

## COMPARATIVE ANALYSIS OF BANKING SECTOR FEES AND COMMISSIONS

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***Abstract:** This paper explores how the fees and commissions imposed by private banks for using the most common of banking services affect consumers across the EU. In it, an attempt for the creation of a simple methodology for the calculation of the fees and commissions burden on the average consumer is made. Based on the resulting model, an indicator is created and calculated and is used to perform a comparative analysis of the banking sector fees and commissions burden between 8 chosen European countries*

***Keywords:** banking, banking sector, banking fees and commissions*

### **INTRODUCTION**

Amidst a regulatory push towards the abandonment of cash transactions in lieu of electronic payments, the income of the European banking sector from fees and commissions continues to increase. The framework that constitutes the amount that retail customers are charged when using banking services has become more and more complex over the years. The technology in the financial sector is also advancing in leaps - most wages are paid through banks, a major part of the population are paying for goods and services through credit and debit cards, utilities can be paid online, etc. The topic of fees and commissions thus becomes a focal point of discussion with the rise and simplification of electronic transactions - as they become ubiquitous, the seemingly small amounts of fees stack up to significant sizes over the course of a month or a year. This underscores the importance of researching the topic of the fees and commissions burden on the average consumer.

This paper aims to propose a simplistic methodology for the calculation of a standardized fees and commissions burden indicator and different ways to implement its usage. To achieve this goal we set the following tasks:

- gathering information about the current fee and commission amounts for March, 2025 for select 8 European countries;
- create a methodology for the calculation of the fees and commissions burden (FCB) per month;
- perform a comparative analysis through the usage of the FCB.

The scope of this paper is limited to 8 countries and their top 3 private banks by assets.

### **EXPOSITION**

#### **Methodology and implementation**

The first step was for 8 countries to be chosen as subjects of the research. The chosen subjects are 4 countries from Eastern Europe (Bulgaria, Romania, Estonia, Poland) and 4 countries from Western Europe (Germany, France, Italy, Switzerland). Data for the fees and

commissions was manually pulled from the individual websites of each of the top 3 banks in each country. In order to create the model for the FCB the following indicators were compiled:

- Account opening fee - a one-time charge to create a current account. Account opening fees are relatively small when put into the context of the time that the account has been functional. Their cost, as a fixed value, is spread over the life cycle of the current account, and thus decreases as time goes on;
- Account Closing Fee - same as the opening fee, this is a one-time charge to close the current account, the same logic applies to its burden calculation. For all measured banks the Closing fee was currently reported as zero, but it remains as a part of the FCB for eventual uses in the future if that number changes;
- Maintenance fee - a fee that is charged monthly for maintaining the current account. The research is focused on the basic tier of service provided, which excludes premium and semi-premium accounts;
- Withdrawals:
  - ATM Withdrawal Fee - a fee when a customer withdraws money from the bank's own ATMs;
  - Out-of-Network ATM Withdrawal Fee - a fee charged by the bank when using an ATM that is not part of their network;
  - Over-the-counter Withdrawal Fee - when the customer withdraws money directly from the bank office and is serviced by a teller.

Research shows that those are the fees that are most common across different banking systems and carry the most weight when it comes to the retail customer. There can be many more specific fees implemented by banks for different services, but the selected ones are the most common and deemed most important for our research<sup>8</sup>.

The formulated indicator thus looks as follows:

$$FCB = \frac{(O + C)}{N} + M + 1,5W_1 + 0,83W_2 + 0,92W_3 \quad (1)$$

where:

FCB - fees and commissions burden indicator

O - account opening fee

C - account closing fee

N - number of months since account has been opened

M - maintenance fee

W<sub>1</sub>/W<sub>2</sub>/W<sub>3</sub> - withdrawal fees (ATM, Out-of-network ATM and OtC fee)

All fees are recalculated per month. Weights are applied towards the withdrawal fees based on a study for the European Commission (Van Dijk Management Consultants, 2009, pp 130) that determines how often, within a year, does the average EU consumer use the particular service. The data for the number of usages has been transformed to fit the FCB by the authors.

A preliminary step was to perform a recalculation of the data from different currencies to a single one - euro (the date used for this step 04.05.25). The data regarding conversion rates was sourced from the respective central banks. For the purposes of the demonstration below we set "N" to be equal to 1. The result from our calculations of the fees and commissions burden indicator for the selected countries is presented in Table 1.

Table 1. Fees and commissions burden, euro, monthly (source: authors' calculations)

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<sup>8</sup> the methodology is adapted upon Stanev, 2019

| Countries | Bulgaria | Romania | Estonia | Poland | Italy  | France  | Germany | Switzerland |
|-----------|----------|---------|---------|--------|--------|---------|---------|-------------|
| FCB       | 5,4642   | 2,758   | 7,59    | 7,51   | 9,2085 | 3,57833 | 11      | 7,1262      |

In all chosen countries the fees in account closing and withdrawals from the bank's own ATM's is 0 euros. The lowest results of FCB were observed in Romania. This is probably because of low amounts in "Maintenance fee", "Withdrawal fees" ("Out-of-Network ATM Withdrawal Fee" and "Over-the-counter Withdrawal Fee") and free Account opening. The second lowest result was seen in France. This can be because of no fees in account opening and Over-the-counter withdrawal.

The next lowest result is in Bulgaria. The result is like that because of the low fees in account opening, maintenance fee, Out-of-Network ATM withdrawal and Over-the-counter withdrawal. The highest result was seen in Germany. Although German banks impose only a maintenance fee and withdrawal from out-of-network ATMs, their value is relatively high, and this brings the total FCB to the highest of the observed countries. A robust study concerning the sizes of fees and commissions for the average consumer in the European Union was performed in 2009 (Van Dijk Management Consultants, 2009, pp 113). In it, customers are categorized into consumer profiles and the average cost of banking services is presented for each group. Although the methodology differs, it is notable to compare the results of the Van Dijk study with our own current calculations of the FCB. Most of the subject countries exhibit an increase in the average monthly cost of services compared to 2009, even taking the wider scope of fee inclusion in the 2009 study. The tendency is clear: the prices of banking services are steadily increasing with time.

To further the analysis and comparison between the weight of the fees and commissions on the average consumers in the chosen countries, we introduce an additional indicator to take the average monthly income of consumers into account. We take the FCB as a percentage of the monthly salary. The formulated indicator represents the relative burden of banking fees and commissions on the income of the average banking service user. In general, the higher the FCB/salary indicator is, the more expensive it is for the consumers to use banking services relative to their income. When comparing the different countries those with lower FCB/salary ratio have more favourable conditions available to their citizens. The results from the analysis are shown in Table 2.

Table 2. Average net salary and FCB/salary (source: net salary data<sup>9</sup>; authors' calculations)

| Countries               | Bulgaria | Romania | Estonia  | Poland   | Italy    | France   | Germany  | Switzerland |
|-------------------------|----------|---------|----------|----------|----------|----------|----------|-------------|
| Monthly salary - euro   | 615.00   | 800.00  | 1,200.00 | 1,330.00 | 1,740.00 | 2,587.00 | 2,850.00 | 5,325.00    |
| FCB/salary (percentage) | 0.89     | 0.34    | 0.63     | 0.57     | 0.53     | 0.14     | 0.39     | 0.13        |

As the study shows, the lowest result is Switzerland with 0.13%, closely followed by France with 0.14%, and the highest one registering is Bulgaria - 0.89%. These results seem to be mostly predetermined by the differences in the monthly salary. Our analysis shows that Bulgarians suffer the highest relative burden from banking service fees and commissions in comparison to the other observed countries.

<sup>9</sup> <https://statistics.timecamp.com/average-salary/> - 04.05.25

## **CONCLUSION**

In conclusion, this study encompasses the burden of fees and commissions and how much it affects the average consumer. To achieve this goal, data for the fees and commissions in chosen countries was gathered and processed. A methodology was proposed to formulate a simple indicator called the FCB (fees and commissions burden) to evaluate the monthly average cost of banking services for the consumer. The FCB was calculated for 8 European countries, and another indicator was derived from it in relation to the average net monthly income in said countries. The resulting FCB/salary indicator is demonstrated as a tool for comparing the banking service costs in different countries and a value to be used to determine the financial weight of fees and commissions on the average consumer.

Among the studied countries, Bulgaria has the highest indicator, thus Bulgarians put aside a larger portion of their income towards fees and commissions for using banking services as opposed to the other 7 countries observed.

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