



European Banking Industry Committee

European Banking Federation (EBF) • European Savings Banks Group (ESBG) • European Association of Cooperative Banks (EACB) European Mortgage Federation (EMF) • European Federation of Building Societies (EFBS)
European Federation of Finance House Associations (Eurofinas)/European Federation of Leasing Company Associations (Leaseurope)
European Association of Public Banks (EAPB)

COMMON PRINCIPLES FOR BANK ACCOUNTS SWITCHING

1. Scope

- a. These principles apply to personal current account switching, which means a consumer switching his payments relationship from one bank (the 'former' bank) to another (the 'new' bank), in which he holds or opens a bank account, within his country;
- b. Payments relationship means the maintenance of a current account through which a consumer may make and receive payments;
- c. The Principles only apply to current accounts and recurring direct debits, standing orders for credit transfers and recurring incoming credit transfers¹, which are linked to them.

2. Information on switching

Banks will provide consumers who want to switch their current account with clear and complete information.

- a. Information provided will indicate the respective responsibilities (of 'former' bank, 'new' bank and consumer) and the timescales (if applicable) during the process and if any fees are to be imposed;
- b. Information will be made available on durable medium and supplied by banks and national banking associations.

¹ See Annex 1 for more details.

3. How will banks support the switching?

‘New’ and ‘former’ bank will offer assistance to the consumer in making the necessary arrangements in order to enable a smooth and timely switching.

The exact services to be offered by the ‘former’ and the ‘new’ bank will depend on the legal environment and on the division of roles and responsibilities between banks and consumers as defined in the context of the payment schemes and infrastructures in place in the various Member States.

In all cases, banking communities will organise the facilitation of bank account switching in such a way that consumers can choose to address the ‘new’ bank as the **Primary Contact Point** for switching their account, instead of contacting the ‘former’ bank themselves.

The **‘new’ bank** will:

- Provide the consumer with a guide to switching²;
- Open a new bank account for the consumer³;

If the consumer chooses the ‘new’ bank as his *Primary Contact Point* during the switching, the ‘new’ bank will:

- Contact the ‘former’ bank, if necessary, upon explicit authorisation of the consumer, and request the ‘former’ bank to provide a list with information to identify standing orders for credit transfers and available direct debit mandates on the ‘former’ account. This list shall be sent directly to the new bank, a copy will be made available to the consumer;
- Request the ‘former’ bank to close standing orders for credit transfers and stop direct debits, upon explicit authorisation of the consumer;

- Help the consumer to provide the new account details to relevant third parties, in particular with regard to the sources of recurrent incoming credit transfers (as for example employers or social security) and direct debits following the creditor mandate driven flow, for instance by providing draft letters⁴. As regards direct debits following the debtor mandate driven flow, the new bank will inform the creditors on the new account details. The new bank will also offer the latter service in case of a creditor mandate driven flow if the client provides it with complete mandate information of creditors to be informed;
- With consent of the consumer, establish existing standing orders for credit transfers and accept direct debits on the new account upon receiving the relevant information from the ‘former’ bank or the consumer. If necessary, additional information shall be provided by the consumer.

² See Annex 3 for more details.

³ Notwithstanding its obligations under any applicable rules (e.g. Anti-Money Laundering legislation) or its own policies.

⁴ See Annex 3 for more details

The **'former' bank** will on the request of the consumer or on presentation of an authorised request of the consumer by the 'new' bank as an intermediary:

- Provide a list with information to identify standing orders for credit transfers and direct debit mandates, if available, on the 'former' account;
- Close standing orders for credit transfers and stop direct debits.

If the consumer wishes to **close his account** at the 'former' bank, the **'new' bank** will assist him, for instance by providing draft letters⁵ requesting account closure and the transfer of the available balance of the 'former' account to the 'new' account. The consumer will also return his payments cards and unused cheques to the 'former' bank.

In this case, the **'former' bank** will on the request of the consumer:

- Transfer any available positive account balance to the 'new' account;
- Close the 'former' account, unless any problems (as for example a negative account balance or unreturned payment cards) arise, in which case the consumer will be contacted directly.

4. Facilitating switching

- a. The 'former' bank will not impose fees for closing the old account, except possibly for accounts open less than 12 months in accordance with the PSD⁶;
- b. The consumer will have free of charge access to general information about switching (as specified in sections 2a, 2b and 3 bullet point 1), as well as to his personal information (existing standing orders and direct debits) necessary for the switching, if it is available through an automated process at his bank and does not reach back more than 13 months. All such information about the consumer's existing standing orders and direct debits will also be provided from the 'former' bank to the 'new' bank without charge for the consumer, if the consumer chooses to use the new bank as his primary contact point;
- c. Fees, if any, for switching related services provided by banks and/or banking communities shall be appropriate and in line with costs. They will be communicated in the information to be provided to the consumer in relation to the account. The level of fees shall be examined specifically in the review process;
- d. Consumers will not be subject to any fees imposed by the banks as a result of the banks' own errors during the switching;
- e. The consumer should not be subject to any unjustified delay in switching due to banks⁷;

⁵ See Annex 3 for more details

⁶ Article 45 (2) and (4) of the PSD (see Annex 2).

⁷ Because of the diversity of banking systems across Europe, it is not possible to prescribe a standard timeframe for completing the switching process.

- f. The ‘former’ bank will provide all the available information to identify standing orders for credit transfers and to identify direct debit mandates on the old account within 7 banking working days upon receiving the request;
- g. The “new” bank will set up standing orders and will accept direct debits on the new bank account and notify, where applicable, creditors of direct debits about the change of bank account within 7 banking working days of receiving all the relevant information required to do so, either from the “former” bank or from the consumer.

5. Implementation

EBIC Members will coordinate the implementation of these Common Principles by the national banking communities.

- a. The implementation process will start when the Common Principles are formally approved by EBIC and acknowledged by the European Commission;
- b. At national level, the implementation will be coordinated by the national banking associations (or relevant bodies);
- c. The Common Principles will be implemented in national banking communities by 01 November 2009;
- d. The European Commission and European consumer associations will receive and be invited to discuss a report on the status of implementation of the Common Principles at national level in July 2009;
- e. National banking associations will inform national consumer organizations about the implementation of the Common Principles;
- f. Consumers who have a complaint about participating banks’ compliance with these principles should have access to their appropriate national alternative dispute resolution scheme(s).

6. Monitoring

EBIC is committed to ensure appropriate monitoring of these Common Principles.

- a. EBIC will undertake a review process 1 year after the entry into force of the Common Principles at national level;
- b. National banking associations (or relevant bodies) will monitor the implementation of and compliance with these Common Principles. There will also be an evaluation process. This evaluation will be conducted by a body involving national consumer associations, or by an independent body or authority, or, where neither of these solutions is possible, by an independent consultant or adviser, who will be selected in agreement with national consumer associations;
- c. EBIC will regularly inform the European Commission and European consumer associations on the operation of the Common Principles.

Annex 1 – Relevant Payments Services

What are consumers concerned about when they switch current accounts?

- Consumers may be worried that there will be frictions regarding **incoming** payments like, for example, their salary, pension benefits...
- Consumers may also be worried that there will be frictions regarding **outgoing** payments, like rent payments, insurance premia, payments for utility, credit card payments...

Payments, incoming as well as outgoing, are either made on a **‘one-off’** basis or are **‘recurring’**, in the sense that they are repeated transfers between the consumer and the same counterparty.

When a consumer switches current account, the only payments which can be disrupted in the process are **recurring payments**. Hence the payment services to be covered by the Common Principles are:

- **Recurring incoming credit transfers**
- **Recurring direct debits***
- **Standing orders for credit transfers.**

*The Common Principles apply to all direct debits, whether *debtor mandate driven* or *creditor mandate driven*, with the restriction that information cannot be supplied by the bank, if it is not at the disposal of the bank. This restriction is due to the modus operandi of some national banking practices and specifically applies to those countries where, when direct debits are a *creditor mandate driven flow*, the ‘former’ bank has no extra information that could help facilitate switching. For example, this is the case if direct debit mandates are only exchanged between the consumer and a third party without necessarily involving their banks, so that the debtor bank does not have the details on the mandate signed by the debtor since those are stored with the creditor. Consequently, the mandate data being stored with the creditor and not with the debtor bank, the consumer will have to take some responsibility in the switching process in identifying which mandates he has signed. In this case it may also be necessary that the consumer contacts counterparties directly, in which, of course, he can be supported by the ‘new’ bank.

Annex 2

Article 45 of the PSD: Termination

2. Termination of a framework contract concluded for a fixed period exceeding 12 months or for an indefinite period shall be free of charge for the payment service user after the expiry of 12 months. In all other cases charges for the termination shall be appropriate and in line with costs.

4. Charges for payment services levied on a regular basis shall be payable by the payment service user only proportionally up to the termination of the contract. If such charges are paid in advance, they shall be reimbursed proportionally.

Annex 3 – Draft Guide and Draft Sample Letters for Consumers

Annex 3 provides examples of a basic switching guide and draft letters. The guide and draft letters will be adapted to national circumstances and available from banks and national banking associations.

******* SWITCHING YOUR CURRENT ACCOUNT *******

It is important to do things in the right order. Remember that you can use your new bank as the *Primary Contact Point* during the switching.

The correct procedure is as follows:

➤ **Step One - Opening a new account in the bank you have chosen.**

When you open a new account the bank will give you an account agreement stating all the terms of the account and how it functions. Read this document carefully. It is effectively the “user guide” to your account.

Along with this account agreement you will be given a price list for all banking services. The prices shown must be those currently applicable.

Ask for **Account Identifiers**, summarizing your new account number and other relevant details. Remember that you can always photocopy them. You can use the Account Identifiers to pass on your new bank details to all counterparties that make automatic payments into this account (salaries, pension, benefits etc.) or to set up new standing orders or direct debits from this account (taxes, rent, insurance, utility bills etc.).

Order any cheque books or cards that you will need. Ask the bank how long it will take before cheques/cards will be ready for use.

➤ **Step Two - Transferring all automatic payments to your new account**

Bear in mind that it will take the bank some time to complete the transfer. Within that time, payments may continue to come out of your old account. Remember to keep enough money in the account.

You can use your new bank as your *Primary Contact Point* and as an intermediary for your contacts with your old bank.

Your old bank, on request, will provide you or your new bank with a list of direct debit mandates and standing orders as far as this information is available⁸. Also, your old bank, on request, will cancel all direct debits from your account

⁸ The availability of information on debtor mandate driven direct debits and creditor mandate driven direct debits depends on national circumstances. In particular for creditor mandate driven direct debits, the old bank may not have any information and can therefore not provide it to the new bank or the consumer.

Your new bank will reinstall the standing order and direct debits and provide you with standard form letters (Letter 1, below) to inform other counterparties, as for example your employer, of your new bank details. Your new bank will also provide you with standard letters (Letter 2, below) to creditors to ask them to transfer the direct debits to the new account.

******* CLOSING YOUR CURRENT ACCOUNT *******

Request the closure of the old account once everything has been settled. Two things must have happened before you ask your old bank to close your account.

First, all outstanding bills must have been presented (or you must have arranged to make a covering payment with the bank).

Second, all automatic incoming and outgoing payments (salary, pension, standing orders and direct debits) must have been transferred to the new account.

For requesting the closure of your old account you can use a standard letter (Letter 3, below).

DRAFT

Letter 1

Draft letter for having incoming payments deposited into a new account (salary, pension, benefits, etc.)

Surname - given name

Address

Telephone

Name and address of the organisation you are writing to:

Your reference number (with the organisation)

Date

Registered post with recorded delivery

Re: change of bank account details

Dear Sir/Madam,

Please note that my bank account details have changed.

I attach the bank identity statement (**Account Identifier**) showing the details of my new account.

Please use this account for all future payments to me.

Thanking you in advance.

Yours sincerely,

Signature

Enclosed: my new account details

Letter 2

Draft letter: for transferring standing orders to a new account (utility bills, tax, etc.)

Surname - given name

Address

Telephone:

*Name and address of the organisation you
are writing to:*

Your reference number (with the organisation)

Date

Registered post with recorded delivery

Re: change of bank account details

Dear Sir/Madam,

Please note that my bank account details have changed.

I attach the bank identity statement (**Account Identifier**) showing the details of my new account.

Please use this bank account for all standing order payments in accordance with the authorisation I have given you.

Thanking you in advance.

Yours sincerely,

Signature

Enclosed: my new bank account details

Letter 3

Draft letter asking to close a current account

Surname - given name

Address

Telephone:

Old account number:

Name and address of the bank you are writing to:

Date

Registered post with recorded delivery

Re: closure of current account

Dear Sir/Madam,

Please close, free of charge, my current account, number (*your account number*), and transfer any outstanding balance to the bank (*name of your new bank and address of the branch*). The necessary details are shown on the attached bank identity statement (**Account Identifier**).

Note that I have returned to you all my unused cheques and my bank card.

I have also made all the necessary arrangements with you to leave on your books, outside my account, adequate provision to settle the total amount of outstanding cheques and card payments.

Thanking you in advance.

Yours sincerely,

Signature

Enclosed: my new bank account details