

# The Payment Accounts Directive

The Payment Accounts Directive or PAD will become law this summer. PAD will introduce measures that banks and others will need to comply with on fee transparency, providing standard form information to customers so they can compare accounts and will mean re-writing existing agreements, marketing materials, websites and Apps. PAD also aims to facilitate account switching and ensure basic bank accounts are available to vulnerable EU residents.



## Transparency and comparability

Chapter II of PAD requires the use of standard form documents and standardised terminology in account-related documents. It also introduces an obligation on Member States to ensure there are price comparison websites available to consumers and contains provisions regarding the unbundling of information on packaged account services.

### Standard form documents and terminology

**Fee information documents and glossary** - Payment service providers ("PSPs") offering payment accounts to consumers will have to provide a fee information document and a glossary before entering into the payment account contract.

The fee information document will be a short, stand alone standard form document which will need to include, amongst other things, a list of the most representative services (such as

withdrawals, wire transfers and overdrafts) linked to the account being offered and the fees for the services. A list of the most representative services linked to a payment account will be developed by each Member State (based on services most commonly used by consumers and which generate the highest cost to consumers). Standardised terminology which will have to be used by PSPs in account-related documents will be developed in regulatory technical standards by the European Bank Authority ("EBA") to describe those services.

The glossary which will have to be provided will need to contain clear non-technical descriptions of the services along with any other definitions the PSP may use.

Both the fee information document and the glossary will also have to be available to customers at any time, where available in electronic form, on the websites of PSPs and in the premises of credit institutions. These two documents must be easily accessible to non-customers and must be provided free of charge upon request by a customer.

**Fee statements** – Building on the obligations under the Payment Services Directive ("PSD"), PSPs will be required to provide consumers (for free) with at least an annual statement of fees. That statement will have to be in standard form and use the standardised terminology developed by the EBA. It will need to include various pieces of information for account holders about the fees they have paid, interest rates charged, the number of times the customer has used the various services and additional information where the services are combined in a package.

**Other contractual, commercial and marketing information** - The standardised terminology developed by the EBA must also be used by PSPs in their contractual, commercial and marketing information provided to customers – this would potentially extend not only to brochures and pamphlets but also websites and Apps. Whilst PAD allows brand names to be used to describe services, these must be in addition (and secondary) to the standardised terminology.

## Application of the Payment Accounts Directive

Chapter	Content	Application
Chapter II	Transparency and comparability	All PSPs
Chapter III	Account switching	All PSPs
Chapter IV	Access to basic payment accounts	Credit institutions (but Member States can extend to all PSPs)

### Price comparison websites

Under PAD, Member States must ensure that consumers have access to one or more websites which compare fees charged by PSPs for the list of the most representative services.

Whilst these price comparison websites may be operated by either a public authority or a private entity, PAD sets out certain operational / conduct requirements that price comparison websites must meet including amongst other things:

- Disclosure of website owners
- Criteria used for comparisons
- Accuracy and date of information used
- Breadth of the market compared

### Unbundling information on packaged accounts

Where a payment account is offered by a PSP as part of a package with certain other services or products, PSPs will need to tell customers whether the payment account can be purchased separately, and if so, provide customers separate information on the costs and fees of the different products and services when purchased separately.

## Account Switching

**Chapter III establishes a harmonised system for account switching with the aim of providing a level-playing field for the opening of payment accounts across the EU.**

### Switching

Under PAD the receiving (new) PSP is responsible for initiating the switching process.

Within two business days of receipt of the customer's authorisation, the (new) PSP must make a request to the transferring (old) PSP asking for them to provide a list of existing standing orders, incoming credit transfers and direct debits; the old PSP must comply with this within 5 business days.

The new PSP must also, within two business days of having the customer's authorisation, ask the old PSP to stop accepting direct debits and incoming credit transfers, cancel standing orders, transfer any positive balances to the new payment account and close the existing payment account from the relevant date. The old PSP must comply with this upon receipt of the request.

Having dealt with the 'switch off' of the old account, the new PSP must deal with the 'switch on' of the new account. Within five business days of receiving a request from the old PSP, the new PSP must set up standing orders, make preparations to accept direct debits, and provide account details to those paying money into, and those taking money out of, the customer's payment account.

Although Member States are entitled to establish or continue to use existing account transfer schemes, there must be a clear consumer interest in doing so, there must be no additional burden on the customer and the whole switching process must be completed within the same timeframe as mandated by PAD and described above.

### Facilitation of cross-border account opening

Under Chapter III, PSPs have a facilitation role in the opening of accounts abroad.

Where a customer informs its PSP that it would like to open an account with a PSP located in another Member State, the PSP with whom the customer initially held an account will have to take particular steps in order to facilitate this.

### Information requirements

PSPs will also have to provide to customers certain information about the switching service (free of charge) including:

- The role of the PSPs in each step
- The timeframe for completion
- Fees (if any)
- Information needed from the customer
- Any dispute resolution procedures

## Basic bank accounts

Chapter IV of PAD is aimed at ensuring that payment accounts with basic features are available to all consumers in the EU and enshrines the principle of non-discrimination in the offering of accounts and access to accounts.

### Non-discrimination

Article 14 of PAD enshrines the principle that banks must not discriminate against consumers legally resident in the EU when they apply for or access a payment account in the EU for reasons connected with their nationality, place of residence, race, age, sexual orientation and disability, amongst others.

### Unbanked EU citizens

PAD requires Member States to ensure that all consumers have access to a payment account with basic features through a sufficient number of credit institutions offering this service. This is designed to target 'unbanked' EU citizens who are presently unable to open a payment account with basic features. Accounts which only permit online banking will not count towards meeting the requirement.

A payment account with basic features requires services including those allowing the operation of an account, placing funds in an account, cash withdrawals within the EU using an ATM or at a bank counter, direct debits, credit transfers, and the making of payment transactions

through a payment card (including online payments). Member States are entitled to add services to this list of basic features for their jurisdiction.

It is intended that these accounts will be of particular benefit to those who are legally resident in the EU but who have no fixed address as well as asylum seekers.

Credit institutions offering these accounts will either have to refuse an application or open the account without undue delay and at the latest within 10 business days after receiving a complete application.

Basic bank account services must be provided free of charge or for a

reasonable fee and where a customer does not comply with their commitments under the framework contract, any default fees charged must also be reasonable.

Communications with customers who may use basic bank accounts must be sufficient and well-targeted, particularly with respect to reaching unbanked, vulnerable and mobile customers.

It remains unclear how Member States will ensure the sufficient provision of basic accounts but presumably they may look to do so in part through state-owned banks and institutions where possible.

### What does it all mean?

- **Production of two new account documents** – banks and other PSPs will need to produce a standard form fee information document and a glossary which use the standardised terminology developed by the EBA
- **Revision of existing contractual and marketing information** – banks and other PSPs will need to update documents, websites, Apps and other marketing collaterals to use the standardised terminology developed by the EBA
- **Revision of existing fee statement documents** – banks and other PSPs will need to re-format existing statements provided to consumers into the new standard format and will need to ensure these include all the relevant information required by PAD and use the standardised terminology developed by the EBA
- **Unbundled information on unbundled services** – banks and other PSPs will need to be in a position to provide information on each product and service offered in a package that can be purchased separately
- **Switching** – banks and other PSPs will need to comply with the new switching rules (building on existing schemes such as the UK account switching service already on offer) and facilitate the opening of accounts in other Member States
- **Offer basic bank accounts** – banks and potentially other PSPs that offer payment accounts (depending on whether Member States extend the application of Chapter IV) may be required to offer basic bank accounts, particularly if there is insufficient supply in the local market to enable Member States to meet their obligations under the Directive.

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