

Ad Hoc Expert Meeting on Consumer Protection: The interface between competition and consumer policies

Geneva, 12 to 13 July 2012

Session 4: Emerging issues in consumer protection: Financial services

Presentation

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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.



Consumers International,
Emerging issues in consumer
protection: financial services
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About Consumers International

- Global federation of consumer organisations
- 220 member organisations in 115 countries
- Independent and not-for-profit
- Global research and campaigns through and for our members
- Guided by UN consumer protection guidelines
- Is there a special place for financial services in UN guidelines and for UN guidelines in regulations of financial services? Yes to both.

G20 process on financial services

- In 2010, CI campaigned for FCP in G20; lobbied in 19 out of 20 G20 member states;
- Early 2011, submitted report on consumer protection in FS to OECD Task Force (G20 mandate)
- World Consumer Congress Hong Kong in May 2011, FSB, OECD, World Bank and AFI participating.
- Trans-Atlantic Consumer Dialogue June 2011, ongoing discussion with FSB, OECD, World Bank, G20;



CI's recommendations to the G20

All consumers should have access to safe, fair and competitive markets in financial services. CI called G20 to develop:

- regular review process
- international standards and guidelines.
- new international organisation to share best practice and highlight bad practices

Access to basic financial services

- G20 should endorse concept of universal service;
- Governments should seek to encourage innovation whilst supporting the development of consumer protection.
- Need for better rules on remittances;
- **UNGCP**: new sub-section H on FS needed covering access, stability, competition;

Information about FS products

- Consumers should receive clear, sufficient, reliable, comparable and timely information. Failure to meet these criteria -> void contracts
- FS provider responsibility for testing the comprehensibility of the information
- Standard formats to allow comparability.
- **UNGCP**: good match, need for reference to comparability (Art 22);

Contracts, charges and practices

- requirement of comprehensibility; prohibition of products that are not comprehensible.
- Conflict of interest in remuneration;
- bad marketing should lead to void contracts.
- **UNGCP**: quite good match; need for reference to remuneration (Art 22), void contracts (Art 21), more elaboration on complexity (Art 21), update for e-commerce (Art 27); reference to social responsibility (Art 7).

Financial consumer protection bodies

- CP in FS as explicit regulatory objective;
- Regulator should have authority to investigate, halt and remedy violations;
- Regulator independent of industry, link with other consumer protection bodies and to consumer representatives ;
- **UNGCP:** need for reference to ‘product recall’ (Art s 14 or 18?); CP in FS as regulatory objective (Arts 6 & 16), consumer participation in testing (Art 30) and regulation (Arts, 8, 31 & 68, new Section H).

Redress and dispute resolution

- Governments should ensure consumers have access to adequate redress systems that are fair, affordable and accessible.
- There should also be collective redress to reduce the demand for individual proceedings.
- To prevent systems being overwhelmed by the large numbers of complaints, results from disputes should be synthesized to inform future regulation.
- **UNGCP:** Good match. Need for consumer organisations in redress processes (Art 34)

Competition in financial services

- Need for independent competition enquiries to investigate increases in market concentration
- Measures should be taken to enable consumers to switch products more easily.
- **UNGCP:** need for new section H to integrate above points; reference to comparability as competition issue (Art 22)

Stability and safety of deposits

- ring-fencing of investment and retail arms of banks
- ‘Living wills’ and consumer deposit protection in the event of a bank collapse.
- greater accountability and transparency applied to ratings agencies, service providers and consumers ;
- Consumer credit –worthiness assessment as a precondition of loan
- **UNGCP:** refer to systemic stability in new section H; due diligence for credit granting (Art 21); privacy (Art 8)

Ongoing international co-operation

- a new international organisation to enable national consumer protection bodies to compare notes, and develop minimum international standards and guidelines.
- The body should have a consumer panel to monitor, advise and challenge the work of the organisation.
- Grounds for optimism: FINCONET
- **UNGCP**: reasonable match; Section IV reference needed to 'products' or 'goods & services'; reference back to international standards (Section C)



For a full set of CI's recommendations on CP in
FS see:

Safe, fair and competitive markets in financial services: recommendations to the G20 on financial consumer protection.

www.consumersinternational.org

