



Meeting of the Financial Services User Group

Minutes

21-22 June 2023

On 21 and 22 June 2023, the **Financial Services User Group (FSUG)** met in Helsinki (Finland) hosted by the **Finnish Foundation for Share Promotion (Suomen Pörssisäätiö)**, represented in the FSUG by Sari Lounasmeri. The Foundation was created in 1985 and it is a public interest non-governmental organization promoting retail investments in shares and other securities, as well as promoting functioning of the capital markets with a special focus on retail investors.

During the two-days meeting, FSUG members met with high-level local experts including the Deputy Governor of the Bank of Finland Marja Nykänen, Professor Matti Keloharju from Aalto University, CEO Juha Pantzar from Guarantee Foundation, Head of Influence Tiina Vyyryläinen from The Consumers' Union of Finland, CEO Anu Koskenvuo from the Finnish Financial Ombudsman Bureau and director Minna Korpi from Nasdaq Helsinki.

The first day of the FSUG meeting included meetings with local experts which whom relevant matters important financial services users in Finland were discussed. The FSUG members listened to the presentation from Bank of Finland on the National Strategy for Financial Literacy, in a country which aims to become the best in the World for financial literacy by 2030. The FSUG was also informed about the research results on the characteristics of individual investors and investors as consumers, including their concerns, was updated on over-indebtedness trends, access to cash and consumer credit legislation in Finland, notably on:

- [National strategy to promote financial literacy](#), presented by Advisor Anu Raijas, Bank of Finland in January 2021.

The Finnish Ministry of Justice started implementing the strategy from the beginning of 2022. The strategy covers projects and activities aimed at improving the financial literacy (in terms of knowledge, behaviour and attitudes) of individuals and households and, especially, the management of personal finances. It is implemented together with stakeholders and it is complementary to the already enhanced Finnish programmes on financial education in schools.

- **Research results: a quarter century of shareholdings and trades of Finnish stocks + IQ and mutual fund choice**, Aalto University

Distinguished Professor Matti Keloharju from the Aalto University presented the results of two studies, on the characteristics of individual investors and investors as consumers. Research shows that 65 years old and over are the most represented among shareholders and men dominate stock investing (in terms of number of shareholders, share wealth and number of millionaires). Women's share of shareholders and share wealth has decreased over time since 1995. They are more likely to invest in mutual funds and as mutual funds have become more common in Finland, they are less represented in direct shareholding. Men could be better in

financial knowledge – direct investment in shares needs a higher level of expertise, or maybe women are more conservative? Or men earn more?

Research also shows that high-IQ investors avoid high fee funds in different ways: avoid actively managed funds, balanced funds and funds distributed through a retail network, which would have high fees. Explanations: i) low IQ investors recognize their greater need for costly services, or ii) cognitive friction – i.e. they receive nothing for higher fees. Investors are better off by investing in low fee funds.

In Finland there is currently no market for independent advisors.

- Presentation on **Key concerns of Finnish shareholders**, by Jesse Collin, Head of Legal Affairs, the Foundation for Share Promotion

Based on a survey run by the Finnish Foundation for Share Promotion, beyond Finnish companies, Finns interested in investing in American companies and in other Nordic companies. People are relatively optimistic about their own financial situation, but less so on the World economy and even worse on the Finnish economy.

The government is looking into starting a equity savings account for all new-borns with the State giving an initial investment. The Foundation would like the government to give some State shares, locked until 18.

After COVID-19, there are some concerns with Annual General Meetings (AGMs) held online. If online AGMs – shareholder should have the right to speak as well as to vote. Hybrid meeting is the most shareholder-friendly format. The next version of the Shareholder Rights Directive should have a harmonised approach towards online/hybrid meetings – this could help cross-border participation.

- **Inclusive finance**, presentation by CEO Juha Pantzar, Guarantee Foundation (Takuusäätiö)

The Guarantee Foundation is a Finnish NGO close to the Lutheran Church, publicly funded. They try to prevent financial problems for households and help those who have financial problems, free of charge. The Foundation provides different kind of debt solutions, through counselling and advice (national phone line and chat), peer support, and guarantees for consolidation loans.

Since the beginning of the 90s till 2020, interest rates went down but over-indebtedness increased in FI. In 2020, there were 390K people with payments default (5,5 million people in FI). In 2022, 34% over-indebted people in Finland were under 29. The causes seem to be overconsumption, low financial literacy, and problematic gambling.

Generally, the main causes of over-indebtedness seem to be low financial literacy, divorce, and unemployment. Moreover, new expensive financial products such as SMS-loans and payday loans are making things worse.

- **Topical Issues for Financial Consumers**, by Tiina Vyyryläinen, Head of Influence, the Consumers' Union of Finland (BEUC member)

Participants discussed the issue of the availability of cash, which is needed for many reasons: safety, anonymity, emergency preparedness, way of managing one's finances, card payment malfunctions, awareness of financial means, purchases, elderly and special groups. In PT, cash has to be universally accepted because it's a legal tender and cash withdrawals with a debit cards are free of charge, by law.

In 2019 an interest rate cap was set to 20% for consumer loans in Finland, with restrictions on other costs. In 2020-2021, temporary legislation lowered the cap to 10% (limited scope – not secured loans). Currently there are marketing restrictions, including written warning about rising interest rates. It has been difficult to assess the effects of this temporary legislation given pandemic also led to less consumption.

31% people consider that consumer credit marketing should be banned. Auditing of marketing showed that aggressive practices exist. Most of the problems with “flash loans”. More than half of people surveyed by the association have no savings.

Positive credit register is being implemented in Finland. It will be managed by tax authorities and will also include positive data: other debts and income.

- **Presentation by CEO Anu Koskenvuo, the Finnish Financial Ombudsman Bureau**

The Ombudsman has an Insurance Complaints Board, a Banking Complaints Board and an Investment Complaints Board. It also provides advisory services, complaint handling, financial literacy and good insurance and banking practices. It is funded by the financial sector.

In 96% of the cases the parties comply with the decision of the Ombudsman. You can always bring your case to Court, but Ombudsman is faster and more flexible. Complaints are usually solved in 6-9 months.

At the beginning of the **second day of the meeting**, the FSUG members were the special guests for the Opening Bell of NASDAQ Helsinki and Director of Listing Services Minna Korpi informed about the main activities of the stock exchange. This was followed by an exchange of views with Commission officials on Commission initiative relevant to consumers: Consumer Credit Directive, Distance Marketing of Financial Services, Mortgage Credit Directive, Retail Investment Strategy, review of the Mortgage Credit Directive and discussed possible studies that the Commission could undertake, such as on personal insolvency and/or rising interest rates and the effects on consumer with variable mortgages rate:

- **Updates from the European Commission**

DG JUST and DG FISMA provided an update on recent developments on the adoption of the revised Consumer Credit Directive, Distance Marketing of Financial Services negotiations, the upcoming over-indebtedness study and the ongoing study on the Mortgage Credit Directive.

- **Payment Account Directive**

DG FISMA and DG JUST representatives gave a presentation on the recently published Report from the Commission on the application of the Payment Accounts Directive 2014/92/EU(PAD) – as required by Article 28 PAD - and the Report assembling specific payment account related data from Member States as required by Article 27 of PAD, highlighting the main conclusions of the reports. In view of the future review of the Directive, FSUG members underlined some practical difficulties, such as the interaction between the right to have a payment account with basic features and the provisions on the prevention of money laundering and the countering of terrorist financing, high fees for vulnerable consumers and some issues with the comparison websites. They also suggested the importance of having a definition of services provided by credit institutions in order to avoid being charged twice for the same service and the possibility of having a payment account with basic features without the condition of having no other payment account.

- **Retail Investment Strategy**

DG FISMA representatives have given a presentation on the recently adopted proposal for a retail investment strategy highlighting the main features of the proposal and the expected benefits to retail investors. FSUG members asked for clarifications on some elements of the retail investment strategy and raised issues, which in their view could be detrimental to retail investors, such as the absence of the ban of inducements which does not resolve the issue of trust in the markets if conflicts of interest are still there or the difficulties

underlying the creation of the value for money benchmarks which may push the implementation of the proposal down the line.

- **FSUG studies: discussion on possible studies and their prioritisation**

FSUG members discussed possible studies for 2023:

- Increase of interest rates: state of the art study on effect of variable rate mortgages have on consumers.
- Interest rate in mortgage credit: mapping of measures to protect consumers affected by rising interest rates between 2021 and 2023 and how effective those measures were.
- A small comparative study on national personal insolvency frameworks in the EU.
- Risks associated with FinTechs.
- An empirical study mapping national judicial decisions at national level on financial consumer protection law.
- Forbearance measures in the EU.

FSUG discussed each proposal. The FSUG members shortlisted two topics: the personal insolvency mapping (as a follow up to the FSUG opinion to be published shortly) and the increase of interest rate and the impact of variable rates mortgages on consumers. FSUG requires further discussion on those proposals for studies to better justify them, including the benefits from those studies to the FSUG and the Commission

- **Discussion about FSUG opinion on personal insolvency**

The FSUG subgroup on personal insolvency prepared an opinion that will be published in the coming weeks.