

## INFORMATION TO THE CUSTOMER

### **On switching of current accounts of individuals**

This informative material is prepared in accordance with the UNIFIED PRINCIPLES ON THE SWITCHING OF BANK ACCOUNTS OF INDIVIDUALS (UNIFIED PRINCIPLES) developed by the Association of Latvian Commercial Banks

### INTRODUCTION

If you have considered switching your account and payments connected thereto (hereinafter – switching of payments relationships) 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 service\*. If both banks do provide such a service, they can give you consultations and assist you in the necessary actions in order to switch your payments relationships.

Useful information can also be found in this informative material.

### HOW DO THE PRINCIPLES WORK?

- Account switching (hereinafter also - payments relationships switching) services concern only current accounts and are offered only to customers – individuals.

- Switching of payments relationships is only possible between the banks registered in Latvia or the Latvian branches of foreign banks adhering to the Unified Principles.

Switching of the payments relationships includes:

- account switching (closing of the former account) and opening of a new account at the New bank;
- transfer of services on payments linked to your account - recurring direct debits (e.g. automatic payment of invoices) and regular payments (regular payments for a particular recipient) – to your account with another bank.

### SOME EXPLANATIONS

- ***Current account*** - a current account opened in your name at the bank, which you can use for making and receiving payments.
- ***Regular payments*** - regular transfers of funds to a particular recipient (e.g. monthly fixed payments for goods, regular transfers to family members etc.).
- ***Recurrent direct debits*** - legal relationships established between you and the bank whereby you allow the bank to make payments according to the orders submitted by the payment recipient (e.g. automatic payment contracts on payment of invoices submitted by the invoice issuer).

### YOUR CHOICE

You can choose what you would like to switch to the New bank:

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\* The list of banks adhering to the Unified principles can be found at the website of the Association of Latvian Commercial Banks: [www.bankasoc.lv](http://www.bankasoc.lv)

- all payments relationships – to open a new account with the bank, to transfer all Recurrent direct debits (automatic payment of invoices), regular payments, and to close your ‘old’ account;
- to leave your account with the Former bank and to switch only selected recurrent direct debits and regular payments to the New bank.

**!!! Please note:**

- **in case of account switching, the current account number is changed;**
- **all the general regulations on transactions, which are in effect in the New bank (e.g. contract provisions, corresponding specific features of products etc.), apply to the current account switching;**
- **„automatic” switching of the payments relationships from one bank to another is not possible as new contracts must be signed with the New bank.**

**IN WHICH CASES THE UNIFIED 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 contract (e.g., a housing loan contract, an overdraft contract, a credit card contract or any other credit facility that is still outstanding) is connected to the account, and active liabilities are still in effect;
- A securities account is linked to the current account;
- The account is used for currency accumulation, and the account balance is insufficient to charge fees for currency transfer services;
- A deposit contract is linked to the current account;
- You have outstanding debts at the bank (e.g., commissions for service use);
- Account switching is not possible due to another reason stipulated by regulatory enactments;
- Account switching is not possible due to other important reasons.

In case of switching of the payments relationships, i.e. of Recurrent direct debits and Regular payments, to the account opened at the New bank, the following factors may hamper the process:

- You have concluded a housing loan contract or another credit contract which binds you to receive your salary (or other specified amount of money) and/or maintain turnover of funds at 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 Recurrent direct debits to the New bank, you must consider the following information:

- Recurrent direct debit contract can only be switched to the New bank in such an event if the recipient of payments (e.g. a person for whose benefit you make payments using the automatic invoice payment) has concluded an agreement with the New bank;
- the recipient, (e.g., the invoice issuer) must know that you have signed a direct debit (can also be referred to as the “automatic payments contract”) with the New bank at

least 1 month prior to the beginning of the debiting period, in order to be able to prepare payment orders for sending to the New bank.

!!!! It is important to remember that between the termination date of the old recurrent direct debit contract with the Former bank, and entry of the new recurrent direct debit contract with the New bank into effect, there may be an interval in the New bank, within which you must take care that your invoices are paid on time because of the following:

- if the invoice has not been settled on time, the outstanding amount might be added to your next invoice;
- if the limit set in your automatic payments (direct debit) contract is too small and you have taken the monthly payment amount into consideration, the set limit can hamper complete settlement of your liabilities in the next period, too, causing unnecessary complications (accrual of penalties, interest etc.)

### **EXPENSES**

- Within the framework of account switching, closing of your account with the Former bank is free of charge. The Former bank may only charge you for account closing if less than 12 months have passed from the account opening. In such a case you might pay a fee set by the Former bank in accordance with its pricelist.
- Transfer of your information from the Former bank to the New bank is free of charge. The Former bank may only charge you for services according to its pricelist in case required information is related to data older than 13 months. In such a case you might pay a fee set by the Former bank in accordance with its pricelist.
- You will be charged a fee for all transfers in LVL and foreign currencies and all currency exchange operations related to the account switching, according to the pricelist of the Former or the New bank.
- You will have to cover expenses for information sending (postal expenses).

### **PROCEDURE OF APPLICATION OF THE UNIFIED PRINCIPLES**

#### **Step one**

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

#### **Step two**

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

- Is switching of the payments relationships possible at all?
- Are there any circumstances interfering with switching of the payments relationships?
- How much time will switching of payments relationships take, as well as 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 Regular payments, which are in effect 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 also inform you if switching of payments relationships to the New bank is impossible due to various interfering circumstances. In order to eliminate the obstacles you will have to contact your Former bank.

### **Step four**

- If switching of your payments relationships is possible, you will be able to sign a current account contract 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 required information. You will also be able to receive samples of letters, using which, you can inform your partners (e.g., your employer or cooperation partner making regular payments to 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 through an order:

- To cancel the payments relationships that you choose 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 relationships (in this case you will have to deliver this application to the Former bank personally).

## **TIMESCALE<sup>1</sup>**

The entire process of transfer of payment relationships can take approximately 45 days (see below), assuming that your assets will also be involved therein. You should remember though, that new contracts on Recurrent direct debit might enter into effect 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 to the New bank;

T + 3 = the New bank forwards your application to the Former bank;

T + 3 + 8 = The Former bank submits the information on your account to the New bank;

T + 3 + 8 + (n days)<sup>2</sup> = (E) date, when you arrive to the New bank, receive the information on the possibility of switching of payments relationships and choose your further actions;

E + 3 = the New bank forwards your orders to the Former bank, or you personally submit your order to the Former bank (in case of account closing);

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<sup>1</sup> The terms are expressed in days.

<sup>2</sup> The term depends on the Customer.

E + 3 + 8 = the Former bank executes your orders (terminates the corresponding direct debits and regular payments), transfers the indicated monetary amounts to your account at the New bank, terminates the current account contract at the Former bank.

!!! If a payment card, including a debit card, is attached to your account at the Former bank, your account might be closed no sooner than 45 days after the Former bank receives the order to terminate the account contract and the respective payment card contracts.

E + 3 + 8 + (n days) = you conclude the Regular payments contract and the Recurrent direct debit contract with the New bank.

### **ADDITIONAL INFORMATION**

You will find more information on the possibilities of payment relationship switching on [www.bankasoc.lv](http://www.bankasoc.lv), the website of the Association of Latvian Commercial Banks, where you will be able to find both the Unified Principles and the list of banks that have announced their adherence to the Unified Principles.