

Implementation of the EU payment accounts directive

BSA response to HM Treasury
consultation

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 **Building Societies**
Association

Introduction

The Building Societies Association (BSA) represents all 44 UK building societies. Building societies have total assets of over £330 billion and, together with their subsidiaries, hold residential mortgages of over £250 billion, 19% of the total outstanding in the UK. They hold almost £240 billion of retail deposits, accounting for 19% of all such deposits in the UK. Building societies account for about 28% of all cash ISA balances. They employ approximately 39,000 full and part-time staff and operate through approximately 1,550 branches.

The BSA welcomes the opportunity to respond to HM Treasury's consultation on the implementation of the Payment Accounts Directive 2014/92/EU (PAD).

Response

The BSA is primarily concerned about the scope of PAD. Our response is therefore focussed on this issue and we have not responded to the other consultation questions. However, please note that we have seen and fully support the British Bankers Association's response to this consultation. Please also note that one of our members has responded directly to a request from HM Treasury to provide feedback on the cost and benefits of the proposals.

The BSA agrees with the Government's view that the provisions in PAD are clearly meant to apply to personal current accounts only. The following BSA members are personal current account providers – Coventry Building Society, Cumberland Building Society, Leeds Building Society, Nationwide Building Society and Yorkshire Building Society. The rest of our membership do not provide personal current accounts and therefore their products and services should be out of the scope of PAD.

We welcome the specific exclusion of savings accounts, credit cards and current account mortgages from the scope of PAD as set out in paragraph 12 of the recitals. However, we are concerned that the recitals go on to state that "...should those accounts be used for day-to-day payment transactions and should they comprise of all the functions listed at Article 1(6), they will fall within the scope of this directive". While we understand the mischief that this caveat seeks to address, namely that firms could move their personal current account product outside of the scope of the PAD simply by calling it a savings account for example, we are concerned that it may unintentionally capture savings products which were never designed or marketed to be used as personal current accounts. Many flexible savings products provide the ability to place funds, withdraw cash and execute and receive transactions to/from third parties (although firms tend to apply limits on the frequency of use of these functions). We believe these types of savings products would be caught by this paragraph. We therefore do not support the current copy out definition of "Payment Account" set out in the draft Regulations which also refers to the exclusion of savings products (and other listed products) not applying where the product is used for "day-to-day payment transactions".

Our preferred solution would be to drop the reference to "day-to-day payment transactions" in the definition of "Payment Account" in the draft Regulations. Alternatively, HMT should work with the industry to develop a narrower definition of "Payment Account" perhaps with a specific reference to "personal current accounts" without necessarily seeking to define what a personal current account is. We understand that the BBA is seeking to arrange a meeting with HM Treasury to discuss options for narrowing the definition of "Payment Account" among other issues. The BSA would be happy to meet with HM Treasury either separately or as part of the BBA suggested meeting to discuss how best to address this issue.

The BSA looks forward to continuing to work closely with HM Treasury on the implementation of PAD via HM Treasury's PAD working group.

By Andrew Hopkins
Policy Adviser
andrew.hopkins@bsa.org.uk
02075205913

York House
23 Kingsway
London WC2B 6LU

020 7520 5900
@BSABuildingSocs
www.bsa.org.uk

BSA EU Transparency Register No: 9: 24933110421-64

www.bsa.org.uk

The Building Societies Association (BSA) is the voice of the UK's building societies.

We fulfil two key roles. We provide our members with information to help them run their businesses. We also represent their interests to audiences including the Financial Conduct Authority, Prudential Regulation Authority and other regulators, the government and parliament, the Bank of England, the media and other opinion formers, and the general public.

Our members have total assets of over £330 billion, and account for approximately 20% of both the UK mortgage and savings markets