

**POLISH BANK ASSOCIATION POSITION TO THE CONSULTATION  
PAPER ON GUIDELINES FOR CROSS-SELLING PRACTICES  
(JC/CP/2014/05)**

Polish Bank Association truly supports all European initiatives which aim is to ensure high level of consumers trust in the retail financial market and to guarantee consumers an access to financial products they need.

It is worth mentioning that cross-selling is a common practice in many industries, including banking sector, which is intended to provide customers with better offers in a more accessible and cost-effective way.

PBA approves with the general description of cross-selling practices proposed in this consultation paper. However, clear distinction between “tying” and “bundling” products should be made visible to consumers.

We also believe the guidelines should adopt a more balanced approach with regards to potential consumer benefits and potential consumer detriment associated with cross-selling practices.

Please note the PBA general remarks/ comments concerning this issue as specified below.

**GENERAL REMARKS:**

1. PBA generally agrees with the potential benefits of cross-selling practices identified such as reduced overall costs, better financial conditions, access to wider range of products/ services etc. Another benefit that needs to be pointed out is that cross-selling often makes consumers aware of the existence/ advantages of certain services/ products which consumers were not familiar with before, but could meet their needs. The significant impact of cross-selling practices on economic development (also in competition and innovation) also should also be highlighted.
2. In the PBA opinion cross-selling practices are not *per se* detrimental to consumers and/or competitors in the retail financial services market. They cannot be perceived only as aggressive commercial practices, misleading information and anti-competitive product-tying practices which are prohibited and explicitly not in the interest of consumers. PBA believes that the examples of potential consumer detriment such as information overload, “withdrawal from market” because of negative experience, early repayment etc., as indicated in the guidelines are not specific to cross-selling practices. The current examples of potential detriment associated with cross-selling refer to mis-selling practices which are clearly prohibited by the relevant national regulations.

3. PBA thinks that as long as consumers are provided with complete, transparent and reliable information on both - product features and pricing - they have sufficient opportunity to select the offer they find most attractive or corresponding to their needs/ expectations. In this respect existing and forthcoming legislation provides consumers with clear rules on information to enable them to effectively understand the different offers, enhance their choice and mobility (e.g. Consumer Credit Directive, Mortgage Credit Directive or Payment Accounts Directive). Financial education programs carried out at national levels plays also a significant role to help consumers make right and conscious choices.

### **COMMENTS ON GUIDELINES:**

#### **1. Guideline 1, paragraph 14:**

From the PBA point of view, providing consumers with comparable, understandable and complete information prior to sign a contract is essential to make them the choose right financial products/ services. Knowing the components of a bundled/ tied package (and the related contractual terms) is crucial for consumers to evaluate the costs and benefits of their choice. Consumers always have the possibility to refuse a packaged offer if it does not seem to refer to their needs.

However, it is unclear also for the PBA how the combined price of separate components in the package will be calculated. From our point of view, such a combined cost can be confusing for customers. We do not understand what is the aim of this guideline – to ensure that consumers are provided with the price of each product in the package or even separate components of each product in the package? Above all, we strongly doubt whether this kind of information is really necessary for consumers.

#### **2. Guideline 3, paragraph 16:**

PBA is wondering what is the relation between this guideline and, for example, provisions of the Payment Accounts Directive. PBA believes that relevant standards on that issue will be specified on the national level in accordance with the PAD Directive.

Moreover, of course it needs to be kept in mind that legal/ technical terms cannot be always omitted.

#### **3. Guideline 4:**

Provided example does not clarify which cases may be considered to fall under information to be presented in a misleading way/ distorting real costs vs. the presentation of information in

an attractive way so as to highlight consumer benefits resulting from the package deal. Our doubts is whether it is still possible to come with promotional offers, and to what extent?

#### **4. Guideline 6, paragraph 20:**

PBA is not sure how to refer this guideline to, for example, investment products. What kind of information need to be included in prospects?

We also have doubts if “*simplified and jargon-free language*” can be guaranteed.

#### **5. Guideline 7, paragraph 23-24:**

Desirable solution for online sales processes for cross-selling products is suggested in the document. According to the document, it is recommended to set an option to select additional product (e.g. loan insurance) by clicking NO instead of YES. This solution appears to be asymmetric. In case of online processes described therein we strongly recommend to adopt the principle of setting optionality field in the neutral position with the need to click YES or NO. This solution gives the customer the ability to make an informed choice.

#### **6. Guideline 9, paragraph 26:**

Polish Bank Association certainly share the position that relevant staff in charge of distribution should be adequately trained to fulfill the requirements established in existing legislation. However, PBA agrees that staff training requirements should be limited to the scope of products sold. It needs to be also noted that training requirements are already included in the recently adopted legislation (e.g. MCD and PAD directives)

What is more, providing consumers with information of risks of the component products and bundled/ tied package “*in plain (non technical) language*” carries itself the risk of collective redress.

#### **7. Guideline 10, paragraph 27:**

We support sales practices that are fair and adequate, but in the PBA opinion remuneration models and sales incentives levels certainly should be approved by market participants (e.g. management boards, shareholders), not supervisory authorities.

Moreover, it needs to be noted that this guideline and relevant justification at page 18 (item 21) may suggest that each incentive system for the sale of insurance/ banking products within the cross-selling processes is a mechanism that increases the risk of over-selling or mis-selling, and consequently should be prohibited. In our opinion any incentive system could be applied for sale of insurance products dedicated to banking products only if proper

mechanisms that verify the quality of customer service and includes insurance products are applicable.

**8. Guidelines 11, paragraphs 28 and 29:**

PBA thinks that it is really impossible to give consumers right to cancel part of package after entering into contract as some of products are dedicated to be sold only as a part of a bundled/ tied package. Withdrawal from one of the product in the package would be a complicated and costly process, and at the same time should give companies right to terminate the whole contract.