

# BANKING CONDUCT SUPERVISION REPORT

2023



BANCO DE  
PORTUGAL  
EUROSISTEMA



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# Executive summary

In this issue of the *Banking Conduct Supervision Report*, the Banco de Portugal presents the work carried out to monitor retail banking markets in 2023.

First, the report highlights the intervention of the Banco de Portugal in the application of the measures established to support home loan borrowers in the face of rapidly rising interest rates by presenting a set of indicators on access to these measures (Part I). It then details the regulatory changes that took place over the year (Part II) and the activities carried out supervising financial institutions and credit intermediaries (Parts III and IV) and in promoting the financial literacy of the population (Part V). Finally, it describes the main outcomes of the work developed in international banking conduct supervision forums, as well as cooperation activities with similar entities (Part VI).

... To ensure the proper application of the measures to support home loan borrowers, the Banco de Portugal adopted a holistic approach, focusing on providing clarification to both supervised entities and bank customers.

In 2023, the legislator approved new measures to mitigate the impact of rising benchmark interest rates on credit agreements for the purchase, construction or renovation of permanent residential property: it introduced the possibility of temporarily setting instalments on agreements with a variable interest rate and extended the temporary interest relief scheme and the suspension of the early repayment fee scheme. The Banco de Portugal regulated the duties to be observed by financial institutions, provided clarification to the supervised entities on the correct application of these measures and, to support their potential beneficiaries, disclosed informative material and collaborated with the Directorate-General for Consumers (Direção-Geral do Consumidor) and the entities from the Bank Customer Support Network (Rede de Apoio ao Cliente Bancário — RACE).

According to information reported by the institutions, between November 2023 and February 2024, institutions decided on 25,879 applications for the setting of instalments and on 56,855 applications for interest relief, of which 8,636 (33.4%) and 20,352 (35.8%), respectively, were accepted. The setting of instalments was implemented by credit institutions in 0.8% of the total number of eligible agreements. The average reduction in instalments in credit agreements where this measure was implemented was €76. The average amount of the monthly relief was €62.

... In 2023, two European directives were published to strengthen the rights of bank customers regarding consumer credit and financial services provided at a distance.

In consumer credit, European rules cover a wider range of agreements, including small credit, buy-now-pay-later products and credit free of interest and other charges. The obligations the institutions have to comply with in terms of advertising and pre-contractual information were extended and the rights of bank customers in exercising the right of withdrawal and in legal enforcement proceedings were strengthened. In financial services provided at a distance, the rules on pre-contractual information and on the exercise of the right of withdrawal have been clarified and modernised. These two Directives have to be transposed by European Union Member States within two years.

At national level, new obligations have been introduced for credit institutions in the marketing of home loans and mortgage credit, the collection of charges and fees has been limited and the range of services included in the basic bank account (BBA) has been widened.

### ∴ The Banco de Portugal checked 16,338 advertising materials released by 56 institutions.

Of the advertising materials analysed following their public disclosure, 2.2% were non-compliant (1.8% in 2022). The share of advertising materials with irregularities was higher for home loans (11.4%) and bank deposits (8.1%), products for which advertising increased significantly.

### ∴ The marketing practices for BBAs were assessed in 96 institutions.

The Banco de Portugal required irregularities detected in 91 institutions to be corrected, mostly related to the undue collection of fees and other charges.

### ∴ The information provided to customers on payment accounts was assessed.

The Banco de Portugal assessed 13 institutions' compliance with the specific determinations it had issued to correct irregularities related to the obligations to provide information on fees applied to current accounts and payment services.

It also conducted an inspection of a new payment institution to assess compliance with duties regarding pricing, fee-charging practices and transparency of information. It also assessed the marketing practices for payment cards through digital channels in another institution. In both cases, irregularities and weaknesses were detected and the institutions were required to correct them through specific determinations.

### ∴ Against a background of rising interest rates, the supply of structured deposits increased significantly.

In 2023, 89 structured deposits were marketed, 52 more than in the previous year. Demand also increased: €3,013.2 million was applied in this type of products, which represents a 430.3% growth from 2022.

The Banco de Portugal assessed the compliance of key information documents for 100 structured deposits prior to their marketing, requesting amendments to 82. It also checked the remuneration of the 55 structured deposits that matured during the year; 49 paid a gross nominal annual rate of 0.1% or less.

### ∴ In consumer credit, the main focus of supervisory actions was on fee-charging practices, contracting of personal credit and car loans and practices for marketing products across digital channels.



The Banco de Portugal assessed compliance with maximum rates in 1,593,930 consumer credit agreements, 1.9% more than in 2022; it found signs of non-compliance in 2,079 agreements, from five institutions. In the context of draft agreements, the Bank determined that the draft credit agreements for car loans reported by five institutions were to be reviewed.

Inspections were also carried out on the practices for entering into personal credit and car loan agreements adopted by 96 institutions, and for marketing credit products in the digital channels of three institutions. As a result of these actions, specific orders and recommendations were issued to rectify the irregularities and weaknesses identified in 76 institutions (out of the 96) and in the other three institutions inspected.

... In home loans, compliance with the extraordinary measures adopted to address the rise in benchmark interest rates and the marketing practices of the various types of interest rate were monitored.

The Banco de Portugal conducted inspections in 97 institutions to assess compliance with the information requirements for the temporary interest relief scheme and the special conditions for redeeming savings plans. Specific orders and recommendations were issued to ten institutions.

In addition, the branches and websites of five representative institutions were inspected to analyse the information provided on the various types of interest rate; four institutions were asked to change their practices.

... Following the entry into force of the extraordinary arrears regime, approved in November 2022, the number of new proceedings initiated by institutions within the framework of the Pre-Arrears Action Plan (PRAP) significantly increased.

In home loans and mortgage credit, an average of 123,400 PRAP proceedings were initiated per month (23,161 in 2022). For consumer credit, the monthly average was 189,465 PRAP proceedings (64,446 in 2022). Recourse to the Out-of-court Arrears Settlement Procedure (OASP) also grew, both for home loans and mortgage credit and for consumer credit, exceeding pre-pandemic levels.

The Banco de Portugal carried out inspections to assess (i) the implementation of the extraordinary arrears regime, covering 79 institutions, (ii) the information provided on the renegotiation of credit under the PRAP, with 27 institutions and (iii) the application of the general regime for arrears prevention and management in credit agreements, involving 74 institutions. Following these inspections, specific orders and recommendations were issued to 80 institutions.

... The Bank received 26,976 complaints from bank customers on the conduct of financial institutions in retail banking markets, 23.9% more than in 2022.

The increase in the number of complaints was mainly driven by a rise in issues related to (i) the quality of information reported by institutions on credit liabilities, (ii) the right to early repayment of home loans, (iii) alleged fraud in digital channel transactions, and (iv) the application of the measures to support home loan borrowers.

A total of 24,707 complaints were closed, of which 21,161 had been received during the year. On average, complaints were closed within 55 days. The Banco de Portugal found evidence of infringement in 3.6% of closed complaints (2.2% in 2022). The institutions resolved the complaint, despite the fact that there were no indications of irregularities, in 42.2% of cases (37.4% in 2022).

As a result of the supervisory measures taken, institutions repaid €8.3 million to bank customers for unduly charged fees and interest.

As part of its supervision of retail banking markets, the Banco de Portugal issued 5,814 specific orders, recommendations and warnings, addressed to 112 institutions, and initiated 102 administrative offence proceedings against 41 institutions, 91 of which resulted from an analysis of 801 complaints from bank customers. Throughout the year, 113 administrative offence proceedings concerning banking conduct offences were concluded, leading to the imposition of fines to the amount of €1.8 million.

At the end of 2023, 5,822 credit intermediaries were registered, up by 3.3% from the previous year.

The Banco de Portugal received 607 applications for authorisation to pursue the activity of credit intermediary and 9,889 applications to amend the registration of credit intermediaries, deciding upon 620 and 9,935 of these applications respectively.

In monitoring this activity, the Bank analysed the information reported by credit intermediaries and lending institutions and verified the compliance of 73 advertising materials created and disseminated by those entities. It carried out inspections in establishments open to the public covering 204 entities, to assess the information disclosed on credit intermediation activity, and the availability of a complaints book in 197 credit intermediaries. The Bank inspected 20 credit intermediaries operating exclusively through distance communication means and verified the compliance of the information provided on websites and the price lists of nine financial institutions providing credit intermediation services. Inspections were also carried out on four credit intermediaries to monitor compliance with the rules governing the pursuit of activity in the category of non-tied credit intermediary. In addition, 82 complaints were received from bank customers against credit intermediaries and irregularities were detected in eight of the 84 closed complaints.

In order to correct the irregularities identified in all the inspections conducted, the Banco de Portugal issued 1,882 specific orders to 1,781 entities and initiated 237 administrative offence proceedings against 232 credit intermediaries.

The Banco de Portugal presented the Digital Financial Literacy Strategy for Portugal, created with the support of the European Commission and the Organisation for Economic Co-operation and Development (OECD).

The Bank also proceeded with the #TopTip digital financial education campaign, aiming to promote the safe use of banking products and services via digital channels. It also renewed the information campaign on basic banking services, organised with the support of the Ministry of Labour, Solidarity and Social Security.

Taking advantage of its network of regional branches and delegations, the Bank organised 918 training courses throughout the country, involving more than 32 thousand participants.

As part of the National Plan for Financial Education (NPFE) — coordinated by the Bank with the other financial supervisors — three new courses were organised for teachers, guidelines for the introduction of financial education in kindergarten were developed and an area of “digital finance” was created on the Todos Contam e-learning platform. To commemorate Financial Literacy Week, more than 470 activities took place, making it possible to reach more than 144 thousand people.

... The Banco de Portugal took part in the work of the European  
... Banking Authority, the Joint Committee of the European  
... Supervisory Authorities, the European Commission, the OECD  
... and the International Financial Consumer Protection  
... Organisation (FinCoNet).

At European level, the Banco de Portugal participated in revising the Directives concerning consumer credit agreements and the distance marketing of consumer financial services and, in the context of the Directive on credit servicers, in setting up guidelines on complaint management. The Bank also contributed to the development of the *Financial competence framework for children and youth in the European Union*, published by the European Commission and the OECD International Network on Financial Education. The Banco de Portugal also collaborated on the production of various reports and risk indicators on retail banking markets.

In the context of FinCoNet, the Bank chaired the standing committee dedicated to the responsible granting of credit, which carried out work on buy-now-pay-later products.

The Banco de Portugal also undertook cooperation activities in response to requests received from Central Banks of Angola, Cabo Verde, Mozambique, Georgia, Serbia and Uzbekistan.

