CALL FOR INFORMATION:

RETAIL BANKING IN PORTUGAL

JULY 2025

Autoridade da Concorrência

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1. INTRODUCTION

The retail banking sector plays a fundamental role in the economy, encompassing virtually all Portuguese households and businesses. Deposits, in particular, represent the main source of funding for banks and the primary savings instruments for both households and businesses.

The recent pass-through bank deposit remuneration at the European Central Bank to remuneration of customer deposits by banks has been slow and incomplete. This effect has been slower compared to the more immediate adjustment of interest rates on loans, enabling banks to achieve higher profit margins. This trend has been generally observed in several euro area countries, albeit with some heterogeneity across countries and deposit types, namely in terms of maturity and customer segment (i.e., households or non-financial businesses)[1].

In Portugal, interest rates on new term deposits with maturity up to one year for households remain less attractive than the euro average[2]. The term deposits offerings are particularly less competitive among the five largest banks. Based on their leading product offerings, these institutions show less variation in interest rates and a lower median rate compared to those offered by smaller banks[3].

There is a high level of concentration among the five largest banks. By the end of 2024, these institutions held 70,50% of total assets in the sector[4], exceeding the European average of 68,61%[5]. Over the same period, these five banks also accounted for 74,96% of all deposits in the banking system[6].

Retail banking is a sector prone to barriers to switching, due to the potential difficulties consumers face in searching for and comparing different banking or financial products, as well as potential frictions involved in account switching. For

[1] *Vide*, e.g., Messer & Niepmann "What determines passthrough of policy rates to deposit rates in the euro area?", FEDS Notes, July 2023, available here.

[2] The average observed rate in Portugal in May 2025 was 1,5%, while the euro area average reached 1,84%. The gap between national and euro area averages widened significantly from August 2022 onwards. Source: BdP (statistical information available here).

[3] The highest interest rate offered by the five largest banks (i.e., BPI, CGD, Millennium BCP, Novo Banco, and Santander Totta) on term deposits with maturities up to one year was 1,50% with the average rate of their main offering standing at 1,08%. Among smaller banks ((Atlantico, BAI Europa, Bankinter, Banco CTT, Best, BIG, Invest, OpenBank, and Haitong Bank), the highest rate offered on similar deposits reached 3,65%, with an average of 1,64%. It is important to note that the deposit offers considered vary in terms of maturity, minimum and maximum amounts, and specific access conditions (e.g., new clients, new funds, salary domiciliation, or holding a current account with the same bank). This analysis is based on a review conducted on July 7 and 8, 2025, using the standardized information sheet of each banking product, as publicly available on the official websites of the credit institutions included in the sample.

[4] Source: ECB (statistical information available here).

[5] Source: ECB (statistical information available here).

[6] Source: APB (statistical information available here).

illustrative purposes, according to the October 2022 Eurobarometer, 14,2% of Portuguese respondents with a current account and 6,5% with a savings account reported having switched provider at least once over the past five years. These figures are below the European average, where 17% of current account holders and 7,4% of savings account holders reported having switched[7]. Despite its potential benefits, the practice of bundling different banking products, such as offering term deposits jointly with current accounts, or mortgage loans with insurance products, may hinder product comparability and make it difficult for consumers to switch credit institutions.

Switching costs tend to dampen competition in the market. In situations where banks have an immobile customer base, competitive pressure weakens, and incentives to offer higher deposit remuneration diminish. Although high liquidity coverage ratios[8] and low loan-to-deposit ratios[9] may partially explain the less aggressive approach to attracting new deposits, these factors are unlikely to eliminate the incentive do so, when profit maximization remains a core objective.

It is therefore crucial to assess the prevalence of switching costs in the Portuguese retail banking sector and to identify the main contributing factors to propose, if necessary, measures to lower barriers to switching. This issue has previously been addressed by the AdC in a 2009 study[10] and within the scope of legislative initiatives[11]. Notwithstanding AdC's prior recommendations to improve mobility in the sector, it remains important to evaluate whether further action is warranted to enhance comparability and contracting conditions of banking and financial products, and to facilitate switching.

Unnecessary and disproportionate barriers to entry and expansion by new players can further exacerbate the negative impact of switching costs. The AdC has advocated for the removal of barriers to entry across the financial sector[12]. However, it remains important to determine whether specific barriers persist in retail banking to foster competition and promote consumer welfare.

[7] European Comission "*Flash Eurobarometer 509: Retail financial services and products*" (2022).

[8] The liquidity coverage ratio (LCR) is defined as the ratio between a bank's high-quality liquid assets and its projected net cash outflows under a stressed 30-day scenario. In 2024, the LCR for the Portuguese baking system stood at 272%, above the regulatory minimum requirement of 100%. Cf. Banco de Portugal, *Relatório de Estabilidade Financeira* (Financial Stability Report), May 2025.

[9] I.e., the ratio between total credit granted and total deposits. In Portugal, by the end of the first quarter of 2025, the loan-to-deposit ratio stood at 77,1%. Cf. Loans | ECB Data Portal.

[10] Available here.

[11] In April 2020, the AdC submitted comments to the Portuguese Parliament regarding a set of legislative initiatives on bank fees (available here). Among other measures, the AdC proposed amending the Decree-Law No. 74-A/2017, of 23 June to ensure that consumers are given the option to choose their credit institution for the current account associated with the conclusion of a mortgage loan.

[12] E.g., Monitoring Report on Recommendations for the Financial System (in Portuguese), 2021 and the Issues *Paper* Technological Innovation and Competition in the Financial Sector in Portugal, 2018.

2. CALL FOR INFORMATION

Given its importance to both households and the broader economy, the AdC considers it relevant to assessing the competitive conditions in the retail banking sector and to consider issuing recommendations aimed at promoting switching and competition. As a starting point, **the AdC is launching a call for information to all interested parties:**

> Consumers and businesses as banking clients, supervisory authorities, other relevant public entities, consumer associations, business associations, firms in the banking sector and other relevant sectors, potential entrants, and other relevant stakeholders.

The call for information includes a set of guiding questions to which the AdC all interested parties to respond. Other information can also be shared with the AdC if considered relevant.

The questions seek to identify: (i) any difficulties in comparing banking or financial products and possible ways to improve product comparability; (ii) any challenges in the process of contracting banking or financial products and how that process might be streamlined; (iii) any obstacle in switching banks and ways to facilitate switching; (iv) any barriers to entry and expansion in the sector, including business strategies that may limit competition.

The AdC invites all interested parties to submit their **contributions within 45 working days (by September 24, 2025)** to the email address consultapublica@concorrencia.pt.

In replying to this call for information, please provide a brief description of the entity, company or your profile.

In response to this call for information and given the right of access to administrative information and the applicable procedural regime of ongoing or concluded procedures[13], please identify which information is deemed confidential due to business secret or other due justification, as they otherwise may be made public. Please attach to your response the non-confidential versions of any documents containing confidential information. It is further informed that, under legal terms, the AdC may ensure anonymity, provided that this is requested in a substantiated manner. The non-confidential responses will be made available at the website of the AdC. The failure to identify any information as confidential may entail its disclosure to third parties wishing to exercise their right to access information

In case you would like to request any clarification regarding this call for information, you may contact Marta Rocha, Acting Director of the Studies and Market Monitoring Bureau, by calling +351 21 790 20 00, or by sending an e-mail to marta.rocha@concorrencia.pt.

[13] Namely under the terms and for the purposes of Article 17 of the Code of Administrative Procedure and Law No. 26/2016, of 22 August.

Questions

Barriers to switching in retail banking, from the perspective of consumers and businesses as banking clients

1. Regarding the **comparability of banking/financial products:**
    a. What are the main sources of information used (e.g., bank websites, physical branches, comparison portals and/or intermediaries)?
    b. What are the main difficulties encountered?
    c. What are the main costs associated?
    d. What measures or interventions do you believe could reduce these difficulties and streamline the comparison of banking and/or financial products?
2. Regarding the **contracting of banking/financial products:**
    a. What are the main channels used (e.g., physical branches, bank websites or apps, and/or intermediaries)?
    b. What are the main difficulties encountered?
    c. What are the main costs associated?
    d. What measures or interventions do you believe could reduce these difficulties and streamline the contracting process for banking and/or financial products?
3. Regarding the process of **bank switching:**
    a. What are the main difficulties encountered?
    b. What are the main costs associated?
    c. What measures or interventions do you believe could streamline the bank switching process?

Whenever possible, please break down your responses by type of product, namely: (i) current accounts, (ii) time deposits, (iii) mortgage loans, (iv) consumer credit, (v) retirement savings plans, and (vi) other banking/financial products.

Barriers to entry and expansion in retail banking, from the perspective of companies operating in the sector or potential entrants

4. Do you consider that there are any **regulatory or legal requirements** that unnecessarily or disproportionately restrict the entry or expansion of firms in the retail banking sector? If so, which ones? Why do you consider those requirements unnecessary and/or disproportionate? What measures or interventions do you believe could mitigate their impact?
5. Do you consider that there are **barriers to entry and/or expansion resulting from the strategic behavior of companies**? If so, what are they? Do you believe those barriers negatively affect competition? Why? What measures or interventions could reduce that impact?
6. Do you consider **bundled sales practices (e.g., bundling current accounts to term deposits, or mortgage loans to insurance products) create significant barriers to entry or expansion?** Which types of bundling practices have the most impact on new firms entering or expanding in the market? What measures or interventions could help mitigate those effects?
7. Please feel free to share any additional information you consider relevant.