

**Box 4.1**
**INTERACTION AND COMMUNICATION AS CONDUCT SUPERVISION TOOLS**

In order to achieve adequate protection of bank customers, supervision must have an impact on institutions' conduct. To this end, the supervisor has several complementary tools at its disposal, including most notably interaction and communication with various market participants, authorities and bodies.

Such interaction and communication help detect risks and favour their mitigation, and also reinforce the preventive nature of supervision —by anticipating problems— and enable effective solutions to be designed. Consequently, all aspects of conduct supervision benefit from these interactions.

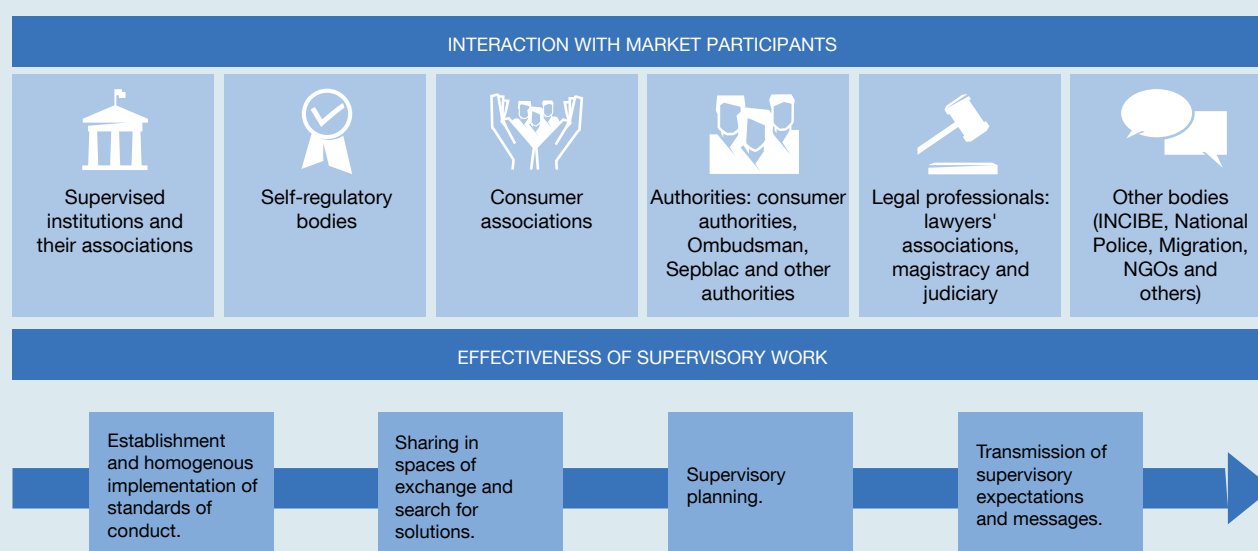
The main interactions in 2024 are summarised below:

- Firstly, the establishment of a regulation geared towards protecting customers, ensuring that their interests and needs are taken into account in the design and marketing of banking products, is an essential preventive element of supervision. In order to contribute to the drafting and subsequent implementation of this regulation, the Banco de España organised workshops and held exchanges: i) with supervised institutions, self-regulation systems and consumer associations, for the definition of

some of the content of the new circular on transparency and customer protection; and ii) with supervised institutions, for the consistent implementation of the *Guidelines on the governance and transparency of revolving credit*.<sup>1</sup>

- In addition, the information obtained in exchanges with consumer and user associations, with the General Council of Consumers and Users and with other authorities, such as the Ombudsman, was very useful as a complement to internal analyses for the purpose of establishing supervisory priorities.
- Also, the proper communication of supervisory expectations, priorities and the most immediate areas of interest is essential for supervision to be effective. Regular meetings with institutions and the exchanges that took place within the Supervisory Forum —an annual meeting whose purpose is precisely to convey supervisory expectations and priorities to the sector— contributed to this task.
- In a changing environment, with new risks and challenges, the exchange of information is essential to provide a better service to citizens and increase security and confidence in the provision of banking

Figure 1  
Interaction for supervisory effectiveness



**SOURCE:** Banco de España.

<sup>1</sup> *Guidelines on the governance and transparency of revolving credit for institutions subject to Banco de España supervision*, published on 13 December 2023.

## Box 4.1

**INTERACTION AND COMMUNICATION AS CONDUCT SUPERVISION TOOLS (cont'd)**

services. On the one hand, as regards fraud, a topic of particular interest in recent years, exchanges with the Spanish National Cybersecurity Institute (INCIBE), the National Police and banking associations made it possible to share identified risks and make progress in designing solutions. On the other hand, in relation to the personalised provision of financial services, financial inclusion and social cohesion, communication with the Directorate General for Migration Management and with various NGOs contributed to a better

understanding of the problems associated with issues such as access to payment accounts by certain groups.

- Lastly, it is worth mentioning that the Banco de España participated in various forums for legal professionals, both in the context of meetings held in lawyers' associations and at meetings with the judiciary and magistracy. This channel of communication and understanding helped identify areas of interest and concern.

## Box 4.2

## MEASURES TO ALLEVIATE THE RISE IN INTEREST RATES ON MORTGAGE LOANS

In response to the rise in interest rates, the legislator approved a series of alleviation measures aimed at reducing the cost of early loan repayments and the conversion to fixed interest rates for debtors. The conduct supervision plan for 2023 and 2024 included actions aimed at verifying the proper application of this regulatory response (see Figure 1). Specifically, inspections were carried out at ten institutions, whose business volume represented a significant percentage of the sector. In the course of these inspections, the fee regime was reviewed, along with the information and documentation provided to the borrower. The work involved the review of procedures, complaints, transaction inventories and file samples.

These inspections revealed a clear preference on the part of customers for the early repayment of loans as compared to the conversion from fixed interest rates to variable rates through subrogations or novations. It was concluded that, in general, institutions had respected the regime of

suspension of fees in early repayments. However, transactions were detected in which these regulations had not been complied with, due mainly to the short period available for the implementation of the IT adaptations necessary for their automatic application.

As a result of these actions, the interpretation of the regulations was standardised, the information made available to customers was improved, and processes that led to incorrect application of the fee regime are being corrected and automated.

All the above has led to the reimbursement to customers of fees amounting to €5 million.

To amplify the impact of these inspections, a document outlining the most common errors identified and best market practices is planned to be sent to the sector in the second quarter of 2025, in line with the preventive approach to conduct supervision.

Figure 1  
Regulatory response to the rise in interest rates

	Law 5/2019 regulating Real Estate Credit Agreements	Royal Decree-Law 19/2022	Royal Decree-Law 8/2023
REGULATIONS WHICH HAVE BEEN VERIFIED	<p>Special treatment for the conversion of variable interest rates to fixed rates in novations or creditor subrogations, regardless of the date of conclusion of the original contract:</p> <ul style="list-style-type: none"> <li>— In the first 3 years, the early repayment fee may not exceed the financial loss or 0.15% of the capital repaid.</li> <li>— After 3 years, no fee can be charged for cancellation through subrogation.</li> <li>— No fee can be charged for the conversion of variable interest rates to fixed rates.</li> </ul>	<p>Until 31 December 2023, the charging of early repayment or early redemption fees on variable rate loans was temporarily suspended.</p> <p>From that date, the limit on the fee for cancellation through subrogation with conversion of variable interest rates to fixed rates is reduced from 0.15% to 0.05%.</p>	<p>It extends the scope of this special treatment to conversions to hybrid interest rates, with an initial fixed tranche of at least 3 years.</p> <p>It extends the suspension of early repayment fees on variable rate loans until 31 December 2024.</p>

SOURCE: Banco de España.