



## **Minutes of the Financial Services User Group meeting**

**4-5 December 2018**

The minutes of the previous meeting were approved. A change in the agenda was made and the FSUG discussion on the work-programme was advanced as the first agenda point.

### **FSUG Workplan**

Ahead of the meeting, FSUG members voted online on the different proposals for inclusion under the FSUG Workplan. For each work priority, members identified leaders for the different actions and signalled their interest in the various proposals, in view of a discussion on the projects and their deliverables to be held in February. The following topics were included under the FSUG Workplan, agreed by a majority of members:

- Complex financial services products\*
- Financial exclusion due to the digitalisation of financial services (both in terms of access and in terms of conduct of business)
- Lack of effectiveness of ADR schemes
- Risk Outlook
- Poor quality/biased advice
- Add on fees in payments
- Difficulty of receiving information on invested money
- Enforcement
- Needs of micro-enterprises/SMEs as financial consumers
- Shareholder rights
- Coercive tied selling
- Electronic order instructions in stock exchange
- Performance and adequacy of pension decumulation products and under-performance of personal and occupational pension products)
- Switching
- Unresponsive, inflexible regulation
- Emergence of crypto-currencies and their impact on the financial system

### **Presentation of Finance Watch priorities for 2018**

Finance Watch presented its work priorities for 2018. The presentation was followed by a short discussion among FSUG members.

### **Presentation of Better Finance priorities for 2018**

The presentation by Finance Watch was followed by a presentation of Better Finance that identified its own priorities for 2018. The presentation was followed by a brief discussion among FSUG members.

### **Presentation of findings of Better Finance study on pension savings**

The representative of Better Finance presented the findings published in its pension savings report 2017. The presentation addressed among others the inadequate levels of information of both supervisors and investors/savers of the real return of pension savings. It also discussed the role of the ESAs, and fills an important gap in the literature.

### **Tour-de-table on members of the FSUG's activities updates on development and identified developments across Member States:**

Members discussed the situation in the UK, where many bank branches have been closed. On the one hand, it may result in creating problems with access to banking services but on the other hand, banks need to cut huge costs, especially to meet the demands of free banking and to be able to compete with FinTechs. Some concerns about open banking initiative were raised, especially about the potential increase in fraud or scams.

It was also mentioned that both IOSCO and the FCA are worried about ETFs. This is a big industry now, and there are concerns that authorized participants are manipulating the market. If the market turns, retail investors will bear the losses.

The issue of credit bureaus and creditworthiness was mentioned, which can create a tension between private and public spheres. One member referred to a comparative study being conducted on policy recommendations for consumer credit, on how consumer credit pricing could be improved, and how countries are implementing this pricing.

Members also discussed the issue of over-indebtedness. It was noted that in the UK there is increase in court cases concerning unpaid consumer debt.

With the introduction of the CCD in Portugal, limits were introduced for the APR for different types of credit. The local consumer organization is not happy with the approach of the supervisory authority which, due to the combination of macro prudential rules on consumer credit and mortgages, has differentiated LTV depending on who sell the house; with LTV of 100% for banks and 90% for consumers selling the property.

In Denmark, a complaint against Apple was filed, namely in relation to the fact that Apple does not allow a Danish credit card to be used on the Apple Wallet. It was also mentioned that one can observe a lot of risks in the Danish market. House prices are rising in the big cities, leading to overheating. New companies are coming to Denmark because of strong regulation in other countries. There was a law concerning a cooling down period of 48 hours for new credit, but now you can still repay your loan in a few minutes, due to a change in the products.

Another FSUG member pointed out that in Slovakia there is an increase in the number of new credits. This trend is skyrocketing. The national bank of Slovakia has raised the issue several times, and has issued some strong warnings of an overheating the market, and imposed new LTV limitations. Banks have, however, found a way of circumventing LTV limits, by offering in addition to a mortgaged credit, an additional consumer credit. This resulted in a cumulated amount of more than 3 million executions on NPLs, out of 5 million inhabitants.

Members discussed also the issue of cybersecurity, related to payment providers and fintech companies. Questions were raised about the liability in case of hacking, or how to deal with big data.

In Italy, a new ADR has been established at CONSOB. In Italy there is also a big debate about financial education. Members were concerned that financial education is proposed only as a response to mis-selling of financial products.

In Spain, the Parliament is finalising the transposition of the mortgage credit directive. There has also been an important court ruling related to multicurrency mortgages in favour of consumers.

Another member reported on the ongoing ERPB work on accessibility of retail payment services done by an informal working group and related to the European Accessibility Act. The ERPB is interested to hear more about the FSUG's potential recommendations on how accessibility of retail payments could be improved.

### **Update on FSUG Research Studies**

The FSUG had decided, at the September meeting, to outsource to small-value (up to 15.000€) research projects, on irresponsible lending and accessibility of financial services. Regarding the one on irresponsible lending, the request for services has been sent out to a potential contractor. For a small study on accessibility of financial services, FSUG members were invited to identify as soon as possible potential researchers.

---

### **Presentation on the new rules on reimbursement of participation costs in FSUG meetings**

The Commission gave a presentation of the new online system for preparing and organising meetings by the European Institutions - Advanced Gateway to your Meetings (AGM).

Members have been informed that the invitation to attend will be sent through the AGM system as of beginning of 2018; the system allows experts to register online, confirm their attendance to a meeting and apply for reimbursements (management of legal entities and bank accounts included). Other advantages are faster reimbursement process, electronic and paperless system and accessible 24/7 by using your EU login. Members will be notified by e-mail when they will have to take action. Prepaid tickets will no longer be offered, so the experts need to book themselves their travel arrangements in line with EU rules.

To submit their reimbursement requests, members have 30 calendar days (including Saturdays and Sundays). Once the file is submitted by the expert, the countdown stops and the Commission payment office verifies documents provided and does the necessary for the reimbursement, which in general should take 5-6 days working days (if the file is submitted correctly).

One member expressed dissatisfaction with the system of reimbursement and regarding the time it takes until the reimbursement is being executed.

The Commission representative explained that the reimbursement of expenses is centralised for the whole Commission and all expert groups and credit transfers are executed through this centralised unit. In theory, the use of the AGM should speed up the process, provided members introduce their request in the system shortly after the meeting.

Link to the AGM portal

<http://ec.europa.eu/tools/agm/>

Introduction to AGM Video

<http://ec.europa.eu/tools/agm/en/support/general/introduction-agm>

FAQ, Manual

<http://ec.europa.eu/tools/agm/en/support>

### **Presentation of the preliminary findings of the study on retail distribution of investment products.**

Due to the fact that the study is still ongoing and the findings still preliminary this presentation was made for members' information only and should be kept confidential. Due to the absence of the person in charge of the study, only certain elements of the study were presented. Some members were concerned that consumers' representatives had not been consulted. In response, the Commission representative proposed to organise a video conference call with interested FSUG members.

### **Presentation on the Crowdfunding initiative**

Unit C1, DG FISMA gave a presentation on the current state of play of the Commission's plans on crowdfunding. He explained that the Commission observed a fragmentation in the crowdfunding market; this is due to diverging definitions, prohibitions, cross-border barriers, or lack of investors trust to engage in cross-border traffic and investment. The definition of crowd funding includes both investment based and lending-based forms of crowdfunding. Attention is given to the difference between Equity and P2P lending.

Participants emphasized the large differences between these different forms of funding, and stated this should be kept into account. FSUG members proposed to provide their contribution on the crowdfunding initiative.

### **Presentation on Action 1 of the RFS Action Plan: the extension of Regulation 924/2009 by Unit D3, DG FISMA**

An update was provided by Unit D3 of DG FISMA on the possible options of extending Regulation 924/2009 on the fees of cross-border transactions. The Commission provided a brief update on the results of the open public consultation and the study conducted by Deloitte. It presented the four options it considered taking. The participants pointed out the role of FinTech companies and their ability to reduce prices for financial services users.

Member however also expressed their concern that any lack of conclusive regulation might lead to shifts in charges for consumers. Some members explicitly repeated the need to address cross-border transactions. Other questions concerned the timeframe envisioned by the Commission, the possibilities of introducing the different policy options in different phases, the emergence of cheap alternatives, and innovation of the paying infrastructure.

Representatives voiced their support for the proposal, whereby general support was voiced to opt for the more ambitious policy options.

### **Retail Financial Services' Action Plan**

#### **Action 7 – Cross border lending**

The Commission presented Action 7 of the Retail Financial Services' Action Plan and asked FSUG members for their opinion on cross-border lending. Some members voiced their concerns, claiming that cross-border lending is not a priority and underlining that the Commission should focus on increasing the safety of the credit market instead. They claimed that competition is not going to improve by opening up the market for cross-border credit and that credit sold cross-border will not necessarily be the most appropriate for consumers. Moreover, only some few consumers travelling on a regular basis across borders might benefit from cross-border credit – and even in that case it would be good to open the market

cross-border only while ensuring a good level of consumer protection. Other members claimed that there is no interest for cross-border credit because of mistrust, preference for face-to-face interaction, legal uncertainty, personal insolvency, anti-trust, redress, language and data protection issues. Most members stressed the need to wait for the review of the Consumer Credit Directive before taking any steps towards more cross-border credit. Members will send their written contribution to the Commission by mid-December.

#### **Action 4 – Comparison tools**

The Commission updated the FSUG on the latest developments concerning Action 4. The Commission is finalising internally the update of the Principles, before convening a meeting with industry and consumer representatives, to inform them and ask them to raise awareness among their members about the issue. Such a meeting is likely to take place in January/February. Another event with owners of comparison websites will follow in May/June.

#### **Action 12 – Online selling of financial services**

The Commission informed the Group that it plans to launch a study, in the course of 2018, looking at the impact on consumers of digitalisation of marketing and distance selling of retail financial products. This study will map providers marketing and selling online products, techniques used to advertise and sell, and assess these practices while testing their impact on consumers. This will feed into the evaluation of the Consumer Credit and the Distance Marketing of Financial Services Directives (planned for 2019).

#### **Presentation of EP Report on EC Retail Financial Services' Action Plan**

One FSUG member provided the FSUG with a presentation on the EP report on the EC Retail Financial Service' Action Plan. The EP supports the EC Retail Financial Services, but feels it should have gone for more ambitious initiatives, for instance, as far as transparency, growth and innovation are concerned. The EP report also calls for the creation of simple products (e.g. saving accounts), stresses the need to properly implement the Payment Accounts Directive, work on financial education, access to finance for SMEs, to lower charges for non-Euro transactions and improve transparency in currency conversion.