

**CCPC Observations on the
Review of the G20/OECD
High-Level Principles on
Financial Consumer
Protection**

February 2022



Coimisiún um
Iomaíocht agus
Cosaint Tomhaltóirí

Competition and
Consumer Protection
Commission

Do you support the three new proposed cross-cutting themes, that is, ‘Digitalisation’, ‘Sustainable Finance’ and ‘Financial Well-being’?

The Competition and Consumer Protection Commission (CCPC) is an independent statutory body responsible for promoting and enforcing consumer and competition law in Ireland. The CCPC also has a specific statutory mandate to promote the development of financial education and capability.

The CCPC fully supports the three new cross-cutting themes and recognises that their introduction is timely given the developments in financial service markets since the principles were first implemented in 2012. The focus on financial-well-being as a cross-cutting theme is particularly welcome.

The CCPC concurs that the pandemic has further accelerated the pace at which change has occurred, particularly in the area of digitalisation. While the digitalisation of financial services has its advantages, such as new types of products and fast and convenient transactions, it also has disadvantages including the potential for some consumers to be financially excluded.

The CCPC also welcomes that the proposed cross-cutting themes are closely aligned to the cross-cutting themes of the recently launched joint EU Commission and OECD-INFE Adult Competency Framework¹. The CCPC believes that in addition to necessary consumer protection and regulatory frameworks, which help to contribute to consumer financial well-being, another key tool is to improve consumers’ financial literacy levels through financial education initiatives. The framework will allow policy makers the opportunity to promote a shared understanding of financial competences for adults and a more coordinated approach by Member States and policymakers. By supporting efforts to improve financial literacy, the framework aims at contributing to the overall goal of improving individual financial well-being, which also feeds into the cross-cutting goals of the updated principles also.

Further to the above, the CCPC, in recognition of the prevalence of digitalisation in financial services, will include digitalisation as a cross-cutting theme in our new financial well-being strategy 2022-2025, due to be published this year. This decision was supported by the results of our own market research which showed that lack of confidence online was a key barrier to consumers being able to shop around for and switch services online, including for current accounts, mortgages, car insurance, home insurance and health insurance. Consumers who are not very confident online are 15% less likely to shop around annually or at contract renewal time. This emerging digital divide presents a significant challenge given that basic digital capability is increasingly critical for participation in society and to access and manage financial products. This divide is something that the CCPC in conjunction with our stakeholders is keen to address.

The CCPC also welcomes the focus on sustainable finance. The CCPC, as part of our new strategy, will be taking sustainability issues into account, in line with the guidance of the

¹ European Commission and OECD (2022), Financial competence framework for adults in the European Union, see: https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/22_0111-financial-competence-framework-adults_en.pdf

OECD and European Commission financial competence framework for adults, which highlights sustainability, alongside digitalisation, as a key trend.

The CCPC notes that under Principle 4 the term financial education has been removed and replaced with financial literacy. The context as to why this has changed is not clear. Financial education has been defined previously by the OECD as “the process by which financial consumers improve their understanding of financial products, concepts and risks and, through information, instruction and/or objective advice develop the skills and confidence to become more aware of (financial) risks and opportunities to make informed choices, to know where to go for help, and take other effective actions to improve their financial wellbeing”.

Financial literacy has a narrower definition which as per the OECD is “a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing”. While there are some areas of overlap between the two definitions, ‘financial education’, as defined, both encompasses and goes beyond the definition of financial literacy. The G20/OECD could consider expanding the definition of financial literacy in the principles to match the areas currently covered by financial education.

Do you support the two new Principles proposed on ‘Access and Inclusion’ and ‘Quality Financial Products’?

The CCPC fully supports the introduction of the two new principles. Financial exclusion is being increasingly recognised as an issue across Europe and internationally. The European Supervisory Authorities (ESA) highlighted financial exclusion recently in their response to the European Commission’s February 2021 Call for Advice on Digital Finance². The ESAs’ analysis showed that risks exist if increased digitalisation is not coupled with sufficient levels of digital and financial literacy at all stages of financial life and that, in its absence, certain population groups are more likely to be excluded from financial services.

The CCPC as part of our process for developing our updated financial well-being strategy 2022-2025, identified a range of concerns regarding access and inclusion to financial services for all people in Irish society. In recognition of this key theme the CCPC has included “diversity and inclusion” as a cross-cutting theme in our financial well-being strategy. The CCPC is committed in all our actions and initiatives to acknowledging all groups who face exclusions and barriers in terms of financial services, such as immigrants, people on low incomes, social housing tenants, Travellers and those with disabilities.

The CCPC also fully supports Principle 8 on quality financial products and welcomes that “in order to promote quality financial products, financial service providers may be required to define a target market for a financial product, conduct research to

² European Supervisory Authorities (2022), Joint European Supervisory Authority Response to the European Commission’s February 2021 Call for Advice on digital finance and related issues, see:

https://www.esa.europa.eu/sites/default/documents/files/document_library/Publications/Reports/2022/1026595/ESA%202022%2001%20ESA%20Final%20Report%20on%20Digital%20Finance.pdf

understand the target market and, depending on the type, complexity and risk of the product, carry out testing before launching the product". This is particularly welcome given the increasing digitalisation of financial services. The growing use of digital interfaces and dashboards for products presents consumers with increasingly complex financial decisions often made in the absence of advice or a qualified understanding of the risks and consequences involved.

Behavioural insights should also be considered in the design of products. The way in which products are designed or presented can cause consumers to act in unintended ways e.g. the gamification products such as investments. However, behavioural insights can also be used to design products that support consumers' financial well-being. The CCPC is currently carrying out a behavioural research project on savings in conjunction with the Economic and Social Research Institute in Ireland. This research is testing interventions to help consumers build short term savings buffers and is being carried out with a financial provider in order to gain real-life insights on behavioural change.

Do you agree that the COVID-19 lessons have been appropriately included in the proposed revisions?

The CCPC has no specific comments on this question.

Are there any developments that have not been incorporated in the proposed draft revised Recommendation?

The CCPC has no specific comments on this question.

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