



FSUG Report 2022-2023

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ABOUT THE FSUG

The Financial Services User Group (FSUG) was set up by the Commission in order to involve users of financial services in policymaking. The group was established in 2010 by [Decision 2010/C 199/02](#). This decision was recast in 2017 by [Decision C\(2017\)359](#).

The FSUG's tasks include:

- To advise the Commission in the preparation of legislation and policy initiatives which affect the users of financial services
- To provide insight, opinion and advice concerning the practical implementation of such policies
- To proactively seek to identify key financial services issues which affect users of financial services
- To liaise with, and provide information to, financial services user representatives and representative bodies at the European Union and national level.

The FSUG has 20 members, who are individuals appointed to represent the interests of consumers, retail investors or micro enterprises, and individual experts with expertise in financial services from the user perspective.

The FSUG meets five times a year, and its Chair and Vice Chairs are elected from amongst the group members. DG FISMA and DG JUST jointly provide secretarial services for this expert group.

The FSUG works on a consensus basis and tries to ensure that it arrives at a collective opinion on issues it considers. However, from time to time, members may register a minority opinion.

As well as working on its agreed work programme, the FSUG responds to relevant consultations from the European Commission and other EU policymakers.

Following a call for interest launched in 2021, new members of the FSUG were officially appointed by the European Commission in June 2022 for a period of 4 years ending in May 2026.

As in previous FSUGs, the group is composed of a mix of representatives of consumers' organisations working at EU level and individual experts working at national level.

This report covers 2022 and 2023 and includes most of the activities performed by the Group.

FOREWORD

We are here to make the voices of financial services users heard!

After a very difficult period in the context of the COVID-19 pandemic, which very strongly affected the EU economy and the EU citizens, after one year of absence, the FSUG is back again, with many projects and ambitions!

This very special Expert Group set up by the European Commission in 2010, after the financial crisis, to have a more direct access to the voice of financial services users in Brussels, is very much committed to endeavour for the benefit of the EU financial services users. More so following the COVID-19 pandemic, a novel complex environment, which affected EU citizens' lives and generated serious consequences for consumers and retail investors-

We are here to not only reply to the Commission consultations, but also to keep the Commission informed about the most important topics which are affecting users of financial services in the Member States.

We are here to loudly express our concerns about the unsatisfactory enforcement of the EU legislation regarding consumer protection in financial services at Member States level.

We are here to discover best practices and specific issues during our annual external visits to one of the Member States - our first visit was to Finland, where we had the opportunity to learn and discuss many interesting things – see Special Feature on page 13.

We are here to properly represent the interests of one of the most important (in theory) stakeholders, consumers. However, in practice, unfortunately, they are one of the poorest in resources, which affects the ability to keep the necessary balance between consumers' rights and the profits made by the financial industry.

We are here to say it very loudly that we are expecting, from the Commission and from the other legislators, a consumer centric approach, to respond to the expectations of the EU citizens! Consumer first should be the new normal in Brussels and in all EU capitals!

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Detailed information on the FSUG work and composition can be found in this report and on the [FSUG website](#). This report is the first of the FSUG in its current composition.

The Group would like to thank to both DG FISMA and DG JUST and their dedicated Units for their continuous and very valuable support, especially to the FSUG Secretariat, having benefited by the extraordinary and permanent help of Gintaras Griksas and Elena Brolis! Many thanks also to the Commission colleagues who participated in our meetings and who presented the most important topics for consumers.

Alin Iacob

Chair

Patricia Suárez

Vice-Chair

Vinay Pranjivan

Vice-Chair

Maria Lissowska

Vice-Chair

RESPONSES TO EUROPEAN COMMISSION CONSULTATIONS

1. FSUG response to Sustainable Finance Disclosure Regulation (SFDR) consultations – December 2023

The FSUG views this as a timely initiative and remains available for further input in benefitting users of financial services across the EU. The main topics covered in both the public and targeted consultations of the SFDR include:

- Current requirements of the SFDR
- Potential changes to the disclosure requirements for financial market participants
- Potential establishment of an explicit categorisation system for financial products.

Current requirements of the SFDR

In simple terms, the SFDR, stipulates an obligation for asset managers to disclose their environmental, social and governance (ESG) investment approach and the level of sustainability characteristics, including risk and impact, of their funds and other investment products. Given that the SFDR's main objective is to bring clarity and transparency to the market on sustainable investment, the extent of the Regulation's contribution to the awareness of negative impacts is quite contested.

On the one hand, the market does not have a uniform interpretation, which risks being to the detriment of retail investor understanding of the financial products they are investing in, while on the other there is little support for retail investors to enable them to properly distinguish between the currently Article 8 and Article 9 financial products.

This is why the current form of the Regulation has created further confusion - some deficiencies include, but are not limited to:

- SFDR does not provide workable standardised definitions of sustainable investments. This could allow firms to label investments as “sustainable” even if they do not meet commonly accepted ESG-criteria;
- SFDR relies on self-assessment and self-reporting by financial firms. This may not always be reliable, either because of data quality or internal resource capacity. Some firms may be inclined to exaggerate or misrepresent their sustainability practices to attract investors or comply with the regulation;
- There are no strong enforcement mechanisms to ensure compliance included in SFDR. Firms that do not comply with the regulation may face reputational damage, but they may not face significant legal or financial penalties.

Potential changes to the disclosure requirements for financial market participants

The purpose of the templates is to inform end-users of the products' key sustainability features and advocating for disclosure of information and transparency is a key priority for the FSUG. However, the pre-disclosure templates of the SFDR are unnecessarily long and can be very confusing and time consuming for retail investors and others alike.

While the integration of dashboards at the top of the disclosure templates can avoid information overload, we would like to reinforce consistent sustainability-disclosure requirements for all financial products within the EU, regardless of their sustainability claims, as a necessary step toward transparency, comprehensiveness and investor confidence.

To serve better purpose in helping consumers and those retail investors who are less experienced in navigating and understanding the information in disclosure templates, simplified language is encouraged alongside the use of visual infographics (simple charts etc.)

Potential establishment of an explicit categorisation system for financial products

The European Commission is considering two approaches for designation of categories:

Approach 1: Splitting categories in a different way than according to existing concepts used in Articles 8 and 9, for example, focusing on the type of investment strategy of the product (promise of positive contribution to certain sustainability objectives, transition, etc.) based on criteria that do not necessarily relate to those existing concepts.

Approach 2: Converting Articles 8 and 9 into formal product categories, and clarifying and adding criteria to underpin the existing concepts of environmental/social characteristics, sustainable investment, do no significant harm, etc.

The review of the SFDR should mainly consider how to turn this disclosure regime into a labelling requirement with a set of mandatory indicators and categories that are easily recognisable by consumers and investors alike. Apart from this, the SFDR must consider its link to the “Green Claims Directive”, and the “EU Ecolabel” among others. Environmental labels are a subset of environmental claims. The labels are in a form of a trust mark, quality mark or equivalent, setting apart and promoting a product/process or business with reference to its environmental aspects. These labels are sometimes based on certification schemes (environmental labelling schemes) which certify that a product/process or business meets the requirements set up by the scheme and monitor compliance.

Thus, the FSUG is in support of the Commission's Approach 1 for designation of categories i.e splitting categories in a different way than according to existing concepts used in Article 8 and 9, for example, focusing on the type of investment strategy of the product (promise of positive contribution to certain sustainability objectives, transition, etc.) based on criteria that do not necessarily relate to those existing concepts.

Consumers are already faced with the use of sustainability labels that are not always transparent and credible, and in the case of the new SFDR, the labelling must be easy to understand i.e keeping Article 9 (dark green funds) as the sole carriers of sustainability and separating this with labels for specific type of true sustainable investing: with impact, transition and engagement. Consumers and retail investors want and need to be better informed on the environmental impacts of their investments and make better choices.

2. FSUG response to the Commission consultation on the Retail Investment Strategy – November 2022

The FSUG welcomes the European Commission's work on the Retail Investment Strategy as one of the major initiatives in this legislative mandate.

For too long, EU legislation in the field of financial services has been reactive, from addressing the financial crisis to dealing with greenwashing, instead of presenting a horizontal harmonised retail investor-centric view on financial services legislation.

The initiative should address the inconsistencies, gaps, and overlaps in the consumer perspective of financial regulation, which too long has been an afterthought in the silo-based approach of EU financial product legislation. In our response to the Commission consultation, we review the Commission's April 2021 retail financial services roadmap and make recommendations on how to move forward.

Financial literacy: While the promotion of financial literacy is important, it is not a silver bullet and must be complemented by strong investor protection measures. This includes addressing conflicts of interest in the sales process, mandatory sustainability training and certification for advisors (and not just consumers) and promoting access to reliable and independent sources of information.

Digital innovation: The Commission should adopt a proactive approach in the face of digitalisation trends, ensuring that consumer data sharing is controlled, disclosure documents are machine-readable, online advertising is regulated, and the use of automated advice is disclosed and regulated. Access to financial services through traditional channels must also be preserved.

Disclosure requirements: The Commission should continue the harmonisation of Key Information Documents (KID) across asset classes to simplify consumer decisions both inside as well as between asset classes. The update to the KIDs should also include the introduction of standardised sustainability risk and impact disclosure.

PRIIPs Regulation: The review of PRIIPs should create a gold standard for consumer disclosure, including on sustainability information. Graphical elements should be used for better engagement. The scope of PRIIPs should cover more products, including pension products issued under national law.

Suitability and appropriateness assessment: A client-centric approach to suitability should not hide inferior products within portfolios. Fundamental conflicts of interest in the sales process should be addressed.

Investor categorisation framework: The framework should reflect the heterogeneity of investors, but simplistic models should be avoided to prevent abuse by providers. All investors, even the most sophisticated ones, need a certain degree of protection.

Inducements and quality of advice: The FSUG supports a full EU-wide ban on all inducements related to retail investment "advice". The Call for Evidence suggests that the Commission will again focus on symptoms such as fixing the "poor quality" of advice, instead of addressing the root cause of the problem: the existence of conflicts of interests in the sales process.

Addressing product complexity: Standard and basic products are essential and should serve as benchmarks for more complex products. Excess complexity hardly has any clear value for retail consumers.

Redress: Improvements in individual redress could come from better governance and independence of alternative dispute resolution (ADR) bodies. In the absence of a comprehensive redress framework, we support stronger rules to promote the portability of securities accounts between different financial intermediaries to increase competition and avoid investors being "trapped" with existing providers.

Product intervention powers: A robust product intervention regime is necessary to protect consumers from high-risk products, and the Commission should consider revising these powers in the context of the Retail Investment Strategy.

Sustainable investing: Sustainable finance should be a key pillar of the Retail Investment Strategy, including making sustainable products the default option, promoting sustainable investment choices through fintech, and setting minimum standards for sustainability across various product categories.

The [full text](#) is available on the FSUG website.

FSUG OWN INITIATIVE OPINIONS, CHAIR INTERVIEW & LETTERS TO EU OFFICIALS

1. FSUG opinion on the Commission's Payment Services Directive 2 (PSD2) review

The FSUG welcomes the European Commission's work on the PSD2 review. The forthcoming legislation should put consumers at the centre and set up a legal framework which allows consumers to be protected no matter the payment service provider used, allow for secure and inclusive transactions offline and online, and provide a sound liability framework in case something goes wrong.

Competition of payments

Even if the EU payment markets are more competitive than 5 years ago, PSD2 alone failed to generate lower fees for payments and to lower the costs of remittances. It was necessary to have another piece of legislation – Regulation EU 2019/518 as regards certain charges on cross-border payments to improve costs of cross-border payments and to set up better rules for currency conversion. Even so, detrimental practices for consumers like DCC (Dynamic Currency Conversion) are still present in the EU payment markets.

The FSUG is asking for a provision to prevent PSPs to use the PSD to avoid competition and to limit the possibility of unilaterally terminate the framework contracts concluded for indefinite periods without a strong and reliable motivation. For example, terminating framework contracts when the consumer is transferring funds to FinTech providers is totally unacceptable.

Scope exclusions

The FSUG strongly opposes against any attempt to use the process of the PSD2 review to increase the list of exclusions mentioned in Article 3 and to reduce the level of consumer protection. On the contrary, the review should reduce some of the existing exclusions and generate a high-level degree of consumer protection.

Supervision and complaints handling (home vs host state)

The FSUG is of the opinion that consumers should have the possibility to address a complaint to the National Competent Authority (NCA) of their Member State, in their own language. The NCA of the host Member States should be able to take action on that basis without being reliant on the home Member State where the PSP received its passport.

Irrevocability of a payment order

Like for direct debits, if a credit transfer was not executed, the consumer should have the right to revoke its consent and to cancel the payment. At the same time, we consider important to introduce a provision in the Directive to allow consumers to claim back the amount in case of errors, since currently it is very difficult to recover the money sent by mistake to someone.

Strong customer authentication (SCA) – art.97-98 and liability in case of fraud

Despite the introduction of the SCA, fraud continues to exist and, even more important, fraudsters are now using new techniques involving SCA to cheat consumers, which complicates the refund of affected consumers very much, because PSPs invoke the “gross negligence” of consumers.

The PSD3 should introduce a reform of the liability framework including the following elements:

- PSPs should be asked to not make funds available or to execute the payment when there is a suspicion or evidence of fraud and to not release the blocked amounts if there is a formal complaint of fraud by the consumer;
- PSPs should immediately compensate consumers. To incentivise the beneficiary PSP to contribute to the recovery of funds, a shared liability between the sending and receiving PSP should be introduced;
- PSPs should be able to claim the money back from the consumer in case of gross negligence only in exceptional cases. Gross negligence must be defined in the context of digitalisation and effectively prevent that consumers are held liable in case of sophisticated technological attacks;
- The burden of proof should be on the PSPs to prove that they did everything possible to protect the consumers' funds and to prove that the consumer acted with gross negligence.

SCA methods and potential financial exclusion

The options implemented for performing SCA should be imposed via regulation and should not be based on one or few solutions that rely on technologies, such as app-based, which very often are involving the use of a smartphone.

Contactless payments and the EUR 50 limit

The FSUG considers important to introduce a possibility of setting own limits to the contactless payment features, from zero (complete deactivation) to EUR 50 (maximum that should be allowed).

Using the commercial trade name and ex-ante IBAN verification

Using the commercial trade name with the ex-ante IBAN verification will allow consumers to easily identify to whom a payment was made. Introducing such requirements in the PSD2 review will make sure that it will become mandatory for all players.

Amount to be blocked on the payer's payment account when the exact transaction amount is not known in advance

The principle supported by the FSUG is that the amount blocked in these cases should be proportionate, transparently determined, and represent a true estimate of the final transaction amount. To that end, the provision under the relevant Article should specify the way the additional amount is determined, strictly limiting excessive amounts.

The [full text](#) is available on the FSUG website

2. FSUG letter to Commissioner McGuinness on digital euro project

The FSUG raised concerns regarding the foreseen role of private intermediaries - such as commercial banks and other payment service providers - towards the distribution of the digital euro project.

The digital euro would be classed as a Central Bank Digital Currency (CBDC) and not replace cash but supplement its use. While the digital euro aims to become a digital form of cash, which can be used for all digital payments both online and offline, the preference to distribute this form of payment is given primarily to private intermediaries as opposed to public entities.

This could result in limited protection and creation of additional barriers towards consumers and users of financial services, namely due to associated higher fees for services that go beyond basic functionalities.

Considering the European Central Bank's investigation phase which aims to analyse the overall design and distribution of the digital euro to retailers and European citizens, the FSUG also called for:

- proportionate balance between privacy and traceability of transactions;
- full replication of cash characteristics;
- enhancing of digital financial inclusion.

The [full text](#) is available on the FSUG website.

3. FSUG Opinion Paper on Personal Insolvency – September 2023

In this position paper, the FSUG stressed the necessity and the urgency for harmonised EU personal insolvency rules.

Over-indebtedness is a serious problem in the EU that already existed before the current economic crisis and is set to get worse. It carries considerable economic and social costs as it negatively impacts work productivity, increases the demand and costs on healthcare and social welfare systems, and leads to an overall drop in a country's economic output.

Over-indebtedness has likely increased and is set to get worse due to the cost-of-living crisis which has either plunged many EU households in this situation or put them at risk of becoming over-indebted. EU households are currently faced with high inflation that severely outpaces wage growth and has been persistently high for essential goods such as food. This has put a big strain on consumers' finances, hitting vulnerable households the most.

In addition, households with existing loans and mortgages are facing rising interest rates, making it harder to repay loans that have variable interest rates. In some member states, there are a high number of mortgages with variable rates resulting in many households, particularly the vulnerable, struggling to repay their mortgages.

Therefore, the need for fair and accessible personal insolvency schemes in the EU is as important than ever. Currently, however, there is a patchwork of different national personal insolvency schemes in the 27 EU Member States. Most of these national schemes are ineffective as they have high barriers to access them and fail to provide the consumer with a true fresh start. Therefore, in its opinion paper, the FSUG makes the case for a well-functioning and effective pan-European personal insolvency framework and provides recommendations for EU policymakers with regards to how such a scheme should look like to be effective.

The full text of [this FSUG opinion](#) is available on the FSUG website.

4. FSUG statement on key topics during COP28 – November 2023

The FSUG highlighted its support towards the main objectives of the United Nations Climate Change Conference (COP28)¹, which convenes world leaders annually to discuss tackling climate change through concrete measures, including but not limited to, phasing out fossil fuels, restricting global temperature rises to 1.5°C², setting global targets for renewable energy and efficiency³ and increasing climate financing⁴ to developing countries and nations.

Given the main task of COP28 in assessing countries' progress towards the 2015 Paris Agreement of limiting global temperature increase below 2 degrees Celsius⁵, the climate negotiations must improve global progress and enhance green technology investments. Facilitating the assessment of ongoing progress and enabling international alliance on stronger targets can support the main role of the summit: avoid greenwashing and stimulate real financial commitments which can address the gaps with climate mitigation, adaptation and financing of energy transition.

With the aftermath of the pandemic, ongoing energy crisis and international conflicts, signatories of the United Nations Climate Change Conference must take serious and concrete steps in ensuring increased renewable energy capacity, investments in technologies mitigating climate change, as well as significant increase of financing to adapt to ongoing worsening climate impacts, which is affecting everyone from consumers, retail investors and micro-enterprises to entire environment of the member states. Economic activities and their impact are directly linked to climate change and environmental degradation. This is not just putting pressures only on livelihoods of communities, but also on economies and on financial services users.

With the EU considered as a global leader in climate action, we support the goals for a green transition as a key global denominator, adhering to clear and comparable climate targets and driving innovation. In this context, we asked the Commission to make sure that the burden of green transition is not put just on the shoulders of citizens and of the communities, but to be mainly financed by the exceptional profits of the EU energy and financial services industries.

COP28 is a key opportunity to push for higher global ambition for the sustainable finance agenda. We call for the Commission to turn commitments into action, to effectively implement the G20 sustainable finance roadmap⁶.

5. FSUG Chair interview in the DG Fisma newsletter – March 2023

In September 2022, Alin Iacob was elected the new chairman of the FSUG, which provides advice to the European Commission and represents almost half a billion EU citizens. Since 2013, he has been chairman of the Association of Romanian Financial Users (AURSF), and has been a board member of public interest organization Better Finance, a member of EIOPA's Insurance and Reinsurance Stakeholder Group, and a member of the EBA Banking Stakeholder Group. He talked about the work of the FSUG in the area of retail financial services, and what he thought the main priorities will be in the months ahead.

“Some say that what is good for businesses is good for consumers too. Do you agree?”

Businesses are first of all profit-making organisations and maximising profits is their primary objective. What it is good for business may be good for consumers, but it is not always the case. And this is why the FSUG

¹ <https://www.cop28.com/>

² <https://unfccc.int/process-and-meetings/the-paris-agreement>

³ <https://www.europarl.europa.eu/news/en/press-room/20231117IPR12108/cop28-meps-want-to-end-all-subsidies-for-fossil-fuel-globally-by-2025>

⁴ <https://www.consilium.europa.eu/en/press/press-releases/2023/10/17/climate-finance-council-approves-conclusions-ahead-of-cop28/>

⁵ <https://unfccc.int/topics/global-stocktake>

⁶ <https://g20sfwg.org/roadmap/>

is here, to inform and advise the Commission and to be sure that the voice of financial services users is well heard in Brussels.

Let me give you some examples. In the area of advice to retail investors, inducements are strongly defended by businesses, but do not necessarily benefit consumers. In its opinion issued in November 2022, the FSUG argued in favour of banning them. So, we were of course happy to hear that Commissioner McGuinness is considering it as a serious option when discussing the Retail Investment Strategy, which we hope will be adopted very soon. However, we are also aware that there is significant lobbying from industry against such a ban.

Another example is in sustainable finance. While the Commission and co-legislators may come up with measures to make the loan books of credit institutions greener as part of the negotiations on the Energy Performance of Buildings Directive, those policies should not come at the expense of the most vulnerable consumers by reducing their access to mortgage credit. Good policies need to take consumers' interests sufficiently into account, and I hope this will be the case.

Last, but not least, let's look at the impact of increasing interest rates. Due to unfavourable economic and political developments, including the war in Ukraine, the real income of an average EU consumer has gone down, while the interest rates that consumers are charged for their variable rate loans, particularly mortgage loans, have gone up. At the same time, in some Member States consumers continue to receive close to zero interest rate for their deposits, while bank profits have sharply increased. President von der Leyen, in the [2022 State of the Union Address](#), stressed that *'it is wrong to receive extraordinary record profits benefitting from war and on the back of consumers'*. We closely monitor the concrete actions taken at a Member State or the EU level, but certainly more needs to be done to better protect consumers.

What are your main goals with the work of the FSUG going forward? And what are your main concerns?

First of all, our mission is to have European consumers at the forefront of Commission policies in the area of retail financial services. We should always remember that if there were no consumers, there would be no businesses. It is as simple as that.

The FSUG's work mainly focuses on the Commission's ongoing and upcoming initiatives on retail financial services, while proactively identifying other relevant issues. We are closely following the policy work on retail investments, the implementation of the Capital Markets Union action plan, the ongoing Payment Services Directive 2 review, the Instant Payments initiative, the review of the Consumer Credit Directive and Mortgage Credit Directive as well as other topics like personal insolvency, open finance, and sustainable finance. We also have a sub-group that focuses on access to cash for all EU consumers, especially elderly and vulnerable ones.

The Commission services are continually assessing the impact of their proposals and in general they take into account consumer interests in their policy making. Unfortunately, the FSUG has no way to effectively interact with the other co-legislators (the EU Council and EU Parliament), to argue in favour of consumers' interests.

That's an important observation. Could you give any specific examples?

Yes, of course. The most recent one that comes to mind is the strengthening of the forbearance measures in the Mortgage Credit Directive (MCD), which were introduced via the adopted Credit Servicers, aka non-performing loans (NPL), [Directive](#). While it has been announced as a great achievement by co-legislators, one that will better protect consumers, I have serious doubts about it.

The change introduced to Article 28 of the Mortgage Credit Directive would hardly have any effect, in my view. There is only a requirement for credit providers to consider the list of forbearance measures, which I believe they have already been doing. What I am really concerned about is whether, in the current cost-of-

living crisis in the EU, consumers facing difficulties repaying their mortgage loans will be better protected. I do not think so. We need to see more effective measures.

To get a better picture of this, we will discuss in the FSUG whether a study needs to be carried out to specifically examine this aspect of the NPL Directive (amending Article 28 of the MCD), to assess whether consumers will be better off or if mortgage credit providers will continue their business as usual.”

FSUG PROPOSED STUDIES

1. Over-indebtedness study

It has been pointed out, in different sections of the FSUG Personal Insolvency Opinion, that the recent rise of inflation as well as the rise of the interest rates have exacerbated household finances across Europe. As a result, many households are at the risk of becoming over-indebted or are already over-indebted.

Addressing over-indebtedness is one of the FSUG's top priorities. The FSUG has repeatedly stressed that the focus at EU-level on preventive tools could not effectively provide relief for the already over-indebted households. Hence, the FSUG has called urgently on the EU Commission to harmonise personal insolvency in the EU, offering an ex-post effective framework for the already over-indebted households. This has already been analysed under a different heading of this Opinion.

To complement this call, the FSUG has also proposed a study to provide a comprehensive up-to-date mapping of the national Personal Insolvency frameworks. In the last few years, many EU Member States have revised their insolvency frameworks, resulting in some convergence. At the same time, substantial challenges in terms of availability, accessibility, and effectiveness have been documented across Europe. The study would help identify the best, and worst practices, and common shortcomings to be addressed at EU-level, and it will complement, and provide the necessary background for the FSUG's urgent call for harmonising personal insolvency across the EU.

The FSUG was informed that DG JUST have plans to launch a study on the implementation of the Business Insolvency Directive which will also cover some aspects of personal insolvency. To avoid any potential overlapping, and in the interest of a healthy spending of EU funds, the FSUG will cooperate with Commission services to avoid any duplications of their study.

2. Study on Mortgages

Taking into account recent phenomenon of rising interest rates on mortgage credits, very detrimental in the current situation of prevailing variable rates on mortgages proposed by the banks in Europe, the FSUG elaborated a project of a study on the impact of those rates on the situation of borrowers.

The study intends to clarify the situation on the market (existence of mortgages on fixed and variable rates, awareness of consumers as to the consequences of taking a mortgage on a variable rate) and also the possibilities for consumers to escape rising indebtedness (earlier repayment of a mortgage and switching to another one, measures proposed by banks and governments to avoid borrowers falling into over-indebtedness).

The study is expected to feed into FSUG opinion on the possible measures to increase availability of fixed rate mortgages.

Regarding the Mortgage Study, the FSUG was informed that DG FISMA has no available budget for studies available, so we will keep it on the agenda for the future years.

FSUG MEETINGS from June 2022 to December 2023

The FSUG met eight times over that period: in Brussels on 23 June 2022, on 20-21 September 2022, on 9-10 February 2023 and on 23-24 November 2023, remotely on 17 November 2022, 27 April 2023, and 28 September 2023. The annual external meeting was hosted by the Finnish Foundation for Share Promotion (*Suomen Pörssisäätiö*) in Helsinki (Finland) on 21-22 June 2023.

During these meetings, the FSUG met with various Commission representatives, including Marcel Haag, Director, Horizontal Policies, Isabelle Perignon, Director for Consumers in DG JUST, Eric Ducoulombier, Head of Unit, B3 DG FISMA, Andrea Liesenfeld, Deputy Head of Unit, B3 DG FISMA, Daniela Bankier, Head of Unit, B1 DG JUST, Jana Hoskova, Deputy Head of Unit, B1 DG JUST, and was consulted/updated by DG FISMA and DG JUST colleagues on various dossiers such as:

- New EU Consumer Agenda
- Mortgage Credit Directive (MCD) review
- Consumer Credit Directive (CCD) review and new Directive
- Proposals for the amendment of the Payment Services Directive 2 (PSD3 proposal) and for the Payment Services Regulation (PSR)
- European Central Bank digital euro proposal and related public consultation, and Commission's perspectives on the digital euro
- Digital Euro
- Open Finance (FIDA)
- Shareholder engagement under CMU action plan
- Instant payments proposal
- Retail investment strategy
- Insurance services
- Local advice to consumers
- Over-indebtedness
- Banking crisis in the US and the Credit Swiss situation
- Study on the application of Shareholder Rights Directive
- PAD review and related studies,
- Commission work on crypto-assets

For more details, you can find the minutes of FSUG meetings posted on FSUG website:

[Minutes of the FSUG meeting held on 23 June 2022 in Brussels](#)

[Minutes of the FSUG meeting held on 20-21 September 2022 in Brussels](#)

[Minutes of the FSUG meeting held on 17 November 2022 \(virtual\)](#)

[Minutes of the FSUG meeting held on 9-10 February 2023 in Brussels](#)

[Minutes of the FSUG meeting held on 27 April 2023 \(virtual\)](#)

[Minutes of the FSUG meeting held on 21-22 June 2023 in Helsinki](#)

[Minutes of the FSUG meeting held on 28 September 2023 \(virtual\)](#)

[Minutes of the FSUG meeting held on 23-24 November 2023 in Brussels](#)

SPECIAL FEATURE: FSUG 2023 External Meeting in Finland (Helsinki)

On 21 and 22 June 2023, the 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 Marja Nykänen, the Deputy Governor of the Bank of Finland, Professor Matti Keloharju from Aalto University, Juha Pantzar, CEO from Guarantee Foundation, Tiina Vyyryläinen, Head of Influence from The Consumers' Union of Finland, Anu Koskenvuo, CEO from the Finnish Financial Ombudsman Bureau, and Minna Korpi, Director of Listing Services from Nasdaq Helsinki.

The first day included meetings with local experts with 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 Anu Raijas, Advisor to Bank of Finland**

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 – Prof. Matti Keloharju (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 these 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 recognise 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 an 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 Juha Pantzar, CEO of 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, free of charge, those who have financial problems. 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 of its legal tender and cash withdrawals with a debit card 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, With most of the problems resulting from "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 Anu Koskenvuo, CEO of 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, complaints 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 Minna Korpi, Director of Listing Services, informed about the main activities of the stock exchange.

This was followed by an exchange of views with Commission officials on Commission initiatives relevant to consumers: Consumer Credit Directive, Distance Marketing of Financial Services, Mortgage Credit Directive, Retail Investment Strategy, review of the Mortgage Credit Directive and a discussion of possible studies that the Commission could undertake, such as on personal insolvency and/or rising interest rates and the effects on consumer with variable interest rate mortgages.

FSUG KEY TOPIC: Independent Debt Advisory Services are efficient tools to fight over-indebtedness. Support them at EU level and national level!

Dieter Korczak

Over-indebtedness affects many people in the European Union, exposing them to the risk of social and financial exclusion. Actually there are about 18 million households in the EU27 and UK (representing about 8% of the total households) that are over-indebted (EC 2022).⁷ There is no generally accepted and used definition of over-indebtedness, but by a pragmatic and operational definition over-indebtedness is the impossibility to fulfill financial obligation on time due to insufficient financial resources even if the assets are used.

The causes and triggers of over-indebtedness of a person or a household are multifold. It can be the loss of employment, the occurrence of a disease, a separation or divorce, the death of the main breadwinner, the result of a non-substance or substance addiction, a failed self-employment, the foundation of an own household, a low income situation confronted with unexpected repairs or increasing costs of living, the substantial increase of interest rates, the effects of usury, a low knowledge about financial products and low financial skills or competence. In some and rare cases over-indebtedness is the result of illegal activities or court or tax debts.

Independent debt advisory services are a very effective tool to remedy over-indebtedness. Several main impact areas of debt advice have been academically identified (Clifford et al 2014)⁸ :

1) improved mental and physical health, 2) improved productivity, 3) impact on creditor recovery, 4) impact on risk of further debt cycles, 5) benefits for small business, 6) improvements in family relationships, 7) impacts on experiences homelessness, 8) impact on credit access.

These services can help the over-indebted persons in finding an out-of-court resolution by negotiating with creditors or can give support in the preparation of an insolvency procedure. Since the 1980s these advisory services are available in some European countries, e.g. Germany, Austria, Ireland, The Netherlands, Sweden, and Finland. They are organised and financed in different ways but their main characteristic is that they operate with a holistic / systemic approach.

What does this mean? The services do not try only to solve the financial problems of a person or a household but consider in their work the psycho-social dimensions of being over-indebted as well. In the countries in which debt advice is most developed, debt advisors offer legal counselling, economic and financial advice, and psycho-social assistance.

But still in 2021, a reasonable number of EU countries did not have debt advisory services at all, or had in a very unsatisfying way. According to a report of Eurofound (2020)⁹ the following countries were identified to have a great need for the improvement of debt advisory services: Bulgaria, Croatia, Cyprus, Greece, Hungary, Italy, Latvia, Lithuania, Malta, Romania, Slovakia, Slovenia and Spain.

At the Stakeholder Forum on Debt Advice, organised by the European Commission in 2018, Věra Jourová, Commissioner for Justice, Consumers and Gender Equality expressed to facilitate the availability of debt advice by helping to spread awareness of best practices, address funding/capacity building programmes, and promote debt advice across all Member States.

On June 22, 2021, the European Commission opened a call for actions for promoting stable debt advice services (SPM-CONS-2021-DA). In 2022 several grants for the improvement of the provision of debt advisory services were given by EISMEA, the European Innovation Council and SMEs Executive Agency, and aligned to those countries. One of the beneficiaries is the European Consumer Debt Network which received grants

⁷European Commission (2022). Provision of actions to extend the availability and improve the quality of debt-advice services for European households. p. 9

⁸Clifford et al (2014). Proposed Approaches to Social Impact Measurement in European Commission Legislation and in Practice Relating to: EuSEFs and the EaSI. European Commission Report. p. 11

⁹Eurofound (2020). Addressing household over-indebtedness. p.20

for the “Provision of an European Platform for the Prevention of Over-Indebtedness by the Increase of Accessibility and the Improvement of Effectiveness of Debt Advice for Citizens“. This project is known by the acronym PEPPI.

The revision of the Consumer Credit Directive (CCD) (2008/48/EC) proposed by the EU Commission on 30 June 2021 strengthens the desire to provide independent debt advice across the board and for all population groups. The CCD was adopted by the EU Council on 9 October 2023 and legally entered into force in November 2023. In the new Consumer Credit Directive, debt counselling is defined by the EU in Article 3(22) as follows:

"debt advisory services" means personalised assistance of a technical, legal or psychological nature, provided by independent professional operators which are not, in particular, creditors or credit intermediaries as defined in this Directive, or credit purchasers or credit servicers as defined in Article 3, points (6) and (8), of Directive (EU) 2021/2167 of the European Parliament and of the Council, in favour of consumers who experience or might experience difficulties in meeting their financial commitments“.

This definition contains five key binding features:

- Debt counselling should be provided in favour of the over-indebted person
- Debt counselling should be provided by independent operators
- Debt counselling should take into account the specific situation ("personalised assistance") of over-indebted people
- Debt counselling should be carried out professionally
- Debt counselling should take into account and cover economic, legal and psychological aspects

This legal definition of debt counselling can be described as ground-breaking, as it codifies the holistic approach to debt counselling for the first time.

Article 36 is also ground-breaking, as it contains a passage for the first time that obliges EU Member States to provide independent debt counselling services. The services should be free of charge or be available for a small fee. The EU Member States have two years to transpose the directive and one more year to implement it. This so-called transposition phase needs to be observed very thoroughly.

The ECDN PEPPI project has already identified a number of obstacles that will make it difficult to implement the directive in a timely manner: lack of or too little funding, lack of support from the government, competition between NGOs, too little availability, access restrictions, lack of professionalisation of counsellors, too little (problem) awareness, large geographical area, too far distances, lack of trust, shame of those affected. (Korczak, 2023)¹⁰

Due to these hindrances an independent experienced organisation should support the process of the transposition in the EU member states. Especially for the sustainability of the reached success in implementing and the establishment of debt advisory services by the PEPPI project, further financial support is urgently needed, both for EU organisations and for national consumer organisations who have the expertise and willingness to initiate or to further develop such services.

The implementation of such independent debt advisory services will not help just over-indebted people and households, but also the Member States. A study have shown that every 1 euro spent for independent financial debt advice is generating between 1.4 - 5.3 euros.¹¹

¹⁰Dieter Korczak (2023). Goals, challenges and main results of Peppi. Presentation. Brussels conference

¹¹European Commission (2022)

FSUG MEMBERS

In 2022-2023, the FSUG had 20 members, who are individuals appointed to represent the interests of consumers, retail investors or micro-enterprises, and individual experts with expertise in financial services from the perspective of the financial services user.

Members as of 31 December 2023:

| Name | Title |
|------------------------------|---|
| Alin-Eugen IACOB (Chair) | AURSF - Association of Romanian Financial Services Users |
| Patricia SUÁREZ (Vice-Chair) | ASUFIN – Asociación de Usuarios Financieros |
| Vinay PRANJIVAN (Vice-Chair) | DECO - Associação Portuguesa para a Defesa do Consumidor |
| Maria LISSOWSKA (Vice-Chair) | Individual Member |
| Agustín REYNA | BEUC – Bureau Européen des Unions de Consommateurs |
| Mariyan NIKOLOV | BETTER FINANCE – European Federation of Investors and Financial Services Users |
| Peter NORWOOD | FINANCE WATCH |
| Piotr NAKONIECZNY | AGE Platform Europe |
| Victor CREMADES | ADICAE – Asociación de Consumidores y Usuarios de Bancos, Cajas, Productos Financieros y de Seguros |
| Joost MULDER | FairFin |
| Daniela VANDONE | Individual Member |
| Frederik BECKENDORFF | DSW – Deutsche Schutzvereinigung für Wertpapierbesitz e.V. |
| Dieter KORCZAK | Individual Member |
| Kestutis KUPSYS | Lithuanian Consumers Alliance |
| Kristjan VERBIC | VZMD – Pan-Slovenian Investors' & Stakeholders' Association |
| Caroline TSILIKOUNAS | European Microfinancing Network |
| Sari LOUNASMERI | Finnish Foundation for Share Promotion |
| Monica CALU | Individual Member |
| Simone MEZZACAPO | Individual Member |
| Vasiliki YATROU | Individual Member |



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