# Determining the benefits of Account Number Portability (ANP)

*Research framework & application for the Netherlands*

CLIENT:

Netherlands Authority for Consumers & Markets

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## Abbreviations used in this document

| | |
|---|---|
| ACM: | The Netherlands Authority for Consumers and Markets |
| ANP: | Account Number Portability |
| BAU: | Business as usual |
| BBA: | The British Bankers' Association |
| BCA: | Business Current Account |
| CA: | Current account |
| CASS: | British Current Account Switch Service |
| CBS: | Statistics Netherlands |
| DIY: | 'Do-it-yourself'(in terms of switching current accounts without help) |
| DNB: | De Nederlandsche Bank |
| DWL: | Deadweight Welfare Loss |
| EC: | European Commission |
| EU: | European Union |
| EUR: | the Euro |
| FCA: | British Financial Conduct Authority |
| IBAN: | International Bank Account Number |
| IPSS: | (Dutch) Interbank Payment Switching Services |
| Nibud: | Dutch National Institute for Family Finance Information |
| PAD: | Payment Accounts Directive |
| PCA: | Personal Current Account |
| PoS: | Point of Sale |
| PSD: | Payment Services Directive |
| PSD2: | Revised Payment Service Directive |
| SC: | Switching cost |
| SCBA: | Social Cost-Benefit Analysis |
| SME: | Small and Medium-sized enterprises |
| SR: | Numbers of current account switchers (switching rate) |

# Executive summary

## Research background

Account Number Portability (ANP) is generally referred to as the ability of a customer to move to another current account provider while retaining the same account details. The European Commission (EC) has announced a new cost-benefit analysis of EU-wide ANP, to be held in 2019.[1] This study is an attempt to assess and quantify all the possible benefits of ANP for consumers and small and medium-sized enterprises (SMEs).[2] It presents a framework that can be used to quantify the benefits of ANP in a specific EU member state. Although there are several possible variations of ANP, we define ANP as a situation in which current account switchers do not have to inform any third parties about the switch.

Limited switching in the retail banking sector has been a point of interest for European policymakers for many years. For most households and SMEs, current accounts are a low interest product, characterised by low switching rates and relatively high switching costs. These high switching costs not only withhold customers from switching between providers, but also pose a barrier for new entrants, resulting in a lack of competition. There have been several attempts to increase the switching rates with the help of switching services and regulatory interventions such as the Payment Accounts Directive (PAD) and the Revised Payment Service Directive (PSD2). These interventions, technological innovations (FinTech), and changing consumer behaviour challenge the sometimes dominant position of retail banks. ANP is another intervention that has the same aim.

## Research methodology

Social cost-benefit analysis (SCBA) is a systematic appraisal method for judging the economic advantages and disadvantages of a project or policy measure. It comprises not just the financial effects (investment costs, direct benefits like price and income effects, etc.), but also the net social welfare effects in terms of utility, well-being and other non-market values.

Throughout this report, we will define 'effects' as a change in economic activity associated with ANP. 'Benefits' refer to a net increase in total social welfare. The term 'social' refers to the non-market values such as the utility that customers attribute to time savings due to ANP, well-being, pollution, safety, etc. Based on the foundation of social cost-benefit analysis, we identify two categories of effects of the introduction of ANP:

- **direct effects:** a reduction of switching costs for customers switching from one bank to another;

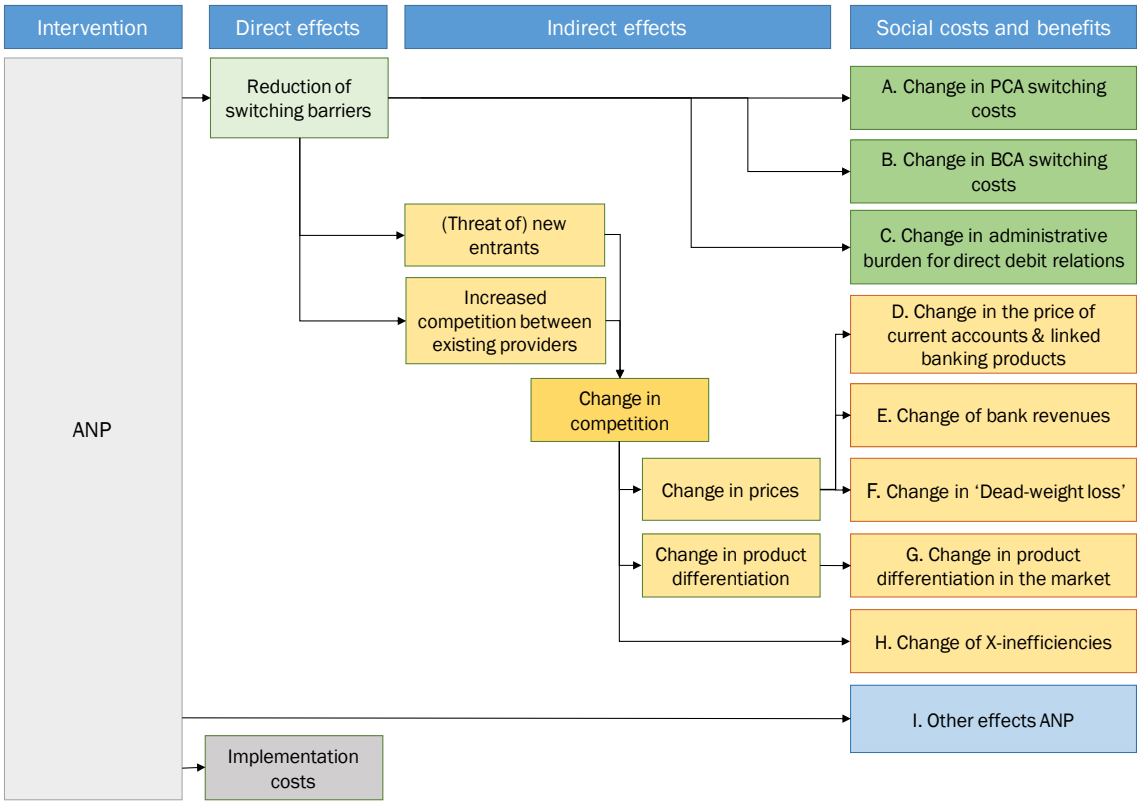
[1] In 2013, the EC (2013) performed an impact study of the cost and benefits of ANP ('payment account portability'), but only in terms of the direct benefits.

[2] This study is commissioned by the Netherlands Authority for Consumers & Markets (ACM). On request of the ACM, the study concerns only the benefits of ANP and not the implementation costs of ANP.

- **indirect effects:** an increase in the threat of customers actually switching puts more competitive pressure on banks, and new entrants will find it easier to enter the market. This may lead to positive effects on market performance such as lower prices and increased efficiency.

We translate the direct and indirect effects into various social benefits (see Figure S.1). Implementation costs are not the scope for this study.

*Figure S.1 Overview of the identified benefits of ANP*




In this study we assume that the effects of ANP are related to today's markets and circumstances. However, as ANP will not be introduced today, two scenarios are used to assess the effect of possible changes that might take place in the near future. These are called the baseline scenarios, which will serve as an outlook for the evaluation period between of 10 years from 2016:[3]

- The first baseline scenario is called the '**Business as usual'** scenario, in which we basically assume that the market for current accounts remains stable (including the macro-economic situation, switching behavior of consumers and SMEs). Technological (market)innovations and recent/new legislation will only have a limited effect on the market for current accounts.

[3] An evaluation period of one year is not correct because benefits of ANP are not limited to one year, ANP will permanently influence the switching process. The evaluation period is limited to a period of ten years to take into account the possibly rapidly changing financial sector.

- The second baseline scenario is the '**FinTech' scenario**, in which recent legislative directives (PAD and PSD2) and increasing market dynamics due to technological developments (Bunq, Google Wallet and Apple Pay, etc.) will in a disruptive way change the landscape for current accounts. These developments combined will make the market more competitive, but current accounts less valuable, lowering the effect of ANP.

## Research results

### Part I: The Research Framework

An important conclusion of this study is that the quantification of the direct effects of ANP is relatively straightforward, both in terms of required data and methodological considerations. The number of expected switchers in a situation with ANP can be forecasted with the help of surveys and a Markov Chain Model.[4] A Standard Cost model helps to assess the decrease in switching costs in terms of administrative burden for both consumers, SMEs and direct debit relations.

As a result of the change in competition, ANP might indirectly lead to lower prices for current accounts and linked banking products and lead to the introduction of new products and services (product differentiation). Lower prices or products and services that better suit customers' needs, increases the 'consumer surplus': customers get the same or better 'value', but pay a lower price. However suppliers do not benefit from lower prices: the increase in consumer surplus is offset by the same reduction in producer surplus for current account providers. A change in prices therefore is in itself not a net welfare effect. Changes in price settings, however, can also trigger a positive change in consumer surplus, which is not completely offset by the same reduction in producer surplus. This effect is described as a change in 'deadweight welfare loss' (DWL).[5]

The increase in competition due to ANP may also lead to a reduction of X-inefficiencies, which is the difference between the level of efficiency of businesses assumed or implied by economic theory and the observed efficiency in practice.[6] Finally, we found in the studied literature that ANP may have an effect in terms of current account fraud and macro-economic effects in terms of bank runs and financial stability.

The indirect effects of ANP and the strategic behaviour of current account providers (retail banks) should be considered jointly. The Structure Conduct Performance (SCP) paradigm helps to understand the dynamics of the introduction of ANP (or another policy measure), leading to a different outcome and possibly a new market structure.

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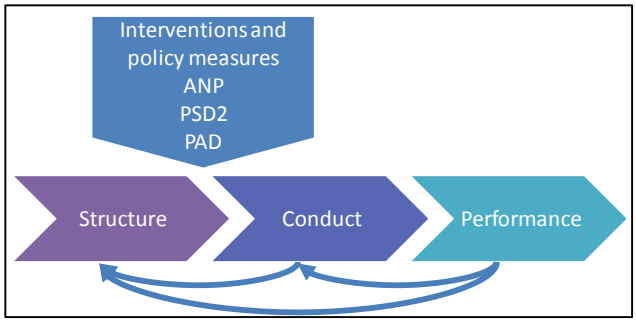
[4] Named after Andrey Markov, a Markov Chain Model is a transition model used to model real-world processes.

[5] DWL occurs when markets reach an equilibrium where prices are set above a competitive level and demand is lower than what is theoretically possible. When deadweight loss occurs, it comes at the expense of the consumer surplus and/or the producer surplus.

[6] The term 'X' refers to the unknown size of the assumed inefficiencies. The concept of X-inefficiency was introduced by Harvey Leibenstein (1966).

The market structure of retail banking markets can be relatively easily mapped in terms of demand (current accounts & related services), supply (banks, packages, price arrangements) and market dynamics. How the providers of personal current accounts (PCAs) and business current accounts (BCAs) will react to ANP (the 'Conduct' in SCP), is more complex. This makes it uncertain to what level there will be more current account suppliers (structure), or to what extent prices for current accounts will be reduced (performance).




**Part II: Application of the research framework to the situation in the Netherlands**

Based on the methodology set out in Part 1, we applied the research framework to the situation in the Netherlands.

*Direct effects of ANP in the Netherlands*

We estimate that in a situation with ANP the annual number of consumers who switch with their PCA will increase from one percent to five percent. For SMEs, we estimate an increase in the switching rate from 2.0 to 4.4 percent. These estimates are based on a survey conducted by GfK and use of a Markov Chain model.

In terms of switching costs, our assessment illustrates that ANP will reduce the switching time for consumers with approximately 9.7 hours in comparison to a do-it-yourself (DIY) situation, and 2.4 hours in comparison to the use of the Dutch switching services (IPSS).[7] On top of that, switching current accounts entails in many cases double fees for holding two current accounts. Based on the assumption that the average PCA switchers will hold two accounts for a period of 3 months, the total savings in switching time and other switching costs can be monetised and translated in a decrease in switching costs of EUR 158.5 in comparison to a DIY situation, and EUR 49 in comparison to the situation with IPSS.

For SMEs, we estimate a reduction in switching time of 19 hours in comparison to a DIY situation, and almost seven hours compared to a situation with a switching service. On top of that, we assume a 13 month period of two accounts in a situation with IPSS and DIY. The total savings in switching time and other switching costs for BCA switchers are estimated to be EUR 813 in comparison to a DIY situation, and EUR 358 in comparison to the situation with IPSS.

[7] A do-it-yourself situation is a situation in which a consumer switches current accounts without any help of a switching service.

The total direct effects of ANP for Dutch consumers and SMEs are estimated to be EUR 47.7 million in the first year (see Table S.1). This includes a reduction in the administrative burden for direct debit relations of EUR 14.6 million (not including possible first administrative amendments due to ANP).

*Table S.1 Overview of the quantified direct effects of ANP for the Netherlands; year 1 (in EUR million)*

| No. | Description | ANP effect year 1 |
|---|---|---|
| A | Change in PCA switching costs | 19.2 |
| B | Change in BCA switching costs | 13.9 |
| C | Change in the administrative burden for direct debit relations | 14.6 |
| | **Total:** | **47.7** |

For the long run, we calculated a net present value for the 'Business as usual' scenario of EUR 466 million, and for the 'FinTech' scenario of EUR 388 million (see Table S.2).

*Table S.2 Net present values of Direct effects (2017-2026, in EUR million, discounted at 3 percent)*

| Effect | Business as usual scenario | FinTech scenario |
|---|---|---|
| A. Decrease in PCA switching costs | 174 | 134 |
| B. Decrease in BCA switching costs | 159 | 121 |
| C. Decrease in administrative burden | 133 | 133 |
| **Total Direct effects** | **466** | **388** |

*Indirect effects of ANP in the Netherlands*

In the Netherlands, the net welfare effect caused by indirect effects is mainly due to a potential reduction in X-inefficiencies. Due to their complex nature, estimates on the indirect effects for the Netherlands have a strong tentative character. Our tentative estimate indicates that the magnitude can be significant, and be in the same order of magnitude as the direct effects between EUR 500-550 million).

## Suggestions for further research

While recognising some of the potential methodological limitations, we suggest other EU member states to focus on the following research options:

*Direct effects*

- Insight in the additional number of current account switchers after the introduction of ANP is of key importance to estimate the direct effects of ANP as each 'new' switchers will benefit from ANP in terms of less switching costs. Forecasting the number of new switchers under ANP can be done with surveys, but questions about projected reactions in hypothetical situations are not always reliable (this is referred to as the 'hypothetical bias'). Gathering more information on the average

size of this bias is one way to deal with this bias. Another option is to use a 'follow-up' survey in order to determine which respondents actually switched after they stated they would do so in a near future.

- An important element in estimating the reduction of switching costs is the estimation of the number of (business) relations that have to be notified in case of a current account switch. This is of importance because in a situation with ANP, current account switchers will not have to inform any third parties about the switch anymore, reducing the time effort for switchers. On top of that, direct debit recipients (mostly non-SMEs) will not have to make amendments in their financial administration anymore in case of a current account switch. We could not find reliable data on the average number of regular income sources and direct debit creditors for consumers. Especially for SMEs, this kind of data is not readily available. Hence, we suggest to gather empirical data for payment volume in terms of the number of direct debit contracts per PCA/BCA-holder, based on macro-economic statistics and/or representative profiles of SMEs and consumers.
- In terms of switching costs, it is also of importance to gain insight in the complexity and advancement (in terms of digitalisation) of the financial administration and office stationery per type of BCA switcher. In a situation with ANP, current account switchers do not have to make amendments anymore in their financial administration and to their office stationery, but the costs of these amendments depend for a large part on the type of administration and e.g. the use of invoice templates, etc. It is difficult without empirical data to estimate these average savings in terms of time and costs.

*Indirect effects*

- In order to quantify the indirect effect of ANP on the pricing of products, information about price setting for current accounts and related banking products is needed. For this study we used publicly available information about current account prices in the Netherlands, and a 2009 study by Bureau Van Dijk and CEPS which compares the average current account prices between EU member states. Based on this information, estimations can be made if ANP will have a positive/negative, small/large effect on prices. For the Netherlands, for example, we concluded that the introduction of ANP will most likely not lead to a large positive price-effect, since Dutch current account prices are already low compared to other EU member states, in contrast to e.g. Italy and Spain. It would be very useful however, to have an updated international benchmark of the prices of current accounts for both consumers and companies/SMEs in order for each EU member state to estimate what the effect of ANP on prices could be. Desk research in combination with an extensive survey under financial market and retail banking experts, retail bankers and regulatory authorities, might help acquiring such insights.
- Changes in price settings can trigger a positive welfare effect in terms of a change in 'deadweight welfare loss'. This effect occurs when markets reach an equilibrium where prices are set above a competitive level and demand is lower than what is theoretically possible (at the expense of the consumer surplus and/or the producer surplus). The magnitude of this effect depends on the price elasticity of demand of both current accounts and linked banking products. Due to the lack of available data, we did not measure the price elasticity of current accounts and linked banking products. This can be done with the help of several data types such as aggregate time-series data,

cross-sectional data (e.g. based on household surveys), or with the help of time-series of cross-sectional data (based on repeated observations over time or pooled data based on cross-sectional observations).

- More competition due to ANP may lead to an increase in the level of efficiency of current account providers. This is an important welfare effect, and hence important to assess and quantify. The quantification of this effect, however, requires a detailed understanding of the performance of the current account providers. For this, insight is needed in terms of cost-to-income ratios and profit margins for current accounts (both for private customers and businesses), and related products such as credit facilities, saving accounts and mortgages. An extensive international benchmark on cost and income structures of retail banking activity would enable EU member states to compare the cost efficiency level of retail banks.
- Finally, due to a lack of available information and some inconclusive desk research results, we did not further assess the effects of ANP in terms of current account fraud and the reduction of societal cost due to failing banks. Fraud prevention is an important aspect of every financial system, however, and might be an interesting issue for an in-depth study. The macro-economic aspects of ANP are also very relevant in case ANP is introduced at an EU-level, e.g. in terms of the effects of EU-wide ANP on bank liquidity and corresponding supervision standards.

# Introduction

## Background

Enabling consumers and SMEs to switch between different providers of current accounts (also known as 'payment account') that suit their needs and requirements is a key condition for a competitive banking sector. Hence, the annual number of switchers is considered to be an important indicator of the level of competition.

Multiple studies have shown that both consumers and SMEs rarely switch their personal current accounts (PCAs) and business current accounts (BCAs).[8] The Netherlands Authority for Consumers and Markets (ACM, 2014), for example, found that in the Netherlands 73 percent of PCA customers had never switched between providers of current accounts, and another 24 percent had only switched once.[9] Switching barriers are a major cause of this limited switching behaviour. In some countries Interbank Payment Switching Services (IPSS) are in place, but these have not led to a significant increase in the number of switchers.[10]

Account Number Portability (ANP) might have more effect on switching. An impact study of several policy instruments[11] by the European Commission (EC, 2013) stated that EU-wide ANP is the most effective instrument. According to the Commission, EU-wide ANP is likely to produce the greatest benefit to consumers and wider society in terms of cost efficiency. ANP, however, would also impose significant initial costs on stakeholders, especially the current account providers. The Commission concluded that, for the time being, implementation of EU-wide ANP seems disproportionate to the identified problems.[12] Nevertheless, a European directive from 2014 states that the EC will launch a cost-benefit analysis of EU-wide ANP in 2019 to carefully weigh the benefits against the costs and technical issues related to the necessary modifications on the payment infrastructures.

In anticipation of the forthcoming EC cost-benefit analysis, ACM decided to launch a cost-benefit analysis into European ANP for the Dutch consumers and SMEs. ACM has asked Decisio in association with Periscoop Consult and GfK to assess and quantify the benefits of ANP for consumers and SMEs.

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8 EC (2012); ACM (2015).

9 ACM (2014).

10 In the Netherlands this service was launched in 2004.

11 Such as: 1) No action; 2) Ensuring the switching services follow the Common Principles; 3) Improve the effectiveness of the Common Principles; 4) Set up an automatic redirection service for all receipts and payments from an old to a new account; 5) Introduce payment account portability either 5A domestically or 5B EU-wide. Source: EC (2013). p. 83.

12 EC (2013). p. 84.

## Scope

This report presents a framework for assessing the benefits of European ANP for regional markets (i.e. Member States). This framework is the result of a benefit analysis for the Dutch market, which will be addressed in the second part of this report. The benefit analysis enables comparison between an ANP scenario, and one or more baseline scenarios.

The framework is based on the practice of Social Cost Benefit Analysis (SCBA) and assesses economic benefits of ANP from the perspective of society as a whole. Benefits can be monetised and discounted to convert them to their Net Present Value (NPV). This enables the comparison with the implementation costs, so the net benefits of ANP can be calculated. The direct effects (for customers or SMEs switching from one account to another) are worked out in detail. The indirect effects (on price setting, margins, industry competitiveness etc.) are addressed in a more general way.

This study assumes the introduction of ANP on a European level, and describes the effects of ANP on consumers, SMEs and the indirect economic effects. Implementation costs are not part of this study. Where social costs and benefits can be calculated on a per country basis, this is more difficult for the implementation costs, as these occur on a European scale.

## Sources of information

For this study, we have gathered data and information from a wide range of sources, which we describe below.

*Publicly available information*

We considered a range of publicly available information on the topic of Account Number Portability, Switching Services, international retail banking, theory of switching costs, reports by ACM, DNB, the EC, etc. For more information about the used literature, see Annex 1.

*Consumer and SME research*

In order to predict the number of customers and SMEs switching each year, we carried out a questionnaire in which we surveyed two panels (so in total four panels). One panel existing of those who actually do consider switching current accounts, but have decided not to do so, and one panel of those who do not consider switching, either because they are content or because they are indifferent. The survey was carried out online in December 2015 till January 2016, involving 1,010 private customers (consumers) and 346 SMEs.

*Views from stakeholders*

We held eleven in-depth interviews with Dutch banks, research consultants, employers' organisations, the Dutch National Bank and the Dutch Payments Association – see Annex 2.

## Outline of this report

The remainder of this report is divided in two parts:

- Part I presents a research framework to assess the benefits of ANP on a European level.
- Part II presents the application of the research framework to the situation in the Netherlands.

The research framework is developed during the process of assessing and quantifying the beneficial effects of ANP for the Dutch market. The used methods and assumptions can be universally applied to all EU member states.

**Part I:** Chapter 1 starts with a provision of relevant background information and an introduction of the relevant terms, concepts, technical and policy developments. Chapter 2 describes the conceptual research framework and introduces several assumptions, scenarios, and potential effects of ANP. Chapters 3 and 4 present a step by step approach for assessing the direct and indirect effects of ANP.

**Part II**: Chapter 5 presents some stylised facts about the Dutch market for PCAs and BCAs, and provides background information needed to interpret the possible effects of ANP for the Dutch market. Chapter 6 presents the empirical results. It assesses the social welfare effects of ANP for the Dutch society in the year of introduction. It furthermore presents the results of a scenario analysis, and provides an indication of the benefits of ANP for the evaluation period.

# PART I: RESEARCH FRAMEWORK

# 1 The context of ANP

## 1.1 Current accounts

### 1.1.1 Current accounts defined

A *current account* with a bank is *"an arrangement with a bank in which the customer puts in and removes money and the bank keeps a record of it*.[13] Under this arrangement, the bank (or payment services provider) guarantees the deposits, usually charges interest on a negative balance, and may pay interest on a positive balance.

There are no exact estimates of the number of current accounts in the EU, but an estimate by the EC (2013, p. 10) states that there are at least 368 million.[14] Deloitte (2015, p. 1) estimates that payments account for EUR 128 billion in revenues in 2015, i.e., about a quarter of total European retail banking revenues.

Individuals and businesses hold current accounts for several purposes:

- to keep money in a safe yet easy accessible place;
- to receive and make payments;
- to be able to pay in shops with a debit card;
- to have access to other financial products, like credit cards, savings accounts, overdraft facilities and other loans, and credit cards;
- banks may require –or at least make it attractive– to have an accompanying current account with loans, e.g. mortgage loans or working capital credit.

For retail banks, current accounts are the key to their customer relationships and function as a platform for the cross-selling of other retail bank products such as loans, mortgages and saving accounts. All in all, current accounts play an important role in modern economies.

### 1.1.2 Trends in the market for current accounts

Historically, banks have been the dominant players as payment service providers in Europe. Since the last couple of years, however, there are three major developments that challenge this dominant position of banks:

- regulatory intervention;
- technological innovation;
- changing consumer behaviour.[15]

[13] Cambridge Advanced Learner's Dictionary.
[14] This figure is based on the number of EU citizens above the age of 15.
[15] Deloitte (2015, p. 6).

*The existing EU regulatory framework*

There is a broad consensus in EU context that legislative measures on current accounts are required to open up and improve the functioning of the single market for all EU citizens. Below, we introduce the major regulatory interventions on an EU level.

The first **Payment Services Directive** (PSD) in 2007, provided the legal foundation for the creation of an EU wide single market for payments and the framework for the Single Euro Payments Area (SEPA). It also aimed to improve competition by opening up payment markets to new entrants.[16]

In 2010, the European Parliament called for a legislative proposal on guaranteeing access to certain basic banking services and to improve the transparency and comparability of bank charges by the end of 2011.[17] In July 2011, the EC adopted a **Recommendation** on access to a basic current account (even in a Member State where the particular person does not permanently reside).[18]

In July 2014, the European Parliament and the EC adopted the **Payment Accounts Directive** (PAD).[19] PAD's main aim is to help the EU internal market for current accounts work to well. On top of it, PAD provides that from September 2016 on, providers of payment services must make a switching service available to individual customers.

October 2015, the European Parliament adopted the **Revised Directive on Payment Services** (PSD2).[20] It primarily aims to open the payments market to competition from non-bank players (FinTechs, etc.) in response to innovation and changing customer behaviour. Member States have two years' time to implement PSD2.

*Technological innovation and changing consumer behaviour*

Historically, the banking industry has been one of the industries least vulnerable to disruption by technology.[21] Banks perform an important role in our modern day economies, are highly regulated, possess more or less the monopoly on money creation and credit issuance, and link their customers to the world's largest payment systems.[22] Today, however, technological innovation is regarded as one of the most important forces that will influence the financial sector the next couple of years.[23] This is the result of a combination of factors:

- a growing amount of FinTech start-ups and venture capital;
- the negative impact of the financial crisis on the trust in the banking system;

16 Deloitte (2015, p. 9).
17 EC (2013, p. 7).
18 EC (2013, p. 11).
19 European Parliament and the EC (2014).
20 European Parliament and the EC (2015).
21 McKinsey (2015, p. 1).
22 Ibid.
23 DNB (2016a).

- new paying methods due to the development of Smartphones and online banking;
- new generations of consumers are increasingly digital natives and are more open to personalised (financial) services (Uber, airbnb, etc.);[24]
- the growing availability and interest in big data and banking consumer data.[25]

Technological innovation already changed the financial landscape in terms of industry networks and efficiency for customers. In the pre-ATM days, customers had limited access to cash and basic transactions were time consuming. Today, mobile phone apps allow these kind of transactions to be done with a few taps on the screen. This is not only more convenient for customers, but also gives everybody more control over the management of our money.[26] On the other hand, as technology enables consumers and companies to go more and more online, traditional branches are becoming less and less necessary.[27] As a result, the number of bank branches is declining since 2009 in the EU, with the exception of a few EU member states such as Poland.[28] Worldwide, banks have already reduced staff levels and started experimenting with new branch concepts.[29]

### 1.1.3 Current account switching

For most households current accounts are a low interest product. The lack of customer dynamics is usually explained by *customer inertia:* households do not consider to switch from bank, mostly because they do not care. Other customers may have a positive reason (e.g., experience-based loyalty towards the bank) for not considering switching suppliers, or a negative reason: they feel locked in by a discount on their mortgage loan, or being dependent on other loans they fear another bank would not administer.

Consumer inertia in financial services is traditionally high and customers are generally loyal to their financial service provider(s).[30] In Great Britain, levels of switching in the PCA market have historically been lower than switching levels for other financial products, and products and services in other industries.[31] On a European level, overall product switches with the same provider and between providers are significantly lower for current accounts than for internet services and the mobile phone sector.[32] "EU consumers typically hold their current account for approximately ten years with the longest being in Finland, Denmark, Sweden and the Netherlands."[33]

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[24] Banks traditionally invested more in security and resilience than in customer convenience. The non-bank payment service companies offer simpler and swifter services such as mobile apps. Deloitte (2015).
[25] McKinsey (2015, p. 2-4).
[26] BBA (2014, p. 3).
[27] PWC (2014, p. 11).
[28] FT.com (2014).
[29] PWC (2014, p. 11).
[30] McKinsey (2015, p. 1).
[31] FCA (2015, p. 16).
[32] EC (2013, p. 39).
[33] Ibid.

In case of the Netherlands, ACM (2014, p.7) concluded that the limited switching behaviour of consumers (consumer inertia) reduces the market potential for market entrants to create a sufficient market share. This is the case for both the savings market and the market for current accounts. Consequently, the low switching rates can reflect weak competition.[34] Consumers and SMEs rarely switch their current accounts (for evidence from the Dutch market see chapter 6), but the ability to easily switch between different providers of PCAs and BCAs is an important element of a competitive market. The next section investigates the causes of this consumer inertia for PCAs and BCAs.

## 1.2 Switching costs

### 1.2.1 Definition of switching costs

One possible reason why consumers and SMEs respond weakly to differences in price and quality of current accounts, is that the costs of switching to another provider are high. NERA (2003, p.1), a British consultancy defines switching costs "as the real or perceived costs that are incurred when changing supplier, but which are not incurred by remaining with the current supplier". Klemperer (1995) defines 'switching costs' as costs that arise "when a consumer makes investments specific to buying from a firm, creating economies of scope between buying different goods, or (especially) goods at different dates, from that firm".[35]

### 1.2.2 Switching costs for PCAs and BCAs

Switching costs can have a profound influence on business practices, the structure of prices and the market dynamics. They for example explain why certain suppliers appear to be so concerned with market shares, especially in start-up markets, as these suppliers compete for customer bases to exploit in the future. Switching costs also enable to set suppliers prices above the competition level once customers are locked in. And finally, switching costs can affect the entry of new competitors in markets (although not necessarily in a negative way) and can discourage product innovation.[36]

Based on an analytic framework by Burnham *et al*. (2003), De Nederlandsche Bank (DNB, 2015)[37] defines the following dimensions of switching costs:

- economic risk costs: the unknown factor of the quality of the services and customer friendliness of the new bank.

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[34] 'Can' reflect, since switching levels are not perfect indicators for competition. They should be considered alongside other indicators.

[35] CPB (2005, p. 15). According to Klemperer (1995), switching costs are generally caused by the need for compatibility with existing equipment, transaction costs of switching suppliers, the costs of learning to use new brands, uncertainty about the quality of untested brands, and psychological costs of switching, or non-economic "brand loyalty".

[36] In cases where switching costs raise the profitability of markets, then they also encourage entry. (National Economic Research Associates (NERA), 2003, p. 1-2).

[37] DNB (2015, p. 5 and p. 24-25; Appendix A).

- evaluation costs: comparing the costs, interest rates, and types of current accounts and the location and opening hours of bank branches.
- learning costs: new PIN, new account number, learning to use the new format of electronic banking, etc.
- setup costs: closing the old current account and opening the new one, and informing others about the new account number.
- benefit loss costs: Discounts for having multiple products and/or a long customer relationship, and the possible necessary switching of other linked products.
- monetary loss costs: Penalty when terminating the existing contract before maturity and/or advisory fees.
- personal/brand relationship loss costs: relationship and bonding with the old bank staff and brand.

This overview illustrates the diversity of switching costs for current accounts. Low price transparency and information asymmetry, for example, can make it difficult for customers to compare prices and choose between banks. It forces potential switchers to make a substantial investment of time and effort to search the best possible supplier (evaluation costs). On top of that, potential switchers have to pay attention to possible linked products such as insurances, credit products or mortgages (benefit loss costs). Finally, it will always remain the question if the relationship with a new bank will be as good as the one with the old bank (relationship loss costs).[38]

The overview also illustrates that switching costs are more than merely the costs of closing the old current account and to open the new one. Therefore, ANP will not eliminate all the switching costs.

### 1.2.3 Attempts to reduce the switching costs for current accounts

One of the main goals of the EU PAD is to establish minimum standards to guarantee a clear, quick and safe procedure for European consumers to switch between current accounts.[39] The EC does this with the aim of providing a level-playing field for payment service providers which intend to offer their services on a cross-border basis.[40]

Under PAD, the new current account provider is responsible for initiating the switching process and a consumer only will have to file a request. The old provider must comply with the transfer of relevant information to the new provider in a limited amount of time. Member States are allowed to establish or continue to use existing account transfer methods, but only in the consumer's interest.[41]

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[38] Considering the above mentioned dimensions, it is no wonder that the EC (2006, p. 97) concluded already in 2006 that bank consumers tend to respond more to 'push' factors (such as poor service, refusal of a loan or bad publicity) than the 'pull' of a better product range at another retail bank.

[39] PAD seeks to harmonise the switching process for all European Member States.

[40] Irish Department of Finance (2015, p. 10).

[41] Clifford Chance (2014, p. 2).

The Netherlands and the UK already introduced a switching service for current account switchers. In 2004, the joint Dutch banks introduced a free Interbank Payment Switching Service (IPSS, in Dutch: '*Overstapservice*') for customers.[42] This service ensures that direct debits and payments will be forwarded to the switcher's new current account for a period of 13 months. IPSS does not cover all dimensions of switching costs, but mainly the setup costs and the learning costs. IPSS is based on 'Equens' (former Interpay), a central payment processor initiated by the Dutch banks.

A British Current Account Switching Service (CASS) is launched in 2013. Like IPSS, it is a free-to-use service for consumers and SMEs and small charities that want to switch their current account. Incoming payments are routed to a new account for up to 13 months.[43]

SEO Economic Research (2008) confirms that the IPSS reduces the switching costs for both PCAs and BCAs, and that recent users of the IPSS are (very) satisfied about the services. Nevertheless, ACM states that the actual usage of the switching service is low (i.e. less than 1 per cent of all PCA customers per annum).[44] This low usage of the switching service is partially the result of a relatively low notoriety amongst customers. In addition a GfK (2014, p.5) survey amongst PCA holders illustrates that a majority of consumers who did not know of the existence of the IPSS, still do not plan to switch after having been informed about it. One of the reasons is a concern about double fees (for the old and new current accounts) during the switching period.[45]

## 1.3 Account Number Portability defined

ANP is referred to as the ability of a customer to move to another current account provider while retaining the same account details. There are a variety of ways in which ANP can be achieved. For example, adjustments could be made so that the consumer or SME can choose to keep the International Bank Account Number (IBAN) of the previous provider. Alternatively, a new bank-independent account number could be introduced. The necessary technical changes and operational risks of the implementation of ANP should be assessed on a European level and are not part of this study.[46]

For this study, we assume a situation in which current account switchers can keep their account number and therefore do not have to inform any third parties (e.g. business relations or direct debt collectors) about the switch.

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[42] In 2013, a Current Account Switching Service (CASS) was launched in the UK. Like IPSS, it is a free-to-use service for consumers and SMEs and small charities that want to switch their current account. Incoming payments are routed to a new account for up to 13 months. Source: FCA (2015, p. 6-7).

[43] FCA (2015, p. 6-7).

[44] CASS has led to a small increase in switching volumes and consumers have a low awareness and confidence in the switching service (FCA, 2015).

[45] CMA (2015, p. 8).

[46] For more information on the different ways to achieve ANP, see ACM (2016).

# 2 Theoretical framework to estimate the social effects of ANP

ANP has benefits for both individuals and companies that already switch from one bank to another because ANP reduces the switching costs. But this is not the only objective of the introduction of ANP since ANP might encourage customers and companies who do not switch in a situation without ANP to become active switchers. This can lead to a more dynamic market with an increase in competition and possibly lower prices and improved services. This chapter presents the identified social effects of ANP for EU member states and addresses to some extend the possible differences between Member States.

## 2.1 Methodology and assumptions

### 2.1.1 Social cost benefit analysis

Social cost benefit analysis (SCBA) is a systematic appraisal method for judging the economic advantages and disadvantages of a project or policy measure. It comprises not just the financial effects (investment costs, direct benefits like price and income effects, taxes, fees, etc.), but also the net social welfare effects in terms of utility, well-being, pollution, safety and other non-market values. Also indirect effects on other markets (e.g. labour market) are taken into account. The main aim of a SCBA is to attach a price to as many effects as possible in order to uniformly weigh heterogeneous effects. This way SCBA can help predict whether the benefits of a policy outweigh its costs. SCBA is widely used to assess the effects of infrastructure projects.[47] Its application is becoming more and more widespread, and indeed it can be made applicable to almost any policy measure.

Throughout this report, we will define 'effects' as a change in economic activity associated with ANP. 'Benefits' refer to a net increase in total social welfare. The term 'social' refers to the non-market values such as the utility that customers attribute to time savings due to ANP, well-being, pollution, safety, etc.

Whereas the principles of social cost benefit analysis are quite simple, there are some difficulties in applying it to complex policy decisions. Difficulties may occur because:

- future developments with and without the policy under scrutiny, are uncertain. Baseline scenarios need to be developed (see the next section). This holds especially for European retail banking market today, where new European policies are being deployed such as the PAD, and PSD2 of which the outcomes are still unknown. The same holds for *FinTech* developments and global *tech* players like Google and Apple entering markets for retail banking, as well as local initiatives.

[47] See for example ECMT (2001); Bickel, P., Friedrich, R. et al. (2006).

- the size of the effects, or their direction (positive or negative) is as a rule uncertain. It is therefore advised to make use of scenarios and sensitivity analyses to account for different assumptions. [48]
- usually, different sets of customers or businesses incur different effects, some positive, some negative. SCBA assumes that if losses of one group can be theoretically offset by gains by another, there is a net welfare effect.[49]

### 2.1.2 Hypothetical introduction of ANP in 2016

The introduction of ANP will not take place overnight. Decisions on the implementation of ANP on a European level are not expected to be taken before 2020. In the fast changing environment of the financial market, it is a very complex business to forecast the future of financial markets of individual Member States and for the whole of the European Union (EU). In this study we assume that the effects of ANP are related to today's markets and circumstances. However, as ANP will not be introduced today, two scenarios are used to assess the effect of possible changes that might take place in the near future. These are called the baseline scenarios.

The possible effects of ANP today are confronted with the scenarios to predict the possible effects of more or less autonomous developments on financial products and the retail banking market structure.

### 2.1.3 Baseline scenarios

The baseline is a reference point that reflects the world without the proposed project or regulation. Since the benefit analysis considers the effect of –in this case- the introduction of ANP in relation to this baseline, its specifications can have a profound influence on the outcome of the analysis. Hence, to assure the accuracy of the benefit estimates, the determination of the baseline is an important first step.

Starting point for the baseline scenarios is the base year 2016. The benefit analysis will determine the effect of ANP assuming a hypothetical introduction of ANP in 2016. The benefit analysis will determine the effect of ANP for each year during this evaluation period. Given the complexity of the retail banking market and the current developments in terms of technological and market innovations, we work with two baseline scenarios that give a bandwidth of possible future situations. The first scenario is based on the assumption that the status quo is persistent. The second one is based on the assumption that new products and services will change markets and the way in which customers use their bank accounts and related services.

- **Scenario 1**: The 'Business As Usual' (BAU) scenario, in which we basically assume that the market for current accounts remains stable, the macro-economic situation will not change dramatically and consumers and SMEs will not change their switching behaviour, attitudes towards retail

[48] Sensitivity analysis is a way to determine how different values will impact a particular dependent variable under a given set of assumptions. It helps to predict the outcome of a decision in different situation.

[49] Note that national policy makers might prefer an increase in consumer surplus above an increase in producer surplus.

banks, etc. Technological (market)innovations and recent/new legislation will only have a limited effect on the market for current accounts. With these assumptions, near future impacts need only be corrected for demographic changes in terms of the number of PCAs and BCAs due to the growth of the number of households.

- **Scenario 2**: The 'FinTech' scenario, in which recent legislative directives (PAD and PSD2) and increasing market dynamics due to technological developments (Bunq, Google Wallet and Apple Pay, etc.) will in a disruptive way change the landscape for current accounts. In this scenario, new products (*electronic wallets* and *financial apps*), will reduce the importance of current accounts. These new services will take the place of certain functions of current accounts. Also PAD and PSD2 will be effective in this scenario, increasing (international) competition levels. These developments combined will make the market more competitive, but current accounts less valuable. This also means that the effect of ANP will be lower (see also Table 6.4), as some of its main aims are already met in the baseline situation.

These baseline scenarios will serve as an outlook for the evaluation period between 2016 and 2026. An evaluation period of one year is not correct, as ANP will permanently influence the switching process. The evaluation period is limited to a period of ten years to take into account the possibly rapidly changing financial sector, which makes any prediction beyond this horizon even more unsure. Economic and other effects of ANP are measured as the difference between the situation with and without ANP in the same scenario. Two scenarios are used to account for the inherent uncertainty of future developments.

### 2.1.4 General assumptions

In order to calculate the effects of ANP and compare the different effects over time it is necessary to use some general assumptions:

- the discount rate is three percent (real) for the societal benefits and null percent (real) for the revenue effects for current account providers.[50]
- social costs and benefits are set in terms of changes in welfare, based on the normative assumption that people/society are rational utility maximisers.
- geographical demarcation: The introduction of European ANP will lead to costs and benefits for all SEPA member states. This framework however, focuses on the benefits of ANP for individual countries (or otherwise geographically demarcated markets).

## 2.2 Potential effects of ANP

### 2.2.1 Direct versus indirect effects of ANP

With ANP, there is no need to inform all relations about the switch to a new bank and the new account number. The biggest direct benefit from ANP for individuals and firms that consider changing banks is that it saves time and costs. Another benefit is that there is no risk that relations are not informed and

[50] Note: the market interest is assumed to be 0 percent. Source: Dutch Ministry of Finance (2015, p. 10).

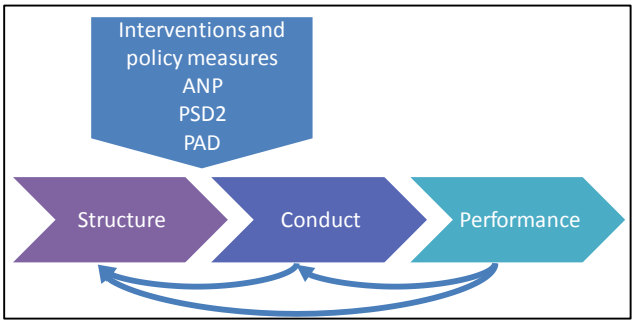
transfers are being blocked, with consequences for the timely crediting of income or debiting the account for the purchase of goods and services. The latter may lead suppliers to impose a penalty or block access to their goods and services (i.e. electricity, telephony, internet, etc.). Customers and firms who switch banks in a baseline scenario without ANP is the most obvious group that benefits from ANP. The implementation costs of ANP are not the scope of this study.

There is another group that directly benefits from ANP: individuals and companies that would like to switch to another provider – e.g. because they are not satisfied with the current provider or are offered a better deal by another provider – but are withheld from switching by the time, hassle and risks that is involved in actually making the switch. This group will not switch in a baseline scenario, but may do so when switching costs are reduced due to ANP.

*Indirect effects of ANP*

Indirectly, ANP may increase the threat of customers to switch to another provider. If so, this will increase the threat of new entrants. It will also increase the competitive pressure that the current providers of PCAs and BCAs exert on each other. Thus, ANP may increase the incentives for market and product innovation, lower prices or both. This, in turn, might lead new business outsiders to enter the market for retail banking, but might also increase the overall demand for PCAs and BCAs and related products.

These effects are to be expected when ANP is introduced *ceteris paribus*.[51] In practice, one has to take into account the strategic reaction of existing PCA and BCA providers. The 'Structure Conduct Performance' paradigm (see Hannan, 1991) helps to understand the interaction between ANP and the conduct of the incumbents. The SCP paradigm is based on the concept that market structure determines the level of freedom firms have in their conduct (strategic behaviour, collusion, R&D), which in turn determines the markets' performance in terms of output, price setting, efficiency, profitability etc. This is not a one way relationship: structure, conduct and performance interact. With the introduction of ANP (or any other policy measure) the status quo is being changed and firms will react to new circumstances, leading to a different outcome and possibly a new market structure. With the reaction (conduct) of providers being difficult to predict, it is not certain to what level there will ultimately be more current account providers (structure), or to what extent prices will be reduced (performance) due to the indirect effects of ANP.

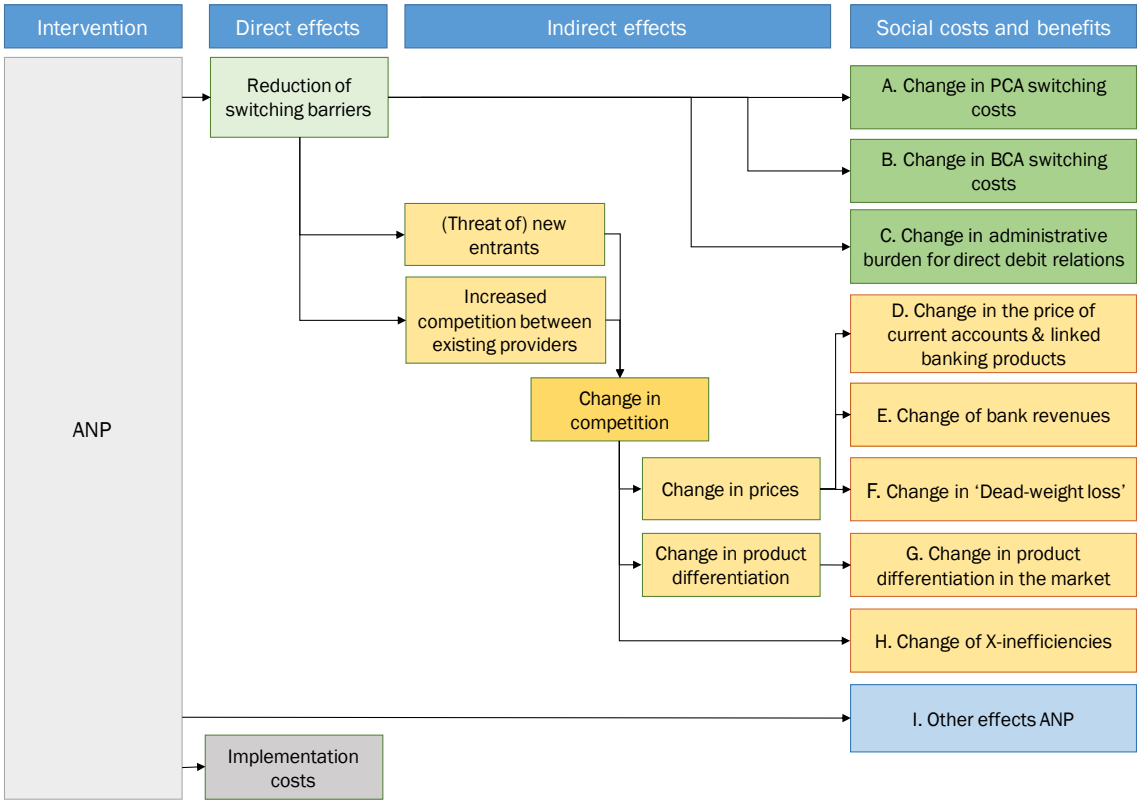



[51] Ceteris paribus: all other things held equal.

### 2.2.2 Identified potential social costs and benefits

As illustrated in Figure 2.1, the identified benefits and costs can be assessed based on the distinction between 1) the direct and indirect effect, and 2) the translation into societal costs and benefits (e.g. cost reduction for account holders), but also a reduction of revenues for providers of PCAs and BCAs.

*Figure 2.1 Overview of identified effects of ANP*




The following social costs and benefits of ANP are defined:

A: a change in PCA switching costs;

B: a change in BCA switching costs;

C: a change in the administrative burden for direct debit relations;

D: a change in the price of current accounts and linked banking services;

E: a change of bank revenues;

F: a change in 'dead-weight loss';

G: a change in product differentiation in the PCA and BCA markets;

H: a reduction of X-inefficiencies;

I: other effects of ANP such as a change in ensuing and fraud costs for regulators/society;

Implementation costs are not the scope for this study.

Figure 2.1 does not mention the effect of 'cross-border switching'. The number of current accounts that are being opened cross-border in the EU is very limited.[52] ANP in itself will not make cross-border switching possible. Cross-border switching implies that current account providers compete with other providers from all other EU member states, which increases competition, product choices for current account holders, etc. This requires a further harmonisation of retail banking supervision in the EU, e.g. the implementation of the EU PAD. Under that regime, cross-border switching of current accounts may actually become 'normal practice', and ANP will have a positive (i.e. reinforcing) effect in similar terms as in national terms.[53]

Chapters 3 and 4 describe the effects of ANP, the relevant (theoretic) considerations for each effect, explain methods of quantification, and mention some further practical issues.

[52] EBF (2013, p. 3).

[53] In principle, the EU rules in terms of free movement of capital allow all legal EU citizens top open up a current account in any foreign EU-countries. In practice, however, most European banks refuse foreign current account holders due to the (relatively) high cost of personal information verification (risk management). The PAD will obligate providers of PCAs to accept customers from any EU member state.

# 3 Direct Effects of ANP

This chapter addresses the direct effects and gives guidelines on how to assess these effects in different markets. For each identified effect we give:

- a brief description and some considerations;
- a guideline on assessing the effect;
- a method of quantification and a description on the data needed.

## 3.1 Direct Effect: A. Change in PCA switching costs

### 3.1.1 How to assess this effect?

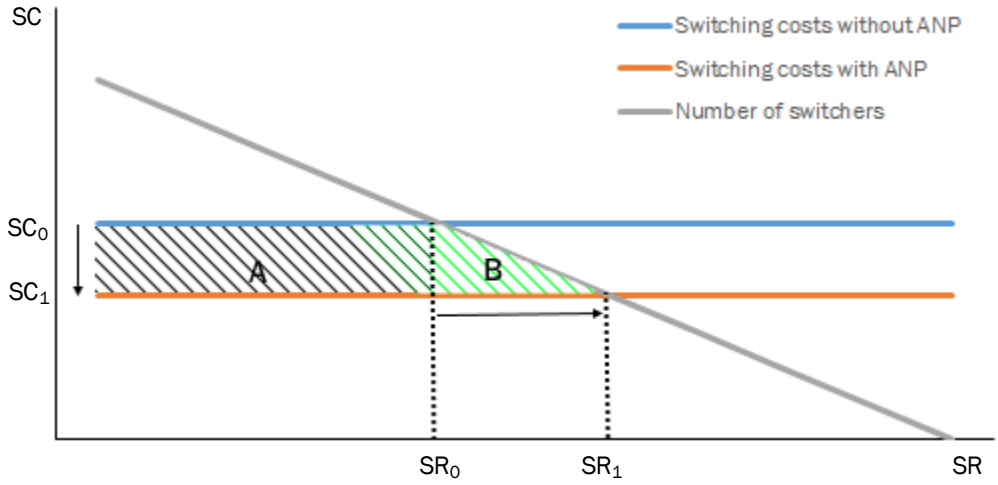
To assess the change in PCA switching costs effect, information is needed on:

1. The annual **number of customers switching current accounts** in the situation without ANP. These customers will benefit from the reduction in time needed to inform relations, correcting miscommunications and the possible stress that is involved in not being sure whether bills are being paid and income will be timely transferred to the correct account.
2. The **additional number of customers (per year) switching currents account** after the introduction of ANP.
3. The **reduction of switching costs** due to ANP. The switching costs are lower in a situation with ANP than in a situation without.

The number of customers switching, multiplied by the reduction of switching costs in a situation with ANP gives the reduction of switching costs for all customers that switch current accounts.

There is another group of customers that benefits from the introduction of ANP. This group exists of current account holders who consider the actual switching costs to be too large to switch. Lowering this switching barrier by lowering switching costs with the introducing ANP, will lead to an increase in the number of customers that consider, and actually do switch. These 'new switchers' however, do not have the same benefit as the first group of current account switchers. This is illustrated in Figure 3.1.

*Figure 3.1 Benefits related to switching costs*




Note: 'SC' is Switching Costs and 'SR' is Switching Rate.

Figure 3.1 illustrates that when switching costs (SC) are reduced from $SC_0$ to $SC_1$, the number of customers ($SR_0$) that already switch in a situation without ANP, will collectively have benefits that amount to the surface of A. The benefits for the group that does not switch in the situation without ANP, but will do so with ANP, are estimated using the 'rule of half'. For this group, the switching costs are initially larger than the perceived benefits from switching. The introduction of ANP will decrease the switching barriers, so the perceived benefits of switching will become prevalent. How much this will change, depends on individual preferences. We do know, however, that it is larger than zero, but smaller than the reduction in the switching costs. If we assume a linear demand curve, benefits for new switchers will be on average half of the cost reduction of the customers already switching in the situation without ANP (in Figure 3.1 this is surface B).

So to assess this effect, information is needed on the number of customers switching in the situation without ANP ($SR_0$), the number of customers switching in a situation with ANP ($SR_1$), and the switching costs ($SC_0$) in the situation without ANP and in a situation with ANP ($SC_1$).

### 3.1.2 Considerations

As mentioned before, the introduction of European ANP will lead to a decrease in switching costs for current account holders that want to switch to another provider.

A distinction needs to be made between current account holders that are willing or likely to switch in a situation without ANP (or have recently done so), and the current account holders that currently do not switch, but will do so in a situation with ANP. Benefits for the current switchers are equal to the decrease in administrative burden that is in place today. For the other group, the perceived benefits from switching in a situation with European ANP is not so obvious. The rule of half can be used for an estimate (see Section 3.1.1).

Over time, the number of account holders intending to switch may vary. In a future where the market changes considerably and new entrants offer current accounts for lower prices, this number may increase. On the other hand, if new products *(*e.g. *apps, e-wallets)* that take over functions from the traditional current accounts are introduced, the character, use and willingness to pay for current accounts will decrease. The actual current account will become more and more a basic commodity, becoming even more homogenous, so account holders will be less likely to switch[54]. It is advised to consider at least two possible development paths.

Although the introduction of ANP reduces switching costs, it will not reduce switching costs to zero. Potential switchers will still have to compare current account providers, there will always remain some brand loyalty, and switching customers will need new debit cards, install new software on their computers and mobile device, and so on.

Finally, the presence of a switching service is of relevance for the effects of ANP. A switching service already reduces the switching costs compared to a situation in which customers and companies have to do everything by themselves, a do-it-yourself (DIY) situation.

### 3.1.3 Proposed method of quantification and required data

*Number of switching customers (SR)*

Banks keeping track of old and new customers, are the best source for customer mobility. However, banks will likely consider their account statistics to be confidential. This leaves consumers as the primal source.[55] Information can be obtained by designing and conducting a household survey, or using existing surveys, if available.

In order to forecast the number of new switchers under ANP, the same surveys can be used. From the theory of customer loyalty and switching behaviour (Cleveringa *et al*., 2011; Van der Cruijsen & Diepstraten, 2015), it is known that several clusters of considerations determine the propensity to switch: loyalty in general, cost-benefit considerations and perceived barriers to switch.

The availability of ANP is expected mainly to have influence on the behaviour of those customers who already consider a switch, but assess switching barriers –in terms of required activities and the risk of things going wrong in the process– as being too high. For these customers, ANP may act as a means of lowering barriers, causing them to make a different decision about switching.

A second group consists of those being mostly indifferent. The introduction of ANP may act as trigger to actually start wondering whether their existing provider is the best. ANP may turn loyal or indifferent customers into considering ones, and in due time perhaps into switchers. Thus, respondents should

[54] This is the situation described in the 'FinTech' scenario.

[55] If available, statistics from a switching service –like In the Netherlands and the UK– can be used as well.

be asked whether they in the situation without ANP consider switching or not, and if they do so, why they decide not to switch – especially whether the lack of ANP is felt as a prohibitive barrier.[56]

Survey information about actual behaviour is usually reliable. Answers to questions about projected reactions in hypothetical situations are much less so. Comparison of 'stated preference' and 'revealed preference' suggests that in many cases people react differently to a change in the real world, then when asked about their reaction beforehand. This is known as 'hypothetical bias'.[57] When asking consumers about their possible reactions to ANP, this bias should be taken into account.

The questionnaire used for the situation in the Netherlands can be used as a template for questionnaires for other countries (see Annex 5: Questionnaire).[58]

*Markov model*[59]

In order to be able to incorporate the different effects for considering and not considering customers, and to correct for 'hypothetical bias', we propose a Markov Chain Model, in which three mutual exclusive states for bank's customers are defined:

- *Indifferent/loyal*: the propensity to switch is minimal, the probability of switching within a year is close to zero.
- *Considering*: the propensity to switch is moderate to high, the probability of switching within a year is positive.
- *Active*: the probability of being satisfied with the new provider is high from now on.

The model has a time unit of one year. All customers start in one of the three states, and can switch status once per year. Switching to the status 'Active' means they actually will switch their current account provider. Given customer inertia (see Section 1.1.3), and most bank customers being satisfied where they are, it takes a trigger to switch from *Indifferent/loyal* to *Considering* or even *Active*. Such a trigger may be a complaint on which the bank failed to react adequately, or a shift in costs or interest rate, or the way the bank got in the news. Customers who consider switching, need to do some fact finding before deciding whether to switch or not: check the packages and costs with other banks, assess the switching process and so on. After this process, customers decide to either stay where they are, become indifferent again (or remain 'latent considering') or they switch.

In the model a 'transition matrix' (see also Annex A.3.1) is defined, consisting of the probabilities that customers either will stay in their current state, or will switch to another state. Under assumptions of

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[56] Customers who are in the process of switching or recently did so, can be left out of the analysis: for them, the lack of ANP clearly is not prohibitive.

[57] Murphy J. et al. (2005).

[58] This survey yields ample possibilities to analyse how several treats and circumstances (economic, socio-psychological, relation with the bank, etc.) correlate with a changes in propensity or attitude.

[59] See Pfeiffer & Carraway (2000) and Poulsen (2002) for the use of Markov chains in consumer behaviour settings.

regularity, this transition matrix can be used to derive a steady state, in which individual customers move through the system from one state to another, but the numbers of customers in the three states do not change over time. The steady number of *active* customers is the forecast for the annual number of switching customers. The steady state distribution does not depend on the initial distribution, yet the speed in which it is reached depends on the difference between initial distribution and the steady state.[60]

Comparison of two Markov models, one for the situation without ANP, and for the projected world with ANP, gives insight in the increase in the annual number of switching customers.

The model does not require information about the initial distribution of customers over the three states, although it helps. The transition matrix for the situation without ANP can be calibrated to make sure the transition probabilities lead to steady state corresponding with the current distribution. Replacing the probabilities in the initial matrix by the outcomes of the survey about changing attitudes and behaviour, yields the transition matrix for the situation with ANP. From this matrix, the new steady state can be derived.

*Steps in the modelling*

1. Establish how in the situation without ANP the customers are divided over the three states *Indifferent / Considering / Active.*
   *Method*: survey under a representative sample of customers, who did not switch current account provider recently.
2. Use the results from step 1 to draw and calibrate the transition matrix for the situation without ANP.
   *Method*: trial and error; the Dutch examples as shown in Section 6.1.1 may act as a starting point.
3. Estimate how the availability of ANP would change the attitude and behavior of indifferent and considering customers.
   *Method*: survey under representative samples of customers (either private households are business) who did not switch current account provider recently.
4. Derive the transition matrix for the situation with ANP from the original matrix (step 2), by setting new transition probabilities (from step 3).
   *Method:* impute the new probabilities in the original transition matrix. Make sure the rows add to 100 percent.
5. Derive the new steady state from the new transition matrix (step 4).
   *Method*: straightforward calculation.

60 The effects of ANP are supposed to be lasting. The introduction of ANP, presumably coming with a lot of publicity, will induce catch-up behavior: the number of switchers may rise fast for a short period (one or two years) and after that converging to the steady state.

*Switching costs (SC)*

As described in Section 1.2, switching current accounts can be a time consuming and sometimes complex operation. In this study we focus on the change in switching costs due to ANP. The following factors determine the switching costs:

- the number of third parties to be notified of an individual's new account details;
- the time effort to set up a new current account;
- other costs (e.g. the costs of having two current accounts).

To estimate the decrease in switching costs, a Standard Cost Model (SCM)[61] designed to measure regulatory burden can be used. The quantification of the decrease in transaction costs can be done in three steps:

- **Activity analysis**: a step by step analysis of all activities needed for switching can be made. For each step, the time needed and effort involved is calculated.
- **Profile definition**: most likely not all activities are identical for all kinds of consumers. It is advised to define several profiles that cover the majority of households. Each profile is than allocated its own activities and switching efforts (e.g. the number of third parties differs).
- **Quantification**: each profile is confronted with its own activities. The total time spent is valued using a value of time.

A step by step description of the activity analysis used for the situation in the Netherlands can be found in Annex 3.

## 3.2 Direct Effect: B. Change in BCA switching costs

### 3.2.1 How to assess this effect?

Similar to the effect on consumers, for SMEs information is needed on:

1. The annual **number of SMEs switching current accounts** in the situation without ANP. These SMEs will benefit from the reduction in time needed to inform relations, correcting miscommunications and the possible stress that is involved in not being sure whether bills are being paid and income will be timely transferred to the correct account.
2. The **additional number of SMEs (per year) switching currents account** after the introduction of ANP.
3. The **reduction of switching costs** due to ANP. The switching costs are lower in a situation with ANP than in a situation without.

[61] The Standard Cost Model (SCM) is a method that enables researchers to provide insight into the administrative burden of legislation and regulation for citizens, companies and organisations. Source: Dutch Ministry of Finance (2014).

There is another group of SMEs that benefits. There are SMEs that consider the switching costs in place today too big a barrier to switch. Lowering this barrier by lowering switching costs with the introducing ANP will lead to an increase in the number of companies that consider, and actually do switch. These 'new switchers' however, do not have the same benefit which is illustrated in Figure 3.1.

So to assess this effect, information is needed on the number of SMEs switching in the situation without ANP ($SR_0$), the number of SMEs switching in a situation with ANP ($SR_1$), and the switching costs ($SC_0$) in the situation without ANP and in a situation with ANP ($SC_1$).

### 3.2.2 Considerations

Similar to the effect on consumers, the introduction of European ANP will lead to a decrease in switching costs for SMEs that want to switch to another provider.

The considerations are identical to that of PCA holders. SMEs, however, will also benefit from ANP in terms of not having to make changes to stationery in case of switching current accounts.

### 3.2.3 Proposed method of quantification and required data

*Number of SMEs switching (SR and SR)*

The required data and the way to interpret and use them, are the same as for households. See Section 3.1.3.

*Switching costs (SC)*

Determining switching costs for SMEs is done in a similar way to those of consumers: a Standard Cost model designed to measure regulatory burden can be used. The quantification of the decrease in transaction costs is again done in three steps:

- **Activity analysis**: a step by step analysis of all activities needed for switching can be made. For each step, time needed and effort involved is calculated.
- **Profile definition**: most likely not all activities are identical for all kinds of SMEs. It is advised to define several profiles that cover the majority of categories of SMEs. Each profile is than allocated its own activities and switching efforts (e.g. the number of third parties differs).
- **Quantification**: each profile is confronted with its own activities. The total time spent is valued using a value of time.

A difficult aspect to define the appropriate business profiles is that the time effort for SMEs depends on the following factors:

- The amount of new necessary authorizations in terms of direct debit collectors.
- The amount of business relations that the switcher needs to inform.
- The amount of periodical transfers, blockades of direct debits that have to be manually cancelled by the current account holder.
- The complexity and advancement of the financial administration and office stationery in terms of changing the current account number.

Working with average values for companies is not possible due to the large heterogeneity within this group. A wholesale company or import company, for example, will (on average) have much more (international) business relations than a self-employed craftsman who delivers his services only in a limited area. Therefore, it is necessary to distinguish between company profiles and make assumptions.

A step by step description of the activity analysis used for the situation in the Netherlands can be found in Annex 3: Technical background.

## 3.3 Direct Effect: C. Change in the administrative burden for direct debit relations

ANP will not just create benefits for the current account switchers, but also for direct debit relations.

### 3.3.1 How to assess this effect?

To assess the change in administrative burden for direct debit relations, information is needed on:

- The annual **number of customers and SMEs switching current accounts** in the situation without ANP.
- The average **number of direct debit relations per** PCA/BCA holder.
- The **'administrative costs'** for a direct debit recipient to make an amendment in his financial administration when a client switches PCA or BCA provider.

### 3.3.2 Considerations

In the situation without ANP, direct debit relations (mostly non-SMEs) will have to make amendments in their financial administration when one of their customers switches PCA/BCA provider. With ANP, this will not be the case anymore, resulting in a decrease of administrative burden for direct debit relations.

However, depending on the chosen variant of ANP, direct debit relations might have to make a one-time amendment for all their customers in their financial administration. These costs are part of the implementation costs of ANP and therefore not part of the scope of this study.

The change in the administrative burden for direct debit relations is limited to the switchers in the situation without ANP. For the additional switchers in a situation with ANP, there is no decrease in the administrative burden for direct debit relations. For the additional switchers, direct debit relations already have the new portable account number in their financial administration.

### 3.3.3 Proposed method of quantification and required data

Information on the number of switchers in the situation without ANP can be obtained from PCA/BCA providers or surveys (see direct effects A. and B.). Information on the number of direct debit relations is ideally based on thorough field research and empirical data. The administrative costs can be determined with the help of a Standard Cost Model.

The average number of direct debit relations per PCA/BCA holder is ideally acquired with the help of empirical data from direct debit relations, current account providers or an extensive survey amongst consumers and SMEs.

# 4 Indirect Effects of ANP

This chapter addresses the indirect effects. ANP could indirectly lead to an increase in competition, resulting in lower prices and more product differentiation. Due to their indirect nature and the unknown reactions of providers to ANP (see the discussion on structure, conduct and performance in chapter 2), the costs and benefits that result from the indirect effects are difficult to predict. Nevertheless, we give an indication of possible effects given certain characteristics of the market structure and indicators on market performance.

## 4.1 Indirect Effect: D. Change in the prices of currents accounts and linked banking products

### 4.1.1 Considerations

Current accounts have a portal function for banks. They enable banks to cross-sell other retail bank products to customers such as personal and business loans, mortgages, ATM devices, credit cards and saving accounts.[62] As a result, the pricing of current accounts and other retail bank products are interrelated.

The theory of switching costs predicts that lower switching costs will have an effect on the conduct of banks.[63] The reduction of switching costs due to the introduction of ANP may lead to a more dynamic market where more account holders switch to another incumbent or a new provider. The (threats of) new entrants will increase competition between incumbents and new entering providers, and as a result, incumbent firms could decide to reduce the price for current accounts – and perhaps for other retail banking products.

Related products and services are quite often of a greater (financial) importance than the current accounts themselves, both for customers as for retail banks. For retail banks, income from related products outweighs the income from supplying the current accounts. And the more related products and services can be sold to the same customer, the less important becomes actual turnover from the current account. With barriers for switching in place, possibilities arise to raise prices above a competitive level, if not for the current account, than for the related products and services. The margin by which prices can be raised depends on the 'relatedness' of the products. In the Netherlands for example, it is much easier to obtain a savings account from another supplier than a loan. Especially for businesses, the loans and current accounts tend to be very strongly related.

It has to be taken into account that due to the introduction of ANP, existing customers become less valuable for incumbent providers. This is because they can switch easier and the portal function of current accounts loses its strength. Even if current accounts are low margin services for banks, they

62 Bain & Company (2013), p. 33.
63 See e.g. Klemperer (1995, e.g. p. 515) and DNB (2015 p. 3-6).

enable banks to make profits on other services, like loans. Banks are aware of customer inertia, and use it as a strategy for attracting new customers. Cheap accounts for young customers are loss leaders, but they help to lock these customers in, as they become more attractive. In the end, this could result in other price structures for current accounts and related products, where some products are priced higher and some lower. Price setting of different, but interrelated retail banking products is the result of a complex set of factors, and not solely the result of (a lack) of competition in the market for one product.

From a societal point of view, the effect on prices for PCAs, BCAs and related products means lower costs for customers, but also less revenue for retail banks. This means that these two effects combined have no net societal impact, but can be seen as a transfer of one party to another.

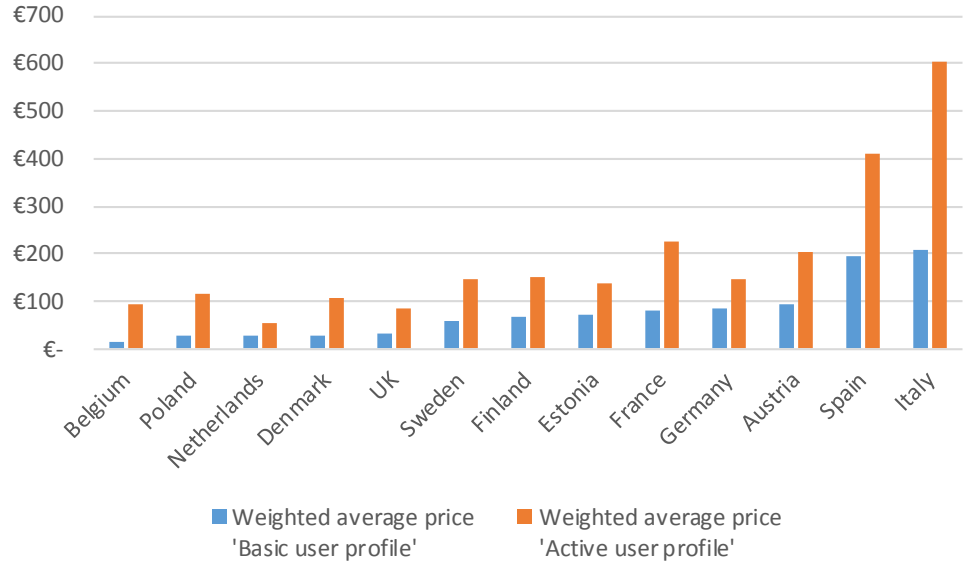
### 4.1.2 How to assess and quantify this effect?

In order to assess the indirect effect of ANP on the pricing of products, information about price setting for current accounts and related products, and the possible effect of increased competition is needed. Prices of current accounts and related products can be obtained from the suppliers themselves.

The Structure Conduct Performance (see Hanan, 1991) model can be used to determine the possible outcome of increased competition. Analysis of price setting, margins, number of retail banks and information on product differentiation in the relevant European countries can be used to determine the level of competition in different countries or regional markets. Note that in larger countries the relevant geographical markets may be smaller than the national level. If evidence is found that this is indeed the case, the analysis should be carried out on the appropriate regional level. If the indicators suggest that ANP may indeed lead to (a further) increase in competition, an assumption can be made on price reductions.

To the best of our knowledge, there is no recent average price level of PCAs and BCAs publicly available on an EU level. The most recent study was commissioned by the EC, Bureau van Dijk & Centre for European Policy Studies in 2009. This study collected prices of PCAs for most European countries (see Figure 4.1). The data showed that the weighted average price of PCAs differ significantly between EU member states. If this is anno 2016 still the case for PCAs (and BCAs), the introduction of ANP on a European could lead to a convergence of CA prices between EU member states. Hence, the average CA prices in countries like Italy and Spain would decrease and possibly increase in countries like Belgium, the UK and the Netherlands.

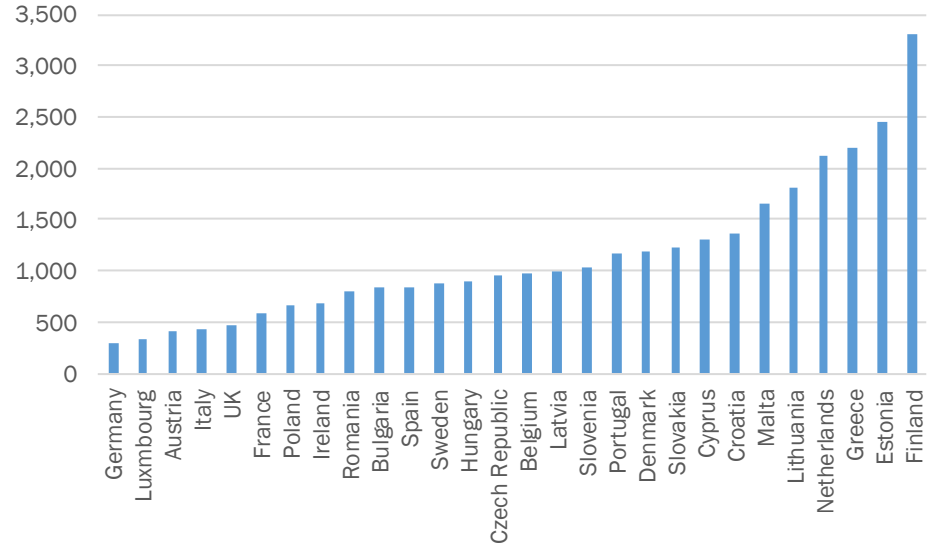
*Figure 4.1 Weighted average prices for PCAs (2009 in EUR)*




Source: Bureau van Dijk & CEPS (2009, p. 29 & 23). "A 'Basic user profile' comprises users with a low-cost "basic account", where the permitted transactions are clearly defined. An 'Active user profile' is composed of those who engage in each transaction frequently, comprising the top 1/3 users when individuals are ordered according to their usage intensities" (Ibid, p. 13).

A widely used indicator of concentration, is the Herfindahl index (see Figure 4.2). Although, not necessarily direct evidence for a lack of actual competition, it does tell us in which EU member states the financial sector is more and less concentrated. Since competition intensity is assumed to be negatively correlated to the concentration rate, the effect of competition enhancing measures like ANP may be larger in countries with a highly concentrated banking sector, like the Netherlands, Greece and Finland.

*Figure 4.2 Herfindahl index for EU-28 in 2014*




Source: European Central Bank (2015).

In a BAU scenario, we expect prices of current accounts and related products to stay relatively stable. The introduction of ANP will trigger price reductions on current accounts and or related products (depending on the relatedness and relative price settings and margins on the various products).

In a FinTech scenario, we expect prices of current accounts and related products to fall, due to the impact of new products and services that partly take over functions of existing retail bank products. In order to compete with the new FinTech products, prices will already drop, without the introduction of ANP. So we expect the introduction of ANP to have less impact on prices in a FinTech scenario.

## 4.2 Indirect Effect: E. Change in retail bank revenues

### 4.2.1 Considerations

Lower prices for retail banking products (discussed in the previous section) lead to a change in revenues for retail banks. This transfer of producer surplus to consumer surplus is the inverse of direct effects on costs for PCAs, BCAs and related products.

ANP will have an effect on the conduct of banks and may lead to a more dynamic market where more account holders switch to another incumbent or a new bank. The lower switching barriers and the (threats of) new entrants increase competition. To meet this pressure, incumbent firms will be forced to reduce prices and/or introduce new products and services. If banks are forced to lower prices, but fail to improve their efficiency, less revenues mean a lower profitability. If banks, however are able to improve their efficiency (see also Section 4.5), profitability might remain on the same level or even improve. In theory, the threat of new entrants alone can be enough to trigger these reactions. So the outcome of this process might be the same, whether or not new competitors actually enter the market.

### 4.2.2 How to assess and quantify this effect?

Calculations will necessarily be based on assumptions. If assumptions can be made about the possible effect on price levels, the effect on revenues is the exact opposite of the Indirect Effect 'D. Change in costs for current account holders and linked retail bank services'. The same holds for the development in different scenarios.

## 4.3 Indirect Effect: F. Change in 'Deadweight Loss'

### 4.3.1 Considerations

As described in previous sections, the reduction of switching barriers may indirectly lead to product differentiation and lower prices resulting in transfers from producer surplus to consumer surplus, which in itself is no net welfare effect. But changes in price settings can also trigger a positive change in consumer surplus, which is not completely offset by the same reduction in producer surplus. This effect is described as a change in 'deadweight welfare loss'.

Deadweight losses occur when markets reach an equilibrium where prices are set above a competitive level and demand is lower than what is theoretically possible. When deadweight loss occurs, it comes at the expense of the consumer surplus and/or the producer surplus.[64] Consumer surplus for consumers willing to pay the competitive price but not the actual higher price, is in that case not possible in the baseline scenario, but can be captured in a situation where prices fall.

### 4.3.2 How to assess and quantify this effect?

Figure 4.3 illustrates the concept of *deadweight welfare loss* (DWL) in a situation with an inelastic demand for a product, and Figure 4.4 does the same for an elastic demand.

[64] Boundless (2016).

*Figure 4.3 Deadweight welfare loss in an inelastic demand situation*

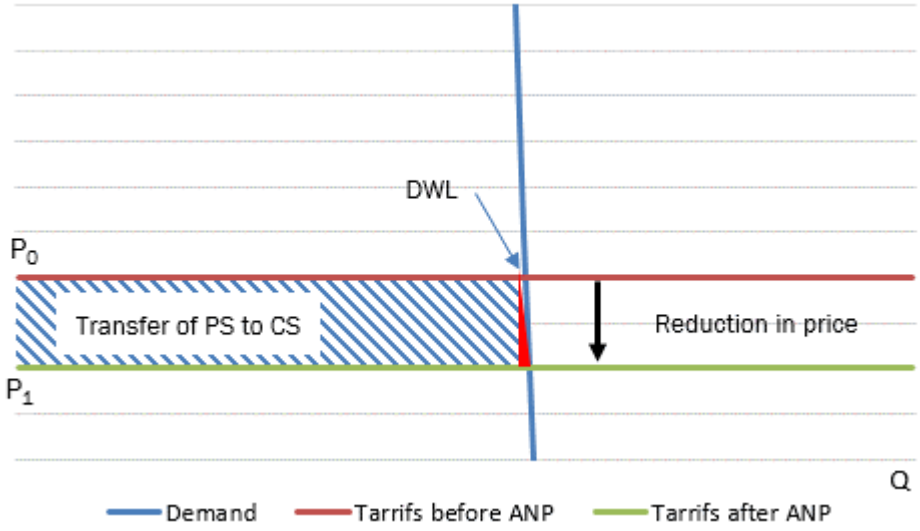
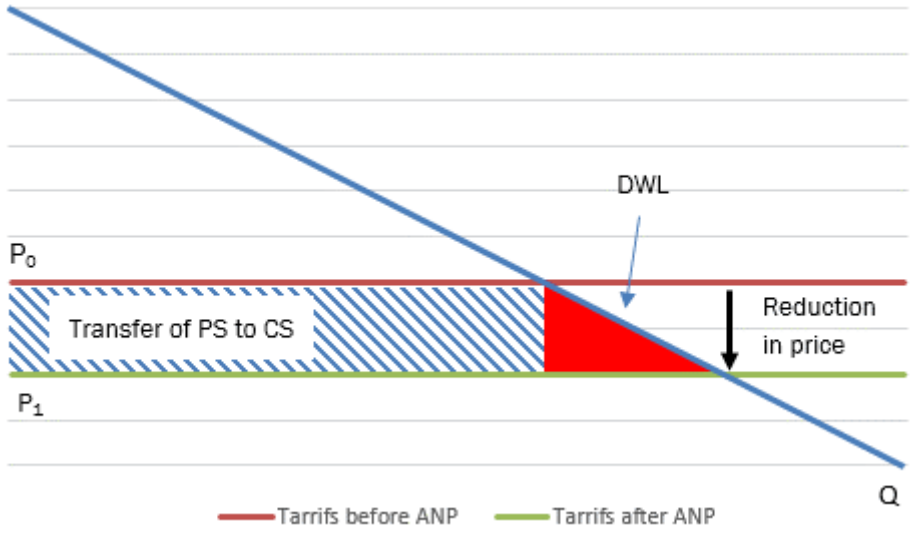


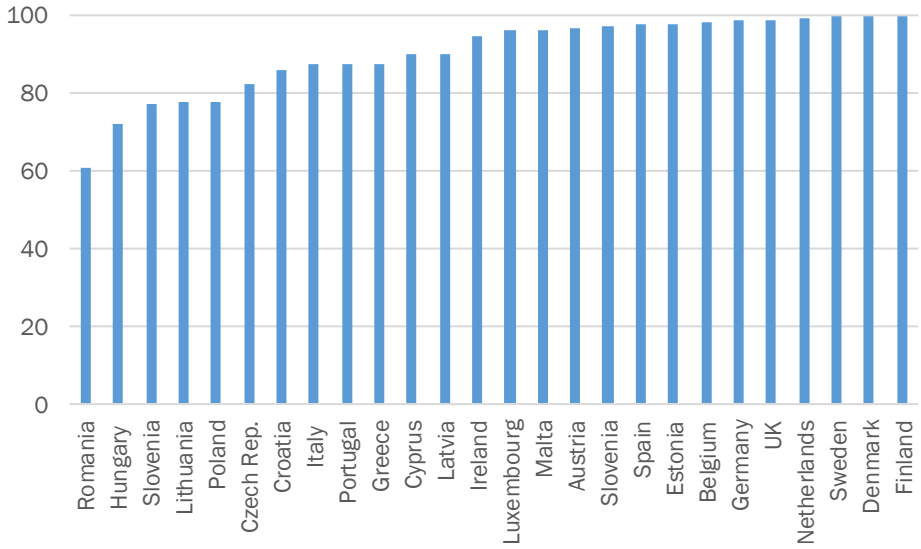

*Figure 4.4 Deadweight welfare loss in a more elastic demand situation*




The elasticity of demand for a product depends among other things on the maturity of the market. There is a limit on the number of current accounts customers and businesses hold. One account per household is in theory enough to make and receive all necessary payments. However, there can be all kinds of reasons for households and even individuals to hold multiple accounts, e.g. being able to keep track of individual revenues and expenses, but also the perceived risks in holding all savings with one bank.

The magnitude of this effect depends on the price elasticity of demand. In countries where not every consumer or household has access to a current account, this effect will be larger (see Figure 4.5).

*Figure 4.5 Percentage of persons (age 15+) with a current account*




*Source: World Databank (2015)*

In Eastern and some Southern European countries lower prices and more choice might lead to a decrease in DWL. We assume that in countries where market penetration is below 90 percent, and prices are relatively high an increase in competition might lead to a reduction in Deadweight Loss. When holding a survey, we suggest to incorporate questions on the *willingness to pay* for potential new clients. The aggregated consumer surplus of new customers that enter the market when prices fall is the reduction in DWL. It can be calculated as follows:

$$DWL = \Delta P * \Delta Q * 0.5$$

Where:

$\Delta P$: is the decrease in prices

$\Delta Q$: is the increase in demand

Assuming a linear demand curve, the increase in consumer surplus for new customers can be obtained by multiplying the decrease in prices with the increase in demand, multiplied by 0.5. Changes in deadweight welfare loss can occur in any market where prices are not on a competitive level. So if current accounts are linked to other retail bank products, an assessment of both the supply and demand sides for those products and services is needed.

In order to determine the price elasticity of demand for current accounts, one should ideally have access to detailed information on customer characteristics, the number of current accounts per consumer/household/SME, and the effective price paid for an additional account. On top of that, all the

observed variations in price and demand have to be exogenous.[65] Time-series data enables researchers to calculate the percentage change in total demand for current accounts and the percentage change in the average price for one period to the other.[66] Cross-sectional data makes it possible to estimate the price sensitivity across the target group at a point in time.[67] Good data sets are not readily available. Alternative methodologies are experimental studies with control groups and observational studies based on surveys and econometric models. All these methods require research time, panels, controls, etc. making them relatively costly. A final alternative is to use indicators such as current account access and price levels to estimate the price elasticity.

In a BAU scenario, we expect the effect of ANP on DWL to remain stable over the evaluation period (see Section 2.1.3). In a FinTech scenario, where traditional current accounts become less important and prices fall, we expect DWL to diminish over time. This means that the impact of ANP on DWL will be smaller as well.

## 4.4 Indirect Effect: G. Change in product differentiation in the market

### 4.4.1 Considerations

ANP may not only have an effect on price setting and profit margins, but also lead to the introduction of new products and services. Under increased competition, suppliers increase the effort to retain existing customers and attract new ones. One strategy is to reduce prices (see the previous paragraph), another one is to introduce new product variants that stand out from competitors products. Products can be modified by changing characteristics or adding related services. This is known as product differentiation.

Product differentiation gives current account holders more choice. Consumers and SMEs can find products that better suit their needs, such as cheaper product alternatives. This means consumer surplus will rise and possible cheaper alternatives imply that a part of the producer surplus is transferred to the consumer surplus. Additional welfare gains can be expected if lower prices lead to an increase in demand, which changes the deadweight welfare loss (see the previous section).

In the long run, one could reason that due to the increased mobility and indirectly changes in the market structure, profit margins of the incumbent firms decline. This may lead to the need to decrease overhead costs, by reducing the number of products, or the providers might develop a strategy to offer only specific products to specific clients.

### 4.4.2 How to assess and quantify this effect?

The level of product differentiation in the PCA and BCA markets differs per EU member state. This is the result of differences in the structure of products and prices, and the level of competition in the

[65] Exogenous variables are determined by external factors in contrast to endogenous variables.
[66] WHO (2015, p. 7).
[67] Ibid.

market: Structure, Conduct and Performance differ by country. ANP may have a bigger effect in countries with relatively low levels of product differentiation. The effect of ANP will also be related to the way and speed FinTech innovations are incorporated, which probably will differ by country.

Information on the level of product differentiation can be obtained from the websites of banks by looking at the different products they offer and from international benchmark studies. Indications of possible new products can be obtained through interviews with banks. Based on the European benchmark, we found that in countries like Belgium, Germany, the UK and France, several current account providers provide *free* (basic) PCAs.[68] An interesting new type of PCA is 'Number 26', a free German bank account that enables customers to transfer money anywhere in the world from the mobile app, and includes a free MasterCard to withdraw cash at almost any ATM worldwide (also against no charges). In the UK, 'Revolut' offers the same kind of concept as Number 26, but at this bank also foreigners can open up an account. The business model of these kind of current account providers is based on credit card fees from companies (e.g. retailers).

In a Business as usual scenario, we expect the effect of ANP on product differentiation to remain stable over the evaluation period. In a FinTech scenario, where all kinds of financial apps enter the market, it is questionable if traditional bank accounts will become more differentiated. ANP may provoke an acceleration of the introduction of new products, and integrated products and packages.

## 4.5 Indirect Effect: H. Reduction of X-inefficiencies

### 4.5.1 Considerations

X-inefficiency is the difference between the level of efficiency of businesses assumed or implied by economic theory and the observed efficiency in practice. The term 'X' refers to the unknown size of the assumed inefficiencies. The concept of X-inefficiency was introduced by Harvey Leibenstein.[69]

More competition due to ANP may lead to a reduction of X-inefficiencies. The theory of X-efficiencies or X-inefficiencies suggest that firms are not completely rational and internal inefficiencies exist. X-inefficiencies focus on cost structures.[70]

As more competition puts pressure on prices (see Section 4.1) profit margins of retail banks decrease (the reduction of producer surplus in Section 4.2). As a reaction firms will try to find ways to increase

[68] In Belgium, for example, free basic current accounts are offered by HelloBank (BNP Paribas), Belfius, KBC, Deutsche Bank, Record Bank and the ING. In Germany, multiple retail banks like KBC, Postbank, Commerzbank, Netbank, Targobank offer free PCAs. Other UK banks that offer free PCAs are: Barclays, Royal Bank of Scotland, Nationwide, TSB, Natwest, Lloyds Bank, Santander, Clydsdale Bank, Frees Zero Source: Websites of several Belgium, German and UK banks.

[69] Leibenstein, H. (1966).

[70] See for example Frantz, R. (2014).

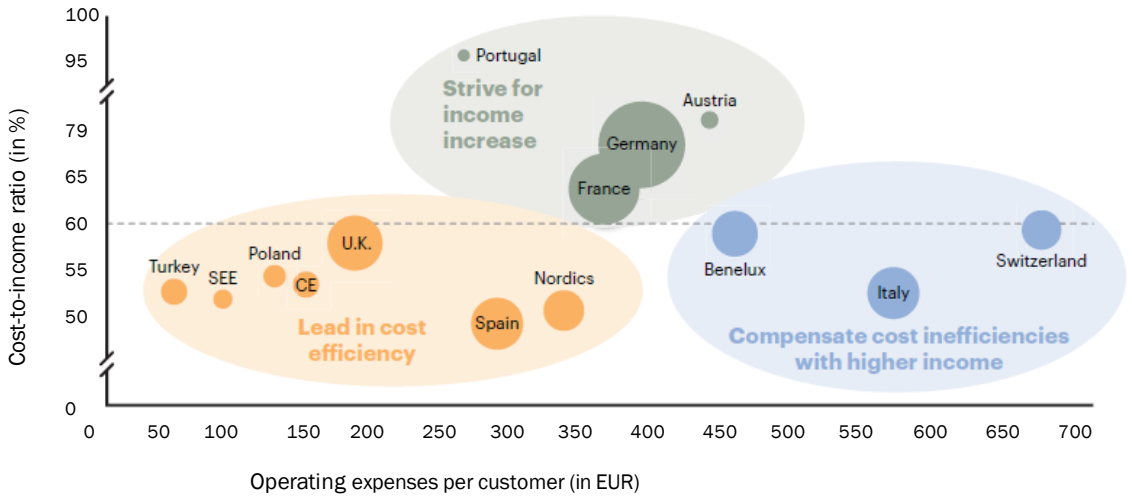
profits to previous levels. One strategy is to simply cut costs, and thus becoming more efficient. However, this is only possible if X-inefficiencies are present. If not, cutting costs means that difficult strategic choices have to be made on operations, products and markets. These choices will in turn impact profitability in short or long run.

### 4.5.2 How to assess and quantify this effect?

In order to assess and quantify this effect, information on internal cost structures (efficiency) is needed. The number of suppliers and the market structure are secondary indicators: lack of competition leaves room for larger X- inefficiencies.

Interviews and input from the analysis of price setting, number of retail banks, information on product variations in European countries and an international benchmark of banking costs are possible data sources. Figure 4.6, for example, illustrates an observation by A.T. Kearney (2015 p. 5-6), that retail banks in Spain and in the Nordics remain very cost efficient, with cost-to-income ratios below fifty percent and operating costs per customer below EUR 325.

*Figure 4.6 Cost-to-income ratio versus operating expenses in percentage in 2014*

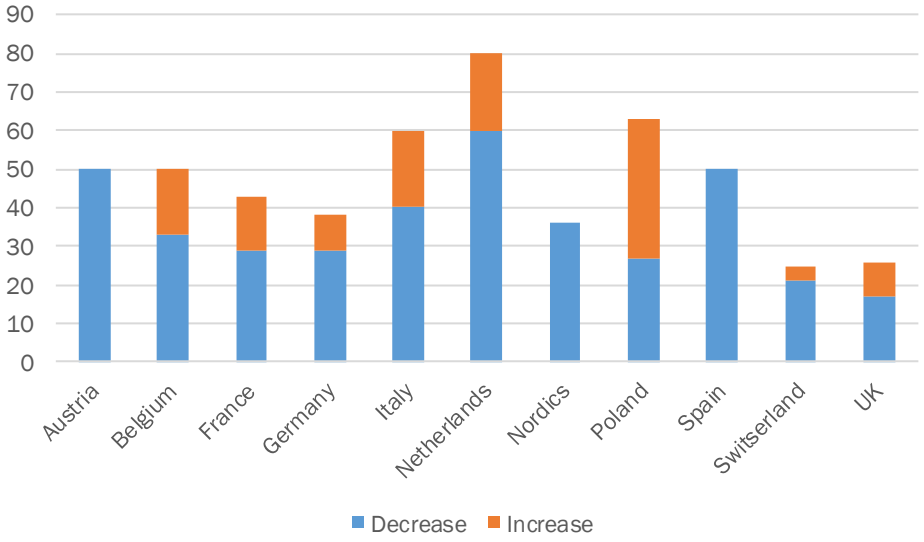



Source: A.T. Kearney (2015). Notes: "Central Europe (CE) includes Czech Republic, Hungary, Slovakia and Slovenia; Southeastern Europe (SEE) includes Bosnia and Herzegovina, Bulgaria, Croatia, Romania, and Serbia; Poland and Turkey are tracked on their own because of size." The size of the bubble indicates total income of banks.

Retail banks in countries such as the Benelux, Switzerland or Italy compensate the high cost structure with business models that result in higher incomes. German, French and Austrian banks, on the other hand, do not only have to deal with cost-to-income ratios above 60 percent, but also struggle with the income per customer. Hence income improvement and operational efficiency go hand in hand (A.T. Kearney, 2015).

Another indicator is the development in the number of jobs in European banks. Figure 4.7 illustrates that European bankers anticipate on significant cuts in retail banking, especially in the Netherlands, Austria, and Spain.

*Figure 4.7 Expected change in headcount in retail and business banking (in percentage)*

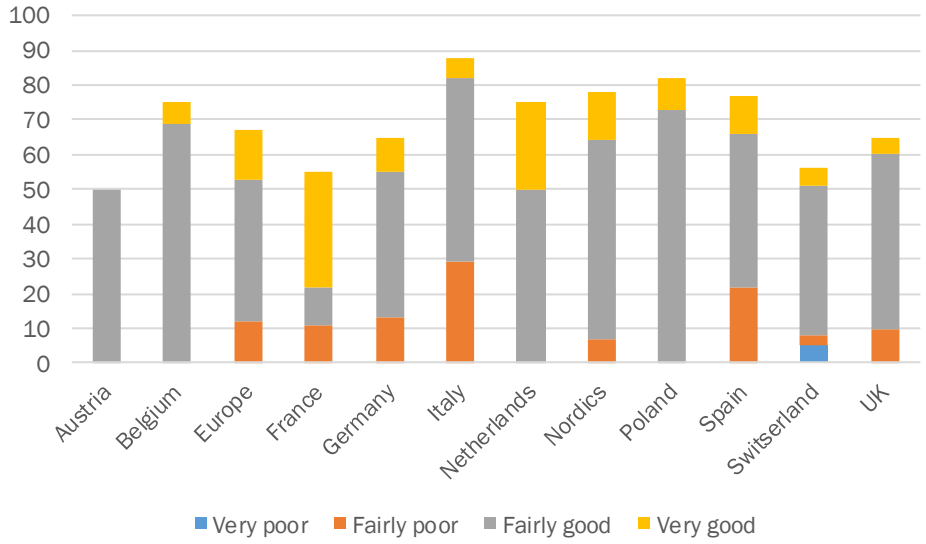



Source: EY (2015) Numbers reflect the percentage of respondents who answered. Respondents answering "Stay the same" are not displayed. Base excludes respondents answering "Don't know."

One could argue that the anticipated reduction in headcount is the result of market outlook, but Figure 4.8 illustrates that for some countries with the highest expected decrease in jobs, the market outlook is still optimistic. The combination of an optimistic outlook with an expected decrease in jobs suggests that efficiency gains in operations are possible.

In the BAU scenario, we expect prices of current accounts and related products to stay relatively stable. As the introduction of ANP will trigger price reductions, suppliers will seek ways to keep their profitability margins intact. With X-inefficiencies in place they can do relatively easy by cutting costs. We expect developments in a FinTech scenario to have an effect on X-inefficiencies by itself. With current account suppliers already being forced to operate more efficient, the potential impact of ANP will be less.

*Figure 4.8 Business outlook for retail banking over the next 12 months (in percentage)*




Source: EY (2015). Notes: Base excludes respondents answering "Does not apply" or chose not to answer

## 4.6 Indirect Effect: I. Other effects of ANP

### 4.6.1 Considerations

In the discussion on ANP, other, less notable effects have been mentioned in interviews and some studies. There are, for example, some claims that ANP could increase the detection of current account fraud and reduce the societal costs of failing banks.

Based on a qualitative consumer research, the British Financial Conduct Authority (FCA, 2015 p. 53) concludes that consumers on the one hand value the perceived reduction of the risks in terms of the chance that anything is going wrong during the switching process. On the other hand, the questioned consumers raise security questions in terms of a greater perceived danger of current account fraud. For SMEs and charities, the FCA (ibid.) found that, amongst others, there would be with ANP no concerns anymore what a current account switch may signal to their customers.[71]

On a macro-economic level, we found opposing statements of a British politician and the British Bankers' Association (BBA) on the perceived macro-economic effects of ANP. The BBA states that "easier account switching could fuel bank runs", while on her weblog, former Economic Secretary to the Treasury Andrea Leadsom states that ANP "would remove the problem of banks being 'too big to fail' so massive taxpayer funded bailouts would be a thing of the past.[72] Banks would be able to fail with no risk to customers because all their accounts could be transferred instantly to another bank."[73]

[71] In terms of e.g. a possible signal that the business is in difficulty.
[72] FT (2015)
[73] Leadsom, A. (2013).

### 4.6.2 How to assess and quantify this effect?

Literature on ANP regarding subjects like the reduction of switching failures, and risks in terms of fraud, image control, and macro-economic regulatory costs is scarce and inconclusive.

The interview results suggest that in a situation with ANP, in case of an imminent bankruptcy, deposits still have to be moved, including underlying contracts, current account information and hardware arrangements (debit cards, random readers, etc.). On top of that, in terms of financial stability, it would not be advisable to make it too easy for current account holders to open up new accounts, also in terms of fraud prevention.

As these effects are considered very uncertain, we found no way to make an assessment of it.

# PART II: APPLICATION OF THE RESEARCH FRAMEWORK TO THE SITUATION IN THE NETHERLANDS

# 5 The market for current accounts in the Netherlands

This chapter gives a description of the Dutch market for current accounts, how the introduction of ANP may affect the market, and how direct and indirect effects may work out.[74]

## 5.1 Demand

The Dutch Central Bank (DCB) reports a total stock of 22.2 million current accounts.[75] The number of *active* accounts is unknown, but market players estimate it at 17-18 million for both PCAs and BCAs combined.

### 5.1.1 Personal Current Accounts

*Number of accounts*

The 13.4 million adult denizens of the Netherlands, making up 7.5 million households, 2.9 million of which exist of a single person, together hold an estimated 15.5 million current accounts (ACM, 2014, p. 75). That is an average of 1.16 per adult and 2.07 per household. Seventy percent of consumers hold a single account (GfK, 2014, quoted in ACM 2014).[76] Besides individual bank accounts, shared accounts are common for couples of which both partners have their own income, and who share a bank account for household payments. Shared accounts are also used by children and their elderly parents, who may lack the skills to manage their own internet based bank account.

*Related services 1: Credit cards*

A credit card is an optional part of a current bank account package, but can also be obtained from other providers than banks, like insurance companies. These other providers require their customers to hold a current account with a bank. It is not known which share of cardholders holds a credit card from the bank where they hold a current account, but is assumed a large majority does. By the end of 2015, Dutch consumers and businesses together held 6.2 million credit cards (DNB *online statistics*, 2016). According to DNB (2009), the number of consumers holding more than one credit card amounts to about twelve percent. This leads to an estimate of 5.6 million card holders (42 percent of

[74] The Dutch Central Bank (DNB) is the main supervisor for the banking and payment industry. DNB also collects statistical data. Dutch banks are united in the industry association *Nederlandse Vereniging van Banken* (NVB). The *Betaalvereniging Nederland* (BVN), a spin off from the NVB, is a platform for the coordination of payment services at market level. The *Maatschappelijk Overleg Betalingsverkeer* (MOB) is the common platform for DNB, NVB and organizations of businesses and consumers. The *Stichting Bevorderen Efficiënt Betalen* is a market based platform of banks and stakeholders from the retail sector.

[75] DNB online statistics, 2016, http://www.dnb.nl/statistiek/statistieken-dnb/financiele-instellingen/banken/betalingsverkeer/index.jsp

[76] Given the number of customers and the number of bank accounts, at most fifteen percent of customers can hold multiple accounts: thirty percent multiple account holders would require at least 17.4 million accounts. Unclear distinctions between personal and business accounts may play a role.

all adult consumers, about two thirds of all households), of which 600,000 hold more than one credit card.

*Related services 2: Savings accounts*

Current accounts and savings accounts naturally come together. Yet, due to technological developments, for households the portal function for savings accounts is becoming less important. Insurance companies (like *Nationale Nederlanden)* and foreign banks (like *Argenta*) offer savings accounts without a tied current account, although they still request a current account with one of the Dutch banks. In a recent survey (GfK, 2014), eighty percent of the responding households held a savings account with the same bank where they kept their current account. 72 percent of those (i.e., 58 percent of all current account holders) keep the majority of their savings in this account. In other words: 42 percent of the respondents store the majority of their savings with another bank than their current account supplier.

*Related services 3: Overdrafts and loans*

By December 2015, 2.8 million currents account (12.7 percent of the total number of current accounts) had a negative balance (DNB, see footnote 75). It is not known how this amount divides over personal and business accounts. CEG Economics (2014) report over the years 2009-2013 an 'allowed' average negative balance amounting to approximately EUR 1,150, and an 'un-allowed' negative balance of approximately EUR 300.[77]

For households, mortgage loans are the most important source of credit: more than ninety percent of all household's debt is backed by the value of homes.[78] Banks are the most important lenders: the market share of banks in all outstanding loans counts (by 2014) to 82 percent (Het Financieele Dagblad, 2015). For banks, being able to monitor a 'salary account' linked to the mortgage loan, is a valuable risk instrument. Since banks are not allowed to require such an account, they make it attractive by offering lower interest rates for borrowers with such an account.[79] Due to the structure of the Dutch mortgage market (NVB, 2014), the balance sheets of Dutch banks contain relatively large shares of mortgages. Basel rules pose tighter funding requirements, causing banks to reduce the share of mortgages on their balance sheets. This process enlarges the market for other players, like pension funds and insurance companies. The share of banks in new mortgages has fallen to about fifty percent in 2015 (IG&H, 2015). This makes clear that there is no natural link between mortgage loans and bank accounts.

[77] The negative amount of EUR 1,150 probably is not an accurate estimate. The authors note that the average is biased by a small number of accounts with a very high overdraft limit. The median value lies between EUR 100 and EUR 400. The figures may also be contaminated by defaults on mortgage loans.

[78] 3.6 million Dutch households have a mortgage loan (CBS Statline). Within the European context, the share of consumer loans (other than mortgage) in the Netherlands is very low.

[79] Websites of several Dutch banks.

### 5.1.2 Business Current Accounts

The exact number of BCAs in the Netherlands is not known. There are about 1.5 million registered businesses, including not-for-profit. Not all these businesses are active: the register also contains sleeping entities, like management and pension holdings. Larger businesses may maintain several bank accounts, e.g. in order to have multiple access to loans, or to separate the cash flows of divisions or business units. The largest share (77 percent, 1.2 million) of all registered businesses consist of a single individual. However, according to the CBS, 1.3 million individuals are active as entrepreneurs; the vast majority of those (988.000, 76 percent) qualify as self-employed: they run a business without employees. For this group, there is no necessity to maintain a separate BCA, although it is generally advised (e.g. by the tax authority and chambers of commerce) to do so. Banks guide start-ups asking for advice to a separate business account, by offering attractive starting fees.

1.3 million is a good indication for the upper bound on the number of business needing a current account. If half of the self-employed (say 500,000) keeps a separate business bank account, and other businesses (300,000) on average keep three business accounts, the number of BCAs should amount to about 1.5 million.

*Related services*

For businesses, the portal function of the BCA is more important than for households. Businesses tend to prefer a 'one stop shopping' approach for their banking services. ACM (2014, p. 54) states that the majority of SMEs only asks one bank –usually the provider of the current account– for a quote for a loan. This makes business less mobile on the banking market. Three particular circumstances may impede business from switching BCAs:

- having overdraft facilities with their existing bank – for SMEs, the overdraft facility is the most important type of borrowing (ACM 2015, GfK, 2014).
- having loans with a bank; loans are usually linked to a BCA (ACM 2015, p. 33); switching with the BCA implies refinancing loans with the new bank, which is not always easy.
- businesses with a retail function (shops, pubs, gas stations, the hospitality industry) need payment terminals to handle debit cards and credit cards. These are usually provided by or via their banks. Switching with the BCA implies making new arrangements about payments terminals with the new bank.

ACM (2015) states that SMEs are dependent on their banks for their external finance. The bundling of payment services with loans implies high relation-specific investments, and thus high switching costs – in other words, it creates a lock-in situation.

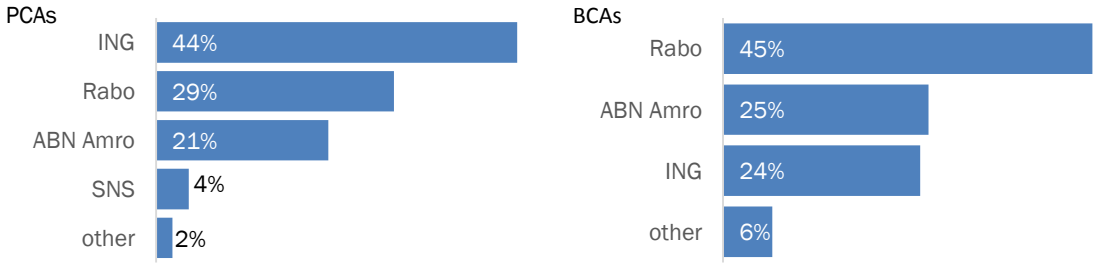
## 5.2 Supply

### 5.2.1 Banks

The Dutch banking sector is highly concentrated. It consists of three large players (ABN Amro, ING and Rabobank) and a handful of smaller ones. According to ACM/GfK (2015), the three main players together have a market share of about 95 percent in the segments for PCAs and BCAs. ING Bank (having incorporated *Postbank*, the successor of the *Postcheque- en Girodienst*, the free banking service that until 1986 was part of the Dutch Postal Services), leads in the personal segment. The fourth player in the PCA market is SNS Bank, which has its roots in labour unions, and is currently owned by the Dutch government.

Rabobank is the largest player in the business segment. Market shares in the BCA segment are nearly identical to the market shares in the market for SME loans. This emphasizes the linkage between BCAs and loans – and the fact that for business the access to loans is an important factor in the choice for a bank, and in the decision whether to stay with the bank.

*Figure 5.1 Estimated market shares current accounts 2014*




Source: ACM (2014), ACM (2015)

The players outside the big three and SNS are fringe players, with a mixed profile. Triodos and ASN emphasize corporate social responsibility, targeting customers who attach high value to the environment and human rights. KNAB, a subsidiary of Aegon, an insurance company, is a relative newcomer, mainly targeting the professional market – at first the more affluent part, but now also attracting self-employed (FD, November, 20, 2015).

The ACM concludes that competition among banks is not optimal (ACM, 2014). In the view of the ACM, macro prudential regulation, exiting foreign players, uncertainty about new regulation and customer inertia are factors impeding competition.

### 5.2.2 Price setting

Banks have a different fee structure for households and businesses. The costs of having a bank account for households consist of various components:

- fixed costs, usually a fee on a monthly, quarterly or annual basis;
- variable costs, like costs per payment or per cash withdrawal;

- penalties, like interest to be paid on a negative balance.[80]

*PCAs*

Banks charge households a fixed fee, with additional fees for amenities like a second debit card or a credit card, but no variable costs for normal use.[81] The average fixed fee for a standard personal bank account amounts to about EUR 50 per annum. But fee structures differ per bank, making it difficult for customers to compare products and prices (see box)

***PCA prices compared, based on fixed prices and some extra options***

The table shows fees for basic accounts, with extra options such as a second debit card for a shared account, a credit card and paper statements. The amenities of current accounts differ by bank. Some banks offer a discount on insurances, interest on a positive balance account, or the option for customer to set their own pin code. These aspects of the banking products are not covered in this overview.

| Bank | Basic account[1] | Extra options[2] | Total |
|---|---|---|---|
| **Rabobank** | € 1.80 | € 2.80 | € 4.60 |
| **ING** | € 1.37 | € 2.71 | € 4.08 |
| **ABN Amro** | € 3.25 | € 0.75 | € 4.00 |
| **SNS Bank** | € 2.50 | € 1.31 | € 3.81 |
| **ASN Bank** | € 1.50 | € 3.17 | € 4.67 |
| **RegioBank** | € 1.95 | € 2.29 | € 4.24 |
| **Knab** | € 5.00 | included | € 5.00 |
| **Triodos Bank** | € 2.25 | € 1.67 | € 3.92 |

[1] Basic Account: monthly fixed costs for most basic PCA.

[2] Extra options: monthly fixed costs for a second debit card for a shared (and/or) account, one credit card and paper statement.

The table shows that prices are within the same range for all banks. Only Knab bank seems to have a different pricing strategy with higher fixed costs and low variable costs. All banks charge extra variable costs for international payments and overdraft facilities. Tariffs for these facilities show bigger differences than the standard options.

*BCAs*

Businesses pay a combination of fixed fees and costs per payment, with different tariffs for different payments. Tariff structures carry a detailed differentiation for various transactions: paper transfers, electronic transfers, direct debits, debit card payments, cash withdrawals and deposits, etc. Tariffs are scale dependent and may also differ for single or batch payments. Business with a Point-of-Sale (PoS) function need an infrastructure for debit cards and credit cards, and the handling of cash. This infrastructure comes with fees and tariffs on top of the regular account.[82] The numerous options and detailed structure makes a comparison of banking tariffs very difficult.

[80] The penalty interest rate is relatively high. Het Financieele Dagblad (2016) reports an average of 10,8 percent per year, versus a rate paid by banks on savings accounts of 1 percent. Most banks do not pay interest on a positive balance of current accounts.

[81] Special services, like express payments, are charged separately.

[82] Typical PoS industries are shops, street traders, gas stations, and bars, restaurants and hotels.

*BCA prices compared, based on fixed prices, some extra options and some variable costs*

The basic costs in the table include the costs for a basic BCA. The fixed costs for the extra options include the costs for a credit card, extra debit card and paper statements. The variable costs for extra options include the costs for a cash withdrawal of EUR 300 in American Dollars (exchange rate taken is €1=$1.107) with a debit card and with a credit card and the costs of overdraft of EUR 500. The fixed cost for a Point-of-Sale consist of the rental of a PIN pad and the variable costs consist of 500 transactions via this PIN pad and five seal bag deposits per month with 600 notes of EUR 20.

| Bank* | Basic account[1] | extra options (fixed)[2] | extra options (variable)[3] | PoS (fixed)[4] | PoS (variable)[5] | total |
|---|---|---|---|---|---|---|
| Rabobank | € 10.35 | € 4.95 | € 78.03 | € 47.00 | € 114.50 | € 254.83 |
| ING | € 9.50 | € 5.33 | € 83.53 | € 43.60 | € 33.08 | € 175.04 |
| ABN Amro | € 11.90 | € 4.48 | € 69.91 | € 49.00 | € 141.25 | € 276.54 |
| SNS Bank | € 6.58 | € 4.60 | € 59.03 | € 37.58 | € 20.70 | € 128.49 |
| RegioBank | € 6.75 | € 4.35 | € 74.25 | € 37.58 | € 130.70 | € 253.63 |
| Triodos Bank | € 9.67 | € 5.44 | € 71.74 | € 42.58 | € 85.00 | € 214.43 |

* ASN Bank and Knab are excluded, since they only have BCAs for self-employed. Basic account: monthly fixed costs for most basic BCA

1. Extra options (fixed): costs for one credit card, extra debit card for a shared account and paper statement.
2. Extra options (variable): cash withdrawal of €300 in American Dollars (exchange rate €1=$1.107) with a debit card and with a credit card. Plus the costs of overdraft of €500.
3. PoS (fixed): rental of a PIN pad for point-of-sale
4. PoS (variable): 500 transactions via a PIN pad and five seal bag deposits per month with 600 notes of €20.

The table shows that banking costs for businesses differ mostly in the variable costs for PoS options. This can be explained by the different cost structures for a cash deposit. For some banks a cash deposit is not possible at all or has to be done via an office of GWK Travelex or another.

### 5.2.3 Banking costs for households and businesses

Total banking costs of households and businesses are largely unknown. Jonker (2013) estimates banking costs for Point-of-Sale transactions (debit card, credit card, cash) of Dutch businesses. The results are shown in Table 5.1. These estimations are at macro level and can –without additional data and assumptions– not be translated into costs per firm. Point-of-Sale transactions are only a part of all bank transactions, like direct debit and transfers.

*Table 5.1 Estimated costs of PoS transactions 2009 (in EUR million)*

| | fixed | variable | total |
|---|---|---|---|
| cash | 192 | 321 | **513** |
| debit/credit card | 48 | 247 | **295** |
| Total | 240 | 568 | **808** |

Source: DNB 2016, p. 26

Additional calculations, based on the numbers of households and firms, bank tariffs and transaction volume (see Annex 6), lead to estimations of total costs (domestic transactions only) of current accounts as shown in Table 5.2. Households collectively pay nearly EUR 1 billion for the use of their bank accounts. Business pay another EUR 1.6 billion. Since these costs per payment are mostly incorporated in consumer prices, a large share of banking costs remains invisible to consumers.[83]

*Table 5.2 Total costs per annum for domestic payments, PCAs and BCAs 2015/2016 (in EUR million)*

| | fixed regular | variable regular | fixed PoS | variable PoS | total |
|---|---|---|---|---|---|
| **households** | 950 | 1 | | | **951** |
| **self-employed** | 50 | 2 | 41 | 5 | **98** |
| **firms 2-10** | 119 | 19 | 37 | 83 | **258** |
| **firms 11-100** | 69 | 48 | 18 | 121 | **256** |
| **firms 101-250** | 20 | 22 | 1 | 45 | **88** |
| **firms 251+** | 65 | 193 | 2 | 248 | **508** |
| **total** | **1,273** | **285** | **99** | **502** | **2,159** |

Table 5.3 illustrates average costs per household (and firm) and per bank account.

*Table 5.3 Average costs per annum of basic current accounts 2016 (in EUR)*

| | average costs per household (firm) | average costs per account |
|---|---|---|
| **households** | 124 | 60 |
| **self-employed** | 196 | 196 |
| **firms 2-10** | 860 | 480 |
| **firms 11-100** | 4.655 | 1.741 |
| **firms 101-250** | 20.465 | 4.241 |
| **firms 251+** | 189.429 | 18.955 |

Due to cost allocation issues, the margins on current accounts are very difficult to determine. ACM (2014, p. 75) refers to McKinsey (2006), which indicated that PCAs make losses estimated at EUR 642 million across the industry. ACM comments that in the analysis some of the cost allocation assumptions are unclear, and that when PCAs and BCAs are combined, banks appear to break even.

Even if current accounts are low margin services, banks make profits on other services, like loans. Banks are aware of customer inertia, and use it as a strategy for attracting new customers. Cheap accounts for young customers (like students) are assumed to be loss leaders, but they help to retain customers as they become more attractive over the years.

[83] The sum of fixed and variable cost for PoS traffic in our calculations (Table 5.2) amounts to 602 million euro, with is low compared with the DNB estimation of 808 million. Table 5.2 regards a more recent period – volume and fees have increased up since 2009. The difference can partly be explained by allocation issues and differences in the definition of fixed and variable costs.

## 5.3 Dynamics & competition

The market for current accounts in the Netherlands is very stable. Entrance and exit are low. After the credit crunch, the industry has become less international: the domestic players focus on their home market while international players like RBS have left the market. Competitive impulse does not come from traditional entrants, but from new players with a technological background. Payment services providers like Adyen and Bunq enter the market, who present themselves as IT companies, although Bunq has a banking license.[84] The new players urge the incumbents to more efficiency, better user interfaces and better value propositions towards their customers.

Given earlier mentioned customer inertia, and businesses' preference for 'one stop banking', there is hardly dynamics on customer side either. GfK (2014, p. 54) shows that seventy percent of small business never switched from bank, GfK (2014) estimate an annual switching rate of three percent among consumers. This however seems to be an overestimation. Calculations by Decisio based on the volume of *De Overstapservice*, lead to an annual switching rate of 0.7 percent for households and 1.3 percent for businesses.

[84] See McKinsey (2015) for the potential impact of technological entrants, and the need for 'modernization of domestic payments infrastructures'. McKinsey (p. 20) considers the Netherlands to be lagging in this modernization process.

# 6 Social effects of ANP in the Netherlands

Based on the methodology set out in Part 1 and the overview of the Dutch market this chapter addresses the calculation of the social effects of ANP in the Netherlands. Sections 6.1 to 6.3 addresses the effects on a per year basis. Section 6.3 describes the possible effects over a ten year period in two scenarios.

## 6.1 Direct effects of ANP in the Netherlands

### 6.1.1 Direct Effect: A. Decrease in PCA switching costs for the Netherlands

We apply a Markov model as described in Section 3.1.3, using three mutual exclusive states in which bank customers can be:

1. *Indifferent*: customers are either completely satisfied or just indifferent; the propensity to switch is minimal, the probability of switching within a year is close to zero.
2. *Considering*: customers think about switching, and are somewhere in process of information gathering and decision making; the propensity to switch is moderate to high, the probability of switching within a year is positive.
3. *Actually switching.*

We use the outcomes of the surveys as input for two Markov models (one without ANP and one with ANP), in which a transition from one state to another corresponds with a change in behaviour. All customers start in one of the three states, and change states (or remain in the same state) once per time period (e.g., one year). A transfer (from *considering* or *indifferent)* to *switching,* means customers actually will switch their bank account. An equilibrium distribution for the three states can be derived from the transfer probabilities from one state to another. This model forecasts the annual number of switching customers.

*Number of switching customers (SR)*

Earlier research gives clues about the current distribution of bank customers over the three states, as shown in the upper bars in Figure 6.1. The numbers for *indifferent* (68 percent) and *considering* (31 percent) are derived from among GfK (2014) and ACM (2015).[85]

The transition probabilities in the situation without ANP (*ProbH1*), are set in such a way, that they lead to the steady state shown in Table 6.1. 94 percent of all indifferent customers remain indifferent within the scope of one year. Five percent of indifferent customers turns into considering, and one percent

[85] In the surveys underlying these studies, the switching propensity of households was measured by asking them whether "it would be likely they would switch bank accounts within a year". We assume the respondents rendering a probability higher than twenty percent to be *considering*. The share of active customers is derived from data from the ISPP, banks and own calculations. The 68 percent indifferent households in the ACM/GfK Survey resembles the about seventy percent respondents in a panel used by Van der Cruijsen & Diepstraten (2015), who declare that being 'satisfied with the situation without ANP' is a (very) important explanatory factor for not considering to switch.

actually switches, e.g. because of life events (marriage, divorce). Of those who consider to switch, we expect 89 percent to remain considering (i.e. procrastinating), and one percent to switch. We expect most switchers (95 percent) to be content (or indifferent) after having switched, and five percent to remain critical, but now about another bank. No one switches two years in a row.

*Table 6.1 Transition probabilities in the Markov model for households (situation without ANP; ProbH1)*

| | | status end of year | | |
|---|---|---|---|---|
| | | indifferent | considering | switching |
| **Status beginning of year** | indifferent | 94% | 5% | 1% |
| | considering | 10% | 89% | 1% |
| | switching | 95% | 5% | 0% |

In order to estimate the effect of ANP, we start with the situation without ANP (*ProbH1)*, and replace the probabilities to become *considering* (from *indifferent*) or *switching* (from *considering*) from the results of our household surveys.[86] Consumers who are not considering to switch in the situation without ANP were asked –apart from a lot of control variables– whether the availability of ANP would make them consider to switch: *not / possibly / certainly*. Consumers who are considering to switch, but did not do so in the situation without ANP, were asked whether the availability of ANP would change their decision: *not / possibly / presumably / certainly*. Table 6.2 shows the outcomes.

*Table 6.2 The effect of ANP on switching intentions of Dutch households*

| **Considering households** | | **Indifferent households** | |
|---|---|---|---|
| *ANP would change decision not to switch* | Percentage of households | *ANP would change propensity to switch* | Percentage of households |
| no | 27.1% | no | 76.6% |
| possibly | 36.6% | possibly | 22.6% |
| presumably | 26.5% | certainly | 0.8% |
| certainly | 9.8% | | |

*Scores are weighted in order to represent all Dutch households. Source: GfK (2015).*

As it appears, ANP increases both the willingness to switch for those already considering (ten percent: "certainly"; 27 percent "presumably"), and the propensity for those who are indifferent (one percent "certainly"; 23 percent "possibly"). This increased willingness is not expected to lead to more switching

86 There are several empirical findings for the latter effect. These findings are mixed, however. Cleveringa et al. (2011), departing from a marketing perspective, conclude that the introduction of ANP will not change perceived switching costs, and that ANP will not enhance the propensity to switch. Yet, Van der Cruijsen & Diepstraten (2015, p. 18-19), using a similar approach, report a doubling of average switching propensity if ANP should be available. Yet they do not forecast ("more research is needed") whether this larger propensity would lead to more actual switching.

in the same proportions. There is abundant evidence that a large gap exists between stated intentions and action (known as *hypothetical bias*): bank customers will remain inert, and procrastinating.

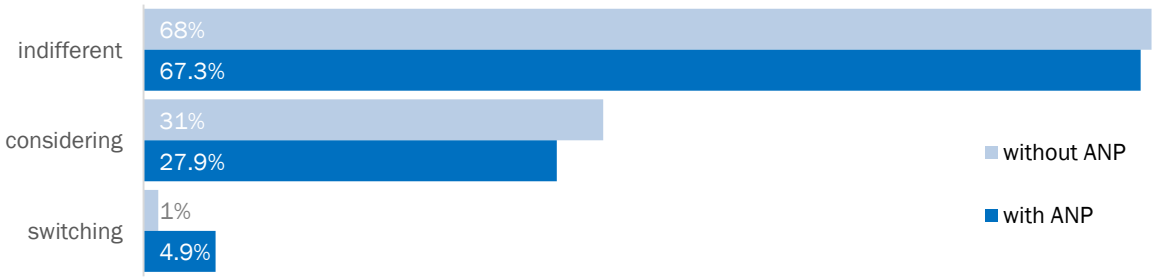
The results in Table 6.2 are used as input for the situation with ANP (*ProbH2)*, see Table 6.3. The bold values are derived from Table 6.2, taking hypothetical bias into account. Thus in the model, the number of *considering* customers who will actually switch, increases from one percent to fifteen percent. The number of *indifferent* customers turning into *considering* increases from five percent to ten percent. As the rows need to add to hundred percent, the values in the first column are modified accordingly.

*Table 6.3 Transition probabilities in the Markov Model for households (situation with ANP; ProbH2)*

| | | status end of year | | |
|---|---|---|---|---|
| | | indifferent | considering | active |
| **status start of year** | indifferent | 89% | **10%** | 1% |
| | considering | 10% | 75% | **15%** |
| | active | 95% | 5% | 0% |

Figure 6.1 shows the steady state distributions for the situation without ANP, and the situation with ANP. In the situation, every year one percent of households (i.e. 100,000) change PCA provider. With ANP, and under the assumption that the change in behaviour lasts, the annual number of switchers would increase to 4.9 percent or approximately 490,000.

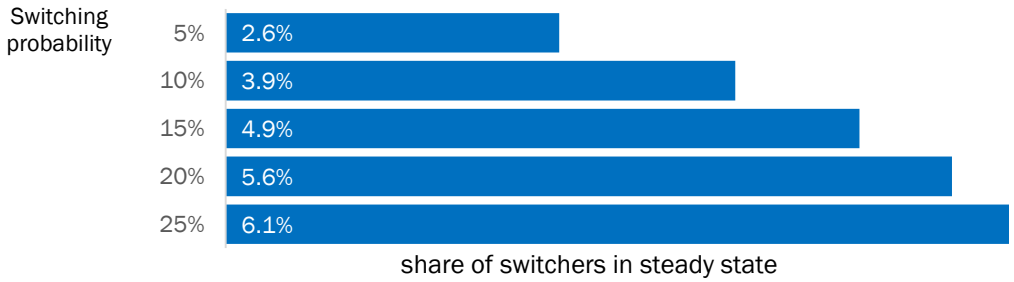
*Figure 6.1 Steady state distributions for households in a situation without ANP and with ANP*




Sources: ACM/GfK (2015), ACM (2014), interviews with Banks, calculations by Decisio

The effect of ANP on the steady state distribution depends on the transition probabilities used in both situations, especially on the probability that considering customers will start switching. Figure 6.2 shows that the outcomes are somewhat sensitive to the chosen parameter: if the switching probability is set to ten percent, instead of 15 percent, the forecasted number of switchers decreases to 3.9 percent. If the probability that considering customers will start switching is set higher, the number of switchers increases. The increase in the annual switching rate is limited in absolute terms to around six percent.

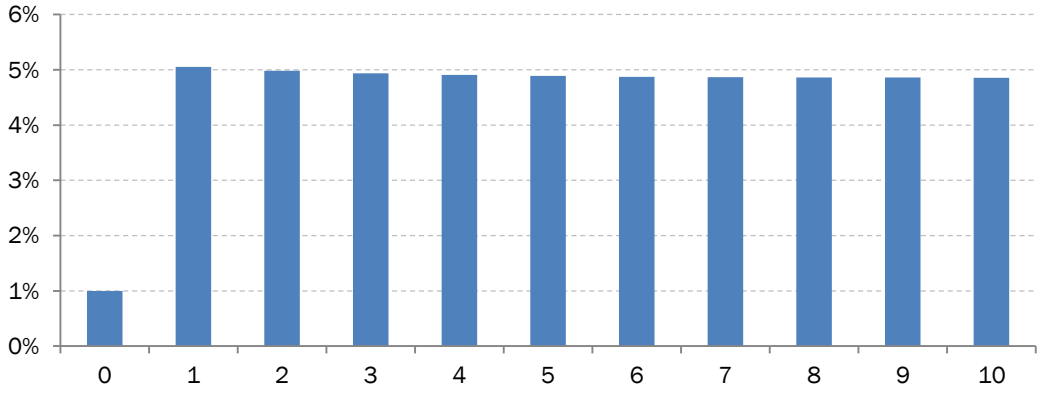
*Figure 6.2 Sensitivity analysis on switching probability for households*




Source: Calculations by Decisio, based on the Markov model

The number of switching consumers rises to 5.1 percent in year 1, back to five percent in year 2 and arrives at equilibrium level in year 3, see Figure 6.3.

*Figure 6.3 Rapid convergence in the number of switching households*




Source: Calculations by Decisio, based on the Markov model.

However, the outcomes do *not* depend on the opening distribution (the situation without ANP), but the speed in which the new steady state is reached does. It is unknown how fast consumers would react.[87] However, given the fact that the steady states with and without ANP are much alike, convergence in the model happens fast.

*Switching costs (SC)*

In order to quantify the switching costs for the Dutch situation, we start with analysing the switching process for both consumers and SMEs with the help of the publicly available information on this subject (see Annex 3.2).[88] The switching process includes more activities than the notifying of direct debit collectors and regular income sources about the switch. These other activities range from online research about the switching process, the request of new banking products, to the re-arrangement of

87 The introduction of ANP, presumably coming with a lot of publicity, may induce catch-up behavior by consumers. This means that in real the convergence process might go faster.

88 Websites of the Dutch banks.

periodical transfers and debit blockades, and the regular checks if all money transfers are correctly performed.

We compared the switching costs between a DIY situation, a situation in which switchers can use a switching service (IPSS) and a situation with ANP. For this, we determined for each activity in the switching process if there is a difference in time effort (with the help of the Standard Cost Model[89]). In a situation with ANP and IPSS, for example, current account switchers do not have to inform basic direct debit collectors in contrast to a DIY situation. A current account switcher also has to spend less time in terms of performing regular checks if all money transfers are correctly performed, etc. For the comprehensive activity analysis and the quantification of the different switching times per situation, see Annex 3.2.

Simultaneously, we estimated the number of third parties that have to be informed in case of a current account switch. This is necessary information to estimate the time needed to switch (more third parties means more switching time in a situation without ANP). Finally, we determine the other switching costs in terms of double current account fees. For this, we assume a period of three months of two current accounts in a situation with IPSS and DIY. In case of IPSS, this is not always necessary (depending on the old payment service provider), but in order to prevent money transfers going wrong, it is recommended to do so. In a DIY situation, PCA holders have to decide themselves if they close the old current account straight away, or keep both current accounts for a period of time.

The results of the these analyses allow us to monetise the decrease in switching costs (see Annex 3.2). This decrease constitutes the reduction of 'hassle' that comes with a switch. As a result, we estimated that in a situation with ANP, current account switchers have EUR 159 less switching costs than in a DIY situation and EUR 49 less than in a situation with IPSS. For the new switchers, we apply the rule of half (see Section 3.1.1). The estimated total annual benefit of reduced switching costs for PCA-holders is illustrated in Table 6.4.

*Table 6.4 Total estimated effect of ANP on switching costs for PCA switchers (yearly estimate)*

| | | SR | SC | SR x SC |
|---|---|---|---|---|
| Effects for PCA holders in situation without ANP: | Current PCA switchers with IPSS | 80,000 | € 49.00 | € 3.9 mln |
| | Current PCA switchers DIY | 20,000 | € 158.52 | € 3.2 mln |
| Effects for PCA holders that switch due to ANP: | New PCA switchers with IPSS | 304,000 | € 24.50* | € 6.7 mln |
| | New PCA switchers DIY | 76,000 | € 79.26* | € 5.4 mln |
| Total (rounded off): | | | | **€ 19.2 mln** |

* Rule of half for new switchers

89 Regiegroep Regeldruk (2008).

We compare the effects for PCA holders who currently switch in a situation without ANP, and for current account holders in a situation with ANP. We assume for both situations that twenty percent of the switchers would not use IPSS. ANP, will apply to all current account switchers, but the (virtual) benefits for switchers in a DIY situation are higher than for IPSS switchers.

### 6.1.2 Direct Effect: B. Decrease in BCA switching costs for the Dutch market

For SMEs, the calculations are similar to those for consumers.

*Number of SMEs switching (SR)*

Earlier research gives clues about the current distribution of bank customers over the three states *indifferent*, *considering* and *switching*. The numbers in the light bars of Figure 6.4 are derived from ACM/GfK (2014) and ACM (2015). In the surveys underlying these studies, the switching propensity of SMEs was measured by asking them whether it would be likely that they would switch bank accounts within a year. We assume the respondents answering with a probability higher than twenty percent, to be seriously considering. The number of switching customers is derived from data from the IPSS, banks and own calculations.

The transition probabilities in the situation without ANP (*ProbB1)*, are set in such a way, that they lead to the steady state shown in Table 6.5. Compared with households, a somewhat higher rate of SMEs goes from *indifferent* to *considering*, but also more firms return from *considering* to *indifferent*. This is caused by the fact that firms are more locked-in, and realise at a given moment that switching is not a viable option.

*Table 6.5 Transition probabilities in the Markov Model for SMEs (situation without ANP; $ProbB_1$)*

| | | status end of year | | |
|---|---|---|---|---|
| | | indifferent | considering | active |
| **Status start of the year** | indifferent | 91% | 7.5% | 1.5% |
| | considering | 40% | 57% | 3% |
| | active | 95% | 5% | 0% |

In order to describe the change in behaviour caused by ANP, we substitute higher probabilities for getting active in a situation with ANP (*ProbB2,* see Table 6.6). Again, the new probabilities are derived from the surveys under indifferent and considering small business owners. Table 6.7 shows the outcomes.

*Table 6.6 The effect of ANP on switching intentions of Dutch SMEs*

| **Considering SMEs** | | **Indifferent SMEs** | |
|---|---|---|---|
| ANP would change decision not to switch | Percentage of SMEs | ANP would change propensity to switch | Percentage of SMEs |
| no | 29% | no | 74% |
| possibly | 33% | possibly | 25% |
| presumably | 23% | certainly | 1% |
| certainly | 15% | | |

Scores are weighted in order to represent all Dutch SMEs. Source: GfK (2015).

*Table 6.7 Transition probabilities in the Markov Model for SMEs (situation with ANP,* ProbB2*)*

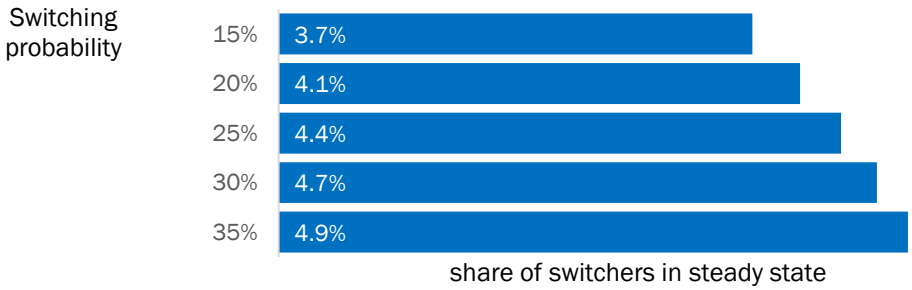
| | | **status end of year** | | |
|---|---|---|---|---|
| | | indifferent | considering | active |
| **Status start of the year** | indifferent | 91% | **6.5%** | **2.5%** |
| | considering | 40% | 35% | **25%** |
| | active | 95% | 5% | 0% |

*Figure 6.4 Steady state distributions for SMEs in a situation without ANP and with ANP*


Source: ACM/GfK (2015), ACM (2014), Banks, own calculations

The steady state, shown in Figure 6.4, defined by *ProbB2* contains a higher number of switching firms: 4.4 percent with ANP, instead of the two percent in the situation without ANP. Again, the outcomes hardly depend on the choice for the switching probability set in *ProbB2.* From the model we conclude that it is likely that the number of switching SMEs will amount to four to five percent.

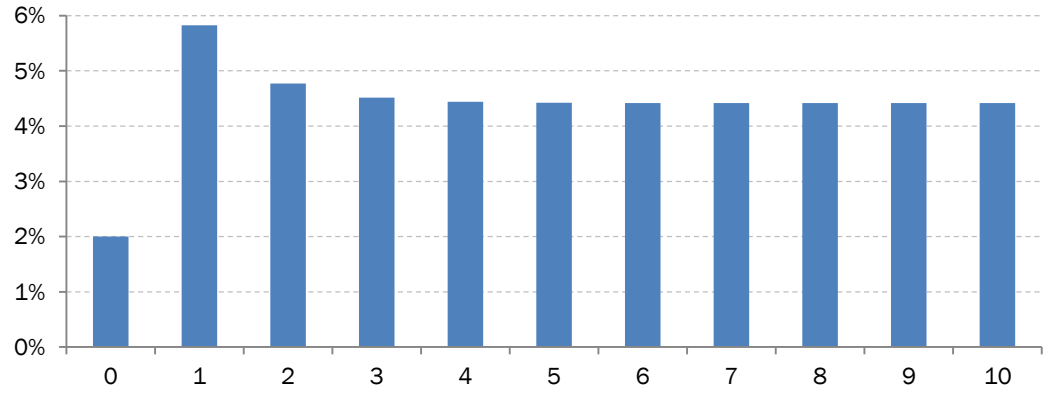
*Figure 6.5 Sensitivity analysis on switching probability for SMEs*




Source: Calculations by Decisio, based on the Markov model

In the SME market, it takes about four years to reach the new equilibrium level (again: in the model). See Figure 6.6: the number increases sharply in year 1, and then decreases rapidly to the annual switching rate of 4.4 percent.

*Figure 6.6 Convergence in the number of switching firms after four years*




Source: Calculations by Decisio, based on the Markov model

*Switching costs (SC)*

Similar to the PCA switchers, the determination of the switching costs for Dutch BCA-switchers was carried out by analysing the switching process for SMEs with publicly available information (see Annex 3.2).[90]

We compared the switching costs between a DIY situation, a situation in which switchers can use a switching services (IPSS) and a situation with ANP. For this, we determined for each activity in the switching process if there is a difference in time effort (with the help of the Standard Cost Model[91]). BCA switchers spend, for example, significantly less time in a situation with IPSS and ANP in terms of informing direct debit collectors and the performance of regular checks if money transfers are correctly

[90] Websites of the Dutch banks.
[91] Regiegroep Regeldruk (2008).

performed. For the comprehensive activity analysis and the quantification of the different switching times per situation, see Annex 3.2.

Simultaneously, we estimated the number of third parties that have to be informed in case of a current account switch. This is necessary information to estimate the time needed to switch (more third parties means more switching time in a situation without ANP), but since there are no reliable sources that give a good indication of the average direct debit contacts, we assume this to be the same amount as for private households.

Finally, we determine the other switching costs in terms of double current account fees. For this, we assume a period of 13 months of two current accounts in a situation with IPSS and DIY. In case of IPSS, this is not always a necessity (depending on the old payment service provider), but in order to minimise risks of money transfers going wrong, it is recommended to do so. In a DIY situation, BCA holders have to decide themselves if they close the old current account straight away, or keep both current accounts for a period of time.

Based on the results of above mentioned analyses, we can monetize the switching costs per situation (see Annex 3.2). As a result, we estimate that compared to a situation with ANP, current account switchers have EUR 813 less costs than in a DIY situation and EUR 358 less than in a situation with IPSS. For the new switchers (in a situation with ANP), we apply the rule of half (see Section 3.1.1).

The estimated total annual benefit of reduced switching costs for BCA holders is shown in Table 6.8. We compare the effects for BCA holders who currently switch in a situation without ANP, and for current account holders in a situation with ANP. We assume for both situations that 20 percent of the switchers would not use IPSS.[92]

*Table 6.8 Total estimated effect of ANP on switching costs for BCA switchers (yearly estimates)*

| | | SR | SC | SR x SC |
|---|---|---|---|---|
| Effects for BCA holders in the situation without ANP: | Current BCA switchers with IPSS | 10,000 | € 358 | 3.6 mln |
| | Current BCA switchers DIY | 3,000 | € 813 | 2.4 mln |
| Effects for PCA holders that switch due to ANP: | New BCA switchers with IPSS | 28,080 | € 179* | 5.0 mln |
| | New BCA switchers DIY | 7,020 | € 407* | 2.9 mln |
| Total (rounded off): | | | | **€ 13.9 mln** |

* Rule of half for new switchers

[92] ANP, will apply to all current account switchers, but the (virtual) benefits for switchers in a DIY situation are higher than for IPSS-switchers.

### 6.1.3 Direct Effect: C. Decrease in administrative burden for direct debit relations

We know the total number of direct debits in Dutch retail banking (1.4 billion in 2014), but we do not know how many direct debit collectors an average BCA holder has to inform. Without more specific information about the average number of direct debit relations, we conservatively assume that both private households and SMEs have to inform 16 direct debit collectors and three regular income sources (see Table 6.9).

Note: We do not include the number of international contacts, because these are not benefits for Dutch society. They should be included in the benefit-analysis on a European level, so the benefits for direct debit collectors can be determined and quantified.

*Table 6.9 The estimated number of direct debit relations for households and SMEs*

| Type of direct debit relation | Number of relations |
|---|---|
| Regular income sources (per household) | 5 |
| Regular direct debit contacts (per household) | 16 |
| Regular income sources (per SME) | 5 |
| Regular direct debit contacts (per SME) | 16 |

Furthermore, we assume that the adaption in the financial administration of direct debit relations will take ten minutes per client. The Standard Cost Model assumes a standard hourly rate of EUR 37 for businesses.[93] This is the hourly rate for an administrative worker, including overhead costs. Thus, the administrative costs for a direct debit recipient amount to EUR 6.17 per switcher.

In Section 3.3 it was mentioned that this direct effect is limited to the number of switchers in the current situation. Based on a total of 113,000 annual current account switchers in a situation without ANP, we estimate the change in administrative burden for direct debit collectors to be around EUR 13.9 million per year (see Table 6.10).

*Table 6.10 Estimated effect per year for Dutch direct debit relations*

| | Number of direct debit relations | Current PCA & BCA switchers* | Administration costs per amend-ment | **Amount** |
|---|---|---|---|---|
| PCA: | 21 | 100,000 | € 6,17 | € 13.0 mln |
| BCA: | 21 | 13,000 | € 6,17 | € 1.7 mln |
| Total (rounded off): | | | | **€ 14.6 mln** |

*In a situation without ANP

93 Regiegroep Regeldruk (2008, *p. 46).* Decisio performed an inflation correction based on official Dutch inflation statistics by Statistics Netherlands (CBS).

### 6.1.4 Overview of the direct effects of ANP in the Netherlands

In Table 6.11, we illustrate the direct effects A, B and C as quantified in the previous subsections.

*Table 6.11 Overview of the quantified direct effects of ANP for the Netherlands; year 1 (in EUR million)*

| No. | Description | ANP effect year 1 |
|---|---|---|
| A | Change in PCA switching costs | + 19.2 mln |
| B | Change in BCA switching costs | + 13.9 mln |
| C | Change in the administrative burden for direct debit relations | + 14.6 mln |
| | **Total:** | **+ 47.7 mln** |

In year 1 of the evaluation period, the total direct effect is estimated to be EUR 47.7 million. In section 6.3, we make estimations for the long term direct effects (year 2 to year 10 of the evaluation period) for the two scenarios.

## 6.2 Indirect effects of ANP in the Netherlands

### 6.2.1 Indirect Effect: D. Change in the price for Dutch current accounts and linked banking products

Whereas the concentration indices suggest that there is room for more competitive prices in the Netherlands, the actual prices of PCAs suggest the contrary. Industry experts explain the low prices in the Netherlands by a relatively efficient banking system and low to non-existent profit margins, and indeed cross-subsidies from other products and services.

Another explanation for the relatively low prices for PCAs is that companies are charged higher tariffs for current accounts and the use of the payment system (see Annex 4). As companies will pass these costs in their prices, consumers pay in an indirect way for the financial system. Hence, for the total cost charged for retail banking services, we have to look at the sum of both PCA and BCAs. Where prices of PCAs in the Netherlands are relatively low, we found that this is not necessarily the case for BCAs. Especially the variable costs might be sensitive to more competition.

Assumptions:

- Effect on the PCA price level: no effect;
  - PCAs are a low interest product in the Netherlands, have low to negative margins, are a mature market, hence the responses to changes in PCA prices are very limited.
  - Price levels converge on a European scale, limited possibilities for further decrease in price in the Netherlands, given that PCA price levels in the Netherlands are relatively low.
- Effect on the BCA price level: - 25 percent on variable costs
  - Dynamics in BCA market (new entrants KNAB, Svenska Handelsbanken, Bunq) suggest room for further decrease in prices.
  - Tariff structure suggests possible decrease in variable costs.

- Effect on price levels of related products: -1 percent for all related products
    - Indications of cross selling/cross subsidizing for retail banks.
    - PCA used as 'lock in', revenue generated by related products.
    - Limited differences found in international pricing levels in terms of interest on savings.

Below, we perform a tentative quantification of the above mentioned assumptions. The one percent reduction is a tentative quantification. More research is needed to make a more solid quantification. However, it does illustrate the magnitude of the effect of a small change in retail bank prices due to ANP.

- A 25 percent reduction of the variable BCA costs amounts to a EUR 183.8 million price reduction. This calculation is based on EUR 735 million variable costs for BCAs, which we derived with the help of DNB Statistics, statistics on the amount of accounts, households and businesses and publicly available information on current account prices (see Annex 4, Table A4.1 and Table A4.2).
- A one percent reduction of the average mortgage interest rate (from 4.16 percent to 4.12 percent) would result in a price reduction of EUR 185.5 million. This calculation is based on EUR 637 billion mortgage debt[94], an average mortgage interest rate of 4.16 percent and an average correction for the Dutch mortgage interest tax deduction of 70 percent.[95,96]
- A one percent reduction of revolving credit interest (from 12 percent to 11.88 percent) would reduce the prices of revolving credit with about EUR 2.8 million. This is based on a total revolving credit of EUR 2.1 billion, and an average interest rate of 12 percent.[97]
- An increase of one percent interest on savings (from 0.80 percent to 0.88 percent) would increase the saving benefits with about EUR 27 million Euro. This calculation is based on EUR 340 billion of savings and an average interest rate of 0.8 percent.[98]
- We do not have enough information on business loans to predict the effect of a one percent price decrease.

The relatedness of these products and services to the current accounts is not the same (see paragraph 4.1). Loans are stronger related than mortgages and savings accounts. So an increase in competition caused by ANP would potentially have a greater impact on the strongly related products, such as loans. It is however the question, whether existing clients with loans will profit by the same measure as new clients. To attract new clients seeking a loan in a more volatile market, supplier will have to change their prices and or conditions. However, these products have their own lock-in in terms of conditions and contracts, so existing customers can still not switch easily in a situation with ANP. So the possible price reductions on related products that have their own lock-in (conditions on mortgages and loans) will probably take longer to reach their full extent, than products that are more easily transferred.

94 Fininet (2015).
95 DNB (2015c).
96 CBS (2010).
97 Ceg (2014, p. 8). The total amount of revolving credit is based on 2012.
98 CBS Statline (2016) and Spaarrente.NL/Blog (2015).

### 6.2.2 Indirect Effect: E. Change in Dutch retail bank revenues

Following the assumptions on price levels (see previous Section), the assumptions used for the Netherlands are:

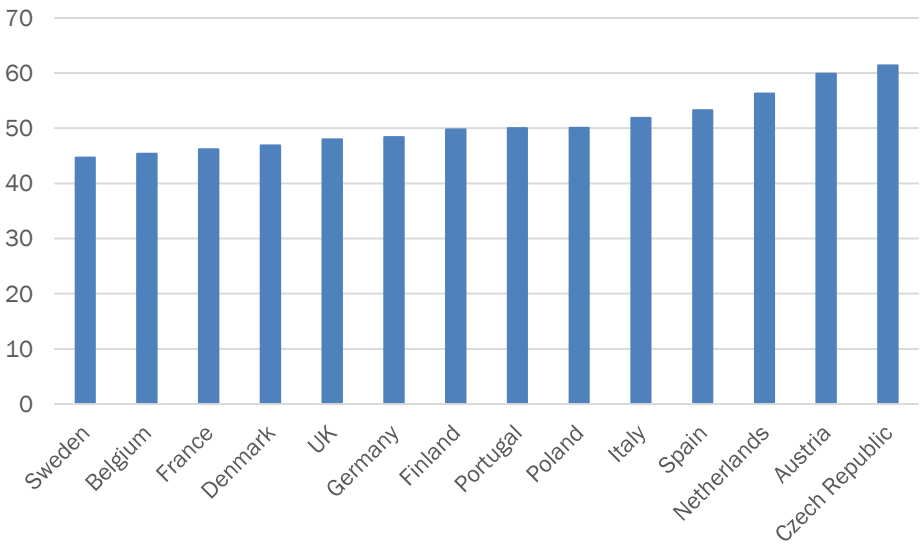
- Effect on revenues from PCA: no effect;
- Effect on revenues from BCA: -25 percent on variable costs;
- Effect on revenues from related products: -1 percent for all related products.

The tentative quantification is also similar to Section 6.2.1. The increase in consumer surplus will be cancelled out by the decrease in producer surplus (and the other way around).

### 6.2.3 Indirect Effect: F. Change in Dutch 'Deadweight Loss'

The magnitude of the change in deadweight loss depends on the price elasticity of demand. As mentioned in Section 4.3.2, the price elasticity of both PCAs and BCAs and the linked banking products should ideally be measured with the help of time series data and/or cross-sectional data, and subsequently visualised by means of a demand curve.

*Figure 6.8 EU retail bank customers with a positive experience about retail banking in 2015 (in percent)*




Source: CapGemini World Retail bank report 2015

There are no studies available on price elasticity of the PCA and BCA markets in the Netherlands. Alternatively, we used several indicators based on international benchmarks (see Figure 4.1 and Figure 4.5), and e.g. the fact that Dutch consumers are relatively satisfied with their current account (see Figure 6.8), we conclude that the prices of PCA in the Netherlands are already on a competitive level and demand is considered to be inelastic (customers do not know what they pay, and the market is saturated).

Furthermore, information provided by retail banks in the Netherlands suggests that the number of bank accounts per household is actually *decreasing*. Hence, no indications are found that a significant DWL reduction will occur after introduction of ANP.

With regard to the price elasticity of BCAs, information gathered in interviews suggests that the number of accounts for companies is increasing. This is mainly due to the fact that companies want to become less dependent on one bank. But this also means that most SMEs already have at least one BCA and price is not so much of an issue. Because PCAs are generally cheaper in the Netherlands than BCAs, there are self-employed who do not have a BCA, but open up a second PCA for business use.[99] We assume that these self-employed will be inclined to replace the second PCA for an authentic BCA. In these cases, however, there is no actual improvement in consumer or producer surplus, and also the total number of accounts (PCA and BCA combined) remains stable.

Given the saturated market for both PCAs and BCAs in the Netherlands, we do not expect a huge effect. Hence we assume no net welfare effect in the market for current accounts, due to a change in DWL. For related products (see Chapter 5 for a brief overview and some data) no extensive research has been done.

### 6.2.4 Indirect Effect: G. Change in product differentiation for the Dutch market

We did not perform extensive research in terms of expected changes in product differentiation due to ANP for the Dutch market.[100] The information gathered in the interviews for this study did not hint to an increase in product differentiation due to ANP, although current accounts do not just differ in terms of prices and the number of debit cards etc., but also in terms of timing of the direct debit transfers and the process and service in terms of unsuccessful direct debit transfers. It is not doable for researchers and policy makers to predict these kind of market gaps, and hence, we did not quantify this effect.

We did notice though, that several Dutch banks offer new product variations in terms of PCAs and BCAs:

- Rabobank and ABN Amro (two large Dutch retail banks) recently introduced more basic (and cheaper) current accounts for their customers on top of their regular services;
- Market entrant Bunq, recently introduced 'instant payment', enabling online users to transfer money directly without any time delay (including the weekends);[101]
- SNS bank introduced in April 2016 purchase protection with a current account, comparable to credit cards.
- Less recent, but still relevant, is the introduction of a service by Knab that automatically transfers money from a savings account to a checking account in case of an overdrawn.

[99] The Dutch tax office encourages separate channels for private and business-like payments.
[100] For an overview of the different types of PCAs and BCAs supplied in the Netherlands see Chapter 5.
[101] Het Financieele Dagblad (2016b).

Finally, we found that in countries like Belgium, Germany, the UK and France, several current account providers provide free (basic) PCAs, suggesting that there is more product differentiation in other EU countries.

### 6.2.5 Indirect Effect: H. Reduction of Dutch X-inefficiencies

There are indicators that suggest that an increase in competition (e.g. due to ANP) may lead to a reduction in X-inefficiencies. These indicators are:

- Consultancies, such as A.T. Kearney (2015) and EY (2015) suggest that X-inefficiencies are present in the Dutch retail banking sector (see Figure 4.6 – 4.8). This suggestion is confirmed by some of the sector-experts we interviewed for this study.
- In her study of entry barriers into the Dutch retail banking sector, ACM (2014) concludes that the competition in the sector further declined since the beginning of the crisis, and that there is room for more providers in this sector. In a market form with other than perfect competition, economic theory assumes that providers receive less incentives to be fully cost efficient.
- The Dutch banks are for several (strategic) reasons involved in extensive reorganisations since 2014, including significant plans for staff reduction.[102]

In case of a reduction in sales revenues (e.g. due to ANP), retail banks will have an incentive to cut their costs to restore the profit margins. In order to quantify this indirect effect, we ideally use information on the cost structures of all relevant retail bank products that are affected by the price cuts, such as lending interest rates, mortgage interest rates and savings interest rates. As this kind of information is not available, we used the estimated PCA/BCA turnover in the Dutch retail banking market (see Annex 3.3) as a proxy for the cost reduction.[103]

Assuming a cost reduction equal to a 5 percent of annual turnover in PCAs and BCAs, this effect amounts to ca. EUR 84.3 million X-efficiencies effects in year 1. In order to forecast the long term effects of ANP, we assume an exogenous real price decrease of related retail bank products and services. In Section 6.3 we elaborate more on these assumptions.

### 6.2.6 Overview of the indirect effects of ANP in the Netherlands

Table 6.12 provides an overview of the quantified indirect effects of ANP for the Netherlands in year 1.

[102] ING cuts 1,700 positions and almost 1,100 free-lance positions between 2015 and 2018. Rabobank 8,000 positions between 2016 and 2020, and ABN Amro 650-1,000 full time positions between 2014-2018. Source: Banken.nl (2014).

[103] Note that the PCA/BCA turnover is not comparable to the costs structures of retail banks. But without further information on the cost structures of retail banks, we chose turnover value as proxy.

*Table 6.12 Overview of the quantified indirect effects of ANP for the Netherlands; year 1 (in EUR million)*

| No. | Indirect effect | ANP-effect in year 1 |
|---|---|---|
| D. | Total change in the prices of currents accounts and linked banking products. | + 398.8 |
| | *Decrease in PCA prices* | *no effect* |
| | *Decrease in BCA prices* | *+ 183.8* |
| | *Increase in interest rate saving accounts* | *+ 27.2* |
| | *Decrease in interest rate private mortgages* | *+ 185* |
| | *Decrease in interest rate revolving credit PCA* | *+ 2.8* |
| E | Change in bank revenues | - 398.8 |
| F. | Change in deadweight loss | no effect |
| G. | Change in product differentiation | not quantified |
| H. | Reduction of X-efficiencies | + 84.3 |
| I. | Other effects of ANP | not quantified |

The quantification of the indirect effects for the Netherlands has a strong tentative character. Therefore, we do not provide a total in Table 6.12. We do want to stress out though, that the indirect effect in consumer surplus (effect D) is matched in an opposite direction by the reduction of the producer surplus (effect E). In this study we apply equal weight to a change in consumer surplus and a change in producer surplus. Thus, only the reduction of X-inefficiencies (effect H) results in a positive welfare effect.

In Section 6.3, we make estimations for the long term effects for two scenarios, including indirect effect H 'Reduction of X-inefficiencies'.

## 6.3 Social effects of ANP in two scenarios

### 6.3.1 Assumptions for the baseline scenarios

As introduced in Section 2.1.3, baseline scenarios serve as an outlook for the evaluation period between 2016 and 2026. Economic and other effects of ANP are measured as the difference between the situation with and without ANP in the same scenario. The purpose of the BAU scenario and FinTech scenario is to give a range of the possible effects of ANP, given the uncertainties in future retail banking markets and demographic developments. Scenarios can be worked out in great detail, but for the purpose of this study, we only made an outline of different development paths without going into much detail. Only assumptions have been made on the future development on switching costs and the development of real prices for retail banking products and the cost efficiency of the retail banks.[104] We

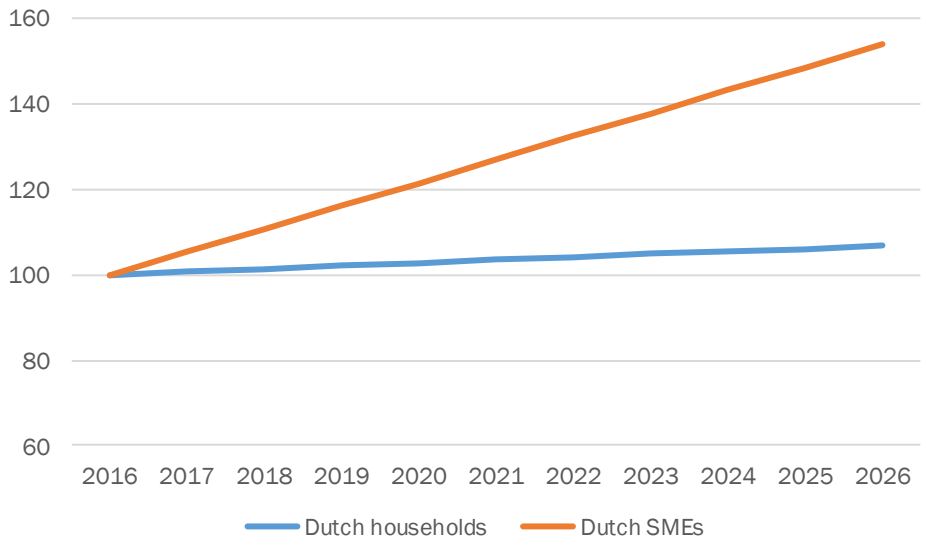
[104] See also the introduction in Chapter 2.

made a distinction in demographic assumptions, market development assumptions and switching costs assumptions.

*Demographic assumptions*

Developments in demographics are taken into account in terms of the number of households and the number of SMEs in the Netherlands. These assumptions are held equal for both scenarios. The number of Dutch households will increase from 7.7 million in 2016 to 8.2 million in 2026.[105] The number of SMEs will increase from 1.3 million to 2.0 million in the same period of time (see Figure 6.9).[106]

*Figure 6.9 Demographic Index of the number of households and SMEs for both scenarios (2016 =100)*



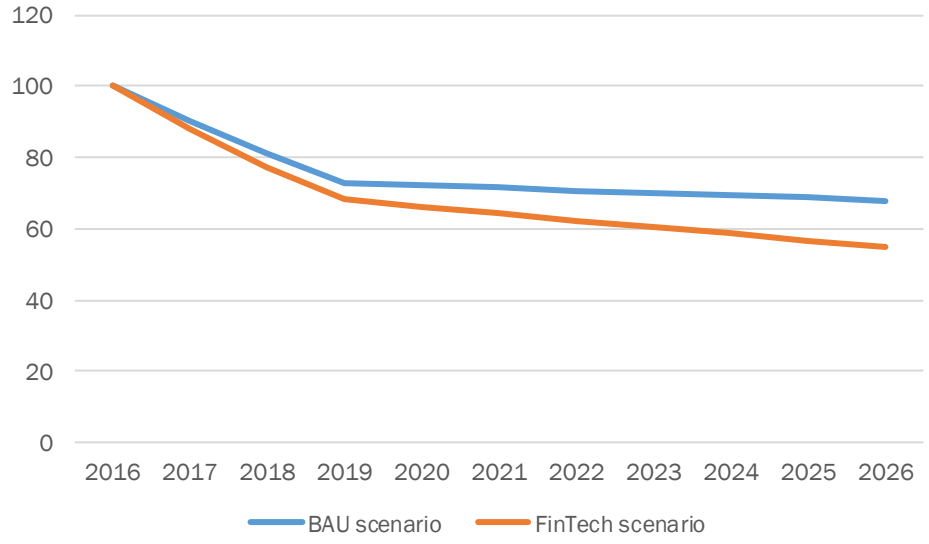

*Market development assumptions*

In terms of prices for retail bank products, we assume for both scenarios an exogenous price decrease of PCAs/BCAs and related retail bank products & services. We base this assumption on present-day price decreases in the retail bank market and on interview results. In the FinTech scenario, however, we assume that these prices will decrease in a faster pace than in the BAU scenario. This, as a result of a further increase in competition between retail banks and FinTech companies (see Figure 6.10).

105 CBS Statline. Data on future demographic developments can also be obtained through Eurostat or the Worldbank.

106 ING (2015).

*Figure 6.10 Market development index in terms of the annual real price decrease of PCAs/BCAs and related retail bank products and services (2016 =100)*

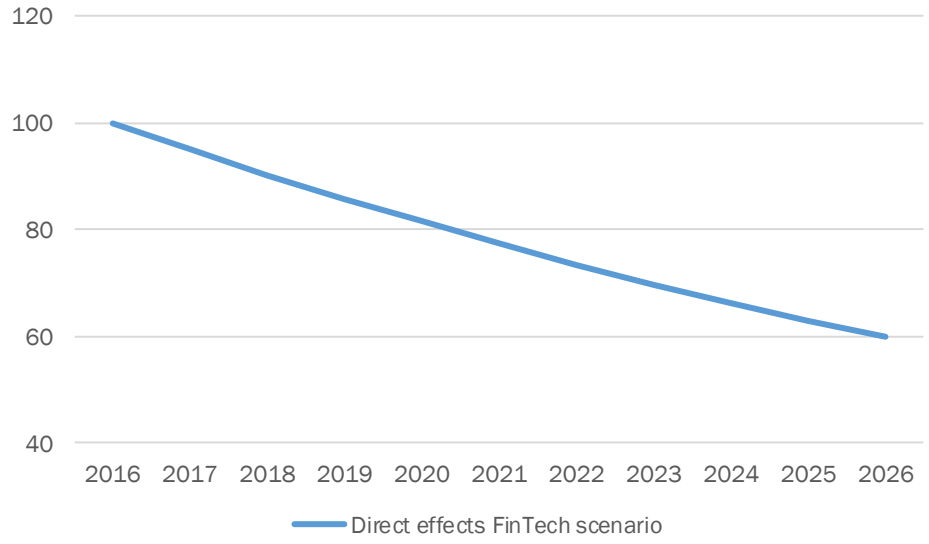



For the BAU scenario, we assume that for the first three years that the real costs of related products and services will decrease with annually ten percent (as a percentage of retail prices), and after that with one percent. For the FinTech scenario, the real costs of related products and services decreases with ten percent in the first three years, and with three percent in the rest of the evaluation period.

*Switching costs assumptions*

On top of the assumed exogenous price decrease, we assume for the FinTech scenario that the switching costs will decrease with annually five percent during the evaluation period. This, because FinTech development will in part take over functions and transactions from the current account. Hence, current accounts will become less important as the main account for all kinds of transactions, reducing the effort of switching direct debit contacts, fixed income sources and business relations. The assumption for switching costs has an impact on the direct effects (A, B and C) for the FinTech scenario (see Figure 6.11).

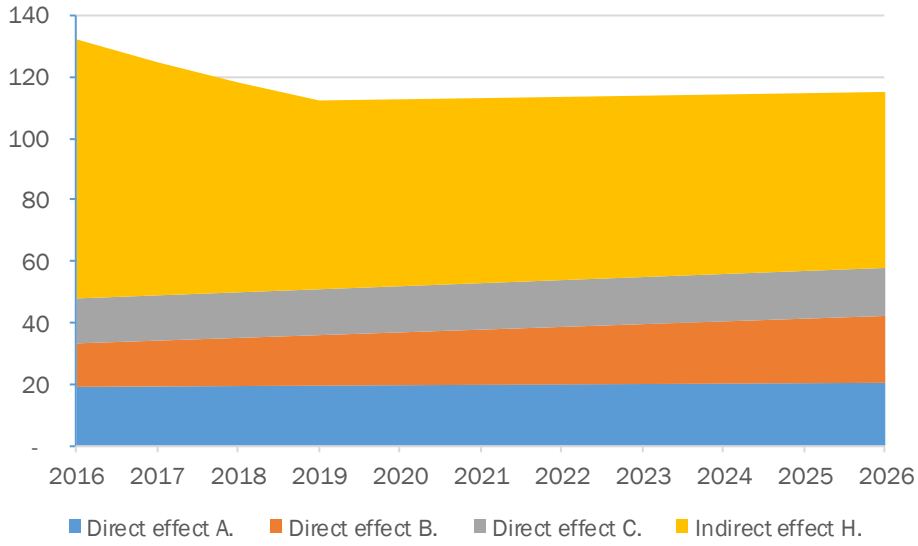
*Figure 6.11 Switching costs development index for the FinTech scenario (2016 =100)*




### 6.3.2 Long term annual effects for the evaluation period

In order to determine the long term effects of ANP, we first determine the future cash flow value for both scenarios, accounting for the scenario assumptions during the evaluation period. In Figure 6.12, we illustrate the future cash flow value of ANP for the BAU scenario:

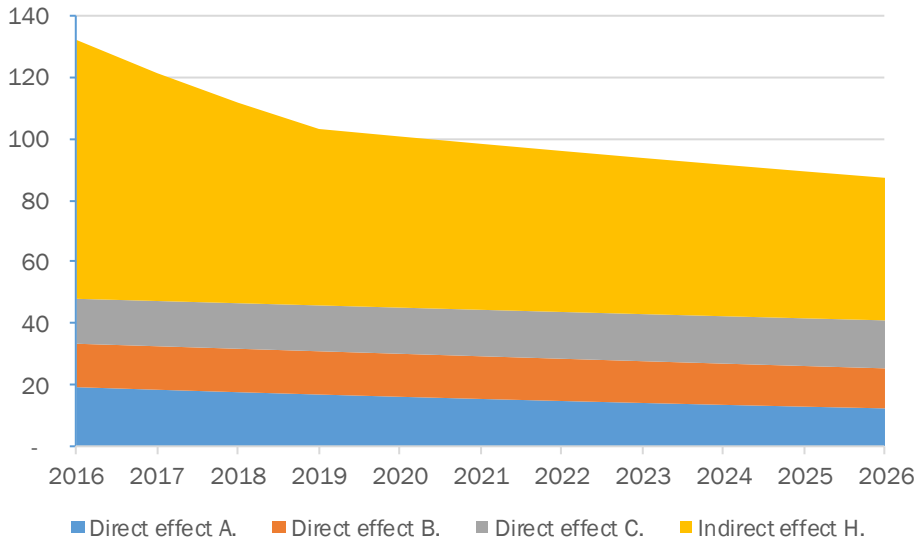
*Figure 6.12 Cash flow values of ANP for the BAU scenario (in EUR million)*




As you can tell, the future cash flow value of the direct effects (A, B and C) increases during the evaluation period as a result of the assumed demographic growth in terms of an increase in households and SMEs. The future cash flow value of the X-efficiency effect (indirect effect H) decreases during the evaluation period due to the assumed decrease in prices of retail banking products.

In Figure 6.13, we present the same for the FinTech scenario:

*Figure 6.13 Cash flow values of ANP for the FinTech scenario (in EUR million)*




The future cash flow value for the direct effects in the FinTech scenario is decreasing during the evaluation period. This is the result of the assumed reduction in switching costs, which outweighs the positive demographic growth. On top of that, the X-efficiency effect will decrease more rapidly as a result of the assumed technological developments during the evaluation period.

Based on the future cash flow value of the direct and indirect effects, we calculate the net present value. In order to calculate the net present value, we discount the future cash values against a discount rate of three percent (real) for the societal benefits and zero percent (real) for the revenue effects for current account providers (see Section 2.1.4). The net present values of the direct effects of ANP, are shown in Table 6.13:

*Table 6.13 Net present values of the long term effects of ANP (2016-2026, in EUR million)*

| Effect | Business as usual scenario | FinTech scenario |
|---|---|---|
| A. Decrease in PCA switching costs | 174 | 134 |
| B. Decrease in BCA switching costs | 159 | 121 |
| C. Decrease in administrative burden | 133 | 133 |
| **Total Direct effects** | **466** | **388** |

In the Netherlands, the net welfare effect caused by indirect effects is due to a potential reduction in X-inefficiencies, and benefits in terms of change in product differentiation and the other identified indirect effects of ANP, which we did not quantify in this study.

Due to their complex nature, estimates on the indirect effects for the Netherlands have a strong tentative character. Our tentative estimate indicates that the magnitude can be significant, and be in the same order of magnitude as the direct effects (between EUR 500 – 550 million).

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## Annex 2: Organisations consulted

- ABN Amro Bank
- Betaalvereniging Nederland
- De Nederlandsche Bank
- Enigma Consulting
- ING Domestic Bank Nederland
- KPMG
- MKB Nederland
- Rabobank
- SIA-partners
- Svenska Handelsbanken
- Triodos Bank
- VNO-NCW

# Annex 3: Technical background

## A3.1 Markov model

Markov models are used to describe how individual units (households, businesses) can move between states. The probabilities that units will switch between states or remain in the same state, (i.e., the share of the total population that swaps states or remains static), are crucial. Markov theory shows that if these probabilities are well defined, a steady state will arise, in which individual customers move through the system, from one state to another, but the numbers of customers in the states do not change over time.

We define three mutual exclusive states in which bank customers can be:

1. *Indifferent*: customers are either completely satisfied or just indifferent; the propensity to switch is minimal, the probability of switching within a year is close to zero.
2. *Considering*: customers think about switching, and are somewhere in process of information gathering and decision making; the propensity to switch is moderate to high, the probability of switching within a year is positive.
3. *Actually switching.*

Transitions from one state to another correspond with changes in behaviour. All customers start in one of the three states, and change status (or remain) once per time period (e.g., one year). A transfer (from *considering* or *indifferent)* to *switching* means customers actually will switch their bank account. An equilibrium distribution for the three states can be derived from the transfer probabilities from one state to another. This model forecasts the annual number of switching customers.

Matrix *Prob* denotes the probabilities that a customer will move from state *i* to state *j*. $Prob_{i,i,}$ is the probability that an indifferent customer will remain indifferent, $Prob_{c,a}$ is the probability that a considering customer will turn into an active customer, etc. The rows of *Prob* add to one: all customers remain in the system.[107]

*Table A3.1.1 Transition probabilities*

| | | status end of year | | |
|---|---|---|---|---|
| | | indifferent | considering | active |
| Status start of the year | indifferent | $Prob_{i,i}$ | $Prob_{i,c}$ | $Prob_{i,a}$ |
| | considering | $Prob_{c,i}$ | $Prob_{c,c}$ | $Prob_{c,a}$ |
| | active | $Prob_{a,i}$ | $Prob_{a,c}$ | $Prob_{a,a}$ |

[107] A fourth state 'not having a bank account' does not change the analysis. Given the total number of bank accounts, and the relatively low number of customers entering or leaving the system, we may safely neglect entry and exit.

Let vector $x_t = (x_{t1}, x_{t2}, x_{t3})$ denote the distribution of customers over the three states in year $t$. Then $x_{t+1} = x_t \cdot Prob$. A steady state demands that $x_{t+1} = x_t$, in other words $x_t = x_t \cdot Prob$, or general $x = x \cdot Prob$. If *Prob* is regular, it can be proved that such an $x$ exists and is unique. The steady state can be calculated from the insight that $lim\ (k \rightarrow \infty)\ Prob^k$ is a matrix with identical rows, each denoting the equilibrium vector $x$.

In this case the number of *active* customers denotes the actual number of switchers. The steady state distribution does not depend on the initial distribution, but the speed in which it is reached depends on the difference between the initial distribution and the steady state.

## A3.2 Quantifying the switching costs

In order to quantify the switching costs for consumers and SMEs, the following steps are taken:

- step 1: estimation of the number of third parties to be notified of an individual's new account details;
- step 2: estimation of the time and effort to switching to a new current account;
- step 3: monetization of the time effort and other switching costs.

### Step 1: estimation of the number of direct debit relations

Before we can determine the differences in time effort to switch current accounts per scenario, we have to estimate the number of direct debit relations that have to be informed in case of a current account switch. Not only in a DIY situation, but also in case of the use of a switching service, certain relations have to be informed such as regular income sources (employers, etc.) and regular customers (although this is in theory not necessary in case of IPSS).

*Regular income sources*

For consumers, the Dutch National Institute for Family Finance Information ('Nibud') distinguishes three types of (regular) income sources: work/social benefits, tax surcharges (for rent, medical health care, child day care, etc.), and a third category for 'other income sources'. Per household, we assume the average amount of fixed income sources to be 5.

To the best of our knowledge, there is no empirical source that gives us information on the average number of regular income sources for SMEs. Ideally, this data should be gathered with the help of current account providers (e.g. with the help of questionnaires or data analysis). Alternatively, we assume that SMEs (especially the self-employed and micro-businesses) are similar to households in terms of regular income sources. Hence, we assume the average number of fixed income sources per BCA switcher to be 5.

*The number of creditors*

For consumers, the Nibud provides an overview of fixed expenses for the average Dutch household (see Table A3.1.2).[108]

*Table A3.1.2 An overview of fixed expenses for Dutch households*

| | | |
|---|---|---|
| Rent/mortgage & service costs | Utility bills (water, gas, electricity) | Local taxes (e.g. waste collection levy) |
| Health insurance | Household insurances (theft, fire, burglary, liability insurance, etc.) | Telephone/internet/television/cell phone(s) |
| Subscriptions to newspapers, magazines, etc. | Child care fee | Study/school costs |
| (sport)club dues | Transport costs (public transport subscription, car maintenance costs, etc. | Road tax |
| Other fixed expenses such as debt amortisation, maintenance allowance, etc. | | |

Source: Nibud

For SMEs, we again assume that the average number of regular creditors is similar to the average household, but we stress out once again that this assumption should be empirically tested.

The total annual amount of direct debit payments is 1.36 billion (DNB, 2015b). Given that there are 7.65 million Dutch households (CBS Statline) and 1.3 million companies (CBS Statline), and an assumption that thirty percent of the direct debit contracts is annual (the rest monthly), we derive that an average household and SME has on average 4 annual creditors and 12 monthly creditors (all unique), which totals 16 (see Table A3.1.3).[109] On top of that, we estimate the average number of unique international direct debit contacts to be 0.3 per SME. This is based on a total of 20.8 million international direct debits transactions per year (DNB, 2015b), and a total of 1.3 million Dutch SMEs (CBS Statline).

[108] Nibud (website). Ingevuld jaaroverzicht. https://www.nibud.nl/wp-content/uploads/ingevuld_jaaroverzicht.pdf

[109] Earlier estimates in terms of creditors/fixed income sources where somewhat higher for regular creditors and lower for fixed income sources. Based on a concise validation by the Rabobank, we calibrated these assumptions.

*Table A3.1.3 The estimated number of direct debit relations for households and SMEs*

| Type of direct debit relation | Number |
|---|---|
| Regular income sources (per household) | 5 |
| Regular direct debit contacts (per household) | 16 |
| Regular income sources (per SME) | 5 |
| Regular direct debit contacts (per SME) | 16 |
| Regular international transactions (per SME) | 0.3 |

**Step 2: Estimation of the time effort to switch to a new current account**

We analyse the switching process for private households and for businesses. We categorise and structure the most important steps (the website of the national Switching service and retail banks provides information on the process).

According to the official website of the IPSS, PCA holders have to perform the following activities after they opened a new current account:[110]

- (Online) research about the switching process.
- Contact the old bank to inquire about the implications of the current account switching in terms of products and services not covered under the Switching Service (such as contracts and agreements).
- Request the Switching Service by completing an online form. This request has to be send out to the new bank.
- Request new banking products (e.g. debit cards, credit cards, online banking, etc.).
- Produce an overview of periodical transfers and any blocks of direct debits. This overview can be used to arrange these matters with the new bank. Within IPSS, the old bank will provide this overview.
- Periodical transfers and debit blockades that are not on this list have to be manually cancelled by the current account holder and rearranged with the new bank. For this, a list with standing orders has to be printed off.[111]
- Re-arrange periodical transfers and debit blockades with the new bank.
- Inform companies and organisations from which you receive periodical payments. IPSS provides a format document for this purpose.
- Inform basic debit collectors about the new current account. European direct debits will be directly debited from the new current account. The Switching Service informs the direct debit collector. Note, however, that in case of, for example, a foreign direct debit collector, the current account holder might has to inform the collector himself. The reason behind this is that for the passage of European direct debits, collectors must use a bank that is connected to the Dutch Switching Service.

110 http://www.overstapservice.nl/particulieren/wat-regelt-u-zelf/

111 Note, the difference between periodical transfers ('periodieke opdrachten') and direct debits ('incasso's'). The latter are automatically transferred by the old bank to the new bank.

- Optional: Download and save all debit and credit transfers and secure the documents in FiNBOX (e.g. annual pension statements).[112]
- Perform regular checks if all money transfers are correctly performed.

BCA holders have to perform the following activities after they opened a new current account:

- (Online) research about the switching process.
- Contact the old bank to inquire about the implications of the current account switching in terms of products and services not covered under the Switching Service (such as contracts and agreements).
- Request the Switching Service by completing an online form. This request has to be send out to the new bank.
- Request new banking products (e.g. debit cards, credit cards, online banking, etc.).
- Rearrange bank-specific contracts and processes with the new bank: PIN-devices, business direct debits, giro transfers, online payment methods, etc.
- Inform basic direct debit collectors about the new current account.
- Inform international direct debit collectors about the new current account.
- Re-arrange online the authorisation of B2B direct debit payments with the new bank.
- Inform business relations about the current account switch. With IPSS, transactions will be automatically transferred to the new current account, but it might be considered appropriate to inform the business relations personally.
- Produce an overview of periodical transfers and any blocks of direct debits. This overview can be used to arrange these matters with the new bank. Within IPSS, the old bank will provide this overview.
- Periodical transfers and debit blockades that are not on this list have to be manually cancelled by the current account holder and rearranged with the new bank. For this, a list with standing orders has to be printed off.[113]
- Adjust the current account number (IBAN) in the business administration. Change the current account number in the financial administration and make amendments to the office stationery (e.g. envelopes, writing paper, websites, etc.)
- Optional: Download and save all debit and credit transfers and secure the documents in FiNBOX (e.g. annual pension statements).[114]
- Perform regular checks if all money transfers are correctly performed

We estimate the average number of hours that switchers have to spent, with the help of a Standard cost Model. For this, we define 3 situations:

- **Situation 1**: customers switch current accounts without the help of IPSS (DIY);
- **Situation 2**: customers switch with the help of a switching services (IPSS);

[112] Note that market leader ING ceased the support of FINBOX by 2016.

[113] Note, the difference between periodical transfers ('periodieke opdrachten') and direct debits ('incasso's'). The latter are automatically transferred by the old bank to the new bank.

[114] Note that market leader ING ceased the support of FINBOX by 2016.

- Situation 3: a situation with ANP (and elements of IPSS, see below).

For situation 3, we assumed that certain elements of IPSS such as providing information and formats about the switching process, and help switchers with producing overviews of standing orders, periodical transfers and direct debit blockades. It is at this point not clear, however, if ANP and IPSS will both stand alongside each other.[115]

*Switching time for PCAs*

We assume that to inform third parties with IPSS takes up 15 minutes per party and 20 minutes without IPSS. Figure A3.1.1 shows the estimated time per action for the three situations. A situation with ANP results in a reduction of switching time of 9.7 hours in comparison to a DIY situation, and 2.5 hours less in comparison to the use of IPSS.

The difference between a DIY situation, IPSS and a situation with ANP is not only caused by differences in informing direct debit recipients and regular income sources, but also by differences in the assumed number of regular checks if all money transfers are correctly performed, the request of the IPSS and the production of overviews of periodical transfers, etc.

[115] However, one goal of the PAD is to establish a level playing field for the opening of payment accounts across the EU. Hence, it would be unlikely that no switching service will exist anymore before ANP is introduced in the EU.

*Figure A3.1.1 Estimated average time (in hours) per switching activity for PCAs*

| No. | Activities | DIY | IPSS | ANP |
|---|---|---|---|---|
| 1 | (Online) research about the switching process. | **1.0** | **0.5** | **0.33** |
| 2 | Contact the old bank to inquire about the implications of the current account switching in terms of products and services such as contracts and agreements | identical | identical | identical |
| 3 | Request the Switching Service by completing an online form. This request has to be send out to the new bank. | **0.0** | **0.5** | **0.5** |
| 4 | Request new banking products (e.g. debit cards, credit cards, online banking etc.). | identical | identical | identical |
| 5a | Produce an overview of periodical transfers and any blockades of direct debit payments. This can be used to arrange these matter with the new bank. | **1.0** | **0.0** | **0.0** |
| 5b | Print of a list with standing orders to manually cancel any periodical transfers and debit blockades that are not provided by the IPSS. | **0.0** | **0.5** | **0.0** |
| 5c | Re-arrange periodical transfers and debit blockades with the new bank | identical | identical | identical |
| 6a | Inform companies and organisations from which you receive periodical payments (IPSS provides a format) | **1.7** | **1.3** | **0.0** |
| 6b | Inform basic direct debit collectors about the new current account | **5.3** | **0.0** | **0.0** |
| 7 | Optional:<br>- Download and save all debit and credit transfers.<br>- Secure the documents in FinBOX (e.g. annual pension statements | identical | identical | identical |
| 8 | Perform regular checks if all money transfers are correctly performed | **2.0** | **1.0** | **0.5** |
| | **Total** | **11.0** | **3.8** | **1.3** |

*Switching time for BCAs*

Figure A3.1.2 illustrates the total number of estimated time per situation for business switchers. We assume that it takes 15 minutes to inform each third party with IPSS and 20 minutes without IPSS. Informing international third parties takes 60 minutes per contact.

A situation with ANP results in 19 less hours in comparison to a DIY situation, and 6.8 less hours in comparison to the use of a switching service. Also here, the difference between a DIY situation, IPSS and a situation with ANP is not only caused by differences in informing direct debit recipients and regular income sources, but also by differences in the assumed number of regular checks and the production of overviews of periodical transfers, etc.

*Figure A3.1.2 Estimated average time per switching activity for BCAs*

| No. | Activities (time in minutes) | DIY | IPSS | ANP |
|---|---|---|---|---|
| 1 | (Online) research about the switching process. | **3.0** | **2.0** | **1.5** |
| 2 | Contact the old bank to inquire about the implications of the current account switching in terms of products and services such as contracts and agreements | **2.5** | **1,0** | **1.0** |
| 3 | Request the Switching Service by completing an online form. This request has to be send out to the new bank. | **0.0** | **0.5** | **0.5** |
| 4 | Request new banking products (e.g. debit cards, credit cards, online banking etc.). | identical | identical | identical |
| 5 | Rearrange bank-specific contracts and processes with the new bank: PIN-devices, business direct debits, giro transfers, online payment methods. | identical | identical | identical |
| 6a | Inform basic direct debit collectors about the new current account | **5.3** | **0.0** | **0.0** |
| 6b | Inform international direct debit collectors about the new current account | **0.25** | **0.25** | **0.0** |
| 7 | Re-arrange online the authorisation of B2B direct debit payments with the new bank | identical | identical | identical |
| 8 | Inform business relations about the current account switch.<br>Note: With IPSS, transactions will be automatically transferred to the new current account, but it might be considered appropriate to inform the business relations personally. | **1.5** | **1.0** | **0.0** |
| 9a | Produce an overview of periodical transfers and any blockades of direct debit payments. This can be used to arrange these matter with the new bank. | **1.0** | **0.0** | **0.0** |
| 9b | Check IPSS-list for any periodical transfers and blockades direct debit payments that are not on the list provided by the old bank in terms of IPSS | **0.0** | **0.5** | **0.5** |
| 10 | Adjust the current account number (IBAN) in the business administration. Change the current account number in the financial administration and office stationery (e.g. envelopes, writing paper, website etc.). | **3.0** | **3.0** | **0.0** |
| 11 | Optional:<br>- Download and save all debit and credit transfers.<br>- Secure documents | identical | identical | identical |
| 12 | Perform regular checks if all money transfers are correctly performed | **8.0** | **4.0** | **2.0** |
| | **Total (hours)** | **24.6** | **12.3** | **5.5** |

**Step 3: monetisation of the time effort and other switching costs**

The Standard Cost Model assumes a standard hourly rate of EUR 37 for businesses.[116] This is the hourly rate for an administrative worker, including overhead costs. The standard hourly rate for citizens is EUR 15.1.[117]

*Other costs*

Switching current accounts entails in many cases double fees for current accounts. On top of that, in a DIY situation, customers have to be careful with closing the old account too soon, to prevent mistakes. IPSS has a duration of 13 months, but it is officially not necessary to keep the old account after the start of IPSS.

We assume that PCA switchers in a DIY situation and an IPSS situation have two current accounts for a period of 3 months. For BCA switchers, we assume a 13 month period of two accounts in a situation with IPSS and DIY. In terms of costs, we use the estimated fixed costs of the PCAs and BCAs (see table A3.1.4).

*Table A3.1.4 Opportunity costs and other costs*

| | |
|---|---|
| Average fixed costs of PCA (per month) | € 4.17 |
| Average fixed costs of BCA (per month) | € 8.30 |

Based on these three steps, we can monetize the time effort and calculate the total switching costs per scenario (DIY, with IPSS, and with ANP). For the result, see Table 6.4 and Table 6.8.

## A3.3 Costs of the BCA

This Annex explains how the average costs of having and using a current account in the Netherlands per business were calculated. The results are used in quantifying the indirect effects of number portability (NP): what would happen if banks were to decrease their variable of fixed fees –induced by competition or by transferring efficiency gains.

Costs include fixed fees and variable fees for normal use. Costs caused by other use (like interest paid on overdrafts) are not included.

*Step 1: Volume and breakdown of transactions*

The number of various transactions (both Point-of-Sale and transfer-based) as reported by DNB (DNB *online statistics*, 2016) is broken down into four types: consumer-to-consumer, consumer-to-business, business-to-consumer and business-to-business. Business is to be interpreted as 'professional', thus

[116] Based on: Regiegroep Regeldruk (2008. *p. 46).* Decisio updated the hourly rate to 2012 (CBS) and an inflation correction.

[117] Dutch Ministry of Economic Affairs (2014).

including current account of governmental and not-for-profit organisations. The breakdown is based on rules of thumb from the interviews and additional assumptions.

*Table A3.1.5 Breakdown of transaction volume by type*

| | c2c | c2b | b2c | b2b |
|---|---|---|---|---|
| electronic transfers | 5% | 15% | 5% | 75% |
| paper transfers | 50% | 50% | | |
| acceptgiro | | 100% | | |
| express transfers | | 5% | | 95% |
| direct debit (incasso) | | 95% | | 5% |
| iDEAL | | 95% | | 5% |
| PoS debit card | | 98% | | 2% |
| PoS return | | | 100% | |
| PoS creditcard | | 90% | | 10% |
| cash withdrawals ATM | 99% | | | 1% |
| cash withdrawals bank | 1% | | | 99% |
| cash deposits | 1% | | | 99% |

Source: Own calculations

*Step 2: Breakdown business by size and type*

The Dutch Statistics Office (www.statline.nl) gives information about the number of firms and the number of jobs by industry. We distinguish five size-classes and two types of industries, as shown in Table A3.1.6. In transfer based forms, payments are mainly based on transfers and direct debits, in Point-of-Sale based firms (retail, hospitality, gas stations), incoming payment are made with debit cards, credit cards and cash. The distinction is not strict, but precise enough to make global calculations.

*Table A3.1.6 Firms and jobs by firm type and firm size*

| | transfer based | | PoS based | |
|---|---|---|---|---|
| | firms | jobs | firms | jobs |
| **self-employed** | 398,000 | 398,000 | 102,000 | 102,000 |
| **2-10 (micro)** | 238,000 | 952,000 | 62,000 | 248,000 |
| **11-100 (small)** | 46,000 | 1,150,000 | 9,000 | 225,000 |
| **101-250 (medium)** | 4,050 | 607,500 | 250 | 37,500 |
| **251+ (large)** | 2,600 | 4,160,000 | 200 | 320,000 |
| **Total** | 688,650 | 7,267,500 | 173,450 | 932,500 |

Source: CBS Statline and own calculations

We assume the number of transactions per firm type to be proportional with the number of jobs (see Table A3.1.6). Given the rule-of-thumb that 95 percent of transactions comes of five percent of all firms, we added additional weight to the large firms.

*Step 3: Fees*

Fixed costs and mean variable costs per transaction (transfer, direct debit, cash withdrawal, etc.) are derived by calculating the means of the fees as stated by the main three banks (Rabobank, ING, ABN

Amro) on their websites. These fees apply mainly for smaller firms, for medium-sized and especially large firms fees are established in the context other financial products, likes loans.

*Table A3.1.7 Costs per payment*

| Type of transaction | Cost per transaction (euro) |
|---|---|
| electronic transfers | 0.11 |
| paper transfers | 2.40 |
| acceptgiro | 1.95 |
| express transfers | 5.00 |
| direct debit (incasso) | 0.12 |
| iDEAL | 0.40 |
| PoS debit card | 0.05 |
| PoS return | 0.06 |
| PoS creditcard | 2.51 |
| cash withdrawals ATM | 0.25 |
| cash withdrawals bank | 7.50 |
| cash deposits | 27.07 |

*Step 4: Costs per firm*

The costs of the current account are calculated as the product of transaction volume per firm and the average fee per transaction. This results in estimates of average current account costs per business (Table A3.1.8) and total direct banks turnover from current accounts (i.e., without additional revenues like advisory services or interest raised on overdrafts).

*Table A3.1.8 Average costs of the current account per firm*

| | transfer bases | PoS based |
|---|---|---|
| self-employed | 130 | 581 |
| 2-10 (micro) | 513 | 2,449 |
| 11-100 (small) | 2,218 | 17,663 |
| 101-250 (medium) | 10,000 | 194,000 |
| 251+ (large) | 92,857 | 1,342,857 |

Aggregation by firm type, and inclusion of fees for households, leads to an estimated turnover of EUR 2.2 billion (Table A3.1.9).

*Table A3.1.9 Average bank's turnover costs by current accounts*

| | Turnover (EUR) | Percentage |
|---|---|---|
| households | 951 mln | 43% |
| self-employed | 111 mln | 5% |
| 2-10 (micro) | 274 mln | 12% |
| 11-100 (small) | 261 mln | 12% |
| 101-250 (medium) | 89 mln | 4% |
| 251+ (large) | 510 mln | 23% |
| Total | 2,196 mln | 100% |

## Annex 4: PCA and BCA tariffs in The Netherlands

*Table A4.1 Costs per annum of basic package PCAs*

| Bank | ING | Rabobank | ABN Amro | SNS Bank | RegioBank | ASN Bank | Triodos | Knab |
|---|---|---|---|---|---|---|---|---|
| package | Oranje-pakket | Rabo Direct | Privé Pakket | SNS Betalen | Plus Betalen | ASN Bank-rekening | Triodos Internet | Knab Plus |
| price per annum | €16.40 | €21.60 | €39.00 | €30.00 | €23.40 | €18.00 | €27.00 | €60.00 |
| extra debit card | €11.48 | €16.80 | €9.00 | included | €7.44 | €36.00 | included | no |
| extra current account without debit card | no | €11.40 | 5 | | | | no | included |
| credit card fee per annum | €17.40 | €16.80 | included | €15.75 | n.a. | €20.04 | n.a. | included |
| package with extra debit card and credit card | €45.28 | €55.20 | €48 | €45.75 | n.a. | € 74.04 | n.a. | €60 |
| Interest on current account | No | no | no | 1.05% / 1.15% | no | 0.50% | no | 0.50% |
| interest rate on overdraft balance | 14% | 12.90% | 13.7% | 11% | 9% | 9% | 12% | 14% |
| cash withdrawal outside Eurozone | €2.25 + 1% | €2 + 1% | €2.25 + 1% | €2.25 | €2.25 | €2.25 | €2.25 + 1% | 0.5% |
| monthly paper statements | no | included | included | included | included | included | €10.20 | |
| emergency cash | yes | | | yes | yes | yes | no | |
| own choice of pincode | no | no | yes | no | | | | yes |
| extras | discount at VGZ for health insurance | | 25 free alerts, 50% discount for extra ABN Amro Credit Card, 33% discount for Stand-By Service | online cash book, E-mail- and text alerts | | | | social pay, pay alerts, investment services |

All packages include a debit card with contactless pay, an overdraft facility, internet banking, mobile banking and a savings account.
Tariff structure by December 2015. Source: websites of banks.

*Table A4.2 Costs per annum of basic package BCAs*

| Bank | ING | Rabobank | ABN Amro | SNS Bank | RegioBank | ASN Bank | Triodos | Knab |
|---|---|---|---|---|---|---|---|---|
| package | Ondernemers-pakket | Zakelijk | MKB Pakket | Zakelijk | MKB pakket | zelfstandige | Zaken | Knab zakelijk |
| price per annum | €114 | €124 | €143 | €82 | €81 | €72 | €16 | €60 |
| extra debit card | €15 | €16 | €17 | €13 | €10 | n.a. | €20 | n.a. |
| credit card fee per annum | €37.50 | €30 | €27.50 | €35 | €35 | €20 | €35 | n.a. |
| Interest on current account | no | no | no | no / 1.05% for zzp | no | 0.50% | no | 0.50% |
| overdraft facility | not standard | not standard | | not standard | | not standard | | |
| cash withdrawal outside Eurozone | €2.25 + 1% | €2 + 1% | €2.25 + 1% | €2.25 | €2.25 | €2.25 | €2.25 + 1% | 0.5% |
| weekly paper statements | €11.40 | €13.20 | €17.40 | €7.20 | per submission | included | €10.20 | |
| use of debit card | €480 - €515 plus a fee per transaction. | €360 - €1,050 dependent on transaction volume | €420 - €1,050, dependent on transaction volume | n.a. | | PIN pad has to be bought or rented externally | External service. Link to bank account costs €150 initially + €60 per annum plus €0.07 per transaction. | |

All packages include a debit card with contactless pay, an overdraft facility, internet banking, mobile banking and a savings account. Tariff structure by December 2015. Source: websites of banks.

## Annex 5: Questionnaire

*Consumer Questionnaire*

# Master Questionnaire Template
**Betaalrekeningen**
**20403**

*<Basic survey information>*
*Length of interview: 8 minutes*
*Start fieldwork: 14-12*
*End fieldwork: 4-1*

Uitleg bij de codes om type vraag aan te geven:

- S = Single vraag – slechts één antwoord mogelijk
- M = Multiple vraag – meerdere antwoorden mogelijk
- Q = Numerieke vraag – er moet een getal ingevuld worden
- O = Open vraag – vrij invul veld waarin tekst wordt getypt
- OL = Open listing – kleine tekst velden voor invullen namen/merken/producten

## III. INTRODUCTION

Welkom bij dit onderzoek. Leuk dat u meedoet!

## IV. SCREENER

S01 [S]
Volgens onze gegevens<if 'Overweger': bent u in de afgelopen jaren van plan geweest om van bank te wisselen voor (één van) uw betaalrekening(en).><if 'Niet-overweger': heeft u in de afgelopen
jaren nooit overwogen om van bank te wisselen voor (één van) uw betaalrekening(en).>
Klopt dit?

*Group 1 (Overweger)*
1. Ja, ik heb het overwogen en ben niet overgestapt *SCRIPTER: Continue as 'Overweger', Harde QUOTA: n=405 voor overwegers*
2. Ja, ik heb het overwogen en ben overgestapt --> Screenout
3. Nee *SCRIPTER: Continue as 'Niet-overweger' ,Harde QUOTA: n=605 voor niet-overwegers*

*Group 2 (Niet-overweger)*
1. Ja *SCRIPTER: Continue as 'Niet-overweger', Harde QUOTA: n=605 voor niet-overwegers*
2. Nee, ik heb het wel overwogen en ben niet overgestapt *SCRIPTER: Continue as 'Overweger', Harde QUOTA: n=405 voor overwegers*
3. Nee, ik heb het wel overwogen en ben overgestapt --> Screenout

## V. MAIN QUESTIONNAIRE

### A SECTION TITLE

Wij vragen u om de vragenlijst voor **uw belangrijkste rekening** in te vullen.

Base: all respondents

A01 [S]
Staat deze betaalrekening op naam van één persoon of op naam van twee personen?

1. Rekening staat op naam van één persoon
2. Rekening staat op naam van twee personen

Base: all respondents

A02 [S]
Hoe lang heeft u deze betaalrekening al?

1. Minder dan 1 jaar
2. 1 t/m 3 jaar
3. 4 t/m 10 jaar
4. 11 t/m 20 jaar
5. Langer dan 20 jaar
6. Weet ik niet

Base: all respondents

A03 [S]
Waar gebruikt u deze betaalrekening voor?

1. Vooral voor mijn inkomsten (zoals inkomen, uitkering of pensioen)
2. Vooral voor mijn uitgaven (zoals hypotheek, huur, verzekeringen, boodschappen)
3. Zowel voor mijn inkomsten als mijn uitgaven

Base: all respondents

A04 [S]
Hoe beoordeelt u de prijs-kwaliteitverhouding van deze betaalrekening?

1. Zeer slecht
2. Slecht
3. Redelijk
4. Goed
5. Zeer goed
6. Weet ik niet/geen mening

Base: all respondents

A05 [S] Weet u hoeveel u betaalt <*SCRIPTER: mouse-over*> voor het aanhouden en gebruik van deze betaalrekening?

1. Ik weet dit vrij precies
2. Ik weet dit ongeveer
3. Ik weet dit niet

*Text Mouse-over:* 'Voor een betaalrekening betaalt u vaste bedragen, meestal in de vorm van een tarief per kwartaal van een betaalpakket en variabele bedragen, zoals kosten voor geld opnemen buiten de EU en rood staan.'
*SCRIPTER: remove backbutton for question A05*

Base: all respondents

A06 [S]
Kunt u een schatting maken van de vaste kosten **per kwartaal** <*SCRIPTER: mouse-over*> van het aanhouden en gebruik van deze betaalrekening?

1. Minder dan €5
2. €5 tot €10
3. €10 tot €30
4. €30 tot €50
5. €50 of meer
6. Weet ik echt niet

*Text Mouse-over:* 'De kosten voor een betaalrekening zijn vaste kwartaalbedragen meestal in de vorm van tarief van een betaalpakket'

Base: all respondents

A07 [S]
Kunt u een schatting maken van de variabele kosten (zoals geldopname buiten de EU en rood staan op uw rekening) **per jaar**?

1. Minder dan €10
2. €10 tot €20
3. €20 tot €30
4. €30 tot €50
5. €50 of meer
6. Weet ik echt niet

Base: all respondents

A08 [S]
Bij welke bank loopt deze betaalrekening?

1. ABN AMRO Bank
2. ASN Bank
3. ING
4. Knab
5. Van Lanschot Bankiers
6. Rabobank
7. Regio Bank
8. SNS Bank
9. Triodos Bank
10. Andere bank, namelijk…[O]

Base: all respondents

A09 [S]
Hoe tevreden of ontevreden bent u over deze bank in het algemeen?

1. Zeer ontevreden
2. Ontevreden
3. Tevreden noch ontevreden
4. Tevreden
5. Zeer tevreden

Base: all respondents

A10 [M] [Random]
Heeft u andere financiële producten bij deze bank en zo ja, welke?

Meerdere antwoorden mogelijk.

1. Spaarrekening
2. Beleggingsrekening
3. Doorlopend krediet
4. Eén of meer verzekeringen
5. Hypotheek
6. Persoonlijke lening
7. Rood staan op betaalrekening
8. Anders, namelijk…[O][F]

9. Ik heb geen andere financiële producten bij deze bank [S][F]

Base: all respondents

B01 [S per Statement] [Random]
Wat vindt u belangrijk bij de keuze voor de bank van uw betaalrekening?

*SCRIPTER: Script this as a grid*
*Statements in rows:*
*Title Block 1:* **Kenmerken van de bank zelf**
1. Dat er een filiaal van de bank in mijn buurt is
2. Dat het een Nederlandse bank is
3. De financiële stabiliteit van de bank
4. Het beleid van de bank ten aanzien van duurzaamheid en mensenrechten

*Title Block 2:* **Kenmerken van de betaalrekening**
5. De gebruikersvriendelijkheid van internetbankieren en de app
6. De beschikbaarheid van internetbankieren en de app
7. De kosten van de betaalrekening
8. De mogelijkheid om rood te staan op de betaalrekening
9. Dat ik rente krijg bij een positief saldo
10. Het gemak om zoveel mogelijk financiële producten en diensten bij één bank af te kunnen nemen
11. Dat ik zelf de pincode van mijn betaalpas kan instellen

*Title Block 3:* **Het productaanbod van de bank**
12. Dat ik bij de bank ook een spaarrekening kan openen
13. Dat ik bij de bank ook een creditcard kan krijgen bij dezelfde bank
14. Dat ik bij de bank ook een persoonlijke lening kan krijgen
15. Dat ik bij de bank ook een hypotheek kan afsluiten
16. Geld kunnen opnemen in het buitenland

*Answers in column:*
1. Zeer onbelangrijk
2. Onbelangrijk
3. Neutraal
4. Belangrijk
5. Zeer belangrijk
6. Weet ik niet/geen mening

*SCRIPTER: There are 3 different blocks with questions. Each block has a title. Please place this title above the grid of that block. Randomise the order of the blocks and randomise the statements within a block.*

Base: all respondents

B02 [S]
Zijn er nog andere dingen die u belangrijk vindt bij de keuze voor de bank van uw betaalrekening?

1. Nee [S]
2. Ja, namelijk…[O]

Base: all respondents

B03 [S per Statement]
Zou u afzien van bepaalde mogelijkheden als dat uw betaalrekening goedkoper zou maken?

*SCRIPTER: Script this as a grid*
*Statements in rows:*
*Title Block 1:* **De bank zelf**
1. De nabijheid van een bankfiliaal/kantoor
2. Het feit dat het een Nederlandse bank is
3. Dat de bank onder het Nederlandse depositogarantiestelsel <*SCRIPTER: Mouse-over*> valt

*Title Block 2:* **Gebruiksgemak**
4. Kunnen betalen en mijn saldo kunnen bekijken via een app op mijn tablet en smartphone
5. Gebruik kunnen maken van moderne betalingswijzen, zoals contactloos betalen
6. Zelf de pincode van mijn betaalpas kunnen instellen

*Title Block 3:* **Andere producten en diensten**
7. De beschikbaarheid van een spaarrekening
8. De beschikbaarheid van een creditcard
9. De mogelijkheid om rood te staan
10. De optie om tegen betaling geld op te kunnen nemen bij geldautomaten van andere banken
11. De mogelijkheid om zonder extra kosten geld op te nemen bij geldautomaten van andere banken
12. Geld kunnen opnemen in het buitenland

*SCRIPTER: There are 3 different blocks with questions. Each block has a title. Please place this title above the grid of that block. Randomise the order of the blocks and randomise the statements within a block.*

*Answers in column:*
1. Hier zou ik **niet** vanaf willen zien
2. Hier zou ik vanaf willen zien als mijn betaalrekening dan **goedkoper** zou zijn
3. Hier zou ik vanaf willen zien als mijn betaalrekening dan **veel goedkoper** zou zijn.
4. Dit maakt mij niet uit

*SCRIPTER: Text mouse-over:* Het depositogarantiestelsel beschermt uw spaargeld tot 100.000 euro als uw bank failliet zou gaan.

Base: Group 2 (Niet-overweger)

B04 [M]
U heeft eerder aangegeven dat u de afgelopen jaren **niet** heeft overwogen om over te stappen naar een andere bank voor uw betaalrekening.
Waarom heeft u dit niet overwogen?

Meerdere antwoorden mogelijk.

1. Ik ben tevreden met mijn huidige betaalrekening
2. Ik zou het wel willen maar overstappen levert veel gedoe op
3. Alle banken zijn toch hetzelfde
4. Ik heb er nooit over nagedacht
5. Anders, namelijk…[O]

Base: IF Group 1 (Overweger)

B05 [S per Statement][Random]
U heeft eerder aangegeven dat u de afgelopen jaren heeft overwogen om over te stappen naar een andere bank voor uw betaalrekening.

Wat was de aanleiding daarvoor?

Vink voor iedere reden hieronder aan of het voor u een aanleiding was.

*SCRIPTER: Script this as a grid and randomise the statements.*
*Statements in rows:*
1. Mijn persoonlijke situatie veranderde, zoals samenwonen of afstuderen
2. Het filiaal van de bank in mijn buurt ging sluiten
3. Mijn bank verhoogde de kosten van mijn betaalrekening
4. Het gebruiksgemak van internetbankieren of de app verslechterde
5. Een andere bank zou een korting of welkomstpremie geven als ik zou overstappen
6. De manier waarop mijn bank op vragen of klachten reageerde
7. Mijn bank kwam slecht in het nieuws
8. De rente op de bijbehorende spaarrekening ging omlaag
9. Ik raakte bekend met de Overstapservice voor betaalrekeningen
10. Storingen met internetbankieren of de app
11. De financieel betrouwbare positie van mijn oude bank
12. Het beleid van de nieuwe bank ten aanzien van duurzaamheid en mensenrechten
13. Imago van huidige bank
14. Imago van nieuwe bank

*Answers in column:*
1. Geen aanleiding
2. Enigszins een aanleiding
3. Een belangrijke aanleiding

Base: IF Group 1 (Overweger)

B06 [S]
Waren er voor u nog andere redenen om te overwegen naar een andere bank over te stappen?

1. Nee
2. Ja, namelijk… [O]

Base: IF Group 1 (Overweger)

B07 [M] [Random]
Welke stappen heeft u gezet toen u overwoog over te stappen?

Meerdere antwoorden mogelijk.

1. Ik heb tarieven van betaalrekeningen bij andere banken opgezocht
2. Ik heb de aanvullende mogelijkheden <Mouse-over> bij betaalrekeningen van verschillende banken opgezocht
3. Ik heb uitgezocht wat ik zou moeten doen bij een overstap naar een andere bank
4. Ik heb informatie opgezocht over de Overstapservice voor betaalrekeningen
5. Anders, namelijk…[O][F]
6. Geen [S][F]

Mouse-over tekst: Bijvoorbeeld kunnen roodstaan, rente op de spaarrekening, mogelijkheden voor een extra pas of credit card of andere eigenschappen van de bankrekening die u belangrijk vindt

Base: IF Group 1 (Overweger)

B08 [M][Random]
Waarom bent u uiteindelijk niet overgestapt?

Meerdere antwoorden mogelijk.

1. Ik heb uiteindelijk niet goed naar de opgevraagde informatie gekeken
2. Ik was bang dat er (teveel) dingen mis zouden gaan bij de overstap
3. Ik zou dan een nieuwe pincode krijgen
4. Ik vond uiteindelijk dat het teveel gedoe was
5. Overstappen naar een andere bank leverde mij te weinig voordeel op
6. Ik zou dan een nieuw rekeningnummer krijgen
7. Anders, namelijk …. [O] [F]

Base: IF Group 2 (Niet-overweger)

B09 [S]
Bent u bekend met de Overstapservice voor betaalrekeningen?

1. Nee
2. Ik heb er van gehoord, maar ik weet niet precies wat het is
3. Ja

Base: IF Group 1 (Overweger)

B10 [S]
Was u bekend met de Overstapservice voor betaalrekeningen toen u overwoog om over te stappen?

1. Nee
2. Ik heb er van gehoord, maar ik weet niet precies wat het is
3. Ja

Base: All respondents

Het rekeningnummer van uw betaalrekening is gebonden aan uw bank. Als u van bank verandert, krijgt u een nieuw rekeningnummer. U moet bedrijven en instanties, zoals uw werkgever en uw energiemaatschappij, maar ook vrienden en familie daarover informeren.

Na de invoering van **nummerportabiliteit** is dat niet meer nodig. Iedereen heeft dan een nieuw rekeningnummer dat niet is gebonden aan een bank. Wie van bank verandert, kan dit rekeningnummer meenemen naar een andere bank.

Base: IF Group 2 (Niet-overweger)

C01 [S]
Stel dat er vanaf nu **nummerportabiliteit**<*SCRIPTER: Mouse-over*>voor betaalrekeningen is. Zou u dan overwegen om over te stappen naar een andere bank?

1. Nee, ik zou bij mijn huidige bank blijven
2. Ja, dan zou ik het **overwegen**
3. Ja, dan zou ik vrijwel zeker **overstappen**

*SCRIPTER: Text Mouse-over*: Het rekeningnummer van uw betaalrekening is gebonden aan uw bank. Als u van bank verandert, krijgt u een nieuw rekeningnummer. U moet bedrijven en instanties, zoals uw werkgever en uw energiemaatschappij, maar ook vrienden en familie daarover informeren.

Na de invoering van **nummerportabiliteit** is dat niet meer nodig. Iedereen heeft dan een nieuw rekeningnummer dat niet is gebonden aan een bank. Wie van bank verandert, kan dit rekeningnummer meenemen naar een andere bank.

Base: IF Group 1 (Overweger)

C02 [S]

Stel dat er **nummerportabiliteit**<*SCRIPTER: Mouse-over*> voor betaalrekeningen was geweest toen u overwoog van betaalrekening te veranderen, was uw beslissing dan anders uitgevallen?

1. Nee
2. Dan was ik misschien overgestapt
3. Dan was ik waarschijnlijk overgestapt
4. Dan was ik zeker overgestapt

*SCRIPTER: Text Mouse-over*: Het rekeningnummer van uw betaalrekening is gebonden aan uw bank. Als u van bank verandert, krijgt u een nieuw rekeningnummer. U moet bedrijven en instanties, zoals uw werkgever en uw energiemaatschappij, maar ook vrienden en familie daarover informeren.

Na de invoering van **nummerportabiliteit** is dat niet meer nodig. Iedereen heeft dan een nieuw rekeningnummer dat niet is gebonden aan een bank. Wie van bank verandert, kan dit rekeningnummer meenemen naar een andere bank.

**END OF QUESTIONNAIRE**

*SME Questionnaire*

# Master Questionnaire Template

**Nummerportabiliteit**

**20403**

*<Basic survey information>*
*Length of interview: .. minutes*
*Start fieldwork:*
*End fieldwork:*

Uitleg bij de codes om type vraag aan te geven:

- S = Single vraag – slechts één antwoord mogelijk
- M = Multiple vraag – meerdere antwoorden mogelijk
- Q = Numerieke vraag – er moet een getal ingevuld worden
- O = Open vraag – vrij invul veld waarin tekst wordt getypt
- OL = Open listing – kleine tekst velden voor invullen namen/merken/producten

## III. INTRODUCTION

Welkom bij dit onderzoek. Leuk dat u meedoet!

## V. MAIN QUESTIONNAIRE

## S. Screening

Base: all respondents

S01 [S]
Volgens onze gegevens beschikt u over een eigen bedrijf. Klopt dit?

1. Ja
2. Nee

*SCRIPTER: Screenout when S01=2*

Base: IF S01=1

S02 [S]
Hoeveel personen zijn er op dit moment bij uw bedrijf werkzaam? Rekent u uzelf mee.

1. 1 persoon --> *Harde QUOTA: n=205 (zzp)*
2. 2 t/m 9 personen --> *Harde QUOTA : n=205 (mkb)*
3. Meer dan 9 personen

*SCRIPTER: Screenout when S02=3*

Base: IF S02=1

S03 [S]
Hoe ziet u uzelf als zzp'er?

1. Ik werk als zzp'er, maar wat ik doe zou ik net zo goed in loondienst kunnen doen
2. Ik werk als zzp'er en ik beschouw mezelf als een echte ondernemer

## A SECTION TITLE

Base: All respondents

Wij vragen u om de vragenlijst voor **uw belangrijkste rekening** in te vullen.

Base: all respondents

A01 [S]
Wordt deze betaalrekening uitsluitend gebruikt voor de betalingen en inkomsten van het eigen bedrijf of wordt hij ook gebruikt voor privé/huishoudelijke betalingen en inkomsten?

1. Uitsluitend voor eigen bedrijf, kantoor, winkel, etc.
2. Ook privé

Base: all respondents

A02 [S]
Hoe lang heeft u deze betaalrekening al?

1. Minder dan 1 jaar
2. 1 t/m 3 jaar
3. 4 t/m 10 jaar
4. 11 t/m 20 jaar
5. Langer dan 20 jaar
6. Weet ik niet

Base: all respondents

A03 [M]
Waar gebruikt u deze betaalrekening voor?

Meerdere antwoorden mogelijk

1. Betalingen binnen Nederland
2. Inkomsten binnen Nederland
3. Internationale betalingen
4. Inkomsten van buiten Nederland

Base: all respondents

A04 [S]
Hoe beoordeelt u de prijs-kwaliteitverhouding van deze betaalrekening?

1. Zeer slecht
2. Slecht
3. Redelijk
4. Goed
5. Zeer goed
6. Weet ik niet/geen mening

Base: all respondents

A05 [S]
Weet u hoeveel u betaalt<*SCRIPTER: mouse-over*> voor het aanhouden en gebruik van deze betaalrekening?

1. Ik weet dit vrij precies
2. Ik weet dit ongeveer
3. Ik weet dit niet

*Text Mouse-over:* 'Voor een betaalrekening betaalt u **vaste** bedragen, meestal in de vorm van een tarief per kwartaal van een betaalpakket, pinautomaten en **variabele** bedragen, zoals kosten per overboeking en per incasso-opdracht'
*SCRIPTER: remove backbutton for question A05*

Base: All respondents

A06 [S]
Kunt u een schatting maken van de **vaste kosten per kwartaal** <*SCRIPTER: mouse-over*> van het aanhouden en gebruik van deze betaalrekening?

1. Minder dan €50
2. €50 tot €100
3. €100 tot €200
4. €200 tot €500
5. €500 of meer
6. Weet ik echt niet

*Text Mouse-over:* 'De kosten voor een betaalrekening zijn **vaste** kwartaalbedragen, meestal in de vorm van tarief van een betaalpakket inclusief kosten voor eventuele pinautomaten.'

Base: All respondents

A07 [S]
Kunt u een schatting maken van de **variabele kosten** (zoals kosten per overboeking en per incasso) **per kwartaal**?

1. Minder dan €50
2. €50 tot €100
3. €100 tot €200
4. €200 tot €500
5. €500 of meer
6. Weet ik echt niet

Base: all respondents

A08 [S]
Bij welke bank loopt deze betaalrekening?

1. ABN AMRO Bank
2. ASN Bank
3. ING
4. Knab
5. Van Lanschot Bankiers
6. Rabobank
7. Regio Bank
8. SNS Bank
9. Triodos Bank
10. Andere bank, namelijk…[O]

Base: all respondents

A09 [S]
Hoe tevreden of ontevreden bent u over deze bank in het algemeen?

1. Zeer ontevreden
2. Ontevreden
3. Tevreden noch ontevreden
4. Tevreden
5. Zeer tevreden

Base: all respondents

A10 [M] [Random]
Heeft u andere **zakelijke** financiële producten bij deze bank en zo ja, welke?

Meerdere antwoorden mogelijk

1. Rood staan op betaalrekening (rekening courant krediet)
2. Beperkt kortlopend krediet (<€25.000)
3. Langlopende zakelijke lening
4. Hypotheek op bedrijfspand
5. Eén of meer verzekeringen
6. Factoring <*SCRIPTER: mouse-over*>
7. Lease (auto's of machines)
8. Anders, namelijk…[O][F]
9. Ik heb geen andere zakelijke financiële producten bij deze bank [S][F]

*Text Mouse-over:* Factoring betreft het financieren van facturen, waarbij de factormaatschappij uw facturen bevoorschot. De factormaatschappij kan ook het debiteurenbeheer en het risico op non-betaling overnemen.

Base: all respondents

A11 [M] [Random]
Heeft u ook particuliere producten bij deze bank?

Meerdere antwoorden mogelijk

1. Particuliere betaalrekening
2. Beleggingsrekening
3. Doorlopend Krediet
4. Eén of meer verzekeringen
5. Hypotheek
6. Persoonlijke lening
7. Rood staan op de betaalrekening
8. Spaarrekening
9. Pensioenspaarrekening
10. Anders, namelijk… [O][F]
11. Ik heb geen particulieren producten lopen bij deze bank. [S][F]

Base: IF A10 ≠ 9

A12 [M] [Random]
Voor welke van onderstaande **zakelijke** producten is het aanhouden van deze zakelijke betaalrekening noodzakelijk voor uw toegang tot deze producten?

Meerdere antwoorden mogelijk

1. Beperkt kortlopend krediet (<€25.000)
2. Langlopende zakelijke lening
3. Hypotheek op bedrijfspand
4. Factoring <*SCRIPTER: mouse-over*>
5. Lease (auto's en machines)
6. Ander financieel product, namelijk…[O][F]
7. Geen van deze producten [S][F]

*Text Mouse-over:* Factoring betreft het financieren van facturen, waarbij de factormaatschappij uw facturen bevoorschot. De factormaatschappij kan ook het debiteurenbeheer en het risico op non-betaling overnemen.

Base: all respondents

A13 [S per Statement]
Hoe kunnen uw klanten u voor uw diensten en producten betalen?

*SCRIPTER: Script this as a grid and randomise the statement*

*Statements in rows:*
1. Bankoverschrijving
2. Incasso/incassomachtiging
3. Pinpas met pincode
4. Contactloos met pinpas
5. Creditcard
6. iDEAL
7. Contant

*Answers in column:*
1. Ja
2. Nee

*SCRIPTER: When A13_3 = 1 AND/OR A13_4 = 1, the respondents follow a slightly different routing. Please add this variable into the datafile:* 'Winkelfunctie' = 1 when *A13_3 = 1 AND/OR A13_4 = 1 AND/OR A13_5=1.*

Base: all respondents

B01 [S per Statement] [Random]
Wat vindt u belangrijk bij de keuze voor de bank van uw zakelijke betaalrekening?

*SCRIPTER: Script this as a grid*
*Statements in rows:*
*Title Block 1:* **Kenmerken van de bank zelf**
1. Dat er een filiaal van de bank in mijn buurt is
2. Dat het een Nederlandse bank is
3. De financiële stabiliteit van de bank
4. Een aanspreekbare accountmanager die mijn bedrijf kent
5. Het beleid van de bank ten aanzien van duurzaamheid en mensenrechten
6. De mogelijkheid een zakelijke lening af te sluiten

*Title Block 2:* **Pinautomaten** <SCRIPTER: Only show this block when 'Winkelfunctie' = 1>
7. De beschikbaarheid van pinautomaten en contactloos betalen
8. De kosten van het gebruik van pinautomaten en contactloos betalen door mijn klanten
9. De betrouwbaarheid van de pinautomaten

*Title Block 3:* **Kenmerken van de betaalrekening**
10. De gebruikersvriendelijkheid van internetbankieren en de app
11. De beschikbaarheid van internetbankieren en de app
12. Het gemak om zoveel mogelijk financiële producten en diensten bij één bank af te kunnen nemen
13. Zelf de pincode van mijn betaalpas kunnen instellen
14. De kosten van de betaalrekening

*Title Block 4:* **Het productaanbod van de bank**
15. Rood staan op betaalrekening
16. Beperkt kortlopend krediet (<€25.000)
17. Langlopende zakelijke lening
18. Hypotheek op bedrijfspand
19. Eén of meer verzekeringen
20. Factoring <*SCRIPTER: mouse-over*>
21. Lease (auto's of machines)

*Title Block 6:* **Betalingen buiten Europa**
22. Het Europese netwerk van de bank
23. Goedkoop buiten Europa kunnen betalen
24. Goedkoop boekingen van buiten Europa te ontvangen
25. Eenvoudig buiten Europa kunnen betalen

*Answers in column:*
1. Zeer onbelangrijk
2. Onbelangrijk
3. Neutraal
4. Belangrijk
5. Zeer belangrijk
6. Weet ik niet/geen mening

*SCRIPTER: There are 6 different blocks with questions. Each block has a title. Please place this title above the grid of that block. Randomise the order of the blocks and randomise the statements within a block. Please put 3 blocks on one page and the other 2 or 3 blocks on the other page.*

Base: all respondents

B02 [S]
Zijn er nog andere dingen die u belangrijk vindt bij de keuze voor de bank van uw zakelijke betaalrekening?

1. Nee [S]
2. Ja, namelijk…[O]

Base: all respondents

B03 [S per Statement]
Zou u afzien van bepaalde eisen aan een bank of betaalrekening als dat het aanhouden van de betaalrekening goedkoper zou maken?

*SCRIPTER: Script this as a grid*

*Statements in rows:*
*Title Block 1:* **De bank zelf**
1. De nabijheid van een bankfiliaal/kantoor
2. Een aanspreekbare accountmanager die mijn bedrijf kent
3. Het feit dat het een Nederlandse bank is
4. Dat de bank onder het Nederlandse depositogarantiestelsel <*SCRIPTER: Mouse-over*> valt

*Title Block 2:* **Gebruiksgemak**
5. Kunnen betalen en mijn saldo kunnen bekijken via een app op mijn tablet en smartphone
6. Gebruik kunnen maken van moderne betalingswijzen, zoals contactloos betalen
7. Zelf de pincode van mijn betaalpas kunnen instellen

*Title Block 3:* **Het productaanbod van de bank**
8. Rood staan op betaalrekening
9. Beperkt kortlopend krediet (<€25.000)
10. Langlopende zakelijke lening
11. Hypotheek op bedrijfspand
12. Eén of meer verzekeringen
13. Factoring <*SCRIPTER: mouse-over*>
14. Lease (auto's of machines)

*Title Block 4:* **Betalingen buiten Europa**
15. Eenvoudig buiten Europa kunnen betalen
16. Goedkoop buiten Europa kunnen betalen

17. Goedkoop boekingen buiten Europa te ontvangen
18. Het Europese netwerk van de bank

*SCRIPTER: There are 4 different blocks with questions. Each block has a title. Please place this title above the grid of that block. Randomise the order of the blocks and randomise the statements within a block.*

*Answers in column:*
1. Hier zou ik **niet** vanaf willen zien
2. Hier zou ik vanaf willen zien als mijn betaalrekening dan **goedkoper** zou zijn
3. Hier zou ik vanaf willen zien als mijn betaalrekening dan **veel goedkoper** zou zijn.
4. Dit maakt mij niet uit

*SCRIPTER: Text mouse-over:* Het depositogarantiestelsel beschermt uw spaargeld tot 100.000 euro als uw bank failliet zou gaan.

Base: All respondents

B04 [S]
Heeft u de afgelopen jaren overwogen om over te stappen naar een andere bank voor uw zakelijke betaalrekening?

1. Nee
2. Ja, maar ik ben niet overgestapt
3. Ja en ik ben overgestapt

Base: IF B04=1

B05 [M]
Waarom heeft u dit de afgelopen jaren **niet** overwogen?

Meerdere antwoorden mogelijk.

1. Ik ben tevreden met mijn betaalrekening
2. Ik zou het willen maar overstappen levert veel gedoe op
3. Alle banken zijn toch hetzelfde
4. Ik heb er nooit over nagedacht
5. Anders, namelijk…[O]

Base: IF B04=2 OR B04=3

B06 [S per Statement]
In hoeverre waren onderstaande redenen voor u een aanleiding om te overwegen naar een andere bank te stappen?

Vink voor iedere reden hieronder aan of het voor u een aanleiding was.

*SCRIPTER: Script this as a grid and randomise the statements.*
*Statements in rows:*
1. Het filiaal van de bank in mijn buurt ging sluiten
2. Te beperkte mogelijkheden van mijn betaalrekening
3. Mijn bank verhoogde de vaste kosten van mijn betaalrekening
4. Mijn bank verhoogde de variabele kosten van mijn betaalrekening
5. Onvoldoende betrouwbaarheid van de pinautomaten <SCRIPTER: Only show when 'Winkelfunctie = 1>
6. Een andere bank zou een korting of welkomstpremie geven als ik zou overstappen

7. De manier waarop mijn bank op vragen of klachten reageerde
8. Mijn bank kwam slecht in het nieuws
9. De rente op de bijbehorende spaarrekening is te laag
10. Ik raakte bekend met de Overstapservice voor betaalrekeningen
11. Storingen met internetbankieren of de app
12. De financieel betrouwbare positie van mijn oude bank
13. Het beleid van de nieuwe bank ten aanzien van duurzaamheid en mensenrechten
14. Imago van huidige bank
15. Imago van nieuwe bank
16. Het gebruiksgemak van internetbankieren of de app

*Answers in column:*
1. Geen aanleiding
2. Enigszins een aanleiding
3. Een belangrijke aanleiding

*SCRIPTER: Please divide these 16 statements over 2 pages (8 statements on 1 page)*

Base: IF B04=2 OR B04=3

B07 [S]
Waren er voor u nog andere redenen een aanleiding om te overwegen naar een andere bank over te stappen?

1. Nee
2. Ja, namelijk… [O]

Base: IF B04=2 OR B04=3

B08 [M][Random]
Welke stappen heeft u gezet toen u overwoog over te stappen?

Meerdere antwoorden mogelijk

1. Ik heb de tarieven van betaalrekeningen bij andere banken opgezocht
2. Ik ben in gesprek gegaan met mijn bank
3. Ik heb naar inzichten en ervaringen van collega's en/of mijn brancheorganisatie geïnformeerd
4. Ik heb de aanvullende mogelijkheden <mouse-over> bij betaalrekeningen bij andere banken opgezocht
5. Ik heb uitgezocht wat ik zou moeten doen bij een overstap naar een andere bank, zoals relaties informeren en incasso's omzetten.
6. Ik heb informatie opgezocht over de Overstapservice voor betaalrekeningen
7. Anders, namelijk…[O][F]
8. Geen [S][F]

Mouse-over: Bijvoorbeeld kunnen roodstaan, rente op de spaarrekening, mogelijkheden voor een extra pas of credit card of andere eigenschappen van de bankrekening die u belangrijk vindt

Base: IF B04=2

B09 [M][Random]
Waarom bent u uiteindelijk niet overgestapt?

Meerdere antwoorden mogelijk.

1. Ik zit aan mijn bestaande bank vast
2. Mijn bestaande bank is aan mijn wensen tegemoet gekomen
3. Ik heb niet goed naar de opgevraagde informatie gekeken
4. Ik was bang dat er (teveel) dingen mis zouden gaan bij de overstap
5. Ik zou dan een nieuwe pincode krijgen
6. Ik vond de omschakelingskosten te hoog
7. Ik vond uiteindelijk dat het teveel gedoe was
8. Overstappen naar een andere bank leverde mij te weinig voordeel op
9. Ik zou dan een nieuw rekeningnummer krijgen
10. Anders, namelijk …. [O] [F]

Base: IF B04=2 OR B04=3

B10 [S]
Was u bekend met de Overstapservice voor betaalrekeningen toen u overwoog om over te stappen?

1. Nee
2. Ik heb er van gehoord, maar ik weet niet precies wat het is
3. Ja

Base: All respondents

Het rekeningnummer van uw betaalrekening is gebonden aan uw bank. Als u van bank verandert, krijgt u een nieuw rekeningnummer. U moet uw zakelijke klanten en leveranciers daarover informeren.

Na de invoering van **nummerportabiliteit** is dat niet meer nodig. Iedereen heeft dan een nieuw rekeningnummer dat niet is gebonden aan een bank. Wie van bank verandert, kan dit rekeningnummer meenemen naar een andere bank.

Base: All respondents

C01 [S]
Stel dat er vanaf nu **nummerportabiliteit** <*SCRIPTER: Mouse-over*> voor betaalrekeningen zou zijn.
Zou u dan overwegen om over te stappen naar een andere bank?

1. Nee, ik zou bij mijn huidige bank blijven
2. Ja, dan zou ik het **overwegen**
3. Ja, dan zou ik vrijwel zeker **overstappen**

*SCRIPTER: Text Mouse-over*: Zie hierboven

Base: B04=2

C02 [S]
Stel dat er **nummerportabiliteit** <*SCRIPTER: Mouse-over*> voor betaalrekeningen was geweest toen u overwoog van betaalrekening te veranderen, was uw beslissing dan anders uitgevallen?

1. Nee
2. Dan was ik misschien overgestapt
3. Dan was ik waarschijnlijk overgestapt
4. Dan was ik zeker overgestapt

*SCRIPTER: Text Mouse-over*: Zie hierboven

**END OF QUESTIONNAIRE**