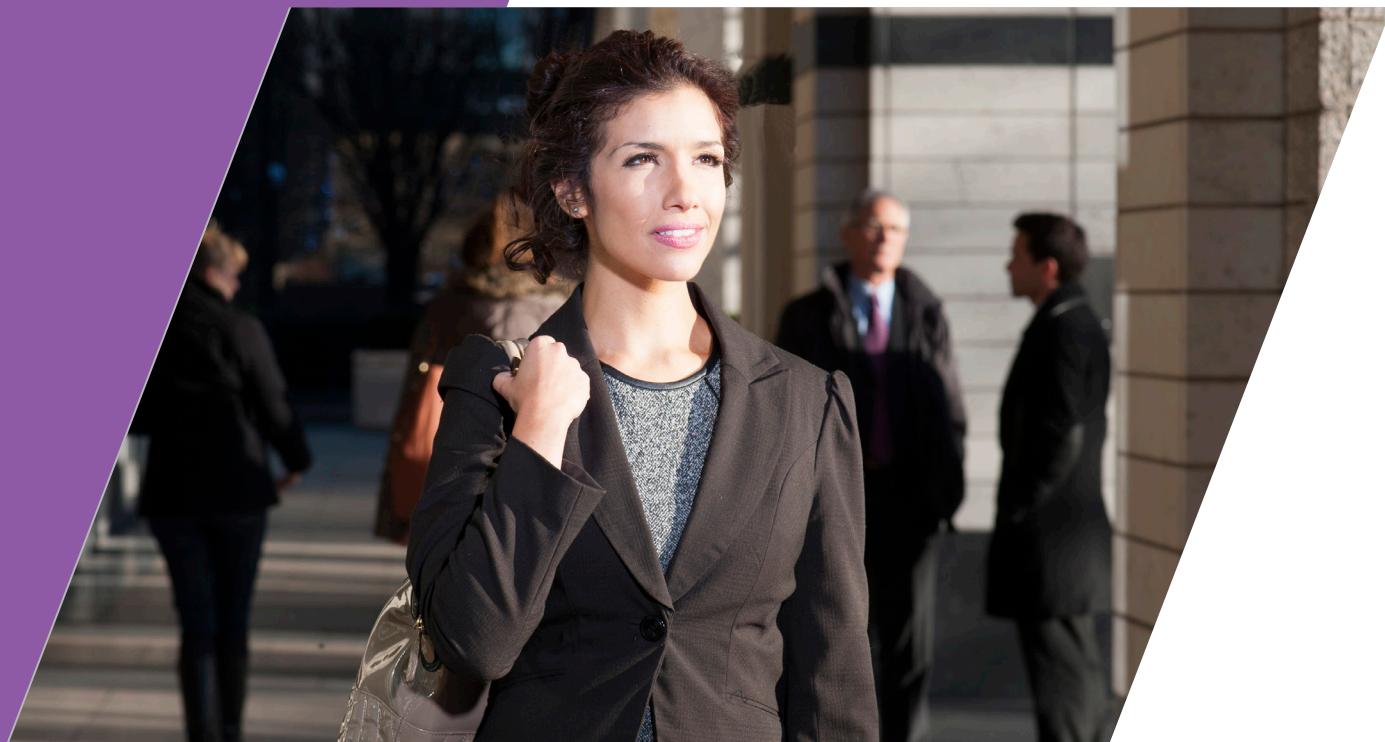


# Terms and definitions for services which are linked to payment accounts and subject to fees

Provisional list of the most representative services within  
the meaning of Article 3 of the Payment Accounts Directive  
2014/92/EU

September 2015





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In this Feedback Statement we report on the main issues arising from the *Call for Input: Terms and definitions for services which are linked to payment accounts and subject to fees*, and publish the provisional list of the most representative services within the meaning of Article 3 of the Payment Accounts Directive 2014/92/EU.

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# Abbreviations used in this paper

<b>CHAPS</b>	Clearing House Automated Payment System
<b>CMA</b>	Competition and Markets Authority
<b>EBA</b>	European Banking Authority
<b>EU</b>	European Union
<b>ITS</b>	implementing technical standards
<b>OFT</b>	Office of Fair Trading
<b>PAD</b>	Payment Accounts Directive 2014/92/EU
<b>PSP</b>	payment service provider
<b>RTS</b>	regulatory technical standards



# 1. Overview

## Introduction

- 1.1** A core objective of the EU Payment Accounts Directive (PAD) is to improve the transparency and comparability of fee information in relation to payment accounts<sup>1</sup> for consumers. A key element is the introduction of standardised terms and definitions to describe some of the services linked to payment accounts. The process of standardisation is to take place over a period of several years and involves actions at both national and EU levels.
- 1.2** As part of the standardisation process in the UK, we are required to develop a list of the key services linked to payment accounts in the UK. In June 2015, we published a *Call for Input* in which we set out our proposals for the services to be included on the list, and for terms and definitions to describe them.
- 1.3** In this *Feedback Statement* we summarise the feedback we received to our *Call for Input* and explain how we have used it to finalise the UK list of services, terms and definitions. As required by PAD,<sup>2</sup> this list will be submitted to the European Commission and the European Banking Authority (EBA) by 18 September 2015.

## Who does this affect?

- 1.4** This *Feedback Statement* will primarily be of interest to banks, building societies, other providers of payment accounts within the meaning of the Directive (such as e-money issuers) and their trade bodies. It will also be of interest to consumers who have a current account or other type of payment account that falls within the scope of PAD, as well as to organisations representing the interests of consumers.

## Is this of interest to consumers?

- 1.5** All providers of payment accounts will be required to use the standardised terminology in marketing, pre-contractual and contractual information provided to consumers in relation to payment accounts that fall within the scope of PAD. This paper is therefore of interest to all consumers who have a payment account or are considering opening one.

<sup>1</sup> The payment accounts to which PAD applies are defined in Article 1(6) and recital 12 of PAD. HM Treasury has set out proposals for the implementation of PAD in a consultation paper and accompanying draft Regulations: [www.gov.uk/government/consultations/implementation-of-the-eu-payments-accounts-directive](http://www.gov.uk/government/consultations/implementation-of-the-eu-payments-accounts-directive)

<sup>2</sup> Article 3(3) of PAD.

## Summary of feedback and our response

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- 1.6** We received nine responses to our *Call for Input*. Five were from industry representatives, three from consumer organisations and one from an individual.<sup>3</sup> Some respondents replied to all four questions while others focused on specific issues.
- 1.7** Respondents were generally supportive of our proposals and there was a high level of consistency in the feedback. In particular, respondents:
- considered that the process we had followed in identifying the services for inclusion on the list was appropriate and in keeping with the EBA Guidelines
  - acknowledged the value of the consumer testing we commissioned
  - expressed broad agreement with our proposals for services to include on the list, although several stakeholders suggested adding further services
  - were generally very supportive of our suggestions for terms and definitions while also making some helpful suggestions for amendments
- 1.8** Following our analysis of the feedback, we have:
- added five additional services to the list
    - direct debit
    - standing order
    - withdrawing pounds in the UK
    - debit card payment in pounds
    - cancelling a cheque
  - set out the terms and definitions to describe these additional services
  - changed the term ‘unplanned overdraft’ to ‘unarranged overdraft’
  - made minor amendments to some of the definitions
- 1.9** The finalised provisional list of terms and definitions is in Annex 1.

## Next steps

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### What will we do?

- 1.10** As required by PAD, the provisional UK list of terms and definitions will be submitted to the European Commission and the EBA by 18 September 2015. The EBA will standardise the terms and definitions of the services that appear on the provisional national lists of at least a majority of EU Member States. We will contribute to the EBA work as appropriate.

<sup>3</sup> A list of non-confidential respondents is in Annex 2.

**What do you need to do next?**

- 1.11** Providers of payment accounts do not need to take any immediate action. Completion of the provisional UK list is the first step in the PAD standardisation process. The EBA will consult publicly on draft regulatory technical standards (RTS), providing stakeholders with the opportunity to input their views on the proposed EU standardised terms and definitions.
- 1.12** At present, we consider it is unlikely that the new terminology will have to be used by providers before autumn 2017.

**How will we integrate the EU standardised terms and definitions?**

- 1.13** The EBA will standardise the terms and definitions for the services that appear on the national lists of at least a majority of EU Member States. PAD requires that these are integrated into the provisional UK list, resulting in the final UK list.
- 1.14** If any of these services are on the provisional UK list, their terms and definitions will need to be replaced by the corresponding EU standardised terms and definitions.
- 1.15** If services for which the terms and definitions have been standardised at EU level are not on the provisional UK list, they will not be added. We understand that this means that the number and identity of the services on the provisional UK list will remain the same on the final UK list.
- 1.16** The terms and definitions on the UK provisional list which have not been standardised at EU level will remain the same on the UK final list as on the provisional list.<sup>4</sup>

<sup>4</sup> Further information on integrating the EU standardised terms and definitions into the provisional UK list can be found in paragraph 2.4 below.

## 2. General issues

- 2.1** This chapter addresses general implementation issues raised, and areas for clarification emerging from stakeholders' responses.

### Scope of PAD

- 2.2** Several industry respondents commented on the proposals put forward by HM Treasury for implementation of the PAD provisions on scope. Some set out their understanding of which types of accounts would be affected, emphasising in particular their view that the scope should be limited to current accounts.

#### Our response

In chapter 2 of our *Call for Input*, we set out the scope of the PAD provisions on fee information. We explained that Article 1(6) defines payment accounts for the purpose of the Directive with reference to the functionality which an account provides. We also referred to recital 12 of PAD.<sup>5</sup>

HM Treasury is responsible for the implementation of PAD, including the provisions on scope and how they should be transposed in the UK. It set out its proposals in June 2015 in a consultation paper and accompanying draft Payment Account Regulations.<sup>6</sup> Accordingly, we have passed on the comments we received on scope to HM Treasury for consideration within their consultation process.

### Process of standardising the terminology

- 2.3** Some responses revealed a lack of clarity around the process of standardising terminology at EU level and the subsequent integration of EU terminology into the final UK list of services.
- 2.4** One respondent suggested that we include in the final UK list all the terms and definitions which have been standardised at EU level, whether or not they appear on the provisional UK list.

<sup>5</sup> See paragraphs 2.2 to 2.5 of our *Call for Input*:  
[www.fca.org.uk/your-fca/documents/call-for-input-terms-and-definitions-payment-accounts-services](http://www.fca.org.uk/your-fca/documents/call-for-input-terms-and-definitions-payment-accounts-services)

<sup>6</sup> Available at: [www.gov.uk/government/consultations/implementation-of-the-eu-payments-accounts-directive](http://www.gov.uk/government/consultations/implementation-of-the-eu-payments-accounts-directive)

### Our response

The EBA will first take a view on which services on the 28 provisional national lists submitted are equivalent to one another. It will then establish how many Member States have included that service on their respective national lists. If at least 15 Member States (a majority) have included an equivalent service on their national lists, the EBA will develop a standardised EU term and definition for that service. The EBA will not standardise the terms and definitions for services that appear on the national lists of fewer than 15 Member States.

The EBA will set out the EU standardised terminology as draft RTS and submit these to the European Commission for adoption as a delegated act.

On completion of the EU standardisation process, services on the provisional UK list which have standardised terms and definitions at EU level will need to be replaced with the EU terminology on the final UK list. The terms and definitions for the remaining services on the UK list will remain as in the provisional UK list. We understand that this means:

- **The EBA will not be creating an EU-wide list of most representative services.** It will be standardising the terms and definitions for certain services, namely those which are on a majority of Member States' provisional national lists.
- **The number and identity of the services on the provisional UK list must stay the same on the UK final list.** We will not be able to add, remove or change the services which are included on the final UK list.
- **The terms and definitions on the provisional UK list are final unless they are standardised at EU level.** We will not be able to amend the terms or definitions of services that have not been standardised by the EBA.

Figure 1 below shows a theoretical example based on a UK list of six services. Each letter represents a term/definition.

**Figure 1 – Example of UK provisional and final lists**

UK provisional list of terms/definitions	EU standardised terms/definitions <sup>7</sup>	UK final list of terms/definitions
A	(not standardised)	A
B	B1	B1
C	(not standardised)	C
D	(not standardised)	D
E	E1	E1
F	(not standardised)	F
	G1	
	H1	

<sup>7</sup> Only the terms and definitions of services which are on at least a majority of Member States' provisional national lists will be standardised at EU level.

## Implementation by payment account providers

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- 2.5** Industry representatives highlighted the importance of having as much time as possible to integrate the terms and definitions on the final UK list into their consumer documentation and marketing material. This applies to the preparation of the fee information documents and statements of fees as well as to the standardised formats for them which are being developed by the EBA in the form of draft implementing technical standards (ITS).
- 2.6** Industry respondents also raised questions on the practical use of the final standardised terms and formats.

### Our response

We acknowledge that payment account providers would like as much certainty as possible on the details of their obligations to provide fee information under PAD.

The timetable for the standardisation of terminology and the drafting of the formats for the standardised documents by the EBA is specified in PAD. However, the date by which payment account providers are required to use the new terminology and formats depends on completion of a number of further stages by the EBA, the European Commission and the EU legislators. At present, we consider that this date is unlikely to be before autumn 2017.

PAD requires the final national lists (incorporating any EU standardised terminology) to be published within three months of the entry into force of the delegated act.<sup>8</sup> It foresees a further period of six months within which payment account providers must implement the final terminology and formats.<sup>9</sup>

At this stage in the standardisation process, we do not believe it is appropriate or helpful to provide PSPs with guidance on specific questions of implementation. We will consider these issues and engage further with stakeholders in due course.

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<sup>8</sup> See Article 3(5) of PAD.

<sup>9</sup> See Article 29(2)(b) of PAD. HM Treasury will specify the entry into force in their Payment Account Regulations.

## 3. Most representative services

- 3.1** This chapter summarises the feedback we received and our response concerning:
- our suggested approach to defining what constitutes a ‘service’
  - the most representative services that we proposed to include on the provisional list

### Defining a service

- 3.2** In our *Call for Input*, we set out our approach to defining a ‘service’ in the context of payment accounts and how we intend to apply the principles contained in the relevant EBA Guidelines.<sup>10</sup>
- 3.3** We asked:
- Q1:** *Do you agree with our approach to defining what constitutes a ‘service’? If not, please explain why not and how we could apply the EBA Guidelines differently.*
- 3.4** Respondents who answered this question all agreed with our approach to defining what constitutes a ‘service’. In particular, they welcomed our clarification of the distinction between fees and services, and found our examples helpful. Respondents also agreed with our analysis that there are separate and distinct services in relation to debit cards.

### Our response

We confirm our application of the EBA Guidelines and our approach to what constitutes a ‘service’ as the basis for deciding which services linked to payment accounts are the most representative in the UK.

We confirm that all references in the terms and definitions to ‘debit cards’ include pre-paid cards to the extent that these are linked to a payment account.

<sup>10</sup> EBA/GL/2015/01, Guidelines on national provisional lists of the most representative services linked to a payment account and subject to a fee under the Payment Accounts Directive (2014/92/EU): [www.eba.europa.eu/documents/10180/1018327/EBA-2015-GL-01+28Guidelines+on+standardised+fee+terminology+for+EU+payment+accounts+in+the+EU%29.pdf](http://www.eba.europa.eu/documents/10180/1018327/EBA-2015-GL-01+28Guidelines+on+standardised+fee+terminology+for+EU+payment+accounts+in+the+EU%29.pdf)

### **Provisional list of services**

**3.5** In our *Call for Input*, we identified 24 services for possible inclusion on the UK list. As foreseen by the EBA Guidelines, we ranked each of these services by use and by cost. We used these rankings, along with any additional relevant factors, to draw conclusions about the representativeness of each service. Using this analysis, we proposed ten services for the provisional UK list:

- account fee
- arranged overdraft
- unplanned overdraft
- refusing a payment due to lack of funds
- allowing a payment despite lack of funds
- sending money within the UK
- sending money outside the UK
- receiving money from outside the UK
- withdrawing foreign currency outside the UK
- debit card payment in a foreign currency

**3.6** We asked:

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

**3.7** Overall, stakeholders responded positively to our proposed list. They considered that the process we had followed in identifying the services for inclusion was appropriate and in keeping with the EBA Guidelines. There was broad support for our assessment of the representativeness of the individual services.

**3.8** Industry respondents did question the inclusion on the list of certain services. Industry and consumer organisations also suggested that further services should be added to the list. We respond to this specific feedback in the sections below.

#### **Allowing a payment despite lack of funds**

**3.9** Two respondents proposed that this service be deleted from the list because they do not consider it to be a distinct service but rather an element of the service ‘unplanned overdraft’. They argued that it would be more relevant to consumers to disclose these fees under the service ‘unplanned overdraft’ and that listing ‘allowing a payment despite lack of funds’ separately could cause consumer confusion, making the comparison of fees for unplanned overdrafts more difficult.

### Our response

We agree that this service is closely linked to unplanned overdrafts. However, we do not agree that integrating it into the service 'unplanned overdraft' is the best way to make it easier for consumers to make cost comparisons between payment accounts.

Ensuring that the fees for allowing a payment despite lack of funds are made transparent at both the pre-contractual and post-contractual stages is unlikely to generate consumer confusion. The use of standardised formats and standardised terminology will ensure that all PSPs disclose the fees for this service in the same manner and under the same heading. We expect this to improve rather than reduce comparability.

It is not yet clear whether the final EU standardised formats for the fee information document and statement of fees will permit fees for allowing a payment despite lack of funds to be disclosed as part of the fee information on unplanned overdrafts. This will depend on the degree of discretion given to Member States on the disclosure of the cost of individual components of a service.

In order to ensure that fees for allowing a payment despite lack of funds are disclosed on the fee information document, we will retain '**allowing a payment despite lack of funds**' on the list.

### Withdrawing foreign currency outside the UK / debit card payment in a foreign currency

- 3.10** One industry respondent requested that these two services be deleted from the UK list. They argued that standardising the terms and definitions of these services would undermine the high degree of consistency and disaggregation of fee terminology that has already been achieved in the UK for foreign transactions made with debit and credit cards. This refers to the common fee terminology agreed between the industry and the Office of Fair Trading (OFT) in 2012 in response to the OFT's finding that charges for using cards abroad can be confusing and unclear for consumers.
- 3.11** The respondent expressed particular concern that the existing standardisation of terminology in relation to both debit and credit cards would be undone if new terms and definitions were to be introduced that would apply only to debit cards. This would result in less transparency and comparability of charges for UK consumers. In order to avoid this, it was suggested that we exercise the discretion we have under the EBA Guidelines to exclude these two services from the UK list on the grounds of market-specific issues.<sup>11</sup>
- 3.12** A further respondent also referred to these issues. While this respondent thought the deletion of these two services from the UK list would provide the simplest solution, they acknowledged that the importance of these services for consumers may justify their inclusion.

<sup>11</sup> EBA Guideline 2.3 permits the use of criteria other than use and cost 'as an exception, for market-specific issues'.

### Our response

We agree that the common fee terminology helps consumers to compare the fees and charges for foreign transactions made with debit and credit cards. We would not wish to reduce this comparability by standardising the terminology in relation only to debit cards.

However, we believe there is no conflict between the proposed UK list of services under PAD and the existing common fee terminology. This is because the terms agreed between industry and the OFT each refer to just one element of foreign transactions, such as 'non-sterling transaction fee' and 'non-sterling cash fee'. In contrast, the PAD list consists of services.

As we explained in our *Call for Input*, the final report accompanying the EBA Guidelines indicates that there may be situations in which more than one fee or type of fee can apply to a single service.<sup>12</sup> These situations include the services 'withdrawing foreign currency outside the UK' and 'debit card payments in a foreign currency'. The agreed common fee terminology can still be used to describe the component fees of these services.

We will retain '**withdrawing foreign currency outside the UK**' and '**debit card payments in a foreign currency**' on the list.

### Other services on the draft list

- 3.13** With one exception, we received no specific comments on the remaining services on our draft provisional list. All respondents agreed with their inclusion on the UK list.
- 3.14** Concerning 'sending money within the UK', two respondents expressed doubts because different payment systems with different fees are used by UK consumers to send money within the UK (for example, Faster Payments and CHAPS). However, these respondents concluded by agreeing that the service should remain on the list if the fees for each payment system can be disclosed separately.

### Our response

Given the positive feedback of respondents, we will retain the following services on the list:

- **account fee**
- **arranged overdraft**
- **unplanned overdraft**
- **refusing a payment due to lack of funds**
- **sending money within the UK**
- **sending money outside the UK**
- **receiving money from outside the UK**

<sup>12</sup> See paragraph 3.5 of our *Call for Input*.

**Proposals for services to add to the list**

- 3.15** A number of respondents suggested we add further services to the list. We consider these suggestions below.

**Cancelling a cheque**

- 3.16** Three respondents proposed this service be added to the list. Two argued that 'cancelling a cheque' ranked relatively highly both by cost and use. They also noted that the use of this service may increase after the planned introduction of digital cheque imaging in July 2016 due to a possible increase in the use of cheques.
- 3.17** The third respondent acknowledged that the use of cheques has declined but argued that certain sections of the population, such as older people, continue to use them regularly. As these consumers tend to be in more vulnerable groups, and also because the most common reason for cancelling a cheque is a lack of funds in the payment account, the effect of the fees on such consumers was argued to be particularly large. This increases the importance of ensuring transparency and comparability of fees relating to cheques and their cancellation.

**Our response**

We explained in our *Call for Input* that 'cancelling a cheque' is ranked relatively highly by cost (8th of 24 services) but only 15th by use.<sup>13</sup>

We acknowledge that digital cheque imaging could affect the use of cheques by consumers, although the extent of any impact remains to be seen.

We welcome the feedback on the types of consumers who continue to use cheques regularly, the main reason for cancelling them, and the significant impact fees can have among these consumer groups that are typically less financially capable and more vulnerable. We agree that the transparency and comparability of fees for such a service is particularly important to these consumers.

For these reasons, and as both industry and consumer responses are in favour of its inclusion, we will add '**cancelling a cheque**' to the list of services.

**Direct debit / standing order / withdrawing pounds in the UK / debit card payment in pounds**

- 3.18** Two respondents suggested that these four services be included on the UK list. The reasons given included:
- These services are of great day-to-day importance to consumers. This is reflected by the finding in our *Call for Input* that they are the four most commonly used services of the 24 we identified.
  - Consumers would expect to find the services they use most on the fee information document.

<sup>13</sup> See Figure 5 in paragraph 3.27 and Figure 6 in paragraph 3.29 of our *Call for Input*.

- While the prevalence of ‘free-if-in-credit’ banking in the UK means that consumers are unlikely to compare the fees for these four services when shopping around for a payment account within the UK, their inclusion would enable comparisons on a cross-border basis.
- Future changes in the market might lead to greater costs being incurred by consumers for these services, for example the outcomes of the ongoing retail banking market investigation by the Competition and Markets Authority (CMA) or an increase in the use of e-money accounts that may fall within the scope of the UK legislation implementing PAD.

### Our response

We understand the important arguments in favour of including these four services, since they are used very frequently by almost all consumers.

We continue to believe that the fees charged for these services (which are normally free in the UK<sup>14</sup>) are unlikely to form the basis for most consumers’ choice of a payment account in the current UK market. Fees for other services will usually be more helpful factors when shopping around. Nevertheless, since UK consumers are accustomed to ‘free-if-in-credit’ payment account services, they are unlikely to be expecting any fees for the use of these four services. It can be argued that this makes it particularly important where fees are charged that they are made as transparent as possible.

We acknowledge that facilitating cross-border comparisons and financial mobility of consumers are key objectives of PAD. We also consider that consumers may be more inclined to compare accounts cross-border on the basis of the services which they use most frequently.

We note that PAD foresees the revision of the final UK list every four years.<sup>15</sup> As the first period begins on publication of the final UK list, we do not expect to be able to review the UK list before 2021. Allowing for the process of standardising any new terminology at EU level, it is unlikely that any amendments would enter into force before 2023. The timetable shows it is desirable to take into account the possibility of market change.<sup>16</sup>

For the above reasons, we will add to the list:

- **direct debit**
- **standing order**
- **withdrawing pounds in the UK**
- **debit card payment in pounds**

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<sup>14</sup> As we explained in paragraphs 3.51 and 3.52 of our *Call for Input*, banks and building societies do not usually charge consumers for the use of these four services. However, fees are levied in some cases by e-money issuers offering accounts for day-to-day payment transactions.

<sup>15</sup> See Article 3(6) of PAD and regulation 4(1) of HM Treasury’s draft Payment Accounts Regulations 2015.

<sup>16</sup> The final report accompanying the EBA Guidelines explicitly recognises that national competent authorities may take into account the potential for consumers to incur costs in the future. See page 9 of EBA Final Report on the Guidelines and paragraph 3.33 of our *Call for Input*.

### Total number of services on the list

- 3.19** Two respondents suggested that we standardise the maximum of 20 services permitted under PAD, rather than the ten we proposed. They argued that standardising the terms used to describe a greater number of services would result in more transparency and comparability, improving consumer outcomes.
- 3.20** One respondent also suggested we had not adequately justified our proposal to include only ten services on the list. They considered that any risk of information overload from a longer list and fee information document was not significant in comparison with the consumer benefit to be gained from increased transparency and comparability.
- 3.21** Another respondent argued there was no particular advantage in the UK opting to remain towards the bottom of the 10 to 20 range foreseen by PAD. However, they also noted the possibility that any term included on the provisional UK list is subject to replacement by a term that has been standardised at EU level.

### Our response

We explained in our *Call for Input* how we assessed each of the 24 services on its own merits, according to its rankings by use and by cost, and taking into account any additional relevant factors.<sup>17</sup> Nevertheless, we agree that there are advantages to including further services on the UK list and, as set out earlier in this chapter,<sup>18</sup> we will add five more services as a result of the feedback we received. This will take the total number of services on the list to 15.

We do not agree that adding further services would produce better consumer outcomes overall because:

- The nine remaining services are not used regularly and do not generate particularly high costs for consumers.<sup>19</sup> We do not consider that consumers are likely to compare payment account offerings based on services that are of little relevance to their daily needs.
- The fee information document will not be an exhaustive list of all (or most) fees relating to payment accounts. Instead, it will provide an overview of the fees that are most relevant to consumers, supplementing PSPs' lists of fees and charges.
- We believe this targeted information will encourage greater engagement with fees linked to payment accounts and will be more accessible to consumers than a longer fee information document.<sup>20</sup>

Overall, we believe that a UK list of 15 services strikes the appropriate balance between keeping the fee information document accessible and standardising the terms and definitions of the services that are most relevant to consumers.

<sup>17</sup> See chapter 3 of our *Call for Input*.

<sup>18</sup> See paragraphs 3.16 to 3.18 above.

<sup>19</sup> The nine services not included on the UK list are: withdrawing foreign currency in the UK; withdrawing pounds outside the UK; copy of a paid cheque; special presentation of a cheque; banker's draft; paying in a foreign cheque; banker's reference; copy of an old statement; statements more often than standard.

<sup>20</sup> See also recital 16 of PAD: 'The tools made available to consumers to compare payment account offers would not have a positive impact if the time invested in going through lengthy lists of fees for different offers outweighed the benefit of choosing the offer that represents the best value.'

## 4.

# Terms and definitions

**4.1** This chapter summarises feedback on our proposed terms and definitions for services on the list, and our response. It also sets out the terms and definitions we will use for the five services added to the list.

**4.2** Our *Call for Input* explained how we used findings from the consumer testing to develop the draft provisional list of terms and definitions.

**4.3** We asked stakeholders:

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

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

**4.4** Respondents broadly agreed with the terms and definitions we proposed. Consumer organisations were particularly supportive, noting that the terms and definitions are clear and easy for consumers to understand. Many stakeholders acknowledged the value of our qualitative consumer testing and some referenced individual findings in their responses.

**4.5** Four respondents, from both industry and consumer organisations, suggested minor amendments to various terms and definitions. A few more substantial changes were also suggested.

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## Account fee

**4.6** We proposed the term ‘account fee’ and the definition: ‘A fee that you pay regularly for your account and anything else offered with it (for example travel insurance).’

**Term**

- 4.7** One respondent noted that this is the only term on the list which is described with reference to the fee rather than to the service the consumer receives. They suggested it would be clearer for consumers if all the terms on the list referred to the service. The respondent proposed the term 'providing you with an account'.

**Our response**

We agree that full consistency is desirable wherever possible. However, our consumer testing showed that the term 'account fee' is understood by almost all consumers. We are reluctant to change a term that is so widely recognised and also clear and simple.

As provision of an account is a precondition for all other services linked to payment accounts, we consider it is different in nature from the other services, and that a different kind of term is justified.

For these reasons, we will retain the term '**account fee**'.

**Definition**

- 4.8** One respondent argued that the part of our proposed definition 'and anything else offered with it' is too vague and fails to provide consumers with sufficient clarity. In particular, consumers might interpret these words as referring to optional benefits or services which are actually separate services linked to the account.

**Our response**

We agree that our proposed definition could be unclear to consumers. To reduce the risk of misinterpretation, we have replaced the words 'and anything else offered with it' with 'or account package'.

This definition remains relevant for both standard payment accounts and packaged accounts. We consider it is also sufficiently generic to allow for any future changes to account provision, account fees and packaging of services in the UK market.

We will replace our proposed definition with: **'A fee that you pay regularly for your account or account package.'**

**Unplanned overdraft**

- 4.9** We proposed the term 'unplanned overdraft' and the definition: 'When we allow you to borrow money when you have no money left in your account or have gone past your arranged overdraft limit.'

**Term**

**4.10** We received substantial feedback from respondents on this term. Many arguments were made for changing it to 'unarranged overdraft', including:

- It would be more appropriate to use the direct opposite of 'arranged overdraft' as it would make the difference between the two services simpler and more accessible to consumers. Our consumer testing did not provide evidence that consumers find 'non-pairs' of terms easier to distinguish.
- Our consumer testing showed only a very slight preference for 'unplanned overdraft' over 'unarranged overdraft'. 'Unarranged overdraft' proved easy to understand and no difficulties were identified.
- 'Unplanned overdraft' could be misinterpreted as describing the state of mind of the individual consumer, i.e. that the consumer did not intend to go overdrawn. A more objective term which more accurately describes the service would be preferable.
- Seven of the largest banks and building societies have already established common terms in relation to overdrafts, in agreement with HM Treasury. These include the term 'unarranged overdraft'. Replacing this term would require changes to all consumer literature, generating additional costs. It could also have knock-on effects if consistency of terminology is to be ensured across all documents. Changing any of the common terms in relation to overdrafts would mean a lack of continuity for consumers and could lead to confusion.

**Our response**

Our proposed term was based on the view that using a 'non-pair' of terms ('arranged' and 'unplanned') reduces the possibility of misunderstandings by making them more easily distinguishable for consumers both orally and in writing.

We agree, however, that although our qualitative consumer research showed 'unplanned overdraft' to be more popular with consumers than 'unarranged overdraft', the difference was slight, and participants understood 'unarranged overdraft'.<sup>21</sup>

We are sympathetic to the view that 'unplanned overdraft' could be open to misinterpretation, and that 'unarranged overdraft' more clearly conveys that there has been no prior arrangement between the consumer and his/her account provider.

We acknowledge that the agreement between HM Treasury and seven payment account providers has already resulted in some standardisation of overdraft terminology. However, we are less convinced by the argument that changing some of these terms would be particularly burdensome for the industry, as updated versions of all consumer literature will need to be produced to integrate all the terms on the final UK list of services.

Overall, we believe that the benefits to consumer protection of using the term 'unarranged overdraft' outweigh those to be expected from the use

<sup>21</sup> See section 5.2.3 (in particular Table 4) of the Optimisa Research report.

of ‘unplanned overdraft’. We also note that responses from consumers and industry representatives were consistent in arguing for this change of term.

We will replace our proposed term with ‘**unarranged overdraft**’.

### Definition

- 4.11** One respondent expressed support for the reference to ‘borrowing’ money in our proposed definition, suggesting this would help consumers to understand that overdrafts are a form of borrowing. This respondent also noted that, because many consumers do not perceive overdrafts as borrowing, there is a potential for consumer confusion with other forms of borrowing if the definition is not always used alongside the term ‘unarranged overdraft’.
- 4.12** Two respondents suggested that we should add unambiguous wording to our proposed definition to clarify that the provider has not agreed to provide the overdraft (or, where an arranged overdraft is in place, an extended overdraft) in advance of the consumer borrowing the money.

### Our response

We confirm that the words ‘borrow money’ in our definition are intended to highlight the nature of an overdraft to consumers and help to increase their awareness of the substantial costs associated with overdrafts. We acknowledge there is a small risk of consumer confusion with other forms of borrowing, such as loans. However, the definition is to form part of the glossary of terms and definitions, and so will be used alongside the term ‘unarranged overdraft’.

We agree that the absence of a prior agreement on the part of the payment account provider to provide an unarranged overdraft should be clearer. We will add the words ‘and this has not been agreed with us in advance’ to the end of the definition. Furthermore, the words ‘when we allow you’ could be misinterpreted as implying some form of prior arrangement or agreement to borrow, so we will delete these.

To achieve consistency with other definitions on the UK list, we will insert brackets around ‘or have gone past your arranged overdraft limit’.

We will replace our proposed definition with: ‘**When you borrow money when you have no money left in your account (or have gone past your arranged overdraft limit) and this has not been agreed with us in advance.**’

### **Arranged overdraft / refusing a payment due to lack of funds / allowing a payment despite lack of funds**

- 4.13** The few comments we received in respect of the terms and definitions we proposed for these three services were positive.

#### **Our response**

We confirm that we will retain the following terms and definitions:

<b>arranged overdraft</b>	When we agree in advance that you can borrow up to a certain amount of money if you have no money left in your account.
<b>refusing a payment due to lack of funds</b>	When we refuse a payment from your account because there is not enough money in it (or it would take you past your arranged overdraft limit).
<b>allowing a payment despite lack of funds</b>	When we allow a payment to be made from your account although there is not enough money in it (or it would take you past your arranged overdraft limit).

### **Sending money within the UK / sending money outside the UK / receiving money from outside the UK**

- 4.14** We proposed the following terms and definitions:

<b>sending money within the UK</b>	When you make a payment to another account in the UK.
<b>sending money outside the UK</b>	When you make a payment to another account outside the UK.
<b>receiving money from outside the UK</b>	When money is sent to your account from an account outside the UK.

#### **Terms**

- 4.15** One respondent suggested replacing 'money' with 'pounds' in all three of these terms. This was based on the recommendation in the report on our consumer testing that 'more thought needs to be given to the term used to describe the currency used in the UK'<sup>22</sup> and the finding that 'pounds' was more popular than 'sterling' and other alternatives.<sup>23</sup>

#### **Our response**

The recommendation quoted by this respondent refers to services concerned with the withdrawal of cash. We needed to differentiate clearly between withdrawing pounds and withdrawing foreign currency because we proposed

<sup>22</sup> See section 5.5.4 of the Optimisa Research report.

<sup>23</sup> See section 4.2 of the Optimisa Research report.

to classify these as separate services.<sup>24</sup> In contrast, we proposed the three terms on sending and receiving money on the basis that each is a single service, whatever the currency transferred.

In response to the feedback, we have considered whether it would be appropriate to separate each of the services depending on whether pounds or another currency is transferred:

**Sending money within the UK:** The vast majority of payment accounts held by individuals are denominated in pounds, and the credit transfers they carry out within the UK are also in pounds. A small minority of consumers hold UK payment accounts falling within the scope of PAD which are denominated in other currencies, for example euros. Customers normally hold such accounts to avoid the costs of transacting regularly in that currency and to reduce exchange rate risk. They use them in addition to accounts in pounds. Many providers also require customers to open a payment account denominated in pounds with them in order to be eligible for an account in another currency.

We conclude that the minority of consumers who have an account in the UK denominated in a foreign currency would rarely, if ever, send money within the UK in another currency from that account. Consequently, there is no significant consumer benefit to classifying ‘sending pounds within the UK’ as a separate service from sending other currencies within the UK.<sup>25</sup>

**Sending money outside the UK:** Replacing ‘money’ with ‘pounds’ would raise questions in relation to the scope of this service, for example whether the term covers only situations where the currency conversion from pounds is carried out by the recipient’s PSP. Using the term ‘money’ avoids such issues. This is in the interests of both consumers and PSPs.

**Receiving money from outside the UK:** As this service also has an international dimension, the same questions would arise. It might also risk confusing consumers by suggesting that they could potentially receive another currency into an account denominated in pounds.

For these reasons, and because our consumer testing did not reveal any difficulties with using ‘money’ in these terms,<sup>26</sup> we will retain:

- **sending money within the UK**
- **sending money outside the UK**
- **receiving money from outside the UK**

<sup>24</sup> See paragraphs 3.13 to 3.16 of our *Call for Input*.

<sup>25</sup> To the extent that providers charge differing fees for sending money in pounds and sending money in another currency within the UK, it might be possible to break down the service ‘sending money in the UK’ accordingly on the fee information document and statement of fees. However, until the ITS on the standardised formats for these documents are finalised in 2016, it is not known whether Member States and providers will have the discretion to break down services in this way.

<sup>26</sup> See section 5.13.3 of the Optimisa Research report.

### Definitions

- 4.16** With regard to the definitions of the two services related to sending money, one respondent proposed to add the words 'from your account' after 'when you make a payment' to clarify that the payment is being made directly from the consumer's account and not, for example, by depositing cash into the recipient's account.
- 4.17** As concerns the definition of sending money outside the UK, two stakeholders commented that the words 'to another account' could be interpreted as meaning that not only the account of the recipient is outside the UK but also the account from which the payment is being made. Both proposed that we replace these words with 'to an account'.
- 4.18** Another respondent saw a need to improve the transparency of foreign exchange rates applied by PSPs when converting a payment received in a currency other than pounds. They suggested we do this by including a reference to foreign exchange rates in the definition of receiving money from outside the UK and requiring PSPs to disclose the rate they use in the fee information document.

### Our response

We agree that adding 'from your account' would avoid potential misunderstandings, without making the two definitions too long.

We also agree that, in the definition of sending money outside the UK, replacing 'to another account' with 'to an account' reduces ambiguity.

Concerning transparency of foreign exchange rates, our consumer research showed that including in the definitions references to costs that might be incurred was unpopular with consumers, as it raises unanswered questions about which costs would apply when, and how high they might be.<sup>27</sup> Furthermore, it remains to be seen how far the EU standardised templates for the fee information document and statement of fees will leave discretion to Member States to disclose individual components of a service. We will avoid including in the definition references to cost elements which potentially cannot be disclosed in the standardised documents.

For these reasons, we will:

- amend the definition of sending money within the UK to: '**When you make a payment from your account to another account in the UK.**'
- amend the definition of sending money outside the UK to: '**When you make a payment from your account to an account outside the UK.**'
- retain the definition: '**When money is sent to your account from an account outside the UK.**'

<sup>27</sup> In the specific context of receiving money from outside the UK, section 5.12.4 of the Optimisa Research report notes that including such an element in the definition 'introduced ambiguity around what fees consumers will be paying under what circumstances [...]. [W]e would suggest removing these examples to improve clarity, particularly for those who are less financially confident.' See also section 5.11.4 of the report.

### Withdrawing foreign currency outside the UK

- 4.19** We proposed the term ‘withdrawing foreign currency outside the UK’ and the definition: ‘When you withdraw foreign currency from a cash machine outside the UK.’
- 4.20** One respondent proposed that we amend this term and definition to correspond with the common fee terminology for foreign card transactions that was agreed between the industry and the OFT in 2012.<sup>28</sup> As explained in paragraph 3.11, the industry is concerned that our proposals would necessitate changes to this agreed terminology in relation to debit cards only, resulting in different terminology for debit and credit card transactions, and less transparency and comparability of charges for UK consumers.
- 4.21** We also received the feedback that some payment account providers allow consumers to withdraw foreign currency over the counter as well as from cash machines abroad. To reflect this, the respondent suggested deleting the reference to cash machines from our proposed definition.

#### Our response

As set out earlier,<sup>29</sup> we do not see a conflict between our proposals and the existing common fee terminology for foreign card transactions.

We also believe that the suggestion to duplicate some of the language used in the common fee terminology in the term and definition of the overall service could confuse consumers by making it more difficult to distinguish between the terms used to refer to the service and the individual elements that make up the service.

We acknowledge that foreign currency can sometimes be withdrawn over the counter at banks outside the UK. We agree that deleting the reference to cash machines from the definition would widen the scope of the term to include this type of withdrawal. However, many providers do not foresee the possibility of over the counter withdrawals abroad. Having a definition without any reference to the channels available could mislead consumers to expect that foreign currency withdrawals abroad are always available at both cash machines and in branch.

We propose a slightly longer definition which retains the reference to cash machines but also mentions the possibility of withdrawing foreign currency at a bank, where available.

We will:

- retain the term **‘withdrawing foreign currency outside the UK’**.
- amend the definition to: **‘When you withdraw foreign currency at a cash machine or, where available, at a bank outside the UK.’**

<sup>28</sup> More on this proposal in paragraph 3.10 above.

<sup>29</sup> See paragraph 3.12 above.

### Debit card payment in a foreign currency

- 4.22** We proposed the term ‘debit card payment in a foreign currency’ and the definition: ‘When you use your debit card to make a payment in foreign currency. This can be in a shop, online or over the phone.’
- 4.23** As in the feedback we received on ‘withdrawing foreign currency outside the UK’, it was suggested by one respondent that this term and definition be amended in line with the existing common fee terminology for foreign card transactions.
- 4.24** Another respondent suggested that it might be more accurate and more consistent with other terms to add ‘outside the UK’ to the term and definition.

#### Our response

As explained earlier, we do not think it is necessary or more transparent to align the language with parts of the common fee terminology.

The words ‘outside the UK’ are not included in this term and definition to allow for the inclusion of debit card payments in a foreign currency that are carried out abroad (typically in a shop) and also those that are made from within the UK, for example on the internet. By referring to purchases made ‘in a shop, online or over the phone’, we consider that the definition is sufficiently clear in this regard.

For these reasons, we confirm that we will retain:

- the term **‘debit card payment in a foreign currency’**
- the definition: **‘When you use your debit card to make a payment in foreign currency. This can be in a shop, online or over the phone.’**

### Cancelling a cheque

- 4.25** None of the respondents who suggested adding this service to the list proposed wording for the term or definition. We will instead draw on feedback from our consumer focus groups on the terms and definition we tested.<sup>30</sup>
- 4.26** We tested the terms ‘cancelling a cheque’ and ‘stopping a cheque’ with consumer focus groups. There was a good level of understanding of both terms and a slight preference (particularly among the less financially confident participants) for ‘cancelling a cheque’. Some consumers felt that ‘cancelling’ sounded more permanent than ‘stopping’, and so better reflected the service.

<sup>30</sup> See section 5.14 of the Optimisa Research report.

- 4.27** The definition we tested with consumers was very clear to all participants. The consumers who were not familiar with the use of cheques, and so wondered whether cancelling a cheque referred to a cheque they had written or received, were satisfied that their question was answered by the definition.
- 4.28** Respondents who advocated including this service on the UK list all referred to 'cancelling a cheque'.

### Our response

Given the preferences expressed by consumers and the clarity of the definition we tested, we will use:

- the term '**cancelling a cheque**'
- the definition: '**When you ask us to cancel a cheque that you have written.**'

## Direct debit

- 4.29** The two respondents who suggested adding this service to the list provided us with feedback on the term and definition we tested with consumer focus groups, and the resulting recommendations made by Optimisa Research.<sup>31</sup> We draw on this consumer research and the views of respondents in determining the term and definition to be used.

### Term

- 4.30** 'Direct debit' was the sole term we tested with consumers. All consumers recognised this term and broadly understood what was meant by it.
- 4.31** One respondent to our *Call for Input* expressed agreement with the finding of the consumer testing that it is a term well-known to consumers and should be used.

### Our response

Although the content of the service is not entirely reflected by the term 'direct debit', we agree that it is a term that is immediately understood by consumers, and which is used by all payment account providers. As set out in our *Call for Input*, participants in our consumer research were clear that they did not want well-known and generally accepted terms to be replaced.<sup>32</sup>

We confirm that we will use the term '**direct debit**'.

<sup>31</sup> See section 5.21 of the Optimisa Research report.

<sup>32</sup> See Figure 11 in paragraph 4.6 of our *Call for Input*.

### Definition

- 4.32** The definition we tested with consumers was: 'When you agree that someone else can take money from your account on agreed dates (normally to pay bills) although the amount paid may vary.'
- 4.33** This definition was found to be generally clear, though the words 'normally to pay bills' were seen as unnecessary and unhelpful. In particular, the reference to paying bills was considered superfluous and the word 'normally' led participants to wonder if there were other situations in which direct debits might be used. This finding is consistent with the more general finding in the testing that the use of examples or other contextual information in definitions is not helpful.<sup>33</sup>
- 4.34** We tested replacing 'normally to pay bills' with 'usually a company' and participants in the focus groups considered this helpful. This may be because it emphasised the difference from a standing order (which consumers were aware has a broader use) and so enhanced participants' understanding of direct debits.
- 4.35** One respondent to our *Call for Input* agreed with the definition as tested with consumers. Another suggested amending 'the amount paid may vary' to 'the amount they ask for may vary', arguing that this would help consumers to understand that a direct debit is arranged between a third party and the consumer's payment account provider.

### Our response

We acknowledge that the suggestion to refer to the amount *asked for* by the payee instead of the amount *paid* by the consumer would produce a more accurate description of a direct debit. However, we see a risk that this could suggest to consumers that they might respond to the payee's request each time a payment is asked for, for example by refusing it. Since the contractual arrangements underlying a direct debit are too complex to incorporate into a short definition, we propose not to refer to one aspect in this way.

For this reason, and taking account of the results of our consumer research findings described above, we will use the definition: '**When you agree that someone else (usually a company) can take money from your account on agreed dates. The amount can vary.**'

### Standing order

- 4.36** The two respondents who suggested adding this service to the list provided us with feedback regarding the term and definition we tested. We draw on the findings of our consumer testing<sup>34</sup> as well as on the views of these respondents in determining the term and definition to be used.

<sup>33</sup> See Figure 13 in paragraph 4.30 of our *Call for Input*.

<sup>34</sup> See section 5.20 of the Optimisa Research report.

**Term**

- 4.37** 'Standing order' was understood by nearly all participants in our consumer testing and was considered to be very clear. It was acknowledged that even if alternatives had been tested, 'standing order' is a standard, well-known term.
- 4.38** Respondents to our *Call for Input* agreed with the use of 'standing order', noting that consumers recognise the term and have an adequate understanding of it.

**Our response**

As with 'direct debit', 'standing order' is a term used by all payment account providers and recognised by consumers. We agree with the statement made by Optimisa Research in their report: 'Standing order was a widely recognised term, and as such, cannot and should not be changed.'<sup>35</sup>

While consumers are not generally familiar with technical aspects of the service and the precise differences between a standing order and a direct debit, we consider that sufficient clarification can be provided in the definition.

We confirm that we will use the term '**standing order**'.

**Definition**

- 4.39** The definition we tested with consumers was: 'When you ask us to make regular payments for a fixed amount to someone else's account.'
- 4.40** Overall, this definition was well-received by the participants in our focus groups. The language was considered to be clear and concise. However, the differences between standing orders and direct debits were not widely understood, and many consumers were not aware that the amount of a direct debit can vary while the amount of a standing order is fixed. The reference in the definition to 'for a fixed amount' was therefore considered helpful.
- 4.41** Respondents to our *Call for Input* suggested two possible amendments to the definition we tested:
- Replacing 'someone else's account' with 'another account' since a consumer can also set up a standing order between his/her own accounts. Our consumer research showed that many consumers are not aware of this.<sup>36</sup>
  - Add to the end of the definition: 'for either a fixed period of time or with the requirement for you to cancel when no longer needed'. The respondent argued that this would help consumers to understand that they are responsible for setting up standing orders and therefore also for cancelling them.

<sup>35</sup> See section 5.23 of the Optimisa Research report.

<sup>36</sup> See section 5.20.1 of the Optimisa Research report.

### Our response

We agree it is important to state that standing orders are for fixed amounts, as this is a key part of the service and an important distinguishing feature from direct debits. We consider that maintaining the wording ‘regular payments for a fixed amount’ achieves this.

We agree with the suggestion to replace ‘someone else’s account’ with ‘another account’, as this describes the service more accurately and is also more consistent with the definition of ‘sending money within the UK’.

We understand the motivation for suggesting an addition to reflect that standing orders can be for a fixed period or for an indefinite period until cancelled, but we have a number of concerns:

- This would add complexity and detract from more important aspects of the definition.
- Equivalent information on set-up and cancellation is not included in the definition of ‘direct debit’.
- Our general approach to defining the services on the UK list is not to cover possible options and variations that might be available.
- Our consumer research clearly showed that consumers prefer definitions that contain as few words as possible and communicate only the key information.<sup>37</sup>

For these reasons, we do not believe there would be significant consumer benefit from making the addition suggested.

We confirm that we will use the definition: **‘When you ask us to make regular payments for a fixed amount to another account in the UK.’**

### Withdrawing pounds in the UK

- 4.42** The two respondents who suggested adding this service to the list provided feedback on the terms and definition we tested. We draw on the findings of our consumer testing<sup>38</sup> and the views expressed by these respondents in determining the term and definition to be used.
- 4.43** Our consumer testing in relation to this service found that terms and definitions including ‘sterling’ were unpopular because many consumers were not familiar with this word. This was particularly the case amongst younger consumers and non-native English speakers, but even people who understood it generally considered it old-fashioned. Optimisa Research concluded: ‘Across the majority of participants, this was felt to be an archaic term and unnecessarily formal. The general view was that it does not reflect how people think or speak in today’s world.’<sup>39</sup> Consumers greatly preferred ‘pounds’, ‘British pounds’ or simply ‘£’.

<sup>37</sup> See Figure 10 in paragraph 4.3 of our *Call for Input*.

<sup>38</sup> See section 5.5 of the Optimisa Research report.

<sup>39</sup> See section 4.2 of the Optimisa Research report.

- 4.44** The two respondents who commented on this also argued against the use of 'sterling', and both preferred 'pounds'.
- 4.45** Our consumer testing found that consumers did not favour terms which refer only to ATMs or cash machines, as cash can be withdrawn elsewhere. They found our definition much clearer as it refers to 'a cash machine, bank branch or Post Office'.

### Our response

In light of these findings and views, we agree that 'sterling' should not be used in the term or definition of this service.

We agree with respondents' suggestion to use 'pounds' instead, as it is more accessible to consumers. We find 'British pounds' unnecessarily long, and see a risk that '£' could be misinterpreted as meaning 'money' rather than pounds.

We confirm that this service includes withdrawing cash at all the places mentioned in the definition. These need not be referenced in the term.

We confirm that we will use:

- the term '**withdrawing pounds in the UK**'
- the definition: '**When you withdraw pounds at a cash machine, bank or Post Office in the UK.**'

### Debit card payment in pounds

- 4.46** The two respondents who requested adding this service to the list provided feedback on the terms and definition we tested. We draw on the findings of our consumer testing<sup>40</sup> and the views of these respondents in determining the term and definition to be used.
- 4.47** Regarding the word used to describe the UK currency, participants in our consumer testing expressed the same preferences as before. They also emphasised the importance of using the same word throughout the list of terms and definitions.
- 4.48** Of the three terms tested, 'debit card payment in £' proved the most popular by some distance, not least because it was the shortest, simplest term.
- 4.49** The two respondents who commented on this service agreed with our consumer testing with regard to the currency. One expressed a preference for 'debit card payment in pounds'.
- 4.50** The definition we tested was generally thought to be very clear, but the words 'for instance to buy goods or services' were seen as introducing some ambiguity because they made participants wonder what else could be purchased with a debit card. Non-native English speakers were also unfamiliar with 'for instance'.

<sup>40</sup> See section 5.9 of the Optimisa Research report.

### Our response

Given these findings and responses, we will use the term 'debit card payment in pounds'. We agree that it is important to maintain consistency across the list of services, and this term is consistent with 'debit card payment in a foreign currency'.

We will also remove the words 'for instance to buy goods or services' which were found in the consumer testing to be unhelpful.

With these considerations in mind, we will use:

- the term **'debit card payment in pounds'**
- the definition: **'When you use your debit card to make a payment in pounds. This can be in a shop, online or over the phone.'**

## 5. Next steps

### **What will we do?**

- 5.1** As required by PAD, the provisional list of terms and definitions will be submitted to the European Commission and the EBA by 18 September 2015.
- 5.2** The EBA will standardise the terms and definitions of the services that appear on the provisional national lists of at least a majority of EU Member States. These must be submitted to the European Commission as draft RTS by 18 September 2016. We will contribute to the EBA work as appropriate.

### **What do you need to do next?**

- 5.3** Providers of payment accounts do not need to take any immediate action. Completion of the provisional UK list is the first step in the PAD standardisation process. Individual terms and definitions on the provisional list will have to be replaced with any terminology that is standardised at EU level. The resulting final UK list will contain the terms and definitions that providers of payment accounts will have to use.
- 5.4** The EBA will consult publicly on draft RTS, providing stakeholders with the opportunity to input their views on the proposed EU-level standardised terms and definitions.
- 5.5** At present, we consider it unlikely that the new terminology will have to be used by providers before autumn 2017.

### **How will we integrate the EU standardised terms and definitions?**

- 5.6** The EBA will standardise the terms and definitions for the services that appear on the national lists of at least a majority of EU Member States. PAD requires that these are integrated into the provisional UK list, resulting in the final UK list.
- 5.7** If any of these services are on the provisional UK list, their terms and definitions will need to be replaced by the corresponding EU standardised terms and definitions.
- 5.8** If services for which the terms and definitions have been standardised at EU level are not on the provisional UK list, they will not be added. We understand that this means that the number and identity of the services on the provisional UK list will remain the same on the final UK list.

- 5.9** The terms and definitions on the UK provisional list which have not been standardised at EU level will remain the same on the UK final list as on the provisional list.
- 5.10** Figure 2 below summarises how the EU standardised terms and definitions will impact on the provisional UK list.

**Figure 2 – Consequences of EU standardised terminology**

	<b>Service is on the UK provisional list</b>	<b>Service is not on the UK provisional list</b>
<b>Terminology is standardised at EU level</b>	Terminology on UK provisional list to be replaced with the EU terminology	No impact in UK (EU terminology is not to be added to the UK list)
<b>Terminology is not standardised at EU level</b>	Terminology on UK provisional list remains unchanged on UK final list	No impact in UK

# Annex 1

## Provisional UK list of terms and definitions

<b>Term</b>	<b>Definition</b>
<b>account fee</b>	A fee that you pay regularly for your account or account package.
<b>arranged overdraft</b>	When we agree in advance that you can borrow up to a certain amount of money if you have no money left in your account.
<b>unarranged overdraft</b>	When you borrow money when you have no money left in your account (or have gone past your arranged overdraft limit) and this has not been agreed with us in advance.
<b>refusing a payment due to lack of funds</b>	When we refuse a payment from your account because there is not enough money in it (or it would take you past your arranged overdraft limit).
<b>allowing a payment despite lack of funds</b>	When we allow a payment to be made from your account although there is not enough money in it (or it would take you past your arranged overdraft limit).
<b>direct debit</b>	When you agree that someone else (usually a company) can take money from your account on agreed dates. The amount can vary.
<b>standing order</b>	When you ask us to make regular payments for a fixed amount to another account in the UK.
<b>sending money within the UK</b>	When you make a payment from your account to another account in the UK.
<b>sending money outside the UK</b>	When you make a payment from your account to an account outside the UK.
<b>receiving money from outside the UK</b>	When money is sent to your account from an account outside the UK.
<b>withdrawing pounds in the UK</b>	When you withdraw pounds at a cash machine, bank or Post Office in the UK.
<b>withdrawing foreign currency outside the UK</b>	When you withdraw foreign currency at a cash machine or, where available, at a bank outside the UK.
<b>debit card payment in pounds</b>	When you use your debit card to make a payment in pounds. This can be in a shop, online or over the phone.
<b>debit card payment in a foreign currency</b>	When you use your debit card to make a payment in foreign currency. This can be in a shop, online or over the phone.
<b>cancelling a cheque</b>	When you ask us to cancel a cheque that you have written.

## Annex 2

### List of non-confidential respondents

We received nine responses to our *Call for Input*. One of the respondents requested confidentiality. The eight non-confidential respondents are listed below.

- British Bankers' Association
- Building Societies Association
- Consumer Council for Northern Ireland
- Financial Services Consumer Panel
- Mr. Andrew Kaye
- The Money Charity
- The UK Cards Association
- Virgin Money Holdings (UK) plc

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