

13 February 2024

MFSA recommends Banks to elevate consumer service levels following Mystery Shopping Exercise

Following a recent collaborative mystery shopping exercise between the Malta Financial Services Authority (MFSA) and the European Banking Authority (EBA), several credit institutions have proactively taken steps to enhance consumer service levels based on the Authority's recommendations. The evaluation focused on personal loans and payment accounts, revealing areas for improvement, and highlighting positive practices within the banking sector.

During a total of 50 interactions made in relation to personal loans, it was noted that key information was not being disclosed at initial enquiry stage. Additionally, costs were sometimes not explained clearly, and shoppers were directed to bank websites instead of receiving immediate answers. It was also noted that 62% of the mystery shoppers were not provided with conditions related to early repayments of loans.

A good practice that was identified during the interactions was that the absolute majority (96%) of the credit institutions under review did not attempt to increase credit requested by the mystery shopper – by for example, automatically adding a payable fee, such as a commitment fee, to the amount of the loan. Moreover, it has emerged that client-facing staff was not actively cross-selling other products offered by the bank, which suggests that banks are avoiding practices that could lead to financial product mis-selling.

In the evaluation of credit institutions offering payment accounts carried out through a separate set of 50 interactions, a limitation was observed in the information provided to clients. Specifically, in only 11% of face-to-face interactions were the mystery shoppers offered details about the full range of payment accounts available, while a significant 75% neglected to discuss optional services associated with these accounts. Another finding revealed that in onsite visits 63% of credit institutions did not proactively provide this essential document detailing account fees. Online, these documents were often difficult to locate on websites or provided only upon shopper prompting. Nevertheless, the exercise has shown that the Fee Information Document was generally in the standard format as required by the applicable regulations.

"This exercise aimed to ensure that institutions comply with regulatory requirements and prioritise consumer protection," said Sarah Pulis, Head of Conduct Supervision at the MFSA. "While certain positive practices were observed, the findings highlight areas where institutions need to improve. Information on costs and rights should be readily available

and presented clearly to consumers, across all channels, as early as at enquiry stage. The MFSA also expects bank staff to be regularly trained on product knowledge, professional conduct, and accurate information provision. In our interaction with these institutions after the study, we have noticed a significant commitment by banks to work on these areas for enhancement for the benefit of consumers.”

Christopher P. Buttigieg, Chief Officer Supervision added: "Ensuring that the interests of consumers are properly safeguarded is one of the MFSA's primary objectives. Our supervision also focuses on the business conduct of financial service entities, to make sure they always act in the best interest of consumers. This mystery shopping exercise continues to underline the importance that we give to consumer protection."

The MFSA encouraged credit institutions to thoroughly review the [full EBA Report](#), in a recently issued "Dear CEO" letter, which is also available on the [MFSA's website](#). The Authority remains steadfast in its engagement with banks, working collaboratively to address observations and promote continued compliance with regulations.

About MFSA

The Malta Financial Services Authority (MFSA) is the single regulator of financial services in Malta, covering banks, insurance companies, investment services, trusts and pensions. In 2018, the MFSA became the first European regulator to develop a framework to regulate virtual financial assets. The MFSA's mission, as enshrined in its Vision 2021, is to enhance its position as an independent, proactive and trustworthy supervisory authority with the main purpose of safeguarding the integrity of markets and maintaining stability within the financial sector, for the benefit and protection of consumers. The MFSA licenses over 2,000 entities to operate in the financial services sector.

