



Meeting of the Financial Services User Group Minutes

01-02 February 2016

01 February

The meeting was chaired by Sue Lewis. Agenda was adopted. Members were encouraged to submit comments to the minutes from previous meeting by Monday, 8th February.

Tour de table

One member reported on Polish draft law on mortgage credit in Swiss francs recently proposed by the President. The proposal states that “just and fair” fixed rate should be used when recalculating mortgage value. However, the terms used are very vague and the algorithm to arrive at the “just” rate is incomprehensible.

Another member talked about the judgment in the KBC case which related to the difference between information sheet of the product and the prospectus. The possibility of losing 80% of capital was mentioned in the prospectus but not the information sheet in which the product was presented as a low-risk product. The court ruled against KBC and ordered the bank to reimburse all the losses to the investors.

One member reported on her participation in a conference focused on the comparison between US and EU legislation in the area of financial services. Consumer Financial Protection Bureau. All French banks decided to increase bank account fees without introducing additional services (management fees). It will cost between 20-30 euros for each bank account order. It is also very difficult for consumers to obtain basic cards with contactless functionality. One consumer from Credit Agricole complained about this fact and his agreement to maintain an account was terminated. All the banks offer more or less the same services at the same costs which means that consumers are faced with virtually no choice beyond opting for a foreign bank account. The members also discussed the opposite scenario of contactless cards being issued without informing the consumer who is then subjected to the charge.

Another member reported on the state of the Italian banking sector. The banks are saddled with billions of euros of bad loans that grew during a three-year recession up to 2014. It was recognised that there is a general problem with effective supervision from the two competent authorities (CONSOB, Banca d'Italia). The government offered a complex system of guarantees to address the problem, however, it is clear that the loans need to be sold on market terms to avoid representing any form of state aid. The question remains whether the relevant market for a benchmark price exists at all. The member complemented the overview of the developments in Italy by mentioning the crowdfunding consultation which finished on 11th January. New rules will be set up in the coming months, but it can be anticipated that the attention will focus on start-ups.

Another member informed the Group that Romanian Parliament passed the law on 100% *datio in solutum*, however, the president sent it back for reconsideration because of the pressures from the banking industry. The spring session begins on 1 February and it remains to be seen how the parliament decides to proceed. It in the context of MCD implementation, the National Authority for

Consumer Protection is trying to subject debt collectors to some form of control. Finally, there are new developments with regards to ADR which is still being discussed. The recently created banking body is not transparent and there are fears that it is influenced by banking industry.

One member reported on the transposition of Payment Accounts Directive which is still posing some concerns. Maximum annual cost will be calculated by the prudential market authority. Slovene Consumers' Association continue to encourage people to switch bank accounts and a study conducted on the subject shows that large part of consumers is considering switching to another PSPs (data from the providers themselves).

Another member mentioned recent ruling by the Supreme Court against the listing of Bankia, bailed out in 2012, on the stock market. According to the Court, prospectus advertising contained serious inaccuracies regarding the state of the bank with the clear intention to mislead the investors. The judgment of the Civil Division of the Higher Court will force the financial institution to return the cash in two subscribers of its public supplying shares and paves the way for thousands of new claims.

Still another member reported on his participation in the conference on overindebtedness. The proposed solution related to the need to raise awareness and educate the consumers.

One member brought up the FCA's study on the SMEs and encouraged FSUG's view on this issue. He suggested that it would be useful to survey the members on how financial regulation is differentiated between the consumers, SMEs and big businesses in their respective countries which was met with general approval..

Another member noted that the biggest discussion at the moment in Denmark concerns the enforcement and cost of regulation of the financial sector. The Commission has been created to look at this issue. Bank contracts allow the banks to freely raise interest rates, with consumers having no means of verifying this. In some places in Denmark property bubbles start to form which triggered some intervention from the government addressing certain geographical areas.

Another member reported that National Bank of Slovakia have recently issued a recommendation for the market to be stricter on loan to value and the banks are forced to limit loan to value mortgages to 70%. The requirement was overcome by offering consumer credit for the remaining 30%.

One member mentioned a campaign, run by stakeholders based in the Netherlands, which calls on the EU to extend the accessibility act to retail payment terminals (currently applicable only to ATMs). The deadline to respond to the consultation is 1 February.

Paper on Credit data

The Group agreed on the publication of the paper on Credit data on the FSUG websites. The paper will also be shared with the EBA.

Enforcement

Olivier Salles, Head of Unit D3 (DG FISMA) updated the Group on the topic of the enforcement study. The paper will be discussed at the next FSUG meeting.

Green Paper on Retail Financial Services

The questions included in the Green Paper were distributed in December. The Members discussed proposed replies and agreed that final responses will be adopted during the March meeting.

External meeting

The external meeting in Berlin on 6-7 June 2016 was confirmed. The details of the venue for the meeting are still to be finalised.

02 February

The second day of discussion was chaired by Guillaume Prache. During the morning session, the Group continued working on the replies to the Green Paper on retail financial services.

Sue volunteered to prepare the final document with all the responses to be briefly discussed and agreed upon on 3rd March.

Big Data

The FSUG rapporteur on the issue presented the group with the findings of the relevant draft paper. Changes that digitalisation might bring about were touched upon, as well as future challenges. It will be key to ensure that consumers remain in control over their data, are duly informed about data treatments that concern them and also give consent to the use of such data. Recommendations are for the moment quite general and include raising awareness about this phenomenon. Members will provide comments to the paper in view of finalising it –and uploading it, to also feed in the reply to the Green Paper on Retail Financial Services- at the next March FSUG meeting.

CCD mystery shopping in Slovakia

A member of the FSUG presented the group with the findings of a mystery shopping exercise carried out in Slovakia in October 2015. The research was led by the Institution for Savings and Investment to evaluate consumer credit products from a consumer perspective, also in terms of transparency and selling practices. The exercise covered 95% of the market (12 banks and all 7 non-banks present in the country) with the focus being on a 3000€ credit for 36 months and on a 1000€ credit for 12 months. In the SK market the debt-to-disposable income is around 55%, steadily increasing, with cards very used during the financial crisis but replaced by consumer credit (easy to obtain) after. The mystery shopping found out that pre-contractual information is not always provided to consumers, transparency is lacking in most cases and advertised APR is often lower than the real one (at least in those cases where it is provided by the bank). Non-banks perform as banks, but APR rates fluctuate between 8% and 300%. In many serious breaches of the relevant legislation were identified.

Presentation of the ODR Platform

The Commission provided a presentation on the ODR platform, which will be open to public on 15 February. Many consumers face problems when making purchases online but only few seek redress as sums paid are often low and the process is rather difficult. 45% of consumers find access to ADR entities easy and 70% are satisfied about the procedure and the outcome. That is why the Commission adopted legislation on ADR, to set up quality requirements for entities to be set up in all market sectors, and on ODR, to create an EU-wide platform linking ADR entities. This platform is a multilingual project developed by the EC, accessible to everybody and establishing a quick, inexpensive and simple procedure to encourage consumers to seek redress, traders to engage in these procedures and thus enhance the use of e-commerce cross-border.

Members were presented with screenshots of the different phases of the ODR procedure (submission, agreement on the entity, case handling and outcome) to better understand the role of the consumer, the trader, the ODR contact point assisting the parties. They also asked some questions on costs, translation, data protection and state of play of transposition in certain Member States. So far 24 Member States have transposed entirely or partially the legislation on ADR (with 158 entities notified so far by 19 Member States). Communication activities on the platform will be organised in the coming months.

Research projects

Member were update about the ongoing work on the research project on financial guidance and discussed the Inception Report.

Members were also updated on the ongoing work on n the research project on pension decumulation and informed that the Inception report will be discussed at the next meeting.