

## INFORMATION TO THE CUSTOMER

### On switching of domestic personal current accounts

This informative material is prepared in accordance with the COMMON PRINCIPLES ON THE NATURAL PERSON'S BANK ACCOUNT SWITCHING (COMMON PRINCIPLES) developed by the Commercial Banks Association of Latvia .

## INTRODUCTION

If you have considered switching of your personal current account and payments connected to it (hereinafter – switching of payments relationship) from your bank to another bank in Latvia, we advise you to study this informative material and find out whether your present bank (hereinafter – the ‘former’ bank) and the new bank (hereinafter – the ‘new’ bank) actually provide this possibility \* If both banks do provide such a service, they can give you consultations and advise you of the necessary actions in order to switch your payments relationship. Useful information can also be found in this informative material.

## HOW DO THE PRINCIPLES WORK?

- Account switching (hereinafter also - payments relationship switching) services concern only current accounts and are offered only to customers – natural persons.
- Switching of payments relationship is possible only between the banks registered in Latvia or the Latvian branches of foreign banks adhering to the Common Principles.

Switching of the payments relationship includes:

- account switching (closing of the former account and opening of a new account at the ‘new’ bank);
- transfer of payments linked to your account - recurring direct debits (e.g. automatic payment of bills) and standing orders (regular payments to a specific creditor) – to your account with another bank.

## SOME EXPLANATIONS

**Current account** means an account that you have opened with the bank for making and receiving payments.

**Standing orders** means regular transfers of funds to a specified creditor according to the Customer's orders to the bank (e.g. monthly fixed payments for goods, regular transfers to relatives etc.).

**Recurrent direct debits** means a legal relationship established between you and the bank whereby you request the bank to make payments according to the payment creditor's orders (e.g. automatic payment agreements on payment of bills submitted by the issuer of the bill).

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\* The list of banks adhering to the Common Principles is available on the website of Commercial Banks Association of Latvia

## YOUR CHOICE

You can choose whether to switch to the 'new' bank:

- your entire payments relationship – to open a new account with the bank, to transfer all recurrent direct debits (automatic payment of bills), standing orders, and close your 'old' account;
- leave your account with the 'former' bank and switch to the 'new' bank only selected recurrent direct debits and standing orders.

### !!! Please note:

- **in case of switching the account the current account number is changed;**
- **in respect of the account switching all the operational rules valid in the 'new' bank apply (e.g. provisions of contracts, specific product features etc.) ;**
- **„automatic” switching of the payments relationship from one bank to another is not possible as new agreements must be signed with the 'new' bank.**

## IN WHICH CASES THE COMMON PRINCIPLES CANNOT BE APPLIED?

Closing of the account in the 'former' bank is not possible for the following reasons:

- Transactions on your account are frozen by the order of a state institution;
- A loan agreement is linked to the account (e.g., a housing loan agreement, an overdraft agreement, a credit card agreement or any other credit facility that is still outstanding);
- A securities account is linked to the current account;
- The account is used for accumulation of foreign currency and its balance is insufficient to charge fees for currency transfer services;
- A deposit agreement is linked to the current account;
- You have outstanding debts at the bank (e.g., commissions for the use of services);
- Switching of the account is not possible due to another reason stipulated in the laws and regulations;
- Switching of account is not possible due to other important reasons.

In case of switching of the payments relationship only, i.e. of recurrent direct debits and standing orders, to the account opened at the 'new' bank, the following factors may hamper the process:

- You have concluded a housing loan agreement or another credit agreement which binds you to receive your salary (or other specified sums of money) and/or maintain turnover of funds on the account opened with the 'former' bank;
- Transactions on your account are frozen by the order of a state institution.

## SPECIFIC ASPECTS OF SWITCHING RECURRENT DIRECT DEBITS

If you wish to switch your recurrent direct debits to the 'new' bank, you have to consider the following information:

- Recurrent direct debit agreement can be switched to the 'new' bank only in such an event if the creditor of payments (e.g. a person for whose benefit you make payments using the automatic payment of bills) has concluded an agreement with the 'new' bank;
- the creditor, (e.g., the issuer of the bill) must know that you have signed a direct debit agreement (also known as the automatic payments agreement) with the 'new' bank at least 1 month prior to the beginning of the debiting period to be able to prepare payment orders for sending to the 'new' bank.

**!!!! It is important to know** that between the termination date of the recurrent direct debit agreement with the 'former' bank and entry into force of the new recurrent direct debit agreement with the 'new' bank there may be an interval within which you yourself will have to take care that your bills are paid on time because of the following:

- if your bill has not been settled on time, the outstanding amount can be added to your next bill;
- if the limit set in your automatic payments (direct debit) agreement is too small compared to the amount of the monthly payment, this limit can hamper settlement of your liabilities in the next period, too, causing unnecessary complications (accrual of penalties, interest etc.)

### **EXPENSES**

- In the process of account switching, closing of your account with the 'former' bank is free of charge. The 'former' bank may charge you for closing of the account only if the period from opening of the account has been shorter than 12 months. In such a case you should pay a fee set by the 'former' bank in its pricelist.
- Transfer of information from the 'former' bank to the 'new' bank is free of charge. The 'former' bank may charge you for services according to its pricelist only in case of data that is older than 13 months. In such a case you should pay a fee set by the 'former' bank in its pricelist.
- For all transfers in lati and foreign currencies and all forex operations related to the account switching you will be charged a fee according to the 'former' or the 'new' bank's pricelist.
- You will have to pay the postal expenses of sending the information.

### **APPLICATION PROCEDURE OF THE COMMON PRINCIPLES**

#### **Step one**

Choose the bank to which you wish to transfer your payments relationship and visit that bank.

#### **Step two**

The new bank will be your Primary Contact Point at which you will receive all the information on the following:

- Is switching of payments relationship possible at all?
- Are there any circumstances interfering with switching of the payments relationship?
- How much time will the switching process of payments relationship take?
- Other relevant information.

On the basis of your application the 'new' bank will send a request to the 'former' bank and find out if it is possible to switch the account as well as all the information on your recurrent direct debits and standing orders valid at the 'former' bank.

**!!! You can also obtain the information from your 'former' bank and personally submit it to your 'new' bank.**

#### **Step three**

The 'new' bank will inform you of the answer received and you will agree with the bank on the specific services to be switched to the 'new' bank.

The 'new' bank will inform you if switching of payments relationship to the 'new' bank is impossible for any reason. In order to eliminate the obstacles you will have to contact the 'former' bank.

#### **Step four**

If switching of your payments relationship is possible, you will be able to sign a current account agreement with your 'new' bank (if it has not been done already).

The 'new' bank will inform you of your new account number and provide other important information, as well as draft letters with which you will notify your partner (e.g., your employer or business partner making regular payments on your account) of your new current account at the 'new' bank.

#### **Step five**

The 'new' bank will help you settle your relationship with the 'former' bank:

- To cancel the payments relationship that you wish to switch to the 'new' bank (by sending an appropriate order to the 'former' bank);
- To close the account, to transfer the account balance to the 'new' bank and to cancel all payments relationship (in this case you will have to take this application to the 'former' bank personally).

### **TIMESCALE<sup>†</sup>**

The entire process can take approximately 45 days (see below), assuming that you will take active part in it. You should remember though that the new recurrent direct debit agreements can enter into force in the 'new' bank within 1 month or at the beginning of a new calendar month.

#### **DURATION OF THE PROCESS**

T = date, when you arrive at the 'new' bank;

T + 3 = the 'new' bank forwards Application No 1 to the 'former' bank;

T + 3 + 8 = The 'former' bank submits to the 'new' bank the information on your account (depending on the indications in the Application);

T + 3 + 8 + (n days)<sup>2</sup> = (E) date, when you arrive at the 'new' bank, receive the information on the possibility of switching your current account from the 'former' bank and the creditors of your recurrent direct debits at the 'new' bank. You have to make a decision;

E + 3 = the 'new' bank forwards to the 'former' bank your Application No 2 or you personally take it to the 'former' bank if the Application contains the order to close the current account with the 'former' bank;

E + 3 + 8 = the 'former' bank performs the actions indicated in your Application No 2.

!!! If a payment card is connected to your current account with the 'former' bank, (a debit card), the current account can be closed not earlier than 45 days following the receipt by the 'former' bank of the order to terminate the current account agreement and the respective payment card agreements;

E + 3 + 8 + (n days) = you conclude with the 'new' bank the standing order agreement and the recurrent direct debit agreement.

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<sup>†</sup> Time is expressed in days.  
Time that depends on the Customer.

## **ADDITIONAL INFORMATION**

You will find more information on the possibilities of current account switching on the website of the Commercial Banks Association of Latvia [www.bankasoc.lv](http://www.bankasoc.lv) including the Common Principles proper and the list of banks that have announced of their adherence to the Common Principles.