



**Mailing list Supervision/Accounting/Money laundering**

Brussels, 30 March 2017

**European Commission Consumer Financial Services Action Plan**

Dear Sir or Madam,

On 23 March 2017, the European Commission published its Consumer Financial Services Action Plan. The Action Plan contains the future measures under the slogan "better products, more choice". Building on the consultation on the Green Paper on retail financial services and the Action Plan on Building a Capital Markets Union, the European Commission points out that financial services are essential for European consumers in the European Union. However, apparently only 7% of consumers purchase financial services cross-border. Access to financial services in other Member States should however lead to more choice. Consumers would thereby benefit better and faster from innovation, which would cause prices to fall.

The European Commission also focuses in this Action Plan on innovative online services, which would offer a greater supply and enhanced opportunities for consumers.

**The Commission identifies three priority objectives:**

- Increase consumer trust and strengthen the market power of consumers when purchasing at home and in other Member States,
- Reduce legal and regulatory obstacles in the cross-border supply of financial services,
- Support the innovative digital world.

The Commission explains that consumer trust in cross-border financial services is negatively impacted in particular by potentially excessive fees, the different nature of products in other Member States, unknown redress procedures abroad and opaque terms and conditions, especially if these are drafted in a foreign language.

A positive aspect is that the European Commission first states that a high level of consumer protection has been achieved in the financial services sector in the European Union, although this is not sufficient if it is not efficiently implemented or enforced. Nevertheless, concrete measures in this respect, which usually are always being proposed, such as collective legal action or collective enforcement of consumer interests, are not contained in this European Commission Action Plan.

### **Creditworthiness assessment**

The European Commission finds that cross-border lending also fails due to difficulties in the creditworthiness assessment. The problem is the lack of availability and non-comparability of borrower data. Standardised, harmonised creditworthiness assessments would facilitate cross-border lending and could protect vulnerable consumers against over-indebtedness. The Commission therefore proposes drawing up standardised credit data for pan-European lending. The AnaCredit plans of the ECB could lead to corresponding data standards for loans. The European Commission is therefore planning to introduce common creditworthiness assessment standards and principles for lending for all consumers and to propose a minimum set of data which could be exchanged cross-border between credit registers.

### **A deeper, safer Single Market for consumer credit**

Under the slogan above, the European Commission states that online lending and peer-to-peer-lending have developed in recent years. European rules have not been drawn up for this, however. The Commission finds that harmonisation measures at European level are lacking in this field, especially with regard to authorisation and supervisory rules for these suppliers. The provisions regulating credit institutions are not binding for these suppliers. On the positive side, the Commission finds in principle that these new suppliers have led to an additional supply of credit, although that this results in an increased risk of more irresponsible lending and to over-indebtedness of consumers. The Commission explains that over 10% of European households are over-indebted and low-income households especially are vulnerable to economic shocks. The European Commission is therefore planning to address the topic of improved cross-frontier access to credit and over-indebtedness more effectively. The European Commission is also planning to advance further with the EU personal pension product (PEPP) as a standard product. The Commission criticises the Member States for systematically gold-plating European harmonisation measures at national level. In this field, the European Commission is planning to identify excessive national rules on the transposition of European Directives and to ascertain concrete obstacles.

### **Promoting readiness of consumers to switch**

The Commission finds that consumers in principle do not switch their financial services provider often enough because it involves too much administrative hassle for them. In the view of the European Commission, this lack of readiness to switch or the locking-in of the consumer in long-term contracts, is a cross-border barrier to entry for competitors. Such behaviour has resulted in less choice and poorer contractual conditions for consumers. The Commission is therefore planning to facilitate switching of financial services providers and to promote comparison websites. Furthermore, the Commission wishes to consider how, as in the case of the Payment Services Directive, the readiness to switch can be increased for other financial services products too.

## **FinTech Task Force**

The European Commission has established a FinTech Task Force, which is now to draw up measures to improve and promote FinTech at European level for the digital financial services market. In particular, measures on automated business and personal identification are to be developed for the implementation of "know your customer" principles. Under the slogan eIDAS, the possibility is to be established and regulated in the future that cross-border accounts, inter alia, can be opened by means of online identification. The European Commission is planning in this respect to draw up a study on the different supervisory frameworks in the Member States and on best practices of the credit sector for customer identification. In this connection, the Commission is considering possibly checking that the Directive concerning the distance marketing of financial services (2002/65/EU) is still fit for purpose.

Please find enclosed the Action Plan and its Annex. We should appreciate receiving your observations and comments at the European Office. If you have further questions, please contact us at any time.

Yours sincerely,



Andreas J. Zehnder  
Managing Director  
European Federation of Building Societies

## **Annex:**

- Communication from the European Commission "Consumer Financial Services Action Plan: Better Products, More Choice"
- Annex to the Communication from the European Commission "Consumer Financial Services Action Plan: Better Products, More Choice "