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29 July 2009

Review of Transparency of Personal Current Accounts

As part of the Financial Regulator's initiative to improve the transparency of banking products as set out in our 2007-2009 Strategic Plan, we undertook a review of the transparency of fee brochures and account statements of personal current accounts. In addition to reviewing fee brochures and account statements, we also enlisted the services of a market research firm, Ipsos Mori, to conduct market research on the level of consumer awareness of fees and charges incurred on personal current accounts.

Findings of Consumer Market Research

The market research into consumer awareness of fees and charges on personal current accounts, concentrated on how transparent and easily understood by consumers this information is at present.

The general findings that emerged from this market research are:

- More concise and user-friendly information needs to be provided by banks in order for consumers to understand the extent and implications of charges,
- Information needs to be provided on a more proactive basis by banks,
- There is confusion about what is included in "free" banking,
- Length of fees and charges brochures can make them difficult to understand,
- Information on fees and charges should relate to the product held by the customer and not the details of the entire product range offered by a bank,
- Information on bank statements should be presented clearly and should be easy to understand.

On foot of the market research, Ipsos Mori also reported that “... *there was a degree of confusion as to what was included in fee-free banking with some considering that it meant no fees at all, including any referral or penalty fees that may be applied.*” While marketing practices were not specifically included in this review, we reminded banks of the point raised in our letter of 12 June 2007 concerning advertising issues, as follows:

“**Terms such as “free”** - The Code states under its general requirements on advertising that a “*regulated entity must ensure that all its advertisements are fair and not misleading*” (Chapter 7, General Requirement 1). Therefore, care should be taken when using such terms which have a widely accepted meaning. The Financial Regulator considers that an unqualified description of a service as “free” is misleading in instances where only certain fees are disapplied (for example, bank accounts where transaction and maintenance fees are not applied but other charges may apply). As another example, a service should not be advertised as “free” if charges apply where certain criteria, such as maintenance of a minimum balance, annual turnover or minimum number of transactions, have not been met”.

General Findings from Review of Documentation on Personal Current Accounts

The content of fee brochures and account statements was assessed against General Principle 6, and Common Rules 12, 22, 39 and 44 of the Consumer Protection Code. The main findings of the review are set out below:

- Some brochures contain fee information on both new accounts and accounts that are no longer available to open, thus providing consumers with unnecessary information.
- Some brochures include fee information on other accounts such as business accounts, deposit accounts, and loan accounts, thus providing a customer opening a personal current account with unnecessary information.
- In some cases information in brochures is difficult to read, in particular information presented in tabular form.
- The fee brochures examined range from 4 pages to 23 pages in length. Longer brochures can be off-putting for consumers.
- The format of some of the fee brochures does not readily lend itself to a comparison of the costs that can be incurred on each type of current account offered. For example, some brochures are designed to list out the fees and charges that can be incurred on personal

current accounts without directly linking them to the type/name of the current account involved.

- Current account and fee advice statements often use abbreviations or acronyms and/or numbers to describe fees and charges. These can be difficult for a consumer to decipher.
- As a general point, we have found that fee brochures can be difficult to locate in branches.

Recommendations

Arising from these findings, we also set out a number of recommendations, aimed at improving the method of presentation of information included in fee brochures and account statements of personal current accounts, from the consumer's perspective:

- The information on fees and charges should be presented in separate, easy to understand, one page summary sheets for each type of personal current account. These summary sheets should also be collated into a brochure format with the full list of fees and charges included.
- Information in fee brochures on personal current accounts that are currently available to new customers should be separated from accounts that are no longer offered, to avoid confusion and to avoid providing the consumer with unnecessary information.
- Information on the fees and charges of other accounts, such as business accounts, loan accounts etc. should be collated in separate brochures to avoid providing the consumer with unnecessary information.
- Banks should ensure that the print size in fee brochures and in account statements is legible and that the method of presentation does not disguise, diminish or obscure important information.
- On the bank's website, information equivalent to that contained in the recommended summary sheet(s) should be linked to the relevant personal current account(s).
- The recommended summary sheets and fee brochures should be made readily available in a display area in each branch.
- The use of abbreviations or acronyms and/or numbers to describe fees and charges on personal current account statements should be discontinued. A consumer cannot be expected to understand the charge when it is described in such a manner. Terms used to refer to fees and charges should be consistent with terms set out in the fee brochure.

Credit institutions providing personal current accounts were requested to consider the recommendations above, in the context of their compliance with the relevant provisions of the Consumer Protection Code and also when exploring ways to increase the transparency for the consumer of the fees and charges attached to these accounts.