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Overdrafts on personal current accounts

A study into market power

Carried out for the Netherlands Authority for Consumers and Markets

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1 Summary

- 1 On behalf of the Netherlands Authority for Consumers and Markets (hereafter ‘ACM’), CEG conducted research into overdraft lending on personal current accounts in the Netherlands. The research was triggered by the Netherlands Minister of Finance’s response to parliamentary inquiry (‘Kamervragen’) during autumn 2012. The Minister notified the Second Chamber of Parliament about the planned research and the questions that would be addressed. The purpose of this research is to determine:
 - a. whether providers of overdraft lending in the Netherlands enjoy significant market power,
 - b. whether the potential market power led to consumer harm, and
 - c. whether additional regulation is needed to overcome the potential problems that flow from this market power.
- 2 This report is based on information supplied by the banks as well as information from public sources.
- 3 An overdraft is defined as a negative balance on a current account. Thus, the providers of overdraft lending are those banks that provide personal current accounts. The largest providers are ABN AMRO, ING, the Rabobank, and SNS Bank, who together serve 90% of the market for personal current accounts. Between mid-2012 and mid-2013, approximately one third of personal current accounts were overdrawn at one point. At mid-2013, approximately 12% of current accounts were overdrawn at these banks, with an average overdraft of €1,414. During the period 2009 until 2013, the use of overdrafts decreased. Fewer accounts are overdrawn now, and when an account is overdrawn the value of the overdraft is on average 10% lower. The interest rates on overdraft lending at the largest Dutch banks vary from 9% to 15%, where the latter is the current legal maximum rate. The interest rates at the largest Dutch banks do not show a clear trend: some have decreased since 2009, while others have increased.
- 4 In order to investigate the presence of significant market power, we first need to identify the relevant market for overdraft lending. It is clear that overdraft lending is not a market in itself, as overdraft lending is not possible without having access to a current account. Current accounts appear to be an obvious candidate for the relevant market. However, when a consumer knowingly overdraws, it is also possible that he or she might consider taking out a consumer loan rather than overdrawing his or her account. Based on our analysis of product characteristics, interest rates, and banks’ pricing strategies, we indeed find evidence that overdraft lending experiences some competitive pressure from consumer loans such as revolving loans. Overdraft lending can therefore partly belong to the market for current accounts and partly to the market for consumer credit. We evaluate the presence of market power on the basis of these two market definitions.¹

¹ Because overdraft lending is not a stand-alone product, the margins on overdraft lending are not informative with regard to the potential market power of a bank. Banks compete on the bundled service with different service components. The costs of this bundled service are difficult to divide over the different services, amongst which overdraft lending. This is also the reason why in other extensive research into overdraft lending, no margins were calculated (see, inter alia, the OFT report for the United Kingdom and the ZEW report for Germany).

- 5 After consideration of the information available on the market for personal current accounts, no evidence was found for the presence of significant market power. The fees for current accounts, including its component services such as overdraft lending, were amongst the lowest in Europe in recent years. Even though the market concentration is relatively high, none of the four large banks have a market share that might indicate market dominance. Neither have we found evidence of significant market power on the market for consumer loans. Based on the information available we conclude that this market comprises many providers and has a low market concentration. Approximately half of the consumer loans are issued by non-banks. Additionally, the interest rates on consumer loans are regulated as well, thereby constraining any potential market power.
- 6 Based on the analysis of both market definitions we find no evidence for market power in either of these markets, we conclude that from a competition viewpoint there is no reason to regulate overdraft lending more stringently.
- 7 Despite the absence of competition issues, there may be other reasons to regulate overdraft lending more stringently. For instance, one may want to protect vulnerable consumers who tend to use overdraft lending excessively. With such concerns in mind, two possible policy measures often associated with overdraft lending are the lowering of the cap on overdraft interest rates and measures to increase fee transparency. Finally, there are concerns that vulnerable consumers, who are often overdrawn and with large sums, cross-subsidise consumers who do not overdraw or do so very little.
- 8 On the one hand it is clear that a cap on overdraft fees and rates (in current regulation referred to as the “maximale kredietvergoeding”) that is set below the current market level would benefit current users of overdraft lending. It may also be expected that these consumers will extend their use of overdraft lending, or that more consumers will want to use overdraft lending in response to the lower interest rate. On the other hand, a lower cap on the interest rate can also lead to a more stringent acceptance policy by the banks; this will lead to more rejections of consumers with a relatively high risk profile. This may be welfare improving, to the extent that some consumers may now be protected against themselves as they cannot get credit elsewhere (potentially via illegal channels). For other consumers however, this may be harmful. Their requests for overdraft facilities may be rejected more often whereas previously they were better off when they were able to overdraw their accounts. A lower price cap may also harm consumers that do not overdraw or those that only do so intermittently. Because of the competition on the market for current accounts, it is probable that lowering the interest rate cap on overdraft lending will result in higher fixed fees for other services that are a component of current accounts to maintain banks’ profitability levels. It is therefore unlikely that the overall effects of a reduction in the interest rate cap are positive.
- 9 The transparency of overdraft fees and rates is high in the Netherlands. Supplying further consumer information is not expected to have an effect on their behaviour. There may be some merit in supplying more (current) information to consumers on when and how much they are overdrawn, and detail on the actually incurred costs.
- 10 Finally, we address the question whether vulnerable consumers that overdraw subsidise other consumers. We conclude that we find no evidence that banks earn higher profits from consumers that overdraw often than they do from other consumers. Vulnerable consumers do not pay higher

rates than other consumers. Moreover, the banks have to cover fixed operational costs associated with a higher overdraft amount and face a higher risk per euro overdrawn by vulnerable consumers.

- 11 We conclude that from a competition perspective there is no reason to change the regulation regarding overdraft lending. There is no evidence for significant market power in either of the markets which may be considered to be relevant for overdraft lending. In addition, intervening in the overdraft rates will most likely lead to unintended effects that will negate the intended positive effects. Finally there is also no evidence that banks earn higher profits from vulnerable consumer groups.

2 Introduction

- 12 On behalf of the Consumer and Market Authority (hereafter ‘ACM’), CEG conducted research into overdraft lending in the Netherlands. The main objective of the research is to determine whether the suppliers of overdraft lending to consumers in the Netherlands enjoy significant market power and, if so, whether it causes consumer harm. A related issue is whether additional regulation is needed for overdraft lending. This research was triggered by the Minister of Finance’s response to ‘Kamervragen’ in autumn 2012.² The Minister also notified the Second Chamber of Parliament that ACM would research the overdraft matter and determine which areas should be investigated.³ ACM requested that the following areas should be researched.
- a. Testing the following hypothesis both conceptually and empirically: individual providers of overdraft lending in the Netherlands enjoy significant market power due to insufficient disciplining power from the demand side. This situation results in consumer harm.
 - b. Identify other sources of all other market power related sources of consumer harm related to overdraft lending in the Netherlands.
 - c. In case evidence is found for the presence of market power related consumer harm, suggest the possible measures that can mitigate this market power. This includes providing a cost benefit analysis of the different regulatory options.

3 Approach

- 13 CEG has adopted the following approach to address ACM’s research questions.
- a. *Definition of the relevant market.* We first determine the relevant market in which the market power may be present. We address a number of questions: should we consider overdraft lending as a separate market? If not, in which market is overdraft lending included? There are two markets which could be relevant for overdraft lending: the market for consumer loans and for personal current accounts. It is also possible that suppliers of overdraft lending are disciplined from both these markets. The most important empirical questions we pose here are: (i) is overdraft lending a stand-alone product, and (ii) what is the degree of substitution between overdraft lending and consumer loans? We answer these questions by analysing the characteristics of and rates on overdraft lending when compared to the characteristics of and interest rates on other types of loans. For this part of the analysis we have used public information on product fees en characteristics, as well as information we collected through a bank survey and interviews with several banks.
 - b. *Analysis of significant market power.* In this part of the analysis, we analyse the presence of significant market power in the relevant market for personal current accounts and for consumer loans. We define market power as banks’ ability to influence prices and set them above the level that would prevail under effective competition, subject to existing regulation, which is taken as given. This part of the analysis is based on existing empirical research and available information on competition and market characteristics of the market for current accounts and for consumer loans.
 - c. *Regulation.* In the final part of the analysis we analyse the effect of possible regulatory measures, such as reducing the cap on the interest rate and increasing market transparency.

2 Appendix Handelingen II, 2012/13, nr. 569.

3 Kamerstukken II, 2012/13, 33 400 IX.

- 14 We have used the following data sources in the analysis:
- a. Public information on product characteristics of overdraft lending and other types of consumer loans. This information was collected from several banks' websites and the price comparison website *Independer*.⁴ We also used other public data sources, such as CBS (Central Bureau of Statistics), the DNB (the Dutch National Bank) and Eurostat.
 - b. Existing research and available data regarding competition in the market for personal current accounts and consumer loans.
 - c. Information collected via our survey on overdraft lending. This survey was completed by the four largest retail banks in the Netherlands: ABN AMRO, ING, the Rabobank and SNS Bank. The questionnaire was sent out in November 2013 and responses received in January 2014. We also used information collected during interviews, conducted in January and February of 2014, with employees of the fore-mentioned banks.
- 15 The report is organised as follows. Chapter 4 provides background information on overdraft lending in the Netherlands. Chapter 5 contains a more detailed discussion of the rates and margins on overdraft lending. Chapters 6 (relevant market) and 7 (market power) contain the main body of the analysis. In Chapter 8 we discuss the potential effects of different regulatory measures, considering the conclusions reached in previous chapters. In Chapter 9, we briefly consider the potential cross-subsidisation between consumers who use overdraft lending heavily and all other types of consumers. In Chapter 10 we present the conclusions from our research.

4 Overdraft lending – background information

- 16 This chapter contains some background information on the functions and different types of overdraft lending available, the characteristics, the providers, and the use of overdraft lending in the Netherlands.

4.1 Function and types of overdraft lending

- 17 An overdraft is a line of credit which is tied to a current account. In case the current account's balance falls below zero, the account will be overdrawn and the account holder has to pay interest over the amount overdrawn – the overdraft.
- 18 An overdraft is 'authorised' if there is a prior agreement regarding the possibility of overdraft and terms between the account holder and the bank. This agreement determines, amongst other things, the overdraft limit, the maximum allowed amount of overdraft. An overdraft is 'unauthorised' when an account has a negative balance but there is no pre-existing agreement regarding the use of overdraft between the account holder and the bank, or if the negative balance exceeds the authorised overdraft limit. Unauthorised overdrafts mainly occur when a direct debit occurs at a time of insufficient balance, especially with payments that are guaranteed by the bank (such as mortgage payments).⁵
- 19 Authorised overdrafts exist in two distinct forms in the Netherlands: as a quarterly limit and as a continuous limit. A quarterly limit has to be repaid fully within 3 months. A continuous limit does

4 www.independer.nl

5 Interviews with banks, ABN AMRO, ING, the Rabobank, SNS Bank.

not have a fixed repayment period, but usually requires a monthly repayment of a few percent (typically 2% to 5%) of the overdraft limit.⁶

4.2 Providers and use of overdraft lending in the Netherlands

- 20 Since an overdraft is tied to a current account, both products are offered by the same providers. Table 1 lists the market shares for the current account market, as cited in the European Commission's Merger Decision regarding ABN AMRO-Fortis. The table shows that the four biggest banks, amongst which our survey was conducted, have a combined market share of more than 90% in the market for current accounts. In the analysis that follows, we consider that the information for these banks is representative of the entire market.

Table 1 Market shares in the market for current accounts, 2006

Bank	Market share
ING	40-50%
Rabobank	30-40%
ABN AMRO	20-30%
SNS Bank	0-5%

Source: DG competition, 2007, Case No COMP/M.4884 – Fortis/ABN AMRO Assets, par. 97.

- 21 Overdraft lending is a widely used form of credit in the Netherlands. In June 2013, approximately 44% of current accounts at the surveyed banks had an authorised overdraft facility.⁷ It is notable that this contrasts with the results of consumer surveys where almost twice as many (about 80%) consumers indicate that they have a current account with an authorised overdraft facility.⁸ A possible explanation for this difference is that many consumers have more than one current account within their household, and not all of which have an overdraft facility. The total number of personal current accounts at the four largest banks is 18.6 million.⁹ As there are approximately 7.5 million households in the Netherlands,¹⁰ and ignoring smaller banks, this suggests that an average of 2.5 current accounts is held per household.
- 22 Between mid-2012 and mid-2013 35% of the current accounts at the surveyed banks were overdrawn at least once.¹¹ This is also less than consumer survey findings, where almost half of consumers indicate that they sometimes overdraw.¹² The same explanation may be applicable here, i.e. that households have multiple current accounts but not all of them have an overdraft

6 See Appendix A (in Dutch) for an extensive description of the product characteristics of overdraft lending.

7 Answers to questionnaire, ABN AMRO, ING, the Rabobank, and SNS Bank.

8 See AFM, Consumentenmonitor Voorjaar 2013: Roodstand, June 2013, p. 3 and Nibud, Geldzaken in de praktijk, June 2012, p. 41.

9 Answers to questionnaire, ABN AMRO, ING, de Rabobank, and SNS. Figures refer to June 2013.

10 The Netherlands Central Statistical Office (CBS).

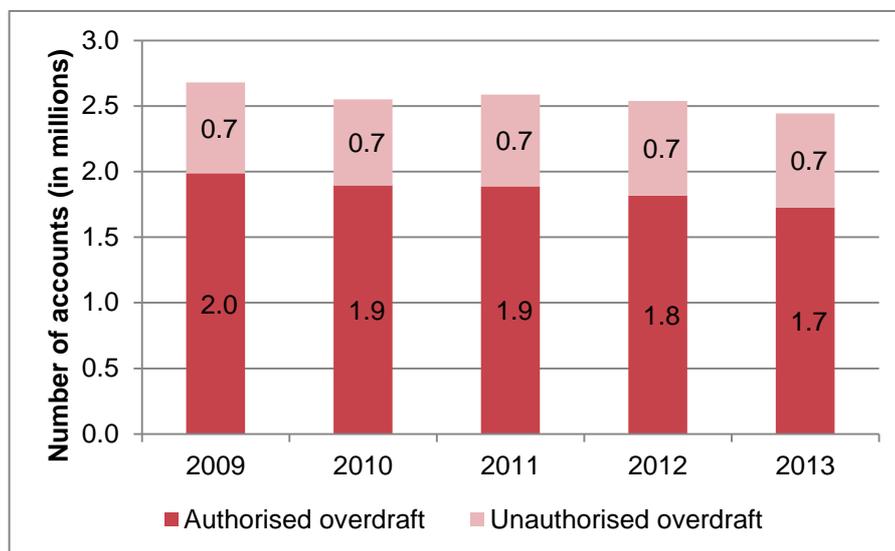
11 Answers to questionnaire, ABN AMRO, ING, Rabobank, and SNS Bank: June 2012-June 2013. The Rabobank: October 2012-October 2013.

12 See footnote 8.

facility.¹³

In June 2013 12% of personal current accounts at the surveyed banks were overdrawn, one third of which were overdrawn for longer than a month.^{14, 15} The use of authorised overdraft lending has been decreasing over the past few years, both in the number of accounts that are overdrawn and in the total value of the overdraft (see Figure 1 and Figure 2).¹⁶ The number of current accounts with unauthorised overdraft has remained stable, while the total amount of unauthorised overdraft has decreased slightly.

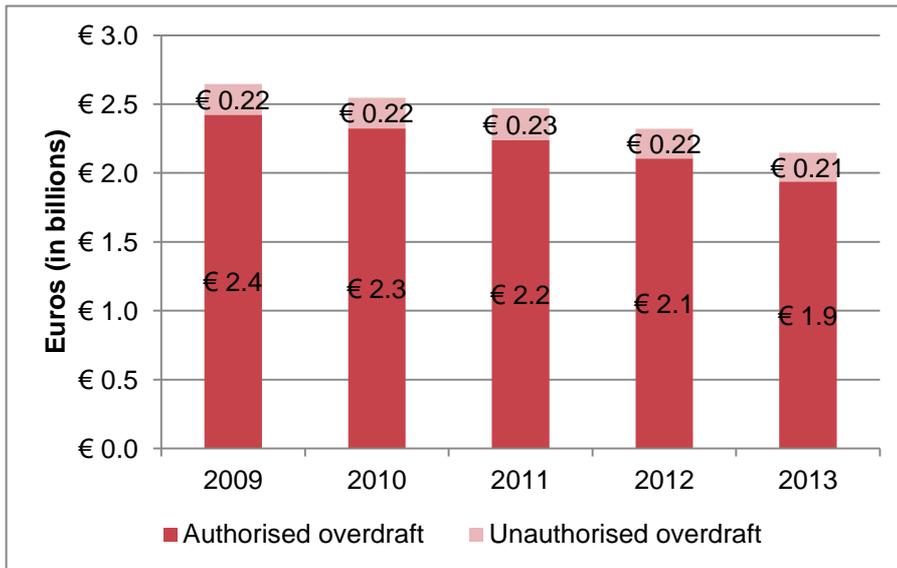
Figure 1 Number of overdrawn accounts at the four largest banks (average during the year)¹⁷



Source: answers to questionnaire, ABN AMRO, ING, the Rabobank, and SNS Bank.

-
- 13 The following example will make this clear. Imagine that all Dutch households have two current accounts and that each household sometimes overdraws on one of those (always the same account). Then a consumer survey would show that 100% of Dutch people would sometimes overdraw, while it is used on only 50% of all current accounts.
- 14 Answers to questionnaire, ABN AMRO, ING, the Rabobank, and SNS Bank.
- 15 Form the survey it follows that the number of current accounts that were overdrawn for longer than a month (4% of all current accounts) comprises 11.4% of current accounts that are sometimes overdrawn (35% of all current accounts). This is consistent with the results of the before cited research conducted by AFM, which found that approximately 11% of consumers that sometimes overdraw, do so for longer than one month.
- 16 It is in principle possible that the negative trend in the number of overdrawn accounts is due to a decrease in the number of personal accounts. We do not have historical data on the number of personal current accounts. However, the total number of current accounts as reported by DNB (both consumer and business) has slightly increased between 2009 and 2013 (by 1%).
- 17 Banks have supplied us with information on the total number of overdrawn accounts and on the total amount of overdraft at the end of each month. We have calculated yearly averages using this information. For instance, the number of overdrawn account in 2009 is an average of the number of overdrawn accounts at the end of each month in 2009.
-

Figure 2 Total amount of overdraft at the four largest banks (average during the year)

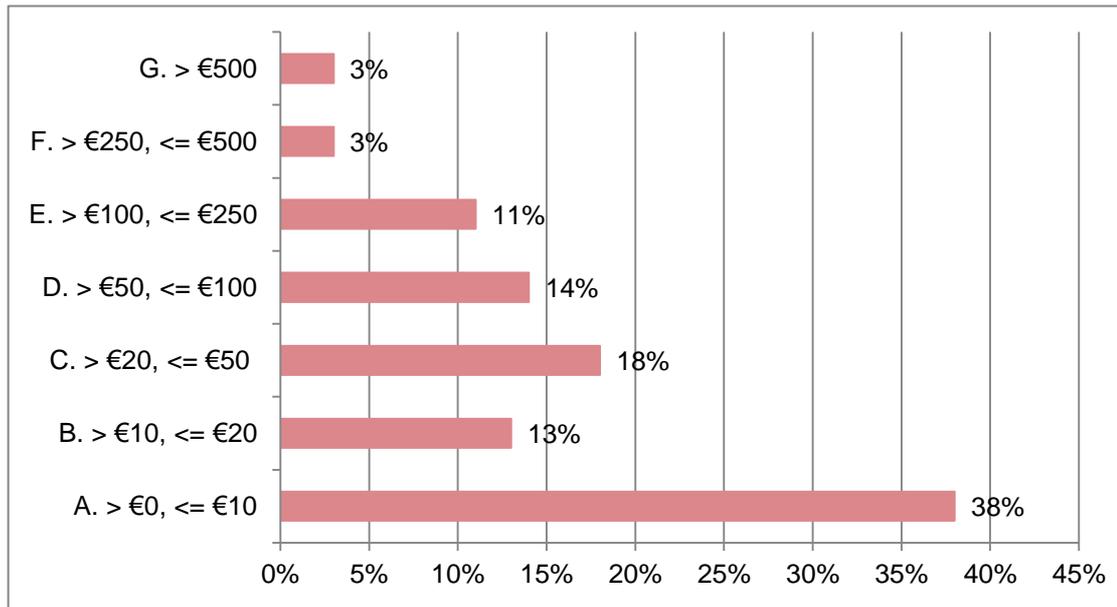


Source: answers to questionnaire, ABN AMRO, ING, the Rabobank, and SNS Bank.

- 23 As well as the total value and volume of overdraft during the past few years, the average overdraft per overdrawn account also decreased, as shown in Figure 3. The decrease is approximately 9% for average authorised overdrafts (from €1,218 to €1,124) and approximately 10% for average unauthorised overdrafts (from €322 to €290). This trend is consistent with the more general downward trend observed by banks across all types of consumer borrowing. The banks attribute this trend to the fact that consumers are less inclined to borrow during the recent economic and financial crisis.¹⁸ According to CBS data, the amount of newly issued consumer loans has, between 2009 and 2013, decreased by approximately 30%.¹⁹

¹⁸ Interviews with banks, ABN AMRO, ING, the Rabobank, and SNS Bank.

¹⁹ CEG analysis of CBS data. The annual average of the monthly amount of newly issued loans (aflopend krediet, doorlopend krediet, spaar- en leenkrediet).

Figure 4 Distribution of the interest paid annually on overdrawn accounts²³

Source: answers to questionnaire, three banks. One bank did not supply this information.

5 Rates and margins on overdraft lending

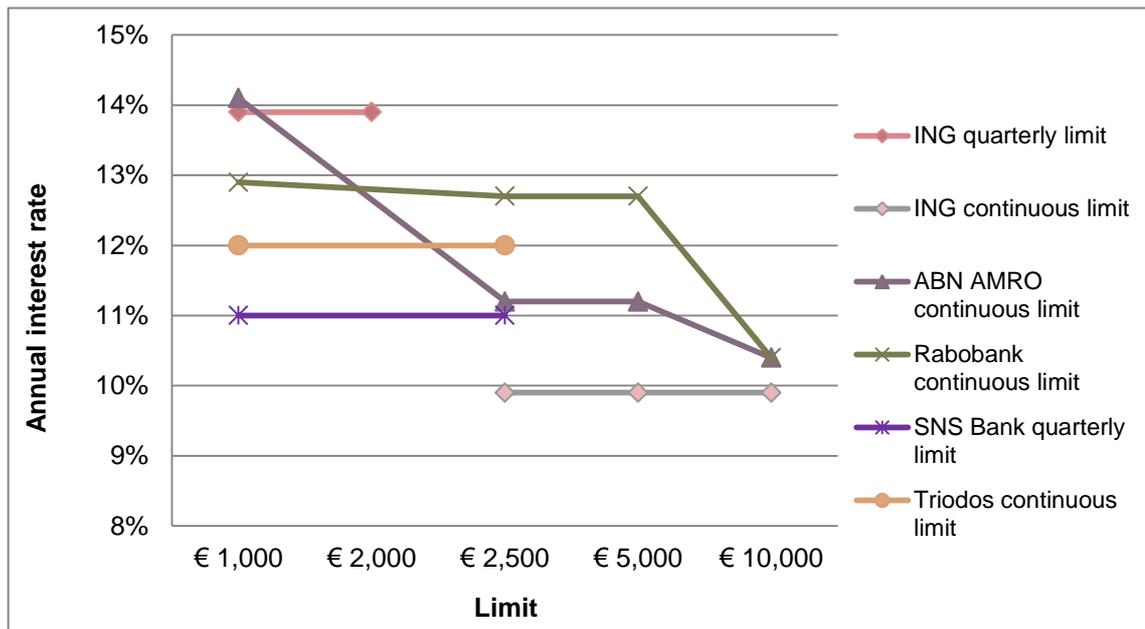
- 26 The interest rates on overdraft lending (which are the only type of overdraft charge applied in the Netherlands) differ by bank, by agreed overdraft limit, and by product type. The higher the overdraft limit, the lower the interest rate. In addition, rates also differ by type of overdraft: ING offers both a “quarterly limit” and a “continuous limit” product, with the latter type being substantially cheaper.²⁴ All authorised overdraft rates are lower than the regulatory rate, which is currently set at 15%.²⁵ Figure 5 gives an overview of the overdraft rates, depending on overdraft limits, as available on the websites of the largest banks in November and December 2013.

23 These percentages were calculated using data from 2012 for two, and data from 2008 for one bank. The percentages are weighted using the average overdraft per bank in 2012, as this data was not available for 2008.

24 ING website.

25 See Appendix B (in Dutch) for a description of the current regulation on overdraft lending in the Netherlands.

Figure 5 Interest rates on overdraft per product per bank, end of 2013.



Source: websites of ABN AMRO, ING, the Rabobank, SNS Bank, and Triodos Bank, Nov – Dec 2013.²⁶

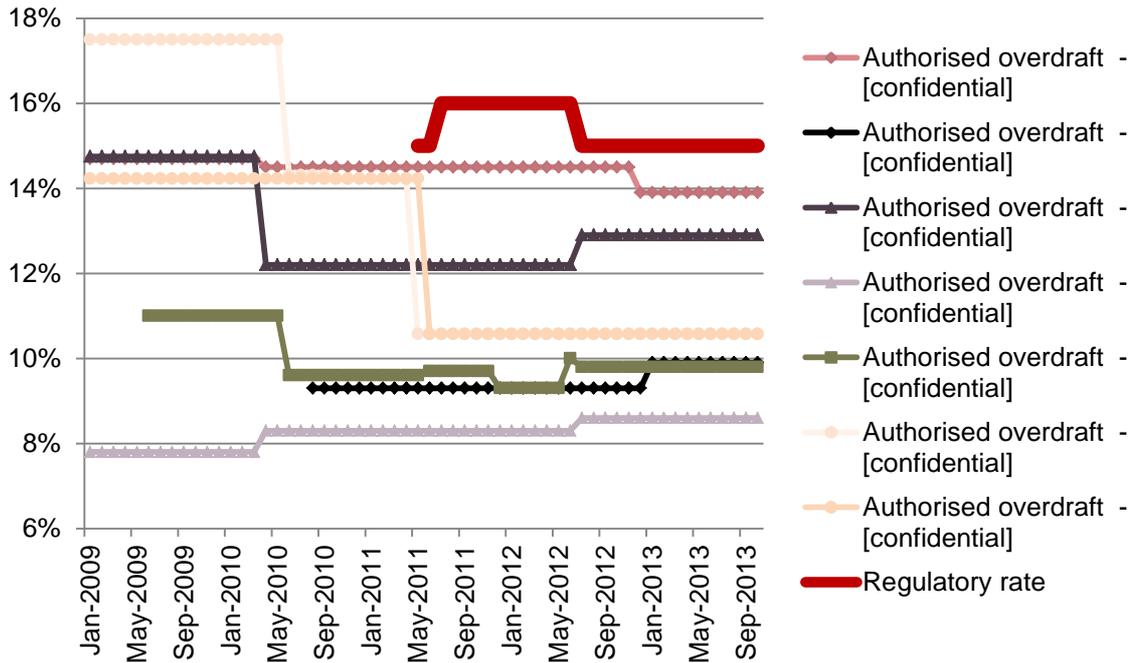
- 27 Figure 6 and Figure 7 show the development of authorised and unauthorised overdraft rates, as compared to the regulatory rate. These figures are based on the survey we held with the four largest banks.²⁷ The rates shown are not fully comparable, as some are a weighted average, while others show a rate per product category or class of overdraft limits. Most rates have decreased slightly since 2009, although some rates have increased. The regulatory rate on overdraft lending is applied since May 2011. In that month, the regulation of consumer loans was extended to include loans with a maturity of less than three months.²⁸ This extension of the regulation to short-term overdrafts does not appear to have had much impact on the interest rate on authorised overdraft lending, as in most cases the rates were already below the regulatory rate. Rates for unauthorised overdraft are closer to the regulatory rate.

26 See Appendix A (in Dutch) for details. Next to the four largest banks that together provide 90% of the market for current accounts, we have also included Triodos Bank into our comparison as one of the largest small banks. As the smaller banks have a very small portion of the market, listing their rates here is of little informative value on the rates on overdraft lending Dutch consumers pay.

27 Figure 5 shows the interest rate for different products at the end of 2013, while Figures 6 and 7 also show products that are currently not offered anymore, but are still part of the bank's portfolio. This is why interest rates between these figures may differ.

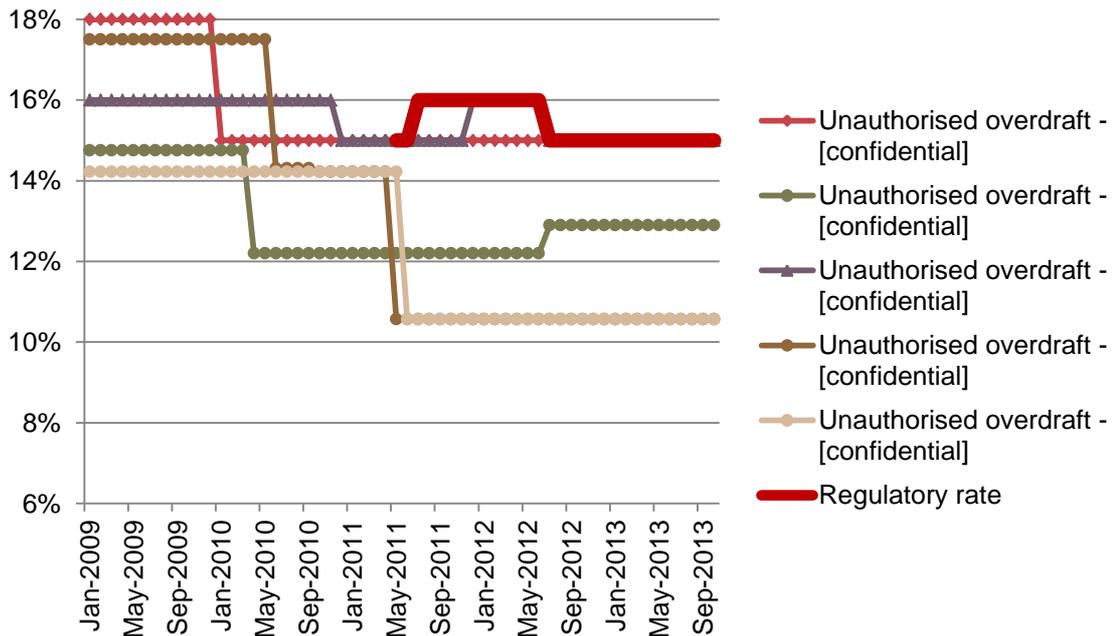
28 The regulation does not apply to loans with a maturity shorter than one month. In practice, banks do not have a separate rate for such types of overdraft and thus all overdraft rates have to comply with the regulation.

Figure 6 Interest rates for authorised overdraft 2009-2013 per product type, per bank



Source: answers to questionnaire, ABN AMRO, ING, the Rabobank, and SNS Bank.

Figure 7 Interest rates for unauthorised overdraft in 2009-2013 per bank



Source: answers to questionnaire, ABN AMRO, ING, the Rabobank, and SNS Bank.

5.1 International price comparison

- 28 One way to assess the level of the overdraft rates in the Netherlands is to compare them to overdraft rates charged in other countries. However, there is relatively little research that compares overdraft rates internationally. The most recent study which includes some information on overdraft rates is a study on prices of personal current accounts in all EU countries, commissioned by the European Commission.²⁹ Overdraft rates are included in the report as a part of the consumer cost of current accounts. In the study, fees for personal accounts are determined for three types of users: average, active, and passive. Each user profile is determined in relation to the domestic and the EU average. The report does not show overdraft rates separately, but mentions them as a part of account charges, which are only reported as a total.³⁰ According to the report, the Netherlands seems to have one of the lowest current account charges, which may, although it does not have to, point towards relatively low overdraft rates in the Netherlands.
- 29 Considerably more information is available on overdrafts for some of the Netherlands neighbouring countries. In Germany, the ZEW conducted a study on overdraft rates. Figure 8, reproduced from the study³¹, gives an overview of interest rates for a large number of suppliers, for both authorised and unauthorised overdraft. The blue dots represent authorised overdraft rates with the grey line showing the average (this average was published by the Bundesbank, and is 10.27% in 2012).³² The red-green triangles represent unauthorised overdraft rates. As the figure shows, the rate for authorised overdraft is slightly lower in Germany than in the Dutch interest rates of 9.9% to 14.1%. The unauthorised overdraft rates in Germany are comparable or slightly higher than the Dutch interest rates varying between 11% and 15%.³³

29 European Commission, 2009, Data collection for prices of current accounts provided to consumers, Van Dijk Consultants in partnership with the Centre for European Policy Studies.

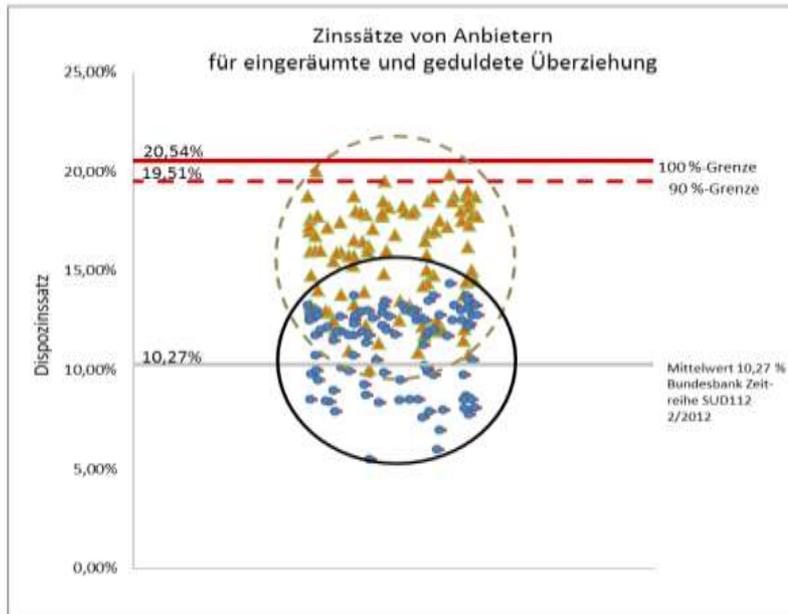
30 Charges for opening and closing of account, statements, OTC withdrawals and deposits, account movements, internet and phone banking and income related to credit interest on accounts in credit.

31 ZEW (Zentrum für Europäische Wirtschaftsforschung), 2012, Studie zu Dispozins-Raten Kredit, p. 167.

32 Based on the fact that the average overdraft rate is around 10%, the ZEW has concluded that apparently overdraft lending can be profitably offered at 10%. This finding has not yet lead to the introduction of an interest rate cap on overdraft lending in Germany. The coalition agreement of 2013 states that banks will be required by law to warn consumers when they overdraw their accounts, when they stay overdrawn for a long period and to offer them alternatives. See Handelsblatt, 13 December 2013, Zinsobergrenze für Kontoüberziehung wird es nicht geben, <http://www.handelsblatt.com/politik/deutschland/koalitionsverhandlungen-zinsobergrenze-fuer-kontoueberziehung-wird-es-nicht-geben-/9114950.html> and the coalition agreement between CDU, CSU, and SPD, <https://www.cdu.de/sites/default/files/media/dokumente/koalitionsvertrag.pdf>. Germany does have a general regulation regarding usurious interest. This interest rate may not exceed by more than 100% or by 12 percent points the average rate for the product concerned, as published by the Bundesbank (see the ZEW report).

33 See Figure 7.

Figure 8 Overdraft rates in Germany



Source: ZEW.

- 30 Another country for which detailed information on overdraft rates are available, is the UK. The Office of Fair Trading (“OFT”) carried out several studies into personal current accounts.³⁴ The pricing structure, especially for unauthorised overdraft, is complex and consists not only of an interest rate but also includes various insufficient-funds charges such as *paid item charges* (fine per transaction paid despite insufficient funds), *unpaid item charges* (fine per transaction rejected due to insufficient funds) and *maintenance charges* (fine per day or month of overdraft). The OFT calculated that in 2006 the effective interest rate on unauthorised overdrafts was 220%.³⁵ A follow-up study conducted in 2013 has shown that these charges have since decreased by 50%. At the same time however, the rates for authorised overdraft have risen from 17.7% to 19.3%.³⁶ Additionally, some providers of overdraft lending have implemented a fixed rate per day or month of overdraft instead of charging interest rates. While the pricing structure in the UK is very different from the Dutch structure, it is quite clear that, especially where it concerns unauthorised overdrafts, the UK’s fees are substantially higher than in the Netherlands.
- 31 We conclude that the comparison of the overdraft rates in the Netherlands with overdraft rates internationally is difficult due to the lack of research into overdraft rates. Of the two countries for which data are available, Germany seems to have somewhat lower rates for authorised overdrafts and a somewhat higher interest rate for unauthorised overdrafts, while rates in the UK seem to be substantially higher (especially for unauthorised overdrafts).

34 OFT, Personal current accounts in the UK: an OFT market study, July 2008.

35 OFT, Personal current accounts in the UK: an OFT market study, July 2008, p. 4.

36 OFT, Review of the personal current account market, January 2013.

5.3 Margins on overdraft lending

- 33 Economic theory predicts that in a stand-alone market without fixed costs and with perfect competition, profit margins will be low. If overdraft lending were a stand-alone market, high margins could be an indication of market power. Whether a margin is considered as being ‘high’ depends on the benchmark. One of the possibilities is to compare margins on overdraft lending to margins on consumer loans. The latter are relatively similar to overdraft lending and the market is likely to be competitive (see Section 7.3). Hence in our bank survey, we included some questions regarding the costs of overdrafts and consumer loans in order to determine the margins and to compare them.
- 34 We observe that a margin analysis on overdraft lending is only informative on the market power of the providers if there is a separate market for overdraft lending, a question which we address in Chapter 6. As we conclude at the end of that chapter, we find that there is no separate market for overdraft lending. We conclude that the relevant market is wider and entails either current accounts or consumer loans, or both. Therefore we are unable to draw any conclusions concerning market power based on the margin analysis of overdraft. The margin analysis below is therefore purely descriptive.
- 35 The costs of overdraft and other types of loans may be categorised into: operational cost; the cost of risk; the cost of funding; and other cost components. The information collected from the survey however does not allow us to conduct a quantitative analysis of overdraft margins for the following reasons:
- a. *Common operational cost.* One of the main difficulties encountered was the disentanglement of the operational costs for overdraft from the costs of other products. Depending on the banks’ internal structure, overdraft lending is managed together with other products such as current accounts, credit cards and/or consumer loans. It was thus impossible to separate the operational costs of overdraft from either the costs of current accounts⁴⁴, the costs of current accounts⁴⁵, or from the operational costs of consumer loans.⁴⁶
 - b. *Risk costs.* The cost of risk could in principle be determined by the default rate, or the percentage of unpaid loans. However, it is uncertain to what extent risk on overdraft lending can be considered separately from the risk on other consumer loans offered by the same bank. For example, the terms and conditions for consumer loans indicate that paying back a consumer loan has a higher priority than repaying an overdraft. Banks can thus influence the default rates of their different products, while the overall risk faced by the bank does not change. Because of this dynamic, it is difficult to determine the risk costs per product.
 - c. *Funding costs.* At some banks⁴⁷, funding costs play a direct role in setting the overdraft rate. The banks each determine these costs in different ways. One approach to estimate the funding cost is to calculate the average funding cost. These average funding costs comprise the average short and medium term risk-free interest rate plus a medium term credit risk premium. Another approach is to match the maturity of the funding with the maturity of the

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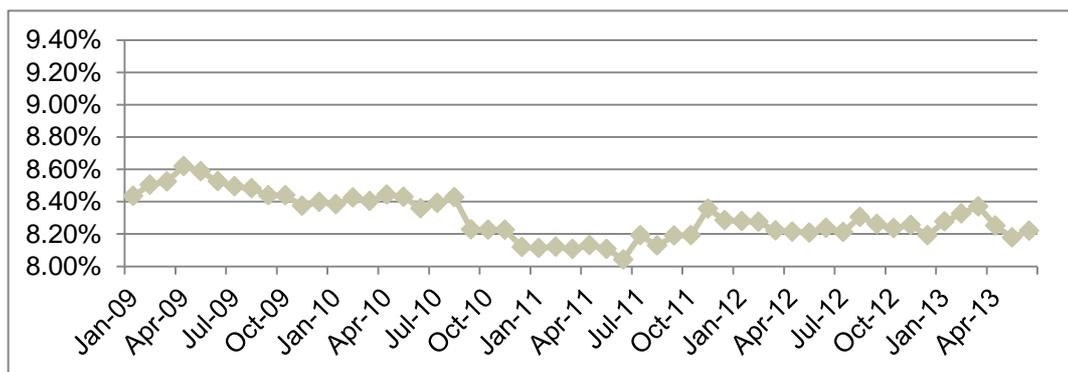
loan. It is unclear which funding principle the banks use, thus any choice between these approaches would be arbitrary.⁴⁸

- 36 Below we discuss how we compare the margins on overdraft to the margins on consumer loans in qualitative terms. We will first compare the products' respective rates. Second, we compare the products' respective costs. However, for reasons stated above, the outcome of this analysis should be interpreted with caution.
- 37 The consumer loans we use to compare with overdraft lending are revolving loans and term loans. With a term loan, the consumer borrows an agreed fixed amount and has to repay according to a fixed repayment schedule while early repayments are subject to penalties. With a revolving loan, only the maximum amount the consumer can withdraw (the credit limit) and the minimum amount (often expressed as a percentage of the limit) that has to be repaid each month is pre-determined. A revolving loan does therefore not have a fixed repayment schedule, allowing the consumer to repay the loan at any time without incurring extra costs.⁴⁹

5.3.1 Average interest rate

- 38 In this subsection we compare the average revenues generated per euro loaned – i.e. average interest rate – of overdraft lending and consumer loans. Figure 9 and Figure 10 show the weighted average interest rate of the rates that three banks charged on newly issued revolving loans and term loans since January 2009. The interest rates charged on both products are relatively stable – between 8% and 10%. These rates are significantly lower than the rates for unauthorised overdraft, as shown in Figure 7 (11% to 15% in 2013). The rates for authorised overdraft fluctuated between 8% and 14% at the end of 2013 (see Figure 6). It is therefore likely that the average revenue generated on authorised overdrafts is higher than the revenue generated on other consumer loans.

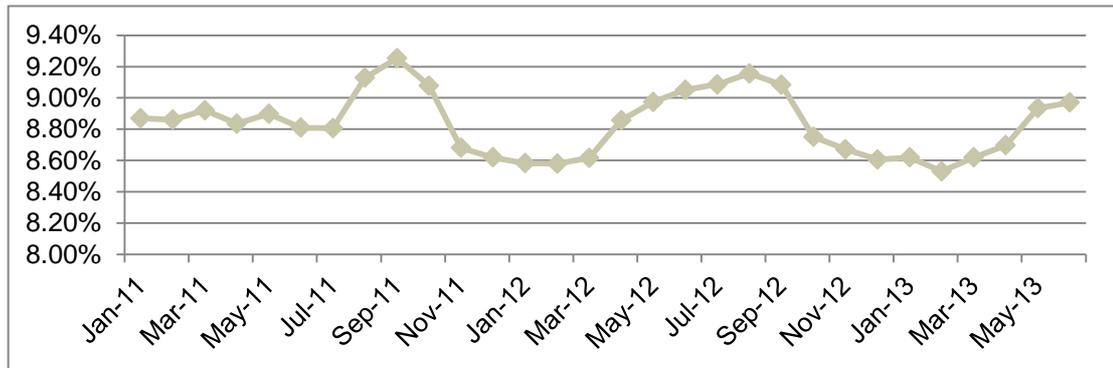
Figure 9 Average interest rate of newly issued revolving loans⁵⁰



Source: answers to questionnaire, three banks.

- 48 This problem could possibly be solved by considering different variants of funding costs. This will however not solve the other issues involved in the calculation of the margin.
- 49 See Appendix A (in Dutch) for a description of the characteristics of consumer loans.
- 50 This weighted average consists of the interest rate on newly issued revolving loans of three banks, weighted to their relative size based on the value of their newly issued revolving loans from January 2012 till June 2013.

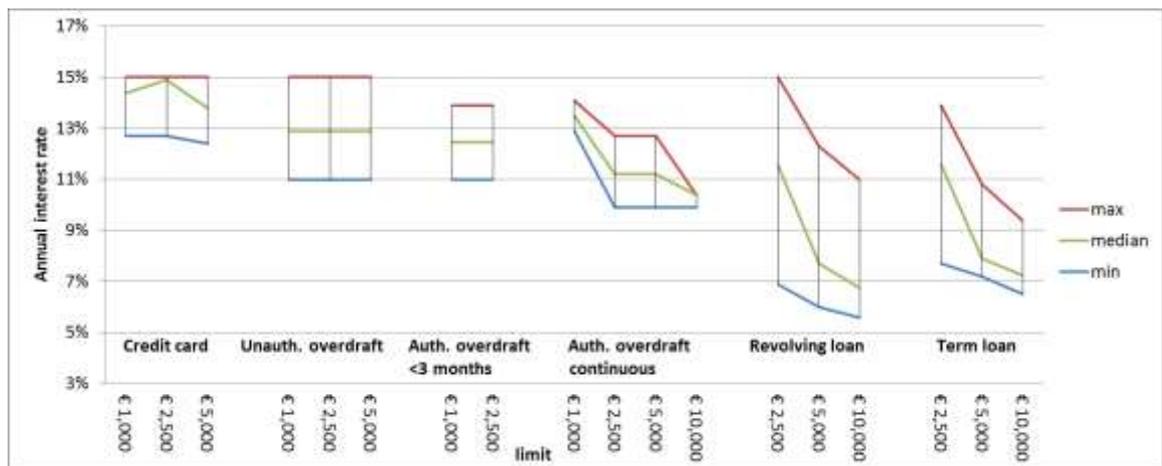
Figure 10 Average interest rate on newly issued term loans⁵¹



Source: answers to questionnaire, three banks.

- 39 A partial explanation of the differences between interest rates on overdraft lending and on consumer loans is that larger loans tend to be cheaper. Figure 11 shows a comparison of the highest (max), lowest (min), and median rates for different types of overdraft, revolving loans and term loans in the Dutch market in December 2013. For all the loan types the interest rate charged decreases in line with the level of the loan limit. In contrast to the figures shown above, this graph also incorporates non-bank suppliers of loans. In addition to interest rates, loan providers often charge per withdrawal from a revolving loan. This charge typically lies between €1.13 and €9.96.

Figure 11 Interest rates for different types of consumer loans in December 2013



Source: websites of the banks and price comparison websites. See Appendix A (in Dutch) for more details.

- 40 As Figure 11 shows, the median interest rate on an overdraft is higher than the median rates on revolving loans and term loans. The difference between the interest rates on overdraft and other consumer loans becomes smaller when comparing the rates for similar loan values. For example, for loans with a limit of €2,500 – which are most comparable to overdraft as most overdraft falls within this limit class – the median interest rates for revolving loans and term loans are very

⁵¹ This weighted average consist of the interest rate on newly issued term loans of three banks en weighted according to their relative size based on the value of their newly issued revolving loans from January 2012 till June 2013.

similar to the rates on overdraft with a continuous limit. In addition, the variation between rates within the categories (especially for revolving loans and term loans) are often larger than the variation across categories. For example, there are revolving loans and term loans that are more expensive than overdraft lending. Therefore, the difference between overdraft rates and other comparable loan rates does not seem to be significant.

5.3.2 Costs

- 41 The costs that banks incur in offering overdraft lending are, as mentioned above, predominantly composed of the cost of funding, operational costs and risk costs. In addition, banks need to comply with solvency criteria as imposed by international regulation (Basel II and Basel III).⁵² This regulation stipulates that banks need to maintain a certain ratio between the value of loans and their equity. This implies that when a bank provides a loan, it has to reserve a proportion of equity, thus incurring costs. We describe these various costs for overdraft lending below.

5.3.2.1 Funding costs

- 42 Funding costs are the costs of attracting funds that banks use to provide loans. Out of the four banks questioned, two⁵³ indicated that they do not determine the funding costs associated with overdraft lending specifically. Of the other two, one⁵⁴ assumes that all consumer loans have similar funding costs, while the other bank⁵⁵ differentiates based on the maturity of a loan.⁵⁶
- 43 It is therefore not clear how funding costs should be treated (i.e. as being different or as being the same) for different types of consumer loans. If funding costs are dependent on the maturity of the loan, then the funding cost of loans with a longer maturity (like term loans) are higher than those of loans of a shorter maturity (or with a variable interest rate). The difference is affected by the interbank rate (the rate that banks have to pay to attract funds), which is higher for long term products. However, the difference is small. For example, the difference between the 1-day (EONIA) and the 6-months (EURIBOR) rates on interbank loans was around 0.20% and 0.25% for 2013.⁵⁷

5.3.2.2 Operational costs

- 44 As described in Section 5.3, banks indicated in the interviews that the operational costs per loan are largely the same, regardless of the type and size of the loan. Thus, larger loans have less operational costs per euro loaned than smaller loans. This explains why the interest rates typically decrease with the loan levels or limits. According to the banks, this also explains why the interest

52 See: Basel Committee on Banking Supervision, 2004, International Convergence of Capital Measurement and Basel Committee on Banking Supervision, 2013, Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools.

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56 This is also known as maturity matching, meaning that to finance a loan for a certain maturity, the banks need to reserve fund for that same maturity. The reason for matching funds in this way is to cover for the interest rate risk.

57 Data from ECB and De Nederlandse Bank (DNB).

rates on overdraft lending are higher than those for other consumer loans. In addition, there are a number of accounts for which consumers have requested an overdraft facility, have been granted that facility, but never overdraw. Banks also indicated that they incur additional administrative costs for unauthorised overdrafts, such as the sending of payment reminders.

- 45 We sought to test the hypothesis that the outstanding amount on overdraft loans is much smaller on average than those on other consumer loans. To do so we compared the average outstanding amount on overdraft loans, term loans and revolving loans, based on the data collected in our survey. Table 2 shows that the average outstanding amount on authorised overdrafts in 2012 and 2013 is around 13%-16% of the size of the outstanding amount on revolving loans or a term loans. We can therefore assume that the operational costs per outstanding euro are significantly higher for authorised overdraft lending.⁵⁸

Table 2 Average outstanding amount on overdrafts, revolving loans and term loans

	Authorised overdraft	Unauthorised overdraft	Revolving loan	Term loan
2009	€ 1,218.41	€ 322.28		
2010	€ 1,225.95	€ 339.78		
2011	€ 1,187.48	€ 326.68		
2012	€ 1,159.30	€ 298.54	€ 7,455.41	€ 6,675.98
2013	€ 1,124.11	€ 290.07	€ 8,286.85	€ 7,042.43

Source: answers to questionnaire, ABN AMRO, ING, the Rabobank, and SNS Bank.

5.3.2.3 Risk costs

- 46 Incorporated in the costs of loans are also the costs of the risk that some consumers default on their loans. To compare the different risk costs for the different types of loans, we calculated three indicators based on the data collected in our survey: the default rate (the percentage of loans that consumers do not repay), the number of loans with payment arrears, and the total amount of arrears.
- 47 The default rate for overdraft lending reported to us in our survey was between 0.4% and 6% in 2013.⁵⁹ On average, approximately 5% of overdrawn accounts had payment arrears, with the arrears amounting to 5% to 6% of the total outstanding overdraft. As the risk indicators vary considerably between banks, we cannot establish a clear general trend in the development of these indicators over time.⁶⁰
- 48 Of the three banks that provide consumer loans, the arrears, measured by the number of loans with arrears, were reported to be sometimes lower and sometimes higher than for overdrafts. The default rate and the arrears measured in the euros, are however generally higher for overdraft lending. This may indicate a higher cost of risk for overdraft lending, despite the fact that periodic

58 This conclusion is at least valid for 2012 and 2013. Even though we do not have access to data regarding the average amount of revolving loans and term loans for other years, it is not likely that their relative size is very different in other years.

59 Answers to survey, three banks. For some banks this figure also includes the default rate on credit cards.

60 See Appendix E (confidential) for details.

payments such as a salary should limit the default risk. However it could be that, as explained earlier, banks' policies influence the default rates of different loans.

5.3.2.4 Solvency requirement costs

- 49 In accordance with the stipulations of Basel II and Basel III, the amount of equity that the banks need to keep on their books to cover a loan is not only determined by the outstanding loan but also by the limit granted. This implies that for each outstanding euro, the solvency requirement costs are higher for overdraft lending and revolving loans – as only a part of the actual limit is used – than for term loans. For example, if a consumer only uses €500 of his €1,000 overdraft facility, the bank has to reserve the same amount of equity as if it were a term loan of €1,000.

5.3.3 Conclusions on margins

- 50 A quantitative analysis of the margins on overdrafts was not possible, mainly because the data on operational costs on overdraft lending could not be untangled from the costs of other products such as consumer loans or current accounts. Nonetheless, we have qualitatively discussed several factors which may lead to overdraft margins being higher or lower than margins on consumer loans. The main conclusions of this comparison are:
- a. The rates on overdraft lending are generally slightly higher than the rates on revolving loans and term loans.
 - b. The funding costs for overdraft lending are approximately equal or slightly lower than for revolving loans and term loans.
 - c. The solvency requirement costs for overdraft lending and revolving loans are higher than for term loans.
 - d. The operational costs are higher for smaller loans, and thus also for overdraft lending.
 - e. The risk costs may be higher for overdraft lending compared to other consumer loans. These costs are however not independent of the banks' internal policies (such as the requirement that consumers pay their mortgage or consumer loan, even if this leads to an overdraft on the current account).
- 51 As some of the points above suggest a higher margin, while others suggest a lower margin, it is not possible to draw a clear conclusion on the margins that banks earn on overdraft lending. We can therefore not determine whether the margins on overdraft lending are higher or lower than the margins on consumer loans.

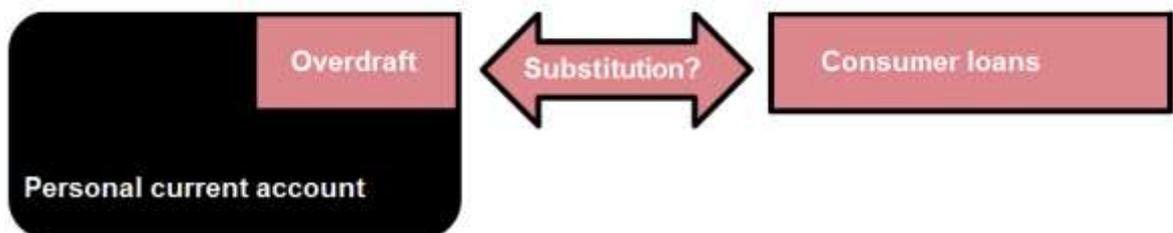
6 The relevant market

- 52 To analyse the presence of significant market power, we first need to define the relevant market. This involves consideration of the possibility that overdraft lending belongs to more than one market. In Section 6.1 we introduce the conceptual issues involved. In Section 6.2 we analyse whether overdraft lending should be considered as being a part of a bundle of services that together form personal current accounts. In Section 6.3 we discuss the substitution between overdraft lending and stand-alone consumer loans. In Section 6.4 we conclude.

6.1 Conceptual issues

- 53 The purpose of defining the relevant market is to assess whether the providers in the market enjoy significant market power. In defining the relevant market, we determine the relevant group of providers and their products or services that exert competitive pressure on the product analysed and its providers.⁶¹
- 54 The first relevant question is: do providers sell a specific product or service separately from other products or services? In a number of sectors, such as telecommunications or banking, suppliers offer products or services which actually consist of several subservices. Consumers can consume these subservices in different proportions. Although the price structure may include the price for the usage of individual services, consumers do not choose a separate provider for these separate services. The providers therefore set their prices to attract buyers for their bundle. The source of the competitive constraint is therefore other bundle providers, making the relevant market that for the bundle of products, on which competition can be meaningfully studied.
- 55 A different situation can arise when there are stand-alone (unbundled) substitutes for one of the elements of the bundle. In the case of a single component, the bundle providers will compete with the unbundled providers of the stand-alone product, and this will then be the main source of the competitive constraint.
- 56 From the above, it follows that when determining the relevant market for overdraft lending we need to answer the following question: should we consider overdraft lending as a separate product from personal current accounts, or is overdraft lending an integral part of the personal current account bundle? If the first is true, the next question would be: are there stand-alone substitutes for overdraft lending? If so, we need to study competition in this market of substitutes. If overdraft lending is not a stand-alone product, we need to consider the bundled market (i.e. the market for current accounts) as the relevant market. It is possible that the rates on overdraft lending are influenced by competition in both markets; in which case both markets need to be examined in respect of competitive forces. The relationship of overdraft lending to both current account and other unbundled substitutes is illustrated in Figure 12.

Figure 12 Overdrafts in relation to personal current accounts and consumer loans



- 57 We begin the analysis in Section 6.2 by discussing if we should consider overdraft lending as a stand-alone product or as a component of a personal current account bundle. Section 6.3 discusses the degree of substitution between overdraft lending and other consumer loans based on a qualitative analysis of the product characteristics combined with an analysis of the use of

61 Motta, M., 2007, Competition Policy: Theory and Practice, Cambridge University Press, p. 102.

overdraft by consumers.

6.2 Overdraft lending as a component of personal current accounts

- 58 Overdraft lending is not a product that is available separately. Consumers must first have a current account with a bank, before they can have access to an overdraft facility.
- 59 Current accounts are a combined product that is composed of different services. The UK Competition Commission lists four main services:
- a. “to provide a facility to deposit and store money, with quick and easy access;
 - b. to provide a facility to receive payments by cheque or electronic transfer;
 - c. to provide a facility to make instant and/or regular payments without using cash e.g. through cheques, switch payments, bank transfers, standing orders and direct debits; and
 - d. to provide means for short-term borrowing through overdraft.”⁶²
- 60 Consequently, we can consider current accounts as being a bundle of multiple services. The price of each subservice is not a stand-alone price, but is determined by the banks in conjunction with the prices of all other services in the bundle. The competition between banks does not take place at the individual service level, but at the bundled service level: the provision of personal current accounts. Consequently, a higher price charged for a certain element of the bundled product does not necessarily imply the existence of market power. A higher price could be part of a pricing strategy designed to compete on the bundled product market.
- 61 However, if some consumers consider that a certain type of consumer loan is a substitute for overdrawing their account, then they will likely respond to changes in the rates for overdrafts by (partly) switching. If this price-sensitive group is large enough, the possibility of switching will influence the prices of overdrafts. If this is the case, it logically follows that overdrafts should be considered to belong (partly) to the market for consumer loans. If however the providers of stand-alone consumer loans do not constrain overdraft pricing, then overdraft prices are determined by competition for personal current accounts. Then the relevant market for overdraft lending also comprises current accounts.

6.3 Overdraft lending as a part of the market for consumer loans

- 62 The central question in this section is: do the providers of (some) stand-alone consumer loans influence the pricing of overdraft lending? The loans we consider as being potentially suitable substitutes are: term loans, revolving loans, credit cards and flash loans (short term loans with a maturity of two to four weeks). Appendix A⁶³ gives a detailed description of the characteristics of these four types of loans.
- 63 To answer this question we use the conceptual framework that determines whether a group of products are substitutes for each other and thus exert a competitive constraint on each other: the SSNIP-test. The SSNIP test tests whether a small but significant increase in the price (typically 5% to 10%) of the considered product would lead to sufficient switching to other products. The

62 UK Competition Commission, 2007, Personal current account banking services in Northern Ireland, p. 45.

63 Available in Dutch only.

switching is considered ‘sufficient’ when this price increase is rendered unprofitable for a hypothetical monopoly provider of the considered product.⁶⁴

- 64 Before we conduct the SSNIP-test we must first consider whether the provision of consumer loans by banks is tied to the provision of current accounts. Consumer loans cannot be considered a stand-alone product if consumers are unable or unlikely to be able to take out loans with alternative providers to the bank that provides their current account facility. If this is the case, then we need to treat consumer loans as a component of the current account bundle, and assume that these loans do not exert competitive pressure on overdraft lending.
- 65 Three of the four largest banks, ABN AMRO, the Rabobank, and SNS Bank, do not require consumers to have a current account with the bank before they can get a consumer loan, while ING does.⁶⁵ The extent to which consumers are likely to take a loan from an alternative bank is unclear. However, we do know that of consumers that have a consumer loan, around 50% has one that is provided by a non-bank lender.⁶⁶ We can conclude that a significant portion of consumer loans are not bundled with current accounts.
- 66 The next question is: are stand-alone loans demand-side substitutes for overdraft lending? To answer this question, we use the SSNIP-test. This may be conducted quantitatively and qualitatively. A quantitative SSNIP-test requires, amongst others, the calculation of margins on overdraft lending. As discussed in Section 5.3, however, we do not have sufficient information to calculate the margins and thus conduct the SSNIP-test quantitatively. Another possible quantitative execution would be to conduct a price correlation analysis. However, such an analysis is also not possible given the data available to us. The prices available to us show too little variation in the overdraft rates for the time period considered, during which overdraft rates changed once or twice only. Such variation is insufficient to calculate meaningful correlations.⁶⁷ We thus determine the relevant market on the basis of a qualitative SSNIP-test.
- 67 As discussed the SSNIP-test entails posing the question as to whether it is likely that a small but significant increase (5% to 10%) in the rates on overdraft lending can lead to sufficient switching by consumers, rendering such a price increase unprofitable for a hypothetical monopolist. To answer the SSNIP-test question based on qualitative factors, we consider the characteristics of overdraft lending and its potential substitutes together with their respective interest rates. Even though a qualitative substitution analysis has its drawbacks, it is a relevant tool when assessing financial products such as consumer loans. This is because the valuation of the different products is not completely subjective (as is the case with consumer products such as shampoo). Our qualitative substitution analysis can be found in Section 6.3.1.
- 68 In respect of the interest rate, and as would be the case for the quantitative SSNIP-test, the degree

64 See Motta, M., 2007, *Competition Policy: Theory and Practice*, Cambridge University Press, p. 102.

65 Websites of ABN AMRO, the Rabobank and SNS Bank, November – December 2013.

66 CBS data. See also Section 7.3.

67 One may wonder if the fact that there is little variation in the overdraft prices implies that there is a lack of competitive pressure from other consumer loans. However, the rates for other loans seem to have changed even less in the same period (see Figure 9 and Figure 10), therefore it cannot be determined if the rates on overdraft lending respond to changes in the rates on other consumer loans.

of substitution is assessed on the basis of current price levels. However, we observe that it may be possible that the prices of the considered products (i.e. the interest rates) are already close to the monopoly price. If so, then further increases in the price would, by definition, be unprofitable and application of the SSNIP-test would possibly lead to a market definition that is too broad. This situation is known as the cellophane fallacy.⁶⁸ If one believes that these circumstances may prevail for a particular analysis, then one should use the competitive price level as a reference point.

- 69 As banks cannot offer overdraft lending as a stand-alone product and rates on overdraft lending are a component of the fee structure of current accounts, it is not clear what the relevant competitive or monopoly price would be. Moreover, overdraft rates are regulated, and it is thus less likely that the rates would be at the monopoly level. Furthermore, there are indications that the rates on overdraft lending in the Netherlands are not excessively high when compared to other countries. We thus conduct the SSNIP-test on the basis of current prices and discuss whether it is likely that the market may be defined too wide owing to the cellophane fallacy.
- 70 In tandem with conducting the qualitative SSNIP-test, we also analyse the information that the banks provided on the way they approach setting the rates for overdraft lending. Although the banks surveyed may have an incentive to provide this information from a strategic viewpoint, we may be able to discern some indication of the main perceived sources of competitive constraints.
- 71 In addition to demand-side substitution, another potential source of competitive constraint may arise on the supply-side; supply-side substitution can lead to a broader market definition. For example, if providers of other products (such as consumer loans) not currently offering overdraft lending, can, quickly and on a relatively low cost basis start supplying overdraft lending also (in response to a small but significant price increase on overdraft lending), then these providers should be included in the relevant market. We note, however, that this is not possible for overdraft lending, as a provider of loans cannot offer overdraft lending on a current account from an alternative bank.

6.3.1 Substitution analysis

- 72 In conducting the qualitative SSNIP test we, amongst others, analyse consumers' use of overdraft lending and the extent to which different products cater for the same needs. Note that in order to establish competitive constraints, it is not necessary that all or even the majority of consumers consider these products as substitutes. It is also not necessary that consumers replace their entire overdraft with consumer loans in response to a change in price. What is needed is a group of consumers willing to replace a portion of their overdraft with other consumer loans in response to a price increase, and, that the number of consumers likely to switch is sufficiently large to exert competitive pressure on the providers of overdraft lending.⁶⁹

68 See for example M. Motta, 2007, *Competition Policy: Theory and Practice*, Cambridge University Press, p. 105. If the actual price of a product is close to the monopoly price, then increasing that price is by definition not profitable for a monopolist (as the monopoly price is the price that maximises profits for the monopolist). Applying the SSNIP-test on a product that is already offered at a monopoly price will thus always lead to the conclusion that the product has substitutes which is not necessarily true.

69 How many people should switch, in a quantitative SSNIP-test depends on the margin on overdraft lending. The higher the margin, the fewer people have to switch to make the price increase unprofitable. As there are

6.3.1.1 Use of overdrafts

- 73 The use of overdrafts can be broadly classified into two main categories. First, consumers use overdraft lending as a source of very short term liquidity should they have insufficient funds in their current account (even if they have sufficient funds elsewhere, such as a savings account). This use of an overdraft facility occurs because consumers fail to deposit sufficient funds in their current account to meet their payment requirements, possibly owing to uncertainty in the timing of payments and deposits, which creates balance estimation errors. These types of overdraft are likely to involve small amounts and to be of relatively short duration (say several days). In a consumer survey conducted by the Netherlands Financial Markets Authority (AFM)⁷⁰, 47% of all surveyed consumers who overdraw their accounts occasionally but do not have a consumer loan say that they do not want to borrow. 20% of these consumers (overdrawn but not using consumer loans) indicate that they consider borrowing money to be too expensive. It is likely that such consumers use overdraft lending as a source of liquidity for a few days, and do not consider this as borrowing.
- 74 Secondly, consumers can use overdraft lending as a loan to finance their consumption when they (temporarily) have insufficient means. This type of use appears to involve larger sums and longer time periods than the first type of use. We observe that the same consumer can use overdraft lending in both ways. We discuss below the degree of substitution between overdraft lending and consumer loans for these two types of overdraft use.

6.3.1.2 Substitution for overdrafts when used as a source of liquidity

- 75 Term loans and revolving loans are not appropriate substitutes for consumers who use overdraft solely as a source of liquidity. This is because consumers cannot use these loans to pay for a transaction directly; they first have to transfer the borrowed money to a current account. Thus, when a consumer wants to make a purchase in a store and he realises he has insufficient funds, then he cannot use a term loan or a revolving loan as a substitute for overdrawing on his current account.
- 76 Flash loans can often be arranged quickly (within 30 minutes for returning customers that are already registered in the system), making this type of loan very liquid and therefore a strong candidate for being a suitable substitute.⁷¹ However, the presence of many additional costs (administrative costs, advisory costs, etc.) makes flash loans a very expensive type of loan with an effective interest rate of up to 100%.⁷² Therefore it is unlikely that consumers will use flash loans as a substitute for overdraft lending. Additionally it is possible that (some) providers of flash loans do not comply with current regulation⁷³, limiting their suitability as a substitute even further.

insufficient data available to calculate the margins, we can also not quantify how many people that should switch.

70 AFM, Consumentenmonitor Voorjaar 2013: Roodstand, June 2013, p. 10.

71 See for instance www.ferratum.nl/minilening-aanvragen.

72 See Appendix A (in Dutch).

73 AFM website, www.afm.nl, consulted on 21 March 2014.

- 77 Credit cards are the strongest candidate product for being a close substitute as consumers can use their credit card directly when making a purchase. Also, consumers do not have to pay interest on their credit if they repay within the basic repayment period (up to a month), making the credit card an attractive substitute for short overdrafts. A study by DNB⁷⁴ shows that about 11% of credit card owners state that they have a credit card so that they can make payments and draw money when they have insufficient funds on their current account. According to the survey, around 28% of cash withdrawals on credit cards are because of insufficient funds in current accounts. Therefore there is clearly some degree of substitution between the use of overdraft lending and credit cards.
- 78 However, this substitution has certain limitations likely to limit the proportion of consumers that would be willing to switch. Firstly, approximately 45% of all Dutch consumers do not have a credit card.⁷⁵ Moreover, use of a credit card is subject to a fixed annual fee which often exceeds the annual costs of overdrafts.⁷⁶ Secondly, a credit card cannot be used for overdrafts which arise due to pre-authorised payments (*automatische incasso*). Thirdly, many Dutch retailers still do not accept credit cards,⁷⁷ while the acceptance of debit cards (which can be used to overdraw) is almost universal. Fourthly, some retailers that accept credit cards apply surcharges that can vary between €1.50 and €9.50 per transaction, or between 0.7% and 1.5% of the transaction value.⁷⁸ These charges will for many transactions exceed the costs of overdrawn for a days.⁷⁹ Finally, consumers do not always realise that a certain transaction will overdraw their account which also limits the degree of substitution.
- 79 In short, the closest potential substitute for overdrafts used as a source of liquidity is a credit card. However it is not conclusive that a price increase of 5% to 10% on overdraft lending will cause sufficient switching to credit cards to render such a price increase unprofitable for a hypothetical monopoly provider of overdraft lending. This is because several factors limit the number of consumers and the type of transactions for which switching is profitable.

6.3.1.3 Substitution for overdrafts used as a loan

- 80 When an overdraft is used as a loan, there are more potential substitutes because high liquidity is not a key requirement.
- 81 Note firstly that only a very small portion of overdraft user (around 3%) remain overdrawn for

74 DNB, 2009, Creditcardgebruik in Nederland, p. 9.

75 DNB, 2009, Creditcardgebruik in Nederland, p. 3.

76 The annual costs of credit cards vary between €16 and €36. According to the answers to our bank survey, 50% of consumers who sometimes use overdraft, pay less than €20 of interest on overdraft per year.

77 In 2009, approximately 60% of retailers did not accept a credit card (DNB, 2009, Creditcards: acceptatie en gebruik van toeslagen door winkeliers). In January 2014 it was not possible to pay by credit card at a number of popular Dutch retail chains such as Albert Heijn, Lidl, Kruidvat en Zeeman (telephonic interviews with the respective customer services).

78 DNB, 2009, Creditcards: acceptatie en gebruik van toeslagen door winkeliers, p. 5.

79 For comparison, the cost of €500 overdraft for 7 days is, at an interest rate of 15%, equal to €1.40 or 0.3% of the transaction value.

more than three months on average.⁸⁰ It is therefore not likely that a term loan is a suitable substitute for the majority of overdraft users. These loans have a minimum maturity of six months, and most providers impose an early repayment penalty of between 0.5% and 1% of the amount repaid prior to the term. These fines make a term loan often more expensive for consumers who want to use this loan as a substitute for overdraft lending – which in the majority of cases is repaid within three months – despite the lower interest rate. As the majority of consumers overdraw for less than three months, it is unlikely that a substantial group of these consumers would switch to term loans in response to an increase in the price of overdrafts.

- 82 Credit cards have certain characteristics that may be attractive for users of overdraft, such as the interest free period and the high liquidity. On the other hand, the interest rate on credit card loans with a duration exceeding the interest-free period is higher than the interest rate on overdraft lending. This makes credit cards a more expensive loan for those consumers who want to borrow for longer than a month. In addition, consumers cannot use their credit cards for all types of transactions, credit card payments may lead to additional charges, and consumers must pay a fixed annual fee for the ownership of the card. For these reasons, it is not likely that a small increase in the overdraft rate would lead to sufficient switching to credit cards to render such an increase unprofitable.
- 83 Flash loans are very short term loans with a maturity of two to four weeks and are therefore potential substitutes for short term overdrafts. However, as discussed above, this is an expensive way to borrow money once all additional costs are considered, and it is not clear if all current providers of flash loans comply with regulation. It is therefore unlikely that consumers use flash loans as a substitute for overdraft lending.
- 84 A revolving loan is a loan with an undetermined duration that allows consumers to draw money at any given time, and involves monthly partial repayments. In respect of product characteristics, the revolving loan is very similar to overdraft lending (especially the continuous limit variety of overdraft lending). The only exception is that it is not possible to use a revolving loan for transactions directly. In addition, the credit limits for revolving loans are generally not lower than €2,500, whereas for overdraft lending credit limits from €500 are possible.⁸¹
- 85 The median interest rate on a revolving loan with the lowest credit limit (€2,500) is 11.5%. This is comparable to the median interest rate on continuous limit overdrafts with an equivalent limit (11.3%), and slightly lower than the interest on quarterly limit overdrafts (12.4%). However, the rates on revolving loans vary more (between 6.90% and 15%), where the highest rates are higher than for overdrafts. In addition, many providers of revolving loans (most non-banks) charge a withdrawal fee of between €1.13 and €9.95 per withdrawal. When we consider only revolving loans that do not charge withdrawal fees, the median interest rate is 11.7%. When we consider that overdraft lending offers an additional functionality (namely higher liquidity), we can conclude that interest rates on revolving loans and overdrafts with a credit limit of €2,500 are similar. For higher credit limits, the interest rates on revolving loans are significantly lower: the median is around 7.7% compared to the median of 11.3% for overdrafts.

80 AFM, Consumentenmonitor Voorjaar 2013: Roodstand, juni 2013, pag. 7.

81 Bank websites: ABN AMRO, ING, the Rabobank en SNS Bank, and www.independ.nl. See Appendix A (in Dutch) for details.

- 86 In short, a revolving loan seems to be the closest substitute for overdrafts for those consumers in need of short term financing. Switching costs such as time and effort, or stringent acceptance criteria for other loans than overdraft, limit the substitutability. There is however no evidence to suggest that consumers find it difficult to take out a loan⁸², or that revolving loans are more difficult to access than an overdraft facility.⁸³
- 87 On the other hand, the presence of a limit may prevent consumers from borrowing the total amount as a revolving loan. Therefore consumers might need an overdraft facility next to their revolving loan. It is also possible that some consumers obtained an overdraft facility when they were in a good financial situation, but only started to use it extensively when their situation worsened. In this case, obtaining another loan may be difficult, creating switching barriers. In such a situation, overdrafts and revolving loans may not be substitutes but products that are used in a complementary manner.⁸⁴ In addition, there is evidence that Dutch consumers underestimate the interest payable on overdraft lending⁸⁵, which in turn may limit the consumers' price sensitivity and willingness to switch providers or products.
- 88 Finally, the minimal limits of revolving loans are much higher than for overdrafts. This forms a potential switching barrier for consumers who know they have the propensity to borrow too much and want to protect themselves against excessive borrowing.

6.3.1.4 Conclusion

- 89 The analysis above on the product characteristics shows that for short term overdrafts used as a source of liquidity, payments made by credit card appear to be the closest substitute. For consumers who use overdrafts as loans, a revolving loan is a more appropriate substitute. Depending on the magnitude of both types of use, one or both of these products can exert some competitive restraint on overdraft rates. Note that the interest rates for overdrafts – especially the rates for credit limits of €2,500, which are most relevant for overdrafts – show a considerable overlap with the interest rates for revolving loans. Furthermore, the variance within a loan category is larger than the variance between loan categories. This could indicate that the competitive pressure across each category, i.e. between revolving loans and overdrafts, is not less than the competitive pressure within each category.
- 90 On the other hand, the interest rate regulation that currently applies to consumer loans could be an important reason why the interest rates are of similar magnitude. Additionally, most users of overdraft use this as a source of liquidity for which a credit card is the closest substitute, albeit with a number of features that limit its effectiveness. Furthermore, consumers that use overdrafts as a loan may perceive certain barriers to switching to another type of loan. Therefore we cannot conclude with any certainty that a small price increase of 5%-10% will lead to sufficient switching

82 In AFM's study into overdrafts (p. 10) cited above, only 2% of consumer that overdraw report that they do not take out a loan because this is too complicated.

83 Requests for an overdraft facility are rejected more often than the requests for other types of loans. See Appendix D (confidential).

84 A consumer survey conducted by Nibud (*Geldzaken in de praktijk*, June 2012, p. 40) showed that 73% of consumers who were overdrawn for longer than a month had a consumer loan at the same time.

85 AFM, *Consumentenmonitor Voorjaar 2013: Roodstand*, June 2013, p. 8.

to render the price increase unprofitable for a hypothetical monopoly provider of overdraft lending.

- 91 We next return to the issue of the possible cellophane fallacy, as discussed in Section 6.3. We note that the rates for overdraft lending are not much higher than the rates on a revolving loan with a comparable limit, when considering the characteristics such as credit limits, additional fees and repayment requirements. Additionally, we have not identified any evidence to suggest that margins on overdraft lending are significantly higher. Considering that the market for consumer loans appears to be competitive (see also Section 7.3), it is not likely that the rates on overdraft lending are at a monopoly level. We thus do not consider that the potential problem of defining the market too widely is an issue. Furthermore we do not draw any definite conclusion in respect of the market definition, and in the analysis that follows we consider both market definitions.

6.3.2 Banks' competitive strategies

- 92 If banks determine the interest rates for overdraft largely based on overdraft lending rates charged by other banks, together with the other component fees for current accounts, and consider the charges for other consumer loans only to a limited extent, then we have to conclude that overdraft lending is a component of current accounts. On the other hand, if consumer loans mainly determine the rates for overdraft lending, then overdraft lending should be considered as being a type of consumer loan.
- 93 Although we have to interpret the survey responses with some caution, owing to possible strategic incentives of banks, the responses provide some insights into possible competitive constraints on banks. As described in Section 5.2, the survey answers indicate that overdraft rates are determined in relation to rates on overdraft of other banks, (own) rates on other loans, and, to a lesser extent, the rates on current accounts. There are therefore indications that both the rates on consumer loans and on current accounts, including rates on overdraft lending at other banks, influence the rates on overdraft.

6.4 Conclusion

- 94 In this chapter we have addressed the following question: what is the relevant market in which we should study market power? We first concluded that overdraft lending should not be analysed as a separate market, but that it is either a component of the current account bundle or a part of the market for consumer loans. It can of course also be the case that the providers of overdraft lending experience competitive pressure from both markets.
- 95 The definition of the relevant market depends on the degree of substitution between overdraft lending and stand-alone loans. We analysed this qualitatively and we found some evidence that credit cards and/or revolving loans possibly exert competitive restraint on overdraft lending. However, this evidence is inconclusive. Based on the bank survey and interviews we found that the interest rates on overdraft lending are partly determined by the desire to compete on current accounts, and partly by the desire to compete on consumer loans. In conclusion we can state that we need to consider the fact that overdraft lending is either part of the market for current accounts or part of the market for consumer loans. The most likely scenario is that competitive constraint is exerted from both these markets simultaneously.

7 Market power

96 In this chapter we discuss the possible presence of significant market power of the providers of overdraft lending. In Section 7.1 we clarify the definition of market power. As discussed in Chapter 6, we cannot rule out that overdraft lending should be considered as a component of the bundled current account, as a part of the market for consumer loans, or as a part of both markets. Therefore we analyse the possible presence of significant market power in the market for current accounts (Section 7.2) and in the market for consumer loans (Section 7.3). Current regulation is taken as given and we attempt to identify potential remaining competition problems.

7.1 Definition

97 Before we analyse market power, it is important to define what we mean by market power in the context of this report. In a strict economic sense, market power is defined as the ability to set prices at a level that is higher than marginal costs.⁸⁶ As most industries have fixed costs, this definition implies that there is reason for intervention even if firms do not make economic profit (when fixed costs are considered) or even if there is no ability to influence the price individually.

98 Competition authorities therefore try to only intervene where there is a demonstrable market failure that leads to a form of market power where firms can set their prices at a higher level than the price level that would prevail under effective competition. That price level usually cannot be assessed directly, so the existence of market power is often inferred indirectly from the characteristics of the industry and the nature of competition within the market.⁸⁷

99 In the sections below, we analyse competition both on the market for current accounts and for consumer loans, after which we draw a conclusion on the presence of market power for both market definitions.

7.2 Competition on current accounts

100 If the competition on stand-alone loans does not influence the rates on overdraft lending, then the rates for overdraft lending should be considered to be a component of the pricing structure of current accounts. If the market for personal current accounts is competitive, then the total bundle price should be at a level that reflects effective competition. This implies that if a provider raises the price of one of the bundled elements, such as overdrafts, the prices of the other components in the bundle will need to fall. This is known as the waterbed effect. Possible causes for this effect are the following mechanisms:

- a. The first mechanism assumes that consumers choose their current account on the basis of the total fees they expect to incur in the future on their current account, including overdraft charges. When they see an increase in the rates on overdrafts, they may switch to a different bank, unless a decrease in the other fees of the current account outweighs the increase in overdraft rates.
- b. The second mechanism occurs when consumers do not consider the rates on overdraft at the time they choose a personal current account. There are several reasons why consumers may

86 In a perfectly competitive market, the average costs in the long term are equal to the marginal costs.

87 Bishop and Walker, 2010, *The Economics of EC Competition Law: Concepts, Applications and Measurements*, Sweet & Maxwell p. 51.

not always consider these rates. For example it is possible that costs that arise in the future are less certain and of lesser importance to consumers. It may also be the case that consumers do not expect to overdraw substantially on their account, rendering the rates on overdraft irrelevant.⁸⁸ When a bank increases its rates on overdraft lending, this will thus not result in consumers switching to a different bank (or product), but will result in higher overdraft revenues for the bank. If the bank expects to earn more per account holder, then it has an incentive to keep its customers and attract new customers, by lowering the fees of other bundle components (those components that are considered relevant by the consumer). In a competitive current account market, the increased revenues on overdraft will be competed away as banks lower other charges on current accounts as they attempt to realise these additional revenues.

- 101 Evidence for the presence of the waterbed effect in the banking sector can be found in the UK. There, the rates on overdraft lending (especially for unauthorised overdrafts) are much higher than in the Netherlands. In the UK, many banks offer personal current accounts without charging monthly or annual fees. Another indication is that in the EC Sector Inquiry Current Accounts, the European Commission found an inverse relationship across EU countries between the level of fixed account charges and transaction fees.⁸⁹
- 102 The strength of the waterbed effect depends on the intensity of competition on personal current accounts. The more intense the competition, the stronger the waterbed effect, where the waterbed effect is complete in a fully competitive market.
- 103 Below we discuss, referencing appropriate literature, the nature of competition on personal current accounts. We first review current account charges in the Netherlands in an international context. We then analyse the structural characteristics of the market, such as concentration, barriers to entry, capacity constraints, switching costs and the role of information in competition. Finally, we discuss the possible impact of the financial crisis on competition.

7.2.1 Consumer current account fees

- 104 A number of international studies show a consistent picture that the fees of current accounts for consumers in the Netherlands are low compared to other countries.
- 105 In 2006, Oxera compared the fees of current accounts, including the rates on overdraft lending, for a median family in a number of European countries⁹⁰ and in Canada, Australia and the United

88 It is possible that this expectation is incorrect. A study conducted by the OFT (Personal current accounts in the UK: an OFT market study, July 2008, page 159) showed that many consumers underestimate their use of overdraft lending. However, for the functioning of this mechanism it is irrelevant why consumers find the rates of overdraft lending irrelevant.

89 It is also possible that the waterbed effect encompasses more than just the different fee components of current accounts. Banks can also offer personal current accounts at relatively low fees with the expectation that these account holders will also take up other, more profitable products with the bank such as: mortgages, consumer loans and insurances. If this is the case, it may be more appropriate to study the competition on prices of all consumer banking products, rather than personal current accounts separately. For the purpose of this study, we focus on the current accounts, as a waterbed effect between overdrafts and other consumer products is less likely.

90 Italy, Sweden, France, Ireland, Germany, Finland and the United Kingdom.

States.⁹¹ The total fees in the Netherlands were found to be the lowest, although it is not entirely clear how Oxera established the use of overdrafts by a median family.⁹² In the same year, DG Competition concluded in a study on personal current accounts that the Netherlands had both low fixed administrative and transaction fees. In most countries either the fixed administrative fees or the transaction fees were low, but never both.⁹³ Based on these two studies, as summarised by the OECD (2007)⁹⁴, DG Competition (2007) concluded that the Dutch market for consumer banking was competitive at that time, with the lowest average fee levels in Europe.

- 106 A more recent study conducted in 2009 (i.e. at the beginning of the financial crisis) commissioned by the European Commission, confirmed that the fees for current accounts in the Netherlands remain relatively low.⁹⁵ The study considered a comparison of transparency and fees for current account in all 27 EU countries, including services that are bundled with current accounts (such as overdraft lending). The fees were compared for four consumer profiles: average, active, passive, and basic. The Netherlands was found to have (one of) the lowest fees for personal current accounts, depending on the consumer profile. In the final comparison, the Netherlands was the next to last cheapest. However, current account fees in the Netherlands appear to have increased since 2009.⁹⁶
- 107 Low consumer current account fees may result from low underlying costs incurred by banks, and not just from a highly competitive market. McKinsey (2006) examined the costs and revenues of current accounts, including the revenues for overdrafts in the analysis. One of the findings was that banks tend to make a loss on providing current accounts, and that they possibly cover these losses with profits from the corporate segment.⁹⁷ However, it is not clear how McKinsey allocated the costs between the consumer segment and the corporate segment. Given that such an allocation is typically arbitrary, it is not clear how much weight should be attached to the results of this study. In two recent studies regarding the efficiency of the banking sector, the Netherlands was placed in the middle rank of European countries.⁹⁸ Although these studies also include corporate banks, it could indicate that the relatively low Dutch rates for overdraft lending cannot be (fully) explained by the underlying relatively low costs.⁹⁹

91 Oxera (2006), *The price of banking: An international comparison*, p. 1.

92 The study by Oxera covers prices of current accounts, overdraft rates, term loans, payment services, credit cards and the interest rate on a positive balance on the current account of savings account.

93 DG Competition, 2006, *Sector Inquiry Personal Current Accounts*, p. 88

94 OECD, 2007, *Review of Competition in the Dutch Banking Sector*.

95 Van Dijk Management Consultants in partnership with Centre for European Policy Studies, 2009, *Data collection for prices of current accounts provided to consumers*, p. 24.

96 See e.g. http://www.spaarbaak.nl/RTL_Betaalrekeningen_fors_duurder_in_2010.txt (accessed on 06.03.2014); Trouw, 02.10.2012, *Betaalrekening van ING wordt duurder*; De Telegraaf, 02.01.2014, *Bankieren duurder in 2014*.

97 McKinsey, 2006, *Payment services in the Netherlands. An analysis of revenues and costs for banks*.

98 Alzubaidi, H. En S.Bougheas, 2012, (2012). *The Impact of the Global Financial Crisis on Banking Efficiency*. Center for Finance and Credit Markets – Working Paper 12/05., Ferreira, C, 2012, *Bank Efficiency, market concentration and economic growth in the European Union*.

99 It is also possible that regulation of fee-setting for debit card payments (PIN) introduced in 2005 had a downward impact on total current account fees. Following the DNB recommendation, fee setting was moved

7.2.2 Structural characteristics of the market for current accounts

108 In this subsection we discuss different structural characteristics of the market that may influence possible market power in the provision of current accounts.

7.2.2.1 Concentration

109 The market for current accounts in the Netherlands is fairly concentrated. Table 1 in Section 4.2 shows the market shares of the four largest banks in the market for current accounts in 2006.

110 A high concentration in the market is often associated with less competition, especially in sectors where production capacity cannot be increased without incurring significant costs. Beck, De Jonghe, and Schepens¹⁰⁰ find that, specifically for the banking sector, market concentration indicators are positively correlated to the Lerner Index, an indicator for market power based on profit margins. This could imply that in the banking sector the level of concentration is related to a lower degree of competition.¹⁰¹

7.2.2.2 Entry

111 Entry and the threat of entry can contribute to the competitive behaviour of incumbent providers in a market. If a company earns high margins, a rival company could (threaten to) enter the market with lower prices, causing the prices in the market to fall. The presence of barriers to entry therefore has a negative effect on competition.

112 Little information is available on the entry barriers in the market for current accounts. In a report published in 2007, the OECD states that it is difficult to find examples of new entrants that have been successful and acquired a significant market share in the Netherlands.¹⁰² Two new entrants have entered the market for current accounts in the Netherlands, Triodos¹⁰³ in 2006 and Knab¹⁰⁴ in 2012.

113 A potential source of entry barriers can be the regulation itself. A number of World Bank indicators, such as those presented by Schaek and Chihák¹⁰⁵, suggest that banks in the

away from Interpay (an organisation which managed the PIN-payments on behalf of banks) to individual banks. As a result, fees for debit card payments fell both for retailers and for consumers. However, this does not change the conclusion of the report, as we analyse market power taking existing regulation as a given.

100 Beck, De Jonghe and Schepens, 2013, Bank competition and stability: cross-country heterogeneity, p. 20.

101 However, this relationship is estimated using data on the whole banking sector, while this may be different for the market for current accounts specifically. It is possible that capacity restraints are less relevant for current accounts than for other banking products, such as loans (see the discussion of capacity constraints below). If this is the case, the relationship between concentration and competition could be less pronounced for current account specifically.

102 OECD, 2007, Review of competition in the Dutch retail banking sector, par. 12.

103 Annual Report Triodos, <http://www.triodosvooradviseurs.nl/downloads/128632/jaarverslag/jaarverslag-2006.pdf>.

104 <https://www.knab.nl/pers/persbericht---knab-is-live>

105 Schaek en Chihák, 2010, Competition, Efficiency and Soundness in Banking: an Industrial Organization Perspective, European Banking Center Discussion Paper No. 2010-20S, p. 35, Table 2.

Netherlands experience relatively few institutional obstacles. According to this report no licence request has been refused, banks have been subject to few restrictions and the Netherlands scores relatively high on the index of financial freedom during the period 1995 to 2005. However, these data are dated and refer to banking in general, rather than specifically current accounts. In 2013, the then NMa announced a study into the effects of entry requirements on competition. The results of this study are not known yet.¹⁰⁶

- 114 A potential barrier to enter the current accounts market is the necessity to build a distribution network. Arguable the growth of internet banking has decreased the importance of distribution networks. The NMa however argued in ECA¹⁰⁷ that the physical presence through ATMs and bank branches is important for entry. Furthermore, the NMa argued that it is reasonable to assume that this is a barrier to entry. In addition, switching barriers (see below) may also constitute an entry barrier.¹⁰⁸

7.2.2.3 Expansion barriers

- 115 Obstacles to increasing the bank's output quickly and relatively cheaply have a negative impact on the degree of competition. This is due to the fact that a bank cannot meet the higher demand for its products, and will consequently have fewer incentives to lower its prices. In a study into the competition on the market for mortgages, ACM argued that the more stringent equity requirements introduced after the financial crisis, limit banks in their ability to increase the number of offered mortgages, because they are no longer allowed fully to fund them with debt. This will decrease competition on the market for mortgages and possibly also on the market for other types of loans.
- 116 However, it is not clear if these solvency requirements also influence the competition of other types of services. As banks need no equity to offer current accounts, this could mean that the solvency requirements have little influence on the capacity of the bank to offer current accounts. On the other hand, banks do have to reserve equity for overdraft facilities granted. In any case, the influence of solvency requirements on current accounts is more limited than the influence of such requirements on the provision of loans.¹⁰⁹

7.2.2.4 Switching barriers

- 117 Switching barriers can form a major obstacle for competition on current accounts. Consumers may choose not to switch to a different bank if they envisage problems. Examples may include an inability to withdraw money during the switching process, or difficulties with bill payments. ECA

106 <http://www.banken.nl/nieuws/796/nma-onderzoekt-toetredingseisen-voor-nieuwe-banken>.

107 ECA, 2005, Comparative Study of Competition in Retail Banking and Payments Systems Markets, p. 26, 38, and 40.

108 ECA, 2005, Comparative Study of Competition in Retail Banking and Payments Systems Markets, p. 7.

109 Another potential barrier to competition in retail banking could be the price leadership restrictions imposed by the European Commission on ING and ABN AMRO as a prerequisite for approving the state aid measures taken by the Dutch government during the financial crisis. However, these restrictions only concerned mortgages and savings accounts and are thus not directly relevant for the competition on current accounts. The restrictions on ING were lifted on 19 November 2013; the restrictions on ABN AMRO are to be lifted in April 2014.

(2005) asserted that such switching costs constituted a barrier to competition in the UK.¹¹⁰

- 118 To alleviate potential switching problems, the Dutch Bankers' Association launched a switching service in 2004. Based on a survey conducted amongst consumers, Trigenum & Consumentenbond estimated in 2011¹¹¹ that approximately 78% of all consumers who switched made use of this service. Nevertheless, SEO found in 2008¹¹² that not all problems were solved by the current form of the switching service. In the European Commission's Proposal for a new Directive on current accounts¹¹³, the Commission incorporated an obligation for banks to inform consumers about the existence of a switching service. This may possibly increase the use of such a service in the future.
- 119 Relatively few consumers switch to other banks, despite the switching service. Trigenum & Consumentenbond state that, since the launch of the switching service in 2004, only 1% of all consumers switch each year with the help of the switching service. We can therefore conclude that switching by consumers is limited and that this potentially inhibits competition in the market for current accounts.
- 120 However, it should be noted that of those consumers that did switch banks in the Netherlands, only 6.4% mentioned "high costs" of their current account as a reason for switching. Only 10% stated that they expected to receive "better service" at the new bank. The study found that concerns about sustainability and dissatisfaction with the high bonuses paid to banks' managers were the main reasons for consumers to switch.¹¹⁴
- 121 In addition, the study of Trigenum & Consumentenbond estimated that around 80% of respondents did not consider switching banks (14% had already switched and 6 % were considering switching). Of those that did not consider switching, 80% were satisfied with their current provider or did not expect to benefit from switching and 20% were worried about the costs of switching.¹¹⁵
- 122 It is therefore possible that only a few consumers switch because the market is already competitive and consumers are content with the service their bank provides.

110 ECA (2005), Comparative Study of Competition in Retail Banking and Payments Systems Markets, page. 7.

111 Trigenum & Consumentenbond (2011), Derde evaluatie van de overstapservice: "Eenvoudig veranderen van betaalrekening", p. 19.

112 SEO, 2008, Drempelvrees? Onderzoek naar overstapdrempels in de markt voor betalingsverkeer en evaluatie van de Overstapservice.

113 Proposal for a Directive of the European Parliament and of the Council On the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features. European Commission, 08.05.2013.

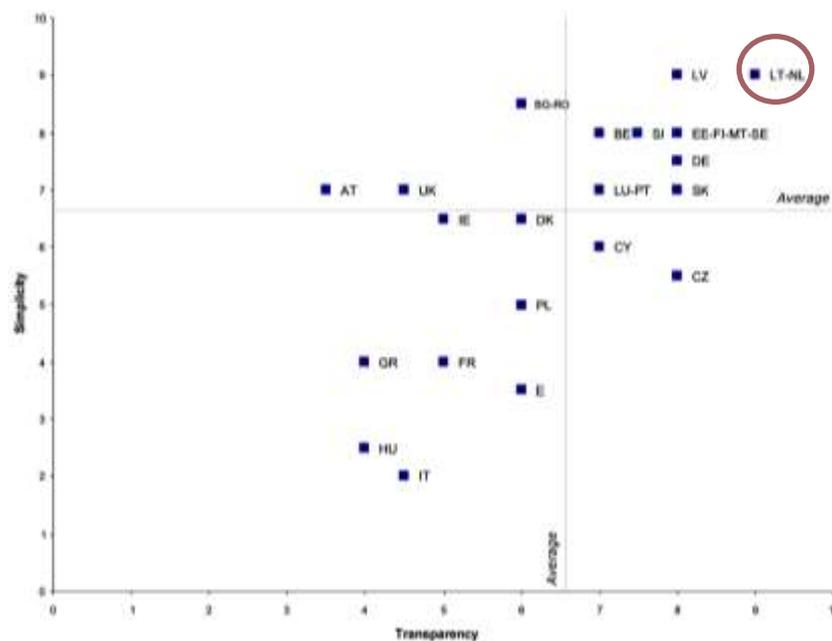
114 Trigenum & Consumentenbond (2011), Derde evaluatie van de overstapservice: "Eenvoudig veranderen van betaalrekening", p. 19.

115 Trigenum & Consumentenbond (2011), Derde evaluatie van de overstapservice: "Eenvoudig veranderen van betaalrekening", pag. 19.

7.2.2.5 Transparency

- 123 For customers to arrive at a well informed decision, they need robust, comprehensive, and up-to-date information. When considering taking up a new product or taking up the same product with a different provider, the access to information is a crucial element in the decision process.
- 124 In the Netherlands, the transparency of the fees for current accounts appears to be high. In an answer to a Consultation by the European Commission in 2012, the Ministry of Finance indicated that information is generally readily available for consumers and the presence of price comparison websites contributes to this transparency. A possible shortcoming is that the fee structures of different banks are not always comparable. According to the Ministry, banks do not always use exactly the same fee structure or the same terminology.¹¹⁶
- 125 A report published by the European Commission finds that the Netherlands scored high compared to other territories in relation to the transparency and simplicity of the fee structure, such as shown in Figure 13 (the Netherlands is circled).¹¹⁷

Figure 13 Simplicity and transparency of bank fees in the EU



Source: Van Dijk Management Consultants.

116 Response of the Dutch Ministry of Finance to the EC “Consultation on bank accounts”, 2012, http://ec.europa.eu/consumers/consultations/docs/publ_auth-nl_minfin_en.pdf. The proposal by the European Commission regarding a new directive concerning current accounts (see footnote 113) incorporates provisions on the standardisation of terminology, which will possibly resolve these issues.

117 Van Dijk Management Consultants in partnership with Centre for European Policy Studies, 2009, Data collection for prices of current accounts provided to consumers, research in assignment of the European Commission (p. 34). Transparency and simplicity are rated as follows. First, the consultant have collected price data, and awarded marks of 1 to 5 on the information provision based on the banks’ websites. They also recorded the time that was needed to collect all information. Afterwards a consensus session was held where on the basis of the information collected, the final scores of the countries were determined.

7.2.2.6 Impact of the financial crisis

- 126 Most studies discussed above are based on data from before the financial crisis of 2007/2008. It is possible that the financial crisis has influenced competition in the consumer banking market. One of the few studies on competition published after the crisis is the study by Degryse & Ongena.¹¹⁸ They suggest that the Western economies in general have exchanged the policy objective of competition for financial stability, in the aftermath of the financial crisis.
- 127 Degryse & Ongena make some statements about the consequences of the financial crisis for the market for consumer banking:
- a. interest rates on loans are higher due to the increase of capital requirements,
 - b. concentration in the banking sector has increased,
 - c. a number of foreign banks has exited the market,
 - d. a number of banks has been (partially) nationalised, possibly leading to a lessening of competition, and
 - e. the European Commission's approval of state aid to ING and ABN AMRO was given under the condition that neither bank could be a leader in price.¹¹⁹
- 128 Degryse & Ongena mainly note that the increased concentration and the market exit by foreign banks have possibly led to a reduced competition in the consumer banking market. The effect of the government interventions is less clear. On the one hand, state aid and nationalisation can reduce the incentives for maximising profits or to increase efficiency and improve service to customers. On the other hand, a study by Calderon and Schaeck¹²⁰ found that government interventions in the banking sector can also lead to a lower Lerner index and thus presumably lead to more competition. The authors' explanation for this is that guarantees granted by the government to some banks may reduce the market value of other banks which leads to the latter banks taking more risks.
- 129 Data from the Federal Reserve Bank of St. Louis show that the Lerner index in the Dutch banking sector has increased since the beginning of the financial crisis, from 0.17% in 2006 to 0.21% in 2010.¹²¹ This may indicate that profitability has slightly increased and competition has slightly declined. We observe however that the index covers the entire banking sector, and is not differentiated for the market of current accounts or consumer banking specifically.¹²²

118 Degryse & Ongena, 2013, Expert opinion the intensity of Competition in the Dutch Banking Sector, p. 12.

119 Degryse & Ongena, 2013, Expert opinion the intensity of Competition in the Dutch Banking Sector, p. 12. Commissioned by Commissie Structuur Nederlandse Banken en Ministerie van Financiën. See also footnote 110.

120 C. Calderon en K.Schaeck, 2012, Bank Bailouts, Competition, and the Disparate Effects for Borrower and Depositor Welfare, The World Bank Policy Research Working Paper 6410.

121 <http://research.stlouisfed.org/fred2/series/DDOIo4NLA066NWDB>.

122 In addition we must realise that the Lerner index has shortcomings when it comes to being an indicator for competition and that changes in the index do not necessarily reflect the changes in market power.

7.2.3 Conclusions on the market for current accounts

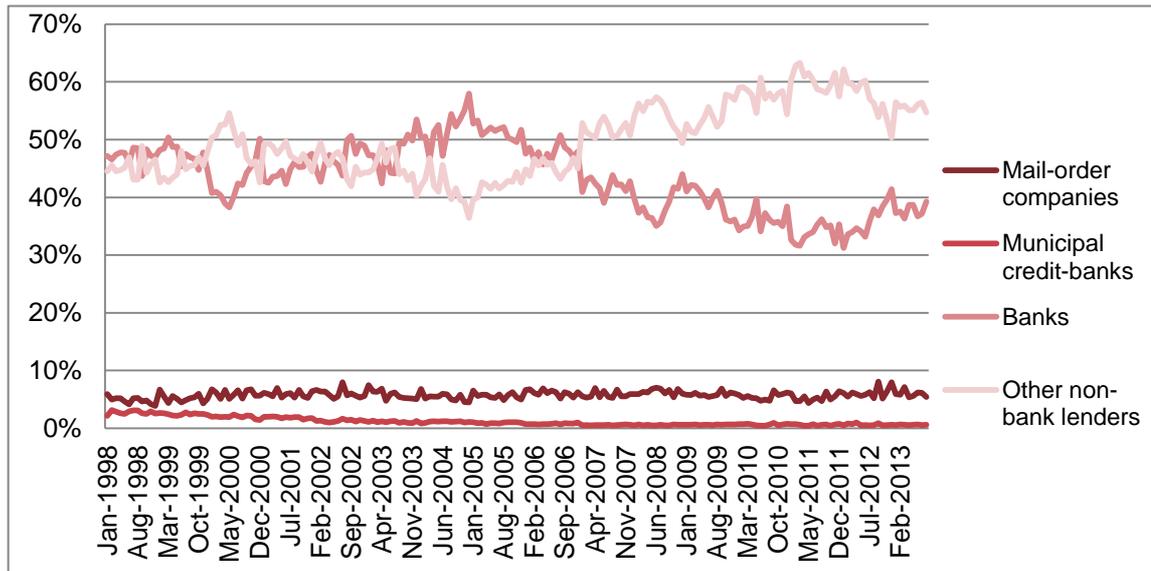
- 130 Based on research focussed specifically on current account fees and their bundled services in the Netherlands, we can conclude that fees, including the rates on overdraft lending, are among the lowest in Europe. The only study that compares these fees on current accounts with their underlying costs, suggests that these costs do not fully explain the low fees charged. Thus there is no reason to suspect that Dutch banks earn high margins on current accounts.
- 131 The various structural features we assessed provide a mixed view on the degree of competition on the market for personal current accounts. Not one bank has a market share which suggests market dominance, but nonetheless the market concentration is relatively high. Additionally we note that few consumers switch banks. This possibly indicates switching barriers that impede competition. On the other hand, low switching can also be consistent with a high degree of competition in the market - satisfaction amongst customers is high and the costs of switching play only a limited role in the switching process. Again we note that the fee transparency of current accounts is relatively high, which is also conducive to effective competition.
- 132 In short we can state that the information available on the competition in the market for current accounts does not suggest that the providers have significant market power in the market for personal current accounts.

7.3 Competition in consumer loans

- 133 As concluded in Chapter 6, it is possible that overdraft pricing is constrained by the pricing of other consumer loans. In this section we assess whether the market for consumer loans is competitive.
- 134 There is limited research available discussing competition on the market for consumer loans in the Netherlands. In the ABN AMRO – Fortis Bank Merger Decision, the European Commission noted the market's low concentration and low entry barriers. Following the merger (2007), the market share of the largest provider (ABN AMRO and Fortis combined) was between 20% and 30%.¹²³ Moreover, 20-30% of consumer loans were provided by non-banks.
- 135 The combined market share of banks in the total amount of outstanding consumer loans has decreased since 2007 (see Figure 14). Currently, non-bank lenders have the largest share of outstanding consumer loans (about 55%), while banks have a market share of about 40%. Part of this decrease is probably due to the Rabobank now offering all its consumer loans through its subsidiary, De Lage Landen, which had a market share of about 5% in 2009 (see Table 3).

123 DG competition, 2007, Case No COMP/M.4884 – Fortis/ABN AMRO Assets, para 145-146.

Figure 14 Market shares of various lenders for all types of consumer loans, 1998 - 2013



Source: CBS data, CEG analysis. Shares in the value of newly issued loans.

136 Table 3 shows the market shares of the nine largest suppliers of consumer loans (excluding overdraft lending) in 2009, as reported by AssurantiMagazine.¹²⁴ It is not clear how these market shares were calculated and thus how reliable these figures are. However there is no more recent or detailed information on market shares. The three largest banks which are currently still operating had a combined market share of 26% in 2009.¹²⁵ The largest provider of consumer loans was a non-bank lender. According to this source, 32% of all outstanding consumer loans were issued by providers other than the nine largest issuers. This implies that the remaining providers each have a market share of less than 2%.

Table 3 Market shares on outstanding consumer loans other than overdraft (2009)

Financial Institution	Market share
Credit Agricole Deveurope	20%
ING	11%
ABN AMRO	10%
DSB Bank	7%
Alfam	6%
De Lage Landen	5%
LaSer	4%
Santander	3%
HDV (Afab)	2%
Total top 9 loan providers	68%

Source: AssurantiMagazine.

124 Source: <http://recht.amweb.nl/Uploads/Documents/Katern-Jaarboek2010-Krediet1.pdf>.

125 “De Lage Landen” is a subsidiary of Rabobank. The DSB bank went bankrupt in 2009.

- 137 Given the low degree of concentration, it seems reasonable to conclude that the market for consumer loans is relatively competitive, and thus the presence of significant market power is unlikely. Additionally, consumer loans are subject to regulation that applies to the level of interest rates and information provision, thus limiting the possible exertion of market power.¹²⁶
- 138 There are, however, some features of the market which might limit competition to some extent and thus may be worth investigating in the future. First, the market for consumer loans could be segmented according to the loan type or consumer profile. From our bank survey it follows that between 20%-50% of loan requests (overdrafts and other consumer loans) are rejected. This means that for some consumers, loans of a certain type or from a certain lender may not be available. This limits consumer choice and may result in market power in the provision of consumer loans to this specific group of consumers. Second, it appears that some problems remain regarding the information transparency. In 2012, the AFM concluded that information provision for consumer loans on lenders' websites was not always adequate. The most common problems identified included incorrect loan tables (these tables provide the basic loan characteristics, such as the limit, interest rate, maturity, and the instalment amount) and missing references to the available standard information on loans.¹²⁷ Future research into the market for consumer loans could analyse the influence of these factors on competition.

7.3.1 Conclusions on the market for consumer loans

- 139 Information available on competition in the market for consumer loans in the Netherlands is limited. However, we do not consider the presence of market power to be likely, given the high number of providers, the low concentration, and the presence of regulation.

7.4 Conclusions

- 140 In this chapter we investigated the presence of market power on both markets in which overdrafts could be included: the market for personal current accounts and the market for consumer loans. We conclude that we identified no evidence in support of the presence of significant market power in either of these two markets. It should be noted however, that information available is limited, particularly regarding the market for consumer loans, and in respect of certain aspects of the market for current accounts (such as on barriers to entry, and up-to-date information on the fees en profitability).

8 Policy implications

- 141 The analysis above does not support the hypothesis that individual suppliers of overdraft lending enjoy significant market power that results in consumer harm. If we assume that imposing regulation requires first identifying actual problems, then no regulation is needed from a purely competition perspective.
- 142 However, one may also consider regulating a market for other reasons, for instance because one prefers to protect heavy users of overdraft against high overdraft fees, or because one could want

126 See also Appendix B (in Dutch).

127 <http://www.afm.nl/nl/nieuws/2012/jan/websites-consumentenkrediet.aspx>

to encourage banks to reject high risk consumers. The full analysis of such considerations and the corresponding regulatory measures is beyond the scope of this report. In this chapter we consider the possible effects of further regulatory measures that are sometimes mentioned in the context of overdraft lending, namely a change in the current interest rate regulation and the improvement of information transparency.

8.1 Lowering the cap on overdraft interest rates

- 143 The current regulation on consumer loans, including overdraft lending, details the maximally allowed effective interest rate a credit provider may charge. The effective interest rate is defined as a percentage of the underlying value of the credit on an annual basis.
- 144 The maximum effective interest rate is equal to the statutory interest rate plus 12 percentage points. The current statutory interest rate is 3%, making the annual maximum effective credit compensation equal to 15%.¹²⁸
- 145 One possible additional regulatory measure would be to decrease the current effective interest rate. Consumers that currently pay more than the new rate would directly benefit from such a reduction. However, it is not clear what the effect of this rate reduction would be on the interest rates that are already below the new maximum (the lowest interest rate on overdraft lending currently is around 9%). It is possible that the more stringent regulation would have no effect on these lower rates, but it could also be that these rates increase or decrease. On the one hand the rates can decrease if banks want to maintain the relative distance between the different loan types. On the other hand, the rates can rise if banks restructure their rates in such a way that consumers that now pay less than the new maximum will face a rate increase.
- 146 A report by the Institute for Financial Services (IFF) of the ZEW¹²⁹ found that following the tightening of the cap in 2006, the interest rates rose in two of the three categories the report analysed. Within those categories were loans for which the interest rate was fixed for less than a year (the closest substitute for overdraft lending). The report does show however that it is possible that on average consumers generally pay less after the reduction of the maximum rate.
- 147 A reduction of the current cap would have several indirect effects, which we assess below.

8.1.1 Increase in the demand for overdraft lending

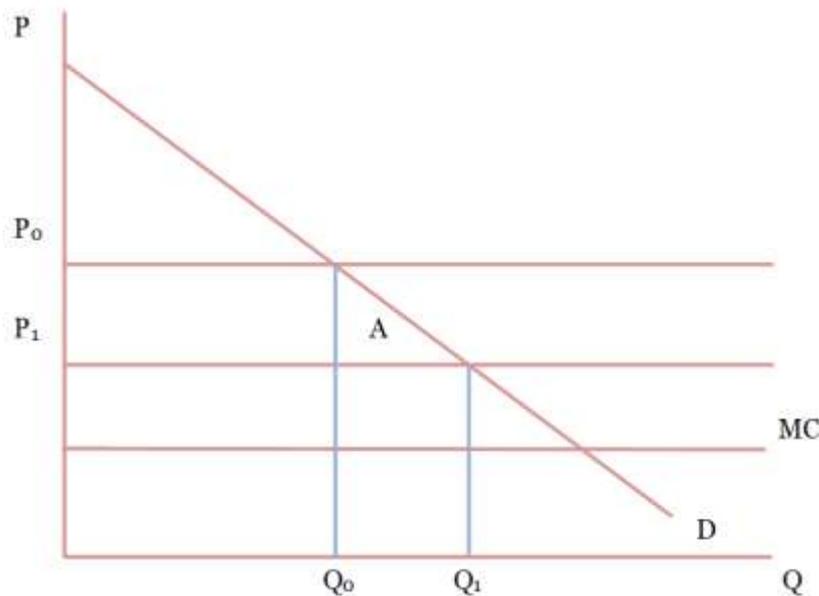
- 148 Economic theory predicts that a decrease in the rate on overdraft lending will lead to an increase in demand for overdraft lending, all other things being equal. It is possible that if overdraft lending becomes less expensive, consumers will become less watchful on their current account balances (as the costs for accidentally overdrawing are not very high) or that consumers may more easily decide to make purchases before they receive their salary. This is illustrated in Figure 15, where decreasing the interest rate from P_o to P_l increases the quantity of overdraft demanded by consumers from Q_o to Q_l . Banks will meet this additional demand, as long as this demand originates from consumers that have a low risk of default, and provided that the regulated rate is higher than the marginal costs (so that providing more overdraft lending earns the bank more

128 See Appendix B (in Dutch) for a summary of the current regulation.

129 IFF en ZEW, 2009, Study on interest rate restrictions in the EU.

than it costs).¹³⁰ For consumers that carry higher risk, the possibility to gain access to an overdraft facility will probably be restricted as we discuss in Section 8.1.2.

Figure 15 Effect of tightening the price cap on the demand for overdraft lending



- 149 Consumers that continue to overdraw at the lower rate, or increase their use of overdraft lending, will, at least in the short run, benefit from the lower rate as they gain increased utility from their additional overdraft. For example, a consumer will have to spend less time managing his current account or enjoy his or her purchase sooner than would otherwise be the case. The size of this additional effect depends on the quantity increase ($Q_1 - Q_0$) and the value consumers attach to using overdraft lending (as depicted by the demand curve D). This effect, consumer surplus, is denoted in the figure as the triangle 'A'. Additional use of overdraft lending can for some consumers also have negative effects in the long run, if these consumers have time-inconsistent preferences which makes them overdraw more in the short run than they would do if they acted according to their long term preferences.

8.1.2 Reduced access to overdraft lending for high-risk consumers

- 150 In addition to the increased use of overdraft lending by consumers with a low risk profile, a negative effect may occur for high risk consumers who have a risk of default. There may be a group of consumers for whom the default rate is at a level such that banks cannot serve them profitably under the new price cap. Thus, lowering the interest rate is likely to lead to more

130 The marginal costs are represented as being constant in Figure 15, while in reality this is not likely to be the case. Due to the different risk profiles of consumers, the marginal cost curve can sometimes be increasing and sometimes be decreasing. For instance it is possible that when the interest rate on overdraft lending is very high, only low-risk users of liquidity will make use of overdraft lending. As the rate decreases, overdraft lending may also become attractive for consumer who need a loan urgently and have a high-risk profile. Finally, as the interest rate falls further, overdraft lending now also attract consumers with a low risk profile. However, the shape of the marginal cost curve does not change the conclusion that the quantity supplied will increase with a price decrease as long as the rate is above the marginal costs.

stringent acceptance criteria as banks try to exclude high-risk consumers. This effect will decrease the quantity of overdraft in the market.¹³¹ The effect on the welfare of the excluded consumers is negative in the short run, as they are not able to access a service which they value.

- 151 As the consumers who are excluded from access to overdraft lending are the high-risk consumers, such exclusion may sometimes be seen as desirable. It will reduce the risk that some consumers will be unable to repay their debts and continue to face debt problems in the future. We observe however that the acceptance criteria for overdraft lending are already quite stringent (with around 50% of applications for overdraft being rejected).¹³² This may indicate that consumers with a strong high risk profile are already excluded from overdraft lending. For those consumers who have a relatively high-risk profile, but are nevertheless able to repay their overdraft, their inability to use overdraft would most likely also reduce long term welfare.¹³³
- 152 For those consumers that would face difficulties in paying off their debts, but still decide to borrow as they have time-inconsistent preferences, causing them to misalign their short run behaviour with their long term preferences, reduced access to overdraft lending can be welfare improving in the long run. However, we need also to consider whether the alternatives available to these consumers are more favourable. When these consumers no longer have access to overdraft lending, they may take up cheaper loans (if they can access them), seek assistance from institutions that help people in financial difficulties (such as municipal banks¹³⁴) or adjust their consumption. However, it is also possible that they will turn to more expensive alternatives, such as flash loans. They may also build up payment arrears with retailers (for instance internet shops) or service providers (such as providers of housing, utilities, or telecom operators). These payment arrears may eventually be more expensive than overdraft lending.¹³⁵

131 This is not illustrated on the *P-Q* graph as high-risk consumers are not necessarily the marginal consumers, and can be situated anywhere on the demand curve. One way to think about the figure is to see the demand curve as depicting the demand of the “approved” consumers. When the acceptance criteria become stricter, fewer consumers are accepted and the demand curve will shift down.

132 See Appendix D (confidential).

133 The fact that acceptance criteria sometimes lead to refusing loans to consumers that are able to pay off their debt does not by default imply that the acceptance criteria of the banks are faulty and not profit optimising. Acceptance criteria are set based on probabilities of default for consumers with certain characteristics; they do not give a certainty on default. Imagine that from a certain group of consumers 10% do not repay their loan on average. If the average interest rate on a loan is 9%, then this whole group cannot be served profitably, and thus this group will be cut off, despite the fact that 90% of these consumers would be expected to pay off their debts.

134 See <https://www.degkb.nl/>.

135 These costs include the interest rate on the amount not paid on time (maximum allowed rate currently is 3%; see www.wettelijkerente.nl) and collection costs (the current maximum allowed rate is 15% or €40 for the first €2,500, with the rate decreasing to 0.5% for amounts above €19,000; see www.schuldinfo.nl). For some arrears, costs can even be higher. For instance, a consumer that has not paid his or her health insurance premium for six months will be registered with the Zorginstituut Nederland. In such a case the insurer can impose a fine, which at insurer CZ for instance is equal to €32.23 per month (source: helpdesk CZ). For comparison, the monthly premium is around €70-80. Not paying a speeding ticket on time results in an additional fine of 50% is imposed after a few weeks, if payment is still not made the additional fine rises to 100%.

- 153 If some consumers are boundedly rational so that they use overdraft suboptimally, it is unclear whether restricting access to overdraft for these consumers would incentivise them to improve their financial situation. It is therefore possibly better to address the problem of excessive borrowing by policies targeted at this specific group of consumers, rather than through generic measures such as a tighter price cap on interest rates on overdraft lending. Research institute EIM carried out a study in 2007 focusing on this issue.¹³⁶

8.1.3 Ceasing the provision of overdraft lending

- 154 As discussed in Chapter 5, most of the operational costs for overdraft lending are fixed and therefore independent of the size of the loan. When the interest rate becomes very low – even if it is above the marginal cost – then the margin on overdraft lending may not be sufficient to cover these fixed costs and thus banks may cease the provision of the overdraft service.¹³⁷

8.1.4 Waterbed effect

- 155 The effects described above would lead to a decrease in the profits the banks make on overdraft lending. As a consequence, and following the waterbed effect discussed in Section 7.2, it is likely that other banking fees will rise, especially those related to current accounts. Decreasing profits on overdraft lending will reduce the incentives for banks to compete on current accounts. This weakened competition could lead to higher fees for current accounts or a fall in banks' quality of service. It is possible that in aggregate consumers are worse off, although some redistribution would be likely to take place from consumers who do not use overdraft lending to those who do.

8.1.5 Effect on entry

- 156 If further regulation leads to a decrease in the banks' profits which cannot be compensated by an increase in other fees, then there may be an adverse impact on competition in the banking sector as it will reduce the profitability of entry. Less competition is likely to lead to higher prices (although this effect will possibly be limited by regulation), but also to less non-price competition (such as on the level of service provided) and innovation.

8.1.6 Conclusions

- 157 It is possible that consumer welfare will not increase if there is a reduction in the rate on overdraft lending. This is mainly due to effects such as the waterbed effect, restricted access to loans for consumers with a high risk profile, and possible lessened competition in the banking sector. On the other hand, consumers with a low risk profile and high demand for borrowing will probably benefit most from such a rate reduction.

8.2 Increased transparency

- 158 As observed in a consumer survey conducted by the AFM, there is evidence that many Dutch consumers underestimate the interest rate on overdraft lending.¹³⁸ Similar observations have

136 EIM, 2007, Overkreditering aan banden. Study into the effectiveness of policy to prevent excessive borrowing.

137 Interview with a bank [Confidential: XXXXXXXXXX].

138 AFM, Consumentenmonitor Voorjaar 2013: Roodstand, June 2013, p. 2.

been made in the UK and in Germany.¹³⁹ It is possible that as a result, banks focus more on competing with the fees on other elements of the current account bundle than on the competition on overdraft lending rates. Increased transparency of the rates on overdraft lending may possibly lead to a decrease of these rates, if as a result rate differences between different loans and their providers become clearer for consumers and if this leads to more switching by consumers.

- 159 To assess the possible effects of an increase in transparency, we must first determine the current level of transparency on overdraft lending rates. In Section 7.2.1 we concluded that regarding transparency on the fees of current accounts, the Netherlands scores high internationally. To appraise the transparency of the rates on overdraft lending in more detail, we analysed information on overdraft lending rates as provided on the websites of five banks in the Netherlands in October and November 2013.¹⁴⁰
- 160 For most of the banks surveyed, the information on the terms and interest rates on authorised overdrafts is relatively easy to find. The correct page is usually found after just a few simple clicks. Also, the fee structure for overdrafts is simple because it consists of an interest rate only. The information on the acceptance conditions is often quite general which may cause difficulties for consumers in assessing the likelihood of being granted an overdraft facility. In the answers to our bank survey, the banks indicated that they state the amount of charged overdraft interest on bank statements, typically on a monthly basis. Information on the interest rate due is always included in the overdraft facility contract, and the accompanying documents. Once the overdraft contract is signed, the surveyed banks typically only inform consumers about rate changes,¹⁴¹ as they are required to do by law.
- 161 Information about the terms and fees for unauthorised overdrafts tends to be difficult to find. The websites of most banks provide little or no information on this type of overdraft. Current account terms and conditions need to be reviewed to find out that unauthorised overdraft is possible. Documents describing these terms and conditions do not appear to be readily accessible on the websites.
- 162 Once identified, however, within the terms and conditions of a current account, the conditions of unauthorised overdrafts are stated relatively clearly. However, it remains unclear when a payment with insufficient funds leads to an unauthorised overdraft and when the payment is rejected. The fees for unauthorised overdrafts are typically difficult to find (an exception is the Triodos Bank website). For most banks it is also not clear whether the relevant interest rate is fixed or varies over time. The banks state that the information on unauthorised overdraft lending is not readily available, so as not to encourage such use of overdraft facilities.¹⁴² One of the surveyed banks¹⁴³ indicated that the administrative cost of unauthorised overdrafts (such as sending reminders) makes it one of the most expensive loans to offer.

139 OFT, 2008, Personal current accounts and ZEW, 2012, p. 119.

140 ING, Rabobank, ABN AMRO, SNS Bank en Triodos Bank.

141 Bank survey, ABN AMRO, ING, the Rabobank and SNS Bank.

142 Interviews with banks. ABN AMRO, ING, the Rabobank and SNS Bank.

143 [Confidential: XXXXXXXXXXXX].

- 163 In order to choose the best current account for their specific situation, consumers need not only to be informed about the fees charged, but they should also consider their expected use of the various subservices available. The OFT's study revealed that in the UK many consumers underestimate their use of overdraft lending. If consumers underestimate their use of overdraft lending, they will also underestimate the fees paid on overdraft lending and thus may be unable to assess fully the possible benefits of switching.
- 164 A number of Dutch banks (SNS Bank, ABN AMRO and the Rabobank) offer services that make it easier for consumers to estimate their overdraft use. The banks offer alerts that inform consumers about the balance on their current account. A consumer who signs up for such a service will get a text message or an e-mail as soon as his or her balance falls below a certain threshold. However, at ABN AMRO and the Rabobank these services are not free of charge. At ABN AMRO this service costs the consumer €0.10 per e-mail and €0.20 per text message. At the Rabobank the e-mail alert is free, while a text message costs the consumer €0.15.¹⁴⁴
- 165 We conclude that the fees for overdraft lending in the Netherlands appear to be reasonably transparent (particularly when compared to other countries). This may be due to the existing regulation and the supervision of the AFM. Although continuous efforts are required to maintain transparency levels, it is not likely that even higher transparency with respect to the overdraft rates will have a significant impact on their level.
- 166 One potential problem may be the low awareness among consumers regarding the fees for overdraft lending even though there is high transparency. One possible explanation for low awareness is that most consumers only overdraw their account occasionally. In practice the low awareness of overdraft rates has only minor consequences for consumers – only occasional costs are incurred.¹⁴⁵
- 167 One specific area in which transparency may be improved is to increase consumer awareness of their (high) overdraft use. Most banks already have a policy for informing consumers about their actual overdraft costs, and they offer alternatives to consumers that use overdraft lending heavily.¹⁴⁶ It is uncertain to what extent providing more information would lead to less use of overdraft lending and/or more switching. Some banks stated that offering alternative lower cost loans, while beneficial from a consumer cost perspective, may also lead to more borrowing which may not be in the best interest of consumers.¹⁴⁷

144 Websites van ABN AMRO, ING, the Rabobank en SNS Bank. The use of these alerts differs greatly per bank. Two banks provided information on the use of payment alert: for SNS ([confidential: XXXX] of all current accounts) and from ABN AMRO ([confidential: XXXX] of all current accounts).

145 Most consumer use overdraft up to four times a year and for several days only (see AFM, Consumentenmonitor Voorjaar 2013, Roodstand, June 2013). When a consumer overdraws 4 times a year for 7 days, for the amount of €1,400 (average amount of authorised and unauthorised overdraft according to the bank survey), an underestimation of the overdraft rate by 5% leads to an underestimation of annual overdraft cost by €5.

146 Bank survey, ABN AMRO, ING, the Rabobank and SNS Bank.

147 Interviews met banken, ABN AMRO, ING, de Rabobank en SNS Bank.

8.3 Conclusions

- 168 In Chapter 7 we concluded that there is no evidence of competition problems in the markets for current accounts and for consumer loans under the present regulation, and that we therefore find no reason to regulate more stringently either or both of these markets. In this chapter we analysed the expected effects of two potential regulatory measures often associated with overdraft lending: reducing the maximal credit revenue and increasing transparency.
- 169 In respect of tightening the cap on interest rates we conclude that alongside the positive effects of reduced costs for consumers that overdraw, there are also potentially some negative effects, which may outweigh the positive effects. If there was significant market power on the market for current accounts and for consumer loans, then it would be unlikely that regulating a part of the market, namely overdraft lending, would address such issues. Furthermore we conclude that transparency of overdraft costs for consumers is high; further increases in transparency will most likely have little effect. On the other hand, increasing the transparency of consumers' use of overdraft lending may have positive effects.

9 Possible cross-subsidisation

- 170 As concluded earlier, we have not identified any evidence of market power held by the providers of overdrafts or consumer harm. However, overdraft use is not distributed evenly across personal current account holders. Most consumers that make use of overdraft lending do so only occasionally. The majority of consumers that occasionally overdraw are overdrawn for one to four times a year, and stay overdrawn for just a few days.¹⁴⁸ As a result, the annual costs of using overdraft facilities remain limited for most users. According to the responses to our banks survey, approximately half of the account holders who sometimes overdraw pay €20 of interest or less each year.¹⁴⁹
- 171 Beyond this group of occasional users, 15% of users are overdrawn each month, and 3% overdraw for longer than 3 months.¹⁵⁰ Approximately 17% of users pay more than €100 per year of overdraft interest, and approximately 3% of users pay more than €500.¹⁵¹ Thus, there is a group of consumers that overdraw often, and pay relatively high amounts for the service. This can lead to concerns that consumers which frequently overdraw subsidise other consumers as banks use the high profits on overdraft to compete on the market for current accounts.
- 172 Cross-subsidisation between consumer-groups can be a competition issue if providers have market power in provision to certain groups; such market power may be used to extract excessive profits from this group. Arguably, this type of cross-subsidisation may require policy intervention if the heavy overdraft users are consumers with a low income and/or other demographic characteristics which make them vulnerable to financial difficulties, and that their alternatives to

148 AFM, Consumentenmonitor Voorjaar 2013, Roodstand, June 2013, p. 7. 66% of users of overdraft lending use it 1 – 4 times a year, of those users 55% overdraw for a few days.

149 Bank survey, ABN AMRO, ING, the Rabobank and SNS Bank.

150 AFM, Consumentenmonitor Voorjaar 2013, Roodstand, June 2013, p. 7.

151 Bank survey, ABN AMRO, ING, the Rabobank and SNS Bank.

overdraft lending are limited to their risk profile. Although the acceptance criteria for consumer loans do not seem to be more stringent than for overdraft lending, it is possible that a consumer that was granted an overdraft facility now faces a worsened financial situation can still overdraw but not take out a new consumer loan.

- 173 As the issue here is cross-subsidisation between different current account holder groups, an investigation into the issue should be part of a wider investigation into the market for current accounts more generally. Below, we discuss the points on which further research may focus, in order to determine whether cross-subsidisation is a problem.
- 174 To investigate whether vulnerable consumers subsidise other current account holders, further research should answer the following questions:
- a. Do banks earn excessive profits on vulnerable consumers?
 - b. Do banks suffer losses on personal current accounts provided to non-vulnerable consumers, and are these losses compensated by profits on overdraft lending, earned from heavy and high risk users?
 - c. How large is the group of vulnerable consumers with a heavy use of overdraft lending, a high risk profile, and a low income?

9.1 Do banks earn excessive profits from vulnerable consumers?

- 175 To answer this question, one would ideally calculate overdraft margins earned by banks on heavy users. This would be, as our research found, problematic given the difficulties in allocating costs to overdrafts. As a first indication, one could analyse whether vulnerable consumers are likely to generate higher margins on overdraft, as compared to other users. Below, we make some observations which may help to guide the further research:
- a. First, it must be noted that overdraft rates do not increase with frequency, duration or the amount of overdrafts. Nor do banks charge high-risk consumers with higher rates. There is thus no evidence of price discrimination of vulnerable consumers. If anything, some heavy users (those who agree on higher limits) pay a lower rate. However, low income users may not always have access to these rates, as they might not meet the income requirements applicable to these higher limits.
 - b. Second, the operational costs of providing overdraft lending are lower for heavy users, as banks can spread their fixed costs over a higher loan amount.
 - c. Third, risk costs are higher for high risk users.
- 176 Overdraft rates charged to vulnerable consumers are equal or lower (if they have access to higher overdraft limits) than those charged to occasional users. It is not clear whether the costs for banks of providing overdrafts to vulnerable consumers are higher or lower. For heavy users of overdraft lending, the operational costs for the bank per euro loaned are probably lower, although due to their profile risk, the costs for the bank are higher. It is therefore not clear if banks earn higher margins from vulnerable consumers than from other types of consumers. If the risk costs are high while the interest rate paid does not change, then some vulnerable consumers may even generate higher costs than revenues, and it is therefore possible that other consumers subsidise them.

9.2 Do banks suffer losses on personal current accounts that are these losses compensated by profits on overdraft lending?

177 To determine whether there is cross-subsidisation, we need to establish that banks suffer losses on current accounts on which consumers make no or only occasional use of overdraft lending. This would require a comparison of the revenues and cost of current accounts, excluding overdrafts. In 2006, the McKinsey report concluded that personal current accounts generate losses for banks; although the study is outdated and it is not clear how costs between consumer and business current accounts were allocated. Thus, further research is required to establish whether providing current accounts is a loss-generating service for banks. Additionally, if the provision of current accounts is unprofitable, it is possible that banks accept such losses because current account holders typically purchase other products with the bank, such as a mortgage, a savings account, or a consumer loan. Higher profits on other products – rather than increasing revenues on overdraft lending – may possibly compensate the losses on current accounts. Any future research should give this due consideration.

9.3 How large is the group of vulnerable users of overdraft?

178 Not all heavy users of overdraft lending are vulnerable consumers. Also consumers that have high income levels may make heavy use of overdraft facilities. Arguably this should not be viewed as problematic and these consumers will generally be able to manage the overdraft costs and most likely will also have access to alternative sources of credit.

179 Eurostat data (from 2008)¹⁵², and a research report of Panteia¹⁵³ give an insight into the types of consumer that make heavy use of overdrafts. According to Eurostat, households classified as poor¹⁵⁴ are more likely than other households to have an overdraft higher than a third of their monthly income. In Panteia's consumer survey, households with a monthly income of €1,000 - €1,500 are overrepresented among frequent users of overdraft lending. The relationship between overdraft use and educational level is less clear: most frequent users of overdraft have followed a secondary professional education (*MBO*). These information sources together indicate that heavy overdraft users may indeed be vulnerable consumers.

9.4 Conclusions

180 In this chapter we considered whether banks earn excessive profits from vulnerable consumers, which they use to subsidise other consumers. We conclude that this does not appear to be likely. Vulnerable consumers do not pay a higher interest rate on overdraft lending, and the costs to banks may be higher as they carry a higher default risk. Conversely the costs to banks may be lower as such consumers tend to overdraw more than the average and thus the operational costs per euro loaned are lower for banks. To address the possible cross-subsidisation issue fully, research broader than overdraft lending is required, including an assessment of the profits earned

152 Eurostat, Over indebtedness and financial exclusion. See Eurostat, Over-indebtedness of European households in 2008, methodological notes.

153 Panteia, 2013, Huishoudens in de rode cijfers 2012: Omvang en achtergronden van schuldenproblematiek bij huishoudens.

154 Standardised disposable income is below 60% of the country median.

on different types of current account holders.

10 Conclusions

- 181 On behalf of the Consumer and Market Authority, CEG carried out a research into overdraft lending in the Netherlands. The main purpose of the research was to determine:
- a. whether providers of overdraft lending in the Netherlands enjoy significant market power,
 - b. whether the potential market power led to consumer harm, and
 - c. whether any additional regulation is needed to overcome the potential problems that flow from this market power.
- 182 To investigate the presence of market power, we first identified the relevant market on which banks may have market power. We conclude that overdraft lending is not a stand-alone market but is part of the market for consumer loans or for personal current accounts, and most likely belongs partly to both markets. Because of the uncertain scope of the relevant market, we investigated the presence of market power in both the market for current accounts and for consumer loans.
- 183 From a competition perspective we conclude that there is no reason to tighten regulation for the rates for overdraft lending. We did not identify evidence in support of the argument that there is insufficient competition in the market for personal current accounts or consumer loans. Furthermore, lowering the rates on overdraft lending may lead to negative effects that are likely to negate or outweigh the intended positive effects. We also did not identify evidence that banks earn excessive profits from vulnerable consumer groups who use overdraft facilities.
- 184 Alongside these conclusions we note that for some areas there is limited information available and further research may be desirable. There is for example little information available on competition on the market for consumer loans. Furthermore little up-to-date information is available on the fees and profitability of current accounts or on possible barriers to entry into this market. There is however an ongoing study commissioned by the European Commission regarding the new Directive on current accounts which may provide this information upon its publication.

Appendix A - Beschrijving financiële producten

- 1 Deze sectie geeft een productomschrijving van rood staan en de drie mogelijk substituten voor rood staan - doorlopend krediet, persoonlijke lening en creditcard, op basis van openbare gegevens.

A.1 Geoorloofd rood staan

- 2 In deze sectie wordt het product rood staan beschreven gebaseerd op de openbare informatie gehaald van websites van een aantal banken in oktober en november 2013. De beschouwde banken zijn: ING, ABN AMRO, Rabobank, SNS Bank en Triodos Bank. De vier eerstgenoemde banken beschikken samen over meer dan 90% van het totale aantal betaalrekeningen.¹ **Error! Reference source not found.** geeft een gedetailleerd overzicht van deze kenmerken per bank. Hieronder volgt een samenvatting.

A.1.1 Algemeen

- 3 Rood staan is de mogelijkheid om een negatief saldo te hebben op de betaalrekening. Het negatieve saldo is gelijk aan het geleende bedrag of het krediet op de betaalrekening. Het maximale bedrag dan men rood mag staan wordt bepaald door de limiet rood staan.

A.1.2 Limiet

- 4 Bij vrijwel alle beschouwde banken is de minimale limiet van roodstand €500. Deze limiet kan verhoogd worden, afhankelijk van persoonlijke omstandigheden, van €2.500 tot €75.000. Het zijn vooral de grotere banken die de mogelijkheid van een hoger limiet aanbieden.

A.1.3 Opnamevoorwaarden

- 5 Bij het gebruik van roodstand mag op elk moment geld opgenomen worden totdat de afgesproken limiet bereikt is. Er zijn geen extra kosten verbonden aan het opnemen van krediet en er wordt geen minimaal opnamebedrag gehanteerd.

A.1.4 Afbetalingsvoorwaarden

- 6 De wijze van aflossing van het krediet op de betaalrekening hangt af van het product rood staan. In het algemeen zijn er twee vormen van aflossen te identificeren:
 - a. *Minimale bijschrijving:* Bij deze vorm moet een minimaal percentage van de limiet rood staan maandelijks bijgeschreven worden op de betaalrekening. Tevens mag men geld opnemen tot de limiet rood staan. Het krediet op de betaalrekening wordt dus niet automatisch afgelost. De minimale beschrijving die de banken hanteren ligt tussen de 2% en 5% van de limiet rood staan per maand. Extra aflossen is boetevrij.
 - b. *Maximale periode van rood staan:* Bij deze vorm van krediet, moet het krediet op de betaalrekening geheel afbetaald zijn na het verloop van een vaste periode. Deze periode hangt af van de financiële instelling, maar ligt meestal rond de 90 dagen. Tevens is het mogelijk dat de bank naast de maximale periode van rood staan ook een minimale maandelijkse beschrijving hanteert. Extra aflossen is boetevrij.

¹ DG Competition, 2006, Sector Inquiry Current Accounts, 2006, Table 6.

- 7 In het algemeen wordt bij overlijden het krediet op de betaalrekening niet kwijtgescholden. Echter, een enkele bank hanteert een kwijtschelding van het krediet onder bepaalde omstandigheden.

A.1.5 Rente

- 8 Over het krediet op de betaalrekening moet rente betaald worden. Deze rente is variabel en lag in november 2013 tussen de 9,90% en 14,10% op jaarbasis, afhankelijk van zowel de limiet als de financiële instelling (zie **Error! Reference source not found.** in de Appendix).
- 9 Voor de drie grootste banken (ING, ABN AMRO en Rabobank) geldt de regel, des te hoger de limiet, des te lager de rente. Voor deze banken kan het verschil in gerekende rente fors oplopen. Zo ligt de rente bij een limiet van €1.000 tussen de 12,90% en 14,10% en bij een limiet van 10.000 tussen de 9,90% en 10,40%. De twee kleinere banken (SNS Bank en Triodos Bank) hanteren dezelfde rentepercentages ongeacht de limiet op roodstand. Deze rentepercentages zijn lager dan de rentepercentages van de drie grote banken voor vergelijkbare limieten. Zo hanteert de SNS bank een rentepercentage van 11,00% en de Triodos bank een percentage van 12,00%.
- 10 De verschuldigde rente over het krediet op de betaalrekening wordt voor de meeste financiële instellingen maandelijks of per kwartaal verrekend.

A.1.6 Acceptatiecriteria

- 11 Om voor rood staan in aanmerking te komen moeten aan bepaalde acceptatiecriteria voldaan worden. Zo is de limiet rood staan en de mogelijkheid tot rood staan afhankelijk van een aantal factoren:
- Maandelijks netto inkomen:* voor een enkele bank geldt een limiet van maximaal het netto inkomen per maand. Bovendien kan het zijn dat het inkomen van de partner ook bepalend is. Het is mogelijk dat het bron van inkomen ook van belang is, dit wordt echter niet expliciet vermeld.
 - Maandelijkse lasten:* de huidige huurlasten, kosten van levensonderhoud en andere financiële verplichtingen.
 - Persoonlijke omstandigheden:* hierbij wordt o.a. gekeken naar de gezinssituatie.
 - Registratie bij Bureau Krediet Registratie:* hierbij wordt gekeken naar welke kredieten er reeds uitstaan, welke kredieten zijn afgelost en of er een betalingsachterstand is gemeld.
 - Bestaande schulden:* zoals hypotheek of andere vormen van leningen.
 - Land van vestiging:* men kan alleen in aanmerking komen voor rood staan indien men in Nederland woont.
 - Minimale & maximale leeftijd:* de minimale leeftijd om in aanmerking te komen voor rood staan is bij de beschouwde banken 18 jaar. In het algemeen is er geen maximale leeftijd voor het in aanmerking komen van rood staan, wel kan het zo zijn dat de limiet beïnvloed wordt door de leeftijd.
 - Minimale periode eigenaar betaalrekening bij desbetreffende bank:* bij het ING kwartaalproduct is het zo dan men minimaal drie maanden in het bezit moet zijn van een betaalrekening bij de ING.

A.1.7 Afsluitkosten

- 12 Om gebruik te kunnen maken van rood staan moet men in het bezit zijn van een betaalrekening. De kosten van het goedkoopste betaalpakket bij de beschouwde banken liggen tussen de €17 en €36 per jaar.

A.2 Ongeoorloofd rood staan

- 13 In deze sectie worden de productkenmerken van ongeoorloofd rood staan tussen de vijf beschouwde banken met elkaar vergeleken. De voorwaarden en kosten met betrekking tot ongeoorloofd rood staan zijn voor de meeste bancaire instellingen moeilijk te vinden en daarom erg ondoorzichtig

A.2.1 Algemeen

- 14 Ongeoorloofd rood staan is rood staan boven de met de bancaire instelling afgesproken kredietlimiet.²

A.2.2 Limiet en opname voorwaarden

- 15 Informatie betreffende het bedrag dan men ongeoorloofd rood mag staan of wanneer het toegestaan is ongeoorloofd rood te staan is niet eenvoudig te vinden. In de algemene voorwaarden van een betaalrekening kan men hierover meer informatie over vinden. Zo wordt er vermeld dat het vaak niet toegestaan is ongeoorloofd rood te staan en dat de bancaire instelling het recht heeft om een betaalopdracht te weigeren indien dit resulteert in ongeoorloofde roodstand. Het komt echter voor dat, zelfs wanneer er onvoldoende krediet aanwezig is, dit soort betaalopdrachten toch worden uitgevoerd. Dit heeft als gevolg dat men ongeoorloofd rood staat.

A.2.3 Afbetalingsvoorwaarden

- 16 Het is niet toegestaan ongeoorloofd rood te staan zonder toestemming van de rekeningverstekkende bank. Indien dit toch gebeurt, zo vermelden de algemene voorwaarden, moet de rekeninghouder er direct voor zorgen dat de ongeoorloofde roodstand aangevuld wordt. Bovendien is het tekort onmiddellijk opeisbaar.

A.2.4 Rente

- 17 Over de ongeoorloofde roodstand moet rente betaald worden. Deze rente is vaak erg moeilijk te vinden op de website van de onderzochte banken. Bovendien wordt er vaak niet aangegeven of de te betalen rente variabel of vast is. Voor de kleinere banken (SNS en Triodos bank) is de rente op ongeoorloofd rood staan gelijk aan de rente op geoorloofd rood staan. Echter, de grote banken hanteren vaak de maximale wettelijk toegestane rente van 15%.³

A.2.5 Acceptatiecriteria

- 18 Volgens de algemene voorwaarden van de betaalrekeningen van de verschillende aanbieders is

2 Hier valt ook roodstand onder wanneer men de mogelijkheid van rood staan niet heeft afgesproken met de bank.

3 Met uitzondering van de Rabobank.

het wettelijk niet toegestaan om ongeoorloofd rood te staan en behouden zij het recht een betaling te weigeren indien dit resulteert in ongeoorloofde roodstand.

A.3 Doorlopend krediet

- 19 In deze sectie worden doorlopende kredieten van een groot aantal aanbieders vergeleken (zie **Error! Reference source not found.** hieronder). Tot deze aanbieders horen zowel bancaire en niet-bancaire instellingen. Bij deze vergelijking worden alle doorlopende kredieten met een waarde tot €10.000 meegenomen omdat verondersteld wordt dat doorlopende kredieten met een hoger limiet geen waarschijnlijk substituuat zijn voor rood staan. Een gedetailleerd overzicht van de kenmerken is zichtbaar in **Error! Reference source not found.** Hieronder worden de belangrijkste kenmerken samengevat.

A.3.1 Algemeen

- 20 Doorlopend krediet is een consumptieve kredietvorm waarbij het te lenen bedrag zowel in zijn geheel als gedeeltelijk opgenomen kan worden, zelfs na aflossing

A.3.2 Limiet

- 21 De limiet op een doorlopend krediet kan in overleg met de instelling zelf bepaald worden. Er gelden echter wel minimale en maximale limieten. Deze liggen voor de meesten bank tussen de €2.500 en €75.000.

A.3.3 Opnamevoorwaarden

- 22 Een doorlopend krediet kan zowel geheel als in (meerdere) gedeeltes opgenomen worden. Echter, men is vaak gebonden aan een minimaal opnamebedrag dat meestal ligt tussen de €100 en €200. Bovendien komt het bij enkele financiële instellingen voor dat men transactiekosten moet betalen voor elke opname van het krediet, deze lopen uiteen van €1,13 tot €9,95
- 23 Aangezien de rente variabel is en de te betalen maandtermijn een vast bedrag is, staat de daadwerkelijke looptijd van het contract meestal niet vast maar hangt deze af van de schommelingen in de rente.

A.3.4 Afbetalingsvoorwaarden

- 24 Het uitstaande doorlopende krediet wordt afbetaald door middel van een maandelijkse betaling die meestal een vast percentage van de limiet is. Dit percentage ligt gebruikelijk tussen de 1% en 8%. Hierbij wordt echter een minimum bedrag van tussen de €37,50 en €50,00 per maand gehanteerd. Daarnaast bestaat vaak de mogelijkheid om het uitstaande bedrag boetevrij ineens of in delen af te lossen. De aflosverplichting blijft bij de meeste banken ook gelden na overlijden, alleen bij de niet-bancaire instellingen wordt de restschuld kwijtgescholden.

A.3.5 Acceptatiecriteria

- 25 Om in aanmerking te komen voor een doorlopend krediet moet men aan een aantal acceptatievoorwaarden voldoen. De geldende acceptatiecriteria hangen sterk af van de financiële instelling. Doorslaggevende criteria zijn:

- a. *De bron van inkomen*: vaak is loon uit een vast dienstverband een vereiste. Echter is het bij sommige instellingen ook mogelijk een doorlopend krediet aan te vragen met een tijdelijk contract, als zelfstandig ondernemer of met alimentatie als inkomstenbron (zie **Error! Reference source not found.**).
- b. *Kredietverleden*: bij het aanvragen van een persoonlijke lening wordt het kredietverleden zowel als eventuele meldingen bij het BKR onderzocht. Vaak is het niet mogelijk een persoonlijke lening aan te vragen indien de hoofdaanvrager of zijn/haar partner een A-melding heeft bij het BKR.
- c. *Minimale & maximale leeftijd*: Voor de meeste aanbieders geldt een minimale leeftijd van 18 jaar en voor de overige een minimale leeftijd van 21 jaar. De maximale leeftijd voor het afsluiten van een persoonlijke lening ligt tussen de 64 en 74 jaar. De maximale aflosleeftijd tussen de 67 en 80 jaar.

A.3.6 Afsluitkosten

- 26 Aan het afsluiten van een doorlopend krediet zijn geen afsluitkosten verbonden.

A.3.7 Rente

- 27 Bij een doorlopend krediet wordt alleen rente betaald over het openstaande saldo. Deze rente is variabel en hangt af van de limiet, het persoonlijke risicoprofiel en de financiële instelling, en ligt tussen de 5,80% en 15,00% op jaarbasis. **Error! Reference source not found.** geeft een overzicht van de rente van de aanbieders van doorlopende kredieten per limietklasse
- 28 Bij de vergelijking van het rentepercentage op een doorlopend krediet tussen de financiële instellingen en voor de verschillende limieten, zien we dat het rentepercentage daalt naarmate de limiet hoger wordt. Deze daling is groter voor de drie grootste banken dan voor de meeste andere financiële instellingen. Bovendien worden de verschillen tussen de financiële instellingen kleiner naar mate de limiet groter wordt.

A.3.8 Opnamekosten

- 29 Bij een aantal aanbieders van doorlopend krediet moeten tractiekosten betaald worden bij het opnemen van (een gedeelte) van het krediet. Dit kan ertoe leiden dat deze aanbieders lagere rentes vragen. Een voorbeeld van een dergelijk aanbieder is Kruidvat. Met een rentepercentage van rond de 6% lijkt een Kruidvat lening een van de goedkoopste opties. Indien men echter rekening houdt met de transactiekosten van €9,95 per opname, hoeft dit niet meer het geval te zijn.

A.4 Creditcard

- 30 In deze sectie worden de kenmerken van creditcards van verschillende aanbieders vergeleken. De financiële instellingen die beschouwd worden zijn de Rabobank, de SNS Bank, de ING, de ABN AMRO en Visa.
- 31 Er bestaan verschillende klassen creditcards zoals de basis card, platinum card en gold card. De verschillen tussen de kaarten zijn, buiten een hoger limiet, voornamelijk de vele extra's zoals aankoopverzekeringen, tolkservices, vlucht- en bagagevertragingsverzekering etc. Aangezien we voornamelijk geïnteresseerd zijn in de creditcard als een substituut voor rood staan, laten we creditcards die duurder zijn door de vele extra's die ze bieden buiten beschouwing.

A.4.1 Algemeen

- 32 Een creditcard is een pas waarbij de gebruiker de mogelijkheid heeft een betaling te maken die pas naar een bepaalde rentevrije periode terugbetaald moet worden. Zodra men een betaling met de creditcard heeft gemaakt maakt men feitelijk gebruik van een doorlopende lening.

A.4.2 Limiet

- 33 Een aantal financiële instellingen hanteert een standaard limiet, deze kan vaak op verzoek omlaag of omhoog aangepast worden. De standaard limiet bedraagt €1.000 tot €2.500, afhankelijk van de instelling. Bij de andere instellingen kan met zelf de limiet bepalen tussen bepaalde maxima en minima, deze liggen tussen de €500 en €5.000.

A.4.3 Opnamevoorwaarden

- 34 De creditcard biedt de mogelijkheid directe betalingen te maken tot de limiet van de creditcard. Het is niet mogelijk om geld over te maken van de creditcard naar de betaalrekening om daar vervolgens een betaling mee te maken (denk bijvoorbeeld aan de betaling van een automatische incasso).

A.4.4 Afbetalingsvoorwaarden

- 35 Het bestede bedrag op de creditcard moet terugbetaald worden aan de financiële instelling. Dit kan bij de meeste instellingen op twee manieren:
- In één keer terugbetalen:* de standaardoptie op de creditcard is om het bestede bedrag per maand ineens terug te betalen. Aangezien de creditcard vaak gekoppeld is aan een betaalrekening betekent dit dat het bedrag per automatische incasso van de rekening geboekt wordt. Bij deze optie wordt geen rente verrekend over het uitstaande bedrag.
 - Gespreide terugbetaling:* vaak is het ook mogelijk het bestede bedrag tegen rente in maandelijkse termijnen terug te betalen. Hierbij hanteren de meeste financiële instellingen een vast percentage van de besteding per maand, met een minimaal aflospercentage per maand of alleen een minimaal aflosbedrag. Het aflospercentage ligt tussen de 2,50% en de 5,00%, en verschilt per instelling. Het minimale aflosbedrag varieert van €20,- tot €45,- per maand, afhankelijk van de financiële instelling.
- 36 Bij alle beschouwde financiële instellingen is het uitstaande bedrag op de creditcard na het overlijden opeisbaar. Alleen Visa biedt de mogelijkheid dit risico af te dekken voor €6,75 per jaar.

A.4.5 Acceptatiecriteria

- 37 Om in aanmerking te komen voor een creditcard moet aan bepaalde acceptatiecriteria voldaan worden. Factoren die in overweging genomen worden bij een aanvraag en bij de bepaling van de limiet zijn:
- Maandelijks netto inkomen:* in sommige gevallen wordt zowel het eigen loon als dat van de partner in beschouwing genomen. Bij een aantal instellingen wordt een minimaal inkomen vermeld zoals bij ING (€650) en Visa (€1150). Bovendien is het mogelijk dat de bron van inkomsten ook van belang is, dit wordt echter alleen expliciet vermeld door de SNS Bank.
 - Maandelijkse lasten:* hierbij wordt er gekeken naar de huidige huurlasten, kosten van levensonderhoud en andere financiële verplichtingen.

- c. *Persoonlijke omstandigheden*: hierbij wordt er o.a. gekeken naar de gezinssituatie.
- d. *Registratie bij Bureau KredietRegistratie*: hierbij wordt gekeken naar welke kredieten er reeds uitstaan, welke kredieten zijn afgelost en of er een betalingsachterstand is gemeld.
- e. *Bestaande schulden*: hierbij wordt een hypotheek of andere vormen van leningen bekeken.
- f. *Land van vestiging*: bij een aantal instellingen staat expliciet vermeld dat men alleen in aanmerking kan komen voor een creditcard indien men in Nederland woont, zoals bij Visa en de SNS bank.
- g. *Minimale leeftijd*: de minimale leeftijd om in aanmerking te komen voor een creditcard is 18 jaar.
- h. Betaalrekening

A.4.6 Afsluitkosten

- 38 Het afsluiten van een creditcard gaat vaak gepaard met periodieke kosten voor zowel de creditcard als de (vaak) benodigde betaalrekening (€17 - €36 per jaar). De bijkomende kosten voor de creditcard liggen tussen de €15,75 en €36,50 per jaar. Bij een aantal aanbieders zitten de kosten van de creditcard inbegrepen in de kosten van het betaalpakket. Dit zijn vaak de duurdere betaalpakketten met jaarlijkse kosten tussen de €36 en €45 per jaar.

A.4.7 Rente

- 39 Alleen bij gebruik van gespreide terugbetaling moet rente betaald worden over het uitstaande bedrag. Deze rente ligt tussen de 12,7% tot 15% op jaarbasis, bij een limiet tot €5.000, daarmee is het gespreid terugbetalen van de creditcard krediet een van de duurste vormen van lenen (zie **Error! Reference source not found.**).
- 40 Voor vrijwel alle beschouwde instellingen hangt de rente op gespreid betalen niet af van de limiet op de creditcard.

A.5 Persoonlijke lening

- 41 In deze sectie worden persoonlijke leningen van een groot aantal aanbieders vergeleken. Tot de aanbieders horen zowel bancaire als niet bancaire instellingen. De productkenmerken worden vergeleken voor leningen tot €10.000 aangezien producten met een hoger limiet niet als een waarschijnlijk substituuut voor rood staan beschouwd worden. Een overzicht van de kenmerken is zichtbaar in **Error! Reference source not found.** Hieronder volgt een samenvatting

A.5.1 Algemeen

- 42 Een persoonlijke lening is een consumptieve kredietvorm waarbij het te lenen bedrag in een keer wordt uitbetaald en in vaste termijnen wordt terugbetaald. Een persoonlijke lening wordt voornamelijk gebruikt voor het betalen van grote aankopen.

A.5.2 Limiet

- 43 Bij de meeste aanbieders kan men een persoonlijke lening afsluiten voor een bedrag van minimaal €5.000. Bij enkele andere aanbieders is het ook mogelijk een lening voor een bedrag

vanaf €2.500 af te sluiten, dit zijn de financiële niet-bancaire instellingen en Santander. Het maximale te lenen bedrag is voor alle aanbieders gelijk aan of hoger dan €50.000.

A.5.3 Opnamevoorwaarden

- 44 Bij een persoonlijke lening wordt de gehele limiet van de lening in een keer opgenomen. Het is niet mogelijk na (een gedeeltelijke) aflossing opnieuw een gedeelte van de lening op te nemen.

A.5.4 Afbetalingsvoorwaarden

- 45 Bij een persoonlijke lening wordt elke maand een vast bedrag aan aflossing betaald. Deze aflossing wordt bepaald door de looptijd van de lening. Deze looptijd wordt in overleg met de financiële instelling vastgezet en ligt tussen de 6 en 120 maanden.
- 46 Bij een persoonlijke lening heeft men de mogelijkheid de lening vroegtijdig af te lossen, dit kan echter niet altijd boetevrij. Vooral bij de financiële niet-bancaire instellingen zitten er vaak kosten verbonden aan het vroegtijdig aflossen van de persoonlijke lening. Deze kosten bedragen 1% van het vroegtijdig afgeloste bedrag, indien het bedrag meer dan een jaar te vroeg is aflost en anders 0,5%.
- 47 Bij de alle financiële niet-bancaire instellingen moet na overlijden het resterende bedrag van de lening terugbetaald worden. Dit bedrag is dus opeisbaar door de bank bij nabestaanden. Alleen bij de bancaire instellingen wordt de resterende schuld in geval van overlijden kwijtgescholden.

A.5.5 Acceptatiecriteria

- 48 Om voor een persoonlijke lening in aanmerking te komen moeten aan bepaalde acceptatiecriteria worden voldaan. De geldende acceptatiecriteria hangen sterk af van de financiële instelling. Doorslaggevende criteria zijn:
- De bron van inkomen:* vaak is loon uit een vast dienstverband een vereiste. Echter is het bij sommige instellingen ook mogelijk een persoonlijke lening aan te vragen met een tijdelijk contract, als zelfstandig ondernemer of met alimentatie als inkomstenbron (zie **Error! Reference source not found.**).
 - Kredietverleden:* bij het aanvragen van een persoonlijke lening wordt het kredietverleden en eventuele meldingen bij het BKR onderzocht. Vaak is het niet mogelijk een persoonlijke lening aan te vragen indien de hoofdaanvrager of zijn/haar partner een A-melding heeft bij het BKR.
 - Minimale & maximale leeftijd:* Voor de meeste aanbieders geldt een minimale leeftijd van 18 jaar en voor de overige een minimale leeftijd van 21 jaar. De maximale leeftijd voor het afsluiten van een persoonlijke lening ligt tussen de 64 en 74 jaar. De maximale afbetaalleeftijd ligt tussen de 67 en 80 jaar.

A.5.6 Afsluitkosten

- 49 Aan het afsluiten van een persoonlijke lening zijn geen afsluitkosten verbonden.

A.5.7 Rente

- 50 De rente die betaald wordt op een persoonlijke lening is sterk afhankelijk van zowel de limiet als de financiële instelling. **Error! Reference source not found.** bevat de rente per aanbieder en

limiet.

- 51 Voor de meeste financiële instellingen geldt: des te hoger de limiet, des te lager de te betalen rente. Dit verschil kan wel oplopen tot 3,5% en is in het algemeen groter voor de top 3 banken als voor de rest van de financiële instellingen. Dit komt voornamelijk doordat de rente op een laag limiet aanzienlijk hoger is bij de top 3 banken dan bij de meeste andere financiële instellingen, het verschil wordt kleiner naarmate de limiet hoger wordt. Dit lijkt aan te duiden dat er meer concurrentie plaats vindt op leningen met een hoger limiet (een limiet tot €10.000) dan voor leningen met een lager limiet.
- 52 Bij een aantal leningen bestaat de mogelijkheid dat de rente nog aangepast wordt aan de hand van het risicoprofiel (5 van de 12 aanbieders). In de openbare stukken ontbreekt de informatie over de basis waarop deze rente wordt aangepast en hoe groot deze aanpassing kan zijn. Er lijkt geen duidelijke relatie te bestaan tussen de hoogte van de rente en de mogelijkheid van het aanpassen van de rente gebaseerd op het risicoprofiel van een klant; zowel duurdere als goedkopere aanbieders geven aan gebruik te maken van een op risico-gebaseerde rente.

A.6 Flitskrediet

- 53 In deze sectie worden de kenmerken van flitskredieten gespecificeerd en de voorwaarden van verschillende aanbieders van flitskredieten met elkaar vergeleken.⁴ Voor een gedetailleerd overzicht van flitskredieten zie **Error! Reference source not found.**

A.6.1 Algemeen

- 54 Een flitskrediet is een lening met een relatief lage leensom die binnen een korte termijn terugbetaald moet worden (maximaal binnen drie maanden). Deze kredieten vallen sinds mei 2011 onder het toezicht van de AFM.

A.6.2 Limiet

- 55 De maximale leensom ligt voor de meeste aanbieders tussen de €50 en €1.000. Echter, bij sommige aanbieders is de leensom afhankelijk van de relatie tussen de klant en de aanbieders. Indien er geen relatie bestaat (nieuwe klant) is het te lenen bedrag vaak beperkt tot €400.

A.6.3 Opnamevoorwaarden

- 56 De gehele leensom wordt bij de meeste aanbieders binnen enkele dagen en soms zelfs uren of minuten overgemaakt op de betaalrekening. Vaak kan tegen een meerprijs de duur van ontvangst verkort worden zodat de klant sneller beschikking heeft over de leensom. Het is niet mogelijk in termijnen geld op te nemen.

A.6.4 Afbetalingsvoorwaarden

- 57 Het aflossen van de lening vindt in één keer plaats voor de uiterste terugbetaaltermijn. Deze hangt af van de duur van de lening die voor de meeste aanbieders tussen de 15 en 45 dagen ligt. Indien gewenst kan de lening ook eerder afgelost worden, hier zijn geen extra kosten aan

4 Deze aanbieders zijn: cashper.nl, saldodipje.nl, minilening.nl en betaaldag.nl. Informatie verkregen op 6 Januari 2014 van de respectieve website.

verbonden. Echter, de te betalen rente ligt vast en resulteert dit dus niet in een vermindering van de te betalen kosten.

A.6.5 Acceptatiecriteria

- 58 De acceptatiecriteria van de verschillende aanbieders lopen sterk uiteen. Zo vermeldt cashper.nl dat zij er voor iedereen zijn en specificeert de acceptatievoorwaarden nauwelijks in de kredietvoorwaarden. Echter, de andere aanbieders hanteren strengere acceptatievoorwaarden waarbij o.a. criteria zoals BKR melding, leeftijd, nationaliteit, herkomst loon, hoogte loon en woonplaats in beschouwing genomen worden.

A.6.6 Rente

- 59 De te betalen rente op flitskredieten loopt sterk uiteen. Zo zijn er enkele aanbieders die een rente aanbieden die gelijk is aan de maximale toegestane rente, terwijl andere aanbieders relatief lage rentes aanbieden van 7,9% en zelfs 0% op jaarbasis. Bij aanbieders die een hogere rente hanteren is het vaak mogelijk een lening af te sluiten zonder bijkomende kosten, bij de andere aanbieders is dit meestal niet het geval, dit wordt in de volgende sectie in meer detail uitgelegd.

A.6.7 Afsluitkosten

- 60 Het is niet ongebruikelijk dat bij het afsluiten van een flitskrediet additionele kosten betaald moeten worden, zoals bijvoorbeeld kosten voor een snelle afhandeling van de aanvraag en ontvangst van het geleende bedrag, administratiekosten, advieskosten en overlijdensverzekeringskosten. Ook zijn er mogelijk extra kosten verbonden aan het ontvangen en verzenden van SMS berichten of aan het plegen van telefoongesprekken. Deze kosten zijn van tevoren niet duidelijk en vaak erg hoog en resulteren in een effectieve rente van ruim boven de 100%. Dit zorgt ervoor dat flitskredieten een van de duurste vormen van lenen zijn.

Tabel 1: Kenmerken van rood staan

Instelling	Goedkoopste betalpakket	Min leeftijd	Limiet		Looptijd (mnd.)	Boetevrij aflossen	Minimale bijschrijving	Kwijtschelding overlijden	Rente per limiet tot			
			Min	Max					€1.000	€2.500	€5.000	€10.000
ING continu	€17,40	18	€2.500	€25.000	Onbepaald	Ja	5%	Nee	n.v.t.	n.v.t.	9,90%	9,90%
ING kwartaal	€17,40	18	€500	€2.000	Onbepaald	Ja	n.v.t.	Nee	13,90%	13,90%	n.v.t.	n.v.t.
ABN AMRO	€36,00 ⁵	18	€500	€75.000	Onbepaald	Ja	2,5%	Ja	14,10%	11,20%	11,20%	10,40%
Rabobank	€17,00	18	€500	€50.000	Onbepaald	Ja	2%	Nee	12,90%	12,70%	12,70%	10,40%
SNS Bank	€23,40	18	€1.000	€2.500	Onbepaald	Ja	n.v.t.	Onbekend	11,00%	11,00%	n.v.t.	n.v.t.
Triodos	€23,40	18	€500	€10.000	Onbepaald	Ja	2,5%	Onbekend	12,00%	12,00%	n.v.t.	n.v.t.

Bron: rabobank.nl, ing.nl abnamro.nl, snsbank.nl, triodos.nl, worldcard.nl (verkregen op 23 oktober 2013)

Tabel 2: Kenmerken van doorlopende kredieten

Instelling	Leeftijd aanvrager			Limiet		Kwijtschelding overlijden	Tijdelijk contract	Alimentatie als inkomen	Zelfstandig ondernemer	A-melding BKR	Rente gebaseerd op risico	Min opnamebedrag	Bankpas geld opnemen	Opnamekosten	Min aflossings-termijn	Rente voor limiet tot		
	Min	Max start	Max einde	Min	Max											€2.500	€5.000	€10.000
Interbank	21	59	67	€2.500	€75.000	nee	ja	nee	ja	nee	Ja	€100	ja	€1,30	€50	15,00%	7,70%	6,60%
WoonLife Kredieten	21	59	67	€2.500	€75.000	nee	ja	nee	ja	nee	ja	€100	ja	€1,130	€50	15,00%	12,30%	11,00%
Rabobank.	18	64	75	€2.500	€50.000	ja	ja	ja	ja	ja	nee	€150	nee	n.v.t.	€25	12,50%	10,30%	9,20%
ABN AMRO	18	64	73	€2.500	€75.000	ja	ja	nee	ja	ja	ja	€0	ja	n.v.t.	€37,50	11,70%	10,60%	8,70%
ING	21	59	67	€2.500	€75.000	ja	ja	nee	ja	ja	nee	€225	nee	n.v.t.	€35	11,40%	10,30%	9,20%
SNS bank	18	64	70	€2.500	€50.000	ja	ja	ja	nee	nee	nee	€100	nee	n.v.t.	€50	10,40%	9,70%	8,10%
Santander	18	64	73	€2.500	€50.000	nee	nee	nee	nee	nee	nee	€150	ja	€9,95	€45	9,90%	8,50%	7,30%
De hypothecker	21	59	67	€2.500	€75.000	nee	ja	ja	ja	nee	nee	€100	ja	€1,13	€50	6,90%	6,90%	6,90%
Freo	18	64	70	€5.000	€50.000	nee	ja	nee	nee	nee	nee	€0	nee	n.v.t.	€0		6,00%	5,60%
Moneyou	18	59	68	€5.000	€50.000	nee	ja	nee	ja	ja	nee	€100	nee	n.v.t.	€50		6,40%	6,40%
Directa	18	64	70	€5.000	€50.000	nee	ja	ja	nee	nee	nee	€100	nee	n.v.t.	€50		7,30%	5,80%
De Nederlandse voorschot bank	21	59	65	€5.000	€50.000	nee	ja	nee	nee	nee	ja	€200	nee	n.v.t.	€50		7,60%	7,60%
Defam	21	59	70	€5.000	€50.000	nee	ja	nee	nee	nee	ja	€100	nee	n.v.t.	€50		7,70%	6,40%
Ribank	18	59	65	€2.500	€50.000	nee	nee	nee	nee	nee	nee	€200	nee	n.v.t.	€45			6,10%

Instelling	Leeftijd aanvrager			Limiet		Kwijtschelding overlijden	Tijdelijk contract	Alimentatie als inkomen	Zelfstandig ondernemer	A-melding BKR	Rente gebaseerd op risico	Min opnamebedrag	Bankpas geld opnemen	Opnamekosten	Min aflossings-termijn	Rente voor limiet tot		
	Min	Max start	Max einde	Min	Max											€2.500	€5.000	€10.000
Kruidvat	n/a	n/a	73	€5.000	€50.000	nee	n/a	n/a	n/a	n/a	n/a	€20 (max €750)	n/a	€9,95	n/a		6,40%	5,90%
OHRA	n/a	n/a	73	€5.000	€50.000	nee	n/a	n/a	n/a	n/a	n/a	€20 (max € 750)	n/a	€9,95	n/a		6,40%	5,90%

Bron:independenr.nl, OHRA.nl en kruidvat.nl informatie verkregen op 20 november 2013

Tabel 3: Kenmerken van persoonlijke leningen

Instelling	Leeftijd aanvrager			Limiet		Looptijd (mnd)	Boetevrij aflossen	Kwijtschelding overlijden	Tijdelijk contract	Alimentatie als inkomen	Zelfstandig ondernemer	A- Melding BKR	Rente gebaseerd op risico	Rente per limiet tot		
	Min	Max start	Max einde	Min	Max									€2.500	€5.000	€10.000
Kruidvat	18	72	73	€2.500	€50.000	24-120	nee	nee	ja	nee	ja	nee	ja	7,70%	7,70%	7,70%
Santandar	18	72	73	€2.500	€50.000	24-120	nee	nee	ja	nee	ja	nee	ja	9,90%	8,90%	7,90%
OHRA	18	72	73	€2.500	€50.000	24-120	nee	nee	ja	nee	ja	nee	ja	9,90%	7,90%	6,90%
ING	18	69	70	€2.000	€75.000	6-96	ja	ja	ja	nee	ja	ja	nee	11,60%	10,50%	9,40%
ABN AMRO	18	74	80	€2.500	€75.000	24-144	ja	ja	ja	nee	ja	ja	ja	11,90%	10,80%	8,90%
Interbank	21	67	67	€2.500	€75.000	6-120	nee	nee	ja	nee	ja	nee	ja	12,40%	7,60%	6,50%
Rabobank	18	74	75	€2.500	€50.000	6-120	ja	ja	ja	ja	ja	ja	nee	13,90%	10,50%	9,40%
Freo	18	69	70	€5.000	€50.000	6-120	ja	nee	ja	ja	nee	nee	nee		7,20%	6,60%
De Nederlandse voorschot bank	21	67	73	€5.000	€50.000	6-120	nee	nee	ja	nee	nee	nee	ja		7,50%	7,50%



Instelling	Leeftijd aanvrager			Limiet		Looptijd (mnd)	Boetevrij aflossen	Kwijtschelding overlijden	Tijdelijk contract	Alimentatie als inkomen	Zelfstandig ondernemer	A- Melding BKR	Rente gebaseerd op risico	Rente per limiet tot		
	Min	Max start	Max einde	Min	Max									€2.500	€5.000	€10.000
Directa	18	64	70	5.000	€50.000	24-72	ja	nee	ja	ja	nee	nee	nee		7,90%	7,20%
Ribank	21	67	73	5.000	€50.000	12-120	nee	nee	ja	nee	ja	nee	nee		8,90%	6,90%
Defam	21	63	69	5.000	€50.000	12-120	nee	nee	ja	nee	nee	nee	ja		9,70%	7,30%

Bron: independer.nl, informatie verkregen op 20 november 2013

Tabel 4: Jaarlijkse rentepercentage voor creditcard, rood staan, persoonlijke lening en doorlopend krediet voor diverse financiële instellingen

Instelling	Creditcard	Rood staan (tot €1.000)	Rood staan (tot €2.500)	Rood staan (tot €5.000)	Rood staan (tot €10.000)	Pers. lening (tot €2.500)	Pers. lening (tot €5.000)	Pers. lening (tot €10.000)	Doorl. krediet (tot €2.500)	Doorl. krediet (tot €5.000)	Doorl. krediet (tot €10.000)
Visa Worldcard	15%	n.v.t.	n.v.t.	n.v.t.	n.v.t.	n.v.t.	n.v.t.	n.v.t.	n.v.t.	n.v.t.	n.v.t.
ABN AMRO	15%	14,1%	11,20%	11,20%	10,40%	11,90%	10,80%	8,90%	11,70%	10,60%	8,7%
Rabobank	12,70%	12,90%	12,70%	12,70%	10,40%	13,90%	10,50%	9,40%	12,50%	10,30%	9,20%
ING	13,90% ⁶	13,90% ⁷	9,90% ⁷	9,90% ⁸	9,90% ⁸	11,60%	10,50%	9,40%	11,40%	10,30%	9,20%
SNS Bank	14,90%	11,00%	11,00%	n.v.t.	n.v.t.	n.v.t.	n.v.t.	n.v.t.	10,40%	9,70%	8,10%
Triodos	n.v.t.	12,00%	12,00%	n.v.t.	n.v.t.	n.v.t.	n.v.t.	n.v.t.	n.v.t.	n.v.t.	n.v.t.
Kruidvat	n.v.t.	n.v.t.	n.v.t.	n.v.t.	n.v.t.	7,70%	7,70%	7,70%	n.v.t.	6,00% ⁹	6,10% ⁹
Interbank	n.v.t.	n.v.t.	n.v.t.	n.v.t.	n.v.t.	12,40%	7,60%	6,50%	15,00%	7,70%	6,60%
Woonlife kredieten	n.v.t.	n.v.t.	n.v.t.	n.v.t.	n.v.t.	n.v.t.	n.v.t.	n.v.t.	15,00%	12,30%	11,00%
Santander	n.v.t.	n.v.t.	n.v.t.	n.v.t.	n.v.t.	9,90%	8,90%	7,90%	9,90% ⁹	8,50% ⁹	7,30% ⁹
De Hypotheker	n.v.t.	n.v.t.	n.v.t.	n.v.t.	n.v.t.	n.v.t.	n.v.t.	n.v.t.	6,90%	6,90%	6,90%
Freo (Rabobank)	n.v.t.	n.v.t.	n.v.t.	n.v.t.	n.v.t.	n.v.t.	7,20%	6,60%	n.v.t.	6,00%	5,60%
Money You	n.v.t.	n.v.t.	n.v.t.	n.v.t.	n.v.t.	n.v.t.	n.v.t.	n.v.t.	n.v.t.	6,40%	6,40%
Directa (BNP Paribas)	n.v.t.	n.v.t.	n.v.t.	n.v.t.	n.v.t.	n.v.t.	7,90%	7,20%	n.v.t.	7,30%	5,80%
Nederlandse Voorschotbank	n.v.t.	n.v.t.	n.v.t.	n.v.t.	n.v.t.	n.v.t.	7,50%	7,50%	n.v.t.	7,60%	7,60%

⁶ Bij een limiet van 5.000 euro geldt een lagere rente van 12,40%.

⁷ Kwartaalpakket tot €2.000.

⁸ Continu limiet vanaf 2.501.

⁹ Transactiekosten ter waarde van 9,95 euro per opname.

Instelling	Creditcard	Rood staan (tot €1.000)	Rood staan (tot €2.500)	Rood staan (tot €5.000)	Rood staan (tot €10.000)	Pers. lening (tot €2.500)	Pers. lening (tot €5.000)	Pers. lening (tot €10.000)	Doorl. krediet (tot €2.500)	Doorl. krediet (tot €5.000)	Doorl. krediet (tot €10.000)
Defam	n.v.t.	n.v.t.	n.v.t.	n.v.t.	n.v.t.	n.v.t.	9,70%	7,30%	n.v.t.	7,70%	6,40%
Ribank	n.v.t.	n.v.t.	n.v.t.	n.v.t.	n.v.t.	n.v.t.	8,90%	6,90%	n.v.t.	n.v.t.	6,10%
OHRA	n.v.t.	n.v.t.	n.v.t.	n.v.t.	n.v.t.	9,90%	7,90%	6,90%	n.v.t.	6,4% ⁹	5,9% ⁹

Bron:independer.nl (verkregen op 20 november 2013), ohra.nl en kruidvat.nl (verkregen op 20 november 2013), rabobank.nl, ing.nl abnamro.nl, snsbank.nl, triodos.nl, worldcard.nl (verkregen op 23 oktober 2013)

Tabel 5: Voorwaarden van flitskredieten

Aanbieder	min - max limiet (euro)	looptijd (dagen)	Rente p.j.	Extra kosten	Effectieve rente op jaarbasis**
Cashper.nl	€100 - €600	15/30	15,00%	Keuze uit drie bundels: simpel (+0%), gemak (+15% van krediet) en snel (+25% van krediet). Default optie is snel, hierbij heeft men beschikking over geld binnen 1 werkdag, met simpel pas na 7 werkdagen.	Simpel: 15% Gemak: 380% Snel: 623%
Saldodipje.nl	€100 - €800*	15/30/45	14,90%	Verplichte garantstelling is het snelste via Global Guarantee (GG) (+€24,39 - +€255,30, afhankelijk van duur en limiet) maar kan ook zelf geregeld worden (+€0 euro)	GG: 608% Zelf: 14,90%
Minilening.nl	€100 - €750	21	7,90%	Verplichte advieskosten (AK) (+€19 - €143 euro) en een optionele risicoverzekering (RV) (+€2,50 euro)	AK: 338% AK+RV: 382%
*Bij eerste keer gebruik geldt een max van 400 euro					
**Op basis van een krediet van 100 euro en de kortste duur					

Bron: Cashper.nl, Saldodipje.nl en minilening.nl, informatie verkregen op 7 januari 2014

Appendix B - Huidige regulering van roodstand in Nederland

- 61 Deze bijlage bevat een beknopte beschrijving van de geselecteerde aspecten van regulering van rood staan in Nederland die relevant zijn voor dit rapport. Regulering die niet voor de onderzoeksvragen relevant zijn, en regulering van andere vormen van consumptief krediet wordt dus veelal buiten beschouwing gelaten. Het volledige reguleringskader kan worden gevonden in de relevante wettelijke teksten.¹⁰
- 62 Roodstand in Nederland wordt niet apart gereguleerd, maar wordt behandeld als een vorm van consumptief krediet. Sommige bepalingen zijn van toepassing op alle vormen van leningen, andere zijn alleen van toepassing op roodstand of leningen met een bepaalde duur.
- 63 De belangrijkste aspecten van regulering van rood staan zijn: informatievoorziening, toetsing van de kredietwaardigheid van consumenten en de maximale kredietvergoeding.¹¹

B.1 Informatie voorziening aan consumenten

- 64 De regulering betreffende de informatievoorziening aan consumenten schrijft voor wat voor informatie beschikbaar gesteld moet worden aan consumenten die een krediet afsluiten. Het doel van deze verplichting is om ervoor te zorgen dat consumenten voldoende geïnformeerd zijn bij het afsluiten van een krediet.¹²
- 65 De informatie die gespecificeerd dient te worden aan consumenten die een geoorloofde roodstand aanvragen omvat o.a.: het rentepercentage inclusief de vorm van indexering, alle andere kosten en de voorwaarden waaronder zij in rekening worden gebracht of de voorwaarden waaronder zij kunnen worden gewijzigd, het jaarlijks kostenpercentage geïllustreerd met voorbeelden, de kosten in geval van een betalingsachterstand, gedetailleerde informatie over de kredietvolstrekker en de voorwaarden voor de beëindiging van het contract.
- 66 Kredietverstrekkers van leningen, die geen geoorloofde roodstand zijn of een langere looptijd hebben dan drie maanden, moeten veelal aan dezelfde informatieverstrekkingsvoorwaarden voldoen, die echter op bepaalde punten een meer gedetailleerd niveau van informatie vereisen. Voor korte termijn kredieten met een looptijd van minder dan een maand is een lager

10 De belangrijkste wettelijke teksten met betrekking tot roodstanden en consumptief krediet zijn: Wet op financieel toezicht (Wft), Vrijstellingsregeling Wft, Besluit Gedragstoezicht financiële ondernemingen Wft, Nadere regeling Nadere Regeling gedragstoezicht financiële ondernemingen Wft (NRgfo), Besluit Kredietvergoeding, Wet op het consumentenkrediet en Colportagewet. Daarnaast zijn enkele bepalingen opgenomen in het Burgerlijk Wetboek. Op 25 mei 2011 zijn in de genoemde wetten bepalingen uit de Europese Richtlijn Consumentenkrediet geïmplementeerd. Zie ook www.afm.nl voor samenvattingen.

11 Voor roodstanden die niet binnen een maand hoeven te worden afgelost kunnen ook andere eisen gelden, zoals bijvoorbeeld reclameregels, regels met betrekking tot de inhoud van de kredietovereenkomst of regels met betrekking tot vervroegde aflossing. Omdat deze regels niet relevant zijn minder relevant zijn voor de vragen die in dit rapport worden gesteld, laten we die buiten beschouwing.

12 Zie Artikel 4:33 Wet op het financieel toezicht (hierna “Wft”) in verbinding met Artikel 112 Besluit Gedragstoezicht financiële ondernemingen Wft (hierna “BGfo”).

informatiedetail vereist, waarbij alleen het totale kredietbedrag, de debetrentevoet inclusief indexering, de kosten van de overeenkomst en de corresponderende wijzigingsvoorwaarden en het jaarlijkse kostenpercentage (JKP) met voorbeelden gespecificeerd dienen te worden. Het JKP bestaat uit de totale kosten van het krediet voor de consument, uitgedrukt in een percentage op jaarbasis van het totale kredietbedrag. De totale kosten omvatten alle kosten van het krediet, met inbegrip van rente, commissielonen, belastingen, kosten in verband met nevendiensten die verplicht af te sluiten zijn bij het krediet en vergoedingen van welke aard ook, die de consument in verband met de kredietovereenkomst moet betalen en die de kredietaanbieder bekend zijn, met uitzondering van notariskosten¹³.

B.2 Kredietwaardigheidstoets

- 67 Aanbieders van krediet zijn verplicht de kredietwaardigheid van de consument te beoordelen op basis van diens financiële positie en te bepalen of een krediet verantwoord zou zijn voor de consument. Hierbij hoort ook het raadplegen van het Bureau voor Krediet Registratie (hierna “BKR”), indien het een krediet van meer dan €250 bedraagt. Ook dienen de acceptatievoorwaarden kenbaar gemaakt te worden indien het termijn 3 maanden overschrijdt of de limiet hoger is dan de maandelijkse voeding op de betaalrekening. Bovendien zijn kredietverstrekkers niet geoorloofd een kredietovereenkomst van €1.000 of meer aan te gaan bij beschikking over onvoldoende informatie over de financiële situatie van de klant.¹⁴

B.3 Maximale Kredietvergoeding

- 68 Aanbieders van krediet kunnen geen hogere kredietvergoeding vragen dan de maximale wettelijke kredietvergoeding. Deze ten hoogst toegelaten kredietvergoeding is uitgedrukt als een effectief kredietvergoedingspercentage op jaarbasis, welke gelijk is aan de wettelijke rente, op dit moment 3% plus een opslag van 12%, in totaal dus 15%¹⁵. Deze laatste opslag is over de jaren veranderd: in het jaar 2000 is deze vastgezet op 17% en in 2006 aangepast naar het huidige niveau van 12%. Buiten de mark-up schommelt de wettelijk rente, met als resultaat een fluctuatie in het maximale kredietvergoedingspercentage.
- 69 Het maximale kredietvergoedingspercentage is sinds de implementatie van de Richtlijn Consumentenkrediet op 25 mei 2011 geldig voor kredieten met een looptijd korter dan 3 maanden. Voor die tijd gold de renteregulering niet voor deze kredieten, waardoor de meeste roodstand (die in die tijd meestal binnen drie maanden afgelost moest worden) buiten de regulering viel.
- 70 De onderstaande grafiek geeft een overzicht van de hoogte van het maximale kredietvergoedingspercentage van het jaar 2000 tot 2013, waarbij de rode lijn het moment aangeeft waar vanaf deze geldig werd voor korte termijnkredieten met een looptijd van minder

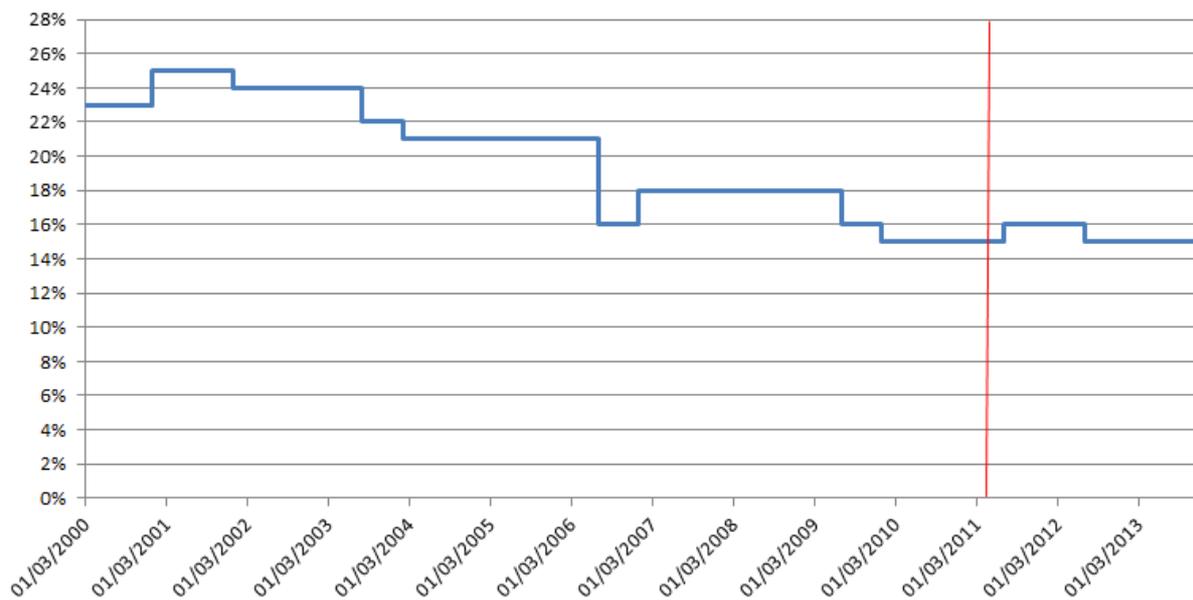
13 Website van AFM, www.afm.nl. Zie ook Besluit Gedragstoezicht financiële ondernemingen Wft (BGfo), artikel 1 en bijlage A.

14 Zie Artikel 4:32 Wft in verbinding met Artikel 112 en 114 BGfo en Artikel 4:34 in verbinding met 115.

15 Artikel 115a BGfo in verbinding met Artikel 4 Besluit Kredietvergoeding.

dan 3 maanden.

Figuur 1: Het maximale kredietvergoedingspercentage van maart 2003 tot december 2012¹⁶



Bron: De Nederlandse Bank en Besluit kredietvergoeding.

¹⁶ De rode lijn geeft de periode in de tijd aan wanneer het maximale kredietvergoedingspercentage geldig werd voor korte termijncredieten met een looptijd van minder dan 3 maanden.