

THE COMPETITION COUNCIL SUPPORTS REFINANCING OF LOANS TO ANOTHER BANK OTHER THAN THE ONE WHICH GRANTED THE LOAN

Refinancing credits to a bank other than the one which provided the credit brings benefits to customers and stimulates competition between banks. The sector inquiry on the retail banking service market, conducted by the Competition Council, shows that people who want to refinance their loans to other banks to bear lower costs are confronting with difficulties, especially in the case of mortgage loans, as the current mortgage value has fallen below the initial value. Thus, the authority proposes that for the remaining uncovered warranty part to involve the State through one or more guarantee funds.

As a result, the Competition Council proposes to initiate discussions between all the actors involved (banks, banks associations, the Ministry of Public Finance, Guarantee Funds, the National Bank of Romania) so that individuals, who don't have debts to pay, be able to refinance the loan at another bank.

Competition on the market of payment services will intensify with the transposition of the Revised Payment Service Directive, which opens the market to new players (e.g., fintech), but this has not been yet taken into national law, although the implementation term was January 2018.

Following the transposition of this directive, it will fundamentally change the way that the payment transactions and access to account information will be made, and customers will be able to choose smaller service providers for all their financial needs, which will generate a change in consumers' preferences and expectations. The main advantage of the development of the companies in the field of fintech is the increased competition in the financial sector and lower commissions.

APIs can be used on computers and smartphones to disseminate, in a safe environment, information (such as prices and terms/conditions of bank products), but also transactions history (with the customers' agreement) to allow access to customized comparisons regarding current account and other services.

The Competition Council is of the view that the adoption of a common API will simplify the entry on the market for providers/service providers, which will help to increase competition. Also, a common API will lead to a more efficient authentication of payment institutions who can initiate payment transactions (PISP)/providers who can access bank accounts and extract account information (AISP), will facilitate communication with both payment services providers and banks, and will reduce the risk of fragmentation at European level.

From a customer perspective, a common API would provide ease of use and superior quality of services (accessibility, faster responses from the bank to third-party providers). In this context, the competition authority recommends the adoption of a software application – API (Application Programming Interface) – common to the banking system in Romania to facilitate the rapid and straightforward implementation of the Directive.

The competition authority's analysis also highlighted that low customer mobility affects competition in the banking sector. The Competition Council conducted, in June – September 2018, a survey on consumers perception about retail banking service market. According to this survey, 56% of individuals, 74% of PFA and 61% of SMEs participating have never changed the main bank. Also, almost half of respondents (individuals, PFAs and SMEs) believe that all bank offers are the same. The survey targeted three categories of clients: individuals (900 respondents), individuals authorized (901 respondents) and SMEs (902 respondents) from both urban and rural environment.

Although last year entered into force the law that transposes the European Directive which allows moving payment accounts from one bank to another for individuals, very few customers have called on this facility/procedure, because its benefits for consumer were not sufficiently promoted. At the same time, the Competition Council recommends the elaboration and the implementation of a similar mobility procedure also for authorized individuals (PFAs) and for small and medium enterprises (SMEs).

The Competition Council considers that comparison sites for bank offers may lead to stimulate the competition between banks/non-banking financial institutions. As a result, the competition authority recommends banks/IFNs and comparison sites to establish a format for reporting information on the most common types of banking products and services, enabling automatic data retrieval and a correct, accurate and in real-time information of consumers.

Also, it is important to establish a mechanism through which the comparison site to be notified about updated offers for banks/non-financial institutions, so that information to be quickly retrieved and displayed promptly by the comparison sites in the benefit of consumers.

The Competition Council considers that the promotion of bid comparison sites may be made with the support of consumer associations/organization for consumer protection through various forms (e.g., publishing a link that directs the consumer to these sites on the site of these associations).

The National Authority for Consumer Protection (ANPC) has the obligation, according to legal provisions, to make available to customers a free internet site where the commissions (fees?) charged by payment service providers are compared. So far, this site is not working.

The conclusions of the retail banking market Report can be consulted on the website of the institution, www.consiliulconcurentei.ro. Comments or viewpoints can be transmitted by email to service@consiliulconcurentei.ro or by post to the address:

Consiliul Concurenței, Piața Presei Libere nr. 1, sector 1, București, cod poștal 013701, Oficiul Poștal 25, Ghișeul 1.

We recall that the competition authority is carrying out two investigations on the financial services market, initiated in 2017, when dawn raids took place at the headquarters of 25 banks, non-financial institutions, leasing companies, professional associations and employers in the field of financial services, being the largest investigation of the institution.

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Press Office

tel.: 0372.129.710, 021.405.44 29 e-mail: presa@consiliulconcurentei.ro

