



Investing in People

Good practices by banks and credit institutions that support economic integration of migrants and refugees

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**DG Justice,
Freedom
and Security**

This handbook has been drafted in the framework of the transnational project 'Invip – Investing in people. Good practices by banks and credit institutions that support economic integration of migrants and refugees', carried out by the European NGOs Cospe, Antigone, MPDL, Nùmena and Symfiliosi and co-financed by the European Commission – DG Justice, Freedom and Security through the INTI Programme (Integration of third country nationals).

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1. Executive summary

Drawing from existing literature, media sources and direct enquiries among various stakeholders, the report outlines a state-of-the-art description of the relationship between migrants and banks / credit institutions in the five countries covered in the transnational project – Cyprus, Greece, Italy, Portugal and Spain.

In all but one of the countries studied, little or no attention has been dedicated to the issue of migrants' access to and use of banking and credit services so far. The only exception among the five countries is Italy where, beginning from the late 1990s, an increasing number of enquiries have been carried out on the issue, albeit at the local level. More importantly, the Italian Association of Bankers collects, collates and disseminates data on migrants' use of banking and credit services.

Immigration from third countries has increased significantly in all five countries in the last decade and they have either become or are on the verge of becoming full-fledged immigration receiving countries, after decades of being countries of emigration. The percentage incidence of immigrants on the population of these countries varies from an outstanding record of 20 per cent in Cyprus to 11.4 per cent in Spain; from 7.3 per cent in Greece to 5.6 per cent in Italy and 3.3 per cent in Portugal.

In all five countries, immigrant workers occupy mainly low-skill and poorly paid segments of the labour market and this situation is said to be policy-induced and rarely demand-driven. A significant presence of unauthorised immigrants are reported in all five countries and repeated legalisation exercises in the case of Italy have made it possible for about 1.2 million migrants to regularise their positions between 2002 and 2006. In some of the five countries, restrictive immigration laws enacted in the last decade as part of a generalised EU policy approach have proven ineffective in terms of limiting unauthorised entry.

Immigrants, the survey documents, have access to some banking and credit services although at varying degrees in the five countries and subject to different regulations and limitations. In general, they are required to meet additional conditions compared to those requested of nationals, in order to be able to open current or savings account. A common feature in all five countries is that a migrant will have to be legally resident in the country but the formal proof of legal residence varies. In four countries out of five, it is compulsory to show a legal title to stay – the residence / stay permit – in order to be allowed to open a bank account. Only in one country can a migrant open a bank account by showing an identity document which can be a valid international passport, an identity card issued by the municipal council, the individual tax code, a residence or stay permit. Besides the identity document / residence permit, other requirements by banks include an employment contract and/or a pay slip, minimum initial deposit, income

/ tax declaration, guarantee by a national who may or may not be a client of the bank etc.

The contents of services offered differ as well. This is particularly true of credit services for which additional guarantees are required from migrants, especially as regards credit for business.

In some of the countries, banks and credit institutions have designed specific products for immigrants in the form of some traditional products accompanied by accessory services deemed to respond to some peculiar needs of migrants or seen as being more suitable to their socio-economic conditions. Whatever the specific form such products take, they all tend to minimise the risk for banks while broadening their client base among the immigrant population. Information gathered through the research suggests that response by migrants to the offer of specific products targeting them differs between countries. In one country, there is very low demand for such products while in another, banks report very positive responses by the target clientele. A service that is attracting the attention of banks and for which demand is high among immigrants is the money transfer service used to remit money to family members in the countries of origin. In all the countries surveyed, this particular service seems to be delivered more efficiently and faster by a limited number of organisations specialising in money transfer and which make use of a myriad of local agents; in Italy, Portugal and Spain, small enterprises owned and run by immigrants constitute a significant percentage of such local agents.

Present levels of integration of migrants in the banking system still leave out a high percentage of immigrants who, potentially, can meet the requirements for access set by most banks. Evidence from the research suggests that other factors contribute to keep a significant share of this group of migrants away from banks. Such factors include poor knowledge of the language of the new country of residence. This is particularly true for the newly settled for whom poor knowledge of the language represents a major drawback in their interactions in general within the host society. Related to this is the more specific lack of understanding of banks and their practices and procedures due to the difficulty in utilising information provided in the national languages on these aspects and the enormous difficulty encountered by bank staff in providing services to a linguistically diverse clientele, especially in the case of people who speak non-European languages.

These difficulties account for some of the outreach measures adopted by some banks and aimed at attracting more immigrants clients. In almost all the countries involved in the research, an increasing number of banks are either translating existing information brochures or producing specific information / publicity materials in the languages of some of the largest immigrant groups in the areas where they operate. Some have set up multimedia information centres that enable them to accommodate more languages at relatively low costs. Others are experimenting with employing, in some of their branches, multilingual staff from immigrant background who are able to communicate

effectively with immigrants from the groups prevalent in the areas where such branches are located. The report identifies a number of these measures as possible good practices that, if implemented on a large scale by most banks, can make outstanding contributions to the integration of many more migrants into the financial and banking system.

2. Introduction: structure of handbook

This handbook has been produced in the framework of a transnational project financially supported by the European Commission – DG Justice, Freedom and Security, in the context of the INTI Programme – Integration of third country nationals. It is based on materials and information collected through a research carried out in each of the five participating countries – Cyprus, Greece, Italy, Portugal and Spain -, during the period from November 2007 to April 2009.

It is organised under six chapters. In the first, we describe the structure, contexts and methods used to collect information and data. All the chapters of the handbook follow a country-outline, presenting separately for each country, the information gathered on a specific theme treated in each chapter. Readers will find that the different author's interpretations of the themes proposed do not follow a uniform structure and outline. This is due to a prior agreement between members of the transnational project team to adopt a flexible approach in order to capture the diverse experiences in the participating countries, focusing on what is identified as being particularly useful in each context.

Chapter two presents a brief description of immigration and demographic information on immigrants in each country. This chapter provides the background information against which the viability of expanding the offer of banking services to immigrants can be assessed by banks and other stakeholders whose policies can contribute to further improvement of financial services to migrants. This is followed in chapter three by an overview of the existing banking and credit services used by immigrants and the conditions of access to such services. In chapter four, we focus on the problems and constraints highlighted by the research in accessing bank services on the part of migrants and delivering such services on the part of banks and credit institutions.

Chapters five and six – examples of good practices and conclusions and recommendations -, provide information on the strengths of the current situation and draw attention to some policy measures that have the potential to contribute positively to an equitable integration of immigrants in the banking and financial systems in each country.

The information provided in each chapter and for each country in this handbook represents a summary of the wider findings of the research in each partner country and a full picture of the country-specific situation can only be gained by reading the full research report available in each national language on the website of all five organisations¹. The authors hope that readers in countries other than

¹ <http://www.cospe.org>; <http://www.antigone.gr>; <http://www.mpdl.org>; <http://www.numena.org.pt>; <http://www.reconciliationcy.org>.

those surveyed will also find some of the issues raised stimulating and useful for work in their national contexts and by so doing, strengthen the added value of this project at EU level.

3. Contexts and methods

Cyprus

Since independence from British colonial rule in 1960, political unrest, inter-ethnic conflict and foreign intervention have dominated the political stage and public concern in Cyprus. The violent clashes in the years 1964-1974 between the two constitutionally recognised 'communities', the Greek-Cypriots and the Turkish-Cypriots, representing at the time 78 per cent and 18 per cent of the population respectively, and the foreign military interventions from Greece and Turkey in 1974 left behind them many hundreds of dead and missing people and the economy devastated. A de facto partition of the island between north and south which started in 1964 and was sealed with the Turkish invasion of 1974 keep the island divided until presently, with the Greek-Cypriots residing in the southern part of the country and the Turkish-Cypriots in the north. In 2003 the Turkish Cypriot administration lifted (partially) the ban on freedom of movement, which essentially opened the sealed border between north and south, enabling many thousands of people to cross from north to south and vice versa on a daily basis.

On May 1st 2004 Cyprus acceded to the EU as a divided country having missed a chance to resolve its 50-year old problem on the basis of the United Nations Secretary General's settlement plan, which was rejected by the Greek Cypriots in a referendum just days before EU accession. Only the southern territory, controlled by the Republic of Cyprus is officially part of the EU, which is run since 1963 by Greek-Cypriots. The research was conducted only in the territories controlled by the Greek-Cypriots, where there are 138,000 non-Cypriots legally resident (and another estimated 30,000 irregular migrants consisting mainly of 'overstayers') a number constituting about 20 per cent of its population. Most immigrants are employed in domestic work, the service industry (tourism, trade), the manufacturing industry, agriculture and construction, in low-paid and low-status jobs.

Cyprus had historically been a country of emigration, exporting migrants to richer countries. A change of policy in 1990 transformed Cyprus from an emigration country to an immigration destination. Cyprus has since become a prime instance of a Southern European country which functions as the 'entrance hall' to the EU and often serves as a 'waiting room' for many migrants who have the Northern European countries as a destination. Apart from the need to meet the labour shortages created by the rapid growth of the 1980s, there were regional and international reasons that account for the migratory flows to Cyprus. On the one hand, economic developments such as the world wide growth in tourism resulted in economic growth which increased the demand for labour in Cyprus. On the other hand, political developments such as the collapse of the Soviet Union resulted in the migration of labour from former Soviet countries but also to the migration of a large number of Pontian Greeks from the Caucasus

region who received Greek nationality and were thus able to migrate to Cyprus with minimum formalities. In addition, the Gulf war, successive crises in the Gulf region, unrest in Israel/Palestine, wars and ensuing violence in Iraq, as well as poverty and political unrest in the Middle East and Northern Africa have caused the inflow into Cyprus of both economic as well as political refugees from the affected regions.

Prior to its accession to the EU, Cyprus was the only country to allow Russian nationals to enter without visas, in an effort to attract businesses, holiday makers and much sought-after capital. This policy has resulted in several thousands of Russians migrating to Cyprus and establishing offshore businesses, Russian schools and Russian churches. Following its EU accession, Cyprus was forced to adopt a more restrictive policy in granting entry rights to Russian visitors. However, many of the people who came to Cyprus in the 1990s have settled here on a temporary residence visa which is renewed annually. They form a distinct category of third country nationals as their personal wealth and corporate structures receive more attention and hence more targeted services from the banks in Cyprus, than the economic migrants whose turnover is a small percentage of that of Russian businessmen (whose turnover is often several millions of dollars per year).

The methods used in our research was a desktop study, structured interviews with 95 migrants, 2 focus groups and interviews with 5 financial institutions. Migrant interviewees were randomly selected from places around Nicosia and Limassol frequented by migrants: an NGO offering support and assistance to migrants, the open-air markets where migrants often work and some also have their own stores; the municipality parks where they spend their Sundays. Furthermore, in an effort to minimise the risk of not fully receiving the perspective of migrants due to lack of trust, a phenomenon which we did encounter when interviewing strangers in the streets, some interviews were also conducted by appointment with migrants whom the researchers knew personally. Two focus groups were conducted in Nicosia. More analytically, a breakdown of the interviews, consultation processes and focus groups is as follows: (a) 75 third country nationals (45 men and 30 women) working as employees on short term visas (both documented and undocumented); (b) 20 Pontians² and EU nationals; (c) 2 focus groups with 6 participants in the first and 8 in the second; (d) 8 migrant entrepreneurs; (e) 6 public institutions, trade unions and NGOs;³ and (f) 6 officers from 5 different credit institutions (banks, co-

² Persons of Pontian origin came to Cyprus from the Caucasus region following the collapse of the Soviet Union, either with a Greek passport, in which case with minimum formalities since they are EU citizens, or as economic migrants from Georgia and other neighbouring countries. They currently form the largest ethnic migrant community of Cyprus. Their organisations claim that their number is up to 40,000.

³ We have consulted with representatives from the following: the Nicosia Municipality, UNHCR, the Pancyprian Federation of Labour-PEO and the Cypriot Confederation of Workers –SEK (the two largest trade unions in the country), the

operative societies, and international payment services companies⁴). Two officers from the same bank were interviewed, because the second interviewee was willing to divulge more information about bank practices than what the first one did.

A stakeholders' meeting was held in Nicosia where all banks were invited to attend, together with representatives of migrant organisations, a representative from UNHCR, a representative from the Nicosia municipality and representatives of migrant support NGOs. No representative from the banks attended the meeting. The justification offered to the organisers by virtually all the banks was their busy schedule due to the international financial crisis. Further investigations on the part of the organisers in an effort to hold a second stakeholders' meeting have resulted in the same conclusion, i.e. the banks at the moment continue to be unwilling/unable to attend.

Greece

The first outcome of our research was the lack of information – official and/or academic – concerning the economic integration of migrants in general, and more specifically the relations between migrants and banks and credit institutions. In spite of the importance of economic factors in the decision to migrate by many, economic integration of migrants remains understudied and under-developed. Within the existing literature on integration of migrants, socio-cultural aspects dominate over socio-economic ones. The economic topic that is gathering increasing attention of researchers in Greece and some international organisations that work on migration is that of remittances.⁵

The research conducted during this project combined diverse materials and methods. Given the lack of official sources or the impossibility of access to market researches conducted by several banks, we were forced to draw from media sources, which are the main actors from which information about migrants and banks is provided.

Ombudsman/national equality body, the Progressive Association of Pontians – PROSOPO.

⁴ These are: the Co-operative Society of Strovolos, the Bank of Cyprus, the Cyprus Popular Bank, the Commercial Bank, and Moneygram International.

⁵ See among others OECD (2005), *Migration, Remittances and Development*, Paris: OECD; Mansoor, Ali & Bryce Quillin (eds.) (2006), *Migration and Remittances: Eastern Europe and the Former Soviet Union*, Washington DC: The International Bank for Reconstruction and Development/The World Bank – Europe and Central Asia Region; Ghosh, Bimal (2006), *Migrants' Remittances and Development: Myths, Rhetoric and Realities*, Geneva – Den Haag: International Organization for Migration – The Hague Process on Refugees and Migration; Jiménez-Martín, Sergi, Natalia Jorgensen & José María Labeaga (2007), *The Volume and Geography of Remittances from the EU*, Brussels: European Commission; Markou, A. (2006), "Remittances as new resources of income for the banks", To Vima.

The main tool used in order to gather information for a general mapping of the situation was the empirical field research. Personal interviews were preferred methodologically to mail-based surveys given the low return rates of the latter. All the same, 22 questionnaires were sent to various actors by mail and only two responded. Those interviewed during the project included banks and credit institutions, some public institutions that provide financial services and migrants. The interviews were carried out using a questionnaire adapted from a general outline produced within the transnational project and adapted to the specific national situation in each partner country. In Greece, it took mostly the form of a semi-directive open discussion, especially in the case of migrants. This was not only a methodological choice, in other words the preference of the research team for a qualitative rather than quantitative research, but it was also dictated by the attitudes of the interviewees. To give an indicative example, we have to mention that respondents, whether migrants or representatives of banks and public institutions, were not eager to provide specific information on economic issues investigated (income, amount of loans, remittances etc.).

The sample of migrant interviewees was drawn-up using official data (mainly the 2001 Census which is the most thorough and accurate) on the migrant population and taking into account variables such as nationality, gender and occupation. The method of snowball sampling was used to identify interviewees (among them members of migrant associations) who then lead to other interviewees who met the needs of the sampling.

An additional tool used in the research was focus group interviews with migrant associations, and in particular with three: the KASAPI-HELLAS (Union of Filipino Migrants), in which 9 people participated, the Greek Forum of Migrants - an umbrella organisation comprising more than 40 migrants' associations and communities⁶ -, which involved 17 participants and the United African Women Organisation⁷, with 6 participants.

In total, 77 migrants have been interviewed, 11 of whom were entrepreneurs. Half of the interviewees were women, though women account for only 45 per cent of the migrant population in the country. This was due to the high rate of participation of women from some nationalities, such as the Filipinos and former Soviet Union countries, but also due to the decision to explore the gender dimension of the issues studied.

The distribution of the interviewees by nationality/geopolitical region is as follows:

- 27 Albanians, of whom 9 were women (7 entrepreneurs, 2 construction subcontractors, 2 kiosk owners, 1 mini market

⁶ <http://www.migrant.gr>

⁷ <http://uaworg.wordpress.com/>

owner, 1 free-lance accountant, and 1 independent consultant on migration);

- 18 migrants from the former Soviet Union countries, of whom 13 were women (6 from Ukraine, 5 from Russia, 4 from Georgia and 3 from Moldova);
- 10 Filipinos, of whom only one was a man and one entrepreneur (insurance company);
- 9 Sub-Saharan Africans, of whom 6 were women (3 Nigerians, 2 Sierra Leoneans, 2 Kenyans, 1 Tanzanian and 1 Ugandan), one entrepreneur (owner hairdressing saloon);
- 8 Pakistani men, two entrepreneurs (owner of video-club and owner of restaurant);
- 5 Egyptian men.

Representatives of 11 banks were also interviewed; seven of these operate at the national level, two are cooperative local banks in the province, and two are foreign banks (Albanian and Russian) that operate in Athens and Thessaloniki. We need to reiterate that in several cases, banks were reluctant to speak to our researchers, and when they did, they were reluctant to provide any data about their migrant clients and market researches.

Lastly, representatives of five public institutions that provide or monitor financial services were interviewed⁸. In both cases of banks and public institutions, information gathered through interviews have been supplemented with publicly available information on the services offered.

Finally, we have to add that national workshops organised during this project have been not only excellent occasions for exchange of experiences and ideas among different stakeholders but also real sources of combined knowledge about existing problems and good practices.

Italy

In the last ten years, signs of the increasing economic integration of migrants in Italy have raised interest of scholars, development agencies, the media as well as banks towards migrants' access to financial services, and its implications for the country's social and

⁸ General Directorate of Migration Policy & Social Integration of the Ministry of Interior (<http://www.ypes.gr/>), the Hellenic Ombudsman for Banking – Investment Services (<http://www.bank-omb.gr/>), the Bank of Greece (<http://www.bankofgreece.gr/>), the Workers' Housing Organisation (<http://www.oek.gr/>), and the Greek Manpower Employment Organisation (<http://www.oaed.gr/>).

economic development. The following are some key issues drawn from a review of studies and / or project reports carried out so far on the subject.

A growing number of immigrants have regular access to the banking system. In particular, a 2005 survey by ABI / CESPI estimated that 57.3 per cent of the 2,100,000 adult immigrants living in Italy at the time was already a bank client⁹. According to the same source, as at January 2008, there were 1.4 million immigrants who were bank clients across the country¹⁰. This means that the number of immigrants who were bank clients had moved from 1,058,000 at the end of 2005 to 1,410,000 at the end of 2007, a record 352,000 increase which is well above the increase in the immigrant population during same period.

The financial needs of immigrants are becoming increasingly complex, from basic savings and current accounts to demand for credit and mortgages. In 2004, the total amount of credit granted to immigrants (in the form of mortgages and consumer loans) amounted to 4,848 million Euros, five times more than in 2000. The average annual growth rate in that period was +51.6 per cent with a record +79.3 per cent in 2001. After 2004, the annual growth rate stabilised around 40 per cent¹¹.

A local survey carried out in 2003 found that 17 per cent of immigrants interviewed (average on aggregated sample at national level) had applied for a bank loan, with significant variations between the South and Central regions (2 per cent of applicants in Naples and 11 per cent in Rome) and the North (29 per cent in Milan)¹². A similar survey conducted in the cities of Rome and Milan recorded about 24 per cent of applicants for loans in both cities¹³. A growing percentage of immigrants is signing mortgage contracts with banks: between 2000 and 2004, the percentage moved from 0.4 to 1.2 per cent and by the end of same period, 4.3 per cent of the immigrant population living in Italy had obtained a mortgage. Still in 2004, the total amount granted as mortgages to immigrants stood at 5.8 per cent of total loans granted by the banking system to all clients, Italians and immigrants, in that year¹⁴. Another local survey in 2005, found that 11 per cent of

⁹ Presentation of the preliminary findings of a survey by ABI/Cespi on immigrants' access to banks in Italy, *Cittadinanza economica dei Migranti e Microfinanza*, José Luis Rhi-Sausi, CeSPI Director.

⁹ Osservatorio su Credito al Dettaglio ASSOFIN-CRIF-POMETEIA, June 2005, no.18

¹⁰ ABI – Associazione Bancaria Italiana (2008), 'ABI: banche, 1,4 milioni gli immigrati clienti', Press Release, 29th January 2008.

¹¹ Censis – E-st@t Gruppo Delta, *Immigrati e Cittadinanza Economica, Consumi e Accesso al Credito nell'Italia Multietnica*.

¹² Braghero M., *Quelli che ne hanno fatta di strada*, University of Florence, SWG, November 2003.

¹³ Libanora R., *Immigrati e servizi bancari. Risultati di una ricerca condotta a Roma e Milano*, in Andreoloni L. (ed); *Il Social Banking in Italia. Un fenomeno da esplorare*, Fondazione Giordano dell'Amore, Giuffrè, Milano, 2003.

¹⁴ Osservatorio su Credito al Dettaglio ASSOFIN-CRIF-POMETEIA, June 2005, no.18

immigrants interviewed had obtained a mortgage in the past, while 18 per cent had not but had plans to apply for one in the future¹⁵.

The aim of the research was to acquire information on banking and credit services to the resident population and identify needs and difficulties of access to these services by migrants and refugees on the one hand and on the other, the constraints on banks in offering better services to these groups. Besides, it also aimed at acquiring better knowledge of current practices, from which good practices in the sector in terms of equitable access to banking and other credit services by migrants could be highlighted. Information so acquired would be useful in promoting better economic and financial integration of immigrants on the part of various institutional actors.

The research was carried out in 6 regions (*Emilia Romagna, Lazio, Lombardia, Puglia, Toscana, Veneto*), following a preliminary review of existing literature. In three regions - *Lombardia, Veneto* and *Lazio* -, the review showed that some quantitative research on migrants' access to basic banking services had been carried out¹⁶ while in other three regions – *Toscana, Emilia Romagna* and *Puglia* -, knowledge of migrants' use of banking and credit services was lacking altogether. It was decided as a result to diversify the research across these regions, investigating specific aspects in certain regions and not others, in relation to existing information, the issues that needed to be studied and resources available.

In the areas where some research had been done previously, the survey sort to acquire information on less favourable differential treatment by banks between migrants and Italians in their daily operations, the characteristics of demand for banking services / products designed specifically for migrants, access to credit for housing and for business by migrants, with particular attention to gender dimension. In the three regions where basic knowledge of migrants' relationships with banks were lacking, the research focused on quantitative information on migrants' access to banking and credit services, including the aspects outlined above. In all six regions, the characteristics and effectiveness of institutional measures meant to facilitate the integration of migrants into financial and banking system have been analysed.

In *Toscana, Emilia Romagna* and *Puglia* a total of 674 migrants were interviewed using structured questionnaires while in the other three regions - *Lombardia, Veneto* and *Lazio* - 81 qualitative interviews of

¹⁵ Censis – [E-st@t](#) Gruppo Delta, *Immigrati e Cittadinanza Economica, Consumi e Accesso al Credito nell'Italia Multietnica*, op.cit.

¹⁶ E. N. Napoletano, A. Quaregna, A. Cavalleri (eds), *Il risparmio invisibile - Una ricerca sul rapporto immigrati e banche nella provincia di Biella* (2005); R. Lupone, *I segmenti marginali nella domanda di servizi finanziari. Il caso degli immigrati nell'area municipale di Roma*; Manuele Baghero, *Quelli che ne hanno fatta di strada.....* November 2003; R. Libanora, 'Immigrati e servizi bancari. Risultati di una ricerca condotta a Roma e Milano', in L. Andreoni (ed), *Il Social Banking in Italia. Un fenomeno da esplorare*, Fondazione Giordano dell'Amore, Giuffrè, Milano, 2003.

immigrant entrepreneurs (51) and immigrants who had applied for mortgages (30) were carried out. About 43.5 per cent of migrants interviewed were women. As regards banks, 30 qualitative interviews of representatives of major national, regional and local banks were carried out and the information obtained from the interviews was supplemented with an analysis of publicly available information on services offered to migrants by same banks. The decision to interview some local branch managers was meant to acquire information on the daily practices within these banks as against the official position outlined in policy documents. Besides, 18 other stakeholders - 6 public institutions and 12 professional associations - were interviewed.

Three focus group discussions were organised: two were held in Florence and the first explored the general issue of immigrants' access to banking and credit services, while the second focused more on credit for business and the third and last one, held in Verona (North-East of the country) centred more on migrants' access to mortgages. All three involved representatives of banks, some migrants, NGOs and representatives of some institutions and professional associations.

Portugal

If financial exclusion “refers to a process whereby people encounter difficulties accessing and/or using financial services and products in the mainstream market that are appropriate to their needs and enable them to lead a normal social life in the society in which they belong”¹⁷, then, in Portugal, immigrants belong to a group which is more exposed to financial exclusion than the rest of the population in general. This susceptibility stems in the first place from the subordinated place occupied by a significant segment of immigrants in the Portuguese labour market, where they hold low-skilled jobs, with meagre earnings and highly precarious relations to the employer, and a high risk of unemployment. This results in a low capacity to save money. However, many immigrants face other serious problems than their difficult economic situations, chiefly among them the lack of legal title to stay in Portugal.

To this must be added that the research carried out for this report partly took place during a period of financial crisis, with a contraction of the credit granted by banks to the population in general, a fact that almost all of the providers of financial services interviewed referred to, and in which the first to feel the consequences are those clients associated with higher risks, and such is the case of many immigrants.

¹⁷ European Commission. Directorate-General for Employment, Social Affairs and Equal Opportunities, *Financial Services Provision and Prevention of Financial Exclusion*. 2008 Available at: http://ec.europa.eu/employment_social/spsi/financial_exclusion_en.htm (13.04.2009).

The methodology used for collecting data for this report can be divided into two groups: desk and field research. The existing information on the specific theme of access by immigrants to bank services in Portugal is scarce. Although the literature on immigrants in Portugal in the field of social sciences has grown enormously in the last six years, access to banks and other financial services has not attracted much attention of researchers. In this context, we consulted other national documents that either focused on the functioning of banks, or on the economic situation of immigrants, or on other aspects of financial exclusion. Thus, at the national level, the reports elaborated by the *Banco de Portugal* [Bank of Portugal] were of great importance in understanding the functioning of the financial market at large. A careful reading was also made of the existing national legislation, and of the regulations internal to the financial market, to understand the institutional constraints that face the immigrant population, as well as the possibilities and defences they are endowed with. Another important source was the documentation provided by the financial institutions themselves and the information available on their websites. This was particularly helpful in the task of mapping the existing offer of financial services, although much of this information was produced for promotional or publicity purposes.

International reports were important in contextualizing the problem and providing definitions and concepts in which our own research found some points of support. Reports focusing on national contexts other than Portugal, furthermore, were of great utility in providing points of comparison and highlighting our attention to important aspects, and thereby constituted clues for the research.

The fieldwork, in turn, consisted of a series of interviews of individuals belonging to the main group of stakeholders. The largest group of interviews was carried out with non-EU immigrants living in Portugal. A total of 72 interviews were carried out, using a questionnaire composed mainly but not exclusively of closed questions. This questionnaire was designed with an open attitude, in order to collect as much information as possible, reports or experiences that the immigrants were willing to share with the researchers. It was not an inquiry based on a representative sample, because such an approach was out of the reach of this project due to the limited resources available. The strategy that was adopted consisted of seizing the greater diversity of experiences at our reach, through the diversification of surveying points, in order to catch as broad a picture of migrants' access and use of banking services as possible. This has allowed us, among other things, to include both documented and undocumented immigrants in the research.

For the other main stakeholders, interviews were semi-directed. We aimed at acquiring a comprehensive portrait of the offer of financial products available to immigrants from the most important providers of financial services. With that in mind, we tried to interview as many banks as possible, (almost all banks in Portugal operate at a national level), asking them for the maximum information available. In a

majority of cases, we got their cooperation, but there were exceptions and unfortunately some significant ones, like *Montepio Geral*, *Santander Totta*, *Banif*, *Banco do Brasil* and, above all, *Caixa Geral de Depósitos*, the largest Portuguese bank (state-owned). If banks in general cooperated with our research, the same cannot be said of the organisations dedicated to credit, mainly consumer credit. Despite our insistent requests, none of them accepted to grant an interview for the research.

Regarding public authorities, we found it important to record the views of the main regulatory and monitoring institutions in the financial sector in Portugal, the *Banco de Portugal* [Bank of Portugal], as well as the main state agency vis-à-vis the integration of immigrants, the *Alto-Comissariado para a Imigração e Diálogo Intercultural* [High-Commission for Immigration and Intercultural Dialogue]. Regarding organisations that defend the rights of immigrants, we interviewed the major association in Portugal in the sector, *Solidariedade Imigrante*, which works with immigrants of all provenance and two other human rights associations, *SOS Racismo* and *Olho Vivo*.

Finally, three national workshops were organised, with the participation of all the relevant stakeholders, promoting dialogue and exchanging views, in order to gain insight into the functioning of the issues being investigated.

Spain

In recent years, immigration has become one of the social issues stirring great interest, concern and public debate in Spain. This is due to the fact that since the mid 1990s Spain has become an important destination for immigrants coming mainly from North Africa, South and Central America and Eastern Europe. The intensity, continuity and persistence of these migratory flows have been increasing year after year, making Spain one of the European Union countries with the highest rates of increase of the immigrant population.

The number of foreigners in Spain has increased nine-fold, moving from some 500,000 people in 1998 to more than 4.5 millions people in January 2007. In percentage terms, it has gone from 1.5 per cent of the population in 1998 to almost 10 per cent at the beginning of 2007.

In 1998, almost half of the foreigners in Spain came from developed countries. They were mainly Europeans who had chosen to live in Spain either for education, work or after their retirement. Africans, coming mainly from Morocco, were the next group to arrive. The importance of these two groups in numerical terms diminished during the period of the highest migratory flow (2000-2007). They were replaced first by immigrants coming from Andean countries and afterwards, by people from Eastern Europe and the rest of the world. The massive arrival of these latter groups has characterised the last

two to three years in Spain. During the above period, the most stable group remained that of immigrants from Latin America.

An important part of the immigrant population working in Spain is concentrated in the lower rungs of the social and economic ladder. Two out of five immigrants do low or unskilled manual work for which they need no qualification at all. Moreover, one out of four foreigners working in Spain do manual work for which they need a certain level of qualification. It follows from the preceding that one out of two immigrants working in Spain is engaged in some type of manual work. At the other end of the social and labour ladder, we find 14 per cent of the immigrant population made up of executives and professionals with high professional qualifications. This relatively high percentage is made up mainly of immigrants from developed countries.¹⁸

The volume of remittances made by immigrants to their countries of origin offers a different perspective of the relationship between them and financial institutions. According to data from the Bank of Spain, between 2000 and 2006 remittances sent from Spain grew annually by 30 per cent, thus increasing at a rate almost five times that of the annual migration flow rate. In 2006, 6,806.7 million Euros were sent by immigrants from Spain to their countries of origin, amounting to an increase of 38 per cent over the previous year. The remittances sent from January to November 2007 amounted to 7,437.00 million Euros, almost 22 per cent more than the 6,100 million Euros sent in the same period in 2006. Since 2004, remittances by migrants in Spain to other countries exceed the remittances by Spanish citizens living abroad (mainly in Europe and the United States). Consequently, the reports of the Bank of Spain say that it is among the main senders of remittances in the world and particularly in the EU.

The method used in this research consisted of interviews in three different areas of Spain where the presence of immigrants is significant and socially visible: Madrid, Valencia and Seville. In these three cities, interviewees have been selected randomly from among migrants who visit our offices for legal advice and support. A second group was chosen from among immigrants who participated in the national workshops carried out as part of the project activities, in the three cities. On the whole, 56 interviews were conducted, involving 32 men and 24 women. In terms of the geographical area of origin of interviewees, about 80 percent were from Latin America (44), nine from the EU (of which 8 Romanians), two Africans (both of them Moroccans) and one Asian (Philippines).

A major problem encountered in carrying out this study was the unwillingness of financial institutions to exchange information on the themes covered by the research. As a consequence, it was not possible to interview even one representative of a Spanish financial institution while two such institutions participated in the national

¹⁸ Encuesta Nacional de Estadística (ENI-2007), Instituto Nacional de Estadística, available at: <http://www.iberaxe.es/files/datos/4890430eee744/eninforme.pdf> .

workshops or focus group discussions on the topic, one in Madrid and the other in Seville.

4. Short description of immigration in each partner country

Cyprus

Cyprus abandoned the restrictive immigration policy followed until 1990 in an effort to meet low-skill labour shortages, generated by an economic development model based on mass tourism and services. The high rate of growth led to an increase in demand for labour that exceeded supply from indigenous sources and the slowing down in economic growth in the 1990s in comparison to the late 1970s and 1980s, together with the rise in inflation, created the conditions that led to abandoning the restrictive labour policies. In 1990 Cyprus reviewed its immigration policy and opened its doors to migrants, in an effort to address the shortage of manpower for low skill labour-intensive jobs. With the change of policy in 1990, the criteria for granting permits were extended and a procedure was outlined for employers to recruit staff from abroad.

The policy assumption, which in the end proved to be ill-founded, was that employment of migrant workers would be short-term, temporary, restricted to specific sectors and to specific employers. Although the actual developments of the 1990s reversed the presumption that the stay of migrants would be short term and sector/employer-specific, a number of institutional devices, designed with those goals in mind, have resulted in an institutional framework characterised as follows:

- (a) work permits are granted on the condition that each migrant worker is attached to a specific employer without the freedom to change jobs unless the original employer consents to such change;
- (b) work permits are granted on an annual basis and for a maximum initial period of six and then four years, structurally producing and reproducing a framework of precariousness and exclusion.

The 'temporary' nature of the work permits issued to third country nationals led to an interpretation, by the national Courts, of the law transposing Directive 2003/109/EC on the status of long term resident migrants, to the effect that migrants with visas of fixed term duration (the vast majority of them) are deemed to fall outside the scope of the

law transposing the Directive, for being “residence permits....officially restricted as regards ... duration” (article 3(2)(e) of the Directive).¹⁹ As a result, the vast majority of third country nationals in Cyprus cannot benefit from the rights conferred by the said Directive, thus remaining at the mercy of the employer as regards working conditions and liable to deportation upon expiry of their visas.

Evidence of non-compliance by employers with labour laws is abundant and recorded in relevant reports of Parliament in 1997, regular reports by the Ombudsman, also acting as the national specialised body created under Article 13 of the equal treatment Directive, as well as by ECRI country Reports, Amnesty International, US State Department’s Human Rights Country reports, etc.

The institutional framework fails to properly accommodate and encourage civic participation of migrants so as to develop a sense of belonging to Cypriot society. Only very recently has the debate on the rights of migrant workers and multicultural society emerged, but this is still largely focused on regularisation rather than on tolerance and integration. Migrants and asylum seekers face a rather hostile environment in society including a hostile media and an unsympathetic police and immigration regime based on ‘control’.

Greece

Greece has been known as a traditional country of emigration. In fact, almost two million Greeks emigrated from 1890 to 1974 to North America (especially the USA) and North-western Europe. In 1974 though, the migratory balance became positive for Greece. This change had mainly to do with the return of a large number of Greek migrants but also, the first waves of foreign immigrants arriving in the country. Certainly, the great boom occurred in the early 1990s, just after the fall of socialist regimes in Eastern Europe.

Today, migrants constitute a significant part of the population, probably numbering over one million people. According to the 2001 Census of the National Statistical Service of Greece, which remains the most valuable source, migrants represented 7.3 per cent of the total population, (797,091 people). More than half of them come from Albania (57.5 per cent), while the rest come from a wide range of countries especially from Eastern Europe. Women represent 45 per cent of the total migrant population, while among some nationalities (especially former Soviet Union countries and Philippines) they are the majority.

Besides Albanians who represent by far the largest migrant community in Greece, there is a wide range of other countries. Apart from nationals of old and new EU member States, Northern American and

¹⁹ Cresencia Cabotaje Motilla v. Republic of Cyprus through the Interior Minister and the Chief Immigration Office, Supreme Court Case No. 673/2006 (21.01.2008).

Australian citizens, the ten largest nationalities, according to the 2001 Census, are: Albanians (55.6 per cent of foreign population), Georgians (2.9 per cent), Russians (2.3 per cent), Ukrainians (1.8 per cent), Pakistanis (1.4 per cent), Turks (1 per cent), Egyptians (1 per cent), Armenians (1 per cent), Indians (0.9 per cent), Iraqis (0.9 per cent) and Filipinos (0.9 per cent).

Almost all fall within the category of economic migrants and thus are mainly drawn from productive age groups. The main sectors that largely attract migrant workers are construction industry (24.5 per cent) and services sectors (20.6 per cent); in the case of migrant women the percentage rises to 62.7 per cent), trade and tourist industry (15.7 per cent), agriculture (17.5 per cent), and the manufacturing sector (12.5 per cent).

With regard to occupational status, according to a survey conducted by the National Employment Observatory (PAEP), the vast majority of immigrants are wage or salary earners, whereas only a small percentage states that they are self-employed. Specifically, 92.5 per cent of immigrants work as wage or salaried workers, and 5.8 per cent are self-employed, with or without employees²⁰. Paid employment is thus the rule, whereas the phenomenon of the 'immigrant entrepreneur', which is quite common in many countries of Europe, appears to be rather limited in the case of Greece.

As far as housing situation is concerned, it seems that there is a growing tendency among migrants to acquire their own houses. According to the Survey on Household Budgets 2005, of the National Statistical Service of Greece, 11.8 per cent of foreign population in Greece own their own homes without any financial obligation (loan, mortgage etc.), 5.8 per cent own their homes with financial obligations, 4.4 per cent have been allocated a house, and 78.1 per cent rent a house. In addition, as bank executives estimate, even though there is no official data, growing numbers of migrants are applying for housing loans²¹, a development that is pointed out by some as a welcome 'salvation of the real estate market'²².

Italy

According to the national Institute of Statistics – ISTAT - as at 1 January 2008, there were 3,460,000 immigrants recorded in the municipal registry of residents, amounting to 5.8 per cent of the total resident population of the country. Compared to the previous year, the foreign population increased by almost half a million people (2,938,922

²⁰ Cavounidis, Jenny (2004), *Research for the economic and social integration of migrants*, Athens: National Employment Observatory/Research Informatics SA

²¹ Charalambakis, Manos (2006), "They have come in order to stay: 133,000 migrants have acquired their own house in Greece", *Ta Nea*, 17/04/2006.

²² Kanellis, Vassilis (2008), "The immigrants save the real estate market", *Imerisia*, 17-18/05/2008.

as at 1 January 2007). This increase is explained as being partly due to births in the period and partly due to the annual quota of immigrants allowed to enter the country and which made it possible for many to regularise their positions²³. In its annual report on immigration, *Caritas Migrantes* estimates a presence of about four million foreigners in the same period, amounting to 6,7 per cent of the total resident population. The latter estimate includes unauthorised immigrants who are not and can not register in the municipal registry of residents.

The most significant data that has emerged in recent years regarding immigration is the increase in number of migrants from Eastern Europe, in particular Romanians who, in a few years and well before entering the EU, have become the largest migrant national group accounting for about 15 per cent of total migrant population, overtaking traditionally numerous national groups such as Moroccans (10.5 per cent) and Albanians (10.3 per cent).

The preceding figures show that immigration has long become a structural feature of the resident population in terms of the size of immigrant population and the different integration or inclusion patterns that have emerged. Further testimony to this evolution is the number of foreign pupils in Italian schools which is now over one million and the outstanding percentage increase in mixed marriages where one of the two partners is non-Italian, which in 2005 accounted for 12.5 per cent of all marriages in the period against 4.8 per cent in 1995.

Further evidences of the structural character of immigration in Italy are, on the economic side, the number of enterprises owned and/or managed by entrepreneurs of foreign origin and the number of migrants who use one banking service or another, from opening bank accounts to obtaining mortgage. As at 30 June 2007, the number of foreign citizens who owned an enterprise was 141,393 recording an increase of 8 per cent over the previous year. At the same time, migrants make a huge contribution to the workforce as employees mainly in the construction, agricultural and family care sectors. It is important to bear these aspects of immigration in mind when discussing the issue of financial inclusion of migrants, as well as the difficulties encountered by Italian society in making access to rights and equal opportunities a reality for all, including those who have come recently from other countries.

The distribution of immigrants in the country is quite diverse between regions, with high proportions in the central and northern regions and a much smaller proportion in the south and islands. All the same, the number of immigrants in all regions has grown significantly and besides this growth in the migrant population in recent years, there are clear indications of increasing social and economic integration in most

²³ It is sufficient to note here that the programmed entry decree of 2002 led to the regularisation of about 700,000 people and that of 2006 legalised about 500,000 others. Ismu (2008), *Tredicesimo rapporto sulle migrazioni 2007* Milano, Franco Angeli, 2008.

of the regions considered in this research. Without comparing the levels of integration across regions, it is interesting to note that the *Lombardia* and *Veneto* regions have the highest percentages of migrants who own the houses where they live (the two regions have 17 per cent each of the national total of migrants who own the homes where they live.²⁴ Another aspect that can be taken as an indicator of an increasing degree of integration is the number of non-Italian pupils in primary, lower and upper secondary schools: with 11.8 per cent of non-Italian students, *Emilia Romagna* region has the highest incidence of non-Italian students on total student population. Another interesting aspect is the level of remittances to countries of origin of many immigrants. The growth in remittances by immigrants recorded over the period 1995 – 2007, suggest also that many migrants have made substantial progress in economic and social integration.²⁵

Portugal

In 2009 Portugal consolidated its place in the international structure of migration flows as a receiving country. In addition to the traditional image of a country of emigration, which corresponded to the reality of much of the 20th century, Portugal has, since the mid-eighties, become also a space of reception of immigrant workers, a transformation shared with other southern-European countries. This change is related to the entry of Portugal into the European Economic Community in 1986, and the large-scale programmes of public construction works launched in the same period, prompted by the inflow of European structural funds. Throughout this period, however, Portugal did not cease to be also a country of emigrants, and it is estimated that about 4,500,000 Portuguese and their descendents still live abroad but today, immigration into Portugal exceeds emigration from the country.

This first phase of the recent history of immigration to Portugal is dominated by post-colonial immigration, with much of the new population coming from former Portuguese colonies in Africa, mainly *Cabo-Verde*, but also from *Guiné-Bissau*, and to a lesser extent from *Angola* and *Moçambique*, attracted by the new possibilities of work in Portugal and by the historical and linguistic affinities which are legacies of past colonisation.

As a result of the Schengen agreement, and the ensuing free circulation of persons within the borders of the Schengen member States, the composition of the immigrant workforce in Portugal has undergone some changes, beginning from the end of the 90's. Large numbers of individuals from former socialist countries of Eastern Europe started entering Portugal, mainly from Ukraine, Moldavia and Romania. Faced with harder social and economic conditions of their home countries, most of these people entered the Schengen area

²⁴ Caritas/Migrantes, *Immigrazione –Dossier statistico 2008*.

²⁵ Caritas/Migrantes, *Immigrazione –Dossier statistico 2008*

through Germany and Austria and from there circulated to other European countries. In Portugal most of them took jobs in the construction sector, with the female population (to a smaller degree) engaging mainly in domestic / care work.

The end of the 1990s and the beginning of the 2000s were also marked by the entry of large contingents of Brazilians, most of whom work in the services sector, particularly in commerce. Today, Brazilians constitute the largest foreign population group living in Portugal (70,334 in 2006). It should be noted though that many of the immigrants from Portuguese ex-colonies who migrated to Portugal since the eighties have acquired Portuguese citizenship under the naturalization laws.

Regarding the incidence of foreigners on the total Portuguese population, in 2006, non-EU foreigners living in Portugal with a residence permit were 352,958 out of a total resident population of 10,569,592, counting for about 3.3 per cent of residents in Portugal (it must be said that the number of non-EU foreigners in Portugal in 2006 was smaller than in 2005, when it was 391,974).

The change in the demographic and cultural landscape, brought about by the significant entry of foreign populations in the last two and a half decades, gave also rise to new legislative and policy responses by successive governments, who tried to control the influxes and deal with the reality of the new composition of the workforce. It can be said that, since the mid-eighties, each new government has put forward its own immigration law, the most recent of which was approved on 4 July 2007, Law No. 23/2007.

However, it cannot be said that efforts at controlling immigration have been successful. Although there are no statistics to advance on the number of undocumented immigrants, research reports and information from NGO's indicate that a significant number of unauthorised immigrants live and work in Portugal. The new reality has led also to the adoption of integration policies, the most visible face of which is the existence of the *Alto-Comissariado para a Imigração e Diálogo Intercultural* [High-Commission for Immigration and Intercultural Dialogue], and of a national plan for the integration of immigrants, which went into force in 2007.

Spain

The most recent statistical data on the situation of immigration in Spain show that remarkable increase in the foreign population in Spain has occurred especially in last decade when an average increase of 87.9 per cent has been recorded, with the resident foreign population moving from 637,085 in 1998 to 5,268,762 in 2008. Taking into account that on January 1st 2008 the total population of the country

amounted to 46,157,822 people, resident foreigners accounted for 11.4 per cent of the total population.²⁶

The latest National Immigration Inquiry (ENI-2007) reveals the existence of two main types of migratory flows. On the one hand are people coming from the Andes, Africa, Eastern Europe and Asia who have all the characteristics to be considered as economic immigrants. They are young people recently arrived; they do unskilled jobs and participate in support and very solid networks. On the other hand are immigrants coming from developed countries who have very different characteristics, with high levels of education, a high presence of retired people and those of working age have jobs in highly qualified sectors.²⁷

Immigrant inflows from Latin America and Africa are predominant, even though those coming from the rest of Europe, Asia and Oceania have recorded a higher relative increase in the last five years. Regarding gender, we find a migration with a masculine profile in the case of Africans and those coming from the underdeveloped countries of Europe, Asia and Oceania, while there is a certain gender balance in the case of immigrants coming from developed countries. As regards immigrants coming from Latin America, migration is predominantly feminine.

As regards the economic sector of activity in their countries of origin, almost one out of two immigrants with work experience comes from the service sector, whereas one out of five approximately comes from the industrial sector and as many immigrants from the business sector. The building industry and agriculture are the sectors with lesser levels of activity of immigrants.

According to data from ENI – the National Institute of statistics - relating to the characteristics of the present employment, an important part of the employed immigrant population is concentrated at the lowest levels of the workforce. Two out of five immigrants are employed in manual labour of low qualification and one out of four is employed in manual labour of a certain quality. The data also indicate that there is a wide contingent of immigrant workers who do jobs which are very much below their actual qualifications.

On the average, immigrant workers in Spain throughout their work trajectory go through 2.9 employment contracts, from the time of their arrival. Africans make up the group with a higher average of arranged contracts before their arrival (3.5) and also with the highest unemployment rate.

Finally, we should say that, on the average, almost half of paid immigrant workers have a temporary employment contract. This high

²⁶ Datos del Padrón Municipal (01.01.2008), Instituto Nacional de Estadística, available at: <http://www.ine.es/jaxi/menu.do?type=pcaxis&file=pcaxis&path=t20/e245/p04/a2008>

²⁷ Encuesta Nacional de Estadística (ENI-2007), Instituto Nacional de Estadística, available at: <http://www.oberaxe.es/files/datos/4890430eee744/eninforme.pdf> (16.03.2009)

level of temporariness affects all newly arrived immigrants, irrespective of their origin.

5. Basic banking services and credit facilities used by migrants

Cyprus

In order to open accounts with any bank, migrants have to produce their residence permit, work permit and copies of their employment contract and passport. In the case of foreign students a certificate from the educational institution they attend must also be given to the bank. Migrants (including students) can open savings accounts and transfer money out of their account. However, banks will monitor the amounts deposited and transferred and if these exceed what the banks deem reasonable according to the account holder's income, then they will investigate the case to ensure compliance with money laundering legislation.

This is a rather absurd practice, given that transactions of, say, 2,000 Euros may well be in excess of a migrant's lawful income, which can be in the area of 300 Euros per month, but it can hardly be a suspect amount for money laundering purposes. The fact that, as a matter of practice, banks consider any amounts in excess of a migrant's income to be 'suspect' amounts may be the result of prejudice or even compliance with instructions from the immigration authorities. No such information emerged from the interviews and the assumption amounts to mere speculation. However, an officer of the Central Bank interviewed for the purposes of this research stated that banks have an obligation to investigate transactions involving "large amounts", although the relevant Central Bank Directive to the commercial banks does not specify what is "large", rather, it calls upon the banks to investigate "suspect" transactions. In the absence of instructions from the immigration authorities, it is presumably the banks' own interpretation that amounts in the area of 2,000 Euros may be suspect for money laundering.

Upon request, they may be issued with a debit card, for use at the bank's cash-point machines to draw only from their own money; this card cannot be used in shops or in any other place. In some cases, debit cards may be issued to migrants for use in shops without security, but only for the amount they have in their account. No overdraft or credit facilities are granted for these accounts.

Cypriot banks do not offer specialised services to economic migrants. Instead they offer them some of the services offered to locals under certain conditions, which do not apply to locals.

There are two big banks in Cyprus that have the largest share of the market and enjoy a rather monopolistic position: the Bank of Cyprus and the Cyprus Popular Bank. The latter has laid down rules with regard to granting loan facilities to foreigners which are summarised in the following paragraphs. The Bank of Cyprus offers similar packages but did not make a list available to the researchers. In an interview with

the researchers a bank official stated that no distinction is made between third country nationals and EU nationals and that housing loans may be granted with a mortgage and a reference letter from the borrower's bank in his country of origin, the borrower must have 40 per cent own contribution and evidence of income sufficient to pay for the instalment. For personal loans, guarantees from persons who work with the migrant are required, preferably Cypriots, for instance the borrower's employer. The bank official clarified that the preference for Cypriot guarantors was not a requirement of the Central Bank but rather the bank's own policy.

The other large bank, the Cyprus Popular Bank, also does not distinguish between EU nationals and third country nationals in the services provided, the crucial distinction being between permanent and non-permanent residents. The terms 'permanent residents' refer to foreign nationals working or residing in Cyprus or who will stay and work in Cyprus for at least one year. Foreign students are not deemed to fall within this definition, despite the fact that they live and work in Cyprus for over one year. As a general rule, credit facilities (housing loans, personal loans, current accounts, cards) are offered to permanent residents and to non-permanent residents on the same conditions offered to Cypriots provided that at the same time a housing loan is advanced with a collateral (first mortgage, assignment of sales agreement in combination with a waiver or a guarantee, cash, bank guarantee).

With regard to the issue of credit and debit cards, foreigners who are permanent residents are supplied with debit cards as well as with credit cards with a limit of up to CYP3,000 (€5,126) without security. Where there is a housing loan, this category of migrants can be issued with credit cards under the same conditions as Cypriots. In the case of foreigners who are not permanent residents, where there is no housing loan, debit cards are issued without security and credit cards are issued only with a collateral cash guarantee; where there is a housing loan in place, then the same conditions as for Cypriots apply. All foreigners to whom credit cards are issued are obliged to place a standing order on their accounts for the automatic settlement of their credit card instalments; for Cypriots, such standing order is optional. The distinction made here between those customers of the bank with and those without a housing loan does not so much refer to the loan itself but rather to the solid security provided for the loan, which is also charged for the credit card so issued.

With regard to other loan facilities, similar conditions as above apply. In other words, foreign nationals who are permanent residents can be given loan facilities under the same conditions as Cypriots where there is a housing loan, and with a mortgage where there is no housing loan. By contrast, foreign nationals who are not permanent residents may be granted loan facilities under the same conditions as Cypriots where there is a housing loan, but in the absence of such a loan, no loan facilities may be granted. The vast majority of economic migrants fall under this latter category. Loans for professional premises are granted

only to foreign nationals who are permanent residents. Personal loans to private persons and to small enterprises are granted to foreigners who are permanent residents by way of overdraft in a current account and/or credit card and/or a personal loan of up to 4 years or a combination of the three for a maximum amount of €5,125 without collateral. In the case of non-permanent residents, these facilities are granted only if there is a housing loan in place. It should be noted that no person is entitled to any facilities as a matter of right; it is up to the discretion of the banker to decide if the circumstances of the applicant are such that the granting of a facility is justified or not. The most important criterion in examining applications for facilities is the applicant's ability to repay and each case is looked upon separately. Personal loans or overdrafts or housing loans in foreign currency are granted to permanent residents. For non-permanent residents, these facilities are available when a housing loan is being advanced at the same time.

Both permanent and non-permanent residents may deposit money in interest-earning notice accounts, fixed deposits and in savings accounts. Housing loans in foreign currency are advanced to permanent and non-permanent residents alike for unlimited amounts and for a duration of up to 15 years, with an interest rate of $\text{libor} + 2,50$ per cent and a grace period of up to 2 years in both capital and interest from the date of advancement of the loan, following which additional grace period is granted for another 3 years provided the interest is being paid. The collateral must be a mortgage of 125 per cent of the value of the property, plus a personal guarantee and assignment to the bank of life insurance policy and fire policy (where appropriate). The customer is asked to provide his own contribution to the price of the property as follows:

1. Purchase of 1st residence for own use: 20 per cent own contribution in Euros or 25 per cent in Swiss francs or 30 per cent in other currencies.
2. Purchase of land, holiday home for small investment: 30 per cent own contribution in Euros or 30 per cent in Swiss francs or 35 per cent in other currencies.
3. Purchase or building of professional premises: 30 per cent own contribution in Euros or 30 per cent in Swiss francs or 35 per cent in other currencies.

Personal loans of up to CYP10,000 (€17,088) are granted to permanent and non-permanent residents alike, under the same conditions as for Cypriots, provided there is a housing loan in place, guaranteed with a mortgage. In the absence of a housing loan, this loan is not granted to non-permanent residents. It may however be granted to permanent residents under the following terms: the borrower and the guarantor must score high in a credit points system operated by the bank; the borrower must deposit his/her salary at this bank; there must be standing order for the repayment of the loan and of the premium for a life insurance policy and a fire policy (where

applicable); there must be a mortgage or cash collateral or bank guarantee to secure the loan.

There are several similar loan packages made available to foreigners, all governed by the same security-conscious rationale whereby persons on a temporary visa and/or persons who did not already give a mortgage to the bank are excluded.

The interview with a Popular Bank officer revealed that the practice is to grant loans to foreigners based on their income which determines the nature and the limit of the service provided. Proof of income must be verified by the employer and the salary must be deposited/transferred automatically to his/her account, so as for the bank to monitor the amount and the frequency of the payment. Another important consideration is the length of previous business with the bank, in other words how long the applicant has been a customer at the bank and how punctual the client has been in meeting his/her other obligations. If these considerations are satisfied, the bank may grant a personal loan of up to €5,000 only with the steady income as a guarantee. This amount however can double to €10,000 if the client has been doing business with that bank for some time and the bank is satisfied with his/her performance. For amounts exceeding €10,000 they must present Cypriot guarantors.

There are two international payment services companies operating in Cyprus: Money Gram International and Western Union. These two companies have various outlets throughout the country where persons may send money to any part of the world without the need for either the sender or the receiver to have a bank account. The outlets used are either independent and run by the international payment services company themselves or are located within the premises of banks and operated by bank officers. In either case, the person sending the money must be lawfully residing in Cyprus and the amount must not exceed €3,000 in one month, as an anti-money laundering measure. EU citizens may send money by producing an official identification document (passport, driving license etc) but third country nationals must additionally present their "pink slip" (residence visa), employment contract and evidence of having withdrawn the same amount of money from the bank on the same day. Interviews with migrants have revealed, however, that only the residence visa and the alien book (proof of identification) are required for the dispatch of money.

Greece

Media reports have, on many occasions, underlined the importance of migrants as a new and promising target group for banks and credit institutions. Titles such as "*Migrants: A dynamic target group for banks*" (Tsitsas 2008), "*Migrants constitute a virgin market for banks*" (Markou 2007), "*Economic migrants, the best bank clients*" (Kathimerini 2005), "*Banks turn their attention to economic migrants*" (Lidorikis 2003) etc., are some indications of the growing importance of migrants for banks.

With savings of over 3 - 4€ billions and with average deposits twice as high as that of Greek citizens, migrants constitute a rather 'auspicious' clientele with approximately 250,000 bank accounts²⁸.

It is estimated that 64.8 per cent of migrants who live in Greece have bank accounts and of these, 90.5 per cent operate with a Greek bank²⁹. According to a representative of the National Bank of Greece interviewed, 90 per cent of Albanians who live in Greece are clients of Greek banks, a fact that lead this bank to include Albanian language in its ATMs³⁰, a practice later followed by other banks as well (e.g. Piraeus Bank).

The main financial products/services migrants use are deposit accounts and remittances. Nevertheless, mortgage and consumer loans (i.e. loans for car purchase) have started to attract a growing part of migrants who have been living for quite a long time in the country.

The conditions and requisites for access to bank services are common among banks, but differ according to products and services. More precisely, for a simple deposit account, a valid passport and justifying documents showing address, employment and tax matriculation number, foreseen by the regulations of the Bank of Greece (Central Bank) for all inhabitants of Greece, are required. The official stance of the banks interviewed, without exception, was that their organisations do not apply a different policy *vis-à-vis* migrants, neither among different nationalities. Bank employees, however, mentioned that sometimes valid residence permit is required even during transactions at the bank counters from persons who already have accounts or, that some nationalities are considered more 'risky' and less 'trustworthy' than others.

For other products, such as credit cards, loans and bank insurance products, the conditions are stricter. In addition to the above-mentioned, a valid residence permit and income declaration for the last three years are also required.

Some banks in their effort to attract migrants offer specific products and services 'responding to their needs'. The two foreign banks (Albanian and Russian), essentially address the needs of migrants from their respective countries of origin. These *ad hoc* products mainly combine a deposit account and the possibility to send remittances at a low charge or without any charge at all. It has been noted that a great part of this market is covered by banks that operate also in countries of South Eastern Europe³¹. During our research we found at least three major banks (National Bank of Greece, Piraeus Bank, and Millennium)

²⁸ Stergiou, Leonidas (2005), "Migrants bring profit to the banks", Kathimerini.

²⁹ Kanellis, Vassilis (2008), "The immigrants save the real estate market", Imerisia.

³⁰ Automated Teller Machines (ATM)

³¹ Markou, A. (2007), "Migrants constitute a virgin market for the banks: In retail banking and services income from interest and commissions will exceed 150€ millions annually", To Vima,

that offer this kind of products. Here, it is important to add that Hellenic Post as well provides new services concerning remittances in collaboration with Western Union and 'door to door payment' in collaboration with post offices of several countries in Eastern Europe and elsewhere.

Additionally, some banks offer special loans to migrants, at least until some months ago before the financial crisis which has rendered most credit institutions rather cautious and reluctant to give new loans and mortgages. Nevertheless, a careful analysis and comparison between loans meant specifically for migrants and loans for the rest of the resident population shows that there are no significant differences. The only different seems to be in the amounts granted. In the case of loans for migrants smaller amounts are granted and a relative flexibility in the duration of repayment.

Financial services, in a broader sense, are also provided by some public institutions, which offer these services to the general public. The main public institution that has already incorporated migrants into its beneficiaries is the Workers' Housing Organisation (OEK), which is the main institution of social housing in Greece, given the fact that 96 per cent of public construction activity is operated through its programmes. OEK provides all workers who pay contributions to the organisation, that is to say all workers insured with the major social insurance institutions (e.g. the Social Insurance Institute that covers all employees in the private sector), a wide range of services: from mortgages with low interest rates in collaboration with banks, to rent allowance and houses offered to workers by drawing lots.

Although quotas for migrants do not exist, as in the case of other social groups such as large families, disabled persons and 'repatriated' migrants,³² and statistical data on the grounds of nationality are not available, representatives of the organisation reported that approximately 25 per cent of the beneficiaries are foreigners.

During our research we also approached the General Directorate of Migration Policy & Social Integration at the Ministry of Interior, which had designed an 'Integrated Action Plan for the Social Integration of Third Country Nationals', called HESTIA. At least two of the six axis of this Plan, Employment and Housing, are relevant to our topic. Nevertheless, as the employees of the Directorate reported, the implementation of the projects of the Plan has not yet started, therefore no concrete results or data were available.

Another public institution that indirectly deals with economic integration, and more particularly in the field of setting up a business, is the *Greek Manpower Employment Organisation* (OAED). The OAED is the competent public institution for the (re)insertion into the labour market, through specific programmes that aim at job seeking or setting up small businesses. The organisation does not provide specific

³² Migrants of Greek-ethnic origin from the former Soviet Union.

services to migrants in terms of its general policy. There is however a *Service of Special Social Groups*, where all vulnerable social groups are included, which is responsible, among other services, for the organisation of the implementation of several employment support programmes.³³ It is important to note here that from January to October 2007, 8,525 foreign workers were beneficiaries of OAED's programmes, a number that constitutes about 7.28 per cent of the total beneficiaries; This percentage concerns all programmes and not only subventions for small businesses.

Finally, an independent authority that does not provide financial services, but deals with disputes arising from the provision of banking and investment services, aiming at their amicable settlement, is the Hellenic Ombudsman for Banking-Investment Services. Although separate statistical data with regard to nationality are not kept, the Ombudsman reported that on the basis of surnames (which is not an accurate way to define foreigners since for example many Albanian surnames are similar to Greek ones) during the first semester of 2008, 42 calls and 23 written complaints had been addressed to his office. According to him, migrant complaints do not differ essentially from those of Greek citizens, however in the case of migrants complaints about loans are much more limited.

Italy

A study conducted on banking services to migrants in 2000³⁴ highlighted the "substantial lack of trust of banks towards non-Italian and non-EU immigrants", and the consequent delay in the design and delivery of adequate financial services to these groups (only three banks at the time³⁵ had taken some initiatives to address migrants' needs). By 2006³⁶, 18 banks were offering specific products and accessory services to immigrant clients ranging from pre-loaded credit cards usable in and outside Italy to special types of insurance policies required by some immigration practices; from low-cost remittance services to dedicated bank accounts and mortgage schemes. Other banks, while not offering specific products to migrants, adopted some client-friendly measures defined as "welcome banking"³⁷ policies, to attract demand by immigrants for their traditional products offered to the general public. The client-friendly initiatives included multi-lingual

³³ For more details see http://www.oaed.gr/Pages/SN_59.pg.

³⁴ Mazzolis M., Naletto G., *Migranti e banche. Facilitare l'accesso dei migranti ai servizi bancari*, Lunaria, Roma, 2000.

³⁵ Banca Popolare di Milano (Conto EXTRA'), Banco Ambrosiano Veneto (Conto PEOPLE), Credito Cooperativo di Roma. It has to be remarked that only a small part of sampled banks has filled the Lunaria's research questionnaire.

³⁶ Nicola Borzi, "Prodotti e servizi finanziari per gli immigrati", *Il Sole 24 ore*, 24 April 2006.

³⁷ Napolitano, E.M, 'Il Welcome Banking non può attendere', www.etnica.biz, 2 May 2006.

assistance, presence of dedicated staff and/or offices and other marketing strategies.

All the above notwithstanding, available evidence suggests that much still needs to be done to promote the financial integration of immigrants. Current estimates say that a little more than half of the adult immigrant population uses one banking service or another regularly. About two thirds³⁸ of those defined as *unbanked* immigrants (those who do not have a direct business relationship with any bank), are eligible for various financial services, but do not use them yet for lack of proper information or due to lack of trust on the part of banks. Part of the problem is that banks underestimate the economic potential of immigrants³⁹. Even the banks that have decided to invest in the “migrant segment of the financial market” say that they have been driven so far more by social concerns than by considerations on profitability. However, emerging trends of growth in migrants’ consumption, savings and credit needs have led in recent years to a change in the attitude of some banks.

According to the Unified Text on banking and credit institutions which regulates the activities of the banking sector,⁴⁰ access to banking and financial services is open to all individuals regularly residing in Italy, irrespective of nationality or other personal characteristics. However the same laws provide that banks are free to decide which guarantees to request for their services. This allows banks or even single branches, a significant margin of discretion in selecting their clients⁴¹.

High ranking bank officials declared in interviews for this study that their institutions adopt equal opportunity policies for all in access to their services. Documents and guarantees requested - according to them - do not vary between Italian and foreign customers, except for the stay permit required of immigrants. Interviews with branch directors and desk officers provide however a more complex picture. There is not only a high degree of variation in the type and quality of guarantees and collaterals requested by different banks for the same services, but also in those requested by the same banks from different clients according to their personal characteristics which determine their risk profile, as well as the banker’s judgement. Given the preceding, it is difficult to determine if the denial of a service or the request for additional guarantees are motivated by an immigrant’s status as a foreigner or by any other factor affecting the bank’s assessment. To gain further insight into this aspect, we asked banks what factors in their view make a client to be particularly a high “risk” one. The most

³⁸ Libanora R., ‘Immigrati e servizi bancari. Risultati di una ricerca condotta a Roma e Milano’, in Andreloni L. (ed), *Il Social Banking in Italia. Un fenomeno da esplorare*, Fondazione Giordano dell’Amore, Giuffrè, Milano, 2003.

³⁹ Ceschi S., Rhi Sausi J. L. (eds) *Banche italiane e clientela immigrata. Rimesse, risparmio e credito: le iniziative in atto e le prospettive di crescita*, Roma: CeSPI, Bancaria Editrice, 2004.

⁴⁰ *Testo unico delle leggi in materia bancaria e creditizia*, Legislative Decree 1 September 1993, no. 385.

⁴¹ Ceschi S., Rhi Sausi J. L. (eds), *Banche italiane e clientela immigrata*, op.cit.

frequently mentioned factors were: unpredictable financial behaviours; unknown residence or frequent changes of residence; low and/or unsteady income; unknown financial and economic track record. It is worth noting here that the proof of residence is the same and come from the same source – the municipal registry of residents – for all, Italians and foreigners who have a legal title to stay in the country.

It could be inferred that status as an immigrant is not in itself a ground of discrimination in access to banking services. The research suggests nonetheless that being an immigrant represents an aggravating factor when associated with one or more of the above risk factors. Evidence of this can be found in the daily practices of certain banks. For instance, *BNL* and *Unicredit*⁴² request additional guarantees from foreigners applying for mortgages which include the requirement that they must have been officially resident in Italy for at least 3 years⁴³. A branch of *Monte dei Paschi* operating in a community with a large Chinese population, requires Chinese clients to invest a little amount of their earnings with the bank in order to be issued with cheque booklets and credit cards, a condition not required of Italians. No such requirement is made by the same bank from Italian clients. Discriminatory and unequal treatment are often subtle and difficult to identify. While in some cases discrimination takes the form of a request for additional guarantees, in others, it takes the form of a rigid application of general rules and regulations towards immigrants while nationals are offered liberal interpretations of same rules.

The caution with which banks treat immigrant clients often translates into practices that, to all effects, constitute barriers to access. According to the information gathered through the interviews, banks like *Banca Nazionale del Lavoro (BNL)*, *Unicredit*, *Banca Toscana*, *Banca Popolare di Lodi* require that a migrant must have been legally resident for a period not less than three years and up to five years, in order to qualify to apply for a loan. The bank *Intesa San Paolo* poses as a prerequisite for access to loans by migrants that the applicant must have the long term resident stay permit (permanent residence card). This type of stay permit can be obtained only after at least five years of legal stay and if certain conditions of income and housing standard are met. There are, on the other hand, banks that are more flexible in granting migrants loans and some of these can even grant mortgages covering the entire cost of the house or apartment. Some interviewees reported that the Post Office, which runs some financial services, refuses to grant loans to migrants because it requires possession of Italian citizenship as a precondition.

The research has identified three types of policy lines directed at migrants by banks: the first consists of products / services specifically

⁴² Direzione Regionale Rete Agenzia tu di Unicredit, and interview with *BNL distretto Bologna*.

⁴³ In addition, *Unicredit* requires a documented 5-years residence in Italy from foreigners applying for a 100 per cent coverage of mortgage (written information provided by *Direzione Regionale Rete Agenzia tu*)

designed for migrants; the second includes a number of measures meant to facilitate migrants' access to existing products / services offered to the general public and the third refers to the absence of policy measures to either identify migrants' needs and design and offer products / services to meet such needs or initiatives aimed at removing the barriers to access to existing products. Some banks have adopted both the first and second types of policy lines by offering new and specific products as well as taking measures to remove barriers to access to traditional products.

Further, the research shows that demand by immigrants for specific financial products targeting them is rather low. Various bank representatives who participated both in interviews and focus group discussions in the framework of the project confirmed this finding. With reference to the banks surveyed, the products designed specifically for migrants typically consist of current or savings accounts with low service charge accompanied by discounts on remittance charges, insurance policies covering travelling or emergency expenses, access to mortgages and loans for personal use. It should be pointed though that banks tend to use such products mainly as communication tools meant to convey to the public their attention towards immigrants and to raise awareness among their own staff.

The low demand for these products suggests that a number of factors are at work here. Despite the glossy marketing campaigns and materials, the information given by banks to immigrants on their dedicated offers is still inadequate. Besides, some bank staff seem not to be much aware of the existence and functioning of the products they are supposed to sell to migrants⁴⁴. On the demand side, there is evidence indicating that immigrants' financial needs are varied and increasingly complex, and are not necessarily satisfied by specifically designed product some banks offer to migrants. Besides, as regards the contents of these specific products, they seem to be lower (in quality and/or quantity) than the traditional offers by same banks, hence many migrants prefer to go for the latter rather than the former.

The research indicates that, far from being homogenous, strategies adopted by banks towards immigrants vary according to the bank's history, vocation and relationship with the local communities where it operates. Community and cooperative credit banks are bound by their statutes to dedicate particular attention to the needs of disadvantaged groups within the communities they serve, and are thus generally forthcoming with immigrants.

The size of a bank also plays an important role in determining its attitude towards migrant clients. In cases where the small size of a bank is accompanied by social vocation (as in the case of cooperative credit banks), the result is a welcoming attitude, the effort to establish personal and trust-based relations with immigrant clients, and a greater

⁴⁴ Comments made during the focus group organized by COSPE on 16 November 2007.

flexibility in the type of guarantees and collaterals requested. It is more likely in small banks that staff adopt the same style of conduct and share relevant information and skills to deal with immigrant clients, whereas in big banks there may be a greater distance between official policies and the daily behaviours of single employees.

According to banks, demand for services by migrants has rapidly evolved from money transfer to countries of origin and opening of basic savings and current accounts to requests for loans for business or to buy homes. Mortgages seem to be, at the moment, the most profitable business for banks, given the growing number of immigrants applying for loans, the amounts granted and the collateral represented by the new homes they buy. Consumer loans are also increasing. Given the small amounts involved, some banks require limited collaterals. *Banca Sella* for instance reports that the percentage of immigrants who have received consumer loans has increased from 14 per cent in 2006 to 18 per cent of all immigrant clients in 2007.

Credit for the establishment or consolidation of small enterprises by immigrants is, on the contrary, much less widespread. In this case, the situation is further complicated by the risk evaluation procedure of banks (scoring) and, in some cases, by the requirement that collaterals must be provided by external institutions (guarantee schemes). For the applicant, this implies paying a commission to the institution providing the guarantee, besides the usual bank charges for same loan. The difficulty of such procedure leads some banks to grant loans under the more flexible form of personal or consumer credit. This alternative however has drawbacks for the entrepreneur, including the impossibility to deduct part of the interest paid on the loan from the income generated by the business, before paying tax on the enterprise's earnings. This form of public support for private investment by small enterprises is allowed only for loans meant for use as investment in economic activities and not for personal loans.

Much remains to be done as regards integration of migrants into the banking system, especially for migrants who are relatively new in the country. It is still a common perception among migrants interviewed that the banking system is a service provider for those who have high incomes and savings rather than an opportunity and / or instrument for further promotion of economic and financial inclusion, even for people who do not have much savings of their own.

Many banks on their part, call for a stronger cooperation between banks and regional authorities and local administrations in order to reduce the risk involved in lending to small enterprises or, put differently, to help small enterprises meet the guarantees required in order to qualify for loans for business. This situation is not peculiar to small enterprises owned by immigrants; rather, it is common to small businesses in general and has led to the establishment of credit guarantee schemes by manufacturers' organisations or the regional government. An important initiative of this type set up and run by the regional government of *Toscana* and known as SMOAT is described

further in this handbook as a good practice, even though it was not set up to serve migrant entrepreneurs but as a general service which responds also to the needs of immigrant entrepreneurs for credit.

Portugal

Until recently, the Portuguese banking system did not pay special attention to the immigrant population as potential customers. And even today, with the exception of the two largest banks, most of the banking institutions operating in the country do not have specific products targeting this particular segment of the resident population.

Two main reasons are given to explain this fact. In the first place, for most of the banking institutions contacted for this research, there are no differences between foreign citizens residing in Portugal and nationals, when it comes to access to bank services or products. Secondly, banking institutions usually assume that immigrants are working in the most unqualified segments of the job market, and generally in a fragile economic condition. Another element of this image of immigrants is the idea that their presence in Portugal is of transitory nature.

Thus it does not come as a surprise to find that only the two largest private Portuguese banks (*Millennium/BCP* and *Espírito Santo Bank*) have developed specific strategies and products for this public. This seems to be changing and some protocols have been signed between some international and Portuguese banks, targeting the immigrant population, (for instance, Privat Bank and *Banco Portugêses de Negócios*; *Banif* and Bank of Brasil).

The growing attention of banks is surely related to the value attributed to a segment of the population that has known a significant and visible growth in the last decade. Since the majority of Portuguese nationals are already banked, newly arrived immigrants are one of few market segments where banks can expand their customer base.

The most common services offered specifically to immigrants and foreigners residing in Portugal are simple bank accounts and remittances. The two banks referred to above, *Millenium* and *Espírito Santo*, developed what is called a bundling approach, which consists of selling a number of single products aggregated according to what the banks consider a criteria of relevance and thus of commercial attractiveness in the eyes of immigrants. The development of such products, is justified by the banks for two types of reasons: the specific necessities of immigrants, and the strategic need to attract new clients who are new to the Portuguese banking system. Thus, the underlying logic of these products is of a commercial nature, one that stems from the economic calculation of banks, and the acknowledgement, on their part, of the growing economic importance of this segment of the market. It is not, therefore, out of any spirit of social responsibility that

such products are developed contrasting, for example, with microcredit programmes, like the one that the same *Millenium BCP* develops.

The objective of attracting immigrant clientele made *Millenium* and *BES* develop communication and promotional strategies that constitute a novelty in the Portuguese context. *Millenium BCP* develops some of its campaigns in the native language of some immigrants, namely in Russian, Romanian, Ukrainian and English, the latter because it has the largest international currency. *BES*, in turn, adopted a different strategy for captivating immigrant customers. A phone service in Russian, Ukrainian and Moldovan was made available, and *BES* created a network of what they call “ethnic promoters”, whose objective is to acquire clients of various nationalities for the bank, through promoters belonging to the national groups of the target clientele.

These products or, better, packages, designed to attract immigrants, have suggestive names, in the case of *Millenium BCP*, it is called “*Conta Passaporte*” [Passport Account] while the *Espírito Santo Bank* package is called *BES – Boas Vindas* [BES Welcome]. These products are in fact aimed at a sub-segment of the immigrant population, those who arrived in Portugal recently, since for these banks, migrants who have lived in Portugal for years, are not different from Portuguese nationals (the packages which were designed for the immigrants are described in the good practices section).

The international banks operating in Portugal also have some products and services designed specifically for immigrants, in particular for immigrants who are of the same nationality as the bank. Thus, *Banco do Brasil* has the “*Conta Poupança Ouro*” [Golden Savings Account] which was created specifically for Brazilians living and working in Portugal. Since *Banco do Brasil* has only four agencies in Portugal, a protocol was signed with *Banif (Banco Internacional do Funchal)*, by which money can be deposited in an account at *Banco do Brasil* through the national network of agencies of *Banif*.

Privat Bank established itself in Portugal less than a year ago, has only two agencies, and belongs to a Ukrainian financial group. According to the information obtained during the interview, one of their aims for establishing in Portugal “was to provide Ukrainian immigrants with services that Portuguese banks can not provide”. This means, above all, housing credit for acquisition of houses in Ukraine and not in Portugal.

Although Barclays Bank and Deutsche Bank do not have products meant specifically for immigrants, both have campaigns targeting foreigners, often non-residents, with a different socio-economic profile from the immigrants targeted by the other banks already described. Their main targets are citizens from their home countries, United Kingdom and Germany respectively, with high standards of living, often looking for a holiday home outside their countries of residence. Accordingly, Barclays has a network of agencies specifically meant for what they call international customers, an English-speaking phone-line and the possibility of contracts in English. Deutsche Bank also offers

clients the possibility of having their contracts signed in German and *Privat Bank* offers the same possibility in Russian.

However, despite the existence of these products and services, undoubtedly a sign of the growing attractiveness of immigrants as customers, most of the Portuguese banks do not have products, packages or campaigns specifically targeting foreign citizens. When it comes to opening an account, having products specifically targeting immigrants does not mean that the latter will necessarily look for such products. In actual fact, none of all the immigrant interviewees contacted had subscribed to the packages created by either *Millennium* or *BES* for immigrants.

Spain

In Spain, as in the rest of developed countries, the use of banking services has become increasingly a necessity that has made such services, traditionally reserved for economically well-to-do groups, become basic goods. In spite of this, there are in Spain very few reports or studies which reflect on immigrants' situation as regards access to banking services.

According to the "*Guía de Productos Financieros para Extranjeros*"⁴⁵ the difficulties that foreign people face when trying to gain access to banking services range from simple lack of knowledge of the necessary requirements to technological obstacles and refusal of certain products in some cases.

All foreigners are not in the same condition given that EU nationals are treated in the same way as nationals. However, this is not so for nationals of non-EU countries, especially non-resident ones. We can say that the basic distinguishing element is having or not having the residence card. Besides, we have to add a series of elements that are equally required of nationals and foreigners, but which can become distinguishing elements, because they are more difficult to guarantee by foreigners. The most common one is the accreditation of economic solvency to get a loan, something very difficult for those who have just arrived in the country and are trying to find their way in the new context.

On the other hand, some credit institutions have launched specific products for foreigners, thus attracting this group to their services, in some cases through exemptions from paying commissions and, in some others, by adapting the products to the necessities of this sector, reducing costs in those services that foreigners use more, especially the non-resident ones, as well as developing electronic notification systems that reduce the traditional notification and information costs.

⁴⁵ Handbook of Financial Products for Foreigners, edited by Ausbanc (*Asociación de Usuarios de Servicios Bancarios* – Association of Users of Banking Services).

As regards opening a bank account, a distinction should be made between resident and non-resident foreigners. In the case of non-resident foreigners, the required documentation is the passport and the residence certificate of the country where they reside. In the case of resident foreigners, the required documentation is the Foreigner Identification Number (NIE) and the residence card. These documents should be always updated, because it could happen that immigrants who are entitled to open a bank account can not do so because their documents have expired.

One of the services immigrants use more often is the international transfer of funds, better known as remittances. These remittances are made, in a high number of cases, through non-financial private entities, such as “cybers”, or even through organisations that offer only money transfer services. In both cases, delivery charge are very high. In recent years, financial institutions have launched specific products for remittances, trying to attract as clients a part of the growing immigrant population. This has also led to a reduction in the service charge for remittances.

According to a survey carried out in 2007 by the *Banco Interamericano de Desarrollo* (BID) - Inter-American Development Bank -, Latin-American immigrants in Spain sent 3,700 millions of Euros to their countries in 2006. Each time they send money to their countries of origin and they do so some 10 times a year, they pay a charge of four Euros. Altogether, they send some 2,700 Euros a year. For a tenth of the interviewees (110 immigrants) sending money to their countries of origin is free “because they are clients of banks or savings banks”. Anyhow, it is still a majority (61 per cent) that uses financial services companies to carry out these transactions.

As regards personal loans, a majority of the credit institutions require a residence permit and a work permit to grant such loan. It is a general requirement, although in some institutions, non-resident immigrants can also be granted personal loans, and to do so, these credit institutions take into account “the experience” or the client’s background when authorizing or refusing the operation. They also take into consideration whether the person is a client of the institution, for how long, whether the person has an open account with the institution as well as, in a very special way, the requested amount and the income of the client.

During one of the national workshops held as part of this project, a participant representing a refugees’ association, stated that ‘formally there are no distinctions, but when they evaluate the risk, equally applied to everybody, immigrants are the ones who lose out because of their special characteristics’. A representative of the Immigrants’ Association mentioned that “when applying the same standards to both Spaniards and immigrants, logically the immigrants are the worst affected. They should apply different standards”. The representative of a financial institution stated that: “there are nationalities that are usually very reliable, for example, Ecuadoreans in Spain. There are qualitative

data that is beginning to be taken into consideration, although it is true that such data are beginning to be available now, after 10 years of increase in immigration”.

As regards mortgages, in the “Handbook of Financial Products for Foreigners”, banks assure that “when evaluating the capacity of payment of the petitioner, the credit institutions usually require that the monthly quota to be paid is not higher than 30 to 35 per cent of the petitioner’s proven incomes. In some surveys already carried out we have found that some institutions have reduced such percentages to 28 per cent when it has to do with foreigners.” In a survey carried out by *Ausbanc* they also found differences between nationals and immigrants as regards the amount of the loan in relation to the property valuation and the repayment period.

As this survey was going on, we had to take notice of how the economic and financial crisis was deepening and as this happened, immigrants participating in the workshops stated now and again that they felt discriminated against in access to banking products. Put differently, as the effects of the crisis were becoming increasingly evident, immigrants had a greater perception of the fact that the financial institutions were discriminating against them. During the first workshop, none of the immigrants had reported feeling discriminated. Some of them assured that they had had problems to open bank accounts when they did not have the residence card. But once they had it, they no longer felt discriminated. However, some of them mentioned that “it is more difficult to get a mortgage loan”, because it is more difficult for them to fulfil the guarantees.

This feeling changed completely in the last workshop. All the immigrants argued that they felt discriminated against, pointing out that in times of crisis, the poorest are the worst affected. One of them, a representative of an Ecuadorean association, stated that many immigrants were enduring economic hardship because they could not meet the repayment of their bank loans, adding that “banks do not explain the small print appearing in the agreements. And because of that, nowadays 40-50 per cent of the immigrants suffer negative consequences caused by financial problems”. Another participant stated that the high interests on loans applied to many immigrants constitute a discriminatory practice.

6. Issues / problems highlighted by the research

Cyprus

With the exception of those migrants who are on very high incomes or who are settled in Cyprus for a long time, in general there is lack of information available to economic migrants as regards the services available by banks, as well as a lack of specialised packages addressing their needs.

There are various banking and financial services and products for foreign nationals with a permanent presence in Cyprus who have, according to some interviews, access to banking, loan and finance facilities comparable to those provided for Cypriots. The difficulties in obtaining guarantees and security for loan and other financial facilities decreases for foreigners who are permanently settled in Cyprus, particularly for those who are better established and own property or have better links with high income earners and/or immovable property owners who can provide collaterals for them. Moreover, financial products for wealthy bank clients, including foreign nationals from third countries and the EU who are investors, are well developed: there are specific packages for investors or high income earners and companies. The fact that several of these packages are in US dollars suggests that foreign investors (outside the EU) are particularly targeted as a market.

Prior to acceding to the EU, Cyprus had been a prime off-shore company destination; post-accession, it continues to offer tax benefits for companies with the lowest company taxation regime in Europe. This category of third country nationals ought to be distinguished from the vast majority of economic migrants who are in a radically different socio-economic and legal position: the vast majority of migrants are in a vulnerable position and the poor, non-targeted banking and finance services offered reflect their marginal position. The two markets are clearly demarked and segmented: on the one hand the high income earners, some of whom are long term settled migrants, or are business people with business interests in Cyprus; and on the other hand the vast majority of migrants who are on a temporary visa, performing low income, low status and precarious jobs.

For economic migrants, language and access to information on the subject is of crucial importance. The vast majority of migrants from this category interviewed professed lack of awareness of the financial services offered by Cypriot banks or other institutions. Many stated that the language is a problem: although English is used by banks in addition to Greek for basic services, information concerning more complex products like certain loans, mortgages etc. is not readily available in English. Another related issue is that of the working hours observed by banks: they are open to the public from 8.30 until 13.00 pm Monday to Friday. During winter months (October-April) they also open on Monday afternoons between 15.15–16.45. This timetable is

inconvenient for working people and may hinder efforts to seek and obtain personal advice or other services. Exceptions to this rule are international money transfer companies that have outlets in key spots in the cities and open also on Sundays and holidays as well as until late at night. They advertise in several languages spoken by migrants and disseminate it in places frequented by migrants. Consequently, they serve the needs of economic migrants better and are widely used by the latter. These services however are restricted to the dispatch of money to the countries of origin of migrants and have little to do with their social and economic integration in Cyprus.

A comparative analysis of the interviews has shown that bank managers at each branch and other employees dealing with clients enjoy a wide margin of discretion, which can lead to discriminatory practices against low income clients and particularly the more vulnerable migrants. All bank officials claim that there is no difference in the treatment of economic migrants and EU/Cypriot citizens. However, the story told by economic migrants, including migrant entrepreneurs, is that banks do engage in practices that exclude and discriminate against migrants compared to Cypriots. An issue reported in the interviews by many migrants was the fact that they were unable to obtain loans due to the fact that they could not provide the necessary collateral, as they lacked the necessary network and support locally to provide the required guarantees and security. Even Greek Pontians who have a longer presence in Cyprus than other groups of migrants and are therefore amongst the most settled albeit socially excluded to a large extent, reported this to be a major obstacle. Many of them have EU passports (i.e. Greek passports) yet, a key informant involved in supporting Pontian migrants reported as a priority issue the difficulties faced by permanently settled Pontian migrants in obtaining mortgages. It was even reported that they face discrimination for being regarded as unreliable subjects by banks and credit institutions.

Most entrepreneurs interviewed referred to their own difficulties to earn the trust of banks and credit institutions. Various stereotypical perceptions about specific national groups and their alleged unreliability or propensity to crime act as effective barriers to access to banking services by members of such affected groups. From the discourses by bank officials, it is evident that there is some form of undeclared racial profiling practiced. Banks may turn down applications for overdraft facilities, which is highly important to small enterprises, whose main problem is reportedly not growth or good management but the refusal by banks to provide the resources they need in order to continue to do business.

The legal status of third country migrants – regular or irregular - is a major factor which affects access to banking services. All banks, including the Central Bank, have stressed that they are interested in providing services without exclusion or discrimination but only to those who are *legally resident*. Those who are not legally resident are excluded. Overall, products for precarious migrants are not only under-

developed, but there seems to be a policy of refusing services to such persons, rendering them even more vulnerable and prone to exploitation.

The main problems highlighted were the following:

- The inequality in bargaining power between credit institutions and economic migrants, who form a marginal group. This has led to a situation whereby credit institutions have little interest in interacting with the target group and in specialising their service in order to meet their needs, as the turnover that this group can generate is marginal by bank standards, particularly when compared to other foreign clients.
- There is a lack of trust and at times fear of the authorities on the part of migrants, particularly the undocumented ones, created by regular mass deportations, the practice of the police of seizing and arresting migrants from public places in order to verify the validity of their visa, etc. It was therefore not easy for them to divulge information to interviewers even where these were introduced to them by other migrants. This has also manifested itself in a reluctance to divulge information to the interviewers about their sources of income and the amount of their income.
- A large section of economic migrants, and particularly the undocumented ones, do not use credit services at all and are located wholly outside the banking system. The only exception is the use of the international money transfer companies, such as Western Union and Moneygram. Even in those cases undocumented migrants have to resort to documented friends (and in rare occasions Cypriots) who will dispatch their money on their behalf.
- In addition, stereotypical perceptions were expressed by bank officials about “illegal” migrants being prone to drug trafficking, money laundering etc. The link between migrants using the banking system and allegations of money laundering appears to be strong in all discourses emerging from the interviews with bank officials, including Moneygram whose clientele is 80 per cent migrants. Moreover, migrants in general are perceived by bankers as not being credit-worthy because they are *ab initio* considered as unable to provide the collateral. This approach is effectively shutting the door in the face of those migrants who meet the criteria set by the credit institution.

The five banks and cooperatives interviewed are of the opinion that the services provided are adequate and migrants are treated just like other individuals on a case to case basis. No research has been conducted on the subject and even migrant-support NGOs do not keep systematic data, as they are concerned with the immediate issues of immigrants status and residence, addressing employment, welfare and housing related problems.

Greece

Interviews with migrants were characterised by a repetitive reference to common problems. Almost all migrants, even those who have had access to loans or mortgages (a very limited part of the sample though), have reported problems in their contact with banks and credit institutions. The most important ones can be grouped as follows: insufficient information about services and rights; language barriers and lastly, legal issues.

The issue of lack of information seems to haunt every inquiry on any topic related to migrants in Greece. Even though this claim may constitute in many cases part of a strategy by the interviewed to acquire additional knowledge of existing possibilities, it is not devoid of truth. The vast majority of interviewed migrants were not aware neither of specific products offered by banks nor of services and rights provided by public institutions. Most of them do not use ad hoc financial products and even for remittances they use either Western Union and Moneygram or informal agents and friends. It is important to note that during the national workshops of the project when representatives of banks presented their products that require little or no service charges for remittances, representatives of migrant associations who were present stated that they were not aware of these possibilities.

The same is true for the services offered by the Workers' Housing Organisation. The vast majority of interviewees were not aware of its existence (some of them confused it with the *Organismos Ergatikis Estias* (organisation awarding benefits to workers, such as kindergartens, youth centres, cheap holidays, tickets for theatres etc.)), while some of those who were aware did not know if they were eligible beneficiaries.

Related to the above issue is the problem of lack of knowledge of the language which, in turn, constitutes in fact a major reason for limited access to information. Moreover, difficulties during transactions, especially in filling forms for loans where conditions are numerous and difficult to understand, have been reported. Similar problems have been reported from bank employees as well who face sometimes difficulties in understanding what exactly the migrant client wants. It is indicative in this respect that Hellenic Ombudsman for Banking-Investment Services has already dealt with cases where foreigners have lodged complaints about contracts with banks they have signed in Greek language without any translation, which would help in understanding the foreseen conditions. The cases were completed in favour of foreign clients, since legislation provides that a person who faces problems in Greek language has the right to a translator, the problem however remains as long as migrants are not aware of this possibility.

Another issue which is always highlighted by migrants is the question of legal status, since access to financial products always requires a stable legal status. Nevertheless, and despite three regularisation exercises, obtaining and/or renewing residence permits is still not an easy thing for migrants in Greece. The fact that valid residence permits throughout the country were, according to official data of the Ministry of Interior, in August 2004, 672,584 and in October 2007, 481,501 clearly shows that there are serious problems in the renewal process. In fact, it is quite common that many migrants fail to have their residence permits renewed and subsequently lose their legal status, leading to a condition a researcher has defined as 'institutional precariousness'⁴⁶.

Although in everyday transactions bank employees should ask only for a valid passport, quite often migrant clients are required also to present a valid residence permit. Furthermore, the representative of the American Bank of Albania (now *Intesa Sanpaolo* Bank) confirmed that his bank 'monitors' the legal status of its clients and where a residence permit has expired, it enquires if the client has applied for a renewal.

Another issue which has to do with general immigration policy is the setting up of a business. In order to be able to set up a business, a migrant is obliged to apply for a specific residence permit for 'independent economic activity'. One of the conditions for obtaining this type of permit is that the applicant must show evidence of possessing 60,000€ to be invested in the new business.⁴⁷ Consequently, it is very difficult for migrants to apply for a loan for business start-up, since they should already be in possession of a considerable amount in order to be authorised to go into independent economic activity.

Italy

While the number of immigrants who use various banking services is increasing, significant obstacles in access to credit persist, especially with regard to loans for business start-up and consolidation of small enterprises.

The most represented nationalities among immigrants interviewed were, in decreasing order, Moroccans, Senegalese, Chinese, Albanians and Romanians. About 31 per cent of respondents have been in Italy for more than 5 years. With regard to use of banking services, 61 per cent of respondents have bank accounts. This percentage is higher than the national average which, according to a

⁴⁶ Baldwin-Edwards, Martin (2002), "Immigration, Racism and Xenophobia in Southern Europe", in *Antigone*, Proceedings of National Round Table 'Combating Discrimination, Racism and Xenophobia: the Transposition of the New EU Directives in National Legislation', 2nd-3rd December, Athens: National Hellenic research Foundation, p. 73-78, available at: <http://www.antigone.gr/RoundTables/2002/ProceedingsNRT2002.pdf>.

⁴⁷ Law 3386/2005, *Entry, residence and social integration of third country nationals in the Hellenic Territory*, article 24.

previous research for the national association of bankers, was 57.3 per cent. The percentage of interviewees with bank accounts is even more significant considering that part of the respondents in this research do not have stay permits and as such, can not open bank accounts. If the number of immigrants who have bank accounts is calculated as a percentage of only respondents with stay permits, the figure rises to as high as 66 per cent. It should be noted that there are big differences between different parts of the country as well as between local territories, in relation to the economic development and the characteristics of the immigrant population of the area considered.

Data from the interviews show that financial integration is not significantly correlated with respondent's nationality, gender and level of education attained. The key determinants are instead the income level, the number of years of residence in the country (recent arrivals are less likely to be able to open bank accounts), and the type of work contract. With regard to the latter, migrant workers with permanent jobs and open ended contracts are the most likely to have bank accounts, followed by self-employed immigrants. These findings confirm that new arrivals with low income and irregular jobs are the most disadvantaged group in terms of access to banking and other financial services.

Gender does not appear to be a determining factor as regards access to banking services, even though it is more significant than nationality which, on the basis of data from the interviews, seems to be insignificantly correlated with having access to banking services. This is an interesting piece of information confirmed also by qualitative interviews with migrant entrepreneurs and which altogether contradicts the opinion expressed by some bank officials that various migrant groups have distinct and different financial behaviours determined by 'the culture of their countries of origin' and that as such, some are more trustworthy as bank clients than others. Contrary to this type of opinion, only two of 23 entrepreneur interviewees from Muslim countries mentioned religion as a factor in deciding whether to open an account or not with a local bank.

With regard to documents required by banks in order to open a current account, in the majority of cases, respondents said that these did not seem to differ from the standard ones required of all prospective customers. But about 11 per cent of respondents declared being asked to produce pay slips in addition to the other documents while 13 per cent had to make an initial deposit in the account. On a different aspect, 8 per cent of respondents were able to open current accounts but were refused other basic services usually associated with a current account (debit card, credit card and chequebook). These findings confirm that there are no legal barriers to basic banking services (savings and current accounts and associated services) even though additional requisites required by some banks and restrictions such as current accounts without cheque booklet etc. constitute less favourable differential treatment. In other words, while in principle access to banking services is free, the conditions and quality of services obtained are affected by internal regulations that in some cases, are indirectly

discriminatory against migrants. One effect of similar regulations is that they keep low income and temporarily employed migrants away from trying to use banking services, thereby impacting negatively on their capabilities to actively integrate, at least economically, into society.

Another problem highlighted by the research concerns access to bank loans, especially for business start-up and expansion, and it is a particularly severe challenge for small family run enterprises. The largest part of credit obtained by respondents is in the form of consumer credit or mortgages while the percentage of loans for business start-up or consolidation is very small.

At first glance, the picture looks positive as there are no prejudicial refusals to grant loans. However, a closer look at the collaterals requested by banks according to respondents, suggests a greater selectivity on the part of banks, expressed by the high percentage of cases where they require personal guarantees (26.5 per cent) or guarantees by Italian clients (7.3 per cent), before granting loans to migrants. In 5 per cent of cases applicants have also been required to get an insurance coverage against the risk of default on payment. Partly as a result of these conditions, relationships with banks remain difficult. Twenty-three of the 56 entrepreneurs interviewed had not approached any bank for loan; rather, they either used personal financial resources or borrowed from friends and family. A common assumption among many such entrepreneurs is that it is useless to apply for loans because banks will not lend to migrant-owned enterprises that are not already well established, especially in the absence of property that can serve as collateral.

It is not easy to discern if the additional guarantees required are due to the immigrant origin of the applicant, or to risk factors related to the applicant's other personal characteristics or type and quality of enterprise for which loan is needed. What is certain is that there is a high variability in the behaviour of banks according to respondents: some have been refused small loans of 20,000 Euros, while others have obtained larger sums on a trust basis. The most important thing, beyond declared banks' policies and written regulations, appears to be the personal relationship established between an applicant for loan and the bank branch manager.

Difficulties in access to credit not only hinder the development of immigrants' enterprises but also have broader negative impacts on their integration. Many entrepreneurs are forced, in the prevailing circumstances, to save at a rate well beyond their income capacity, in order to accumulate the necessary capital for investment. This 'forced saving' is achieved at the cost of cutting other expenditures that affect their quality of life in terms of housing, leisure, cultural and social life within their local communities. Besides, being forced to rely on their personal social networks to obtain credit encourages, in turn, dependency that can sometimes lead to exploitative practices that can seriously damage the entrepreneur. So even when they manage – as many are increasingly doing in many cases – to start and develop their

enterprises, such economic achievements are not accompanied by an adequate process of social and personal emancipation in the new context.⁴⁸

The high repayment rates by immigrant clients reported by many bank officials in the interviews, should reassure banks and contribute to lower the barriers to credit described above. With regard to respondents who had obtained loan at the time of the interviews, 96 per cent had paid fully back and of these, about 10 per cent had paid with some delay while only one per cent declared being in default at the time of the interview and three per cent did not respond to questions on this aspect.

Among the factors that favour buying a house in Italy are the relative ease of access to mortgages, high cost of rents and the reduced offer of houses on rent at subsidised costs. While on the one hand, higher demand for mortgage is indicative of positive integration, on the other, the research reveals also a less positive aspect. For many migrants, buying own houses is the only possibility to acquire a secure housing integration and tenure, because of the discrimination they face in the rent market and the uncertainty over their future, due to the changing economic, legal and political situation.

Due to lack of economic resources, almost all the interviewees who had obtained mortgages, had had to apply for a mortgage covering 100 per cent of the cost of the house, with high monthly instalments and long repayment periods of 25 years and more. This situation does not differ from that of low-income Italian customers. Nonetheless, in the case of migrants, it is worth questioning whether banks provide all the necessary information, or whether in some cases they do not take advantage of language barriers, vulnerable situations and low level of information customers can afford. Most of the migrants interviewed did not consider as sufficient the information they received from banks on the implications of a fixed or variable interest rate, on the conditions of repayment of the mortgage and on the procedure that can be followed to re-negotiate the initial conditions.

Migrants are generally in a particular situation of disadvantage due to language difficulties, low knowledge of the Italian banking system, the lack of a social support network, long working hours that leave little time for gathering the available relevant information and carry out the necessary paperwork. This condition leads to a very high demand for services of intermediaries for easier access to credit. Out of the 30 beneficiaries of mortgage interviewed in Milan, Roma and Verona, 17 had turned to private agencies to help them deal with the paperwork. The demand for support by migrants seeking to obtain mortgages is currently met by profit making agencies like estate agents and this can lead to a distortion of the market and significant increase in cost of the mortgage. Some agencies like the above engage the services of

⁴⁸ See also, *L'imprenditorialità immigrata: caratteristiche, percorsi, e rapporti con il sistema bancario*, October 2004, p.103. op.cit.

subagents from immigrant backgrounds who pass word around within groups of same nationality and receive a commission for every successful new contact.

Portugal

The main issues in the analysis of migrants' access to bank products and services, when compared with Portuguese citizens, are related to the differential access of immigrants to more complex products, such as credit, but also to basic bank services, such as a current account without overdraft. Although the majority of immigrants living in Portugal have bank accounts, access to it is not straightforward. In Portugal, the opening of a bank account must be understood in the context of contractual freedom, since, unlike what is observed in other countries, banks are not obliged to open an account or to justify the refusal to open one. The main difficulties in opening an account can be summarized under two aspects: bureaucracy and prejudice.

The implementation of European money laundering and terrorism directives⁴⁹ led to the introduction of new legislation in Portugal. The Notice 11 of 2005 of the Bank of Portugal established new criteria for opening bank accounts, in order to clearly "verify the identity of the active beneficiary". In our understanding, the final note in the European directive (the need to take into consideration different types of clients, business, transactions and products) has not been considered in the transposition of the directive into the Portuguese legal and financial systems. A number of procedures that increase the demand for documental and certified personal information have been indiscriminately applied to all types of clients. More concretely, it is stipulated by Notice 11 of 2005 that the financial institution must require the client to make proof of his name, date of birth and nationality, which can be made by means of any identification document valid under Portuguese law: ID card, passport or residence permit for residents, and ID card or passport, or any equivalent, for non-residents. The Notice also demands the taxpayer's identification number, certification of address, profession and employer; the last two are exceptionally problematic documents for immigrants.

In this context, it is very problematic for immigrants to obtain all documents demanded by the Notice. Secondly, there are discrepant interpretations of Notice 11, a fact that leaves a great margin for discretionary criteria to be put into practice in bank agencies. The main problems were identified in the interpretation of "valid identification document". Some banks open accounts for undocumented migrants while others demand a valid residence permit, whilst on some

⁴⁹ See Council Directive 91/308/EEC of 10 June 1991 on prevention of the use of the financial system for the purpose of money laundering, and the Directive of the European Parliament and of the Council amending Directive 2005/60/EC on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing.

occasions customers are also demanded documents that are not specified in Notice 11; documents that can range from bank statements regarding other accounts to an address in the home country of the migrant.

Besides the bureaucratic obstacles, the minimum deposit to open an account can also become a barrier. Different practices can be found concerning the minimum deposit. These practices vary not only from bank to bank but also within agencies of the same bank and, on occasions, within a single agency. In this case we are not simply before different interpretations of the legal requisites to open an account but facing potential cases of discrimination. In interviews and during workshops, a number of cases in which individuals were asked for different minimum deposit amounts were reported. For example, a representative of a major Portuguese bank confirmed that the agencies of the bank, located in an area known as a prostitution zone, demanded a minimum deposit of 3000 Euros from some Brazilian women (considered to be prostitutes) to open an account (the stipulated minimum deposit is 250 Euros), and even notified neighbouring agencies of different banks when supposed prostitutes tried to open accounts.

The situation and the obstacles related to access to credit are much harder to measure. Banks keep the risk assessment criteria secret and it becomes impossible, in the case of evaluations that always present some degree of subjectivity, to understand which factors are effectively used to assess risk and their relative weight. Nonetheless, it is widely acknowledged that the lack of a permanent residence permit, fixed term work contracts, unstable jobs, kind of job position, poor knowledge of the national language or frequent change of address, or even the zip code, can make access to credit more difficult or more expensive. These factors affect disproportionately different groups of the population and immigrants are among the most affected. This type of analysis can also make immigrants a more 'undesirable' or higher 'risk' group for other bank services and not just determine whether credit is granted or not.

Three problems are particularly salient in the specific case of immigrants' access to credit: nationality, length of residence permits and guarantor. It is common practice in Portugal to demand guarantors in the case, for example, of mortgage credit. Some immigrants referred that they were denied mortgage credit since they did not have any backers while others were denied because they had foreign (with permanent residence in Portugal) guarantors. Although mortgages usually require a permanent residence, for other types of credit (consumer or business, for instance) the length and type of residence permit were obstacles in access to credit. Temporary residence permits (valid for two or three years), can lead to refusal of credit. In the case it is granted, its amortization period can sometimes be limited to the extent of the residence permit. Lastly, it is necessary to make reference to the question of nationality and its eventual role in risk assessment.

The majority of banks that were interviewed stated that they do not include nationality in risk assessment criteria. However, two of them considered that the statute of immigrant led to a more “careful” analysis. Another bank designed a “trust grid” specifically for immigrants. From the existence of such instrument we can conclude two things: on the one hand, the creation of a specific instrument for immigrants is a recognition of the difficulty this population has in accessing credit; on the other hand, and parallel to the statistical analysis, there is some autonomy on the part of bank employees and agency managers to evaluate each request on a case by case basis. By means of this instrument, the “integration” of the immigrant is evaluated by a number of factors that include the immigrants’ family composition, children’s school attendance in Portugal, type of work contract. These variables serve the purpose of evaluating the relation of the immigrant with the country (chiefly if he is settling in the country or if he is a temporary worker), and thus diminishing the risk margin.

To the majority of banking institutions the question of investment credit (in the form of loans for investment in businesses) is even more complex than house mortgages. Two issues play a fundamental role in this process: from the economic standpoint, the existence, or not, (and the percentage) of the down payment and the stereotypes associated with the figure of the immigrant. Usually a higher percentage of down payments on loans are demanded from immigrants (in particular those starting small businesses), for two reasons. On the one hand, due to the idea that the immigrant might just be passing through the country and not settling definitely, an important factor in a context of economic crisis. On the other hand, the idea that he or she might not know the market or might have some problems dealing with the customers, namely in the case of shops, where the knowledge of the language is thought to be important. This kind of criteria makes it not only more difficult for immigrants to start new businesses (as opposed to have access to loans to develop already existing businesses) as it also reveals a number of subjective factors related to risk assessment that are based on national stereotypes whose weight cannot be accurately measured and that might influence, for instance, the score in the “integration” or “migratory trajectory” of the immigrant.

Spain

As we have said in a previous chapter, immigration in Spain has increased considerably in the last years, accounting for more than 10 per cent of the total resident population. This has brought about a substantial change of attitude by financial institutions towards this group. So, they have gone from not showing any interest in migrants as clients, labelling them as high risk clients, to designing business strategies and specific products to attract them as clients.

This change has been caused as much by the increase in the immigrant population as by the certainty that they could do business

with these clients. The beginning of this change has to be situated in the moment when financial institutions became aware of the high amount of money that this group transacts in the form of “remittances”.

One of the big Spanish banks, *La Caixa* has a ‘department of new residents’ since 2003, with a person responsible in each autonomous region. The aim of this department is to make the network of branches aware of the importance of immigrants as a group. And one of the activities they organised was an awareness raising conference involving staff of their offices located in the areas with high numbers of immigrants.

The main problem immigrants have in this sector is that of access to a bank account. Without the residence card it is almost impossible to open a bank account. So, people in this situation are doomed to live a social situation of exclusion from which it is very difficult to get out. Nowadays it is necessary to have a bank account in order to have access even to some vital necessities such as water supply, electricity or housing. In order to be able to sign a contract for any of these services, many of the providers and estate agents and/or landlords demand that payments are made through bank accounts. As a result, many immigrants without residence card use some acquaintances’ or relatives’ bank accounts for their economic transactions. In this way, some bank accounts become community accounts under the name of one immigrant though actually the same is being used by several people, with all the problems, even legal, that such a situation can lead to.

Obviously, people who can not open bank accounts can not benefit from the credit and debit cards or from personal and mortgage loans necessarily associated with having an account. Another of the important issues we identified is that of access to loans for both entrepreneurs who want to set up businesses and for people who want to buy houses. An official from *La Caixa* stated that “before giving credits we value aspects such as the origin of the person. It is easier to give a credit to a South-American, who tends more to regroup his/her family than to the Moroccans, who tend more to go back to their countries.”

And here we have another one of the big problems of immigration: the banking services are provided by private institutions whose prime aim is to earn money, the more the better, and whose system of access to services can make them take discriminatory decisions while protecting themselves under business criteria. In other words, it can happen that two immigrants in the same situation, one Ecuadorean and the other from Morocco; only the Ecuadorean is granted credit by a given bank simply because according to statistics, the majority of Moroccans want to return to their countries of origin whereas the Ecuadorean tend to remain in Spain. The situation can be the same if immigrants are compared to Spaniards. It can even happen that financial institutions propose unfavourable conditions to immigrants with the justification that immigrants are risky clients.

During the project workshops, we noted that many immigrants think that even in the case of application of same standards for granting loans to nationals and immigrants, the latter would still suffer discrimination because of their cultural characteristics.

One possible solution to the above problem is micro-credit. However, in Spain micro-credits are not offered by financial institutions as such. Many institutions have Social Intervention Programmes, to which they assign a part of their profits, with the aim of supporting different programmes of social inclusion. Within such activities, some institutions offer micro-credits to small and very small entrepreneurs, although it is not meant specifically for immigrants and other categories such as women, socially excluded people, gypsies, etc. can have access to such support

In this sense, a representative of *Caja Navarra* stated that the “micro-credits were considered as ‘loss’, in the sense that if beneficiaries do not pay back, they are not forced to do so. The service is part of the Social Intervention Programme. The candidates are not selected directly but through big NGOs and Trade Unions and the maximum amount granted is 3.000 Euros.”

The organizations that have mediated in these microcredit programmes include VOMADE (Dominican Mothers’ Volunteering), MPDL (Movement for Peace, Disarmament and Liberty), CC.OO. (Workers’ Commissions) or UGT (General Workers’ Union). They perform support and mediation functions between the financial institutions and the entrepreneurs, with a view to presenting a solid and feasible project. Another organization - CEAR (Spanish Confederation of Assistance to Refugees) - focuses on self-employment, management assistance, training and financial support to entrepreneurs through contributions by public administrations.

This support function overcomes one of the big problems in the relationship between immigrants and financial institutions: distrust. One of the participants at the meetings stated that “there is a problem of lack of trust on the part of immigrants towards banks. Usually they are not aware of being clients and they have difficulties in negotiations. We have found some who take advantage of the innocence of immigrants”. As a starting point, immigrants have a great mistrust of the financial system, because in many cases, they have been victims of frauds and non-payments in their countries of origin. If we add to this their lack of knowledge of the language of the country and of the specific financial one, their attitudes towards banks are in many cases those of victims rather than clients.

Many of the people participating in this survey suggested that a positive discrimination policy should be adopted to change the situation regarding access to banking services and credit. One participant said: “Immigrants are a strategic sector and there are three reasons why they should have a series of positive discrimination measures: high repayment rate of loans received, the fact of being a strategic sector and lastly, humanitarian reasons”.

Finally, we have to add that the main problem we encountered in the implementation of this project was the scarce participation and cooperation on the part of both public administration and financial institutions. With regard to public administration, we could not find any expert interlocutor on these issues, neither at the State administration level nor at the level of the different autonomous regions.

With financial institutions, the main problem was to identify the right person who, within their big hierarchical structures, has the competences and mandate to speak on these issues. A second problem was about securing an appointment as their agenda seemed to be overloaded with other issues. A third and last difficulty was the economic and financial crisis which has made access to these interlocutors more difficult.

7. Examples of good practices

The transnational project work group agreed on a common set of criteria to be used for identifying a good practice and such criteria are:

- the policy measure or practical initiative must be effective and have a positive impact on the situation examined;
- promote and/or support equal treatment;
- provide for and be externally evaluated;
- be easily transferable;
- provide for on-going review and assessment during the implementation phase and actively ensure participation of beneficiaries in the planning, design and implementation phases.

Identifying good practices promoted by financial institutions, local bodies and civil society associations is a hard task mainly because it is very difficult to determine and/or measure some of the criteria set above, in the absence of an external evaluation. The only available evaluations are done by the same actors who designed and implemented the action. This notwithstanding, below are some practices that can make valuable contributions towards overcoming the difficulties many migrants face in seeking financial services.

Cyprus

In reality, no good practices have been located that meet the criteria outlined above and defined by the INVIP Project transnational partnership. In fact, the research has shown that most practices do not even meet some of the criteria. Given that no particular services are designed for and/or addressed to economic migrants, the following practices have been identified as either having the potential of developing into good practice or simply serving some of the needs of migrants:

1. An initiative is currently being discussed between the Pontian associations in Cyprus, who are in consultation with government officials and municipal councils to design a financial package whereby the government would provide banks with collaterals so that Pontians residing in Cyprus will be able to obtain housing loans as well as loans to start small businesses. The initiative is still at the stage of development and the model used in Greece for the same purpose will be utilised. When finally adopted, this initiative will enable the large community of Pontians to escape ghettoisation and develop entrepreneurship / practice their skills instead of being under-occupied in low-skill and low-paid jobs.

2. International payment services companies such as Western Union and Moneygram, whose clientele is mostly made up of migrants, make a conscious effort to attract migrant clients and to formulate their products to meet their needs. In particular, they promote their products in places frequented by migrants (municipal parks, church services on Sundays etc). They have flexible opening hours and those branches located in areas frequented by migrants are open on Sundays and holidays as well. Moreover, they have developed an effective system of promotions by (a) offering cheaper prices for transferring money to migrants' countries of origin; (b) they utilize migrants as "promoters", whose role is to provide information to potential customers in order to expand their cycle of business. Leaflets with information on their products are printed in English, Chinese and several Asian languages. Interestingly, there are no leaflets in European languages other than English.
3. A practice followed by almost all banks is that statements of account and most banking products are available in English, owing more to Cyprus' tradition as an international banking centre rather than to any intention to serve the migrant community. Moreover, all banking personnel are fluent in English and well trained; many migrant interviewees have stated that they were treated politely by bank employees.

Greece

It is quite difficult to identify practices / initiatives with similar characteristics within the Greek context in the sector we examined. Nevertheless, and despite the problems described in this research, some steps have been taken by several stakeholders towards the enhancement of migrants' access to financial services.

The most obvious and promising one is the recruitment of employees from migrant backgrounds by some private banks. We emphasize that this good practice is followed only by private institutions because, in public ones, recruitment of third country nationals is not allowed by law. It is indicative in this respect that an executive from the Hellenic Post who participated in two national workshops encouraged migrant communities to inform young migrant students that they can at least do their internship in Hellenic Post; in this way migrant students would have the opportunity to acquire work experience, while Hellenic Post would have the opportunity to gain space in a rather promising market share.

At least two of the banks we interviewed for this research have followed this practice and, according to their representatives, given the economic outcomes for their banks, they are eager to continue and enhance it. Piraeus Bank has already seven branches in Athens and one in Thessaloniki, where employees can serve clients in a combination of eight languages, according to the population of the

district. Available languages include: Albanian, Ukrainian, Bulgarian, Romanian, Russian, Egyptian, Filipino and Chinese. The other bank that has adopted a similar policy measure and practice (though to a lesser extent than the former – it must be said though that it is a smaller bank –) is the Millennium Bank, which has recruited two Albanian employees in branches located in areas where many Albanian migrants live.

Another good practice which helps migrants overcome lack of information and language barriers is the publication of information materials and even advertisement in migrants' languages. We have already mentioned the introduction of Albanian language into the ATMs of several banks. In addition, information materials exist in other languages, especially about products addressed to migrants (remittances and bank accounts + remittances options). Besides, remittances in particular constitute a market which increasingly attracts banks. This attraction leads to special products without commission (Hellenic Post has started a big campaign in different languages) or with very low commission (Millennium Bank charges just 5€ for transfers of up to one thousand Euros, or the National Bank of Greece that offers the account 'Family Fast' addressed specifically to migrants, through which transfers can be made from an ATM at a cost of 10€).

Finally, we wish to mention that in our research, we identified some practices, which we would rather define as 'not bad practices' instead of 'good practices'. It is true that, at least at the level of declarations and official standpoints, no clear evidence of ethnic-based discrimination has been detected. On the one hand, in the case of banks, all interviewees affirmed that migrants are considered as a very promising, profitable and reliable target group; therefore discrimination against them would be practically against the bank's interest.

On the other hand, in the case of public institutions, the official stance is the principle of equal rights for all regardless of nationality. Representatives of the Workers' Housing Organisation, for example, categorically confirmed that mortgages and even houses provided by the organisation are for all workers, whether Greeks or foreigners.

Italy

The interviews confirm that lack of knowledge of the national language is one of the major problems in the relations between banks and migrant customers. Such problems are bigger for the recently arrived and most banks do not take the responsibility for the communications problem with migrant clients, underestimating its importance and often taking the comforting stance saying that 'with time and better social insertion, the problem will disappear'. For many banks, language support measures are limited to translation into some languages common among migrants, of the information leaflets they produce for the general native public. The availability of translated information

materials of the above type does not seem to be sufficient to actually reduce the communication gap.

A small number of banks has taken some innovative measures to facilitate communication with migrant customers. These include dedicated branches, with staff from immigrant background and various multilingual information support services (*Intesa San Paolo*, *Banca Sella*, and lately, *Unicredit*); telephone interpreting service, video assistance in different languages, mother tongue staff etc. (*Banca Popolare di Milano*, *Banca Popolare Emilia Romagna*, *Intesa San Paolo*). Others such as the *Banca Popolare di Verona e Novara* have similar projects currently at the design stage.

The same *Banca Popolare di Verona e Novara* has, meanwhile, employed a Sri Lankan operator in a branch where more than 80 per cent of the 500 accounts it runs belong to Sri Lankan immigrants. *Unicredit* Bank's 'Agenzia Tu' and the 'Multi-ethnic Points' of *Intesa-San Paolo* employ multi-ethnic and multi-lingual personnel made up of Italian and immigrant personnel. The *Banca Popolare di Lodi*, which has a significant number of Ecuadorian customers, has employed a clerk of Ecuadorian nationality and the bank's official interviewed said the Ecuadorian clerk has played an essential role in carrying out targeted communication campaigns.

This type of policy has a two-fold positive impact as it not only facilitates access of migrants to banking services, but it also contributes to create a different public image of migrants by employing them in positions of responsibility and high visibility.

Given the broad discretionary powers local bank branches and individual bank officials have in assessing the risk profile of clients and related guarantees to be requested from the same, the personal attitude of individual bank officials (tendency to listen actively, open-mindedness, presence / absence of prejudice etc) become quite important vis-à-vis migrants' access to banking services.

An implication of this is that banks need to invest in training and awareness raising among its officials who are in daily contact with this segment of customers. Some of the banks interviewed have organised general communication courses as well as sector-specific ones aimed at illustrating the banks products for migrants and socio-cultural aspects of migration. In one instance, the effect of such a course has been an increase in demand by migrant customers for the bank's products meant for migrants.

Intesa San Paolo offers officials of the different branches a course named "Communicating multi-culturalism" with the aim of promoting better knowledge of immigration and the changing scenario, to develop the capacity to manage relations and communicate effectively across cultures. Other banks - *Banca Popolare di Lodi*, *Unicredit*, *Banca Popolare di Etruria*, *Monte dei Paschi di Siena*, *Banca Sella*, *Banca Carime* etc. have offered similar training courses to segments of their personnel.

Both bank representatives and immigrants have mentioned the important role institutions could play in promoting equal opportunities in access to financial services. In regions like *Toscana*, local authorities are actually implementing a number of measures meant to facilitate the migrants' access to credit and the development of migrant-owned enterprises. The regional government has launched a new programme, SMOAT (*Sistema di Microcredito Orientato e Assistito*) [Oriented and subsidised microcredit system]⁵⁰ which manages, in cooperation with local banks, a guarantee scheme aimed at facilitating access to credit by immigrants and other vulnerable categories. The scheme is funded with 15,115,000 Euros, 66.6 per cent of which has been conferred by the Region and the remaining 33.3 by banks. It provides collaterals for 80 per cent of the bestowed loan (which cannot exceed 15,000 Euros) or 60 per cent if the amount of the loan is higher. The most innovative element of the initiative relates to the efforts of the *Toscana* regional government to establish a network of relevant institutions and resource persons, to facilitate access to credit and promote local development. This regional network includes 12 banks, professional associations and business persons.

The initiative has been quite successful because it has benefited entrepreneurs who could not get credit from “mainstream” banking institutions, further proof of the difficulties encountered in access to credit by those whose risk profiles, by prevailing banking standards, are ‘bad’.

A similar cooperation between local authorities and banks has been reached in other parts of the country. In Milan, the project PRIMI (*Progetto Imprenditori Immigrati* – [Immigrant Entrepreneurs Project]) was recently launched by the province of Milan, *Fondazione Ethnoland*, *Fondazione Lombarda Antiusura* and *Intesa San Paolo* bank, to promote access to credit and prevent recourse to informal and often illegal business financing.

Portugal

Microcredit started to be developed in Portugal at the turn of the century. The National Association for the Right to Credit (ANDC), a non-profit association, launched its activities in 1999, at a time when banks did not offer microcredit services as it was not considered a sufficiently profitable activity. The objective of the ANDC is to work as an institution of intermediation between beneficiaries of microcredit and banks as it accompanies the development of business projects and assists micro-entrepreneurs during their implementation. As it is, this organisation incorporates the costs of transaction for the concession of the credit and, more importantly, provides assistance in the conception of the project and, to the entrepreneur, bestows a guarantee that

⁵⁰ See www.fabricaethica.it.

satisfactorily substitutes real guarantees that are usually required for investment credits by commercial banks.

Microcredit promoted by the ANDC is for people who are usually excluded from access to commercial credit, including immigrants. The difficult insertion in the Portuguese labour market and, more particularly, the incapacity to offer real guarantees in return for credit contracts, make immigrants a target group for this service, which promotes self-sufficiency. Hence, in 2005 the specificities of the immigrant population lead them to create a partnership between ANDC, the Jesuit Refugee Service (JRS), an organisation that deals closely with migrants, and the *Caixa Geral de Depósitos* (CGD), the Portuguese State Bank. The JRS accompanies the process of creation and/or expansion of small business, working as a mediator between immigrants and the other two partners.

To pursue its objective, the ANDC has established protocols not only with CGD, but also with other two major banks, *Banco Espírito Santo* (BES) and *Millenium BCP*. According to the conditions of the loans contracts, the maximum amount of credit granted is 10 000 Euros, divided in two years: 7000 Euros is the maximum sum for the first year, followed by 3000 Euros, conceded when justified. Depending on the bank chosen, the loan can be paid in 36 months (CGD and *Millenium BCP*) or 28 months (BES). Also, there are no real guarantees required even though the applicant has to present a guarantor, responsible for 20 per cent of the capital loaned.

An instrument for the economic and social inclusion of immigrants, the importance of microcredit to this population is attested by the fact that foreigners represent a significant portion, 15 per cent, of all credit granted between 1999 and March 2009, a percentage far above the incidence of foreigners on the Portuguese population. Furthermore, almost all the credit granted to foreigners is to non-EU citizens, which amount to 12.5 per cent of the total. As for the insolvency of capital, the percentage is only a little higher than the total of credits granted (7.8 per cent against 7.6 per cent), according to April 2008 data.

Africans, especially those coming from former Portuguese colonies (Angola, Cape Verde, Guinea-Bissau, S. Tome e Príncipe), are by large the foreigners who have presented more projects (100 out of 138 in March 2009 data). Notwithstanding, the origins of applicants have become in recent years more diversified, including citizens from Eastern European countries and Brazilians, corresponding to the recent migratory waves to Portugal. As regards gender, there are slightly more loans granted to women than to men, a trend which is more strongly felt amongst African citizens (58 per cent against 42 per cent, March 2009 data). The economic activities pursued by foreigners are not substantially different from Portuguese nationals, with a large part of the businesses concentrated in “wholesale and retail” (40 per cent in April 2009).

As we referred in a previous chapter, in the last years, a few banks presented financial products, accompanied by publicity campaigns,

directed specifically at the immigrant population in Portugal. The most important, for their visibility, and for the fact that the banks that promoted them were the two biggest Portuguese commercial banks, were the packages created by *Millenium BCP* and *Banco Espírito Santo*.

In 2004 Millenium BCP created the *Conta Passaporte* [Passport Account]⁵¹, described by the bank as a low-cost account. Its main aim is to attract new customers to the bank, trying to make *Millenium* the choice of a segment with an interesting potential for growth, in a fairly saturated market. The customers have access to payment and money transfer facilities to their countries of origin, an insurance policy for their savings, health risk coverage and personal accidents. The account costs 4 Euros per month and it comprises the following items: current account free of commissions and maintenance costs; national and international debit card free of service charges; a pre-paid card (*Millenium BCP* free); personal accidents insurance, free of costs, including a service for the transportation of the body of the holder of the account to the country of origin, up to a maximum cost of 5,000€; free domiciliation of payments (enables payment of periodical expenses such as electricity, water, gas); and free access to automatic banking channels, by phone or the internet.

The *Banco Espírito Santo*, in turn, created in 2006 the service *BES Boas-Vindas* [BES Welcome], which also consists of a bundle of products, acquired together at a cost lower than they would cost if they were acquired separately. The monthly cost is 3.75 Euro, which can be lowered to 2.5 Euro, if the customer chooses to have his salary paid directly into the account, and comprises the following offer: a current account and a savings account (movements between the accounts can be made through ATM, phone or the Internet); pre-paid Familylinks card, which can be used as a tool for sending money from Portugal to the country of origin of the customer. The customer sends the card to a relative in the country of origin who, after confirming its reception, is able to withdraw money in any ATM machine whenever the holder of the account charges it in Portugal; life insurance offered, covering accidents and deaths, and repatriation of the body; free debit card for the first and second holder of the account; credit card subject to a case-by-case analysis; free subscription to the BES direct channels (phone or Internet) and domiciliation of periodical expenses (optional). Unlike the *Millenium BCP* account described above, the BES service is available only to non-EU citizens, except for Americans and Canadians.

Shortly after banks started developing specific products targeting the immigrant population in Portugal, the need for information in languages other than Portuguese was felt. Millennium and BES both introduced it in recent years with advertising campaigns on media, in some of the most representative languages spoken by the largest immigrant

⁵¹ <http://www.millenniumbcp.pt/site/conteudos/02/article.jhtml?articleID=262472>

groups, as well as brochures and leaflets delivered by the banks (in Romanian, Russian, Ukrainian and English). These were strictly marketing instruments that did not give immigrants complete information and protection on their bank relations. The language was a decisive factor to assure costumers that they had complete information on what they were contracting and as such, information on the products in the costumer's language was imperative. In this way contracts and other documentation used by banks in their relation with the client was also made available in other languages, by Millennium and BES, but also by the Privat Bank (in Russian), the Deutsche Bank (in German) and Barclays Bank (in English).

There are other venues where removal of linguistic barriers can make important changes to immigrants' access to bank services. Privat Bank and BES have websites in other languages apart from Portuguese. The BES website has translations into the four most important languages spoken by immigrants in Portugal (Ukrainian, Brazilian, Romanian and Russian) and also three other important foreign communities (English, German and Spanish) and Privat bank has also web pages in Russian. Another service available at BES is a telephone service running until late in the evening and on weekends in languages like Russian, Ukrainian and Moldavian.

Spain

The bank *Caja de Navarra* created in 2007, a network of multi-service offices called '*Nearby*', in order to offer specific products and services to new residents. These offices provide such services as internet and phone centres, videoconference facility, mobile phones recharge service, distribution of multi-purpose cards, courier service, transfer of remittances, travel agency, car rental, planning of events, international press review, financial agency that offers advice on hiring of products and services, mediation in the negotiation of mortgages, insurance policies (repatriation, cars, houses) and personal loans. One of the most important characteristics of these offices, besides having staff from various migrants' countries of origin, is that they open from Mondays to Sundays from 10:00 a.m. to 10:00 p.m., since traditional banking hours do not suit many migrant clients for reasons related to their work.

In addition to the creation of the above specific offices, *Caja Navarra* has also carried out a lot of projects meant to meet the needs of new residents: seminars on foreigners' associations in Navarra; participation of *Caja Navarra* in a fair called the *Feria Integra*; adoption of a new Strategic Plan which indicates that they have promoted the introduction of cultural diversity between new employees and clients and specific financial products / services that meet the needs of migrants as a target group. Such products / services include *Nearby* mortgage, - a loan granted to people who, due to their status as immigrants, apply for a mortgage exceeding 80% of the price of the

house they wish to buy; personal loans of up to 18,000€ without guarantees and with a grace period before starting to repay, of up to twelve months so that the beginning of their stay in Spain becomes easier; and the cheapest insurance policy for repatriation in the market, only 15€ a year with no age limit.

Thanks to these measures, CAN had in 2007 an important increase in the number of clients among 'new residents' as a result of the creation of two specific units - the *New Residents* area and the *Nearby* offices - to serve this segment of the migrant population.. At the end of 2007, CAN had 57.506 New Residents clients, an increase of 66 per cent compared to 2006, which constituted 8.9 per cent of all their customers.⁵²

The Social Intervention Programme of *La Caixa* provides a micro-credit service open to anybody who, with the aim of developing a self-employment business project, has difficulties in access to ordinary credit offered by the financial system, due to lack of guarantees. The programme pays special attention to groups that are at higher risk of exclusion such as single-parent families, immigrant populations, low-income people over 45 years of age, handicapped or long-term unemployed people. To be supported, eligible projects have to be newly created or have been created no more than six months earlier.

Micro-credits are given under the tutelage of NGOs and other social organisations that act as mediators. Such social organisations are experienced in social or economic assistance aimed at the creation of micro-enterprises, promotion of self-employment and encouragement of entrepreneurship.⁵³

⁵² <http://memorias.cajanavarra.es/es/2007/rsc/suplemento-social/banca-minorista.htm>
⁵³ http://obrasocial.lacaixa.es/microcreditos/microcreditos_es.htm

8. Conclusions and recommendations

Cyprus

The precarious nature of the stay and work of third country nationals places them in a disadvantageous position vis-à-vis the banking system which is security-conscious and status-oriented. Such is the marginal position of economic migrants that banks and co-operatives tend to disregard their needs and often ignore their presence altogether. In spite of the large number of migrants in Cyprus, constituting up to 20 per cent of the population, the relative volume of business they bring to the bank is minute in comparison with other corporate customers, a significant number of whom are themselves wealthy third country nationals (e.g. businessmen from the ex-Soviet Union)

Undocumented migrants are totally excluded from the banking system, as they are denied the chance to even open accounts. This exclusion marginalises them even more, exposing them to risks of exploitation by persons who illegally offer them unlicensed financial services (loans, money transfers, and savings). At times, the refusal to serve undocumented migrants takes more racist dimensions, as bank officials stereotype them as potential criminals, associating them with money laundering, drug trafficking etc.

There are no specialised packages designed to meet the needs of migrants, except for international payment services companies whose only service towards migrants is the quick transfer of money abroad.

An institutionalised concerted response is needed, involving the state, public bodies such as the equality body, the central bank, the central co-operative bank, social partners and NGOs in order to establish a special regime governing the provision of banking and credit services to economic migrants, so that it will no longer be left to the banks whose bargaining power exceeds by far that of the target group. There is need for a policy intervention to reduce the wide margin of discretion currently exercised by banks and remove all subjective criteria, which are essentially based on preconceived ideas, stereotypical assumptions and racial profiling.

The issue as to whether a migrant has papers or not should not be a criterion for providing access to the banking system. Also, asylum seekers should be integrated into the banking system with facilities to suit their special needs. The requirement by banks that in order to open accounts, migrants must show an alien book, a valid visa, a letter from their employer stating their monthly salaries, is excessive and unnecessary, particularly when the applicants do not require credit facilities.

The initiative of the international payment services companies to print material in several languages, to disseminate it in places frequented by migrants using ethnic liaison officers for marketing should be followed

by banks and co-operative institutions as well. Also, the initiative currently under formulation with regard to the Pontians, whereby the state offers collateral to banks in order for Pontians to be granted loans should be expanded also to other migrant communities with a settled presence in Cyprus, including refugees and asylum seekers whose application was not examined within 12 months from submission.

Banks should take an active role in promoting the de-marginalisation of economic migrants in collaboration with central government, municipal authorities, the Ombudsman / equality body etc by participating in inner-city regeneration programmes and other community development initiatives. Moreover, specialised and individualised packages such as measures in support of schooling of migrant children, education and vocational training of migrants should be promoted / financed by banks and backed by the state.

Greece

Even though migrants in Greece are confronted with chronic problems associated with inadequate policy regulations, they constitute a rather dynamic part of Greek society. After a long period of reluctance and even hostility from a part of the local population, it is widely recognised nowadays that migrants 'work hard, they are paid less, but they save more' than Greeks⁵⁴. This 'economic vitality' could not but attract the attention of banks. At least, until the break-out of the global financial crisis that has rendered Greek financial institutions as well rather cautious to further openings, migrants constituted a very promising target group.

However, until now products and services addressed to migrants remain basic and not very sophisticated. This has to do also with the reluctance of migrants themselves, who have the possibility to risk more than investing in a house or some essential commercial goods. Thus, the market remains oriented particularly to savings and remittances and to a lesser extent to mortgages and consumer loans.

Even if the use of financial services, provided by private banks or public institutions, shows a growing trend, further steps can and should be taken. Problems such as lack of information, language barriers and particularly legal barriers, remain and need further consideration. Certain steps have been taken through some good practices, it remains however to have these good practices incorporated into mainstream policies.

In this sense, the following recommendations are put forward for consideration by the relevant stakeholders:

- Improvement and simplification of residence permit renewal procedures.

⁵⁴ Galanopoulou, Maria (2006), "They work hard, they are paid less, they save", *Avgi*.

- Flexibility and facilitation as far as possible, of the legal opportunities for migrants to set up business.
- Enhancement and generalisation of existing good practices, especially of those that enhance migrants' access to financial services (recruitment of employees with migrant background and other ways to overcome language barriers).
- Massive information campaigns involving migrant associations, to raise awareness of existing financial services and possibilities.
- Incorporation of economic and financial issues and questions into mainstream integration policies.

Sustainable networking among relevant stakeholders through collaborative initiatives with the aim of enhancing dialogue and exchange between migrants, banks and public institutions.

Italy

The research findings suggest some high priority actions that need to be taken in order to promote financial integration of immigrants in the local contexts where they live. Such actions include:

- Banks should invest (especially bigger banks) in “welcome banking” (or, migrants-focused user-friendly) policies, aimed at improving access to their services by migrants and providing credit to immigrant entrepreneurs, and adopting measures that make financial services open to newly arrived immigrants.
- Banks need to fight indirect discrimination through: linguistic and cultural mediation services, including recruitment of staff from immigrant background, translation of bank contracts and other key documents into various languages spoken by many migrants, multi-language call centres that offer service-related information, audio visual support, etc.
- Adopt more flexible office hours, adequate to the needs of immigrants and working people in general.
- Be a resource for local development, by establishing an effective cooperation with relevant institutions to promote immigrants' socio-economic integration.
- Increase transparency of bank procedures and promote financial literacy among immigrants as well as segments of the native population by, for instance, providing training in the context of vocational training programmes promoted by local administrations.
- Train all bank staff, starting with those directly in contact with immigrant clients, on intercultural communications, issues and approaches. Training should enable staff to understand, recognize

and fight prejudice, stereotypes and discrimination, in order to be able to identify the appropriate financial product for each client, regardless of their national origin.

- Adopt or strengthen local development policies conducive to immigrants' financial integration. Priority actions are to create opportunities for regular, decent employment, and to fight the illegal and exploitative forms of employment. In doing this, it is essential to consider the particular position of unauthorised immigrants who are victims of exploitation by many unscrupulous employers and ensure that each person in a similar condition has access to due process and a reasonable accommodation, avoiding expulsions that turn out to be punitive and discourage other unauthorised immigrants to denounce their exploiters.

Regional and other local authorities should work with banks and other stakeholders to create credit guarantee schemes to broaden immigrants' credit worthiness and so facilitate access to credit. Micro-credit programmes should also be promoted and/or supported especially for those segments of the population that may not be able to meet the minimum requirements for a loan from a commercial bank.

Portugal

The difficult economic situation that immigrants face, and their vulnerability in the labour market are probably the main obstacles to their access to banking services. This is felt with even stronger evidence, in a period of economic and financial crisis, like 2008 and 2009, when banks have the tendency to have a more prudent attitude regarding the concession of credit. To the situation of economic vulnerability and labour precariousness, we have to add some factors that are attached to the condition of immigrants themselves. Immigrants are usually associated with a greater mobility, and thus a higher risk of not meeting their contractual obligations. Furthermore, many of the foreigners living in Portugal are also undocumented. Cultural and linguistic distance can put further barriers in the relation of foreigners with the banking services.

Taking all these into account, we believe that some measures could, if taken, improve the access of immigrants to banking services in Portugal:

- One of the main problems faced by immigrants in Portugal is the heavy documental demands to open an account, as a result of the regulations of *Banco de Portugal*. These regulations are even subject to multiple demands on the part of the banks, namely in what can be considered a valid identification method. Since the passport is generally regarded as a valid method of identification, *Banco de Portugal* should clarify the demands, with the situation of immigrants in mind and state unequivocally that passports are to be accepted by Banks as a valid ID document.

- In what regards credit, immigrants face many times the problem of finding a guarantor who is acceptable to the bank, since these many times only take Portuguese guarantors. This may constitute a great barrier since the networks of sociability of immigrants are, in many cases, focused on their co-nationals. The acceptance on the part of the Banks of foreign guarantors should ease the access of immigrants to credit. The only demandable condition should thus be that the guarantor has a legal residence in Portugal, because it would be difficult otherwise for banks to enact their guaranty if needed.
- A Portuguese Bank, the *Banco Popular*, created an Ombudsman, to deal with the customers as an independent mediator, especially in the resolution of conflicts. Although not directed specifically to immigrants, the Ombudsman can be of importance in solving instances of cultural mismatch. Other Banks should also have their Ombudspersons.
- The *Banco de Portugal* created, through Law-Decree 27-C/2000 the system of Minimum Bank Services, which consist in the opening of a bank account and the granting of a debit card. The customers who benefit from these services will not pay a total annual cost above 1 per cent of the minimum salary. However, adhering to this system is voluntary on the part of the banks. Making it a mandatory measure, will probably benefit the most economically vulnerable, immigrants among them. It would also be advisable to recognise access to minimum bank services as a basic right and, accordingly, make it costless for the customer.
- Many immigrants do not have access to credit because they are not able to get a guarantor, which is very often required by the banks, even for national customers. A system of guarantees could be created to provide Banks with a guarantee through a fund run by immigrants' associations. The funds can either come from contributions by the associates or from public funds.
- One of the functions of *Banco de Portugal* is to supervise the conduct of credit institutions and financial societies, with the aim of assuring proper regulation of the market, guarantee efficiency in the commercialization of financial products and defend the interests of consumers. In the framework of this competence, one of the current practices of the *Banco de Portugal* is the use of 'imaginary clients' to test the compliance of banking institutions with the rules in stand.⁵⁵ Asked by the researcher if ethnic, national or racial discrimination was ever tested using a mystery client, the answer was no. Taking the variable "nationality" into account in these tests would be an important step to access the possible disadvantage of immigrants in accessing bank services.

⁵⁵ The method is also known as 'situation testing' or 'discrimination testing' where it aims to determine which groups are discriminated against in a certain context.

- The setting, by the competent state authorities, of ceilings on interest rates charged banks and other credit institutions, would be a significant step in promoting access to credit by those with low-incomes, a situation in which many immigrants are to be found.

Spain

Attracting significant segments of the immigrant population as clients has become one of the main goals of Spanish financial institutions. This is largely due to the current percentage incidence of migrants on the Spanish population (11.4 per cent), as well as to its importance within the labour market and to the great volumes of remittances immigrants send to their countries of origin. However, this interest is not always accompanied by measures (financial products or services) that support the economic integration of immigrants.

Financial institutions still maintain some opacity as regards the contractual conditions of the financial services that they offer. This lack of information becomes more noticeable in the case of migrants whose peculiar conditions do not facilitate understanding the agreements: low knowledge of the language in general and of the financial one in particular, distrust of the financial system as well as the precariousness of their working conditions are all factors that push towards maintaining some distance from banks.

One of the first conclusions of this study is that, as the global economic crisis deepens, the perception of many immigrants is that there is discrimination towards them by the financial system and that they are the ones who suffer the consequences of the crisis most. A great number of the immigrants interviewed have become aware that the contractual conditions offered to them by financial institutions are worse than those offered to the rest of the Spanish population.

One of the regulations of the Bank of Spain is that in order to open a bank account, it is necessary to have a residence permit. As a result, the immigrant population without legal title to stay in the country encounters great difficulties in acquiring a regular economic status, something which is essential in present times in order to have normal economic and financial interactions.

In the light of the study carried out, the following recommendations can facilitate the integration of immigrants into Spanish society:

- regulate, on the part of the Bank of Spain, the conditions of access to banking and financial services in order to ensure equal treatment for all irrespective nationality. For example, regarding the conditions of the mortgages, some banks and financial institutions charge higher interest rates not only for immigrants in general compared to the Spanish, they also differentiate between immigrants from different countries, charging certain nationalities more than others.

This type of unequal treatment can and should be effectively checked by official regulation.

- improve the quality and delivery of information on financial products offered to immigrants. In order to achieve this, a combination of measures can be taken: provide information in migrants' native languages; train bank staff on multicultural communications and skill so that they can better serve a national and ethnically diverse clientele; employ legally resident immigrants and/or people from immigrant backgrounds as bank workers, as a reach-out measure to promote banking inclusion of segments of the population that are currently unbanked; lastly, banks should present the contractual conditions that apply to the various services they offer in a detailed and transparent manner to foster better relations with their customers in general and migrant ones in particular.
- provide channels for exchange of information between banking and financial institutions and immigrant groups in order to ensure better mutual understanding, be aware of each other's needs and constrains and promote sustainable improved relations between both groups.