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*Contribution to the European Bank Authority (EBA) Consultation Paper for 'Amending the ML/TF risk factors guidelines: setting expectations for customers that are NPOs' and regarding the 'New guidelines on policies and controls for the effective management of ML/TF risks when providing access to financial services'*

FEANTSA (European Federation of National Organisations Working with people experiencing Homelessness) has responded to the EBA consultation on proposals put forward on access to financial services, launched in December 2022. Additionally to our submitted amendments to the paper, we also put forward this short analysis responding the question '*What challenges are organisations around Europe experiencing surrounding the execution of the Payment Accounts (PAD) and Anti-Money Laundering Directives (AML)?*' prepared after consultations with our members during the second half of 2022.

### **General overview:**

While the PAD serves to promote financial inclusion and the AMLD aims to prevent financial fraud and terrorism, there are obstacles that arise when the two Directives are put into practice. Through interviewing organisations who work with vulnerable groups such as homeless populations and destitute mobile EU citizens daily, we analysed their perspective towards the execution of the directives. They shared their experiences of how the directives look when translated into real-life/practice through services being offered and the requiring of documents. The conversations led to a deeper question, namely how can we ensure that the PAD and AMLD promote financial inclusion of homeless populations across different member states?

Significant issues with the collection of identifications were found during the interviews conducted in several Member States. Financial institutions in Belgium hold the responsibility to collect and verify documents such as an ID, passport, proof of address etc. It serves as a liability as they do not want to take risks. In Denmark it is viewed as a generic directive as it does not provide concrete national guidelines but is an overall regional area of law. As a result this has led to a lack of national interpretation and implementation. In Denmark, in the absence of a bank account, the employers can withhold salaries as they cannot pay salaries in cash. Gaining access to a bank account is a multi-layered process that excludes many.

In Germany, a key issue with bank account openings for vulnerable groups stems from the requirement of a tax number for vulnerable populations. In consequence, in the absence of a tax number it is not possible to have access to a bank account.

Spain restricts the right to a basic bank account in a number of ways if an informed professional requests that basic accounts be processed: by setting specific hours for opening, restricting access to online users only, requesting documentation that is frequently challenging to obtain, or denying that basic accounts even exist. In fact, the application is frequently not completed correctly, and homeless persons frequently require assistance from a professional or social organisation in order to complete a financial transaction or open an account. Another major issue is within Spain, the banking organisations have a cap on the total number of basic accounts they can grant each month. However, the EBA does not provide support towards this procedure and there is no authority to regulate this constraint.

### **Other key findings:**

#### ***The lack of information within the target groups: the homeless populations and front line workers in banks***

In Ireland, homeless populations lack access to bank accounts but there is also the issue of them not being fully aware of financial tools and how cards work. There needs to be knowledge shared on financial literacy so that after gaining access to a bank account it will serve as a benefit rather than drive them further in debt. The bank account should serve to include them into society rather than serve as another barrier.

In Sweden, vulnerable groups like homeless populations and mobile EU citizens have rights but are very much unaware. They have rights but the people who meet them in the banks are unaware and neglect them. One bank may ask for your ID and personal number. While another will ask for proof that you are employed. There are different procedures across banks all over Sweden and each scenario differs.

Social workers or workers at banks are ill-informed and lack knowledge surrounding the EU directives; this is also an issue in Denmark, where few employees on the frontline actually know of the existence of such a directive like the PAD.

It is far too complex for banks to be the main executors of the directives in Belgium. Instead, a higher administration should look at the liability of documents like ID or proof of address.

### ***Discriminatory practices***

Mobile EU citizens are highly affected, which is also an issue in Denmark (combined with discrimination against people who do not speak Danish) or in Sweden. Discrimination based on nationality also happens when banks refuse to accept documentation from people's country of origin to open a bank account, as is the case in Brussels. A lack of information & communication through language issues also serves to harm the people who need help the most.

### ***The impacts of digitalisation***

In Finland, vulnerable groups may experience that it is easier to open a bank account. However, they still do not gain access to something called "digital keys." These "digital keys" are needed to transfer money and pay bills. As a result, even if granted a bank account, people struggle with maintaining it. They would still need to be paid in cash rather than having money deposited.

A more pressing issue is the digital tools required for vulnerable populations to access their bank account. Going to a bank physically costs money and there may be a fee. So even after being granted a bank account, people are still excluded.

The legislation and regulations in Norway provide that everyone should have access to basic bank services. Yet, Norwegian society is highly digitalized and vulnerable groups are unable to provide proof of digital identification which is usually required.

*For more information, please access our website [www.feantsa.org](http://www.feantsa.org) or reach out at [information@feansta.org](mailto:information@feansta.org). This document has been prepared with support from Nija N. Daniels, senior at The City College of New York and currently conducting an internship with FEANTSA.*