



## **Minutes of the Financial Services User Group (FSUG) meeting 12-13 September 2019**

### **Opening remarks by the European Commission (Massimo Serpieri, DG JUST E.1)**

The Commission updated FSUG members on recent institutional changes. On 10 September, President-elect von der Leyen presented the new team of Commissioners and their respective portfolios. Didier Reynders (Belgium) is Commissioner-designate for Justice. He will lead the Commission work on consumer protection. Valdis Dombrovskis is Executive Vice-President-designate for An Economy that Works for People and will be responsible for DG FISMA. Hearings before the Parliament will take place in early October, and the new College will be in place as of 1 November.

The Commission also updated members on current work on consumer protection in financial services.

### **Adoption of the agenda and approval of the minutes of the previous meeting**

The minutes of the previous meeting were approved, and the agenda of the meeting was adopted.

### **Presentation: Users' Protection and the National ADR Scheme for the Banking and Payments Services**

*Arbitro Bancario Finanziario* (ABF) is the Italian Banking and Financial Ombudsman created by *Banca d'Italia* in 2009. An ABF representative, Ruggero Manenti, comprehensively presented the functioning and main characteristics of this Alternative Dispute Resolution scheme for banking and financial transactions and services, other than investment services. Mr Manenti explained that ABF is an independent body but, without prejudice to the full decision-making autonomy of the seven panels, the Bank of Italy continues to provide its full support to the system's activities, thanks above all to the technical secretariats, established at the Bank of Italy's branches in the cities where the panels operate, whose structure has been strengthened during the years. He also presented the ABF contribution to the supervisory task through practical interesting examples, as well as ABF engagement to increase financial education. FSUG members mainly asked about the link between ABF and *Banca d'Italia's* supervisory function, some clarifications about ABF financial education actions and whether there are problems with payday lending in Italy. As for the first question, Mr Manenti pointed out that *Banca d'Italia* has issued detailed Guidelines on loans secured by a pledge of one fifth of the salary, a matter on which the number of disputes before ABF was (and still is) considerable. He also illustrated their approach towards financial education, including for vulnerable persons (e.g. students). Finally, he explained that payday lending is not a major issue in Italy because a ceiling on interest rates, charging above which is deemed usury, is imposed by the law.

## **Presentation: Users' Protection and the National ADR Scheme for Investment Services**

In Italy the responsibility for financial consumer protection is shared between different authorities. The *Arbitro per le Controversie Finanziarie* (ACF) is the Italian Alternative Dispute Resolution scheme covering investment services established by *Consob* in 2016. An ACF representative, Arianna Fracassi, explained the structure, the functioning and the objectives of the scheme that despite being quite recent, is already dealing with a big amount of claims. FSUG members asked some precisions on the definition of retail investor used by ACF, which is an investor – also a legal entity - without specific skill, knowledge and experience in financial instruments instead owned by so-called “qualified” or “professional” investors (for example banks, insurance companies, national governments, large companies) that cannot contact the ACF. They also asked how many of the claims dealt with by ACF are brought to court, and Ms Fracassi replied that at the moment ACF doesn't have any information because the first decisions were taken in May 2017 and the monitoring activity has not yet begun. Ms Fracassi also presented ACF future actions to promote financial education in Italy, remembering presentations in local chambers of commerce organized during last year.

## **Presentation: The National Deposit Guarantee Scheme**

*Fondo Interbancario di Tutela dei Depositi* (FITD) is the Italian Deposit Guarantee Scheme. FITD President, Salvatore Maccarone, illustrated the background of the scheme, detailed its functions and stressed that its primary objective is to maintain the trust of customers in the banking system. He reported on an ongoing case before the ECJ on whether measures granted to an Italian bank by FITD were to be considered State Aid. He stressed that the set up of a European deposit insurance scheme (EDIS) for bank deposits in the euro area is crucial for the credibility of EU deposit guarantee schemes. FSUG members asked where consumer protection stands in the complex balance between competition and financial stability. President Maccarone explained that in case of bank failure not only clients and investors, but also territories suffer. The spillover effect of a bank liquidation is enormous. The possible implications of new technologies such as blockchain on bank deposits were also discussed. President Maccarone stressed again the trust issue.

## **Presentation: PSD2 - a Directive that can change the payment market and the banking system?**

*Altroconsumo* is an Italian independent consumer organisation member of BEUC. Anna Vizzari, Senior Economist at *Altroconsumo*, explained how PSD2 could change the payments market by reducing costs of digital transactions for customer and merchants, increasing consumer confidence in digital payments thanks to strong authentication and improving competition via open banking. In Italy, the use of cash is still predominant. FSUG members mentioned possible issues linked to the Directive provisions, such as the fact that there are several Application Programming Interfaces per Member State and the low consumer control over their data in the digital environment.

## **Presentation: Unfair Commercial Practices in the Banking and Financial Sectors**

A representative of *Autorità Garante della Concorrenza e del Mercato* (AGCM, the Italian competition authority), Massimo Ferrero, presented the role of AGCM in dealing with unfair commercial practices in the banking and financial sectors. He explained AGCM enforcing powers and presented a number of investigations, for instance on misrepresentation of the applied economic conditions for consumer credit, or on the tying of loans and insurance products. FSUG members exchanged with Mr Ferrero on several AGCM investigations.

### **Presentation: Digital payments and Financial inclusion -The Italian case**

*Movimento Difesa del Cittadino* (MDC) is an Italian independent consumer organization. Francesco Luongo, MDC President, presented the knowledge and use of digital payments in Italy, where confidence in digital payments and e-commerce is very low. He proposed to encourage the use of electronic means of payments providing tax incentives. In 2018, MDC together with other consumer organizations launched a project to raise awareness on the use of electronic payments among consumers. FSUG members stressed the risk of financial exclusion for vulnerable people linked to the move towards a cashless society.

### **Presentation: Gender Finance Gaps - Financial Literacy**

Professor Marcella Corsi from the *Minerva - Laboratory on Gender Diversity and Gender Inequality* of Sapienza University of Rome, highlighted the importance of, highlighted the importance of financial literacy as a strategy to promote financial inclusion. Individuals with a higher level of financial literacy are less prone to over-indebtedness and are more likely to make sound financial choices (saving behaviour, planning for retirement, etc.). This is very important for women because the gender gap in financial literacy is large and persistent across countries.

### **Presentation: Financial exclusion issues**

Federazione Autonoma Bancari Italiani (FABI) is the most representative bank industry trade union in Italy. Elisabetta Mercaldo, representing FABI, explained FABI's perspective on how to manage the Italian economic situation after the financial crisis, which had high social impacts, and on how to face the digitalisation challenges. FSUG members asked about remuneration policies for banking staff in Italy. Ms Mercaldo replied they are controlled by Banca d'Italia and Consob and that FABI, together with the Italian banking association, monitors commercial and banks' remuneration policies and impacts on staffs.

### **NPLs and consumer protection: discussion on the study**

As regards the research study on NPLs and the impact on consumer protection, members agreed to rework the scope of the studies to focus on consumer detriment and try to launch it as soon as possible. The Commission will confirm whether it is still possible to use the full budget planned in 2019 for FSUG studies. Members will exchange via email on possible developments.

### **Information about the call for application; update on the FSUG meetings in 2020; update on joint FSUG FIN-NET meeting**

Two new members have been selected to become FSUG members, Professor Daniela Vandone and Professor Edyta Rutkowska. They accepted the appointment and they will participate to FSUG meetings as of November.

FSUG meetings in 2020 will take place on:

- **6-7 February**
- **26-27 March**
- **4-5 June**
- **17-18 September**
- **19-20 November (tbc)**

Subject to members' commitment, the external meeting should take place in Bulgaria, with Denmark as back-up option.

On 28 or 29 November, a **joint FSUG/FIN-NET meeting** will take place in Brussels. The FSUG Chair and Vice-Chairs, together with the Secretariat, will participate to the FIN-NET Steering Committee meeting in October to define the joint meeting agenda. Possible topics could a presentation of FIN-NET authorities work and how do they cooperate with consumer organisations, and an update from the Commission on the representative actions dossier.

### **Update on CCD evaluation (Elena Brolis, DG JUST E.1)**

The Commission presented the interim findings of the ongoing Consumer Credit Directive evaluation, as well as its timeline. FSUG members asked whether the evaluation is analysing the relevance and effectiveness of the Directive in the light of digitalisation and the emergence of new business models, which are the findings on creditworthiness assessment rules, and how specific issues like overdrafts and tied products are addressed.

### **Wrap-up session on subgroups' discussions and internal discussion on FSUG priorities for 2020**

The work of the subgroups will continue according to the revised work plan for 2019-2020. As regards the paper on coercive tied selling, a shorter paper focusing on tied selling in the Portuguese case will be prepared ahead of the next meeting. The work of the “digitalisation of financial services – conduct of business and big data” and “digitalisation and financial inclusion” subgroups will continue in Q3 and Q4 2019, taking into account recent developments such as the adoption of the Accessibility Act.

Members agreed that once the new College will be in place, they will ask to meet with Commissioner Reynders, VP Jourova, VP Dombrovskis and IMCO MEPs to present the FSUG recommendations to the 2019-2024 Commission.

EBA has launched a consultation paper on their draft guidelines on loan origination and monitoring. The EBA welcomes responses to the consultation questions, and/or any other comments, by 30 September 2019. The FSUG will reply to the consultation. A member proposed to set up a more structured dialogue between the FSUG and the ESAs.

### **Discussion on Libra**

Possible implications of Libra, including potential risks for data and consumer protection and potential risks for financial stability were discussed by the group. Any further developments will be closely monitored and re-discussed at the next meeting.

### **Topics for next meeting(s)**

FSUG members would like to receive updates from the Commission on:

- Developments of the CCD evaluation
- Algo:aware project
- Update on the negotiations on the representative actions proposal
- Update on the Commission work on cryptoassets