Chapter 5

Supervision of institutions’ conduct

Banco de España
Supervision Report 2025

1 Introduction

The Banco de España's conduct supervision function is key to promoting a responsible banking sector that puts customers' needs and interests first. Effective oversight of institutions' compliance with conduct and transparency rules helps safeguard public confidence in the financial system and supports its proper functioning and stability.

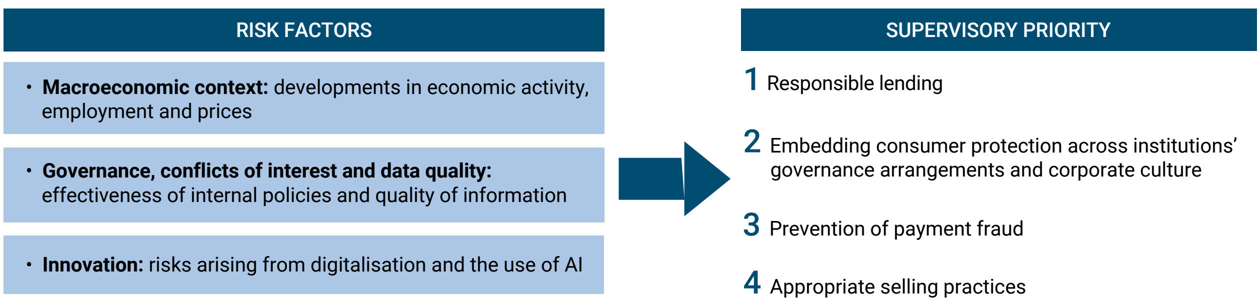
Digitalisation, rising levels of fraud and the use of new technologies, together with the entry of new market participants, all mean that conduct supervision needs to stay ahead of changes in the environment and sector trends, in order to prevent potentially harmful practices for financial consumers and limit possible damage to customers.

In addition to the ongoing monitoring of advertising practices and customer service departments, in 2025 supervisory work focused on four key priorities: responsible lending; embedding consumer protection across institutions' governance arrangements and corporate culture; payment fraud prevention; and oversight of selling practices, including bundled sales and distribution through alternative channels (institutions' physical or digital means of offering customers their services, such as mobile apps and points of sale arrangements via intermediaries).

Figure 5.1 summarises the main risk factors, identified via indicators, that informed the supervisory priorities for 2025. In turn, these priorities define the key areas of focus for the Banco de España's conduct supervision.

As part of the roll-out of the Action Plan 2024-25, developed in response to the recommendations of the external evaluation of conduct supervision, new tools have been added to the supervisory framework to prevent misconduct, anticipate risks and ensure a customer-centric approach. One such tool is the public communication policy, which is built around three strategic pillars:

Figure 5.1
Risk factors driving supervisory priorities



SOURCE: Banco de España.

1. **Risk prevention:** early communication and supervisory dialogue have been strengthened. The aim is to clearly communicate supervisory expectations and good market practices in order to anticipate potential risks for customers before they materialise.

2. **Consumer empowerment and accountability:** active engagement through dialogue with consumer associations and other social partners. The Banco de España will develop educational tools and content to help customers better understand financial products and their rights, thereby enhancing transparency and accountability.

3. **Cooperation with other authorities to boost efficiency:** to make supervision more efficient and effective, hubs have been set up for cooperation and knowledge-sharing with other domestic and international supervisory authorities, groups of experts and fora.

2 Conduct supervision in figures

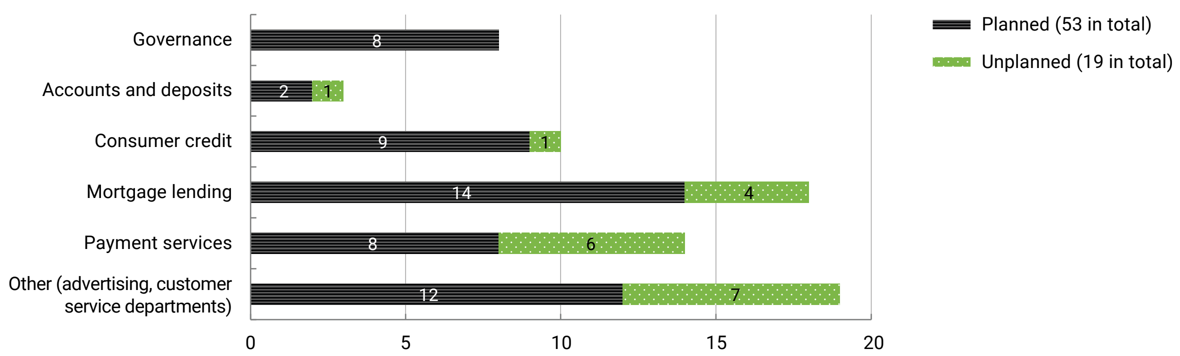
Supervisory work involves reviewing or assessing the conduct of an institution or group of institutions in one or several areas of their business. Some work is unplanned, in other words it is not included in the annual supervisory plan. It is carried out where the ongoing monitoring or other relevant information gives rise to indications or evidence showing that supervisory intervention is needed.

— In 2025 the Banco de España carried out 72 supervisory actions, 26% of which were unplanned. In addition to the ongoing monitoring of customer service departments and advertising, supervisory work focused on the distribution of mortgages and consumer credit, oversight of conduct risk governance and the evaluation of institutions' procedures for detecting and preventing payment fraud (Chart 5.1).

— Throughout the year, the Banco de España adopted a range of supervisory measures aimed at addressing the deficiencies and weaknesses identified. A total of 262 sanctioning measures were adopted.

The Banco de España sent 212 letters requiring institutions discontinue or rectify inappropriate practices (85% related to advertising) and 49 recommendation letters. In the area of consumer protection, breaches of responsible lending requirements have led to a proposal to initiate sanctioning proceedings.

Chart 5.1
Breakdown of the 72 conduct supervisory actions carried out in 2025



SOURCE: Banco de España.

3 Supervisory actions

In 2025 conduct supervision focused on completing work initiated in previous years and undertaking new supervisory interventions to address identified risks and priorities.

3.1 Oversight of bank lending practices

— The Banco de España assessed compliance with responsible lending requirements applicable to consumer credit. This supervisory work was prompted by the growing risk of over-indebtedness stemming from the economic environment (GDP growth, improvement in employment and lower inflation and interest rates) as well as the expected increase in credit demand, amid competition sparked by greater use of digital channels to distribute loans, including pre-approved offers.

— The work included reviewing institutions' policies, internal controls and procedures, as well as their credit assessment models, staff training arrangements and the way they design and sell products.

— As a result of the work, the following areas for improvement were identified:

I. Greater involvement by the managing body in defining, monitoring and overseeing these policies.

II. Strengthening controls on the sale of ancillary products.

III. Reviewing the estimates and assumptions used to assess borrowers' repayment capacity.

— The increase in pre-approved loans and the greater use of internal data to streamline loan origination highlight the importance of robust creditworthiness assessments, in line with the expectations set out below:

Supervisory expectations

- Institutions should be able to demonstrate the reliability of their estimates of customers' income and expenditure.
- Institutions should have sufficient information on the purpose of the loans.

3.2 Oversight of conduct governance

3.2.1 Assessment of institutions' corporate culture

— In 2025 the Banco de España began to assess the extent to which customer protection is embedded in some institutions' business models and governance arrangements, with a particular focus on their product design and monitoring processes. Institutions should consider the interests, objectives and characteristics of the consumers they are targeting when they design and distribute products.

— This assessment includes an analysis of the effectiveness of internal reporting lines and institutions' ability to clearly convey their managing bodies' criteria and guidelines throughout the organisation.

— Work was also initiated to assess internal mechanisms for managing conflicts of interest both for sales staff and for control functions and customer service department staff, as well as to analyse remuneration structures to ensure that they do not rely exclusively on an increase in lending volume. This work will continue in 2026.

— Turning to financial advertising, the Banco de España concluded its analysis of a sample of institutions' advertising policies. Launched in 2024, this work focused on assessing their internal controls and procedures as well as the models used to consider the conduct risks arising from their advertising activities.

— Institutions have strengthened their internal control frameworks, broadly adapting them to their product and services catalogues, communication channels and their specific risk profiles. Improvements made include more robust pre-approval controls, enhanced staff training and increased automation.

— This work helps to identify best practices and areas for improvement. In addition, it strengthens the Banco de España's ability to understand how well institutions integrate customer protection throughout their value chains and how well they manage conduct risks from an organisational and cultural perspective.

3.2.2 Evaluation of procedures for detecting and managing payment fraud

— Digitalisation in the financial sector has logically increased the risk of digital fraud, particularly through identity theft in payment services and credit provision. This increase, together with the associated high level of legal disputes, highlights the need for effective prevention mechanisms.

— In 2024 and 2025 the Banco de España assessed the procedures implemented by institutions for identifying, preventing and managing fraud. This review focused on the effectiveness of internal controls, the preventive measures implemented and the clarity of the information and communications addressed to consumers.

— In addition, close attention was paid to cyber security awareness-raising programmes and the channels established for reporting fraudulent transactions. Matters relating to the governance of fraud units, staff training, the use of automated detection tools and how the customer service department handles such incidents were also analysed.

— The findings show that, while digitalisation offers opportunities to improve the user experience, it also calls for stronger protection mechanisms, greater responsiveness from institutions and more effective support for customers affected by fraud.

— This work has provided an up-to-date picture of the sector's practices. This insight will inform future supervisory actions and foster improvements in internal controls and customer protection against fraud.

3.3 Oversight of marketing practices: bundling products with mortgages

In 2025 the Banco de España completed the supervisory work initiated in 2024 on the bundling of insurance and mortgage products. Oversight of bundling practices is a recurring priority for conduct supervision given its impact on customers' ability to understand and compare available offers.

Supervisory experience confirms that, in some cases, customers do not clearly understand whether products are mandatory or optional, or their impact on the overall cost of the mortgage, which may hinder informed decision-making.

— The Banco de España reviewed institutions' policies and assessed how compliant they are with requirements on tying and bundling practices, how these products are considered in the annual percentage rate, related pre-contractual and contractual information, staff remuneration arrangements and how customer service departments' handle complaints.

— The findings are consistent with those of previous years and highlight the need for institutions to clearly inform customers about the voluntary nature of ancillary products, set out their main features (including their cost and, for insurance products, their coverage periods) and explicitly distinguish the costs of purchasing the products as a bundle or separately.

Insurance products most commonly bundled with mortgages:

- Life insurance.
- Payment protection insurance.
- Home insurance.

— Similarly, institutions must improve their training for sales staff to ensure due compliance with disclosure requirements and with any limits applicable to the tied or bundled sale of ancillary products with mortgages. Also, institutions must adopt distribution practices that avoid undue pressure or the sale of products that do not meet borrowers' needs and interests.

3.4 Strengthening supervisory understanding of distribution channels

Distribution channels affect the customer experience and how the service is generally perceived. 2025 saw the completion of various supervisory actions launched in 2024 aimed at gaining better insight into the activity of mortgage credit intermediaries (professionals who act as brokers between lenders and borrowers) and institutions that only operate through digital channels.

— In the case of mortgage credit intermediaries, the information they reported to the Banco de España was cross-checked against data provided by the credit institutions that use their services.

— Some quality and consistency issues in the information reported and discrepancies in the data recorded in the official registers were detected. Addressing these issues has led to an improvement in the reliability of the available information, thereby strengthening supervisory understanding and transparency in this sector.

— Turning to digital institutions, the work focused on analysing their business models, governance arrangements and internal procedures to ensure compliance with conduct and transparency rules.

— This work has provided a structured overview of these market segments and forms the basis for further supervision and for adapting preventive tools to the new distribution models and ways of interacting with customers.

3.5 Other supervisory work

Supervision of advertising practices is key to protecting users from misleading messages. Close to 1,600 advertisements were reviewed in 2025.

— The work focused on credit card and automotive finance advertising. The latter consistently accounts for the highest number of breaches, mainly due to a lack of information about the institution providing the credit and the applicable terms and conditions. In addition, in response to the growing use of influencer-led advertising campaigns, a dedicated ongoing monitoring programme was launched at the end of 2025.

Outcome of the advertising assessment:

- 1,592 advertisements by 86 institutions were reviewed.
- 180 requests were issued to cease or correct inappropriate practices.

Lastly, in 2025 the supervision of the customer service departments of a sample of branches of foreign credit institutions was strengthened, with the aim of ensuring that they act as an early warning mechanism and serve as an effective channel for protecting financial consumers’ rights.

— Specifically, the Banco de España looked at the way they handle complaints and whether they comply with the *Guidelines on the organisational and operational criteria of the customer service departments of supervised institutions*.

In addition, compliance with supervisory measures (requirements and recommendations) adopted in previous years was assessed, examining whether these measures had been effectively implemented and whether they had led to meaningful improvements in the institutions’ operating procedures and in their conduct towards customers.