



April 2012  
AK Position Paper

The right to a basic account

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## About us

**The Federal Chamber of Labour is by law representing the interests of about 3.2 million employees and consumers in Austria. It acts for the interests of its members in fields of social-, educational-, economical-, and consumer issues both on the national and on the EU-level in Brussels. Furthermore the Austrian Federal Chamber of Labour is a part of the Austrian social partnership.**

**The AK EUROPA office in Brussels was established in 1991 to bring forward the interests of all its members directly vis-à-vis the European Institutions.**

### **Organisation and Tasks of the Austrian Federal Chamber of Labour**

The Austrian Federal Chamber of Labour is the umbrella organisation of the nine regional Chambers of Labour in Austria, which have together the statutory mandate to represent the interests of their members.

The Chambers of Labour provide their members a broad range of services, including for instance advice on matters of labour law, consumer rights, social insurance and educational matters.

Herbert Tumpel  
President

More than three quarters of the 2 million member-consultations carried out each year concern labour-, social insurance- and insolvency law. Furthermore the Austrian Federal Chamber of Labour makes use of its vested right to state its opinion in the legislation process of the European Union and in Austria in order to shape the interests of the employees and consumers towards the legislator.

All Austrian employees are subject to compulsory membership. The member fee is determined by law and is amounting to 0.5% of the members' gross wages or salaries (up to the social security payroll tax cap maximum). 560.000 - amongst others unemployed, persons on maternity (paternity) leave, community- and military service - of the 3.2 million members are exempt from subscription payment, but are entitled to all services provided by the Austrian Federal Chambers of Labour.

Werner Muhm  
Director

## Executive Summary

According to the 2008 survey for European Union Statistics on Income and Living Conditions (EU SILC 2008), there are 150,000 people in Austria living in a household that has no current account. The years of experience of all Austrian consumer and debt advice organisations clearly show that for many of these people, the non-use of a current account is not voluntary. According

to recent information from the state-approved debt advice service Schuldenberatung Wien, this organisation alone advises about 140 new clients a month who have no access to a current account.

# The AK position in detail

## **Level of need for current accounts in Austria - Problems with special bank**

Austria essentially has three banks that are providing accounts in this segment. At the special bank known as Zweite Sparkasse, voluntary staff opens up accounts for clients at certain advice centres (especially debt advice offices and social counselling offices). These accounts can be used for several years—generally until permanent arrangements are in place for existing debt. The advice office must refer the client, which naturally involves a wait. Account seekers do not have direct access to an account. Although AK welcomes the Zweite Sparkasse initiative, it does consider certain aspects of it to be problematic. This special bank is known publicly as a social project and clients of it can therefore be stigmatized as individuals with financial or social problems. These basic accounts are not neutral accounts. That can be a problem when an account-holder goes to enter into an employment agreement or a lease. Access to the labour market or to certain occupations and services can continue to be impaired if there is no other way to open a current account.

AK is therefore against the option as recommended by the Commission, namely that it would suffice if each Member State had just one bank to provide these kinds of basic accounts (possibly a special bank such as Zweite Sparkasse).

Two major banks in Austria likewise offer accounts to people turned down at other banks. The access associated with these voluntary offers is limited, too, because these banks reject clients who have a debt in the bank group. Experience shows that a considerable number of debtors are in debt to more than one financial institution. These individuals can only obtain access by being referred by advice organisations.

## **Reasons for denying people new accounts or for cancelling their existing accounts**

Based on the experience and knowledge AK has gained in its years of practical consulting and on the experience of debt advice offices, the situation in Austria is that banks often refuse to enter into a business relationship if the customer is in debt or has a bad credit rating. Some banks do not even want to open a current account on a credit-balance basis. Banks often justify denying customers an account by saying the customers have a negative entry in a list kept by an association for the protection of creditors or a business information service.

It is by no means rare for a bank to close a person's existing account if his or her credit rating worsens. This happens, for example, if an indebted client is seeking an arrangement for the repayment of

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debt and a debt rescheduling procedure is initiated before a court of law. It is customary for accounts to be cancelled on a regular basis even when these customers are not indebted to the bank keeping the account and the existing current account is already operated on a credit-balance basis. These practices make it all the more difficult for indebted consumers to get off to a fresh financial start in actual practice.

#### **Costs of payments for consumers without current account**

AK constantly monitors the costs of accounts in Austria. According to the AK bank calculator, a normal user pays EUR 74 a year for an account. A cash transfer in Austria costs an average of EUR 3.58. This amount must be paid for a transfer of cash that has to be made without the use of a current account. Assuming ten cash transactions a month for necessary payments, the annual expenses amount to EUR 429.60. That is many times more expensive than the cost of an average current account. These high charges constitute an exorbitant burden on low-income earners and the socially deprived, who make up a large part of people without an account.

#### **Invisible loss and non-estimated expenses**

The loss from poor access to the labour market and to services for those affected has never before been calculated—not even in studies conducted by the Commission. The same holds true for the issue of long-term costs incurred indirectly throughout the EU as a result of the constant exclusion of marginalised groups of people.

These factors have not been sufficiently taken into account until now due to a lack of statistics. AK believes their major significance speaks in favour of ensuring a legal right of access to a basic account throughout the EU.

#### **Major aspects with respect to the basic account from the standpoint of AK**

- All banks should be required to provide basic accounts.
- It should by no means be possible that just a single bank offers basic accounts in a Member State (“special bank for social services”—as indicated in the working document of the Commission offices—summary of subsequent consequences, page 8).

Access to basic accounts should involve as few obstacles as possible

- Access to basic accounts should involve as few obstacles as possible.
- Information campaigns should be conducted in the Member States to make the public and the stakeholder groups aware of basic accounts. Payment offices (e.g. unemployment offices and authorities that dispense social assistance and other benefits, pension funds) and social-welfare advice and debt advice offices should have information material so they can inform the pertinent clients about the possibilities of obtaining a basic account.
- Access to a basic account should also be given to people who still have a current account but are practically unable to use it because of private insolvency or the account being frozen by the bank.
- If access is denied, there must be quick and effective mechanisms in place for the matter to be settled out of court by a mandatory dispute resolution entity in such a way that the individuals affected suffer from as few disadvantages as possible because of not (yet) having their own account.
- The basic account should be kept on a credit-balance basis.
- A card for cash withdrawals must also be included.
- These costs must be reasonable and covered by an all-inclusive fee that must contain all essential account functions.
- The account is not permitted to be linked to other bank products.

Should you have any further questions  
please do not hesitate to contact

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