

## ● Elements on Joint Accounts

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# Legal Regime for Joint Accounts

## Legally predefined split

- *The legislation states that the property is split in a given, non challengeable way (e.g. 50%)*
- *Examples: Bulgaria, Czech Republic, Greece, Hungary, Italy, Romania, Slovenia*
- *Germany?*

## Legally presumed split

- *The legislation presumes a split in a given way (legal or contractual, e.g. 50%)*
- *But this split is rebuttable by evidence (“rebuttable split”)*
- *Examples: UK, France*

Conclusion: - likely to be usually a legally predefined split  
- to be further assessed with a larger panel

2016 Survey

# Practices of individuals and households (1)

## Not a common use

- *Czech Republic, Romania*
- *Turkey*

## Common use

- *Austria, Bulgaria, Denmark, France, Germany, Gibraltar, Greece, Ireland, Liechtenstein, Lithuania, Luxemburg, Poland, Sweden*
- *Switzerland*

Conclusion: - likely to be a common use in the EEA

2019 Survey

# Practices of individuals and households (2)

*Rather...*

a willingness to strictly share the property of funds in a predefined split?

- *Bulgaria, Czech Republic, Gibraltar, Liechtenstein, Romania*
- *Turkey*

*Or...*

a common involvement on daily life operations with a looser concern over the split?

- *Austria, Denmark, France, Ireland, Lithuania, Poland, Sweden*
- *Switzerland*

Mixed

- *Germany, Greece, Luxemburg*

2019 Survey

Conclusion: - split practices

# Possible issues with joint accounts

Not so much a legal issue, but...



# Possible issues with joint accounts

From the co-holders viewpoint, those two distributions may be seen as equivalent...



From the DGS viewpoint, the compensations will not be the same.

# Possible issues with joint accounts

From the co-holders viewpoint, those two distributions may be seen as equivalent...



From the DGS viewpoint, too...

**Even if the €130k are declared as a THB???**

# Possible issues with joint accounts

## **Two correlated issues:**

1. *As we know, there is a possible difference between:*
  - *the way the joint accounts are fed on one hand*
  - *the effects of the legal split on the other hand*

*This is obvious in the case of an individual THB deposited on a joint account; but this is actually the case at any time depending on the balanced or unbalanced way joint accounts are fed*

2. *The compensation of co-holders taken as a whole differs along the way their funds are distributed among their personal and joint accounts at the time of the compensation*

Those two issues reflect the two sides of the same feature of all joint accounts: the fungibility of money, coming in and out of the account, at any time



# Possible solutions with joint accounts

## **Three ways to solve those issues:**

### **1. Decide there is no issue, and consider that applying the legal split is sufficient:**

- *Easier for legally predefined split than for legally presumed split*
- *Implies a specific solution for THBs on joint accounts – see below*
- *A part of the THB coverage is likely to be lost through the joint account*

### **2. Change the split of the joint account ex post :**

- *Increase depositor's benefit*
- *Changes the agreed/ conventional split of property*
- *Looks challenging for legally predefined split, probably impossible for legally predefined split*

### **3. Adapt the use of coverage levels:**

- *Increase depositor's benefit*
- *Does not affect property rights*

**Note:** - THBs are not the issue, they unveil a more general issue (disbalance in the origins of funds)  
- likely that the solution, if any, should address this, and be extendable to more complex cases (multiple co-holders)

# Other background elements

## *Different ways considered or implemented by EEA DGSs to handle THBs on joint accounts:*

- 1. Use of dedicated THB personal accounts (e.g. Hungary)*
- 2. Explicit or implicit continuation of the legal predefined or pre-presumed split*
- 3. Adjustment of the split to optimise the use of the co-holder's respective coverage levels (e.g. Bulgaria)*
- 4. Transfer from the other co-holder's claim to the THB co-holder's claim, of the part of the THB which fell into the other co-holder's balance because of the initial equal split; compensation of the whole THB in the hands of the actual THB co-holder; acknowledgement to the DGS of an additional claim towards the liquidation, withdrawn from the co-holders' possible remaining claim, to compensate for the overcompensation (e.g. UK)*
- 5. Split of the additional THB coverage level between the co-holders and recognition of the THB regime for each of them (e.g. Greece)*
- 6. Co-benefit of coverage limits of the co-holders – with or without THBs: €100k for one depositor, €200k for two co-holders (e.g. France)*

**Note:** - options 3 and 4 bear a change in the claims acknowledged to each co-holder before and after the THB claim  
- options 5 and 6 rely on a change in the use of coverage limits

# *A few questions to possibly share...*

