



Response to call for input: terms and definitions for services which are linked to payment accounts and subject to fees

The Money Charity is the UK's leading financial capability charity.

We believe that being on top of your money means you are more in control of your life, your finances and your debts, reducing stress and hardship. And that being on top of your money increases your wellbeing, helps you achieve your goals and live a happier more positive life as a result.

Our vision is for everyone to be on top of their money as a part of everyday life. So, we empower people across the UK to build the skills, knowledge, attitudes and behaviours, to make the most of their money throughout their lives.

We believe financially capable people are on top of and make the most of their money in five key areas:

- Planning (including budgeting)
- Saving
- Debt
- Financial services products
- Everyday money (including wages, cash, bank accounts)

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Introduction

1. We welcome the opportunity to respond to this consultation, and to provide a financial capability perspective on the proposed terms and definitions for services which are linked to payment accounts.
2. We welcome standardisation of terminology and definitions because of the clear transparency and comparability benefits it gives to consumers. The approaches taken in drawing up the provisional national list of most representative services, choosing terminology and definitions are generally reasonable and have produced a list which we think will benefit consumers.
3. However, the decision to limit the number of standardised services to ten has not been justified in the call for input, and we see grounds both in terms of transparency and comparability to increase this to the maximum possible number of terms.
4. We note that the stated aim of the standardisation is to improve *both* the comparability and the transparency of services. Several services have been excluded from the provisional list because low costs in fees and charges mean that they are unlikely to be considerations when comparing payment accounts. In many of these cases, a transparency argument for their inclusion remains.
5. We also argue for some specific currently excluded services to be included and make some comments on the terms and definitions proposed.
6. Given the fast changing market, we also see that the proposed review of terms and definitions every four years should occur more frequently - preferably to every two years - particularly if there is a significant change such as a move away from free-if-in-credit banking services.
7. We have made these points in more detail in response to specific questions below.

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Q1. Do you agree with our approach to defining what constitutes a service? If not, please explain why not and how we could apply the EBA Guidelines differently.

8. We agree with the definition of what defines a service and think that you have drawn appropriate conclusions about whether different fee structures or functionality constitute providing separate and distinct services.

Q2. Do you agree with our proposed list of most representative services? If not, please explain why not. Are there services that you consider should be added to the list?

9. Although we believe that more than ten services ought to be included on the provisional list, the process undertaken to arrive at the most representative services is a generally reasonable one. Taking into account a combination of cost and use in making the decision is the correct approach to ensure representativeness and enhance comparability and transparency.
10. Limiting the number of most representative services to ten when there is an opportunity to include up to 20 does not seem to us to be justified. In paragraph 3.64 the call for input implies that the decision was made in order to 'reduce the risk of information overload', but we do not believe this is a significant risk when compared to the transparency and comparability benefits of including some of the currently omitted terms.
11. We would encourage that the maximum number of terms possible be subject to standardisation.
12. We also recommend that terms and definitions for any services standardised at an EU level be considered for addition to the final national list, even if they are not on the UK provisional list.
13. Some services such as those relating to cheques may be used by relatively few people, but those who do use them, do so regularly. This means that the comparability and transparency of these services are important when making decisions and understanding their payment account services. So they should not be omitted simply due to low overall usage.

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14. The omitted services we consider it particularly important to include are 'cancelling a cheque', 'direct debit', 'standing order', 'withdrawing pounds in the UK' and 'debit card payments in pounds'. Beyond these five, we have seen inadequate justification for not standardising the maximum number of terms, and recommend that the existing considerations of use and cost be used to choose further services.
15. The justification for excluding cancelling a cheque was that, despite its relatively high cost, it is 'a service not used regularly by consumers', so it is unlikely that consumers would compare payment accounts on this basis. While the overall usage of cheques has declined, as we note above, some more vulnerable groups such as older people still use cheques regularly. This makes it important when comparing and understanding charges. This vulnerability is compounded by the fact that generally cheques are cancelled because of a lack of funds, meaning those using this service will often be financially vulnerable also. This means that they will be hit particularly hard by any charges, and to understand and compare them is even more important.
16. The Optimisa research found that when it comes to the difference between direct debits and standing orders 'very few were able to explain this correctly, even those who claimed to be financially knowledgeable and confident.' While the lack of fees attached to these services mean that terms and definitions will not often be used in the comparison of payment accounts, there are some (rare) fees attached to these services, and a greater consumer understanding can be gained by adding these to the provisional list. A justification used to include 'sending money to another account in the UK' – that 'very many consumers would expect to find [it] on the fee information document' – is probably also true of direct debits, standing orders, withdrawing pounds in the UK and debit card payment in pounds, even if they very rarely incur fees.
17. We therefore suggest that all four of these services be added to the list of most representative services.

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Q3. Do you agree with the terms we propose to use to refer to the services on the provisional list? If not, please explain why not and suggest alternatives. If there are services you consider should be added to the list (see Q2), please suggest terms to refer to these services.

18. We approve of findings set out in Figure 11 and believe that the FCA has drawn the correct conclusions with its main findings. However, we argue that there are some specific terms chosen which are not the most appropriate.
19. The choice not to pair 'arranged overdraft' with 'unarranged overdraft', instead choosing 'unplanned overdraft' is something we understand – oral communication could lead to confusion with similar sounding opposites. However, the choice of 'unplanned' is not apt: people may not plan to go into an arranged overdraft, but do so anyway, and may plan (at least in the moment) to go into an unarranged overdraft. 'planning' implies intentionality, which is internal to the individual, rather than a product of the service provided. We prefer 'unarranged', because this binary more accurately captures the nature of these different services.
20. We agree that the more descriptive terms 'allowing a payment despite lack of funds' and 'refusing a payment due to lack of funds' are more suitable than more technical, oblique terms such as 'paid item fee', even when research shows that those who have used these services tend to understand the terms.
21. 'Withdrawing foreign currency outside the UK', 'debit card payment in a foreign currency' ought to be made consistent with 'outside the UK' used for both, if that is what is intended.

Q4. Do you agree with the proposed definitions of the services? If not, please explain why not and suggest alternatives. If there are services you consider should be added to the list (see Q2), please suggest definitions for these services.

22. We support all the definitions for the ten proposed terms.
23. The use of the word 'borrow' to describe an overdraft will not necessarily accord with people's understanding of that service, but we appreciate its use

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in the definition as it will help consumers realise that the service is indeed a form of borrowing. Because consumers often do not think of overdrafts as borrowing, we would suggest that the definition only ever be used together with the term in order to avoid confusion.

24. The five terms that we specifically urge you to add to the list are: 'cancelling a cheque', 'withdrawing pounds in the UK', 'debit card payment in pounds', 'direct debit payment' and 'standing order payment'. We have some suggestions for edits to the definitions contained in Annex 2.
25. For both 'withdrawing pounds in the UK' and 'debit card payment in pounds', the term uses 'pounds', but the definition refers to 'sterling'. The Optimisa research found that this was not a widely understood term, so we would recommend using 'pounds' in both the terms and the definitions.
26. We recommend changing the definition for 'standing order payment' to 'when you ask us to make regular payments for a fixed amount to someone else's account *for either a fixed period of time or with the requirement for you to cancel when no longer needed.*'
27. We recommend changing the definition for 'Direct Debit Payment' to 'when you agree that someone else can take money from your account on agreed dates (normally to pay bills) although the amount *they ask for* may vary.'
28. These changes to the definitions suggested in points 26 and 27 will help consumers understand that standing orders are payments that the consumer sets up and is responsible for cancelling while direct debits are arranged between a third party and the consumers' bank resulting from a contract.

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