



Discussion of “Searching and switching in retail banking” (Callari et al), by Michael Boehl (EBA)

EBA Policy Research Workshop on “Competition in banking –
implications for financial regulation and supervision”

Discussion of “Searching and switching in retail banking” (Callari et al)

1. Policy context of the paper
2. Contribution to current policy discussions
3. Critique / potential amendments of the paper

Views expressed are those of the discussant and not necessarily those of the EBA as an authority.

Policy context of the paper

- Consumer protection and integration of the EU market for financial services
 - *What explains imperfect competition and fragmentation in the payment accounts market?*
- Directive on comparability of fees related to **payment accounts**, payment account **switching** and **access** to payment accounts with basic features (2014/92/EU)
 - EBA GL on national provisional lists of **most representative services** linked to payment account and subject to fee
 - EBA RTS on **standardised terminology** for most common services linked to payment account (under consultation)
 - EBA ITS on **standardised presentation format and common symbol** of fee information document and statement of fees (under consultation)
- EC Green Paper on Retail Financial Services, Study on Role of Digitalisation and Innovation in Creating a true Single Market for retail financial services and insurance, EC priority Digital Single Market
- Directive on **deposit guarantee schemes** (2014/49/EU)

Contribution to current policy discussions

- **Model** (bivariate recursive probit) to explain searching and switching of current accounts, allowing for direct and indirect (through searching) impact on switching behaviour
- Choice of customer searching and/or switching dependent on expected costs and benefits
- **Explanatory variables**
 - Customer demographics (incl. education, financial literacy), use of internet, monetary features, bank of origin, trigger factors (closure of local branch, life events)
- Exclusive **dataset** (account data and survey information) used to test model hypotheses
 - Exclusion of customers who had switched or searched in previous two to three years
 - Reduction of sample by above and other exclusions by 25% (to 3 502 customers)
- Estimation yields most significant (statistically) and largest (absolute size) coefficients for
 - **Searching** (as explanatory variable for subsequent switching)
 - **Internet confidence** (as explanatory variable for initial searching)

Critique / potential amendments of the paper

- **Sample size**
 - Full sample (4 549 customers), to test robustness of estimation / impact of exclusions
- **Internet confidence**
 - Correlation with other explanatory variables, to better understand underlying drivers
- **Supply side factors**, to identify characteristics of accounts for which customers have switched
 - **Transparency, comparability, simplicity of products and fee structures?**
 - **Online products?**
 - **Interest rate of products?**
 - **Restrictions on switching? Barriers? Analysis of customers searching without switching**
 - **Cross-border switching?**



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