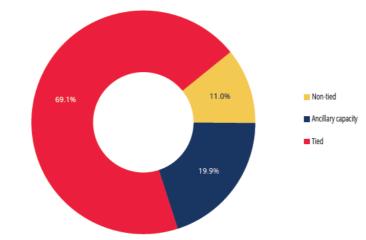
<sup>19.</sup> These data do not include credit intermediaries which intend to act concurrently in the area of home loans and mortgage credit and in the area of consumer credit.

Chart I.2.7 • Credit intermediaries | Applications for authorisation by type of credit | 2018



The number of entities interested in operating as credit intermediary which applied for authorisation to provide consultancy services is relatively lower. Only 759 applicants (of which 14.2% have submitted an application for authorisation in 2018) applied for authorisation to operate in both areas of activity, while the overwhelming majority of the applicants intend to pursue the activity of credit intermediary in connection with a lending institution (69.1% as tied credit intermediary and 19.9% as credit intermediary in an ancillary capacity).

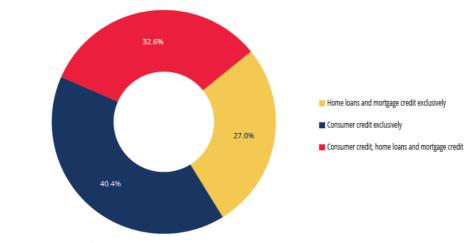
**Chart I.2.8** • Credit intermediaries | Applications for authorisation to provide consultancy services by category | 2018



Source: Banco de Portugal.

In the course of 2018, 40.4% of those applying for providing consultancy services indicated they intended to provide such services with regard to consumer credit agreements, 27.0% with regard to home loans and mortgage credit, and 32.6% with regard to both types of credit.

**Chart I.2.9** • Credit intermediaries | Applications for authorisation to provide consultancy service by type of credit | 2018



Source: Banco de Portugal.

#### 2.5 Disclosure of authorised entities

Banco de Portugal is responsible for the registration of credit intermediaries and, as a rule, for the ex officio registration of those authorised to engage in the activity within 30 days of the granting of the authorisation.

Public disclosure of information on the registration of credit intermediaries is made through the Bank Customer Website. In addition to individual consultation of the particulars of credit intermediaries authorised to operate in Portugal, including those pursuing the activity under the freedom to provide services or through a branch, a file is also made available containing key information on the credit intermediaries entered in the register. The Bank Customer Website also provides information on the credit institutions, financial companies, payment institutions and electronic money institutions operating as credit intermediaries.

BANCO DE PORTUGAL **Bank Customer** Website FREQUENT QUESTIONS DEPOSITS PAYMENTS FINANCIAL EDUCATION HOME / CREDITS / CREDIT INTERMEDIARIES / AUTHORISED CREDIT INTERMEDIARIES Authorised credit intermediaries Access to the credit intermediary activity depends on authorisation and registration with Banco de Portugal. Credit intermediaries authorised to carry on business in Portugal are listed in two lists published by Banco de Portugal: → The list of entities authorised to act as credit intermediaries; → The list of credit institutions, financial companies, payment institutions and electronic currency institutions that provide credit intermediation or advisory services for credit agreements in which they do not act as lenders. Other Authorised intermediaries authorised entities READ MORE READ MORE

Figure I.2.2 • Bank Customer Website | Authorised credit intermediaries

Source: Banco de Portugal — Bank Customer Website > Credit intermediaries (https://clientebancario.bportugal.pt/en/authorised-credit-intermediaries).

At the end of 2018, 878 credit intermediaries were registered as authorised to operate as credit intermediaries. Most of the intermediaries registered were authorised by Banco de Portugal (867 credit intermediaries), in addition to information on 11 credit intermediaries authorised in other EU Member States and operating in the Portuguese territory in the area of home loans and mortgage credit. These communications from other Member States were received from the supervisory authorities of France (five), the United Kingdom (four) and the Netherlands (two). Most of these intermediaries pursue the activity under the freedom to provide services, and there is only one case where the credit intermediary has chosen to establish a branch in Portuguese territory.

In addition, at the end of 2018, the list of credit institutions, financial companies, payment institutions and electronic money institutions providing credit intermediation services contained 16 entries, all in respect of credit institutions.

## 3 Training entities

#### 3.1 Technical competence requirements

As of 1 January 2018 credit institutions must ensure that staff working in the drafting, distribution and conclusion of home loans and mortgage credit possess and maintain suitable knowledge and competence<sup>20</sup>.

Similarly, natural persons acting as credit intermediaries, members of the board of directors of credit intermediaries, in the case of a legal person and, where they have been appointed, managers responsible for the activities of the credit intermediaries must prove that they possess a suitable level of knowledge and competence in matters relevant for the exercise of these activities. The same requirement applies to staff working at credit intermediaries that intend to deal in home loans and mortgage credit<sup>21</sup>.

The need for anyone involved in the sale of retail banking products and services to possess a suitable level of knowledge and competence is part of a growing concern amongst banking conduct supervisors to ensure that customers are duly informed about the characteristics and risks of the products offered, so that they may assess whether they fit their needs and financial situation.

This concern is particularly relevant when it comes to products with a significant impact on the financial life of bank customers, such as home loans and mortgage credit. In this context, the European legislator, in drafting the Mortgage Credit Directive<sup>22</sup>, has sought to ensure that creditors and credit intermediaries actively contribute to responsible borrowing by bank customers, through the allocation of sufficiently knowledgeable and skilled staff to the distribution of such credit agreements. For that purpose, the staff must be able to provide clarifications and information that will potentially have a positive impact on balanced and informed decision-making on borrowing.

To help credit institutions and credit intermediaries adapt to the new requirements, the national legislator established an interim period in which they could demonstrate compliance with knowledge and competence requirements on the basis of their professional experience. Indeed, up to 21 March 2019, individuals were considered to possess suitable knowledge and competence if they were able to prove that, for at least three consecutive or separate years, they were given tasks or responsibilities related to credit agreements.

After the end of the interim period, these requirements will be met if the relevant members of staff prove that they hold a university degree, a technical higher education diploma or a post-secondary education diploma, whose curriculum sets out minimum content or, alternatively, the successful completion of compulsory education and the attainment of a specific vocational certification from a training entity duly certified by Banco de Portugal.

<sup>20.</sup> Decree-Law No 74-A/2017, of 23 June 2017. The requirements provided therein specifically relate to these activities and, therefore, supplement Article 73 of the Legal Framework of Credit Institutions and Financial Companies, which states that credit institutions must ensure high levels of technical competence in all the activities which they carry out and provide their business organisation with the human and material resources required to ensure appropriate conditions of quality and efficiency.

<sup>21.</sup> Decree-Law No 81-C/2017, of 7 July 2017.

<sup>22.</sup> 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.

The legislator has given a prominent role to Banco de Portugal in implementing the qualification process of professionals working in the drafting, distribution and conclusion of credit agreements, and the latter is responsible for ensuring that training provided by any training entity which it has certified promotes the acquisition of a suitable level of knowledge and competence for the exercise of these activities.

#### 3.2 Certified training entities

As of 1 January 2018, Banco de Portugal has issued certificates to entities that provide training conferring vocational certification to credit institutions' staff working in the granting and distribution of credit agreements relating to residential immovable property or secured by a mortgage and to all those that, under the rules governing the activities of credit intermediaries, must prove compliance with the knowledge and competence requirement<sup>23</sup>.

Any natural or legal person intending to teach these matters may seek certification as a training entity if they have been recognised by the national qualifications system and give proof of compliance with a series of specific requirements. The application for certification must be submitted using the electronic form available on the Bank Customer Website.



Figure I.3.1 • Certification of training entities by Banco de Portugal

Source: Banco de Portugal (in Portuguese only: https://www.bportugal.pt/page/certificacao-de-entidades-formadoras-pelo-banco-de-portugal).

<sup>23.</sup> The legal framework governing the certification of training entities by Banco de Portugal and the minimum content taught during the training by said entities are laid out in government orders (Order No 385-D/2017, Order No 385-B/2017 and Order No 385-C/2017).

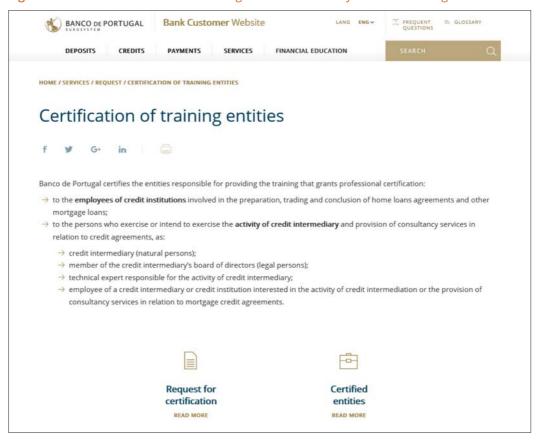
In 2018 seven training entities submitted applications for certification, and the following applications were approved:

- Portuguese Banking Association/Bank Training Institute
- SPESI Sociedade de Promoção de Ensino Superior Imobiliário, S.A.
- UNYLEYA Ensino e Formação à Distância, S.A.
- Rede Global Gestão e Exploração de Franquias, S.A.

In the course of the certification process, Banco de Portugal has interacted with training entities, and provided them all the necessary information and clarifications on how to correctly draft and submit applications, namely by holding work meetings.

The list of training entities certified by Banco de Portugal is always up-to-date and available for consultation on the Bank Customer Website.

Figure I.3.2 • Access to the list of training entities certified by Banco de Portugal



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

#### 3.3 Monitoring training entities

Banco de Portugal is also responsible for following up on, monitoring and ensuring the quality of the certification scheme.

For that purpose, certified training entities are required to review and analyse the results of their training activities on a regular basis, and to report every year to Banco de Portugal on the training they provided, including a critical appraisal of the training results and any improvement measure that they intend to implement.

Furthermore, Banco de Portugal may follow up on and monitor these training activities, to check for compliance with the relevant requirements. In the course of monitoring activities, training entities must grant Banco de Portugal access to face-to-face training sessions and to channels used for distance learning, and must always provide any requested information. Where Banco de Portugal finds non-compliance with the applicable requirements by the training entities, and therefore cannot ensure a sufficient level of quality and stringency, it may revoke the certification granted.

In 2018 Banco de Portugal started to follow up on training activities conferring vocational certification, and monitored the activities carried out by certified training entities. Representatives from Banco de Portugal attended face-to-face training sessions and reviewed distance learning material, to ensure that the content taught complied with the applicable stringency and quality requirements and to check for suitability of the assessment criteria and methods.

Banco de Portugal informed the relevant training entities of the findings from this monitoring.

## **4** Consumer credit in digital channels

#### **4.1** The growing use of digital channels

Nowadays most retail banking products and services may be accessed through home banking, apps (applications for mobile devices) and online platforms specifically designed by institutions for offering such products.

Products and services offered by institutions in digital channels are increasingly varied, ranging from opening deposit accounts to offering consumer credit products, as well as the provision of payment services, in particular pre-paid cards, debit cards and credit cards. Bank customers may sign up to retail banking products and services fully digitally, which is more convenient, but also requires greater proactivity and critical judgement when analysing the characteristics of these products and services. Bank customers have to take on an increasingly important role throughout the whole signing-up stage in digital channels, insofar as they do not have the face-to-face support of a staff member. Institutions are responsible for developing tools that give proper support to their customers throughout the whole signing-up process.

Signing up to banking products and services in digital channels entails potential benefits for customers and for institutions. Customers can access banking products and services more comfortably and benefit from the possibility of comparing products and services more simply.

Institutions may diversify their offering and attract new customer segments in an increasingly competitive and borderless market.

Banco de Portugal has been monitoring the sale of retail banking products and services in digital channels, and has taken some measures to stimulate the development of fully digital signing-up processes.

By amending the regulatory framework applicable to the opening of current accounts, Banco de Portugal has allowed institutions to use assisted videoconference as an alternative means to verify bank customers' identification details. This paved the way for greater market competition, ensuring that bank customers can open an account conveniently with institutions subject to Banco de Portugal's supervision.

Close monitoring of the procedures for signing up to retail banking products and services in digital channels also led to Banco de Portugal's reflection on how customers should give their consent when entering into consumer credit agreements. Banco de Portugal has informed institutions that they should adopt safe methods for strong bank customer authentication in regard to access to digital channels and when bank customers express their willingness to enter into a credit agreement.

Banco de Portugal has also defined procedures and criteria to be observed by credit institutions when assessing consumer creditworthiness, and established that institutions may make that assessment based on indirect methods in the case of credits of an amount below ten times the national minimum wage or of a temporary increase (for less than three months) in the total amount of credit. However, institutions remain bound to comply with the obligation to assess creditworthiness.

The use of digital channels when signing up to retail banking products and services may allow banking conduct supervisors to monitor more closely the development of the entire process for offering these products and services, if these supervisors have access to and know in detail the various stages of the process presented to customers. However, for their supervision to be effective and timely, they must act upstream, assessing whether the product or service is offered in digital channels in a manner that complies with the applicable regulatory framework, namely in terms of information reporting and security. Prior to the product or service being made available in digital channels, banking conduct supervisors thus face the need to require the reporting of information on the respective characteristics, signing-up flow and security procedures. Analysis of the information reported also needs to be complemented by evidence of the signing-up stages for products and services in digital channels, with mystery shopper monitoring – which is particularly useful on site – losing relevance in a digital context.

#### **4.2** Ex ante monitoring

To ensure the a priori monitoring of the sale of consumer credit products in digital channels, early in 2018 Banco de Portugal issued a Circular Letter<sup>24</sup> under which it instructed institutions to report, at least ten working days in advance, information on consumer credit products whose signing-up process starts and ends in a digital environment.

<sup>24.</sup> Circular Letter of Banco de Portugal No 4/2018 – "Supply of information to Banco de Portugal on the sale of consumer credit products via digital channels".

Since the beginning of 2018 institutions have sent detailed information to Banco de Portugal on the main characteristics and the signing-up process of consumer credit products, including on the security mechanisms adopted. Banco de Portugal is thus informed about the product's target group and the respective (online or mobile) channels where it is available, how customers can access the standardised information sheet (SIS) and the draft agreement, and how they can view that information and store the credit agreement details. Furthermore, institutions report on the security procedures implemented to ensure that bank customers have access to the digital channel and can confirm their willingness to enter into the credit agreement. Jointly with the provision of this information, institutions should submit to Banco de Portugal the pre-contractual information documents (SIS template) and the technical specifications on the product concerned.

This information allows Banco de Portugal to assess institutions' compliance with the regulatory framework governing consumer credit in digital channels, which is unrelated to the signing-up channel used (principle of technological neutrality).

#### 4.3 Supervisory priorities

When supervising the sale of consumer credit products in digital channels, Banco de Portugal, based on the information reported by institutions under the above Circular Letter, prioritised the supervision of personal credit and overdraft facilities. Inspections covered all 14 products reported and involved 13 institutions.

Banco de Portugal's actions focused chiefly on how each institution ensures compliance with the information and assistance obligations and allows customers to exercise the right of withdrawal and the right to early repayment in digital channels, as well as on the security procedures implemented and the manner in which customers confirm their willingness to enter into an agreement. This analysis was based on the information details submitted by institutions, plus the requested screenshots regarding the sign-up process of the credit products concerned. Banco de Portugal also held bilateral meetings with the institutions for a detailed analysis and demonstration (in quality or production environments) of the signing-up flows through the online or mobile channels available.

The reflection conducted alongside institutions focused on the requirements applicable to the sale of consumer credit products, also taking into account the lessons learned from behavioural economics and international best practice:

• Observance of the **obligation to provide pre-contractual and contractual information** to consumers

Banco de Portugal assesses the stage at which customers are informed about the main characteristics of credit products and how they may choose the conditions that are most suited to their preferences. Furthermore, it analyses how and at what stage of the signing-up process customers are informed about the SIS so that they may adequately judge whether to enter into the credit agreement. The Bank also assesses whether the SIS that they are given contains the main characteristics of the credit product, taking into account the information and options chosen by bank customers. In addition, Banco de Portugal checks if customers may ask for a free copy of the draft agreement and when. It also analyses whether the SIS and the draft credit agreement incorporate mechanisms for proper viewing and reading, in particular if they ensure that customers are required to scroll down the document.

• Compliance with the **obligation to provide assistance** to consumers

Banco de Portugal analyses the mechanisms provided by institutions in digital channels to inform the customers about the characteristics of the credit product and allow them to consider whether the proposed product suits their needs and financial situation. Banco de Portugal also assesses whether the signing-up processes in digital channels incorporate the means necessary to clarify the customers' doubts and questions, particularly warnings and information notices, access to pages with frequently asked questions (FAQs), toll-free helplines, access to a chat with an assistant from the institution, or a chatbot, so as to ensure that there are similar mechanisms providing equivalent clarifications to those the staff is required to provide on site.

 Cross-selling associated with credit involving other financial products and cost financing option

Within the scope of offering consumer credit agreements jointly with other financial products, particularly (optional) insurance, Banco de Portugal assesses whether customers can expressly indicate their intention of signing up to these products or rather choose this option from a shortlist. The Bank also checks whether the same holds true for the possibility of financing credit-related costs, i.e. whether customers may choose through a question formulated clearly and in positive terms.

• Compliance with the obligation to assess the consumer's creditworthiness for observance of the principle of responsible borrowing

Banco de Portugal devotes special attention to the mechanisms used by institutions to assess customer creditworthiness, notably if they only resort to indirect methods in credit agreements of an amount below ten times the national minimum wage. It also analyses the procedures established by the institutions to inform customers about a credit denial, when it is based on information consulted in databases, namely credit registers.

• Exercise of the right of withdrawal and the right to early repayment in digital channels

Banco de Portugal analyses how institutions ensure that bank customers exercise their right of withdrawal and to early repayment in digital channels. It assesses whether bank customers are given the possibility of revoking the credit agreement in digital channels in the 14 days following its signing, ensuring that revocation is as convenient as signing-up. It also analyses whether customers may communicate their intention of early repayment of the credit through digital channels, so as to safeguard equivalent convenience between signing-up and early repayment.

• Adoption of security procedures when entering into credit agreements

Based on Banco de Portugal's understanding, which is conveyed in due time to institutions in regard to credit agreements offered through digital channels, an analysis was made of the security procedures adopted by institutions to ensure that credit products are entered into through strong customer authentication mechanisms similar to those established for payment services. In this context, it checks whether institutions use two or more elements categorised as knowledge (something only the user knows, e.g. password), possession (something only the user possesses, e.g. security matrix card) and inherence (something the user is, e.g. a fingerprint) that are independent, for customers to express their willingness to sign up to a credit product.

#### 4.4 Banking conduct supervision concerns

Banco de Portugal's action led to the issuing of recommendations to institutions whenever the signing-up process of consumer credit products in digital channels was seen not to guarantee the due safeguarding of the rights of bank customers in these channels, as understood by Banco de Portugal.

Behavioural economics studies show, for example, that bank customers tend to overvalue the present over the future and take impulse decisions. These behavioural biases are intensified when they enter into credit agreements in digital channels, given the increased speed and ease of access to this product. Therefore, international organisations such as the Organisation for Economic Co-operation and Development (OECD) have called the supervisors' attention to the importance of acting based on the lessons learned from behavioural economics: "Having a better understanding of consumers' decision-making processes and of the biases likely to influence their economic and financial decisions are key areas of interest to financial services policy makers, regulators and supervisors"<sup>25</sup>.

Based on the principle of technological neutrality, the lessons learned from behavioural economics and international best practice, Banco de Portugal recommended that institutions<sup>26</sup>:

- adopted mandatory scroll-down mechanisms for pre-contractual and contractual information to encourage customers to read this information;
- required customers to express their willingness to sign up to financial products associated with the credit or to finance other costs;
- developed tools to ensure proper clarification of bank customers on the characteristics of credit products;
- made available two or more elements categorised as knowledge, possession and inherence that are independent, to ensure strong customer authentication in digital channels when customers express their willingness to sign up to a credit product;
- gave customers the possibility of exercising their right of withdrawal from the agreement within 14 days, and their right to early repayment in digital channels;
- duly identified the institution in those cases where the sale of credit products occurs on dedicated online platforms and apps.

Banco de Portugal has also been monitoring institutions as regards implementation of the recommendations issued, so as to assess the changes made to their signing-up processes.

Such monitoring of the sale of retail banking products and services in digital channels will extend to all products made available by institutions in these channels, with Banco de Portugal continuing to pay special attention to consumer credit products.

Banco de Portugal may adopt other initiatives to monitor and supervise the institutions' conduct in digital channels. In addition to weighing the results of the 2nd questionnaire on banking products and services in digital channels launched in December 2018, Banco de Portugal will

<sup>25.</sup> 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 at <a href="http://dx.doi.org/10.1787/0c8685b2-en">http://dx.doi.org/10.1787/0c8685b2-en</a> (consulted in March 2019). For further developments, see also Banco de Portugal's presentation entitled "A regulação e a supervisão do crédito aos consumidores: contributos da economia comportamental", available at <a href="https://www.bportugal.pt/sites/default/files/anexos/documentos-relacionados/intervpub20181022\_1\_1.pdf">https://www.bportugal.pt/sites/default/files/anexos/documentos-relacionados/intervpub20181022\_1\_1.pdf</a> (consulted on the same date).

<sup>26.</sup> Chapter II Section 2.3.3 in this Report.

pay attention to how institutions sell products and services in these channels, namely their increasingly innovative and disruptive marketing strategy. Institutions are not only diversifying the advertisements and channels for marketing products, taking advantage of social media, but they are also focusing increasingly on publicising products and especially their brands.

## 5 Home loans and mortgage credit

#### **5.1** The new framework

The legal framework applicable to the offering of home loans and mortgage credit was significantly amended at the start of 2018 with the entry into force of the new legal framework on credit relating to residential immovable property and credit secured by a mortgage<sup>27</sup>, following the transposition of the first European Directive on this subject.

The new framework improved the rights of customers at national level, specifically as regards the provision of information to customers prior to the conclusion of a credit agreement through the submission of a European Standardised Information Sheet (ESIS). In addition, this framework established new rights for bank customers, such as a mandatory reflection period or the obligations of credit institutions to provide assistance and to carry out a creditworthiness assessment.

Credit institutions have been required to provide an ESIS to consumers since 1 January 2018. The ESIS has replaced the SIS<sup>28</sup>, a pre-contractual information document which credit institutions were required to supply to customers in Portugal since 2010 and which strengthened the information provided to consumers on the features, costs and risks of concluding a home loan or mortgage credit agreement.

Through the ESIS, consumers obtain information on the annual percentage rate of charge (APRC) and the total amount payable on the loan they intend to enter into. The APRC – which has replaced the effective annual rate – is an important measure of costs, providing a more accurate total cost of credit to the consumer (as it takes into account all charges due under the agreement, namely interest, fees, expenses and taxes). The APRC also helps consumers make a more accurate comparison of products with similar characteristics.

The ESIS additionally includes information for consumers on the risks associated with the agreement they are about to sign. For example, for variable rate credit agreements, institutions are required to present a repayment schedule that assumes an increase in the benchmark rate to the highest value of the Euribor in the last 20 years, in order to inform customers about the risks of changes to financial conditions during the lifetime of the credit agreement and the impact these may have on their ability to meet their obligations. The ESIS also includes duly highlighted warnings which relate, in particular, to the consequences of defaulting on credit agreements.

Similarly to the SIS, credit institutions are required to provide consumers with an ESIS detailing the loan simulation and the approval of the credit offer. Once the credit offer is approved, institutions are also required to provide customers with a draft credit agreement.

<sup>27.</sup> Decree-Law No 74-A/2017 of 23 June 2017, transposing into Portuguese 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.

<sup>28.</sup> The obligation to provide the SIS was introduced into Portuguese law by Notice of Banco de Portugal No 2/2010.

In order to ensure consumers have time to assess whether the credit offer made by the institution is appropriate to their needs and objectives and compare it with other offers available on the market, the new framework on credit relating to residential immovable property and credit secured by a mortgage sets out a minimum period of 30 days during which credit institutions are bound to the credit offer provided to the consumer, which they may not withdraw or change. Consumers also have a mandatory reflection period. They may not accept the offer made by the institution during the seven days following said offer.

Guarantors now also have the right to receive a copy of both the ESIS and the draft credit agreement and benefit from the seven-day mandatory reflection period.

In order to ensure that customers have the information necessary to make an informed decision during the reflection period, credit institutions are required to render assistance to consumers by providing pre-contractual information and explaining the characteristics of both the credit agreement offered and potential ancillary products and services. Employees who participate in the drafting, distribution and conclusion of home loans and mortgage credit agreements are therefore required to possess and maintain an appropriate level of knowledge and competence and must be able to provide adequate explanations to consumers.

Institutions must also ensure that consumers have the financial capability to meet their obligations under the credit agreement by assessing their creditworthiness.

The new framework on credit relating to residential immovable property and credit secured by a mortgage also recognised the importance of credit intermediaries in offering these products. Consequently, several obligations that fall on credit institutions also apply to credit intermediaries when these play a role in the marketing of credit agreements, such as the obligation to provide the ESIS with the simulation of the conditions of the credit agreement and the obligation to provide assistance to consumers.

This legal framework was supplemented by Banco de Portugal, which regulated the obligations to provide assistance, carry out a creditworthiness assessment and provide information during the lifetime of the credit agreement.

As regards the obligation to provide assistance – and in compliance with the obligations set out by Banco de Portugal<sup>29</sup> – credit institutions and, where applicable, credit intermediaries must clarify to consumers the content of the ESIS, the draft credit agreement and annexed documents, explain the main characteristics and risks of the credit agreement offered, and separately identify the characteristics and costs of each product and service bundled with the agreement, as well as the impact of these products and services on the cost of the credit agreement.

Institutions must also inform consumers of the possibility of concluding the agreement without product bundling and of the credit underwriting process, answer questions and inform consumers of the communication channels used to clarify additional doubts and request other information. Whenever pre-contractual information is provided through distance communication means, credit institutions and, where applicable, credit intermediaries, must provide consumers with dedicated helplines and specific content in audio, video or text format, which must be appropriate to the means of communication used to provide the pre-contractual information.

As regards the obligation to carry out a creditworthiness assessment and in compliance with the rules and procedures established by Banco de Portugal<sup>30</sup>, institutions must compile information and documents on the customer's income and expenses, without precluding indirect methods, where the amount of the credit agreements in question is less than ten times the national minimum wage. Institutions must also account for future circumstances which might have an impact on the customer's ability to repay the credit, such as termination of a fixed-term contract of employment or a rate increase on credit agreements with a variable or mixed interest rate.

In the exercise of its macroprudential function, Banco de Portugal also approved a recommendation<sup>31</sup> which introduces limits to a number of criteria used in the risk assessment of credit operations, such as the debt-service-to-income ratio or the loan-to-value ratio.

As regards the provision of information during the lifetime of the loan, Banco de Portugal maintained the obligation of credit institutions to periodically supply their customers with a detailed statement with information on loan developments and the obligation to provide other information, namely on changes to contractual terms with an impact on the value of the instalment or amount to be paid, and the existence of arrears, settlement of arrears or early repayment situations<sup>32</sup>.

The new framework on credit relating to residential immovable property and credit secured by a mortgage was amended over the course of 2018, with the Portuguese legislator establishing the obligation of credit institutions to fully reflect the decline in Euribor in housing loan agreements<sup>33</sup>.

#### 5.2 Disclosure and monitoring

Taking into account the considerable changes made to the rules on home loans and mortgage credit, Banco de Portugal released new content on the Bank Customer Website, published news and a video on the new rules and provided several decoders, namely on the APRC and the total amount payable<sup>34</sup>.

It also informed bank customers of their rights and obligations as regards the new framework on credit relating to residential immovable property and credit secured by a mortgage by replying to requests for information.

Monitoring the implementation of this new framework – namely, compliance with the new precontractual information and assistance obligations, application of the new measure of total cost (APRC) and respect for the reflection period – was one of the priorities of Banco de Portugal's inspection activity in 2018. It conducted on-site and off-site inspections, which covered all the 29 institutions offering these credit products<sup>35</sup>.

Initially, compliance with the obligations to provide information was assessed through an analysis of the ESIS and other information available on the websites of the 15 institutions providing simulators. These off-site inspections were then complemented by on-site inspections

- 30. Cf. Notice of Banco de Portugal No 4/2017.
- 31. Recommendation of Banco de Portugal approved by deliberation of the Board of Directors of 30 January 2018: https://www.bportugal.pt/ sites/default/files/recomendacao\_contratocredito\_en.pdf.
- 32. Cf. Notice of Banco de Portugal No 5/2017. This Notice revoked Notice of Banco de Portugal No 2/2010, which set out for the first time the obligations on the provision of information during the lifetime of credit relating to residential immovable property and credit secured by a mortgage.
- 33. Law No 32/2018 of 18 July 2018, which came into force on 19 July 2018.
- 34. Points 1 and 2 of Chapter III of this Report.
- 35. Points 2.4.1 of Chapter II of this Report.

In addition to these inspections, Banco de Portugal also monitored credit institutions by analysing complaints on home loans and mortgage credit<sup>36</sup>. In 2018 complaints received rose to 94 for every 100,000 contracts (compared to 91 complaints for every 100,000 contracts in 2017). This is mainly the result of an increase in complaints about the calculation of instalments, pre-contractual information provided to customers, and delays in the issuance of statements.

Over the course of 2018, and as a result of Banco de Portugal's work monitoring home loans and mortgage credit, 344 specific orders were issued to 25 institutions, requiring the correction of irregularities relating, in particular, to non-compliance with pre-contractual information requirements<sup>37</sup>. In addition, three administrative proceedings were initiated against two institutions relating to the application of the general arrears regime<sup>38</sup>.

#### **6** Basic bank accounts

#### 6.1 New rights

In 2018 significant amendments were made to the rules governing the provision of basic bank accounts (BBAs).

With the entry into force on 1 January 2018 of the legal provisions transposing the European rules on payment accounts<sup>39</sup>, the set of services included in BBAs was extended to cover transactions on these accounts through ATMs in the European Union and interbank transfers to other accounts held in the European Union. It was also established that credit institutions might only invoke the fact that there have been no movements to the account as a reason to close a BBA if its holder had not carried out a payment transaction for at least 24 consecutive months. Credit institutions providing BBAs are now also required to offer their customers alternative dispute resolution means in relation to these accounts.

On this occasion, the Portuguese legislator established that the maximum maintenance fee charged on BBAs would correspond to 1% of the value of the Social Support Index (replacing the rule in force at the time of 1% of the national minimum wage), thereby reducing the costs associated with these accounts.

- 36. Point 4.4.3 and 3 of Chapter II of this Report.
- 37. Point 5.1.4 of Chapter II of this Report.
- 38. Point 5.2.3 of Chapter II of this Report.
- 39. Decree-Law No 107/2017 of 30 August 2017, which transposed Directive 2014/92/EU of the European Parliament and of the Council of 23 July 2014 on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features. This Directive established a legal framework on access to a payment account with basic features for the first time at European level. However, the BBA regime applicable in Portugal since 2000 is broader and more comprehensive than the legal framework laid down by the European legislator. For example, the Directive only requires a payment account with basic features to be provided by a credit institution with coverage in the territory of the Member State, while in Portugal all credit institutions offering to the public the services included in the set of services considered to be BBAs have been required to provide these accounts since 2015.

In May 2018 the Portuguese legislator again amended the BBA regime<sup>40</sup>, facilitating access to these accounts and extending the set of banking services covered<sup>41</sup>.

As a result of this initiative, natural persons were allowed to become BBA holders even if they were already co-holders of another BBA with persons over 65 years old or disabled to a degree of 60% or more, provided they did not hold any other current accounts.

The number of interbank transfers that the holders of these accounts may carry out free of charge per calendar year through home banking services to accounts held in Portuguese territory and the European Union was also extended from 12 to 24.

The law also established that credit institutions may allow transactions from a BBA using a debit card beyond the funds available on the account, inter alia when payment systems are not operating in real time (for example, for toll payments or a number of payments abroad).

Banco de Portugal established new regulations following these amendments, setting the obligations credit institutions must observe when disclosing information on BBAs<sup>42</sup>.

Banco de Portugal strengthened the information obligations falling on credit institutions when providing information to current account holders on BBAs and the possibility of switching from current accounts to BBAs by requiring them to provide an information document with a standardised content and format. This document must be annexed to the first statement issued each calendar year and contain information on the main characteristics of the BBA regime to allow customers interested in switching from their current account to a BBA to assess whether they fulfil the requirements for access to this regime.

Banco de Portugal also redefined the requirements for information that credit institutions must report to the Bank for follow-up and monitoring of the application of legal rules governing the provision of BBAs<sup>43</sup>. A new information requirement was the breakdown of BBA beneficiaries by gender and age, which is very important to establish strategies for the dissemination of information on these accounts among bank customers.

#### **6.2** Features of BBAs

BBAs are a set of services that are considered essential, which citizens may access at a low cost. These include opening a current account – the basic bank account – and a set of payment services, including a debit card.

Access to these essential banking services has been legally enshrined since 2000<sup>44</sup>, although the legal framework in force has been subject to considerable amendments over the years. Initially, offering BBAs was voluntary for credit institutions, but all credit institutions that provide services to the public which are included in the list of BBA services have been required to provide BBAs since 2015.

<sup>40.</sup> Banco de Portugal was asked to issue its opinion on these changes at the hearing before the Committee on Budget, Finance and Administrative Modernisation of the Portuguese Parliament.

<sup>41.</sup> Law No 21/2018 of 8 May 2018.

<sup>42.</sup> Notice of Banco de Portugal No 1/2018 and Instruction of Banco de Portugal No 16/2018.

<sup>43.</sup> Instruction of Banco de Portugal No 15/2018.

<sup>44.</sup> Decree-Law No 27-C/2000 of 10 March 2000.

The following may have access to BBAs:

- Natural persons who do not own current accounts or who only own one current account, which may be switched to a BBA;
- Natural persons who hold other current accounts may be co-holders of a BBA with a person over 65 years old or disabled to a degree of 60% or more who does not own other accounts;
- Natural persons who already are BBA co-holders with another customer over 65 years old or disabled to a degree of 60% or more may have individual access to a BBA, provided they do not own any other current accounts.

BBAs include the following services:

- Opening and maintaining a current account the basic bank account;
- Providing a debit card to make transactions from the account; conditions on this card must not be more restrictive than for debit cards provided with other account types;
- Providing access to transactions from the account through ATMs in the European Union, home banking services and branches of the credit institution;
- Deposits, cash withdrawals, payments for goods and services, and direct debits;
- Intrabank transfers (i.e. transfers to accounts in the same credit institution) without restriction on the number of transactions that can be carried out;
- Interbank transfers (i.e. transfers to accounts in other credit institutions) through ATMs, without
  restriction on the number of transactions that can be carried out, and home banking services,
  in which case there is a maximum of 24 interbank transfers within the European Union, for each
  calendar year.

For the provision of BBAs, credit institutions may not charge fees, expenses or other charges which together exceed 1% of the value of the Social Support Index (IAS) in a year, i.e. EUR 4.35 according to the value of the IAS in 2019.

Fees charged by credit institutions for the maintenance of BBAs are disclosed on the Bank Customer Website (Fees Comparator)<sup>45</sup>. Customers may also obtain information on the cost of BBAs in the fees and expenses leaflet of credit institutions.

At the end of March 2019 the customers of seven institutions were exempt from paying fees and other charges on BBAs: Banco Activobank, S.A., Banco BPI, S.A., Banco do Brasil AG – Sucursal em Portugal, Banco CTT, S.A., BNI – Banco de Negócios Internacional (Europa), S.A., Caixa de Crédito Agrícola Mútuo de Leiria, C.R.L. and Caixa Geral de Depósitos, S.A. A total of 100 other institutions charged less than the maximum fee.

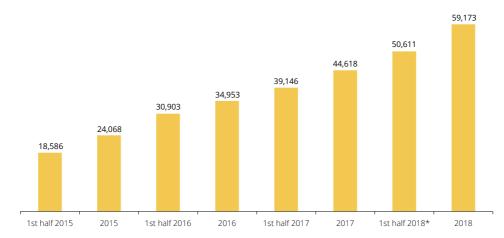
#### **6.3** Developments in BBAs

At the end of the year, 59,173 BBAs were open, corresponding to a 32.6% increase from the end of 2017 (an increase of 14,555 accounts).

The amendments introduced by the legislator in the requirements for access to BBAs and in the conditions for the provision of these accounts, and efforts by several entities to disseminate them, have helped increase the number of citizens benefiting from this regime.

Throughout the year, 17,202 BBAs were opened (7,405 in the first half and 9,797 in the second half of the year). In 59.6% of cases, BBAs had been switched from an existing current account, compared to 50.7% in 2017. The remaining 40.4% corresponded to a new BBA (compared to 49.3% in 2017).

Chart I.6.1 • BBAs | Developments in the number of accounts | 2015–2018



Source: Banco de Portugal.

In 2018, 2,647 BBAs were closed. Of these, 2,199 (83.1%) were closed on the customer's initiative and 448 on the credit institution's own initiative (16.9%). BBAs were closed on the institution's own initiative mainly owing to the fact that: there had been no movements in the account in the preceding 24 months; the account holder had ceased to be a legal resident in the European Union; or the account holder owned other current accounts.

Chart I.6.2 • BBAs | Accounts opened and closed | 2018



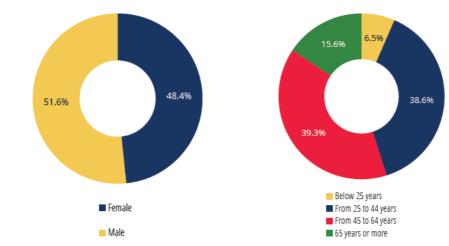
Source: Banco de Portugal.

In 2018, 1,082 accounts were opened, co-held by natural persons over 65 years old or disabled to a degree of 60% or more and by natural persons who hold other current accounts (6.3% of total accounts opened), which represents a significant increase compared to the number of BBAs with these features that were opened in 2017 (552). At the end of the year, there were 1,346 co-held BBAs with these features (2.3% of the total).

In turn, 87 bank customers benefited from the possibility of having access to BBAs, now conferred by law on natural persons who are co-holders of BBAs with natural persons over 65 years old or disabled to a degree of 60% or more.

The 9,797 BBAs opened in the second half of last year – when the requirement that institutions provide information on the gender and age of the holders of these accounts was introduced – were fairly evenly distributed between male and female customers (51.6% and 48.4% respectively). The first holders of most BBAs opened during this period were aged between 45 and 65 years (39.3%), while young people aged below 25 years used these services the least (6.5%).

**Chart I.6.3** • BBAs | Breakdown of accounts opened in the 2nd half of 2018 by gender and age



Source: Banco de Portugal.

Of the 59,173 BBAs existing at the end of 2018, 89.9% had only one holder, while 10.1% had several holders. Similarly to previous years, most BBA holders did not have any time deposits (90.3%) nor credit products (91.4%) in the same institution.

10.196

9.796

88.696

89.996

90.396

91.496

Without non-current accounts

■ With non-current accounts

■ With credit products

Chart I.6.4 • BBAs | Breakdown of accounts | 2018

Source: Banco de Portugal.

More than one holder

Although the number of BBAs grew compared to 2017, 90% of the total of existing BBAs were held in five institutions at the end of 2018.

#### 6.4 Disclosure and monitoring

Access to a BBA is a right conferred on customers by law, which they may exercise provided they express interest in this service. The disclosure of information on BBAs is essential for customers to become aware of them and their features and to be able to exercise this right.

Banco de Portugal has actively promoted the dissemination of the new rules on BBAs among bank customers, namely by publishing specific contents and materials on the Bank Customer Website (leaflet, flyer and decoder), supporting financial education initiatives among the population in different regions of the country and collaborating with Social Security to prepare materials to be displayed at their information desks<sup>46</sup>.

Banco de Portugal helped inform bank customers of their rights and obligations as regards the BBA regime by replying to requests for information.

Banco de Portugal also monitored compliance by credit institutions with the rules on BBAs, which remains a priority. In 2018 institutions providing these accounts were inspected to assess their compliance with the obligations to disclose information on BBAs and the amendments to the applicable legal framework which entered into force during the year.

Credit institutions providing BBAs are required to give their customers the possibility of switching from a current account to a BBA. This information is disclosed on an annual basis in the first statement issued each calendar year on the current account, giving this information the prominence that was established by Banco de Portugal<sup>47</sup>. The Bank required that the 106 institutions providing

<sup>46.</sup> Points 1 and 2 of Chapter III of this Report.

<sup>47.</sup> Notice of Banco de Portugal No 9/2017, replaced in August 2018 by Notice of Banco de Portugal No 1/2018 and Instruction of Banco de Portugal No 16/2018.

Institutions are also required to display a poster advertising BBAs in their branches. This poster must be in a prominent place and follow the model established by Banco de Portugal. Mystery shopper inspections were conducted in branches to assess whether they were displaying the poster and its content, namely whether it had been updated in accordance with the legislative amendments introduced in 2018. The poster was not displayed in a prominent place in the branches of four institutions.

Banco de Portugal conducted mystery shopper inspections in 34 branches of 13 credit institutions located in several districts in the country. These inspections checked whether employees were providing the correct information on requirements for access to BBAs, on the features of this account and on the fact that customers may buy other products (with the exception of overdraft facilities). Banco de Portugal intervened in cases where incorrect information was provided, initially correcting the employees in question and then calling upon institutions to correct the information they provide in their branches.

Banco de Portugal also requested information from all institutions providing BBAs on the parameters for debit cards used in ATMs in the European Union, which cannot have features that result in more restrictive conditions of use than for debit cards offered outside this legal framework.

Banco de Portugal also checked compliance with maximum maintenance fees on BBAs in all institutions providing these accounts. As a result, seven institutions were identified as failing to provide a timely update of information on this fee on their price lists, websites and Standardised Information Sheets (SISs) on BBAs. In addition, four institutions were also found to charge amounts above the maximum fee established by law.

Institutions' price lists and SISs on BBAs were checked for compliance with the rules on the expansion of the list of payment services provided in a BBA, which now includes 24 interbank transfers via home banking services. Banco de Portugal also verified whether the amendments introduced in 2018 to the conditions for closing a BBA were being implemented correctly by credit institutions by analysing SISs, with 13 institutions identified as providing incorrect information on their SISs.

Monitoring compliance with the BBA regime also included analysing bank customer complaints on these services, which increased by 74.6% in 2018 compared to 2017.

In 2018 bank customer complaints on BBAs mostly focused on the process of switching from a current account to a BBA (49 complaints out of 117). In particular, customers complained about the provision in branches of imprecise information on the conditions for exercising this right. Bank customers also complained about the information provided by institutions on the services included in BBAs.

On the basis of the results of Banco de Portugal's monitoring activities, it is possible to conclude that in 2018 most credit institutions complied with the rules applicable to BBAs.

Nevertheless, some practice was detected which did not comply with the provisions of Decree-Law No 27-C/2000 of 10 March 2000 and the regulatory rules implementing this Decree-Law.

Under Article 7-C (2) of Decree-Law No 27-C/2000 of 10 March 2000, establishing the system of access to BBAs, Banco de Portugal 'assesses the implementation of rules set out in this legal act and publishes the results of this assessment in its Banking Conduct Supervision Report, breaking down by financial institution the type of non-compliance identified under its supervisory powers', as detailed in the following table:

**Table I.6.1** • BBAs | Type of non-compliance by credit institution

Fees charged above the established maximum amount	Caixa Económica da Misericórdia de Angra do Heroísmo Deutsche Bank Aktiengesellschaft – Sucursal em Portugal Novo Banco dos Açores, S.A. Novo Banco, S.A.	
Failure to display a poster on BBAs in a prominent place in branches and customer assistance points	Banco Activobank, S.A.  Caixa de Crédito Agrícola Mútuo de Terras do Sousa, Ave, Basto e Tâmega, C.R.L  Caixa de Crédito Agrícola Mútuo de Alcácer do Sal e Montemor-o-Novo, C.R.L  Caixa Económica Montepio Geral, Caixa Económica Bancária, S.A.	
Lack of or incomplete information, in the statement on the current account, on the possibility of switching from a current account to a BBA	Caixa de Crédito Agrícola Mútuo da Chamusca, C.R.L Caixa de Crédito Agrícola Mútuo de Leiria, C.R.L	
Refusal with no legal grounds to switch from a current account to a BBA	Banco Comercial Português, S.A.	

Source: Banco de Portugal.

As it was introduced by Law No 21/2018 of 8 May 2018, this principle is now complied with for the first time. In the absence of a criterion set out by law to implement it, the identification of institutions and attribution of non-compliance are done irrespective of the impact the irregularities in question may have in terms of the number of customers affected and amounts involved. It is therefore important to bear in mind that the irregularities detected have been isolated incidents and immaterial.

# Structured deposits

## 7 Structured deposits

#### **7.1** The new legal framework

Important amendments were made to the legal framework applicable to structured deposits (previously referred to as indexed deposits) over the course of 2018.

These amendments were mainly the result of the need to adapt the Portuguese legal framework to new European rules, which treat structured deposits as equivalent to other retail investment products.

From 1 January 2018, the entry into force of the rules<sup>49</sup> applicable to the offering of packaged retail and insurance-based investment products (PRIIPs)<sup>50</sup> harmonised the information to be provided to customers prior to purchasing these products, including structured deposits.

The key information document (KID) is now the pre-contractual information document that credit institutions are required to provide to customers prior to making a structured deposit. The KID describes the main features of the structured deposit, including its form of remuneration, summary indicators of risks and costs and performance scenarios. For ease of comparability, the KID follows a standardised model limited to a maximum of three A4 pages.

A set of rules approved by the Portuguese legislator with a particular impact on the marketing of structured deposits came into force on 1 August 2018<sup>51</sup>. The provisions in question aimed to ensure the implementation of the European rules applicable to PRIIPs and the transposition of other rules that are equally relevant to the offering of structured deposits.

The Portuguese legislator chose to establish rules which apply across the board to all investment products that may be considered PRIIPs, and set out specific supplementary rules applicable to the offering of structured deposits.

The new legal framework applicable to these deposits resulting from the amendments introduced in 2018 aims not only to promote transparency of information and an appropriate conduct by institutions, but also take into account new banking conduct supervision concerns. Credit institutions are now required to ensure that employees selling structured deposits possess an adequate level of knowledge and competence to provide information on these deposits to customers. Credit institutions are now also required to assess the adequacy of structured deposits

<sup>49.</sup> 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) and Commission Delegated Regulation (EU) 2017/653 of 8 March 2017 supplementing Regulation (EU) No 1286/2014 by laying down regulatory technical standards with regard to the presentation, content, review and revision of key information documents and the conditions for fulfilling the requirement to provide such documents.

<sup>50.</sup> The abbreviation PRIIPs (Packaged Retail and Insurance-based Investment Products) is now used for financial products where the amount repayable to the customer is not initially known, as it depends on developments in reference values or the performance of assets which are not directly purchased by the customer. These may take different forms, such as investment funds, life insurance with an investment element, structured products and structured deposits, the latter subject to the supervision of Banco de Portugal.

<sup>51.</sup> Law No 35/2018 of 20 July 2018, transposing inter alia Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and Commission Delegated Regulation (EU) 2017/593 of 7 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to safeguarding of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefits. This law also adapted Portuguese law to 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) and Commission Delegated Regulation (EU) 2017/653 of 8 March 2017 supplementing Regulation (EU) No 1286/2014.

to the knowledge and experience of bank customers. Institutions must classify customers for the purposes of selling structured deposits (retail clients, non-retail clients and eligible counterparties) and adopt governance and monitoring procedures when creating and marketing these products, in order to ensure the deposits are suited to the interests, needs, characteristics and objectives of their target audience.

The new rules also prohibit institutions from bundling (structured or simple) deposits with other savings or investment financial products that do not protect the invested capital at all times or limit the subscription of deposits to the purchase of products without capital guarantee at all times, in line with the best practice recommended by Banco de Portugal through Circular Letter No 31/2011/DSC.

The intervention powers of Banco de Portugal were strengthened with the possibility of the Bank prohibiting or suspending the offering of a structured deposit where it considers that the deposit does not comply with applicable rules, in order to safeguard the rights of interested parties and the trust of depositors.

#### 7.2 Disclosure and monitoring

Banco de Portugal promoted bank customer awareness of the new legal framework on structured deposits and the features and risks of this type of deposit through the Bank Customer Website. The format and content of the new KID that institutions are now required to provide to their customers prior to making these deposits was explained through the release of news and new educational content.

The model for supervising structured deposits adopted by the Bank in 2009<sup>52</sup> has retained its basic features, with credit institutions still required to submit advertising for structured deposits to prior approval by Banco de Portugal and to send their pre-contractual information document to the Bank before offering these deposits. However, the deadlines for intervention by Banco de Portugal were shortened in both cases – from ten to seven working days and from five to two working days respectively.

Banco de Portugal continues to release pre-contractual information documents on the Bank Customer Website, after verifying compliance with applicable legal requirements, and to provide information on the gross annual nominal rate of matured structured deposits, after confirming their rate of return. The KID of the structured deposit must also be published on the website of the institution selling it before it may be offered to customers.

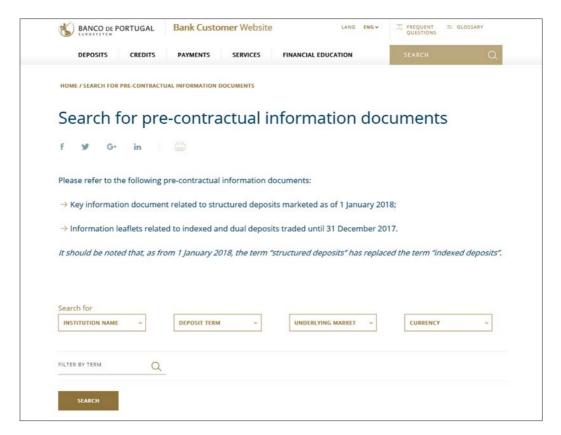
In 2018 Banco de Portugal approved 117 advertising campaigns on structured deposits and monitored the 91 KIDs of the structured deposits offered that year, which represents a decrease from the previous year and confirms the trend of decline observed in this market over the past few years. Banco de Portugal also checked the rates of return on the 162 structured deposits that matured in 2018<sup>53</sup>.

<sup>52.</sup> This supervisory model was set out in Article 2 of Decree-Law No 211-A/2008 of 3 November 2008 and Notice of Banco de Portugal No 5/2009.

<sup>53.</sup> Point 2 2 of Chapter II of this Report.

Also within the context of the monitoring of the Portuguese market for structured deposits, Banco de Portugal received 16 complaints against credit institutions, not having found any signs of infringement of the applicable rules.

**Figure I.7.1** • Searches for pre-contractual information documents on the Bank Customer Website



Source: Banco de Portugal – Bank Customer Website (https://clientebancario.bportugal.pt/en/prospetos-informativos).

BANCO DE PORTUGAL **Bank Customer** Website T FREQUENT QUESTIONS = GLOSSARY DEPOSITS PAYMENTS SERVICES CREDITS FINANCIAL EDUCATION HOME / REMUNERATION OF STRUCTURED DEPOSITS Remuneration of structured deposits in Refer to the remuneration - gross annual nominal interest rate- of the following deposits that have already expired: → Indexed and dual deposits traded until 31 December 2017; → Structured deposits marketed as of 1 January 2018. It should be noted that, as from 1 January 2018, the term "structured deposits" has replaced the term "indexed deposits". The comparison of the remuneration paid to the different deposits shall take into account the characteristics indicated in the respective pre-contractual information documents. Search for INSTITUTION NAME DEPOSIT TERM UNDERLYING MARKET CURRENCY FILTER BY TERM a

Figure 1.7.2 • Return on structured deposits available on the Bank Customer Website

Source: Banco de Portugal — Bank Customer Website (https://clientebancario.bportugal.pt/en/consulta-de-remuneracao-de-indexados-eduais).

Within the role of supervising the European market for structured deposits conferred on the European Banking Authority (EBA) by the European legislator<sup>54</sup>, Banco de Portugal responded to a questionnaire launched by EBA in mid-2018. With this questionnaire, EBA aimed mainly to collect data on developments in domestic markets for structured deposits and their main features, as well as data on the costs and past performance of structured deposits offered in these markets.

In January 2019, EBA published a report on structured deposits, in which it highlights the monitoring carried out by Banco de Portugal of the market for structured deposits<sup>55</sup>, and in particular its trends, with the Bank being the sole authority that has been collecting, assessing and providing data on this market since 2010. As mentioned in this report, "one NCA (PT), [sic] reported comprehensive information on market trends since 2010 PT, [sic] stood out compared to all other NCAs in terms of data available and related work on the market for SDs [structured]

<sup>54.</sup> According to the provisions of Article 39(2) and Articles 41 to 43 of Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments.

<sup>55.</sup> The EBA report on cost and past performance of structured deposits is available for consultation at: https://eba europa.eu/-/eba-publishes-report-on-cost-and-performance-of-structured-deposits.

deposits]. PT collects and checks regularly data from the industry on SDs and reports, in its annual Retail Banking Markets Monitoring Report, both quantitative information on SDs reported by credit institutions and qualitative information collected from the pre-contractual documents provided by credit institutions."



# Monitoring of advertising

# 1 Monitoring of advertising

In 2018, 9,739 advertising materials for banking products and services and institutional advertising of 56 credit institutions were analysed. The number of advertisements released by institutions rose by 3% compared with 2017.

12,000 1,200 9,501 9,739 10,000 1,006 1,000 933 8,000 750 764 800 680 6.000 600 4.000 400 2,000 200 Apr May Jun Jul Aug 2018 Advertising materials (ex-ante) Advertising materials (ex post) Average 2017 Average 2018

Chart II.1.1 • Advertising | Number of advertising materials monitored | 2017–2018

Source: Banco de Portugal. | Note: In 2018, 9,739 advertising materials were analysed, of which 117 were for structured deposits. Annual totals should be interpreted on the right-hand scale and monthly totals on the left-hand scale.

Of the advertising materials analysed by Banco de Portugal in 2018, 9,410 (97%) were following their public disclosure (ex post), 212 were requests for ex ante opinions made by the credit institutions and 117 corresponded to advertising materials for structured deposits, subject by law to prior approval.

Table II.1.1 • Advertising | Advertising materials analysed by type of product | 2017–2018

Scope		20	17	2018		
		Number	Weight	Number	Weight	Δ
Products and services		8,764	92%	8,873	91%	1%
Consumer credit		7,322	77%	7,285	75%	-1%
Credit card		5,224	55%	5,162	53%	-1%
Personal loan		1,462	15%	1,481	15%	1%
Car loans		459	5%	529	5%	15%
Overdraft facility		95	1%	73	1%	-23%
Line of credit		82	196	40	0%	-51%
Home loans		303	3%	444	5%	47%
Bank deposits		369	4%	370	4%	0%
Simple deposits		193	2%	253	3%	31%
Structured deposits		176	2%	117	1%	-34%
Multi-product		336	4%	361	4%	7%
Corporate credit		251	3%	208	2%	-17%
Payment services		183	2%	205	2%	12%
Institutional		737	8%	866	9%	18%
	Total	9,501	100%	9,739	100%	3%

Source: Banco de Portugal.

The majority of advertising materials analysed in 2018 refer to consumer credit products (75%), with the majority within this category being credit cards (53%) and personal loans (15%). Institutional advertising by credit institutions represented 9% of the materials analysed, a proportion similar to that observed in 2017.

In 2018 there was an increase in advertising materials for home loans (up 47%), accompanying the growth observed in this credit market. Advertising for institutions and car loans also increased (18% and 15% increases, respectively). On the other hand, there was a notable decrease in advertising materials related with credit lines (51% lower).

As far as advertising for bank deposits, there was an increase of 31% in materials relating to simple deposits (demand deposit and fixed-term deposit accounts), offset by the decrease in advertisements for structured deposits, that accompanied the number of structured deposits marketed.

Consumer credit | 75% Institutional | 9% Home loans | 5% Bank deposits | 4% Multi-product | 4% Corporate credit | 2% Payment services | 2% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100% 096 Mail Poster Leaflet Outdoor ■ Press Other Television Radio

Chart II.1.2 • Advertising | Types of advertising materials monitored | 2018

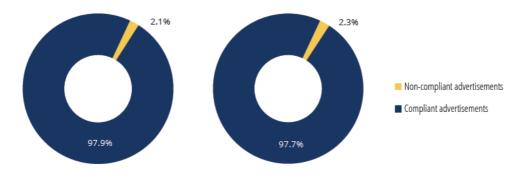
Source: Banco de Portugal.

Regarding advertising campaigns for consumer credit products, the most common means of dissemination were posters placed inside bank branches, which correspond to 36% of all advertisements analysed for this type of product, followed by mailings (24%) and leaflets (18%).

Advertising for home loans was also divulged above all through indoor posters (23%), although mailings (15%), the internet (14%) and television (14%) are also noteworthy.

In institutional campaigns, press advertising was the most commonly used means, representing 30% of media analysed.

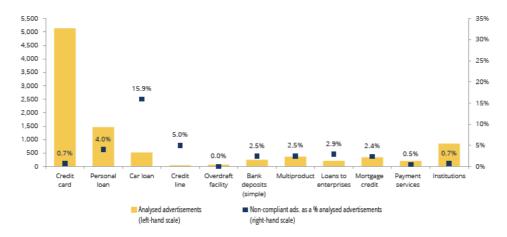
Chart II.1.3 • Advertising | Percentage of advertising materials with irregularities | 2017–2018



Source: Banco de Portugal.

The analysis of the advertising materials monitored following their public disclosure (ex post) resulted in the identification of irregularities and failures whose correction was demanded of the institutions by way of the issuance of specific orders and recommendations to rectify the advertisements, which involved 214 materials and 27 institutions<sup>1</sup>. Advertisements corrected represented 2.3% of materials analysed compared to 2.1% in 2017.

**Chart II.1.4** • Advertising | Percentage of advertising materials with irregularities by type of product | 2018



Source: Banco de Portugal.

Non-compliance was highest in car loan campaigns (15.9%).

Advertising campaigns for credit cards, despite being the most common (53% of materials), presented a relatively low level of non-compliance (0.7%). In the case of personal loans, the second most advertised product (15% of advertisements), the share of campaigns with irregularities stood at 4%.

0% 2% 4% 6% 8% 10% 12% 14% 16% 18% 20% Lack of identification of the credit institution responsible (Articles 2 and 12) Distortion of facts in the message (article 3 (1) and (2)) Disguising/omitting access conditions and restrictions (Article **General principles** 4(1),(2a) and (2b) Unclear nature or purpose of the product (Article 4(4a)) Validity period of promotional conditions (Article 4(4b)) Information in small print (Article 4(5a)) Access conditions and restrictions without similar emphasis to highlighted characteristics (Article 5) Means of dissemination Dissemination for a period of time that does not permit adequate reading/listening (Articles 8, 9 and 10) Lack of reporting of the advertisement (Article 11) Expressões de Uso Restrito Abuse of the expressions "free of charge", "offer", "best on the market" or similar (Article 13(b), (e) and (i)) APRC without similar prominence to the highlighted characteristics or omission of a representative example (Article 14(1)) APRC without similar prominence to the highlighted Specific rules by product characteristics (Article 15(1)) Incorrect presentation of the APRC's representative example (Article 15(2) and (3)) Indication of the repayment term and amount without similar prominence to the credit instalment announced (Article 15(4a) and (4b), (5a) and (5b)) Omission/disguising of compulsory information in advertisements for deposits (Article 16(1)(a) to (e) and (2)) **2018 2017** 

Chart II.1.5 • Advertising | Non-compliance with Notice No 10/2008 | 2017-2018

Source: Banco de Portugal. | Note: Notice No 5/2017 replaced Article 14 of Notice No 10/2008. For 2017, non-compliance was in the APR and in 2018 in the APRC.

In 2018, non-compliance with the most impact on the specific orders issued was related with the presentation of the measure of total cost (APRC) of consumer loan products without similar prominence given to the characteristics highlighted by the institutions, as well as the distortion of facts in the message presented in the advertising materials (especially presentation of incorrect information on the product and its characteristics).

In comparison to the results of the analysis carried out in 2017, in 2018 there was an increase in the incidence of non-compliance with regard to the non-identification of the credit institution responsible for the advertisement, to the presentation of the representative example of APRC of the consumer credit incorrectly formulated, and to the dissemination of the advertisement for an insufficient period of time for adequate reading or listening.

Nevertheless, there has been a fall in non-compliance related to the lack of prominence or omission of the access conditions and restrictions to the highlighted characteristics of products by the institutions. There was also a reduction in non-compliance with regard to the presentation of the total cost (APRC) of home loans and mortgage credit products without similar prominence to the characteristics highlighted or those relating to the omission of the representative example.

# 2 Monitoring by product

#### 2.1 Basic bank accounts

The basic bank accounts (BBAs) system continued to receive special attention in 2018 from Banco de Portugal in the context of its inspection activity of retail banking markets.

The legal framework underwent important changes in 2018, both in terms of the institutions' duties to publicise BBAs as well as the conditions associated with the provision of these services<sup>2</sup>.

Banco de Portugal's inspections in this area were centred on compliance with the duties to publicise the BBAs, in assessing the information that the institutions' staff provide customers on the BBAs and the access conditions to these services, and in the verification of compliance with the regulatory framework, namely in terms of the new requirements relating to the characteristics and parameters for debit cards and the new limit for fees and charges associated with the provision of BBA services.

Table II.2.1 • Inspections<sup>(a)</sup> of BBAs by topic and type of action | 2018

Topics	Mystery shopper	On-site inspection	Remote <sup>(b)</sup>	Total <sup>(b)</sup>	Entities covered <sup>(b)</sup>
Information on statements on convertibility to BBA account			106	106	106
Poster on BBAs – placement and content	82			82	19
Provision of information	34	20		54	13
Debit card characteristics			106	106	106
Fees and charges cap			106	106	106
Requirements for information in the price list and SIS			106	106	106
Total	116	20	424	560	-

Source: Banco de Portugal. | Note: (a) The number of inspections is determined by the inspected banking products and services and related topics by institution. (b) Individually considers the inspections conducted of the 80 mutual agricultural credit banks that are members of the Integrated Mutual Agricultural Credit Scheme (SICAM). 106 institutions were inspected.

Information in statements on convertibility to BBAs. Credit institutions providing BBAs are required to inform their customers of the possibility of switching from a pre-existing current account to a basic bank account. The information must be provided annually on the first current account statement issued each calendar year and observe the terms defined by Banco de Portugal<sup>3</sup>.

<sup>2.</sup> Point 6 of Chapter I of this Report

<sup>3.</sup> Notice of Banco de Portugal No 9/2017, repealed in August 2018 by Notice of Banco de Portugal No 1/2018 and complemented by Instruction of Banco de Portugal No 16/2018.

As a method of assessing the activity of the 106 institutions that provide BBAs, they were required to provide documentary evidence of their compliance with this duty.

As a result of these off-site inspections, two institutions were identified that had not sent the required information as the accounts in question had registered no transactions during that month, thus not justifying the sending of an account statement. These situations were corrected by requirement of Banco de Portugal<sup>4</sup>.

Poster on BBAs – placement and information provided. The institutions must place a poster on BBAs defined by Banco de Portugal in a prominent place in all their branches and customer assistance points.

In 2018, mystery shopper inspections were carried out in 82 branches of 19 institutions to verify whether the poster was affixed in a prominent place and was up-to-date.

In the branches of nine institutions, the BBA poster was not displayed in a prominent place and its contents were out of date.

**Provision of information.** The credit institutions' employees must provide the correct information on requirements for access to BBAs, the characteristics of these accounts and the fact that holders of such accounts may buy other products, with the exception of overdraft facilities.

Mystery shopper inspections were carried out in 34 branches of 13 institutions all over the country, aiming to assess the information provided to bank customers.

During these inspections, the mystery shopper checked whether employees indicated the access conditions for BBAs that were not provided for by law, such as referring to the fact that these accounts are intended for customers on low incomes or the unemployed. Furthermore, also analysed was whether employees provided incorrect information on supposed access restrictions to BBAs for customers holding fixed-term deposits, home loans, credit cards or entered into a cheque convention.

The mystery shopper also assessed whether staff, questioned with a request to open a BBA, required additional documents to those necessary to open a current account, defined a minimum amount to open the account, or demanded the acquisition of additional products or services.

Employees were asked about possible restrictions to undertaking various operations (e.g. interbank transfers via home banking applications) by a BBA account holder, as well as on the conditions of use of the debit card associated with this type of account, specifically if it could be used to pay road tolls or make payments outside Portugal.

Debit card characteristics. In 2018, the debit card associated with the BBA account could be used outside Portuguese territory and could not have characteristics resulting in conditions of use that were more restrictive than those for other debit card customers (e.g. for payment of road tolls).

Banco de Portugal requested specific information on the parameters for debit cards from the institutions offering BBAs (106 institutions) with a view to ensuring the introduction of the necessary changes.

Fees and charges cap. From January 2018, the maximum limit was reduced for the fees and charges that institutions may charge BBA account holders. The total annual value of fees and charges on a BBA was capped at 1% of the social support index, substituting the cap of 1% of the national minimum wage hitherto in force.

Aiming to verify, in a timely manner, the adjustment of fee-charging practices by all 106 institutions, Banco de Portugal analysed the price lists and websites of the institutions, as well as their standardised information sheets (SIS) for BBAs.

Seven institutions were identified as having failed to carry out a timely update of this information, and it was also found that four of these institutions had charged amounts above the maximum fee established by law.

Requirements for information in the price list and SIS. The set of payment services made available on the BBA now includes 24 interbank transfers via home banking. Banco de Portugal analysed the institutions' price lists and the SISs for BBAs to confirm the reference to this change in those information sources.

In 2018, the conditions for resolution of BBAs were altered. Following analysis of the SISs, Banco de Portugal also verified whether the institutions adjusted the conditions for resolution to comply with the regulatory alterations.

In 13 institutions, the information provided in the materials analysed had not been updated to reflect the new services nor the new conditions for resolution.

## 2.2 Structured deposits

#### 2.2.1 Assessment of the Key Information Document

The key information document (KID), a new document containing pre-contractual information associated with structured deposits substituted, from early 2018 onwards, the information leaflet relating to index-linked deposits.

Table II.2.2 • Structured deposits | Pre-contractual information documents | 2017–2018

Danasit to use		2017	2018		
Deposit type	Submitted	Issuing institutions	Submitted	Issuing institutions	
Structured	111	-	91	-	
1st Quarter	29	9	14	6	
2 <sup>nd</sup> Quarter	27	8	18	6	
3 <sup>rd</sup> Quarter	32	6	22	6	
4 <sup>th</sup> Quarter	23	6	37	7	
Dual	34	3	-	-	
Tota	al 145	-	91	-	

Source: Banco de Portugal. | Note: In 2017, the information leaflets on index-linked deposits of 12 institutions were analysed. In 2018, the KIDs on structured deposits of 8 institutions were analysed.

Banco de Portugal was notified in 2018 of the KIDs relating to 91 structured deposits.

The institutions that offer structured deposits are obliged to provide notification to Banco de Portugal of the respective KID at least two working days prior to the date of its intended offering to the public. While the time limit has fallen for Banco de Portugal to assess the key information document prior to the offering of a structured deposit (until 31 December 2017 it was five working days), the Bank assessed the content of all the KIDs it was notified of by the credit institutions, verifying compliance with the legally established requirements and the accuracy of the quantitative information presented, namely the risk and cost indicators and the performance scenarios.

Banco de Portugal subsequently published, on the Bank Customer Website, the KIDs of all the structured deposits that observed the applicable requirements and presented thorough quantitative information.

In 2018, the number of structured deposits assessed fell by 37% from the previous year, to which the reduction in the number of institutions catering to this market segment also contributed (eight institutions in comparison to 12 in 2017).

#### 2.2.2 Yield monitoring

Banco de Portugal also monitored the yields of the deposits that matured in 2018. The yield of 162 structured deposits that matured during this period was analysed. Namely, Banco de Portugal checked the benchmark interest rate(s) associated with each deposit calculated by the institutions and its application according to the calculation method indicated in the corresponding pre-contractual information document. As a result of this monitoring, the yields for these deposits were disclosed on the Bank Customer Website.

Table II.2.3 • Structured deposits | Yields monitored | 2017–2018

Danasit tuna		2017	2018		
Deposit type	Matured	Entities covered	Matured	Entities covered	
Index linked	143	13	140	10	
Dual	44	3	22	3	
Fixed component	30		-		
Index-linked component	14		22		
Total	187	-	162	-	

Source: Banco de Portugal. | Note: In 2017 and 2018, the yields paid by 15 and 12 institutions, respectively, were monitored.

#### 2.3 Consumer credit

#### 2.3.1 Report of new agreements

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

Chart II.2.1 • Consumer credit | Number of agreements reported | 2016-2018



Source: Banco de Portugal. | Note: The total number of agreements reported in 2018 is 1,627,313.

In 2018, this assessment analysed 1,627,313 consumer credit agreements reported by 55 institutions, which corresponds to an average of approximately 136,000 agreements per month and a 1.6% increase from 2017<sup>5</sup>.

When checking the information reported by credit institutions, in 2018 irregularities were detected in 244 agreements from 10 institutions with suggestions of non-compliance with the maximum APRC. Additional information on these agreements was requested immediately to assess them. As a result of the analysis carried out, Banco de Portugal adopted appropriate measures on 196 contracts from one institution.

#### 2.3.2 Inspections

In 2018 the Bank continued to dedicate special attention to monitoring compliance with the regulatory framework applicable to the marketing of consumer credit agreements.

The diversity of the credit products in question (personal loans, car loans and revolving loans), their characteristics and the growth registered in signing up to these products justify the particular focus on monitoring non-compliance by institutions in this segment of the credit market.

**Table II.2.4** • Inspections of central services of institutions related with consumer credit by topic and type of action | 2018

Topics	Central services	Total	Entities covered
Date of conclusion of the contract	39	39	18
Pre-contractual and contractual information requirements	7	7	5
APRC upper limits	7	7	5
Duty to report to Banco de Portugal	7	7	5
Early repayment	7	7	5
Arrears and fees associated with non-compliance	11	11	9
Information during the lifetime of the agreement	7	7	5
Total	85	85	_

Source: Banco de Portugal. | Note: The number of inspections is determined by the inspected banking products and services and related topics by institution. 24 institutions were inspected.

Banco de Portugal carried out inspections of the central services of 24 institutions to assess compliance with the regulatory framework applicable. These inspections enable an in-depth analysis of the marketing practices of these institutions, involving the assessment of the procedures in place, the information systems underpinning commercial activity, the existing conduct risks and control structure implemented. The inspections are directed at those issues identified as having greater risk and impact for the bank customer.

Date of entering into the agreement. Banco de Portugal analysed the procedures adopted by 18 institutions for the definition of the date of entering into consumer credit agreements, an aspect that is essential in compliance with a set of obligations, namely those associated with the consumer's creditworthiness assessment and observance of the maximum APRC limit.

<sup>5.</sup> Included in the report are the credit agreements in the form of an overdraft facility with a deadline for repayment of up to one month, which are also subject by law to maximum APRC limits. Should these agreements be excluded, which in 2018 fell by 11 3%, the number of consumer credit agreements signed in 2018 grew by 2.4%.

It was observed that the contractual information of various institutions was unclear as to the date of conclusion of the agreement, and the difference may not be clear to the consumer between the credit offer and credit agreement, as well as the moment when the agreement is concluded.

**Pre-contractual and contractual information requirements.** Compliance with the requirement to provide pre-contractual information was assessed as well as the consistency between the conditions contracted by the consumer and the information provided by the institution prior to signing the agreement.

Irregularities were detected in the five institutions inspected, namely the inexistence of evidence of the provision of pre-contractual information to the consumer and non-formalisation of all the credit agreements. Also detected were omissions and incorrect information in the contract clauses.

APRC upper limits. APRC upper limits were found to be in place in five institutions. For this purpose, the way in which the APRC was determined in credit operations already contracted was assessed. In particular, based on the information collected from the institutions' IT systems, it was noted that all fees were correctly considered when calculating the APRC. Also analysed was compliance of compensatory interest charged and the fees applied.

The irregularities detected in these inspections are related with the non-inclusion of all loan charges in the APRC calculation, as well as the collection of undue interest, charged on capital not owed, as well as the collection of fees not compliant with those stated in the price lists, and in some cases, the rules in force.

Duty to report to Banco de Portugal. Timely compliance with reporting duties to Banco de Portugal and the quality of the information on data relating to new credit agreements signed were also analysed at five institutions, with situations being identified in which contracts signed were not reported and incorrect information was reported.

**Early repayment.** Another issue analysed in five inspections was compliance with the rules governing early repayment, be it in full or in part, of the credit agreement, namely in terms of the information requirements the institutions are obliged to and the limits to the commissions that may be applied to customers in such situations.

Some institutions were found to unduly restrict the customers' right to early repayment and they did not always provide information to customers on the charges for early repayment.

Arrears and charges associated with non-compliance. In the inspections of the central services of nine institutions, Banco de Portugal noted the observance of the rules applicable to arrears of the borrower in credit agreements and compliance with the rules that lay down the rights of defaulting bank customers.

The correct application of the sums demanded from bank customers for arrears interest and debt recovery fees was observed, although situations of undue collection of arrears interest and commissions were also identified.

Likewise there was an assessment of the practices adopted within the scope of the settlement of agreements in arrears, namely the rules applying to new credit transactions entered into within the scope of the credit agreements regime, the correction of sums included in renegotiations and compliance with the duty of information. The action undertaken enabled the detection of a lack of transparency in settlement solutions for credit agreements in arrears.

Information during the lifetime of the agreement. Banco de Portugal assessed the way in which five institutions ensure compliance with information requirements during the lifetime of consumer credit agreements<sup>6</sup>.

The checks carried out enabled the detection of the existence of relevant omissions in the information provided by institutions in the regular statements sent to bank customers, as well as cases in which the format used to provide information was unsuitable.

#### 2.3.3 Monitoring offerings through digital channels

Considering the growing range of consumer credit products through digital channels, Banco de Portugal launched a number of actions at the beginning of 2018 to assess, based on the principle of technological neutrality, compliance with the regulatory framework in force, namely in terms of the duty of providing information and assistance, as well as the procedures adopted by the institutions to guarantee strong customer authentication in contracting these products.

Banco de Portugal has requested the provision of information on the offering of consumer credit through digital channels from the institutions<sup>7</sup>. Specifically, the institutions were requested to provide, at least ten working days prior to the date foreseen for offering these products to the public, information on the consumer credit products whose signing-up process takes place exclusively through digital channels, namely the characteristics of such products, and the ways in which compliance with the duties to inform customers and the security procedures are implemented.

**Table II.2.5** • Inspections of consumer credit offerings through digital channels by topic and type of credit | 2018

Topics		Personal loan	Overdraft facility	Total	Institutions covered
Pre-contractual and contractual information		12	2	14	13
Sale of optional products		12	2	14	13
Obligation to provide assistance to the consumer		12	2	14	13
Creditworthiness assessment		12	2	14	13
Right of withdrawal and early repayment		12	2	14	13
Security procedures		12	2	14	13
	Total	72	12	84	-

Source: Banco de Portugal. | Note: The number of inspections is determined by the inspected banking products and services and related topics by institution. 13 institutions were inspected.

In 2018, Banco de Portugal analysed 12 personal loan products and two overdraft facilities, offered by 13 institutions via online or mobile channels.

Monitoring by Banco de Portugal looked at the various stages of the signing-up process. The options that the institutions intended to adopt in the stage prior to launching the product on digital channels were analysed.

<sup>6.</sup> Notice of Banco de Portugal No 10/2014.

<sup>7.</sup> Circular Letter of Banco de Portugal No 4/2018.

Pre-contractual and contractual information. The moment when the SIS was presented to the customer and the way in which the document was made available was analysed. Complementarily, the SIS made available was analysed to ensure it incorporated the preferences expressed by the customer and whether suitable mechanisms were adopted for reading the pre-contractual information, with particular emphasis on the compulsory scroll down.

Based on the analysis carried out, in many contracting processes:

- The SIS was not presented at the most adequate time;
- There was no compulsory scroll down mechanism for all the pages in the pre-contractual and contractual information documents provided to the customer (SIS and contractual offer);
- The confirmation, by the customer of the contractual conditions, via the "Read and accepted" tick box, appeared before the pre-contractual and contractual information that the customer was accepting;
- The contractual provisions did not include information on the signing-up process taking place through digital channels, nor on the way to confirm the customer's willingness to enter into the agreement.

Sale of optional products. It was assessed whether, during the signing-up process, other financial products were offered to the customer, as well as the method provided for the customer to expressly indicate his/her intention to acquire such products. Similarly, the method in which customers can express their interest in the inclusion of the value of the charges associated with the credit transaction in the total sum of the loan was also assessed.

During the analysis carried out, signing-up processes were identified in which:

- Signing up to life insurance was pre-selected with the "Yes" option, and it was not always clear for the customer that this was an optional product;
- Signing up to life insurance was presented through a negative question;
- The financing option for charges and expenses was pre-selected.

**Obligation to provide assistance to consumers.** It was assessed whether the digital channels incorporate the means necessary to adequately inform the customer in lieu of a bank employee, such as the presentation of freephone helplines, access to a chat service with an assistant from the institution, chatbots, the presentation of warnings and information notices or the availability of pages with frequently asked questions (FAQs).

The analysis carried out enabled signing-up processes to be identified in which:

- Customer assistance mechanisms were not provided in an accessible and convenient way and the information given was not specific to the consumer credit product in question;
- It was not ensured that the customer was clear as to the meaning of the terms used in the information provided, namely APRC, nominal annual rate, and the total amount payable by the consumer.

Creditworthiness assessment. The procedures laid down for assessing the customer's creditworthiness were analysed. Also looked at was whether recourse to indirect methods of assessing customers' creditworthiness were used within the legally permitted limits, whether there was recourse to databases of credit liabilities to assess customers' financial capacity and whether the customer was informed about the reason for credit denial, in situations in which such a denial was the result of consulting databases, namely credit liabilities databases.

As a result of these assessments, it was possible to conclude that in the majority of situations analysed the customer was not informed why credit was denied when the denial was based on information available on databases of credit liabilities.

Right of withdrawal and early repayment. It was assessed whether bank customers were granted the right of withdrawal and early repayment through digital channels, by way of accessibility and convenience mechanisms equivalent to those made available to enter into credit agreements through such channels. Also analysed was the information provided to customers regarding exercising any such rights.

Based on the analysis carried out, in many signing-up processes:

- There was no provision for institutions to allow bank customers to exercise their right of withdrawal and early repayment through digital channels;
- In some of the cases in which the right of withdrawal was allowed through digital channels, the
  information contained in the contractual documentation provided to the customer made no
  mention of such a possibility.

Security procedures. The way in which institutions collected the customer's wish to enter into the agreement was analysed and whether it was expressed in a free, reflected and considered way. It was also assessed whether the institutions possessed mechanisms that guaranteed strong customer authentication in the customer's wish to enter into the agreement.

The analysis undertaken concluded that many of the signing-up processes did not provide for strong customer authentication procedures, not requiring the use of two or more elements, independent between themselves, and belonging to the category of knowledge (e.g. password), possession (e.g. security matrix card) or inherence (e.g. a fingerprint).

Banco de Portugal has issued a series of recommendations to the institutions so that the banking conduct supervision concerns observed may be mitigated.

#### 2.3.4 Reporting of agreements incorporated under OASP9

In 2018, credit institutions launched 599,590 out-of-court arrears settlement procedures (OASPs) associated with consumer credit, involving a total of 442,337 credit agreements and outstanding amounts totalling €994.6 million. These agreements present a default ratio of 12%, the lowest since 2013, the year in which the general arrears regime entered into force<sup>10</sup>. The default ratio corresponds to the proportion between the total amount of default versus the total amount

<sup>8.</sup> Point 5.1.3 in this chapter.

<sup>9.</sup> The information provided comes from reporting by credit institutions to Banco de Portugal. In this context, rectifications were introduced to the information provided in the first half of 2018, explaining why the information contained in this report does not completely coincide with that disclosed in the Summary Report on Banking Conduct Supervision referring to the first half of 2018.

<sup>10.</sup> Decree-Law No 227/2012 of 25 October 2012.

outstanding. In 2018, the reduction in the default ratio in consumer credit was due to the significant fall in the ratio observed in revolving credit agreements.

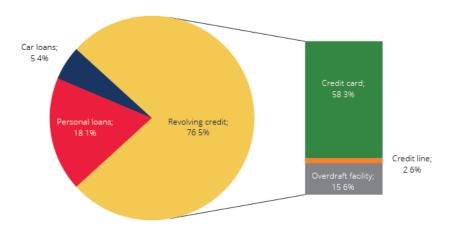
**Table II.2.6** • Proceedings launched, under analysis and concluded | Consumer credit | 2017–2018

	Proceedings		Agreer	nents <sup>(a)</sup>
	2017	2018	2017	2018
OASP proceedings launched				
Number	533,463	599,590	368,862	442,337
Total amount (€ million) <sup>(b)</sup>	_	_	764.4	994.6
Default ratio <sup>(c)</sup>	_	_	14.4%	12.0%
OASP proceedings under analysis <sup>(d)</sup>				
Number	114,298	124,736		-
OASP proceedings concluded				
Number	539,694	589,152	386,817	419,942
Total amount (€ million)	_	_	821.7	926.7
Default ratio	_	_	15.8%	13.7%
Of which:				
OASP proceedings concluded with settlement of arrears <sup>(e)</sup>	245,408	252,338	_	-
Payment of amounts in arrears	227,367	234,065	_	_
Agreement between the parties <sup>(f)</sup>	18,041	18,273	_	-
OASP proceedings concluded with settlement of arrears/OASP proceedings concluded	45.5%	42.8%	-	-

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

The number of OASPs initiated relative to consumer credit agreements increased by 12.4% in 2018 from the previous year, countering the 11% fall observed in 2017.

**Chart II.2.2** • OASP | Distribution of consumer credit agreements integrated in the OASP by type of credit | 2018

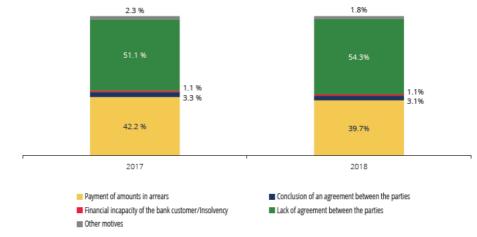


Source: Banco de Portugal.

As in previous years, in 2018, the majority of consumer credit agreements in OASP were revolving credit products (76.5%), with particular emphasis on credit cards (58.3%). Personal loan and car loan agreements represented 18.1% and 5.4% of proceedings, respectively.

In 2018, 589,152 OASP proceedings were closed, involving 419,942 consumer credit agreements, totalling €926.7 million, representing an increase compared with 2017. These contracts registered a default ratio of 13.7%, the lowest registered since the beginning of the legal regime that regulates prevention and management in default situations. At the end of the year, 124,736 OASP proceedings concerning consumer credit agreements were under analysis or negotiation.

Chart II.2.3 • OASP | Reasons for cancellation | Consumer credit products | 2017-2018



Source: Banco de Portugal.

The number of proceedings closed with the settlement of default increased. However, the percentage of OASP proceedings concluded in 2018 with the settlement of arrears situations relative to the total number of concluded proceedings was 42.8%, lower than the previous year (45.5%). In 54.3% of proceedings concluded, the default situation was not settled because the parties failed to reach an agreement.

**Table II.2.7** • OASP | Solutions agreed in the proceedings concluded | Consumer credit | 2017–2018<sup>(a)-(b)</sup>

		2017	2018		
	Number	Amount (EUR millions)	Number	Amount (EUR millions)	
Renegotiation of the credit agreement	13,666	9.8	14,360	7.0	
Consolidation of loans	1,038	5.1	1,455	6.1	
Refinancing	2,162	15.7	1,510	10.0	
Additional loan for payment of instalments	1,161	9.1	907	7.4	
Transfer in lieu of payment	22	-	43	_	

Source: Banco de Portugal. | Notes: (a) This table presents the number of solutions agreed, with more than one solution per loan agreement. (b) The OASP proceedings concluded with settlement of arrears in 2018 covered 17,183 consumer credit agreements.

In consumer credit, 14,360 OASP proceedings led to the renegotiation of credit agreements, involving a total amount of €7 million. Among the terms renegotiated, the solutions most frequently agreed in the renegotiation were the deferral of payment of the principal until the last instalment (11,623 proceedings) and the extension of the repayment period (3,465 proceedings).

The second most common solution was debt refinancing (1,510 proceedings), followed by credit consolidation (1,455 proceedings) and granting of additional loans for payment of instalments (907 proceedings).

**Table II.2.8** • OASP | Renegotiated terms in the proceedings concluded | Consumer credit | 2017–2018<sup>(a)-(c)</sup>

	2017	2018	
Spread/interest rate	209	127	
Maturity	2,692	3,465	
Grace period for principal (and/or interest)	230	227	
Deferral of the principal until the last instalment	10,687	11,623	
Other terms <sup>(b)</sup>	2,042	2,151	

Source: Banco de Portugal. | Notes: (a) Renegotiations occasionally bring together more than one of the solutions indicated in this table. (b) This category covers, namely, payment plans for the settlement of late repayments, changes to the interest rate and changes in ownership. The options are reported in an aggregated way, meaning it is not possible to disaggregate the renegotiated terms included in this category. (c) The OASP proceedings concluded with renegotiations in 2018 covered 8,225 consumer credit agreements.

## 2.4 Home loans and mortgage credit

#### 2.4.1 Inspections

The alterations to the regulatory framework applicable to offering home loans and mortgage credit contracts<sup>11</sup> have led Banco de Portugal to prioritise inspection of credit institutions' activity in this market segment, namely in terms of pre-contractual information, the application of the new credit cost measure (APRC) and duties of providing support to customers.

**Table II.2.9** • Inspections of home loans and mortgage credit by topic and type of action | 2018

Topics	Mystery shopper	Identified to branches	Remote	Total	Entities covered
Availability of information on the website			29	29	29
Provision of ESIS	46	31	15	92	26
Pre-contractual information requirements (ESIS)			26	26	26
APRC calculation			26	26	26
Obligation to provide assistance	46	31		77	24
Total	92	62	96	250	-

Source: Banco de Portugal. | Note: The number of inspections is determined by the inspected banking products and services and related topics by institution. 29 institutions were inspected.

Availability of information on the website. In accordance with the new rules, credit institutions must provide, on their websites, information on the main features of their home loans and mortgage credit. Compliance with this requirement was assessed off-site, with the websites of 29 institutions being analysed.

Seven institutions were identified that did not present the aforementioned information on their websites and 12 displayed incomplete or incorrect information, e.g. not referring to the purpose of the loan or a representative example containing the APRC and other applicable costs.

**Provision of ESIS.** The institutions must also make available, at the time of the loan simulation, the European Standardised Information Sheet (ESIS), a pre-contractual information document that replaced the SIS, in force in Portugal since 2010.

In a first phase, the inspection analysed the 15 institutions that have a home loan simulator on their websites, checking the availability of the corresponding ESIS when customers perform a simulation. The analysis undertaken verified that all the institutions inspected made the ESIS available.

In a second phase, mystery shopper inspections were carried out in the branches of those institutions that did not have a simulator on their websites. Three institutions were identified that did not present the ESIS alongside the loan simulation. Banco de Portugal demanded that this irregular practice be corrected.

document were assessed. Various issues of non-compliance with the ESIS format requirements were detected, as well as with the information provided, namely on charges and interest rates, signing up to insurance and the acquisition of other products with a view to reducing the cost of the loan. Banco de Portugal required that the institutions correct these irregularities<sup>12</sup>. APRC calculation. Banco de Portugal monitored the way in which the credit institutions determined the APRC in the ESIS provided online or in branches during the credit operations' simulation Inaccuracies were detected in the APRC calculation in 15 of the 26 institutions inspected. In

question are, above all, situations that derive from the non-inclusion of all charges in the APRC calculation or use of the incorrect calculation assumptions.

Pre-contractual information requirements (ESIS). As a complement to these activities, compliance with the requirements stipulated for the ESIS format and the information provided within the

Obligation to provide assistance. Considering that the obligations of providing information and assistance have been reinforced, Banco de Portugal assessed, by way of mystery shopper inspections of branches, compliance with the obligations to provide information and assistance by the staff members of 24 institutions. In addition to the availability of pre-contractual information, also analysed were the clarifications provided on the contents of the ESIS and main characteristics of the loans.

Situations were identified in nine institutions in which staff members did not provide the required information relating to the conditions simulated, did not explain or provided incorrect information on aspects such as the APRC, the fees, the interest rate or the impact of the loan on the acquisition of other financial products.

The mystery shopper also assessed whether staff demanded the acquisition of products or services from the institution to enter into the credit agreement, a practice prohibited by law that was identified in six institutions.

In 31 of the 46 branches visited, Banco de Portugal's inspectors presented their credentials, with irregularities detected being pointed out, without prejudice to subsequent intervention in those institutions.

#### 2.4.2 Report of agreements incorporated under OASP

In the home loan and mortgage credit segment, institutions initiated a total of 85,238 OASP proceedings in 2018, concerning 55,413 credit agreements involving a total amount of €2,566 million. The default ratio registered for these credit agreements was 1.7%, 1.3% higher than in 2017.

processes.

**Table II.2.10** • OASP | Proceedings launched, under analysis and concluded | Home loans and mortgage credit | 2017–2018

	Proceedings		Agreer	ments <sup>(a)</sup>
	2017	2018	2017	2018
OASP proceedings launched				
Number	96,387	85,238	55,028	55,413
Total amount (EUR millions) <sup>(b)</sup>	-	-	2,509.1	2,565.6
Default ratio <sup>(c)</sup>	-	-	1 3%	1.7%
OASP proceedings under analysis(d)				
Number	22,720	22,007		-
Processos PERSI concluídos				
Number	104,741	85,951	63,421	51,037
Total amount (EUR millions)	-		2,994	2,377
Default ratio	-		1.9%	2.0%
Of which:				
OASP proceedings concluded with settlement of arrears <sup>(e)</sup>	66,704	56,007	_	-
Payment of amounts in arrears	63,720	53,959	_	-
Agreement between the parties <sup>(f)</sup>	2,984	2,048	_	-
OASP proceedings concluded with settlement of arrears/OASP proceedings concluded	63.7%	65 2%	-	-

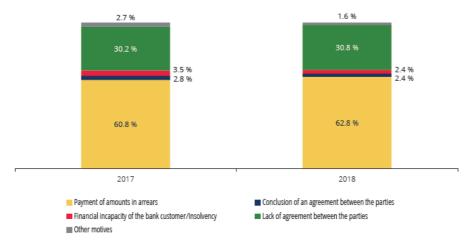
Source: Banco de Portugal. | Notes: (a) The total number of OASP agreements does not reflect the situations in which the same credit agreement is included more than once. (b) The total amount corresponds to the sum of the outstanding non-defaulting balance with the default amount (overdue). (c) Ratio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

The number of OASP proceedings launched fell 11.6% compared with 2017, reinforcing the fall observed that year (-19.2%, compared with 2016). In 2018, CCR data suggest that the downward trend in overdue loans continued as well as in the number of borrowers with overdue loans of this type of credit, which has been declining since 2013.

In 2018, credit institutions launched 85,951 out-of-court arrears settlement procedures (OASPs) associated with home loans and mortgage credit, involving a total of 51,037 credit agreements and outstanding amounts totalling €2,377 million. These agreements represent a default ratio of 2%, slightly above that observed in the previous year (1.9%). At the end of 2018, 22,007 OASP proceedings concerning home loans and mortgage credit agreements were still under analysis or negotiation.

Monitoring by product

Chart II.2.4 • OASP | Reasons for cancellation | Home loans and mortgage credit | 2017-2018



Source: Banco de Portugal.

In 65.2% of cases, OASP proceedings were closed upon the settlement of default situations (compared with 63.7% in 2017). The main reason given by credit institutions for closing OASP proceedings remained the payment of amounts in arrears by bank customers, with its proportion increasing (from 60.8% in 2017 to 62.8% in 2018). This reason for closure also included the situations in which payment of amounts in arrears was made in various instalments over time. This year, in 2.4% of proceedings concluded, an agreement was entered into between institutions and customers (e.g. renegotiation of the credit agreement, credit consolidation or refinancing) and in 30.8% of proceedings, the amount in arrears was not settled because the parties failed to reach an agreement.

**Table II.2.11** • OASP | Solutions agreed in the proceedings concluded | Home loans and mortgage credit | 2017–2018<sup>(a)-(b)</sup>

		2017	2018		
	Number	Amount (EUR millions)	Number	Amount (EUR millions)	
Renegotiation of the credit agreement	2,727	70.5	1,931	36.6	
Consolidation of loans	13	0.4	3	0.4	
Refinancing	36	1.1	20	1.2	
Additional loan for payment of instalments	169	1.0	81	0.3	
Transfer in lieu of payment	46	-	19	-	

Source: Banco de Portugal. | Notas: (a) This table presents the number of solutions agreed, with more than one solution per loan agreement. (b) The OASP proceedings concluded with settlement of arrears in 2018 covered 1,751 home loans and mortgage credit agreements.

In terms of the solutions agreed between the parties, 1,931 OASP proceedings were closed with the renegotiation of agreement conditions, involving a total amount of  $\leq$ 36.6 million. The most frequently renegotiated conditions were the introduction of grace periods for principal or interest (325 proceedings) and the extension of the repayment period (160 proceedings).

The credit institutions and bank customers also agreed the granting of additional loans for payment of instalments (81 OASP proceedings), debt refinancing (20 proceedings), transfer of the property in lieu of payment (19 proceedings) and credit consolidation (3 proceedings).

**Table II.2.12** • OASP | Renegotiated terms in the proceedings concluded | Home loans and mortgage credit | 2017–2018<sup>(a)-(c)</sup>

	2017	2018	
Spread/interest rate	106	36	
Maturity	261	160	
Grace period for principal (and/or interest)	580	325	
Deferral of the principal until the last instalment	116	88	
Other terms <sup>(b)</sup>	2,359	1,646	

Source: Banco de Portugal. | Notes: (a) Renegotiations occasionally bring together more than one of the solutions indicated in this table. (b) This category covers, namely, payment plans for the settlement of late repayments, changes to the interest rate and changes in ownership. The options are reported in an aggregated way, meaning it is not possible to disaggregate the renegotiated terms included in this category. (c) The OASP proceedings concluded with renegotiations in 2018 covered 1,188 home loans and mortgage credit agreements.

## 2.5 Payment services

Within the scope of payment services, Banco de Portugal assessed the remittance of an invoice/ receipt, fee refund practices to cards following termination of the agreement and the availability of the new fee information document.

**Table II.2.13** • Inspections<sup>(a)</sup> of deposit accounts and payment services by topic and type of action | 2018

Topics		Mystery shopper	Off-site <sup>(b)</sup>	Total <sup>(b)</sup>	Entities covered <sup>(b)</sup>
Remittance of the invoice/receipt			123	123	123
Termination of the framework contract			29	29	29
Provision of the fee information document		30	13	43	13
	Total	30	165	195	_

Source: Banco de Portugal. | Note: (a) The number of inspections is determined by the inspected banking products and services and related topics by institution. (b) Individually considers the inspections conducted of the 80 mutual agricultural credit banks that are members of the Integrated Mutual Agricultural Credit Scheme (SICAM). 123 institutions were inspected.

Remittance of the invoice/receipt. Every January credit institutions must send their customers an itemised invoice/receipt listing all fees and charges associated with the demand deposit account paid in the preceding calendar year.

As in previous years, at the beginning of 2018 Banco de Portugal assessed compliance with these obligations by all the credit institutions. For this purpose, institutions were required to provide documentary proof that the invoice/receipt had been sent to private and other customers, with the content and date of this information being analysed. Banco de Portugal requested specific

**Termination of the framework contract.** In accordance with the legal provisions, in the event of resolution or termination of agreements related with payment cards, the customer is entitled to a refund of fees charged, namely the card provision fee, proportional to the period not yet elapsed. This rule is applicable irrespective of whether the initiative to resolve or terminate the agreement comes from the institution or the customer.

To assess institutions' practices in this area, a number of off-site inspections were carried out, covering 29 institutions, who were asked to provide information on agreement resolutions as well as draft agreements and the procedural standards in force. 11 institutions with irregular practices were identified.

During these inspections, also assessed was compliance with the legally defined notice period to resolve agreements and the accuracy of the information in those agreements. Banco de Portugal detected situations in 11 institutions where the resolution requested by the customer was not followed up, as well as non-compliance with the two-month minimum period that the institution must give the customer when resolution is the institution's initiative.

**Provision of the fee information document.** From October 2018, credit institutions are obliged to provide their customers with the "Fee Information Document" on their websites and in branches prior to opening an account.

In a format standardised at European level, this document contains the fees charged by the institutions for the ten services considered most representative nationally<sup>13</sup>.

Banco de Portugal assessed the availability of the fee information document through off-site inspections of the websites of 13 institutions. These inspections were followed up by inspections of 30 branches of those institutions to assess whether staff provided the document to mystery shoppers.

It was noted that one institution did not provide the fee information document on its website. In the on-site inspections, the document was not provided to the mystery shopper in 11 branches.

# 3 Price lists and complaints book

As a rule, the obligations to disclose the price list and the complaints book are checked when Banco de Portugal carries out inspections on the institutions' branches in order to assess compliance with the regulatory framework applicable to the offering of banking products and services.

**Table II.3.1** • Inspections of price lists and complaints books by topic and type of action | 2018

Topics	Mystery client	On-site inspection	Off-site	Total	Entities covered
Disclosure and access to the price list in branches	30	20		50	13
Update of the price list on the website			81	81	81
Advertising the complaints book	30			30	13
Total	60	20	81	161	-

Source: Banco de Portugal. | Note: The number of inspections is determined by the inspected banking products and services and related topics by institution. 81 institutions were inspected.

Disclosure and access to the price list in branches. Banco de Portugal carried out inspections on 30 branches of 13 institutions in order to assess compliance with the obligation to disclose the price list in a prominent, directly accessible place. It also checked whether the published price list was placed in an easily consulted device, as well as if it was complete and updated with the information reported to Banco de Portugal. Irregularities were detected in one institution.

**Update of the price list on the website.** Banco de Portugal also carried out inspections on the websites of 81 institutions, including payment institutions, in order to assess compliance with the obligations to disclose the price list. Irregularities were detected in 20 institutions.

Advertising the complaints book. In 2018, Banco de Portugal assessed compliance with the obligation to advertise the complaints book and the reference to the banking supervisor responsible for assessing those complaints. For this purpose, 30 branches of 13 institutions were visited and irregularities were detected in two institutions.

In addition to visits to the branches of the institutions and analysis of their websites, checking the obligations related to the disclosure of the price list also includes assessing the reporting of information that institutions are required to carry out. In accordance with the applicable rules, institutions should report to Banco de Portugal their price lists' fees and expenses leaflets whenever they change their content, and are also required to report the interest rate leaflet on a quarterly basis.

Table II.3.2 • Price list reports | 2018

Reported leaflets	Off-site	Entities covered	
Fees and expenses leaflet		676	77
Interest rate leaflet		474	84
	Total	1,150	-

Source: Banco de Portugal. | Note: The number of reports refers to a total of 84 institutions.

# 4 Bank customer complaints

## 4.1 Recent developments

Complaints analysis is a tool for monitoring supervised entities' compliance with the rules in force, and is key to Banco de Portugal's banking conduct supervision activities.

In 2018 Banco de Portugal received 15,254 complaints about matters within its remit, averaging 1,271 complaints per month, in line with the average for 2017 (1,273 per month).

This reflects the decline in the number of complaints about deposit accounts, offset by the increase in consumer credit complaints.

The Bank Customer Website was the channel used for 41% of the complaints sent to Banco de Portugal in 2018, while the complaints book made available in the institutions' branches continued to be the channel used most often by bank customers (48%). Banco de Portugal also receives complaints sent otherwise (by email or letter for example), accounting for around 11% of the total in 2018.

The time frame for closing complaints by Banco de Portugal fell from 39 days in 2017 to 28 days in 2018. Banco de Portugal's analysis of bank customer complaints in 2018 shows that 44% of cases ended in resolution of the cited situation by the credit institution, on its own initiative or following a specific recommendation or order of Banco de Portugal (compared to 38% in 2017). In around 56% of complaints in 2018, the cases were closed with no signs of infringement by the entity concerned (62% in 2017).



Chart II.4.1 • Complaints | Developments in the number of entries | 2011–2017

Source: Banco de Portugal.

Table II.4.1 • Complaints | Number of entries by origin | 2017–2018

		Entries <sup>(a)</sup>						
Year	Month	DCI (b)	T					
		RCL <sup>(b)</sup>	Total	of which BCW	Total			
2017		7,652	7,630	6,027	15,282			
2018	January	681	641	488	1,322			
	February	543	658	521	1,201			
	March	620	691	555	1,311			
	April	511	608	494	1,119			
	May	681	703	574	1,384			
	June	569	639	515	1,208			
	July	650	756	588	1,406			
	August	780	639	503	1,419			
	September	521	572	462	1,093			
	October	653	632	490	1,285			
	November	572	704	563	1,276			
	December	598	632	504	1,230			
	2018	7,379	7,875	6,257	15,254			

Source: Banco de Portugal. | Notes: (a) Figures refer to complaints about banking products and services. In 2017 and 2018, complaints totalling 2,602, 2,489 and 3,020, respectively, were also received which were beyond the remit of Banco de Portugal, either because they related to situations with no specific applicable regulation (these included complaints about service and the quality of credit institutions' premises), or because they fell under the authority of the Portuguese Securities Market Commission or Insurance and Pension Funds Supervisory Authority. (b) Complaints entered through the complaints book. (c) Complaints presented directly to Banco de Portugal. (d) Bank Customer Website.

### 4.2 Developments in complaints by subject matter

Deposit accounts, consumer credit, home loans and mortgage credit were the matters most subject to complaint. Their prevalence is due to the higher number of agreements on deposit accounts, consumer credit, home loans and mortgage credit between the 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, treating the number of complaints in relative terms on the basis of the volume of underlying products and services.

In 2018, deposit accounts represented 31.5% of total complaints received. However, the number of complaints about deposit accounts fell slightly in relative terms, from 27 complaints per 100 thousand accounts in 2017 to 26 in 2018. The decline in the number of these complaints (from 5,070 in 2017 to 4,811 in 2018) is the result of the lower number of complaints about constraints on completing transactions due to attachment of accounts, or insolvency of the account holders, and complaints about collecting fees/charges. In 2018, however, the number of complaints about basic bank accounts increased by 74.6%, to 117 (compared to 67 in 2017).

Complaints about **consumer credit** represented 24.8% of the total, increasing from 29 complaints per 100 thousand accounts in 2017 to 32 in 2018. This is chiefly the result of growth in complaints about consumer credit (from 3,440 in 2017 to 3,788 in 2018), particularly the increase in the number of complaints about the communication of information to the Central Credit Register (CCR), fees or charges and the collection of outstanding amounts. The products driving this were personal loans and credit cards.

In home loans and mortgage credit, which represented 13% of the complaints received in 2018,

Credit transfers were responsible for 4.3% of all complaints, falling in relative terms from 48 to 41 complaints per 10 million transfers. The number of complaints about this matter fell between 2017 and 2018 from 705 to 659, above all due to the lower number of complaints received in regard to non-completed operations and alleged fraud situations.

In regard to **cheques**, complaints represented 3.2% of total complaints and increased from 17 to 18 complaints per million cheques. This increase reflects a sharp fall in the number of cheques used, while complaints about cheques fell only slightly (from 554 in 2017 to 495 in 2018). There were also fewer complaints about fees charged, returned cheques and refusal to accept cheques.

Complaints about **loans to enterprises** represented 2.3% of complaints, falling in relative terms from 39 to 33 complaints per 100 thousand agreements, as a result of the fall in the number of complaints about this matter (from 410 in 2017 to 344 in 2018). A key driver of this was the fact that fewer complaints were received about communication of information to the CCR, fees and charges and the non-granting of loans.

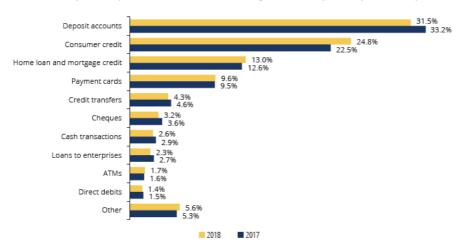
In 2018, there were also declines in complaints about **cash transactions** (from 103 to 89 complaints per 100 million deposit and withdrawal transactions) and **direct debits** (from 116 to 107 complaints per 100 million transactions). In contrast, complaints about **ATMs** increased from 156 to 163 per 10 thousand ATMs.

Table II.4.2 • Complaints | Number of complaints by banking product and service | 2017-2018

	Absolute values			Relative values <sup>(b)</sup>			
Products and services subject to complaint <sup>(a)</sup>	2017	2018	Δ monthly average	2017	2018	Δ	Reference unit
Deposit accounts	5,070	4,811	-5.1%	27	26	-1.4%	100 thousand accounts
Consumer credit	3,440	3,788	10.1%	29	32	7.3%	100 thousand agreements
Home loans and mortgage credit	1,921	1,989	3 5%	91	94	3.1%	100 thousand agreements
Payment cards	1,455	1,472	1 2%	72	70	-2.6%	million cards
Credit transfers	705	659	-6 5%	48	41	-15.1%	10 million transfers
Cheques	554	495	-10.6%	17	18	1.4%	million cheques
Cash transactions	445	390	-12.4%	103	89	-13.3%	100 million transactions
Loans to enterprises	410	344	-16.1%	39	33	-15.2%	100 thousand agreements
ATMs	247	255	3 2%	156	163	5.0%	10 thousand ATMs
Direct debits	231	216	-6 5%	116	107	-7.9%	100 million transactions
Other	804	835	3.9%	-	-	-	-
Total	15,282	15,254	-0.2%	-	-	-	-

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 of Chapter VI on methodological notes.

Chart II.4.2 • Complaints | Product and service subject to complaint (per cent) | 2017-2018



Source: Banco de Portugal.

As regards the three products most subject to complaint – deposit accounts, consumer credit, home loans and mortgage credit, which accounted overall for 69.3% of total complaints – the number of complaints received by each institution was weighted by their level of services provided or credit agreements signed 14.

14. Point 4.4 in this chapter.

# Bank customer complaints

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

This section focuses on the matters subject to the most complaints in 2018, disregarding the result of the complaints analysis.

#### 4.3.1 Deposit accounts

In 2018, complaints about deposit accounts fell 5.1% from 2017. Most complaints about deposit accounts related to current accounts (92.1%). The number of complaints about collecting fees or charges and about constraints on completing transactions due to attachment of accounts, or insolvency of the account holders, also fell.

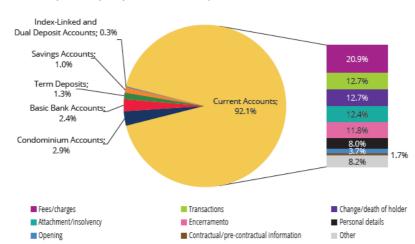


Chart II.4.3 • Complaints | Deposit accounts | 2018

Source: Banco de Portugal.

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

- Collection of fees/charges (20.9%), where complaints focused mainly on (i) the provision
  of information on fees associated with the current account and (ii) the amounts charged as
  account maintenance fees;
- Constraints on transactions on accounts (12.7%), in particular situations regarding (i) alleged
  failure by institutions to perform customers' instructions to make transactions on the current
  accounts, (ii) alleged debit transactions carried out by institutions without the customers' consent
  and (iii) restrictions on account transactions arising from compliance with obligations binding
  the credit institutions in regard to anti-money laundering and counter terrorist financing;
- Change/death of account holder (12.7%), relating chiefly to complaints about (i) the procedure
  for changing the account holder of current accounts (in case of the addition of a new account
  holder or the exclusion of one of the account holders) and (ii) the slowness and alleged
  difficulties introduced by the credit institutions to access and make transactions on accounts
  after the death of the respective account holder;

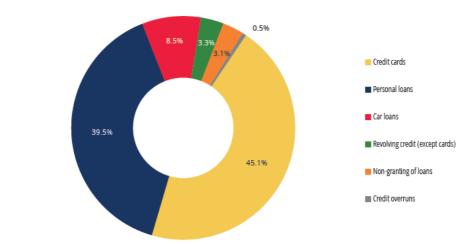
- Attachment/insolvency (12.4%), in particular situations regarding (i) the delay in terminating
  the attachment after payment of the outstanding amount and (ii) the alleged failure to comply
  with the limits to the unseizability of bank deposits;
- Closing of the account (11.8%), chiefly regarding complaints about (i) compliance with customers' instructions to close the account and (ii) closing the account on the institution's initiative, allegedly without observing the legal provisions in force.

#### 4.3.2 Consumer credit

There was a 10.1% year-on-year increase in 2018 in total complaints about consumer credit, particularly in regard to credit liabilities, fees or charges and collection of outstanding amounts.

Credit cards continued to be the consumer credit product subject to the most complaints, accounting for 45.1% of the total. The product subject to the second most complaints was personal loans, with 39.5% of complaints, followed by car loans, with 8.5%.

Chart II.4.4 • Complaints | Consumer credit products | 2018



Source: Banco de Portugal.

16.1% 2.3% 16.49 18.5% 55.9% 25.1% 19.7% Credit cards Personal loans Car loans ■ Collection of outstanding amounts Credit liabilities ■ Fees/charges Arrears regimes Contractual information ■ Calculation of instalments/APRC Contractual clauses Pre-contractual information Assignment of loans/contractual position Early repayment Collateral ■ Statements Other

Chart II.4.5 • Complaints | Credit cards, personal loans and car loans(a) | 2018

Source: Banco de Portugal. | Note: (a) In this chart, complaints about car loans do not include complaints about financial leasing/long-term car rental.

In 2018, the matters subject to the most complaints within consumer credit<sup>15</sup>, were as follows:

- Credit liabilities (35.7%), chiefly the participating entities' reporting of information to the CCR, on topics including (i) alleged delays in communicating the settlement of arrears or termination of credit liabilities, (ii) the failure to inform borrowers or guarantors that the reporting period on credit liabilities in arrears had started, and (iii) delays in the rectification of incorrectly reported
- · Collection of outstanding amounts (14.8%), in particular with regard to (i) calculation of the outstanding amounts to be paid, (ii) the methods used by credit institutions and entities subcontracted by them for the collection of outstanding amounts, and (iii) the assignment of claims by institutions;
- Collection of fees/charges (11.7%), more specifically, (i) the alleged failure of credit institutions to provide information on fees and the assumptions for their application, (ii) the amounts demanded as fees for services provided by institutions, and (iii) the collection of fees due to delays in the payment of credit instalments;
- Prevention and management of arrears (6.6%), mostly relating to (i) the way in which credit institutions conducted the negotiation process under the prevention and management of contractual non-compliance, (ii) the credit institutions' failure to present proposals for the prevention or settlement of arrears, and (iv) the alleged failure to adopt OASP procedures in time.

Bank customer complaints

#### 4.3.3 Home loans and mortgage credit

In 2018, the number of complaints about home loans and mortgage credit grew 3.5% year on year, in particular with regard to the calculation of instalments and APRC, pre-contractual information and statements. Offsetting this was a decline in complaints relating to arrears regimes and contractual clauses.

 Contractual clauses ■ Fees/charges Statements 10.1% 13.7% ■ Calculation of instalments/APRC Credit liabilities 10.1% Collection of outstanding amounts Disengagement of the borrower 2.9% Transfer of insurance 6.8% Collateral Early repayment 4.1% Non-granting of loans 6.4% ■ Pre-contractual information

Chart II.4.6 • Complaints | Home loan and mortgage credit | 2018

Source: Banco de Portugal.

The matters subject to the most complaints in regard to home loans and mortgage credit were:

Arrears regimes
 Subsidised regimes
 Assessment report
 Contractual information
 Assignment of loans/contractual position

Other

- Contractual clauses (10.1%), with complaints on (i) increases in the interest rate spread due to
  non-compliance with bundling conditions, (ii) the change in terms and conditions established
  in the credit agreement (more specifically the interest rate, the repayment plan and the
  loanholders), and (iii) 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 (10.1%), mainly due to (i) the processing fees on the instalment,
   (ii) the fees charged for late instalment payments, and (iii) the fees charged in the credit underwriting process;
- Statements (6.8%), in particular complaints related to the non-timely issuance of a statement for mortgage extinction;
- Calculation of instalments/APRC (6.4%), including the calculation of the amounts payable by customers repaying loans;
- Credit liabilities (6.3%), involving complaints about (i) alleged delays in the correction of
  communications by credit institutions to the CCR, and (ii) the failure to inform borrowers or
  guarantors that the reporting period on credit liabilities in arrears to the CCR had started;
- Collection of outstanding amounts (6.2%), mainly due to (i) calculation of the outstanding amounts, and (ii) the methods used by credit institutions and entities subcontracted by them for the collection of outstanding amounts.

In 2018, the number of complaints about payment cards increased slightly (around 1%), particularly with regard to complaints about alleged fraud. Offsetting this was the decline in the number of complaints about the fee for providing a card (previously termed 'annuity' 16).

15.8%

Request/replacement
Fraud
Capture/cancellation
Annuity
Unsolicited
Other

Chart II.4.7 • Complaints | Payment cards | 2018

Source: Banco de Portugal.

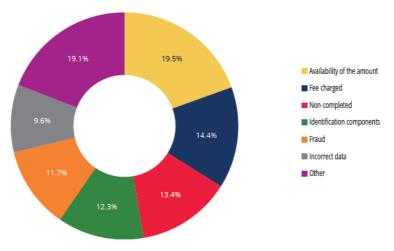
The most frequent complaints in 2018 about payment cards were:

- Request/replacement of cards (28.2%), mostly focusing on (i) the refusal to issue a payment card, and (ii) delays in their replacement;
- Alleged fraud situations (21.3%), 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 institution and its responsibility for carrying out transactions, including ATM withdrawals,
  transactions carried out abroad and the online purchase of goods and services;
- Capture/cancellation of cards (18.1%), essentially regarding (i) the blocking of cards stemming
  from the exercise of contractual prerogatives by card issuers (more specifically for security
  reasons), and (ii) the termination of contracts governing the use of cards, on the institution's
  own initiative or by request of the customer;
- Fee for the service of providing a card (13.5%), with complaints about (i) conditions established
  for collecting a fee, (ii) the level of the fee, and (iii) the alleged failure to inform customers about
  changes to the fee level.

#### 4.3.5 Credit transfers

There was a 6.5% fall in 2018 in the number of complaints about credit transfers. There was a notable decline in the number of complaints about non-completed transactions and alleged fraud. Offsetting this was an increase in the number of complaints related to identification components.

Chart II.4.8 • Complaints | Credit transfers | 2018



Source: Banco de Portugal.

The most frequent complaints in 2018 related to credit transfers focused on:

- Availability of the transferred amount (19.5%), with complaints relating to (i) the failure to
  make available to the beneficiaries the amount transferred due to difficulties in checking their
  identification documentation, and (ii) non-compliance with the deadlines established by law for
  completing these transactions;
- Collection of fees (14.4%), in particular, complaints relating to the level of the fee charged by the credit institutions to complete transfers, especially through digital channels and in branches;
- Non-completed transactions (13.4%), with complaints relating to situations allegedly resulting
  from (i) IT anomalies or operational errors, (ii) observance of limits on the level of transfers
  agreed with institutions (above all through digital channels and ATMs), and (iii) inadequacy of
  the documentation presented by the customers to make the transfer.

# 4.3.6 Cheques

The number of complaints about cheques fell 10.6% in 2018. Driving this was the lower number of complaints about fees applied, returned cheques and refusal to accept cheques.

Refusal to accept 16.7% 1.6% Request Provision of amount 2.89 Returned 3.8% Fees charged 13.9% Crossed/not to the order of Registered in the LCD Fraudulent 13.3% Cancellation Other

Chart II.4.9 • Complaints | Cheques | 2018

Source: Banco de Portugal.

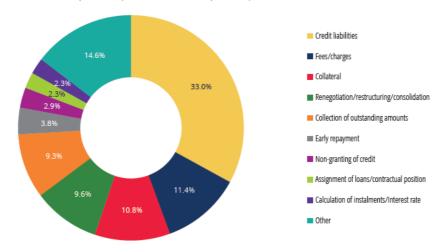
The most common complaints about cheques in 2018 related to the following matters:

- Refusal to accept cheques (16.7%), chiefly due to (i) the incorrect completion of cheques,
   (ii) presenting a cheque for payment by a person other than its beneficiary, (iii) presenting the
   cheque after the deadline for payment (eight days) or after its validity date, and (iv) presenting
   a crossed cheque for payment at the drawee institution by a non-customer;
- Requesting cheques (13.9%), mostly due to the refusal by credit institutions to provide cheque books;
- Provision of the amount (13.3%), where issues focused on compliance with the deadlines established by law for situations where cheques are deposited over the counter and in ATMs;
- Returned cheques (11.7%), including complaints about the non-payment of cheques due to (i) irregular withdrawal, (ii) insufficient funds, and (iii) irregular endorsement;
- · Fees charged (11.5%) in the issuance of cheque books and as a result of returned cheques.

# 4.3.7 Loans to enterprises

The number of complaints about loans to enterprises fell 16.1% year on year in 2018, particularly in regard to complaints related to credit liabilities, fees and charges and non-granting of credit.

Chart II.4.10 • Complaints | Loans to enterprises | 2018



Source: Banco de Portugal.

The most common complaints in 2018 regarding loans to enterprises related to the following matters:

- Credit liabilities (33%), including complaints about the participating entities' reporting of
  credit liabilities, potential or actual, to the CCR, in particular with regard to (i) alleged delays in
  communicating the settlement of arrears or termination of credit liabilities, (ii) the failure to
  inform borrowers or guarantors that the reporting period on credit liabilities in arrears had
  started, and (iii) delays in the rectification of incorrectly reported information;
- Collection of fees/charges (11.4%), with complaints relating to (i) the provision of information
  on fees collected and their underlying assumptions, (ii) the amounts demanded as fees and
  (iii) the alteration of the applicable price list, allegedly without advance communication by the
  institution;
- Collateral (10.8%), with complaints focusing in particular on enforcement of collateral provided by the enterprises or shareholders or their representatives (for example, mortgages, sureties or guarantees) within credit transactions;
- Renegotiation, restructuring and consolidation of loans (9.6%), involving complaints about
   (i) requests to renegotiate the initially agreed loan conditions and (ii) alleged difficulties in
   restructuring and consolidating outstanding amounts.

# Bank customer complaints

# **4.4** Institutions subject to the most complaints<sup>17</sup>

### 4.4.1 Deposit accounts

The table below shows the number of complaints per 1,000 current accounts, by credit institution, for 2018. Complaints made to Banco de Portugal about this product were considered, irrespective of whether non-compliance or irregularity on the part of the respective institutions was detected by the Bank.

The credit institutions listed in the table received more than one complaint per quarter in 2018 on average.

There are other credit institutions that were subject to complaint in regard to deposit accounts. However, given that the number of complaints received by those institutions was lower than that of the entities in the table, it was decided not to include them in the table in order to be representative. The following credit institutions are in this situation: ABANCA Corporación Bancaria, S.A. – Sucursal em Portugal, Banco Atlântico Europa, S.A., Banco do Brasil, AG – Sucursal em Portugal, Banco Invest, S.A., Banco L. J. Carregosa, S.A., Bison Bank, S.A, BNI – Banco de Negócios Internacional (Europa), S.A., Caixa de Crédito Agrícola Mútuo de Leiria, C.R.L., Caixa Económica Misericórdia de Angra do Heroísmo, Caixa Económica Bancária, S.A., and Novo Banco dos Açores, S.A..

No complaint was received in regard to other institutions operating in the area of deposit accounts, including Banco BAI Europa, S.A., Banco Finantia, S.A., Banco Português de Gestão, S.A., BNP Paribas, Caixa – Banco de Investimento, S.A., Caixa de Crédito Agrícola Mútuo do Bombarral, C.R.L., Caixa de Crédito Agrícola Mútuo da Chamusca, C.R.L., Caixa de Crédito Agrícola Mútuo de Mafra, C.R.L., Caixa de Crédito Agrícola Mútuo de Torres Vedras, C.R.L., and Haitong Bank, S.A..

Table II.4.3 • Complaints | Per 1,000 current accounts | 2018

Abbreviation	Credit institution	2018
BACTT	BANCO CTT, S.A.	0.81
DBAKT	DEUTSCHE BANK AKTIENGESELLSCHAFT – SUCURSAL EM PORTUGAL	0.51
BANSU	BANKINTER, S.A. – SUCURSAL EM PORTUGAL	0.50
BBVA	BANCO BILBAO VIZCAYA ARGENTARIA, S A. – SUCURSAL EM PORTUGAL	0.50
BSTOT	BANCO SANTANDER TOTTA, S.A.	0.32
BBPI	BANCO BPI, S A.	0.31
BACTI	BANCO ACTIVOBANK, S.A.	0.31
NOVOB	NOVO BANCO, S.A.	0.31
BBPOR	BANCO BIC PORTUGUÊS, S.A.	0.29
BINVG	BANCO DE INVESTIMENTO GLOBAL, S A.	0.26
	System average	0.26
CGD	CAIXA GERAL DE DEPÓSITOS, S.A.	0.26
BCP	BANCO COMERCIAL PORTUGUÊS, S A.	0.21
CEMG	CAIXA ECONÓMICA MONTEPIO GERAL	0.19
BBEST	BEST – BANCO ELECTRÓNICO DE SERVIÇO TOTAL, S A.	0.15
SICAM	CAIXAS DE CRÉDITO AGRÍCOLA MÚTUO INTEGRADAS NO SICAM	0.07

Source: Banco de Portugal. | Note: The system average equates to 26 complaints per 100 thousand current accounts.

Chart II.4.11 • Complaints | Per 1,000 current accounts | 2018

Source: Banco de Portugal.

### 4.4.2 Consumer credit

The table below shows the number of complaints per thousand consumer credit agreements in 2018, by lending institution. Complaints issued to Banco de Portugal about this product were considered, irrespective of whether non-compliance or irregularity on the part of the respective institutions were detected by the Bank.

The credit institutions listed in the table received more than one complaint per quarter in 2018 on average.

There are other institutions that were subject to complaint in regard to consumer credit. However, given that the number of complaints received by those institutions was lower than that of the entities in the table, it was decided not to include them in the table in order to be representative. The following institutions are in this situation: ABANCA Corporación Bancaria, S.A. – Sucursal em Portugal, Banco do Brasil, AG – Sucursal em Portugal, Banco Finantia, S.A., Banco Invest, S.A., BMW Bank, GMBH – Sucursal Portuguesa, BNI Banco de Negócios Internacional (Europa), S.A., Caixa Económica do Porto, FCE Bank PLC, Montepio Investimento, S.A., Novo Banco dos Açores, S.A., Sofinloc – Instituição Financeira de Crédito, S.A., and Union de Créditos Inmobiliarios, S.A., Establecimiento Financiero de Crédito (Sociedad Unipersonal) – Sucursal em Portugal.

No complaint was received in relation to other institutions operating in the area of consumer credit, including Banco Atlântico Europa, S.A., Banco de Investimento Global, S.A., Caixa de Crédito Agrícola Mútuo de Leiria, C.R.L., Caixa Económica da Misericórdia de Angra do Heroísmo, Caixa Económica Bancária, S.A., and Toyota Kreditbank GMBH – Sucursal em Portugal.

Table II.4.4 • Complaints | Per 1,000 consumer credit agreements | 2018

Abbreviation	Credit institution	2018
CIFIC	CAIXA LEASING E FACTORING – SOCIEDADE FINANCEIRA DE CRÉDITO, S.A.	2.04
WBSUC	WIZINK BANK, S A. – SUCURSAL EM PORTUGAL	0.95
VBGSP	VOLKSWAGEN BANK GMBH – SUCURSAL EM PORTUGAL	0.94
BACTT	BANCO CTT, S.A.	0.92
FCACP	FCA CAPITAL PORTUGAL – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S A.	0.91
DBAKT	DEUTSCHE BANK AKTIENGESELLSCHAFT – SUCURSAL EM PORTUGAL	0.84
321CR	321 CREDITO – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S.A.	0.81
MTPCR	MONTEPIO CRÉDITO - INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S.A.	0.62
BBVIF	BBVA – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S.A.	0.56
BANSU	BANKINTER, S.A. – SUCURSAL EM PORTUGAL	0.54
BASCP	BANCO SANTANDER CONSUMER PORTUGAL, S.A.	0.52
CEMG	CAIXA ECONÓMICA MONTEPIO GERAL	0.48
RBANS	RCI BANQUE SUCURSAL PORTUGAL	0.43
BBEST	BEST – BANCO ELECTRÓNICO DE SERVIÇO TOTAL, S.A.	0.41
BPRIM	BANCO PRIMUS, S.A.	0.39
NOVOB	NOVO BANCO, S.A.	0.38
BACTI	BANCO ACTIVOBANK, S.A.	0.38
FINCI	FINANCEIRA EL CORTE INGLÉS PORTUGAL, S.F.C., S.A.	0.37
BBVA	BANCO BILBAO VIZCAYA ARGENTARIA, S A. – SUCURSAL EM PORTUGAL	0.36
COFID	COFIDIS	0,36
BBPOR	BANCO BIC PORTUGUÊS, S.A.	0.34
BCBOM	BANCO CREDIBOM, S.A.	0.33
	System average	0.32
PSFSP	ABANCA SERVICIOS FINANCIEROS, E.F.C., S.A. – SUCURSAL EM PORTUGAL	0.31
BSTOT	BANCO SANTANDER TOTTA, S.A.	0.31
MERCE	MERCEDES-BENZ FINANCIAL SERVICES PORTUGAL – SOCIEDADE FINANCEIRA DE CRÉDITO, S.A.	0.30
UNICR	UNICRE – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, S.A.	0.30
BBPI	BANCO BPI, S A.	0.27
SICAM	CAIXAS DE CRÉDITO AGRÍCOLA MÚTUO INTEGRADAS NO SICAM	0.17
BBNPP	BANCO BNP PARIBAS PERSONAL FINANCE, S.A.	0.17
ONEYB	ONEY BANK – SUCURSAL EM PORTUGAL	0.16
CGD	CAIXA GERAL DE DEPÓSITOS, S.A.	0.16
BCP	BANCO COMERCIAL PORTUGUÊS, S A.	0.16
BCFSP	BANKINTER CONSUMER FINANCE, S.A.	0.10

Source: Banco de Portugal. | Note: The system average equates to 32 complaints per 100 thousand consumer credit agreements.

Mumber of complaints

(per 1000 consumer credit agreements)

CHC CHC WESUC
WES

Chart II.4.12 • Complaints | Per 1,000 consumer credit agreements | 2018

Source: Banco de Portugal.

### 4.4.3 Home loans and mortgage credit

The table below shows the number of complaints per thousand home loan and mortgage credit agreements in 2018, by lending institution. Complaints issued to Banco de Portugal about this product were considered, irrespective of whether non-compliance or irregularity on the part of the respective institutions was detected by the Bank.

The institutions listed in the table received, on average, more than one complaint per quarter in 2018.

There are other institutions that were subject to complaint in regard to home loans and mortgage credit. However, given that the number of complaints received by those institutions was lower than that of the entities in the table, it was decided not to include them in the table in order to be representative. The following institutions are in this situation: ABANCA Corporación Bancaria, S.A. – Sucursal em Portugal, Banco de Investimento Imobiliário, S.A., Caixa Leasing e Factoring – Sociedade Financeira de Crédito, S.A. and Novo Banco dos Açores, S.A..

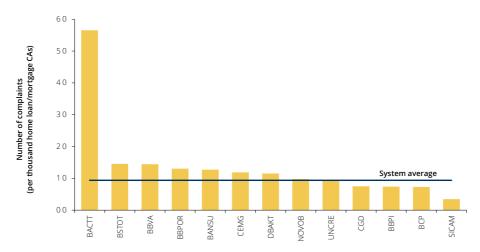
No complaints were received about other institutions operating in home loans and mortgage credit, such as Caixa de Crédito Agrícola Mútuo de Leiria, C.R.L..

Table II.4.5 • Complaints | Per 1,000 home loan and mortgage credit agreements | 2018

Abbreviation	Credit institution	2018
BACTT	BANCO CTT, S.A.	5,65
BSTOT	BANCO SANTANDER TOTTA, S.A.	1,45
BBVA	BANCO BILBAO VIZCAYA ARGENTARIA, S A. – SUCURSAL EM PORTUGAL	1,44
BBPOR	BANCO BIC PORTUGUÊS, S.A.	1,31
BANSU	BANKINTER, S.A. – SUCURSAL EM PORTUGAL	1,27
CEMG	CAIXA ECONÓMICA MONTEPIO GERAL	1,19
DBAKT	DEUTSCHE BANK AKTIENGESELLSCHAFT – SUCURSAL EM PORTUGAL	1,15
NOVOB	NOVO BANCO, S.A.	0,98
	System average	0,94
UNCRE	UNION DE CREDITOS INMOBILIARIOS, S.A. – SUCURSAL EM PORTUGAL	0,85
CGD	CAIXA GERAL DE DEPÓSITOS, S.A.	0,75
BBPI	BANCO BPI, S A.	0,74
ВСР	BANCO COMERCIAL PORTUGUÊS, S A.	0,73
SICAM	CAIXAS DE CRÉDITO AGRÍCOLA MÚTUO INTEGRADAS NO SICAM	0,35

Source: Banco de Portugal. | Note: The system average equates to 94 complaints per 100 thousand home loan and mortgage credit agreements.

Chart II.4.13 • Complaints | Per 1,000 home loan and mortgage credit agreements | 2018



Source: Banco de Portugal.

# 4.5 Results of closed complaints<sup>18</sup>

In 2018 there was no evidence of infringement by credit institutions in approximately 56% of total complaints closed (62% in 2017), and in 44% 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 (38% in 2017).

The complaints closed in regard to deposit accounts had the highest percentage of closures without evidence of infringement by credit institutions (60.6%). In contrast, over half the complaints about payment cards (58.7%) were closed following solution by the credit institution, or Banco de Portugal's intervention.

In a number of cases, bank customers present a complaint about the conduct 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.

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

# 4.6 Complaint closure time frame

In 2018 complaints took 28 days to close on average, compared to 39 days in 2017. Complaints lodged directly with Banco de Portugal took 41 days to close on average (53 days in 2017), while in the case of complaints lodged through the complaints book it was 15 days (24 days in 2017).

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

In the case of complaints lodged directly with Banco de Portugal, the institutions are immediately questioned on the content of the complaint, and they have 20 working days to respond to the complainant<sup>19</sup> and to inform Banco de Portugal thereof. The institutions may receive further requests for information from 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. They often send their case analysis also<sup>20</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 reply.

<sup>18.</sup> 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 (Portuguese Securities Market Commission or Insurance and Pension Funds Supervisory Authority), or falling outside the scope of the powers of financial supervisors.

<sup>19.</sup> As in Circular Letter No 25/2008 of 26 March 2008.

<sup>20.</sup> As in Circular Letter No 6/2008 of 24 January 2008.

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

# **5** Correction of irregularities and sanctions

# 5.1 Specific orders and recommendations

In 2018 Banco de Portugal issued 922 specific orders and recommendations to 66 institutions, following inspections of the conduct of institutions subject to supervision and the analysis of complaints from bank customers<sup>21</sup>.

Most specific orders and recommendations issued concerned home loans and mortgage and consumer credit, targeting, in particular, the correction of irregularities related to compliance with pre-contractual and contractual information requirements.

Table II.5.1 • Specific orders and recommendations | By topic | 2018

Topics		Total	Institutions covered
Advertising		86	27
Deposits		112	30
of which: BBAs		91	27
Consumer credit		301	32
Home loans and mortgage credit		344	25
Payment services		21	7
Price lists		55	24
Complaints book		3	2
	Total <sup>(a)</sup>	922	_(b)

Source: Banco de Portugal. | Note: (a) The total number of specific orders and recommendations includes recommendations on consumer credit in digital channels. (b) In 2018 specific orders and recommendations were issued to 66 institutions.

### **5.1.1** Advertising

In 2018 Banco de Portugal issued 86 specific orders and recommendations related to the monitoring of advertising to 27 credit institutions, involving a total of 214 advertisements.

Specific orders and recommendations mainly concerned at advertising on consumer credit products (about 84%), a topic handled in most (75%) advertising campaigns released by institutions and analysed by Banco de Portugal.

Table II.5.2 • Specific orders and recommendations | Advertising | 2018

	Number	Advertisements	Entities covered
Products and services	83	208	27
Consumer credit	72	178	20
Multi-product	4	9	3
Deposits	2	6	2
Corporate credit	2	6	2
Home loans and mortgage credit	2	8	2
Payment services	1	1	1
Institutional	3	6	1
Total	86	214	-

Source: Banco de Portugal. | Note: In 2018 specific orders and recommendations were issued to 27 institutions.

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

- To present true information in advertising and not distort facts<sup>22</sup>;
- Information in advertising must ensure that the nature or purpose of the advertised products and services are clearly stated<sup>23</sup> and that access conditions, restrictions and limitations have similar prominence to the characteristics highlighted by the institutions in advertising<sup>24</sup>;
- When advertising consumer credit, the APRC must be presented with similar prominence to the
  highlighted characteristics of the credit products announced in the consumer credit advertising
  campaigns, and a representative example of the APRC must be indicated, including at least the
  credit amount, the repayment period, the nominal annual rate in the case of a fixed rate, or the
  reference rate and spread in the case of a variable rate<sup>25</sup>;
- When advertising home loans and mortgage credit, the following elements must be featured, in a clear and concise manner, using a representative example: the annual percentage rate, the total credit amount, the APRC, the duration of the credit agreement, the total amount payable by the consumer and the instalment amount<sup>26</sup>;

<sup>22.</sup> Article 3 of Notice of Banco de Portugal No 10/2008.

<sup>23.</sup> Article 4 of Notice of Banco de Portugal No 10/2008.

<sup>24.</sup> Article 5 of Notice of Banco de Portugal No 10/2008.

<sup>25.</sup> Article 5 of Decree-Law No 133/2009 of 2 June 2009 and Article 15 of Notice of Banco de Portugal No 10/2008.

<sup>26.</sup> Article 10 of Decree-Law No 74-A/2017 of 23 June 2017 and Article 4 of Notice of Banco de Portugal No 10/2008.

- Information in advertising should unambiguously state the credit institution responsible for the products and services being advertised<sup>27</sup>;
- To release mandatory information, observing the minimum character size established<sup>28</sup>, and
  ensure that advertising broadcast via audio-visual media is disseminated for a sufficient period
  of time for adequate reading and hearing<sup>29</sup>;
- Advertising announcing consumer credit in constant instalments should indicate the repayment term and amount with similar prominence to the credit instalment announced<sup>30</sup>;
- When advertising corporate credit, the EAR must be indicated using a representative example<sup>31</sup>;
- Credit institutions must provide Banco de Portugal with a copy of the advertising campaigns
  that include written advertisements made available through branches, direct mailing or posters
  exclusively used inside branches, on the date the advertising campaigns begin<sup>32</sup>;
- In institutional advertising, institutions should adhere to best practice in the disclosure of prizes awarded by third entities, in particular when using restricted terms, such as 'the cheapest in the market' or 'the best in the market'. Institutions should provide information explaining the context of those prizes, such as the year, the scope and should use the wording 'This prize is the exclusive responsibility of the entity awarding it'33.

### **5.1.2** Deposit accounts

Over the course of 2018, Banco de Portugal issued 112 specific orders and recommendations for remedying irregularities detected in the offering of deposit accounts, covering a total of 30 institutions. The specific orders issued mainly stemmed from inspections conducted on the provision of basic bank accounts (BBAs) by the institutions, as a result of the priorities laid down by Banco de Portugal. The remaining specific orders arose from the analysis of bank customer complaints.

<sup>27.</sup> Article 2 of Notice of Banco de Portugal No 10/2008.

<sup>28.</sup> Article 4 of Notice of Banco de Portugal No 10/2008.

<sup>29.</sup> Article 8 of Notice of Banco de Portugal No 10/2008.

<sup>30.</sup> Article 15 of Notice of Banco de Portugal No 10/2008.

<sup>31.</sup> Article 7 of Decree-Law No 220/94 of 23 August 1994.

<sup>32.</sup> Article 11 of Notice of Banco de Portugal No 10/2008.

<sup>33.</sup> Article 13 of Notice of Banco de Portugal No 10/2008.

Table II.5.3 • Specific orders and recommendations | Basic bank accounts | 2018

Torion	Specific orders		Recommendations		Total	
Topics	Number	Institutions covered	Number	Institutions covered	Number	Institutions covered
Information provided on access and features	27	17	5	5	32	17
Display of the poster on BBAs	8	4	10	5	18	9
Requirements for information in the price list and SIS	27	13			27	13
Provision of pre-contractual information	8	7			8	7
Disclosure on the right to switch to a BBA in the account statement	2	2			2	2
Adherence to the fees and charges cap	4	4			4	4
Total	76	-	15	_	91	-

Source: Banco de Portugal. | Note: In 2018 specific orders were issued to 24 institutions and recommendations to 10 institutions.

Table II.5.4 • Specific orders and recommendations | Bank deposits | 2018

Topics	Number	Institutions covered
Fees and charges	16	4
Pre-contractual and contractual information	2	2
Closing of accounts	2	2
Other topics	1	1
Total	21	-

Source: Banco de Portugal. | Note: In 2018 specific orders and recommendations were issued to 7 institutions.

The specific orders and recommendations following inspections conducted on the provision of BBAs concerned institutions' compliance with a set of obligations.

Provision of information on access conditions and features. Institutions should ensure that they provide in their branches correct information on the conditions of access to and features of BBAs<sup>34</sup>.

**Display of the poster on BBAs.** Institutions should display an updated poster on BBAs in a prominent place in all their branches and customer assistance points<sup>35</sup>.

Requirements for information in the price list and SIS. Institutions should ensure that information contained in the price list and the Standardised Information Sheet (SIS) on the BBA reflects the legislation in force, in particular with regard to the fees and commissions charged, services included and conditions for resolution<sup>36</sup>.

<sup>34.</sup> Articles 74 and 77 of the Legal Framework of Credit Institutions and Financial Companies.

<sup>35.</sup> Article 7-A of Decree-Law No 27-C/2000 of 10 March 2000 and Article 2 of Notice of Banco de Portugal No 1/2018.

<sup>36.</sup> Article 3 of Notice of Banco de Portugal No 8/2009 of 2 June 2009 and Articles 3 and 4 of Notice of Banco de Portugal No 4/2009.

**Provision of pre-contractual information.** Institutions should provide the customer with pre-contractual information, namely the SIS of the account and a copy of the general terms and conditions<sup>37</sup>.

Disclosure of information on the right to switch to a BBA in the account statement. In the first statement issued each year on the current account, the institutions should disclose information on the right to switch from a current account to a BBA<sup>38</sup>.

Adherence to the fees and charges cap. Institutions should ensure that no fees, expenses or other charges are imposed accounting for more than 1% of the value of the social support index annually<sup>39</sup>.

**Information obligations in the offering of other deposit accounts.** The other specific orders issued by Banco de Portugal, as a result of the analysis of complaints, chiefly concerned compliance with the following obligations:

- To provide the bank customers with information on all charges associated with the current account under contract<sup>40</sup>;
- To inform the bank customers that the proposed contractual amendment to the deposit account is deemed to be accepted only where they have not expressed their intention to the contrary before the proposed date for entry into force of the amendment concerned<sup>41</sup>;
- To propose to the bank customers any amendment to the framework agreement for the opening of current accounts at least two months in advance<sup>42</sup>;
- To inform the customers that they have the right to terminate the framework agreement for the opening of deposit accounts, immediately and free of charge, before the proposed date for the implementation of the contractual amendments<sup>43</sup>;
- To provide the bank customers with information on the credit and debit entries in their account, in particular by sending statements with the frequency set in the applicable legal and regulatory provisions<sup>44</sup>.

### 5.1.3 Consumer credit

In 2018 a total of 245 specific orders and recommendations were issued to 29 institutions for the correction of irregularities concerning consumer credit, including the implementation of the general arrears regime and the arrears regime, all following inspections conducted in the central services of institutions.

In the monitoring of consumer credit offered through digital channels, 56 recommendations were issued to ten institutions on the obligations they have to fulfil in this regard.

- 37. Articles 4 and 5 of Notice of Banco de Portugal No 4/2009.
- 38. Article 7-A of Decree-Law No 27-C/2000 of 10 March 2000 and Article 3 of Notice of Banco de Portugal No 1/2018.
- 39. Article 3 of Decree-Law No 27-C/2000 of 10 March 2000.
- 40. Article 91 of the Legal Framework for Payment Services and Electronic Money.
- 41. Article 93 of the Legal Framework for Payment Services and Electronic Money.
- 42. Article 93 of the Legal Framework for Payment Services and Electronic Money.
- 43. Article 93 of the Legal Framework for Payment Services and Electronic Money.
- 44. Articles 96 and 97 of the Legal Framework for Payment Services and Electronic Money and Article 7 of Notice of Banco de Portugal No 4/2009.

Table II.5.5 • Specific orders and recommendations | Consumer credit | 2018

Topics	Number	Institutions covered	
Consumer credit regime	229	28	
Pre-contractual and contractual information obligations	54	16	
Pre-contractual information requirements	20	8	
Provision of information and assistance obligation	14	5	
Contractual information requirements	20	9	
Duties of information during the lifetime of the agreement	89	16	
APRC upper limits	54	13	
Fees and charges	9	6	
Product adequacy	8	5	
Early repayment	6	5	
Cross selling	2	2	
Other obligations	7	5	
General arrears regime	8	6	
Arrears regime	6	3	
Reporting to the Central Credit Register	2	2	
	245	-	

Source: Banco de Portugal. | Note: In 2018 specific orders and recommendations were issued to 29 institutions, including specific orders issued at the beginning of 2018, as a result of inspections carried out in 2017.

**Pre-contractual information requirements.** Using a SIS in a durable medium, institutions should provide the bank customers with complete, truthful, current, clear, objective and legible information on their credit, including, but not limited to, the annual percentage rate, the APRC, the total amount payable by the consumer, and the terms and conditions of any ancillary contract. Institutions should also be able to reproduce the pre-contractual information made available to the customer, with a statement acknowledging the receipt of the SIS not being sufficient<sup>45</sup>.

**Provision of information and assistance obligation.** Institutions should ensure compliance with the obligation to provide assistance to the bank customers, providing them with information that allows them to assess whether the proposed contract suits their needs and financial situation<sup>46</sup>.

If the credit agreement is refused based on the consultation of databases of credit liabilities or other databases considered to be useful to assess the consumer's creditworthiness, institutions should also ensure that the consumer is provided with information on such refusal, in a prompt, free of charge and substantiated manner<sup>47</sup>.

Institutions should ensure that cost financing related to the credit transaction only occurs if the customer expresses interest in such financing after having been questioned during the negotiation process<sup>48</sup>.

Contractual information requirements. Institutions should ensure that the agreements are concluded on a durable medium and include information on all the regulatory requirements in force, in particular with regard to the credit-specific financial conditions approved and applicable

<sup>45.</sup> Article 6 of Decree-Law No 133/2009 of 2 June 2009.

<sup>46.</sup> Article 7 of Decree-Law No 133/2009 of 2 June 2009.

<sup>47.</sup> Article 10 of Decree-Law No 133/2009 of 2 June 2009.

<sup>48.</sup> Circular Letter of Banco de Portugal No 45/2011/DSC.

to the consumer. They should also ensure that the date of conclusion of the credit agreement is clearly stated therein and known by the consumer, and that all contracting parties are provided with a copy of the credit agreement, including guarantors<sup>49</sup>.

Duties of information during the lifetime of the agreement. Institutions should provide the consumer with a periodic information statement containing all information required by the applicable rules at the various stages of the credit agreement<sup>50</sup>.

Fees and charges. Institutions may not charge customers fees and commissions in excess of the maximum values set out in the price list<sup>51</sup>, nor in case of overrunning<sup>52</sup>.

APRC upper limits. Institutions should ensure compliance with the maximum rates in force for each credit category<sup>53</sup> and calculate the APRC in accordance with the applicable legal and regulatory standards. When calculating the APRC, the total credit amount, the planned repayments envisaged and all the costs associated with the credit transaction agreed on between the creditor and the consumer<sup>54</sup> should be considered, as well as the interest remuneration based on the amounts and periods of actual use of the funds made available<sup>55</sup>. Institutions should also report to Banco de Portugal information on new consumer credit agreements in a timely and accurate manner<sup>56</sup>.

**Product suitability.** Institutions should ensure that the products they offer feature the characteristics of the type of credit to which they relate<sup>57</sup>. Institutions should classify as consumers the sole proprietors and those individuals carrying on liberal professions whose credit is not intended for their professional activity, as well as the agreements concluded in the scope of a renegotiation of agreements in default<sup>58</sup>.

**Early repayment.** Institutions should ensure compliance with the exercise of the consumer's right to repay, in whole or in part, the credit agreement at any time and upon prior notice, which cannot be greater than 30 days<sup>59</sup>.

Cross selling. Institutions may not make the conclusion of consumer credit agreements conditional on the purchase of other financial products or services<sup>60</sup>.

Other obligations when offering consumer credit. Institutions may only terminate the agreement and require full and immediate payment of the credit if, cumulatively, there is a payment default of two consecutive instalments in excess of 10% of the total credit amount and the consumer has been granted a further 15-day period for payment and expressly warned about the effects of the default<sup>61</sup>.

- 49. Article 12 of Decree-Law No 133/2009 of 2 June 2009.
- 50. Articles 4 and 5 of Notice of Banco de Portugal No 10/2014.
- 51. Article 6 of Notice of Banco de Portugal No 8/2009.
- 52. Article 23 of Decree-Law No 133/2009 of 2 June 2009.
- 53. Article 28 of Decree-Law No 133/2009 of 2 June 2009.
- 54. Article 24 of Decree-Law No 133/2009 of 2 June 2009.
- 55. Article 6 of Decree-Law No 58/2013 of 8 May 2013.
- 56. Paragraphs 1 and 5 of Instruction of Banco de Portugal No 14/2013.
- 57. Article 74 of the Legal Framework of Credit Institutions and Financial Companies.
- 58. Article 1 of Decree-Law No 133/2009 of 2 June 2009.
- 59. Article 19 of Decree-Law No 133/2009 of 2 June 2009.
- 60. Article 29 of Decree-Law No 133/2009 of 2 June 2009.
- 61. Article 20 of Decree-Law No 133/2009 of 2 June 2009.

General arrears regime. Institutions should apply the OASP to bank customers between the 31st and the 60th day following the due date for the relevant obligation under the credit agreement<sup>62</sup>. Within 30 days of the start of the OASP, they should also communicate to their customers the result of their creditworthiness assessment and, if feasible, propose to them settlement solutions suited to their financial situation, objectives and needs<sup>63</sup>. Institutions may not charge fees and commissions for the renegotiation of agreements at risk of default or the application of the OASP<sup>64</sup>. Agreements incorporated or concluded under the OASP must be reported to Banco de Portugal in a timely manner<sup>65</sup>.

Arrears regime. Institutions should calculate the amount of arrears interest, in particular those relating only to outstanding and unpaid principal, without including taxes the payment obligation of which is not due, and exclusively for the time during which the default event has subsisted<sup>66</sup>. Interest not yet due may not be charged to the customer when renegotiating agreements in default<sup>67</sup>. In case of arrears and for as long as it is maintained, the institutions may charge arrears interest, by applying a maximum annual surcharge of 3%, to be added to the compensatory interest rate applicable to the transaction, with the excess reduced to this maximum limit<sup>68</sup>. Amounts due as commission for the recovery of outstanding amounts and not paid by bank customers may only be added to the outstanding principal amount in case of restructuring or consolidation of credit agreements<sup>69</sup>.

Reporting to the Central Credit Register. At the end of each month, institutions should report to the CCR the balances of the actual or potential liabilities resulting from credit granted<sup>70</sup>. Institutions should also communicate rectifications whenever, on their own initiative or upon request of the bank customer, the institution detects an omission or error in any past or present reporting of liabilities<sup>71</sup>.

In 2018, in addition to having assessed compliance with the regulatory framework applicable to consumer credit, Banco de Portugal started monitoring how consumer credit products are offered through digital channels.

- 62. Article 14 of Decree-Law No 227/2012 of 25 October 2012.
- 63. Article 15 of Decree-Law No 227/2012 of 25 October 2012.
- 64. Article 8 of Decree-Law No 227/2012 of 25 October 2012.
- 65. Paragraph 1 of Instruction of Banco de Portugal No 44/2012.
- 66. Article 8 of Decree-Law No 58/2013 of 8 May 2013.
- 67. Article 6 of Decree-Law No 58/2013 of 8 May 2013.
- 68. Article 8 of Decree-Law No 58/2013 of 8 May 2013.
- 69. Article 9 of Decree-Law No 58/2013 of 8 May 2013.
- 70. Article 3 of Decree-Law No 204/2008 of 14 October 2008.
- 71. Paragraph 11 of Instruction of Banco de Portugal No 17/2018.

Correction of irregularities and sanctions

**Table II.5.6** • Recommendations | Monitoring the offering of consumer credit through digital channels | 2018

Topics	Number	Institutions covered
Provision of pre-contractual and contractual information	26	10
Obligation to provide assistance	10	8
Right of withdrawal and early repayment	13	9
Sale of optional products	5	5
Security	2	2
Total <sup>(a)</sup>	56	_(b)

Source: Banco de Portugal. | Note: (a) The total number includes 19 recommendations issued in early 2019. (b) In 2018 specific orders and recommendations were issued to 10 institutions.

**Provision of pre-contractual and contractual information.** Banco de Portugal issued 26 recommendations to ten institutions on compliance with the following obligations:

- To ensure that the contracting process can only proceed to the next stage after the customers have gone through all the pages of the pre-contractual and contractual documents, scrolling down and acknowledging that they were read at the bottom of the page;
- To ensure that the customers are provided with the pre-contractual documents before they are required to express they agree with them;
- To ensure that the SIS of the simulation is made available on the website. The primary function of the SIS is to allow the customers to compare different offers and thus take an informed decision;
- To ensure that clear information is contained in credit agreements as to the contracting process through a digital channel, form of signature and date of conclusion;
- To ensure appropriate visibility of the information on the lending entity;
- To inform the customers about the reasons for refusal, when this refusal is based on consultations of credit liability databases;
- To ensure that the customers are provided with clear and unambiguous information as to the modality and conditions of the credit product they are contracting;
- To ensure that all relevant information is conveyed to the customers, including that the credit amount available in the deposit account is deducted from the initial charges associated with the transaction;
- To ensure that all relevant information on the impact of using a variable rate is conveyed to
  the customers, e.g. by presenting, in a clearly legible manner, the instalment amount resulting
  from an increase in the benchmark rate of at least one percentage point (applicable to credit
  agreements with a maturity of up to and including five years);
- To ensure the compliance with and correct identification of the SIS consumer credit model.

**Obligation to provide assistance.** Banco de Portugal issued ten recommendations to eight institutions on compliance with the following obligations:

- To ensure that customer assistance mechanisms are conveniently provided and that information provided is specific to the product being contracted;
- To ensure the inclusion of explanatory notes ('tooltips' or other equivalent mechanism) of the main abbreviations used, e.g. APRC, in the specific area of the product.

**Right of withdrawal and early repayment.** Banco de Portugal issued 13 recommendations to nine institutions on compliance with the following obligations:

- To ensure the adoption of mechanisms allowing the agreement to be withdrawn through the same means used for the conclusion of the agreement;
- To ensure the adoption of mechanisms allowing the early repayment of the agreement to be made through the same means used for the conclusion of the agreement.

**Sale of optional products.** Banco de Portugal issued five recommendations to five institutions on compliance with the following obligations:

 To ensure that initial charges for financing associated with the credit agreement and the conclusion of insurance agreements are optional and should result from the customer's express choice.

Banco de Portugal issued two recommendations to two institutions on the implementation of security procedures during the process of contracting consumer credit through digital channels, and recommended compliance with the following obligations:

- Robust security mechanisms should be adopted for the conclusion of credit agreements, including a strong customer authentication mechanism where two separate and independent authentication elements are used:
- To ensure that each contracting party is provided with a copy of the agreement and other contractual information, without having to share their e-mail address.

### **5.1.4** Home loans and mortgage credit

In 2018 Banco de Portugal issued 344 specific orders and recommendations to 25 institutions for the correction of irregularities detected in terms of home loans and mortgage credit, including in the application of the arrears regime and the general arrears regime. The specific orders were almost all issued following inspections.

Table II.5.7 • Specific orders and recommendations | Home loans and mortgage credit | 2018

Topics	Number	Institutions covered	
Home loans and mortgage credit regime	336	25	
Pre-contractual and contractual information	293	25	
Provision of pre-contractual information	15	13	
Pre-contractual information requirements	255	23	
Obligation to provide assistance	31	12	
APRC calculation	19	15	
Cross selling	6	6	
Early repayment	3	3	
Fees and charges	5	5	
Guarantees	1	1	
General arrears regime	4	3	
Arrears regime	4	4	
Total	344	-	

Source: Banco de Portugal. | Note: In 2018 specific orders and recommendations were issued to 25 institutions.

The specific orders and recommendations issued required compliance with a set of obligations.

**Provision of pre-contractual information.** Institutions should make available on their websites – and on a permanent basis – information on agreements concluded in the scope of credit relating to residential immovable property or credit secured by a mortgage, in particular the purposes for which the credit may be used, the guarantees that may be provided, the types of interest rates, a representative example including the total credit amount and the APRC, as well as the conditions for early repayment of the credit<sup>72</sup>.

They should also make an ESIS available for the credit agreement simulation on the website or in the branches<sup>73</sup>.

**Pre-contractual information requirements.** Institutions should ensure that the ESIS made available in the credit simulation complies with the standardised model and the established information requirements<sup>74</sup>.

Obligation to provide assistance. Institutions should ensure compliance with customer information and assistance obligations, and their employees should provide appropriate clarification on the characteristics of the agreement and any ancillary services offered, allowing the customers to assess whether the contractual terms and conditions presented are in line with their needs and financial situation<sup>75</sup>.

APRC calculation. Institutions should correctly calculate the APRC, taking into account all charges required for contracting the credit transaction and using, where necessary, the assumptions set out in the legislation<sup>76</sup>.

<sup>72.</sup> Article 12 of Decree-Law No 74-A/2017 of 23 June 2017.

<sup>73.</sup> Article 13 of Decree-Law No 74-A/2017 of 23 June 2017.

<sup>74.</sup> Article 13 of Decree-Law No 74-A/2017 of 23 June 2017.

<sup>75.</sup> Article 14 of Decree-Law No 74-A/2017 of 23 June 2017.

<sup>76.</sup> Article 15 of Decree-Law No 74-A/2017 of 23 June 2017.

**Cross selling.** Institutions should clearly inform the customers that the sale of other financial products in association with the credit is optional<sup>77</sup>.

Early repayment. Institutions should ensure the right to early repayment, in whole or in part, at any time during the term of the agreement<sup>78</sup>.

Fees and charges. Institutions should ensure that no fees or commissions are charged for real estate revaluation on their own initiative<sup>79</sup>.

### **5.1.5** Payment services

In 2018 Banco de Portugal issued 21 specific orders and recommendations to correct irregularities detected within the scope of the provision of payment services, covering seven institutions. These specific orders and recommendations resulted from the analysis of bank customer complaints and from inspections as well.

Table II.5.8 • Specific orders and recommendations | Payment services | 2018

Topics	Number	Institutions covered
Fees and charges	8	5
Blocking	5	1
Pre-contractual and contractual information	2	2
Fraud	2	1
Sending of unsolicited cards	2	2
Other obligations	2	2
	Total 21	-

Source: Banco de Portugal. | Note: In 2018 specific orders and recommendations were issued to 7 institutions.

The specific orders and recommendations resulting from inspections conducted were issued to three institutions and focused on compliance with the following obligations by the institutions:

Fees and charges. Credit institutions should ensure that, in situations where payment card agreements are terminated, bank customers are refunded the charges paid in advance and in proportion to the time not yet elapsed, but already paid<sup>80</sup>. Institutions should also ensure that bank customers are not charged for the provision of information or compliance with corrective and preventive measures provided for by law<sup>81</sup>.

**Blocking.** Institutions should adhere to the rules applicable to the blocking of payment services, namely checking for the existence of legal and contractual grounds, providing 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>82</sup>.

<sup>77.</sup> Article 14 of Decree-Law No 74-A/2017 of 23 June 2017.

<sup>78.</sup> Article 23 of Decree-Law No 74-A/2017 of 23 June 2017.

<sup>79.</sup> Article 18 of Decree-Law No 74-A/2017 of 23 June 2017.

<sup>80.</sup> Article 94 of the legal framework governing payment services and electronic money.

<sup>81.</sup> Article 79 of the legal framework governing payment services and electronic money.

<sup>82.</sup> Article 108 of the legal framework governing payment services and electronic money.

**Fraud.** Institutions should correct payment transactions not authorised by the customer or incorrectly executed<sup>83</sup>, provided they were subject to timely complaint by the customer.

### **5.1.6** Price lists

In 2018 Banco de Portugal issued 55 specific orders and recommendations addressed to 24 institutions following the monitoring of price lists, with a view to correcting irregularities relating to compliance with the reporting obligation and inaccuracies in information provided to bank customers.

Table II.5.9 • Specific orders and recommendations | Price lists | 2018

Topics		Number	Institutions covered
Correctness of information		32	20
Information transparency		14	6
Reporting to Banco de Portugal		8	8
Price list disclosure		1	1
	Total	55	-

Source: Banco de Portugal. | Note: In 2018 specific orders and recommendations were issued to 24 institutions.

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

Correctness of information. Institutions should ensure that the information contained in the price list is true, objective, up-to-date and clear<sup>84</sup>.

Information transparency. Institutions should ensure that the interest rate leaflet contains a representative example for each credit transaction, which should be indicated in accordance with Banco de Portugal's guidelines for this purpose, except where the institution is required to adapt the representative example to the circumstances of the case or present it in greater detail<sup>85</sup>.

Reporting to Banco de Portugal. Institutions should ensure that the interest rate leaflet, which is an integral part of the price list, is sent to Banco de Portugal by the 5th day of each quarter and let customers know the gross annual nominal rate of deposits, as well as the EAR and the APRC of credit transactions, and also the conventions behind interest calculation<sup>86</sup>.

**Price list disclosure.** Institutions should ensure that the price list is maintained in all branches and customer assistance points, in a place of direct access and properly identified, as well as on the websites, without the need for prior registration by customers<sup>87</sup>.

<sup>83.</sup> Article 114 of the legal framework governing payment services and electronic money.

<sup>84.</sup> Article 3 of Notice of Banco de Portugal No 8/2009.

<sup>85.</sup> Notes 69 and 71 of Annex III of Instruction of Banco de Portugal No 21/2009.

<sup>86.</sup> Paragraph 7 of Instruction of Banco de Portugal No 21/2009.

<sup>87.</sup> Article 4 of Notice of Banco de Portugal No 8/2009.

# 5.1.7 Complaints book

In 2018 three specific orders were issued to two institutions for the correction of irregularities detected in advertising the complaints book.

Table II.5.10 • Specific orders and recommendations | Complaints book | 2018

Topics	Number	Institutions covered
Advertising the complaints book	3	2
Total	3	-

Source: Banco de Portugal. | Note: In 2018 specific orders and recommendations were issued to 2 institutions.

Advertising the complaints book. Institutions should advertise the existence of a complaints book in a prominent place in any establishment open to the public, and such advertisement must clearly indicate the competent banking supervisor<sup>88</sup>.

# **5.2** Administrative proceedings

With regard to banking conduct supervision, in 2018 Banco de Portugal initiated 47 administrative proceedings against 19 institutions. The proceedings initiated in 2018 resulted mostly (85.1%) from Banco de Portugal's supervision via the analysis of bank customer complaints. These proceedings were initiated based on 94 complaints and some of them were based on more than one complaint. For reasons of procedural economy and where appropriate, several irregularities from the same institution were joined in the same proceedings.

Table II.5.11 • Administrative proceedings | Topics covered | 2018

Topics	Number	Institutions covered
Deposits	17	7
Consumer credit	14	11
APRC upper limits	8	6
General arrears regime	4	4
Pre-contractual and contractual information	2	2
Home loans and mortgage credit	3	2
General arrears regime	3	2
Reporting to the Central Credit Register	6	5
Consumer credit	4	4
Home loans and mortgage credit	1	1
Corporate credit	1	1
Payment services	10	5
Complaints book	1	1
Other	4	4
Number of administrative proceedings initiated	47	-

Source: Banco de Portugal. | Note: In 2018 administrative proceedings were initiated against 19 institutions. Each administrative offence proceeding may involve more than one complaint or be based on failure to comply with a number of legal or regulatory provisions, provided that such failure is attributable to the same institution, and those legal provisions may refer to different topics.

# 5.2.1 Deposits

The 17 administrative proceedings initiated in relation to deposits, including irregularities detected in 57 complaints, concerned non-compliance with the following obligations:

- When opening a basic bank account and prior to issuing the statement of non-ownership of
  other current accounts, institutions should inform the customers about the optional nature of
  the statement, the consequences of a refusal and the consequences of owning other current
  accounts<sup>89</sup>;
- Institutions may not block deposit accounts without a justified legal or contractual basis<sup>90</sup>;
- Crediting or debiting a deposit account should be preceded by the authorisation of the respective holder, observing the credit and debit conditions agreed on<sup>91</sup>;
- Institutions should immediately refund bank customers of the amount of the unauthorised payment transaction and, where applicable, restore the debited payment account to the state in which it would have been had the unauthorised payment transaction not taken place<sup>92</sup>.
- Institutions should guarantee the closing of deposit accounts immediately upon the customers' request, unless a notice period has been agreed, which cannot exceed one month<sup>93</sup>;
- Institutions may only terminate the agreements for the opening of current accounts in the situations provided for therein, giving notice of at least two months.<sup>94</sup>

### **5.2.2** Consumer credit

The 14 administrative proceedings initiated in relation to consumer credit, covering irregularities detected in eight complaints, concerned the following situations:

- Non-compliance with the maximum limits for the APRC released by Banco de Portugal for each type of consumer credit agreement<sup>95</sup>;
- Non-compliance with the obligation to provide a SIS immediately after entering into a consumer credit agreement through distance communication means, in situations where the agreement was concluded at the consumer's request and the institution is not able to provide such information at an earlier moment<sup>96</sup>;
- Non-compliance with the obligation to draw up fully legible consumer credit agreements on paper or another durable medium<sup>97</sup>;
- 89. Article 4 of Decree-Law No 27-C/2000 of 10 March 2000.
- 90. Article 74 of the Legal Framework of Credit Institutions and Financial Companies.
- 91. Article 65 of the legal framework approved by Decree-Law No 317/2009 of 30 October 2009 (currently Article 103 of the legal framework governing payment services and electronic money).
- 92. Article 71 of the legal framework approved by Decree-Law No 317/2009 of 30 October 2009 (currently Article 114 of the legal framework governing payment services and electronic money).
- 93. Article 56 of the legal framework approved by Decree-Law No 317/2009 of 30 October 2009 (currently Article 94 of the legal framework governing payment services and electronic money).
- 94. Article 56 of the legal framework approved by Decree-Law No 317/2009 of 30 October 2009 (currently Article 94 of the legal framework governing payment services and electronic money).
- 95. Article 28 of Decree-Law No 133/2009 of 2 June 2009.
- 96. Article 6 of Decree-Law No 133/2009 of 2 June 2009.
- 97. Article 12 of Decree-Law No 133/2009 of 2 June 2009.

- Failure to include in consumer credit agreements information on: (i) the type of credit, (ii) the conditions applicable to the annual percentage rate, (iii) the representative example of the APRC indicating all the elements used to calculate this rate, (iv) the consumer's right to receive a copy of the amortisation table at any time during the term of the agreement, (v) the consequences of default, (vi) the procedure to be followed for the termination of the agreement, (vii) the existence or absence of out-of-court complaint and appeal procedures the consumer can access to and, where applicable, how they can be accessed, and (viii) the name and address of the competent banking supervisor<sup>98</sup>;
- Failure to apply the OASP to customers whose credit agreements have remained in default for a period of over 60 days<sup>99</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>100</sup>;
- Non-compliance with the obligation to communicate the application of the OASP to bank customers<sup>101</sup>;
- In case of a notice demanding compliance with obligations in default agreed on the credit
  agreement, non-compliance with the obligation to inform the guarantor about the possibility
  of requesting the application of the OASP, as well as the conditions for exercising such right<sup>102</sup>.

# **5.2.3** Home loans and mortgage credit

The three administrative proceedings initiated in relation to home loans and mortgage credit, including irregularities detected in five complaints, concerned the following situations as to the general arrears regime:

- Failure to apply the OASP to customers whose credit agreements have remained in default for a period of over 60 days<sup>103</sup>;
- Once the OASP is terminated on the initiative of the institution and where the conditions legally required are met, non-compliance with the obligation to re-apply the OASP to the customer in situations of a new default on obligations<sup>104</sup>;
- In case of a notice demanding compliance with obligations in default agreed on the credit
  agreement, non-compliance with the obligation to inform the guarantor about the possibility
  of requesting the application of the OASP, as well as the conditions for exercising such right<sup>105</sup>.

<sup>98.</sup> Article 12 of Decree-Law No 133/2009 of 2 June 2009.

<sup>99.</sup> Article 14 of Decree-Law No 227/2012 of 25 October 2012.

<sup>100.</sup> Article 14 of Decree-Law No 227/2012 of 25 October 2012.

<sup>101.</sup> Article 14 of Decree-Law No 227/2012 of 25 October 2012.

<sup>102.</sup> Article 21 of Decree-Law No 227/2012 of 25 October 2012.

<sup>103.</sup> Article 14 of Decree-Law No 227/2012 of 25 October 2012.

<sup>104.</sup> Article 14 of Decree-Law No 227/2012 of 25 October 2012.

<sup>105.</sup> Article 21 of Decree-Law No 227/2012 of 25 October 2012.

# **5.2.4** Reporting to the Central Credit Register

Over the course of 2018, six administrative proceedings were initiated due to non-compliance by supervised institutions with the obligation to report to the CCR, following analysis of six 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>106</sup>;
- Failure to rectify on a timely basis information incorrectly reported to the CCR<sup>107</sup>;
- Non-compliance with the obligation to inform customers about facts warranting communications
  to the CCR and also non-compliance with the obligation to inform customers, borrowers or
  guarantors that the reporting period on credit obligations defaulted has started<sup>108</sup>.

### **5.2.5** Payment services

The ten administrative proceedings initiated in 2018 on payment services, which include irregularities detected in 12 complaints, had the following grounds:

- Payment transactions that were not authorised by the payment service users<sup>109</sup>;
- Failure to adhere to the rules applicable to the blocking of payment instruments, namely
  the need for legal and contractual grounds substantiating such blocking, 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>110</sup>;
- In transfers between accounts domiciled in different institutions, non-compliance 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>111</sup>;
- In transfers between accounts domiciled in the same institution, non-compliance with the
  deadline for the availability of funds, which should occur on the same day, unless a contractual
  clause states otherwise<sup>112</sup>;
- Non-compliance with the institution'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 such institution<sup>113</sup>.

<sup>106.</sup> Article 3 of Decree-Law No 204/2008 of 14 October 2008.

<sup>107.</sup> Paragraph 10 of Instruction of Banco de Portugal No 21/2008 (currently paragraph 11 of Instruction of Banco de Portugal No 17/2018).

<sup>108.</sup> Paragraph 4 of Instruction of Banco de Portugal No 21/2008 (currently paragraph 9 of Instruction of Banco de Portugal No 17/2018).

<sup>109.</sup> Article 65 of the legal framework approved by Decree-Law No 317/2009 of 30 October 2009 (currently Article 103 of the legal framework governing payment services and electronic money).

<sup>110.</sup> Article 66 of the legal framework approved by Decree-Law No 317/2009 of 30 October 2009 (currently Article 108 of the legal framework governing payment services and electronic money).

<sup>111.</sup> Article 80 of the legal framework approved by Decree-Law No 317/2009 of 30 October 2009 (currently Article 124 of the legal framework governing payment services and electronic money).

<sup>112.</sup> Article 83 of the legal framework approved by Decree-Law No 317/2009 of 30 October 2009 (currently Article 127 of the legal framework governing payment services and electronic money).

<sup>113.</sup> Article 84 of the legal framework approved by Decree-Law No 317/2009 of 30 October 2009 (currently Article 128 of the legal framework governing payment services and electronic money).

# 5.2.6 Complaints book

Over the course of 2018, one administrative offence proceeding was initiated, which was based on non-compliance with the institution's obligation to have a complaints book in any establishment open to the public<sup>114</sup>.

### **5.2.7** Other

The remaining four administrative proceedings, including irregularities detected in six complaints, were based on non-compliance with the duty of banking 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>115</sup>.

<sup>114.</sup> Article 3 of Decree-Law No 156/2005 of 15 September 2005.

<sup>115.</sup> Article 78 of the Legal Framework of Credit Institutions and Financial Companies.



# 1 Bank Customer Website

The Bank Customer Website is the main channel used by Banco de Portugal to communicate with bank customers. Created in 2008 and redesigned at the end of 2017, the site informs bank customers of their rights and obligations in relation to institutions when accessing and purchasing banking products and services, namely loans, deposits and payments. On 1 January 2018, the Bank Customer Website also began publishing the list of entities authorised to act as credit intermediaries and training entities certified by Banco de Portugal. On this website, bank customers can also access a set of services provided by Banco de Portugal, such as filing a complaint or information request on banking products and services, consulting the credit liabilities report and the accounts database and, from 1 October, comparing fees for services linked to payment accounts.

The Bank Customer Website is also an instrument used for the financial education of bank customers, featuring a section with dedicated content and materials, where the training courses organised by Banco de Portugal over the course of the year are published.

This website also publishes the activities of the main international fora on banking conduct supervision in which Banco de Portugal participates, providing information on their initiatives<sup>1</sup>.

Given its involvement in international fora, Banco de Portugal launched the English version of the Bank Customer Website in September 2018<sup>2</sup>.

In 2018 the Bank Customer Website was visited by 442,805 users, who viewed 1,561,893 of its pages (a monthly average of around 130,158 pages).

# 1.1 New bank customer rights

The Bank Customer Website released the regulatory framework applicable to the offering of banking products and services over the course of 2018. A considerable number of significant amendments were made to the framework, of which the following are the most important.

Basic bank accounts (BBAs). Amendments made to this framework in 2018 – a change in the maximum fee charged on BBAs, easier access to this account and the introduction of more services – were reflected in the website content and led to the leaflet, flyer and decoder being updated.

**Switching accounts.** Payment service providers have been required to provide these accounts to their customers since the start of the year. New content on how to switch accounts and the obligations of payment service providers involved in the process was published on the website.

Credit relating to residential immovable property and credit secured by a mortgage. A new framework on this type of loan has been in force since 1 January 2018. Banco de Portugal released new content and a decoder with the main changes in these credit products.

**Creditworthiness assessment.** New content on the creditworthiness assessment of consumers when granting credit – including the items that should be considered and the consequences of the assessment – was published on the website. The entry into force of the macroprudential

<sup>1.</sup> Chapter IV International banking conduct supervision environment.

<sup>2.</sup> The English version of the Bank Customer Website was launched on 25 September 2018 during the Conference on Banking Conduct Supervision: new challenges ten years after the financial crisis.

measure applied to new credit relating to residential immovable property and consumer credit also led to the review of the website content on limits on loans.

Structured deposits. On 1 August, a new legal framework on the offering of this type of deposit came into force, updating the rules on indexed deposits previously established by Banco de Portugal, which had been in place up to the end of 2017. The pre-contractual information documents of each structured deposit (key information document) are released on the Bank Customer Website, following an assessment by Banco de Portugal of the accuracy of the information provided in each document. This new framework was reflected in the content and materials on bank deposits, including the flyer and the decoder.

Fees. New rules on the transparency and comparability of fees on payment accounts were also published on the Bank Customer Website. Since 1 October, content has included new customer rights related to the Fees Comparator<sup>3</sup>, the fee information document and the statement of fees.

# 1.2 New entities within the perimeter of supervision

At the start of 2018, new entities were included within the perimeter of Banco de Portugal's banking conduct supervision, namely credit intermediaries and training entities.

Credit intermediaries. With the entry into force of the framework regulating access to and pursuit of the activity of credit intermediation, the Bank Customer Website began releasing new content and materials, including a leaflet summarising the framework, a decoder highlighting changes for bank customers, and a video for natural and legal persons who intend to carry out the activity of credit intermediation.

Through the Bank Customer Website, those interested in carrying out the activity of credit intermediation may submit their application for authorisation to Banco de Portugal by filling out and submitting the form provided<sup>4</sup>. Specific forms are also available to submit a request for registration or to change the details in the registration of credit intermediaries with Banco de Portugal. It is also possible to check the status of requests for authorisation or registration submitted to Banco de Portugal.

Banco de Portugal publishes the updated list of credit intermediaries authorised to carry out their activity in Portugal on the Bank Customer Website, also available for download as an Excel file. At the start of December 2018, Banco de Portugal also began releasing information on the status of authorisation requests to carry out the activity of credit intermediation, on approvals and on rejections on a weekly basis.

<sup>3.</sup> Point 1 of Chapter I of this Report.

<sup>4.</sup> In 2019, following the transitional regime applied in 2018, those interested in carrying out the activity of credit intermediation may only submit their application for authorisation to Banco de Portugal through the Bank Customer Website.

**Training entities.** The Bank also began certifying the entities that are qualified to award professional certificates to employees of credit institutions engaged in home loans and mortgage loans and to credit intermediaries. Forms are provided on the Bank Customer Website for entities to request certification as a training entity and to check the status of requests. The list of training entities which have been certified by Banco de Portugal can also be accessed on this website.

Figure III.1.1 • Materials on credit intermediaries on the Bank Customer Website



Source: Banco de Portugal – Bank Customer Website > Financial education (in Portuguese only – https://clientebancario.bportugal.pt/materiais).

# **1.3** Services to the public

Banco de Portugal provides a range of services to bank customers on the Bank Customer Website.

Compare fees charged by credit institutions. Banco de Portugal has been providing a Fees Comparator on the Bank Customer Website since October 2018, with information on the maximum limit for 93 fees that is charged by all institutions providing services linked to payment accounts (around 200 institutions).

In order to help consumers use the Fees Comparator, Banco de Portugal has released a video tutorial, a glossary, FAQs and boxes containing additional information on the services included in the comparator.

On the Bank Customer Website, it is also possible to access the fees and expenses leaflets of credit institutions, which have information on the maximum amount of all fees charged by institutions for the products and services they offer.

Access information on alternative dispute resolution bodies. In 2018 the scope of the search tool for alternative dispute resolution entities available on the Bank Customer Website was expanded in order to cover disputes on all transactions involving banking products and services. A search tool for alternative dispute resolution for agreements with credit intermediaries is also available.

Access information on the account report, the credit liabilities report and on cheques. On the Bank Customer Website, Banco de Portugal provides access to the Accounts Database – which allows customers to obtain information on the deposit, payments, credit and financial instrument

accounts they hold, as well as the Central Credit Register (CCR), which has information on existing credits in their name. It is also possible for customers to know whether their name is on the List of Cheque Defaulters.

Disseminate the loss of documents containing personal information across the banking system. By filling out a form provided on the Bank Customer Website, bank customers may request that the Bank disseminate across the banking system information on the loss, larceny, theft, forgery, counterfeiting or illegal use of personal identification documents. This will enable banks to act more promptly if anyone attempts to use the documents and carry out an illicit financial transaction in the customer's name.

Access the list of bank card issuers. In the event of bank card loss or theft, holders should contact the issuer directly. A list of contacts for bank card issuers is available on the Bank Customer Website.

File a complaint or information request. Customers may file a complaint directly with Banco de Portugal on the offering of banking products or services and clarify any doubts they may have. Bank customers may fill out the form provided on the Bank Customer Website if they consider that a credit institution, financial company, payment institution, electronic money institution or credit intermediary has acted inappropriately when offering banking products and services.

Banco de Portugal answers questions made by bank customers on the rules applicable to the offering of banking products and services inter alia by using the form available on the Bank Customer Website.

# 1.4 Requests for information

In 2018 Banco de Portugal received 2,647 requests for information, most of which on banking products and services (56.9%), but also on services provided by Banco de Portugal to support bank customers (18.9%) – namely through the Bank Customer Website – as well as requests for information on a variety of other issues.

In 2018 the number of requests for information on the offering of banking products and services grew by 15.1% from 2017, in tandem with the considerable amendments made to the regulatory framework throughout the year. Questions on consumer credit (increasing by 21.6%) and on home loans and mortgage credit (increasing by 16.2%) contributed the most to developments in these requests for information. Requests for information on deposit accounts also increased, resulting to a large extent from questions on amendments to the BBA regime and questions on corporate credit (36% more) and payment services (4.7% more).

As regards services provided by Banco de Portugal to bank customers, requests declined by 6.9% from 2017. These requests related mostly to information in the credit liabilities report and complaints procedures. Questions on the prohibition of the use of cheques and the accounts database saw an increase (up by 50% and 8.3% respectively), while questions on complaints and credit liabilities declined (down by 20.3% and 7.8% respectively).

Financial education initiatives of Banco de Portugal

**Table III.1.1** • Requests for information from bank customers | Evolution by type of banking product and service | 2017–2018

Topics	Number of requests			Percentage distribution		
Topics	2017	2018	Δ (%)	2017	2018	Δ (p.p.)
Deposit accounts	477	549	15.1%	36.5%	36.5%	0.0
Home loans and mortgage credit	321	373	16.2%	24.6%	24.8%	0.2
Consumer credit	250	304	21.6%	19.1%	20.2%	1.1
Corporate credit	25	34	36.0%	1.9%	2.3%	0.3
Payment services	234	245	4.7%	17.9%	16.3%	-1.6
Total	1,307	1,505	15.1%	100.0%	100.0%	-

Source: Banco de Portugal.

Banco de Portugal also received requests for information from credit intermediaries (1,280), as well as 32 requests from training entities.

# 2 Financial education initiatives of Banco de Portugal

# 2.1 Financial education materials and campaigns

Banco de Portugal promotes financial education, preparing materials on the features and the risks of banking products and services and on customer rights and obligations. These materials are published in the financial education section of the Bank Customer Website, and can be searched by topic and format.

In 2018 Banco de Portugal increased the publication of materials drawing the attention of bank customers to new rights and obligations, as well as new concepts related to credit products. Particularly important was the publication of videos and decoders, namely on home loans, mortgage credit and payment services.

Figure III.2.1 • New materials on credit available on the Bank Customer Website



Source: Banco de Portugal — Bank Customer Website > Financial education (in Portuguese only —https://clientebancario.bportugal.pt/pt-pt/materiais).

Banco de Portugal also runs information and awareness campaigns for bank customers and the general public on the Bank Customer Website

Dissemination of information on basic bank accounts (BBAs). Given that bank customers have the right to a BBA, Banco de Portugal regularly releases information on these accounts by providing content and materials on the Bank Customer Website. In addition, Banco de Portugal organises training courses with the support of its regional network, explaining the features, services, conditions and costs of these accounts. To achieve this, Banco de Portugal has also cooperated with Social Security, providing support to dissemination initiatives. In particular, a flyer was published to support a Social Security campaign to promote the use of bank transfers as a means of receiving social benefits, which began in mid-October.

Digital financial education campaign. In 2018 Banco de Portugal launched the digital plan for

**Figure III.2.2** • Poster on basic bank accounts



Source: Banco de Portugal.

financial education to promote safe use of digital channels (internet and mobile).

In September 2018, Banco de Portugal launched the #toptip campaign for young people, with five tips on how to safely use digital channels, published during the course of five weeks on the Bank Customer Website and the Bank's Instagram feed.

**Figure III.2.3** • Dissemination of the #toptip campaign on the Bank Customer Website and social media



Source: Banco de Portugal – Bank Customer Website (https://clientebancario.bportugal.pt) and Banco de Portugal's Instagram feed (in Portuguese only –https://www.instagram.com/bancodeportugaloficial/).

brochure



Source: Banco de Portugal - Bank Customer Website (https:// clientebancario.bportugal.pt/en/material/5-tips-staying-saferonline-toptip).

Figure III.2.4 • 5 tips for staying safer online' The #toptip campaign addressed the following issues: (i) When you use the internet do you have any idea of the risks? (ii) Your mobile phone says a lot about you. Protect it. (iii) You are what you share on social media. (iv) Do you buy online safely? (v) What if you are a victim of online fraud?

> A brochure with the materials prepared for this campaign is also available for use at secondary schools across the country.

# 2.2 Financial training courses

In 2018 Banco de Portugal continued to promote financial education among different target groups - inter alia, students at different education stages, social workers, the elderly, adults and entrepreneurs.

Taking advantage of its regional network, the Bank organised 449 training courses across the country on the management of personal finances, involving a total of 14,364 participants. These courses were mostly aimed at students (91% of participants), in particular from secondary education (27%) and the 1st stage of basic education (25%). The Bank's regional network organised financial training courses for special needs students for the first time in 2018.

0.4%

3.8%

4.5%

4.0%

24.7%

Pre-school

1st stage basic education

2nd stage basic education

3rd stage basic education

Secondary education

Higher education

Vocational education

Quardians

Adults

The elderly

Chart III.2.1 • Distribution of participants by target group | 2018

Source: Banco de Portugal.

The importance of setting and keeping to a budget and the importance of saving were the topics that were most discussed in the financial training sessions. Bank accounts and means of payment, loans, and the financial system were also discussed. New topics related to digital channels and starting and running a business were also covered this year.

Financial training courses promoted by Banco de Portugal were released in the financial education section of the Bank Customer Website.

# **2.3** Cooperation with the Central Banks of Portuguese-speaking Countries

Under the Cooperation Protocol concluded in 2017 between the Central Banks of Portuguese-speaking Countries and Alliance for Financial Inclusion (AFI), Banco de Portugal has followed the work of AFI to promote financial inclusion and education.

In February 2018, Banco de Portugal, Banco Central do Brasil and AFI organised a course in Lisbon to train trainers in the management of personal finances, addressed to staff from the central banks of Portuguese-speaking countries.

This initiative aimed to train a group of trainers to organise financial education initiatives in their countries by sharing information and experiences on appropriate methodologies for different target groups and different social and economic contexts.



Training course for personal financial management trainers. From left to right, the representative from Banco Central do Brasil, Fábio Araújo, the head of the Banking Conduct Supervision Department, Lúcia Leitão, the Vice-Governor of Banco de Portugal, Luís Máximo dos Santos, and the representative from AFI, Carlos Moya.

The Bank also participated in the 10th Global Policy Forum of AFI, which took place in Sochi, in the Russian Federation. The Global Policy Forum is AFI's main annual forum, where members meet to discuss the development and implementation of national strategies for financial inclusion and education.

During this meeting, AFI honoured Banco de Portugal and Banco Central do Brasil with a special recognition award for 2018 for their contribution to strengthening financial inclusion and education policies by the central banks of Portuguese-speaking countries. This award recognises the work undertaken by these two central banks under the cooperation protocol concluded with AFI, in particular the training course for personal financial management trainers, which took place in Banco de Portugal in February 2018.

In 2018 Banco de Portugal published the report *Iniciativas de inclusão e formação financeira* (in Portuguese only) with the main findings of the third meeting of the Central Banks of Portuguese-speaking Countries on financial inclusion and education, which took place in Lisbon in July 2017.

This publication aims to help countries with different social and economic realities reflect on financial inclusion and education. Closely following the meeting's agenda, this report describes the financial inclusion and education initiatives of the central banks of Portuguese-speaking countries and discusses digital financial inclusion and education, financial education initiatives at schools and the assessment of training initiatives.

Following a request by Banco Central de Timor-Leste (BCTL), Banco de Portugal carried out a technical assistance mission to Timor-Leste from 30 July to 10 August 2018 within the scope of its banking conduct supervision, as part of the implementation of the BCTL's Strategic Plan for Financial Education.

This cooperation project involved the training of 39 trainers of the National Institute for Training of Teachers and Education Professionals of Timor-Leste (INFORDEPE) and included an assessment of the pilot project for financial education at schools, implemented under a memorandum of understanding between BCTL and the Ministry of Education of Timor-Leste.

**Figure III.2.5** • Financial Inclusion and Education Initiatives



Source: Banco de Portugal – Bank Customer Website (In Portuguese only – https://clientebancario.bportugal.pt/pt-pt/publicacao/iniciativas-de-inclusao-e-formacao-financeira-2017).



 $Group\ of\ trainers\ of\ the\ National\ Institute\ for\ Training\ of\ Teachers\ and\ Education\ Professionals\ of\ Timor-Leste.$ 

# **3** Participation in the National Plan for Financial Education

Within the scope of the National Council of Financial Supervisors (CNSF), Banco de Portugal, the Portuguese Securities Market Commission (CMVM) and the Portuguese Insurance and Pension Funds Supervisory Authority (ASF), in partnership with a wide range of entities, promoted the activities that are part of the National Plan for Financial Education in 2018. These activities are shown in detail in the Plan's annual report, already published and available on the Todos Contam website (in Portuguese only).

The scope of the Plan widened in 2018 with the cooperation protocols concluded by the CNSF with new strategic partners – the Institute for Employment and Vocational Training (Instituto do Emprego e Formação Profissional – IEFP) and the Portuguese Psychologists Association (Ordem dos Psicólogos Portugueses – OPP) – to reach new target audiences. Cooperation with the Norte Portugal Regional Coordination and Development Commission (Comissão de Coordenação e Desenvolvimento Regional do Norte – CCDR-N) was strengthened by a new cooperation agreement with the Intermunicipal Community of Alto Tâmega.

**Figure III.3.1** • 2018 Annual Report of the National Plan for Financial Education



Source: National Plan for Financial Education — *Todos Contam* website (https://www.todoscontam.pt/sites/default/files/2019-06/annualreportpnff2018.pdf).

The agreement concluded between the CNSF and

the IEFP promotes the integration of financial education content into the curriculum of vocational training courses offered by job centres across the country. This agreement takes advantage of the regional distribution of job centres in order to strengthen the footprint of the Plan's initiatives.



Opening session of the IEFP's train-the-trainer course. From left to right: José Figueiredo Almaça, President of ASF; Carlos da Silva Costa, Chair of the CNSF and Governor of Banco de Portugal; José Vieira da Silva, Minister of Labour, Solidarity, and Social Security; António Valadas da Silva, President of the IEFP; and Gabriela Figueiredo Dias, Chair of the management board of CMVM.

The protocol with the OPP aims to define and implement financial education initiatives that focus on attitudes and behaviours when making financial decisions.



Signing of the cooperation protocol between the CNSF and the Portuguese Psychologists Association. From left to right: Filomena Oliveira, Vice-Chair of the management board of CMVM; Sofia Ramalho, Vice-President of the Portuguese Psychologists Association; Carlos da Silva Costa, Chair of the CNSF and Governor of Banco de Portugal; Francisco Miranda Rodrigues, President of the Portuguese Psychologists Association; Elisa Ferreira, Vice-Governor of Banco de Portugal; and José Figueiredo Almaça, President of ASF.

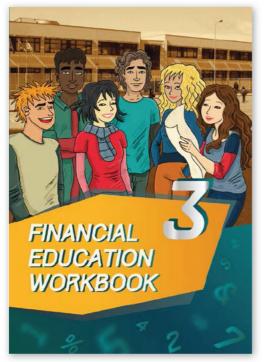


Signing of the Cooperation Agreement between the CNSF, the CCDR-N and the Intermunicipal Community of Alto Tâmega. From left to right: Jorge Pires, Councillor of Valpaços; Nuno Vaz Ribeiro, Mayor of Chaves; Fernando Queiroga, Mayor of Boticas; Orlando Alves, Mayor of Montalegre; Fernando Freire de Sousa, President of the CCDR-N; Filomena Oliveira, Vice-Chair of the management board of CMVM; Elisa Ferreira, Vice-Governor of Banco de Portugal; Filipe Aleman Serrano, Vice-President of ASF; Ana Dias, Vice-Mayor of Vila Pouca de Aguiar; and João Noronha, Mayor of Ribeira de Pena.

Under the cooperation agreement between the CNSF, the CCDR-N and the six local authorities of the Intermunicipal Community of Alto Tâmega, staff from these local authorities participated in a training course in Chaves aimed at strengthening their skills in order to equip them with the necessary tools to inform the citizens on a range of financial topics.

As part of their work to promote the financial education of entrepreneurs and managers of micro, small and medium-sized enterprises, IAPMEI and Turismo de Portugal conducted training courses across the Portuguese mainland. Also in 2018 the financial supervisors and CASES signed an addendum to the protocol celebrated in 2015, in order to deepen the cooperation and the development of projects to promote the financial education of social economy entrepreneurs.

Figure III.3.2 • Financial Education Workbook 3



Source: National Plan for Financial Education — *Todos Contom* website > Financial Education Workbooks (https://www.todoscontam.pt/sites/default/files/2019-05/cadernoeducacaofinanceira3 en.pdf).

In order to help students and teachers approach the topics established in the Core Competencies for Financial Education for the different education stages, Banco de Portugal, the other financial supervisors, the Ministry of Education and the four financial sector associations (APB, APS, APFIPP and ASFAC) launched a new Financial Education Workbook for students in the 3rd stage of basic education. This workbook follows on from the previous Financial Education Workbooks for the 1st and 2nd stages of basic education respectively. During the 2018/19 school year, in order to widen the distribution of these workbooks, the financial supervisors, the Ministry of Education and the financial sector associations signed an agreement with the Ministry of Education's publishing house to print and release the Financial Education Workbooks into the commercial circuit.

The Todos Contam Competition was held for the seventh year in a row. This competition recognises the best financial education projects to be implemented in schools in each academic year, having received 53 applications from over 10,000 students from 91 schools across most

districts on the Portuguese mainland and from the Autonomous Region of Madeira.

The National Plan for Financial Education promoted the Financial Literacy Week from 29 October to 2 November 2018, under the motto 'Na Formação Financeira Todos Contam!' ('Everybody Counts in Financial Literacy!').

Financial Literacy Week was marked with the Plan's strategic partners through initiatives for young people, entrepreneurs, managers of micro, small and medium-sized enterprises, professional football players and former players, teachers, psychologists, the elderly and social workers.

In particular, on 29 October, activities for the school community were held at Escola Secundária de Pombal. The solemn ceremony announcing the winning projects in the 7th Todos Contam competition also took place at this school.



2018 Financial Literacy Week, 29 October. From left to right: Filipe Aleman Serrano, Vice-president of ASF; José Vítor Pedroso, General Director of the Directorate-General for Education; Elisa Ferreira, Vice-Governor of Banco de Portugal; Filomena Oliveira, Vice-Chair of the management board of CMVM; and Carlos da Silva Costa, Governor of Banco de Portugal and Chair of the CNSF.

Financial training through digital channels also continued under the Plan. In 2018 the Todos Contam e-learning platform launched an evaluation tool for users to assess their financial knowledge in a Moodle environment. This new environment provides videos and other material to support several financial training topics, supplemented by multiple-choice tests allowing users to assess their knowledge, and the results are shown immediately.

The Facebook page of the National Plan for Financial Education (https://www.facebook.com/TodosContam/), an additional key communication channel for the Plan, was also launched.

For the sixth year in a row, the Plan participated in Global Money Week – a Child and Youth Finance International initiative aimed at making children and young people worldwide aware of the importance of managing money and savings, which took place from 12 to 18 March with the participation of 24 Portuguese schools.

Banco de Portugal received Colégio Heliântia de Valadares and Agrupamento de Escolas de Real (Braga) at the Porto Branch. 74 students of different ages took part in the 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 across the districts of Porto, Évora, Viseu, Coimbra and Faro and the Autonomous Region of the Azores.





Colégio Heliântia and Agrupamento de Escolas de Real participating in the 2018 Global Money Week at Banco de Portugal's Porto Branch.



## 1 International forums

Banco de Portugal remained involved throughout 2018 in the international banking conduct supervision forums, taking part in the work of the European Banking Authority (EBA), the Joint Committee of the European Supervisory Authorities (JCESA), the International Financial Consumer Protection Organisation (FinCoNet), the G20-OECD Task Force on Financial Consumer Protection and the OECD International Network on Financial Education (INFE). Banco de Portugal also followed the work of the G20/Global Partnership for Financial Inclusion (GPFI).

## 1.1 European Banking Authority

As part of its banking conduct supervision duties, Banco de Portugal sits on the Standing Committee on Consumer Protection and Financial Innovation (SCConFin), on the Subgroup on Consumer Protection and on the Subgroup on Innovative Products, along with the Standing Committee on Payment Services (SCPS).

In regard to SCConFin, it has worked on convergence of the competent national authorities' supervisory practices, including implementation of the Guidelines on product oversight and governance arrangements for retail banking products ("POG"). In this regard, the EBA carried out a survey at the end of the year among credit institutions on implementation of these Guidelines.

Banco de Portugal helped prepare the EBA Consumer Trends Report 2018/19¹, which identifies the main patterns in the markets for retail banking products and services and analyses the most important consumer protection topics in these markets at European level. This report forms the basis for defining the EBA's course of action.

In 2018, the EBA published the first report on the financial education initiatives held by various Member States in 2016 and 2017, entitled "EBA Financial Education Report 2017/18"<sup>2</sup>.

<sup>1.</sup> Despite the preparatory work for the *Consumer Trends Report* taking place during 2018, it was published at the start of 2019, https://eba europa.eu/documents/10180/2551996/Consumer+Trends+Report+2018-19.pdf.

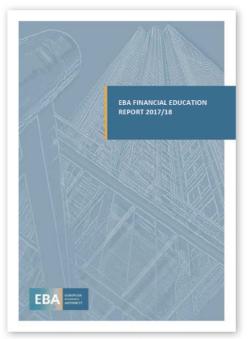
<sup>2.</sup> https://eba europa.eu/documents/10180/2087449/EBA+Financial+Education+Report.pdf.

**Figure IV.1.1** • EBA Consumer Trends Report 2018/19



Source: EBA (https://eba.europa eu/documents/10180/2551996/ Consumer+Trends+Report+2018-19.pdf).

**Figure IV.1.2** • EBA Financial Education Report 2017/18



Source: EBA (https://eba europa.eu/documents/10180/2087449/EBA+Financial+Education+Report.pdf).

Following a request from the European Commission, the EBA prepared the Report on Cost and Past Performance of Structured Deposits<sup>3</sup>, based on information from the national competent authorities, including Banco de Portugal.

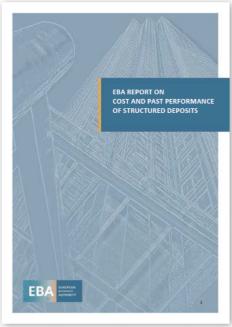
Also in 2018, the EBA updated the guidelines<sup>4</sup> issued by the JCESA on complaints management, to include the new entities falling under the Revised Payment Services Directive (PSD2) and the Mortgage Credit Directive.

The opportunities and risks associated with technology in the financial sector (Fintech) are a concern shared by SCConFin, with Banco de Portugal working towards publication of the EBA's Fintech Roadmap<sup>5</sup>, defining the EBA's action plan in regard to technological innovation in the financial sector for 2018/2019.

<sup>3.</sup> Report published at the start of 2019 (https://eba.europa.eu/documents/10180/2551996/EBA+Report+on+structured+deposits.pdf).

 $<sup>\</sup>textbf{4. https://eba.europa.eu/documents/10180/2298559/Extension+of+the+Joint+Committee+Guidelines+on+complaints-handling+\%28JC+2018+35\%29.pdf.}\\$ 

<sup>5.</sup> https://eba-europa.eu/documents/10180/1919160/EBA+FinTech+Roadmap.pdf.



Source: EBA (https://eba.europa.eu/documents/10180/2551996/EBA+Report+on+structured+deposits.pdf).

**Figure IV.1.4** • The EBA's Fintech Roadmap



Source: EBA (https://eba.europa eu/documents/10180/1919160/EBA+FinTech+Roadmap.pdf).

The work of the Standing Committee on Payment Services (SCPS) included the implementation of the mandates conferred on the EBA by PSD2, to develop guidelines with a particular focus on the cooperation between the competent authorities of the origin and host Member States<sup>6</sup> and in the strong customer authentication and common and secure open standards of communication<sup>7</sup>.

<sup>6.</sup> Proposal from the EBA for Draft Regulatory Technical Standards for the European Commission https://eba europa.eu/documents/10180/2298183/Draft+RTS+on+home-host+cooperation+under+PSD2+%28EBA-RTS-2018-03%29.pdf.

<sup>7.</sup> Opinion of the EBA on implementation of the regulatory technical standards for strong customer authentication and common and secure open standards of communication (https://eba.europa.eu/documents/10180/2137845/Opinion+on+the+implementation+of+the+RTS+on+SCA+and+C SC+ 28EBA-2018-Op-04 29.pdf) and Guidelines of the EBA on the exemption from the contingency mechanism under Commission Delegated Regulation (EU) 2018/389 regarding strong customer authentication and common and secure open standards of communication (https://eba.europa eu/documents/10180/2250578/Final+Report+on+Guidelines+on+the+exemption+to+the+fall+back.pdf).

## 1.2 Joint Committee of the European Supervisory

#### **Authorities**

As a member of the Sub-Committee on Consumer Protection and Financial Innovation, Banco de Portugal took part in the activities supporting the implementation of the "PRIIPs Regulation", which entered into force in 2018, covering the sale of structured deposits. This included analysing the risks and difficulties faced in cross-border supervision of the sale of financial products.

In 2018, the JCESA published the Final Report on Big Data<sup>9</sup>, which recommended that financial institutions use prudence when collecting, handling and using large volumes of data to create solutions and predict consumption and behaviour patterns of financial product customers. In parallel, the JCESA published an alert to consumers of financial products and services on this topic.

## **Figure IV.1.5** • Joint Committee Final Report on Big Data



Source: Joint Committee ESA (https://esas-joint-committee.europa.eu/Publications/Reports/Final%20Report%20on%20Big%20Data.pdf).

### **1.3** European Commission

Banco de Portugal is part of the European Commission's

working group accompanying the implementation of the Consumer Credit Directive. In 2018, the European Commission launched the evaluation process for this Directive, with the aim of revising its standards, resulting in the launch of a questionnaire at the end of the year, in which Banco de Portugal took part.

It also participated in work for the Government Expert Group on Retail Financial Services, the European Commission's advisory body for defining and monitoring the regulation initiatives for the retail financial markets.

Figure IV.1.6 • European Commission | Evaluation of the Consumer Credit Directive



Source: European Commission. | Note: https://ec.europa.eu/info/law/better-regulation/initiatives/ares-2018-3472049 en.

<sup>8.</sup> Point 7 of Chapter I of this Report.

<sup>9.</sup> https://esas-joint-committee europa eu/Publications/Reports/Final%20Report%20on%20Big%20Data.pdf.

# **1.4** International Financial Consumer Protection Organisation (FinCoNet)

Banco de Portugal continues to be involved in FinCoNet's work programme, sitting on its standing committees, and holding the Vice Presidency of this organisation since 2016.

FinCoNet's activities have included the following: development of a supervisory toolbox, a platform for sharing information on oversight instruments for banking conduct supervisors, digitalisation of short-term, high-cost consumer credit, practices and tools required to support supervision in a digital age, financial advertising and financial product governance and culture.

In 2018<sup>10</sup>, the public consultation of the report "Digitalisation of Short-term, High-cost Consumer Credit: Guidance to Supervisors"<sup>11</sup>, was presented. Published in 2019, it contains guidelines to strengthen supervision of the sale of consumer credit through digital channels, coordinated by Banco de Portugal. The report "Practices and Tools required to support Risk-based Supervision in the Digital Age" was also published"<sup>12</sup>.

**Figure IV.1.7** • Digitalisation of Short-term, High-cost Consumer Credit: Guidance to Supervisors



Source: FinCoNet (http://www.finconet.org/Guidance\_ Supervisors\_Digitalisation\_STHCCC.pdf).

**Figure IV.1.8** • Practices and Tools required to support Risk-based Supervision in the Digital Age



Source: FinCoNet (http://www.finconet.org/Finconet\_ Report\_Practices-tools-for-risk-based-supervision-digitalage\_November\_2018.pdf).

<sup>10.</sup> At the start of 2018 the report "Online and Mobile Payments: an Overview of Supervisory Practices to Mitigate Security Risks" was published, as identified in the Banking Conduct Supervision Report of 2017.

<sup>11.</sup> http://www.finconet.org/Guidance\_Supervisors\_Digitalisation\_STHCCC.pdf.

<sup>12.</sup> http://www.finconet.org/Finconet\_Report\_Practices-tools-for-risk-based-supervision-digital-age\_November\_2018.pdf.

## **1.5** G20/OECD Task Force on Financial Consumer Protection

As part of its participation in the G20/OECD Task Force on Financial Consumer Protection, Banco de Portugal was involved in the preparation of "effective" and/or "innovative" approaches to the application and implementation of the principles for financial consumer protection<sup>13</sup> nin a digital environment, resulting in the publication of "G20/OECD Policy Guidance on Financial Consumer Protection Approaches in the Digital Age"<sup>14</sup>. This report highlights approaches by authorities of various countries, including Banco de Portugal.

This working group began the revision of the OECD's Recommendation on consumer credit, which resulted in the presentation of the respective public consultation.

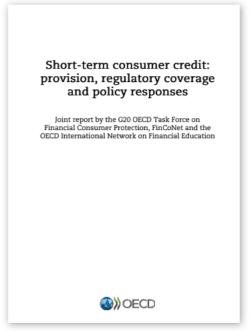
The report "Short-term consumer credit: provision, regulatory coverage and policy responses" was also drawn up, resulting from a joint effort between the G20/OECD Task Force on Financial Consumer Protection, FinCoNet and OECD-INFE. In collaboration with FinCoNet, this working group also analysed financial product governance and culture.

**Figure IV.1.9** • G20/OECD Policy Guidance on Financial Consumer Protection Approaches in the Digital Age



Source: G20/OECD (https://www.oecd.org/finance/G20-OECD-Policy-Guidance-Financial-Consumer-Protection-Digital-Age-2018.pdf).

**Figure IV.1.10** • Short-term consumer credit: provision, regulatory coverage and policy responses



Source: OECD (http://www.oecd.org/daf/fin/financial-education/Short-term-consumer-credit-report.pdf).

G20/OECD Financial Consumer Protection Principles.

<sup>14.</sup> https://www.oecd.org/finance/G20-OECD-Policy-Guidance-Financial-Consumer-Protection-Digital-Age-2018.pdf.

<sup>15.</sup> Report published at the start of 2019 http://www.oecd.org/daf/fin/financial-education/Short-term-consumer-credit-report.pdf.

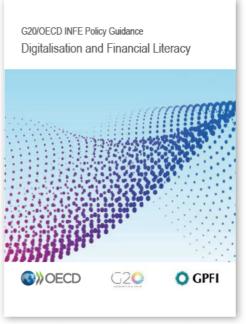
## **1.6** OECD/International Network on Financial Education (INFE)

Banco de Portugal took part in this organisation's working groups and sat on its Advisory Board. In 2018, it published the G20/OECD INFE Policy Guidance Note on Digitalisation and Financial Literacy<sup>16</sup>, which reflects and identifies initiatives for boosting consumers' digital financial literacy.

The INFE also published the "OECD/INFE Core competencies framework on financial literacy for micro, small and medium-sized enterprises", which sets out the competencies for financial literacy deemed relevant internationally for enterprises' managers.

Banco de Portugal was Guest Speaker at the "OECD-Russia Global Symposium on Advancing financial literacy globally: implementation and innovation" in Moscow, as part of the general assembly for this organisation's second semester, in particular at the session themed "Innovative approaches to financial education delivery", at which the Bank shared its experience with a presentation of its digital financial education programme, focusing on its "#ficaadica" campaign.

**Figure IV.1.11** • G20/OECD INFE Policy Guidance Note on Digitalisation and Financial Literacy



Source: G20/OECD (http://www.oecd.org/finance/G20-OECD-INFE-Policy-Guidance-Digitalisation-Financial-Literacy-2018.pdf).



Participation of the Head of the Banking Conduct Supervision Department, Lúcia Leitão, OECD-Russia Global Symposium on Advancing financial literacy globally: implementation and innovation, in Moscow in October 2018 (in Portuguese only — https://clientebancario.bportugal.pt/pt-pt/noticias/banco-de-portugal-apresentou-estrategia-de-literacia-financeira-digital-em-conferencia-da).

#### **1.7** G20/Global Partnership for Financial Inclusion

In 2018, as part of its participation in the G20/GPFI as a participating non-G20 member country, Banco de Portugal contributed to the work carried out by this G20 platform under the Argentinian presidency, in particular within the scope of the Financial Literacy and Financial Consumer Protection subgroup. It also contributed to the document "G20 Policy Guide: Digitisation and informality – Harnessing digital financial inclusion for individuals and MSMEs in the informal economy<sup>17</sup>, which explored the topic of digitalisation of financial services as a form of financial inclusion. Banco de Portugal also took part in the G20/GPFI Plenary Meetings and Forums, which took place in October in Basel.

It also participated in the Fourth GPFI-Financial Stability Institute Conference on Standard-Setting Bodies and Innovative Financial Inclusion, which took place on the fringe of the G20/GPFI meetings, under the theme "Implications of FinTech and Other Regulatory and Supervisory Developments" promoted by the Bank for International Settlements/Financial Stability Institute and the G20.

It was also involved in the High-Level Workshop on

the Financial Inclusion of Forcibly Displaced Persons, a G20/GPFI initiative, in September.

**Figure IV.1.12** • G20 Policy Guide: Digitisation and informality – Harnessing digital financial inclusion for individuals and MSMEs in the informal economy



Source: G20/OECD (https://www.gpfi org/sites/default/files/documents/G20\_Policy\_Guide\_Digitisation\_and\_Informality.pdf).

# **1.8** Participation in the Intergovernmental Group of Experts on Consumer Protection Law and Policy of UNCTAD

Following an invitation from the United Nations Conference on Trade and Development (UNCTAD), Banco de Portugal was Guest Speaker at the third session of the Intergovernmental Group of Experts on Consumer Protection Law and Policy (IGE), at which the protection of financial consumers was discussed. In the plenary meeting, Banco de Portugal presented the banking conduct supervision strategy it has adopted.

# 2 International cooperation As part of Banco de Portugal's international cooperation activity, it sh

As part of Banco de Portugal's international cooperation activity, it shared its experience in banking conduct supervision with other central banks and supervisory authorities, ran initiatives with the central banks of Portuguese-speaking countries, monitored the work of the Alliance for Financial Inclusion (AFI)<sup>18</sup> and took part in the activities of the Center for Latin American Monetary Studies.

### 2.1 Work visits of supervisory authorities

Banco de Portugal was invited to share its experience in regard to banking conduct supervision strategy, having received delegations from central banks and supervisory authorities from other countries, including the Central Bank of Cabo Verde, the National Bank of Serbia and the Dutch Authority for the Financial Markets (AFM). In 2018, Banco de Portugal also took part in the 5<sup>th</sup> Meeting on Banking Supervision of the BCPLP, in Mozambique.

## **2.2** Financial Citizenship Forum of Banco Central do Brasil

In 2018, Banco de Portugal attended the 4<sup>th</sup> Financial Citizenship Forum held by Banco Central do Brasil, which took place on 7 and 8 November in Brasilia. The main topic at this 4<sup>th</sup> Forum was the responsible development and sale of financial products and services, with the presentation of the results of the first Financial Citizenship Report of Banco Central do Brasil. There was also a session on "Open banking: developments, impacts and challenges", in an international seminar organised by Banco Central do Brasil and FinCoNet as part of their work for the annual general meeting, and at which Banco de Portugal made an address entitled "Open banking in Portugal: the European Union framework".

#### **2.3** CEMLA

In 2018, Banco de Portugal took part in the X Conference of Financial Education and Inclusion in Latin America and the Caribbean, organised by CEMLA and Banco de España in Madrid on 8 and 9 October.

Topics discussed included financial education as a consumer protection tool, the implementation of national financial education and inclusion strategies, the measurement and evaluation of financial education and financial inclusion, and creative initiatives to spread financial education. The conference also featured workshops on banking products' advertising and financial inclusion for those with disabilities. Banco de Portugal gave addresses entitled "Financial education in Portugal: how to reach target groups" and "Supervision of banking products' advertising in Portugal".

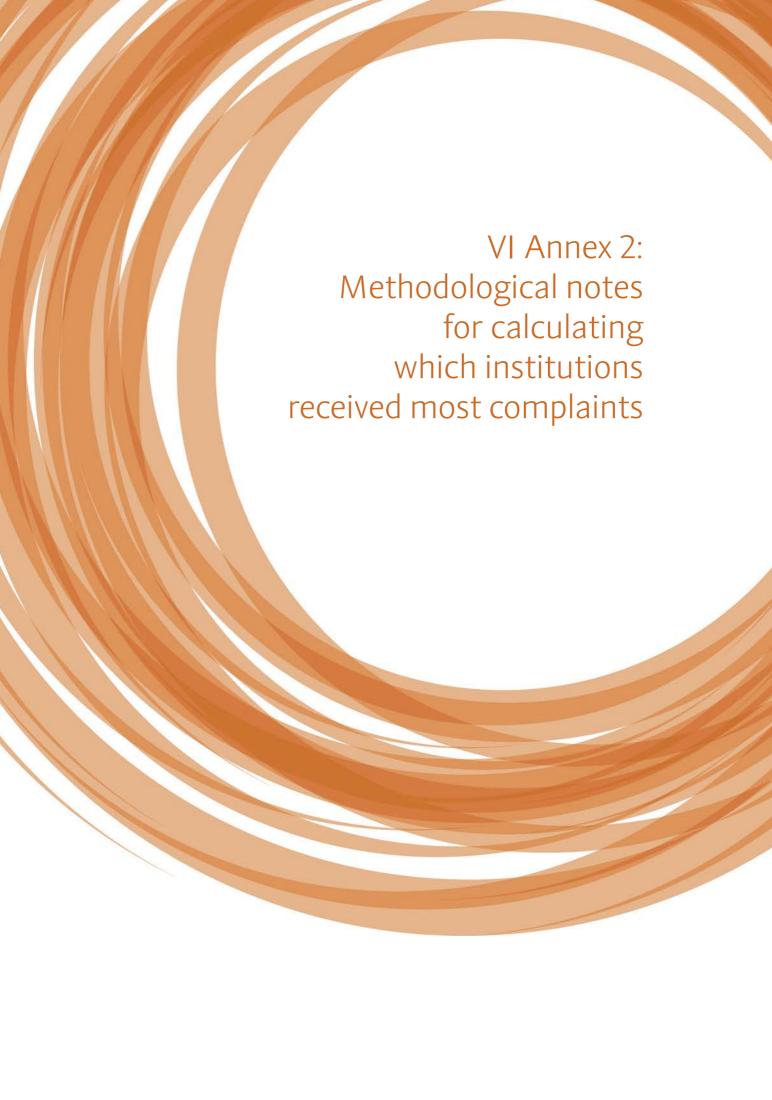


**Table VI.1.1** • Legislative and regulatory initiatives

Date	Diploma identification	Subject matter
11 January	Commission Delegated Regulation (EU) 2018/32	Lays down the standard terminology to be used in the designation of the payment account services and in pre-contractual and contractual information documents provided to consumers.
11 January	Commission Implementing Regulation (EU) 2018/33	Lays down the format of the fee information document and its identifying symbol
11 January	Commission Implementing Regulation (EU) 2018/34	Lays down the format and symbol of the statement of fees.
1 February	Instruction of Banco de Portugal No 3/2018	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.
15 February	Circular Letter of Banco de Portugal No 4/2018	Establishes which institutions must provide Banco de Portugal with information on the specifics of the process for entering into contracts, the security mechanisms in place and the characteristics of consumer credit products, contracts initiated and completed through digital channels, namely by home banking and mobile apps.
15 March	Instruction of Banco de Portugal No 7/2018	Releases for the second quarter of 2018 the maximum rates to be applied in consumer credit agreements under Decree-Law No 133/2009 of 2 June.
26 April	Instruction of Banco de Portugal No 11/2018	Implements the obligation for credit institutions and other payment service providers to use the standardised terminology provided for in Instruction of Banco de Portugal No 11/2018, whenever they provide information on fees and commissions charged for the provision of the services included in the list of most representative services in Portugal.
8 May	Law No 21/2018	Adapts the basic bank account regime to the customers' needs, introducing the fifth amendment to Decree-Law No 27-C/2000, of 10 March 2000.
8 June	Instruction of Banco de Portugal No 12/2018	Releases for the third quarter of 2018 the maximum rates to be applied in consumer credit agreements under Decree-Law No 133/2009 of 2 June.
18 July	Law No 32/2018	Implements the obligation for credit institutions to fully reflect the decline in the Euribor rate in credit agreements intended to finance the purchase or construction of permanent or secondary residential property or property for rental, introducing the first amendment to Decree-Law 74-A/2017 of 23 June.
20 July	Law No 35/2018	Lays down a new regulatory framework for structured deposits, by updating the rules established by Banco de Portugal for indexed deposits, which are in force since 2009. Law 35/2018 also establishes new obligations for financial institutions in terms of compensation and performance assessment of employees, as well as the governance and monitoring of deposits and credit products.
26 July	Instruction of Banco de Portugal No 14/2018	Lays down the obligation for credit institutions and other payment service providers, having their head office or branches in Portugal, pursuant to Decree-Law 107/2017 of 30 August, to report to Banco de Portugal information on requests for payment account switching submitted by consumers and microenterprises.
31 July	Instruction of Banco de Portugal No 15/2018	Imposes on credit institutions the obligation to report information on the provision of basic bank accounts $ \frac{1}{2} \left( \frac{1}{2} \right) = \frac{1}{2} \left( \frac{1}{2} \right) \left( \frac{1}{2} \right)$
1 August	Notice of Banco de Portugal No 1/2018	Extends the obligations to be complied with by credit institutions in dis- closing the conditions under which natural persons may access the basic bank account regime by repealing Notice of Banco de Portugal No 9/2017.

 Table VI.1.1 • Legislative and regulatory initiatives

Date	Diploma identification	Subject matter
9 August	Instruction of Banco de Portugal No 16/2018	Establishes the content and format of the poster, as well as the template for the document with information on basic bank accounts.
5 September	Instruction of Banco de Portugal No 19/2018	Regulates the information to be provided to Banco de Portugal for the purposes of disclosing the fees and commissions in the Fees Comparator, in addition to establishing the requirements to be complied with in the provision of information on fees and commissions. Also implements the obligation for institutions to use standardised terminology in the provision of information to their customers on the fees and commissions for the services included in the Fees Comparator.
17 September	Instruction of Banco de Portugal No 0/2018	Releases for the fourth quarter of 2018 the maximum rates to be applied to consumer credit agreements under Decree-Law No 133/2009 of 2 June 2009.
12 November	Decree-Law No 91/2018	Approves the legal framework for payment services and electronic money, which transposes into Portuguese law 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.
12 December	Instruction of Banco de Portugal No 27/2018	Releases for the first quarter of 2019 the maximum rates to be applied to consumer credit agreements under Decree-Law No 133/2009 of 2 June 2009.
19 December	Instruction of Banco de Portugal No 33/2018	Updates the requirements to be observed by institutions when reporting to Banco de Portugal on home loans and mortgage credit in their portfolios at year-end. New requirements are a consequence of the entry into force of Decree Law No 74-A/2017 of 23 June 2017.
28 December	Decree-Law No 122/2018	Amends the legal framework that establishes the requirements applicable to access to and engagement in credit intermediation and the provision of consultancy services, extending the transitional arrangements applicable to entities that already carried out this activity before 1 January 2018.



#### Universe of complaints

The data used in the statistical analysis relate to complaints received by Banco de Portugal, in 2017 and 2018, whose subject matter falls within its scope, either submitted through the complaints book made available in the institutions, or directly sent to Banco de Portugal by bank customers.

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

#### Matters subject to complaint

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

- Payment cards complaints regarding the issue and use, as a means of payment, of debit and credit cards.
- Cheques complaints regarding the issue and use of cheques.
- Home loans and mortgage credit complaints related to the access to, and execution and contractual conditions of credit agreements relating to residential immovable property and credit secured by a mortgage under Decree-Law No 74-A/2017 of 23 June 2017.
- Consumer credit complaints related to the access to, and execution and contractual conditions
  of credit agreements, other than credit agreements relating to residential immovable property
  and credit secured by a mortgage under Decree-Law No 74-A/2017 of 23 June 2017. These are
  complaints related to consumer or other credit granted to private individuals through credit
  cards or other means.
- Loans to enterprises complaints about agreements relating to loans to enterprises, including
  agreements concluded with private entrepreneurs, within the scope of their professional
  activity.
- Deposit accounts complaints related to the opening, debiting, crediting and management of deposit accounts, as well as to their contractual conditions. This includes complaints about any type of deposit, namely current accounts and time deposits, deposits with a special regime or other deposits, defined in Decree-Law No 430/91 of 2 November 1991.
- Direct debits complaints related to the processing of direct debit instructions regarding a current account.
- ATMs complaints related to the operation of Automated Teller Machines (ATMs).
- Cash operations complaints related to coin and banknote operations, namely exchange of coins and differences in withdrawal and deposit operations.
- Credit transfers complaints related to the processing of transfers.
- Other includes all other subject matters representing less than 1% of the total volume of complaints, including for instance, point-of-sale terminals, foreign exchange operations, the accounts database, banking guarantees, non-presentation of the complaints book, account

switching service, as well as complaints about sundry operations and banking conduct that do not fit into the usual subject matter classification.

#### Reference units

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

- Payment cards number of debit and credit cards in circulation in 2017 and 2018 (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 Interbancária – SICOI) in 2017 and 2018 (average number of cheques issued and drawn). Source: information regularly reported by SIBS.
- Home loans and mortgage credit number of credit agreements relating to residential immovable property and credit secured by a mortgage under Decree-Law No 74-A/2017 of 23 June 2017, in force in 2017 and 2018 (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 2017 and 2018 (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 2017 and 2018 (average between the values of the start and end of each period) relating to loans to enterprises and private entrepreneurs. Source: information reported by credit institutions under Instruction of Banco de Portugal No 8/2010.
- Deposit accounts number of current accounts in 2017 and 2018 (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 as part of SEPA (Single European Payments Area) in 2017 and 2018. Source: information
  regularly reported by SIBS.
- ATMs number of automated teller machines (ATMs), including dedicated networks, existing in 2017 and 2018 (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 2017 and 2018 (excluding international deposit and withdrawal operations).
   Source: information regularly reported by SIBS.
- Credit transfers number of transfers processed through SICOI in 2017 and 2018. Source: information regularly reported by SIBS.

#### Institutions

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

The relative number of complaints was calculated for the institutions that carried out activity throughout the whole year and in relation to which Banco de Portugal received, in 2018, on average, more than one complaint per quarter on each matter subject to complaint, as a lower number is not considered representative of complaints submitted by bank customers.

The institutions about which no complaints were lodged with Banco de Portugal on the 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 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.

