

ACTIVE CITIZENS

Learning partnership
Grundtvig

DIDACTIC GUIDE

**Module 3:
Financial products and services**



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MODULE 3: "Financial products and services"

To learn how the banks work, what the consumer rights in this field are and how to exercise them

1. PRESENTATION

This is a complex subject. However, it is useful to be well informed because our present and future savings, the best way of investment and even our peace depend from it.

The purchase of a house is the biggest investment carried out by the consumers throughout their life. For this purchase, many (most) persons have to ask for a mortgage loan.

This multimedia didactic material tackles the subject of money and banks based on this aspect. We think the best is to know the rights and obligations related to this subject, before spending money one have and/or have asked for.

The difference between being right or wrong can be in being well informed. Our money has more value when we act well informed.

2. EDUCATIONAL OBJECTIVES

- To be aware of the importance for the consumers to be well informed before acting, in general, and particularly in the field of finances and banks.
- To know the rights and obligations of the consumers in their relation with the banks, savings banks and financial entities.
- To know the services offered by the banks, savings banks and financial entities and how to use them in a satisfactory way.
- To be aware of basic services for the consumer, to understand consumer credit and the debts problem.
- To be aware of the importance for the consumers to be well informed before acting, in general, and particularly in the field of finances and banks (to know what the information sources are and to learn not to be afraid to ask)

3. CONTENTS

FINANCIAL PRODUCTS AND SERVICES

Mortgage loan

It is a bank product through which the consumer receives a certain amount of money (so-called capital of the loan) from a credit entity (moneylender) in exchange for committing to return this quantity together with the corresponding interests through periodical payments (so-called instalments).

The mortgage loan is a type of loan where the credit entity counts on a special guarantee for recovering the lent money: a loan secured by real property (a house, in general) which usually is owned by the client.

Consumer rights:

- To receive an informative leaflet specifying the financial conditions of the loan and preliminary costs of the transaction which the client has to bear (valuation, verification of the register of the property,...) before the loan is signed.
- To consult the Central Credit Register of the Bank of Spain in order to check whether there are debts on his/her name.
- To know the data and prices of the professionals who carry out extra services linked to the loan.
- To not have to pay a new valuation when the consumer provides a not expired valuation carried out by an officially approved valuer.
- To receive a copy of the valuation report and complete information of the loan conditions.
- To consult the draft title deed and ask the notary for a copy of the title deed paying the fee.
- To receive the settlement documents and payment receipts.

Consumer obligations:

- To inform the credit entity truthfully about the own economic and personal circumstances.
- To carry out an agreed financial cover for preliminary costs of the contract (agency, valuation...).
- In most cases, to take an insurance on the mortgaged property.

- To pay the agreed periodical instalments and bank fees punctually.
- To keep a copy of the title deed and the complete documents of the settlements carried out.

Personal and consumption loans

It is a bank product through which the consumer receives a certain amount of money (so-called capital of the loan) from a credit entity (moneylender) in exchange for returning the money together with the corresponding interests through periodical payments (so-called instalments). They are called "personal" because the entity does not count on a special guarantee for recovering the lent money.

Current or deposit accounts

The current account is a product into which the consumer can pay money at the entity and recover it at the moment of asking for it. The entity usually gives remuneration or interests for the money deposited. The client can make payments in cash, payments in general, bank transfers, direct debits, recover the money in cash and pay with cheques. The entity charges fees for some transactions.

Fixed-term deposits

The fixed-term deposits are products into which the consumer deposits a certain amount of money during a certain time. After this period, the entity gives back the money together with the previously agreed interests. In general, the contract contains the option of recovering the money before the agreed period but paying a penalization. The view of the Bank of Spain is that this penalization may not be higher than the gross interests yield since the opening of the deposit until the cancelation.

Debit card

A card for the use of the funds deposited in the associated bank or saving account. Besides of getting money in offices or machines, it serves also to pay in the businesses.

Credit card

A card to have a credit account provided by the entity issuing the card. It is possible to make payments and obtain money until a certain limit

without having funds in the account. This is the main difference to the debit card.

The consumer has to bear in mind that there are companies issuing cards which are not credit entities and consequently are not subject to supervision of the Bank of Spain.

The consumer must know that the use of a credit card has the same consequences as having any other credit or financing method.

Money card

These are the so-called prepaid cards and are used to make payments, in general small amounts, or to obtain money until the limit which the card holder has previously placed at the card issuing bank or electronic money entity through payment or a debit entry.

The amount, which can be deposited on these cards, is usually small and used as replacement of coins and banknotes.

Commercial cards

These are the credit cards issued by commercial entities (consequently not by a bank entity) like big supermarkets, retail chains, etc. and which exclusively serve to purchase products in the shops of the issuing entity until the agreed limit.

However, in Spain, an important part of the big shopping centres work together with credit entities so that the cards are being issued by the credit entities and not the shopping centres.

Client defender

Like in all shops, banks and saving banks also provide to the consumer special procedures to present a claim or complaint in order to safeguard their interests and rights.

A claim or complaint can be made personally or through a representative, on paper or by electronic or telematic means, as long as it is possible to read, print and keep the documents.

It is possible to complaint due to the break of discipline rules or of good bank practices and bank uses. (Discipline rule: Laws and general administrative arrangements that contain precepts specifically referred to Credit Entities which they have to observe obligatorily. Bank uses: commercial and bank uses which have been accepted as common. Good bank practices: practices which are not imposed by the discipline

rules nor constitute a bank use but can reasonably be required for the responsible, diligent and respectful carrying out of the bank business).

The claim or complaint begins with the submission of a document stating:

- Name, surname and address of the interested person and, if applicable, of the representative, identity card number in case of natural person and data of the public register in case of legal entities.
- Reason of the claim or complaint with clear specification of the questions on which the pronouncement is required.
- Office, department or service where the incident (reason for the claim or complaint) took place.
- That the claimant is not aware that the reason of the claim or complaint is being processed through an administrative, arbitrary or judicial procedure.

Place, date and signature.

Together with the previous document, the claimant has to provide the available documentary proofs on which the claim or complaint is based.

In case no answer has been received within two months or the received answer is not satisfactory, it is possible to make a written complaint to the Complaint Service of the Bank of Spain in order to decide whether an incorrect action on the part of the financial institution has existed. For this purpose, it is necessary to prove that the claim has previously been presented to the Customer Service or Client Defender of the claimed entity.

4. DIDACTIC PROPOSALS

In order to carry out the contents of this subject, the following activity is proposed:

Activity: The obligation of information is being fulfilled?

The banks, saving banks and financial institutions are obliged to inform the customer in a clear way. The objective of this activity is to analyze the level of fulfilment of this obligation. The procedure can be as follows:

- The person leading this activity (with help of the video the sheet for teachers no. 1) provides the participants with information.
- All participants collect the names and addresses of financial entities present in their town with help of the telephone directory or the internet.
- The participants are divided in groups and each group chooses (assignment through a draw is also possible) three financial entities which will be the base of their study.
- With the information provided by the person who leads the activity and using sheet for pupils number 1, the data collection can be carried out visiting the assigned financial institutions.
- Back in the classroom, the conclusions are presented and an idea-sharing session will be held.

This activity can also be carried out without leaving the classroom that means working with virtual banks. In this case, the study is carried out by visiting the websites of the banks to find out the information provided to consumers about their offered services and to see whether they fulfil the obligation of information with regard to the aspects mentioned on the sheet for teachers number 1.

5. DIDACTIC SHEETS

SHEET FOR TEACHERS No. 1: Obligation of information

The bank entities are obliged to display, on a permanent notice board and in a readable and outstanding way, all information that is of interest for the clients, specifically:

- Preferential interest rates.
- Applicable overdraft rates for current accounts.
- Applicable overdraft rates for credit accounts.
- Applicable rates for consumption and mortgage loans (this information is only for guidance as these can be negotiated with the bank entity depending on each individual case)

The bank entities must have at the disposal of their clients a leaflet with the tariffs and valuation rules as well as free informative leaflets about the offers related to consumption and mortgage loans.

In case of contracts with indefinit duration, also the modifications of interest rates, commissions and fees have to be at the disposal of the consumers. These modifications have to be published within two months after their change and cannot be applied before this period has passed.

With respect to tariffs and commissions, which the users have to pay in connection with the following transaction and services carried out by the bank entities, they have the right to know them in advance:

In case of mortgage loans, the opening fee should include the costs for the report, process and grant of the mortgage. In addition, the charged commissions and costs have to refer to services which have really been rendered.

In any case, the tariffs applied by the banks have to be collected in a general leaflet in a clear and precise way that is easy to understand avoiding the inclusion of unnecessary or irrelevant concepts. The valuation and settlement rules have also to be included.

The banks can also produce partial leaflets that means including information about concrete bank transactions.

It is obligatory to hand over the contract to the user in the following cases:

- When the user asks for it.
- At the opening of current or saving accounts and at the emission, modification or renewal of debit and credit cards linked to these accounts.

- In the transactions listed below in case they do not exceed the amount of 60.000 EUR:
 - Transactions of fixed-term deposits
 - Transactions of mortgages or credits, including credit cards.
- In leasing transactions, among others.

Together with the contract, it has to be handed over one copy of the commissions and costs and the rules about valuation dates which will be applied to the transaction agreed.

In all temporary bank transactions (that means agreed for a certain period o time), the following information has to be at the disposal of the clients:

- Nominal interest rate for the settlement of interests.
- Frequency, dates and settlement of interest yield.
- Commissions, the concept of the applied commissions, quantity, dates of yield and settlement.

Consumer rights included in the contract. In this point, it is convenient to be on the alert against the so-called abusive clauses: all kind of not individually negotiated condition that causes damage to the consumer and consequently leads to an important imbalance of the rights and obligations of the contract parties. For example, the contract clause which states the imposition of credit conditions, in case of overdrafts in current accounts, that exceed the legal limit or the imposition of additional goods or services or accessories which have not been requested. That means that the consumer has not to accept imposed goods or services if they do not correspond to the concrete good or service initially asked for and for which the professional has been hired.

Therefore, it is necessary and indispensable to carefully read the contracts which the corresponding bank entities offer. We may not sign the contract before reading it thoroughly.

SHEET FOR PUPILS No. 1:
The obligation of information is fulfilled?

ASPECTS TO BE ANALYZED	FINANCIAL INSTITUTIONS		
	1	2	3
Notice board			
Leaflet of tariffs and valuation rules			
Informative leaflet about consumption and mortgage loans			
Information about the modifications of interest rate, commissions or fees			
Other informative leaflets			

Conclusions: