

Consultation on market research into the functioning of the Dutch savings market

Revolut UAB - Netherlands Branch

Introduction

Revolut (operating via its Netherlands Branch) welcomes the opportunity to respond to the ACM's consultation on the working of the Dutch Savings market. As an EU bank just starting out in the Dutch savings market, we are happy to see that the ACM has delved into the different reasons on why consumers have low willingness to switch to other (EU) banks from the largest banks.

Additionally, we welcome the majority of the ACM's recommendations in its attempt to influence policy in order to shift away from an oligopoly savings market. We do however have some reservations about the feasibility & effectiveness of some of the recommendations. We share these reservations under the section recommendations.

Finally, as a relatively new player in the Dutch savings market, we believe that our insights serve as a yardstick for EEA banks attempting to operate or operating in the Netherlands and attempting to gain market share from the incumbents in an oligopoly savings market.

As a digital bank, we strongly believe in the value and overall vast improvement that digitalisation has brought to the consumer and their experience of financial services. Digitalisation, and innovation more broadly, has been a proven net benefit to consumers in terms of accessibility, ease of use and control of finances, as well as addressing some of the barriers to access for groups who have experienced exclusion from traditional financial services.

In our view, innovation in financial services has enabled Dutch consumers to:

- Digitally manage their finances at any time that is convenient to them - as opposed to being able to do so only in person between 9am and 6pm on weekdays;
- Send and receive peer-to-peer payments instantly;
- Have real-time control and greatly improved clarity of all their account transactions;

- Analyse their spending patterns and understand in simple terms where and how they are utilising their money;
- Apply for credit speedily, but with the reassurance of an affordability assessment using Open Banking to ensure that they only borrow what they can demonstrably repay;
- Donate instantly to charity, without fees or charges;
- Avail of lower fees for basic transfers, foreign exchange and account maintenance;
- Instantly create savings accounts encouraging them to save (including using features such as spare change round-up);
- Make their own investment decisions or receive free automated advice; and
- Create accounts for their children which teach them digital financial literacy (but at all times under the guidance of a parent).

In general, we believe Revolut provides much greater control, access and clarity to our customers of their finances than services offered by other financial institutions. This reflects our approach of building our products with the customer at the heart of our design and digitalisation has allowed Revolut to implement in this manner.

As outlined in our response, fostering an innovative and competitive market is key to securing consumers interests in the Dutch market.

Revolut's response to the ACM's questions

1. What do you think of the conclusions?

In general we recognise and to a large extent agree with the sub-conclusions provided for the different topics. See our responses below on certain conclusions where we might differ from the ACM and/or would like to add some additional nuance/context.

a. Do you agree with the conclusion that the Dutch savings market is an oligopolistic market that does not function properly?

Based on our experience on entering the Dutch savings market in the first half of 2024, we agree with the following conclusion in the report: *'As a result of the low willingness from consumers to switch [banks], smaller and foreign providers can only exert limited competitive pressure on these major banks. The lack of competition is also evident from the fact that major banks compete only limitedly for new customers and mainly focus on retention savings volumes'*. We in particular underscore both the ACM's conclusion that the savings market is

currently an oligopoly market and the ACM's focus in its recommendations 'on increasing (the threat of) switching by consumers in the market'.

Although, we generally agree with the ACM's view - *that the obstacles for new market participants to join the Dutch savings markets are not unreasonably/unnecessarily high* - we do believe that there are several obstacles on the horizon, unique to the Dutch market. One such obstacle is the recently introduced [proposal on Cash Infrastructure](#). In short, banks (including EU banks would be in scope, both those opting for a branch setup like Revolut or a crossborder setup) will be obliged to offer their customers access to the basic cash infrastructure, at maximum rates. Withdrawing and depositing banknotes could potentially be free for private individuals. These requirements would apply to banks with 50.000 or more customers in the Netherlands. Based on the initial assessment of Revolut and its peer banks, the consequences of this proposed cash infrastructure legislation will be extremely costly and limiting for smaller/neo/online banks like Revolut, who have an operating model which does not include having cash deposit services, to offer their services in the Netherlands. See our joint response to the consultation on the proposed Cash Infrastructure Act, [here](#). Additionally, the proposed act could potentially result in:

1. foreign/smaller banks deciding to halt doing business in the Netherlands or either leave the Netherlands all together;
2. an unreasonable and unfair barrier for foreign banks to enter the Dutch market (as compared to other EU markets); and
3. the payment/savings package prices provided to customers by smaller/foreign banks will increase quicker than that of the incumbent banks due to both the costly measures required to meet the cash infrastructure requirements and that the incumbent banks already offer cash infrastructure services and therefore do not need to (significantly) increase their package rates.

All together, the proposed act will not be conducive to more competition and incumbent banks will have little competitive need to i) innovate in order to be competitive and ii) increase interest rates following the ECB's future rate hikes.

In Revolut's view this cash infrastructure act will be detrimental to all but the incumbent major banks. New players in the market and smaller banks offering their services in the Netherlands will have to conform rather than look at innovative and alternative offerings to comply with the proposals and therefore also be detrimental for competition in the Dutch savings market. The lack of a level playing field for foreign competition in particular will serve to strengthen the current oligopoly savings market which ultimately is to the disadvantage of the consumer (missing out on higher rates offered by smaller/foreign banks).

b. Do you agree with the conclusion that it is likely that tacit coordination is taking place in the Dutch savings market?

Prior to Revolut joining the Dutch savings market, we carried out extensive research on the current providers and observed that the interest rates provided by the incumbent banks are uncannily similar to each other.

While Revolut supports the ACM scrutiny we cannot substantively comment on whether tacit coordination is taking place in the Dutch savings market.

c. Do you agree with the conclusion that increasing the number of (potential) switchers is the most effective way to improve competition?

Facilitating switching is a good step to increase competition and encourage banks to offer better rates, however, it is not the only factor that comes into play. Lowering barriers to entry and decreasing structural costs of banks also allows smaller players to offer more competitiveness and force larger banks to adapt. Without the opportunity for smaller banks to compete and offer more attractive interest rates, large banks are not incentivised to increase their interest rates.

2. What do you think of the recommendations?

a. Do you expect that the proposed recommendations will be sufficiently effective to improve competition?

Revolut is happy to see that the ACM delved into the different reasons on why consumers have low willingness to switch to other (foreign) banks from the largest banks. Revolut believes that two such reasons concretely hamper Revolut's image and ability to gain market share in the Netherlands as a reputable provider of savings products. Firstly, the ACM's report found that one of the reasons for low willingness for consumers to switch banks (from large to foreign/small) in the Dutch savings market can be attributed to a large proportion of consumers having a strong preference for banking matters from one to use the big bank. Secondly, the ACM noted that there is also a lack of trust among consumers in foreign banks. The ACM found that this lack of confidence is partly due to doubts about whether savings are safe with such foreign banks. The ACM noted that bankruptcies of foreign banks in the past and unfamiliarity with Deposit Guarantee Scheme (DGS) only reinforces this picture.

To counter this, the ACM recommends: *'ACM advocates for the introduction of a common European deposit guarantee scheme and fund, where consumers will receive their savings*

back with the same certainty in the event of bankruptcy from their bank, regardless of which European Member State the bank comes from.’ Although we welcome the ACM’s recommendation and suggestion for a harmonised EU deposit guarantee scheme, Revolut’s expectations on this point are tempered. Revolut notes the European Deposit Insurance Scheme (EDIS) initiative, the third pillar of the European banking union designed to protect all deposits below EUR 100.000 across the eurozone, is in a nine-year deadlock due to its controversial nature. The scheme faced opposition with respect to the possibility that a shared EU insurance scheme might diminish incentives for banks and national regulators to prudently manage risks, as they might rely more on the collective (EU) safety net. Recently however, the European Parliament’s committee on economic affairs (ECON) adopted a report on EDIS. From a legislative process the EU Parliament’s committee has done its job, it is now up to the EU member states. However, given the amount of time that it has taken to just get an ECON report on EDIS, Revolut fears that it could potentially take a while before this initiative finds its way into legislation amidst the resurgence of right-wing parties garnering public support, which typically hold critical views of the EU. As a result Revolut is less optimistic than the ACM that the above recommendation (EU DGS) would be sufficiently effective to improve competition.

The ACM also: *‘advocates for better provision of information about the operation of the DGS, paying in particular attention to differences between the DGSs in the different EU countries and the way in which DNB provides support in specific cases to EU central banks. Provide a clear explanation of, for example, the method and speed through which any compensation from the DGS takes place. Continue to emphasise that all Dutch banks fall under the Dutch DGS, together with the prudential supervision by DNB which ensures that savings at smaller banks are just as safe as at large banks’.* Revolut welcomes this recommendation, especially introducing a role for DNB for providing clear communication on the key differences between the different EU DGSs. We would recommend adding for DNB to also communicate and emphasise the similarities between the Dutch and EU DGSs where possible. We believe that this type of information in the form of reassurances would help reduce the information gap that consumers have on the different DGSs and also (more importantly) increase the willingness of Dutch consumers to switch to other EU banks. Revolut does believe that this recommendation could be sufficiently effective to improve competition provided it is executed in a manner that also reflects the similarities between the different DGSs in the EU.

b. What advantages and disadvantages do you think the proposed recommendations and additional measures have?

In our view, we believe that greater competition in the Dutch savings market, and more broadly the Dutch banking system, will be a net benefit for consumers and for innovation. The ACM is rightly directing attention to the savings market and Revolut would welcome a

broader lens to the banking market to address issues, both existing and on the horizon, that could negatively impact competition in the market.

Following from the above, we believe that the ACM's recommendations are a good step in the right direction. Revolut however would caution against the introduction of new/more NL specific savings requirements. Although the ACM's recommendations containing obligations/requirements for banks (offering savings) have their merits, these requirements could themselves erect new obstacles for new/foreign banks to enter the Dutch savings market and inadvertently hamper the competitiveness of the Dutch savings market. Revolut therefore recommends that the ACM investigate further whether these recommendations could potentially have a negative impact on foreign banks deciding to offer savings in the Netherlands.

Revolut welcomes the ACM's recommendations that focus on more European cooperation/collaboration which would ultimately benefit more competition in the European and Dutch savings markets. We only question the timeframe and feasibility of achieving some of the recommendations on EU-level (see our response to question 2 on e.g. the EDIS recommendation). How does the ACM envision to effectuate the implementation of these EU-level recommendations? Would the ACM collaborate with the Dutch government and/or DNB? As an European bank operating in multiple Member States, Revolut underlines the ACM's push for more European cooperation.

c. How should the recommendations be further developed, both in terms of process and concrete implementation?

With regards to the ACM's recommendations containing obligations/requirements, Revolut recommends that the ACM further investigate whether these recommendations could potentially have a negative impact on foreign banks deciding to offer savings in the Netherlands.

d. Do you have any other recommendations to increase the number of (potential) switches or otherwise improve competition in the Dutch savings market?

Not so much a new recommendation, but Revolut would recommend to expand the ACM's current recommendation on the provision of information on EU DGSs to include more public informative campaigns, not only by DNB but also e.g. other authorities/bodies like the ACM, to inform the public about the possibility to save at licensed EU banks operating in the Netherlands.



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3. Do you have any other comments or suggestions about the draft report?

As mentioned above in our submission, we welcome the ACM's attention to addressing deficits in the Dutch savings market. On the other proposals listed, we specifically welcome the ACM's focus on the need for systemic, EU-wide approach in addressing interoperability and data sharing between financial institutions, and support the ACM's aims here to encourage greater collaboration between financial institutions. Such an objective will support greater competition in the Dutch market, encourage greater consumer engagement, and ultimately foster innovation by enabling new products, services and offerings to enter the market.

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