

Several factors have determined the low remuneration of bank deposits in Spain since 2022

- The average remuneration of household deposits in the eurozone in June 2024 was more than twice as high as that of Spanish households.
- Concentration indicators alone do not allow the intensity of competition in the deposit market to be assessed.
- Bank concentration may negatively affect deposit remuneration but has low explanatory power in the determination of interest rates.
- The costs associated with switching banks, the comparability of the information offered to customers, the scarcity of alternative products and the need to deepen financial education initiatives could affect the differences observed between countries and between banks with a presence in Spain.

Madrid, 15 January 2025. The low remuneration of bank deposits in Spain during the European Central Bank's interest rate hike, starting in mid-2022, can be explained by factors that go beyond bank concentration, according to the report drafted at the request of the Ministry of Economy, Trade and Enterprise¹ ([INF/CNMC/149/24](#)).

Among other factors, the costs and information problems associated with changing banks (portability between institutions), the scarcity of alternatives for taking out savings products other than deposits and the need to deepen financial education initiatives are some of the relevant elements that determine this situation².

Multiplicity of factors

At the national level, concentration ratios in Spain are at moderate levels, but considerably higher than in comparable large eurozone economies.

Bank concentration rates at the provincial level are very heterogeneous and particularly high in those provinces with populations concentrated in small cities. CaixaBank, BBVA and Santander are banks that are widespread throughout the

¹ SEEAE request of 17 July 2023 on factors linked to the structure and functioning of the Spanish banking market that could affect incentives for banks to remunerate savings.

² As of June 2024 (cut-off date of the report), the average remuneration of the stock of deposits of eurozone households (1.17%) was more than double that of Spanish households (0.48%). In the case of companies, although the differences are smaller, the average remuneration in the eurozone (1.60%) is still 31% higher than in Spain (1.22%).

country, but there are others, such as some rural savings banks, with very significant shares in certain geographical areas.

However, concentration indicators alone do not allow the intensity of competition in the deposit market to be assessed.

Econometric analyses indicate that bank concentration may negatively affect deposit remuneration, but this factor has low explanatory power in the determination of interest rates. In this respect, there are many other factors that could more strongly affect the differences observed between countries and between banks with a presence in Spain.

These factors are related to the structure of demand and competitive pressure from alternative products:

- **Costs associated with switching banks** (lock-in effects) can reduce client mobility in certain segments. Loyalty policies, such as mortgage interest rebates for direct salary deposits, contracting additional products or maintaining a certain level of account balance, problems associated with the process of searching for alternatives due to a lack of standardisation and comparability of commercial information on deposit products, and some practical difficulties in the portability of accounts between banks may contribute to this phenomenon.
- **Financial products that are partial substitutes** for time deposits (mutual funds, treasury bills, etc.) still exert little competitive pressure. The same credit institutions that market deposits offer other savings products such as mutual funds. Other products offered by third parties, such as treasury bills or capital market products, still have limited weight, despite their rapid growth.
- **Financial education in Spain** is lower than in most eurozone countries. This may limit the ability to compare offers and to purchase more complex deposit substitutes.

The penetration of **new, digital-only institutions** remains limited, but is a growing source of competitive pressure, especially in the younger segments.

The report also analyses the impact that other factors, such as the **high liquidity** of banks, may have had.

Recommendations

The CNMC advises several measures to facilitate a broad offer of financial products to households and businesses, mitigate information problems and facilitate mobility between institutions:

- **Promoting access to a wide range of deposits and other substitute financial products**
 - Promote public-private partnerships in areas at risk of financial exclusion and facilitate direct access to capital markets for retail investors.
- **Mitigating customer information problems through training and increased transparency**
 - Strengthen and better coordinate existing financial education and digital literacy initiatives.
 - Improve transparency in deposit offers, in particular with standards for comparison websites and an extension of the scope of the public comparator.
 - Provide the regular communication of information by banks to their clients.
- **Reducing mobility costs between entities**
 - Improve "bank portability" mechanisms.
 - Reduce the administrative burden and obstacles associated with contracting deposits with foreign institutions.

Related content:

- [INF/CNMC/149/24](#)