

NEW DEVELOPMENTS IN THE EUROPEAN UNION ON FINANCIAL CONSUMER PROTECTION POLICY

Snejanka Koleva, PhD

*European Studies Department,
Sofia University „St. Kliment Ohridksi“*

Abstract

Consumer protection is a critical aspect of maintaining trust and stability in the financial sector. Recognising the importance of safeguarding the rights and interests of consumers, the European Union (EU) has been at the forefront of developing and implementing regulations to ensure robust financial consumer protection. In recent years, the EU has made significant strides in this field, introducing new measures and initiatives to enhance transparency, strengthen consumer rights and promote responsible financial practices. This paper explores some of the noteworthy developments in financial consumer protection within the EU.

The topic is important and relevant in at least two main aspects:

The global financial and economic crisis and the Covid-19 pandemic have demonstrated the importance of consumer confidence in financial services to the stability of financial markets. It is an asset that is very quickly and easily lost and extremely difficult to recover, especially when it is related to personal savings, investments and pension rights. It is no coincidence that one of the main goals at the global, European and national level is to improve the level of protection of users of financial services and to improve the legal framework of financial products in the EU. The second reason why the topic is of utmost importance is that each of us is a consumer of financial services: a depositor in a bank, a customer of a consumer loan, a mortgage loan, an originator of payment operations, a holder of an insurance product, an investor in securities, a client of a pension insurance company, a user of other traditional or innovative financial products and services. Each of these products and services has its own specifics. Therefore, it is extremely important that the users of financial services are well acquainted with their rights and with the measures and means of their protection.

Key words: financial services; consumer protection

1. Introduction

During the last three decades the Bulgarian financial market has opened up to the world markets and the variety of services offered and consumer choices has grown significantly. The changed conditions have increased the need to be informed when

making decisions about the use of different types of financial products and services. It is extremely important that users of financial services are well aware of their rights and the measures and means of their protection, as well as understand their responsibilities when concluding a contract for financial services and during its subsequent implementation. The EU has taken a number of measures to promote a competitive and safe retail financial services market in Europe. These include measures to guarantee an EU-wide right of **access to basic bank accounts**, rules to **protect deposits** of up to €100,000 in the case of bank failure, initiatives to increase the level of consumer protection and facilitate the cross-border distribution of **insurance, mortgages** and **consumer credit**, improved consumer protection rules for **distance marketing of financial services** and **retail investment products**.

The COVID-19 pandemic has affected all aspects of societies and economies around the world. Among other consequences, the pandemic has also affected consumers of financial services. As a result, their access to the use of financial services was limited due to job loss, reduced income, the development of digitisation in the sector and/or limited physical access to financial institutions. On the other hand, the pandemic has also had a significant impact on the regulators and supervisors responsible for the formation and implementation of the policy for the protection of consumers of financial services and financial inclusion in terms of the implementation and monitoring of measures to protect and support financial consumers in order to overcome the crisis.

In a very short period of time, the pandemic has also fundamentally changed people's consumption and mobility patterns. The home confinement measures highlighted the essential role of digital technologies in people's everyday lives, enabling them to purchase goods and access services despite physical limitations. The crisis affected many areas of consumers' lives and highlighted the critical importance of a high level of consumer protection and of close cooperation between the EU authorities responsible for implementing this policy. At the same time, it revealed some gaps in the EU's consumer protection framework.

Along with the problem areas identified as a result of the 2007-2008 financial crisis, another critical area that has come to the fore during the pandemic is the increase in online consumer fraud, deceptive marketing techniques and online shopping fraud where a large number of users have become and continue to fall victim.

Events in recent years, not only in Europe, but also in Bulgaria, have proven that there is a strong correlation between consumer confidence and the stability of financial markets. There can be no stability in financial markets without the necessary consumer confidence. Conversely, if a crisis occurs in the financial markets and there is instability in the provision of financial services, then consumer confidence in these services falls sharply. All this can create a chain reaction and give rise to a dangerous spiral in which the lack of sufficient trust among consumers leads to a threat to financial stability, which in turn further increases the mistrust and concerns of these consumers, etc. Therefore, it is necessary to make efforts to simultaneously achieve both goals: protecting the users of financial services and preserving their trust in them, on the one hand, and on the other hand, preserving the financial stability and security of the financial markets.

In this paper a review will be made on the main recent legislative proposals of the European Commission and an analysis of the most important actions undertaken by the EU in last years. They are directly related to increasing the protection of consumers of financial services.

2. Consumer protection in banking sector – consumer credit directive (CCD)

The banking sector and the loan provision sector have been drastically transformed by the digital transition that is happening during the last decade. New players such as peer-to-peer lending platforms have emerged and traditional financial services providers are increasingly using online sales channels for offering their products and concluding the contracts. New products such as short-term high-cost loans that can lead to significant costs for the borrower are more and more marketed and sold online. The growing use of digital devices affects the way in which pre-contractual information is provided to consumers. Also, automated decision-making for credit scoring and the use of personal data not directly provided by consumers for assessing their creditworthiness raise questions in terms of consumer and data protection and potential discrimination from decisions based on opaque algorithms. Finally, the COVID-19 crisis has seriously impacted the credit market and consumers, especially those who are more vulnerable and less literate, leading to an increased financial vulnerability of many EU households¹.

The first Consumer Credit Directive was adopted in 1987 and replaced in 2008 with the current directive, which was designed to strengthen the consumer rights, allow consumers to take informed decisions when signing a credit contract and harmonise the requirements for the financial institutions. The existing CCD has introduced a number of benefits for consumers, but due to the technological and market developments during the last years it is now outdated and needs to be revised.

Following the rise in digital lending and the increase of the online distribution of consumer credit products, the European Commission proposed a revision of the CCD in June 2021². The Commission's new proposal aims at addressing these latest developments and improve the regulatory framework for consumer credit by expanding its scope, introducing new pricing rules, clarifying the information requirements and revising the creditworthiness assessment of the consumer.

In terms of scope the proposed CCD extends the scope by including additional types of loans: buy-now-pay-later schemes, payday loans, short-term overdrafts facilities, interest-free credits and loans offered through crowd-lending platforms since the existing CCD does not covers all consumer loans.

As for the information requirements since its adoption the CCD has faced some criticism regarding the quality of information that is provided to the consumers³. The

¹ Impact assessment report accompanying the Proposal for a Directive of the European Parliament and of the council on Consumer Credits, European Commission Brussels, SWD (2021) 170 final

² Proposal for a Directive of the European Parliament and of the Council on Consumer Credits', European Commission Brussels, COM (2021) 347 final

³ EBA Consumer Trends Report 2020/21 (EBA/REP/2021/04)

information provided to loan borrowers is not always clear and very often too complex and misleading for the consumer, especially the information regarding the costs of credit and the consequences of late or missing payments. The lack of clarity and the complexity of the information provided often result in higher costs and makes it difficult for consumers to compare different loan offers and respectively make informed choices and choose the best product. To increase the consumer awareness and to promote responsible lending practices the proposal aims at streamlining and reflecting the increasing importance of digitalisation in the pre-contractual and contractual phase of provision of financial services. The proposal aims at improving the provisions of pre-contractual information by requiring creditors to focus more on the key information related to the price of the loans, such as borrowing rates and costs, the annual percentage rate of charge (APR) and the total amount of credit to be paid. This information is envisaged to be summarised in a Standard European Consumer Credit Information overview and form, which can fit on a mobile phone screen. In addition, the proposal also stipulates the introduction of a one-day reflection period before the conclusion of the credit agreement or a notification on the right of withdrawal.

The creditworthiness assessment of the consumer when applying for a loan is another issue identified in current CCD⁴. The quality of creditworthiness assessments currently varies across different Member States and there are poor assessment practices which caused mis-selling. The Commission aims at tightening the rules on creditworthiness assessments by requiring all lenders for all type of loans to perform creditworthiness assessments. New moment is introduction of banning lending practices if the result of the assessment is negative. In very limited cases lenders can still provide loans even if the assessment is negative for example when the lender has a long-lasting relationship with the consumer and can assess whether the consumer is covering his obligations. These exceptions may imply a risk to both the borrower and lender, which should be monitored by the supervisors⁵.

The selling of consumer credit together with other financial products as a mandatory (tying) or as an optional (bundling) element of a package deal has been a common practice in the EU during the last decade. This could lead to excessively expensive products, abundant or limited competition. The proposed CCD bans these tying practices, unrequested sales of credit without the consumer's explicit agreement and sales of auxiliary services as default options.

In the absence of EU high level of harmonisation of this product, many Member States go further and regulate consumer loans beyond the scope of the existing directive. Most Member States have introduced interest rate or APR caps at different levels to avoid excessively costly consumer loans. The latest draft CCD amendments introduce caps to be placed on the interest rate applicable to credit agreements for consumer credit, APR and total cost of the credit. The current proposal empowers Member States to decide on the level of these caps. Member States may decide to set up a specific cap for a revolving credit facility. Capping is proved to be beneficial for

⁴ EBA Consumer Trends Report 2020/21 (EBA/REP/2021/04)

⁵ Meryem Gökten and Willem Pieter De Groot (2022), „The revision of the Consumer Credit Directive: Does it go far enough? Meryem Gökten and Willem Pieter De Groot“

consumers in some of the Member States like Bulgaria. However, it can also push consumers to even more damaging types of credit⁶. To avoid this, it is important that vulnerable and less literate consumers are referred to independent debt advice, which according to the proposal should be made available. Nevertheless, it is still not guaranteed that all individuals that need debt advice would be able to receive it.

Overall, the Commission proposal to revise the current CCD is an important step forward in improving the consumer protection by covering almost all consumer loans. It further regulates debt advice for those in need of it which is strengthening the Single Market and the financial stability. However, there are still some areas where further work is needed to strengthen the Single Market. For example, the larger and remaining types of consumer loans (pawnshop and doorstep loans) could also be covered, and the credit worthiness assessment, as well as pricing caps could be defined in a way to allow for cross-border offering.

3. Consumer Protection in the field of payment services – instant payments

In October 2022, the Commission adopted a legislative proposal which revise the 2012 Regulation on the Single Euro Payments Regulation (SEPA) and aims at making the instant payments in euro available to all citizens and businesses which hold a bank account in the EU and in EEA area. The purpose of the proposal is to ensure that the instant payments in euro are affordable, secure and processed easily across the EU.

Instant payments would allow people to transfer funds at any time and day within seconds. This operation will be much faster compared to traditional credit transfers, which are received by payment service providers (PSPs) only during working hours and arrive at the payee's account by the following business day, which, if this happens on Friday, could take up to three calendar days. Instant payments will significantly increase the speed and convenience for consumers, for example when paying bills or receiving transfers in urgent need. In addition, they would help to significantly improve and promote the cash flow and reduce the cost for consumers and businesses. They should free up money that are currently locked in transit within the financial system (so-called „payment float“), which can be used for payment or investment (almost €200 billion euro are locked on any given day). The data shows that at the beginning of 2022 only 11% of all euro credit transfers in the EU were instant⁷. This proposal aims at removing the barriers which prevent instant payments and the benefits to become more widespread.

The availability of instant payments and the eventual related fees vary strongly across Member States, which interfere the rollout of instant transfers in the Single Market. Thus, a legislative amendment is necessary to scale up instant payments in

⁶ Bouyon, S. and Oliynyk, I (2019), 'Price rules in consumer credit: should the EU act?', European Credit Research Institute, available at <http://ecri.eu/publications/research-reports/price-rulesconsumer-credit-should-eu-act>.

⁷ Impact Assessment Report accompanying the document Proposal for a Regulation of the European Parliament and the Council amending Regulations (EU) No 260/2012 and (EU) No 2021/1230 as regards instant credit transfers in euro (COM (2022) 546 final)

euro across EU member states and unlock their benefits for EU citizens and businesses. The EU citizens and businesses will also benefit from improved cash flow and more and better choices of payment means.

This proposal aims at improving the payments in euro and removing the barriers that prevent instant payments and development of the full potential and benefits from this type of payments. The proposal introduces four main requirements regarding the instant payments in euro:

- The new provisions make the instant payments in euro universally available, by introducing an obligation for EU PSPs that already offer credit transfers in euro to offer also their instant version within a defined period.
- The new provisions aim at making instant payments in euro affordable, by introducing an obligation for PSPs to ensure that the price charged for instant euro payments is not higher than the price charged for traditional credit transfers in euro.
- It aims at increasing the consumers' trust in instant payments, introducing an obligation for PSPs to verify that the bank account number (IBAN) and the name of the beneficiary provided by the payer match in order to avoid a possible mistake or fraud before the payment is made.
- The proposal aims at removing friction when processing of instant payments in euro while preserving the effectiveness of persons' screening who are subject to EU sanctions, by introducing a procedure whereby PSPs will verify at least daily whether their clients are in EU sanctions lists, instead of screening all transactions one by one.

The expectation is that the current proposal will support innovation and competition in the EU payments market, in line with the existing framework on sanctions and fighting against financial crime. It aims also to contribute to the Commission's objectives on digitalisation of the financial sector and horizontally and open strategic autonomy. This initiative is in line with the Commission's priority for economy that works for citizens and serves as a base for more attractive investment environment.

4. Consumer Protection in the field of retail investments – retail investment package

Investor protection rules are currently set out in sector specific legislative instruments such as Markets in Financial Instruments Directive⁸, the Packaged Retail and Insurance-based Investment Products Regulation⁹, the UCITS Directive¹⁰,

⁸ Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast)

⁹ Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs)

¹⁰ Directive 2014/91/EU of the European Parliament and of the Council of 23 July 2014 amending Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as regards depositary functions, remuneration policies and sanctions

Alternative Investment Funds Manager Directive¹¹, Solvency II Directive¹², and Insurance Distribution Directive¹³. These rules differ from one financial instrument to another and sometimes are inconsistent, making the cumulative requirements confusing for retail investors. Along with that the digitalisation has changed the distribution models and brought new forms of marketing for financial instruments for retail clients of financial instruments and insurance products.

In May 2023, the Commission published a Retail Investment Package which aims at putting the consumers' interests as a milestone of retail investing. The purpose of the strategy is to ensure the possibility for retail investors to make informed investment decisions that are in line with their needs and preferences, guarantying that they are treated fairly and well protected. This would enhance the trust and confidence of retail investors to invest in their future and develop the full potential of the EU's Capital Markets Union.

Making the EU financial market an even safer place for citizens to invest in the long term was one of the Commission's three key objectives of **the 2020 Capital Markets Union Action Plan**. The Retail Investment Package aims at achieving that goal and encouraging retail investors' participation in EU capital markets, which is less developed and less competitive than in other jurisdictions¹⁴, such as the United States. Boosting the Capital Markets Union is also an essential element to stream the private funding into our economy and to ensure funding for the green and digital transitions.

The package includes ambitious and wide-ranging measures aiming at improving the retail investors' landscape:

- It introduces measures to improve the way the investors' information is provided to retail investors about investment products and services. Disclosure rules will be adapted to reflect digitalisation and sustainability preferences of investors. The information should be more meaningful and standardised in order to be easier to compare;
- The package aims at increasing the transparency and comparability of costs by introducing a standard presentation and terminology on costs. It will ensure that the investment products bring to retail investors better value for money. It ensures that all retail investors receive at least once a year a clear information of the investment performance of their portfolio;

¹¹ Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010

¹² Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (recast)

¹³ Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution (recast)

¹⁴ Impact Assessment Report accompanying the document Proposal for a Directive of the European Parliament and of the Council amending Directives (EU) 2009/65/EC, 2009/138/EC, 2011/61/EU, 2014/65/EU and (EU) 2016/97 as regards the Union retail investor protection rules and Regulation of the European Parliament and of the Council amending Regulation (EU) No 1286/2014 as regards the modernisation of the key information document (COM (2023) 278-279 final)

- The package proposes changes to be made to suitability and appropriateness assessments. It introduces a requirement the purpose of those assessments to be explained to retail investors and to be given them warnings on how the provision of inaccurate information could impact those assessments;
- The package addresses the potential conflicts of interest in the distribution of investment products by banning inducements for „execution-only“ sales where no advice is provided and aiming at ensuring that the financial advice is appropriate for the retail investors’ and in their best interests. After lengthy consideration and reaction from the insurance and investment businesses the Commission decided not to ban inducements for advised sales, where stronger safeguards and transparency rules will be introduced in case the inducements are allowed such as a strengthened „best interests of the client“ test;
- The Commission will also be tasked with reviewing whether those safeguards have in fact reduced potential conflicts of interest 3 years’ post-transposition. In line with the ever-growing importance of sustainability preferences when making investment decisions, among the changes proposed to improve the knowledge and competence of financial advisors is the inclusion of an additional limb regarding professional knowledge of sustainable investments;
- The new rules aim to protect the retail investors from misleading marketing by ensuring that the financial intermediaries are responsible for the use of their marketing communication, including when it is made via social media, or via other third parties if they are remunerated or incentivised and also preserves high standards of professional qualifications for financial advisors;
- The package will give the opportunity for the consumers to take informed and better financial decisions by encouraging Member States to implement national measures that can promote consumers’ financial literacy for all citizens.

The new rules reduce the administrative burdens for retail investors and service providers. They improve the accessibility of more sophisticated products and services for more advanced retail investors, by making eligibility criteria to become a professional investor more proportionate. The framework enhances supervisory cooperation between the national competent authorities to make it easier for them and the European Supervisory Authorities to ensure that all the rules are properly and effectively applied across the EU and to jointly fight fraud and misleading practices.

5. Other issues related to consumer protection

5.1. Distance financial services

The main purpose of the current Distance Marketing of Consumer Financial Services Directive (DMFSD)¹⁵ is to protect consumers when they sign a contract for basic financial services at a distance online or by phone like buying an insurance

¹⁵ Directive 2002/65/EC of the European Parliament and of the Council of 23 September 2002 concerning the distance marketing of consumer financial services and amending Council Directive 90/619/EEC and Directives 97/7/EC and 98/27/EC

product or opening of a bank account. It lays down rules on the information to be provided to consumers before concluding the contract and the right of withdrawal in the 14-day after concluding the contract. The directive bans certain abusive marketing practices: consumers cannot buy a financial product without their explicit consent (inertia selling) and unsolicited phone calls and e-mails.

In November 2020, the Commission published a report on the evaluation of DMFSD¹⁶. Since its adoption in 2002 the digitalisation changed the landscape in online and mobile sales of financial products and enhanced the emergence of non-traditional market players offering new types of financial products and services. These products are easily accessible making possible for the consumers to purchase some of these services with a single click. On the other hand, the service providers are using tools such as „Big Data“ to influence their clients. Hence, the report warned that this situation put the consumers in a vulnerable position and concluded that some of the directive’s aspects have been superseded by newer legislation on specific retail banking products and by horizontal consumer protection legislation.

In May 2022, the Commission published a proposal for revision of the provisions concerning financial services contracts concluded at a distance. The proposal amends the 2011 Consumer Rights Directive and repeals the 2002 DMFSD in order to address the new challenges which consumers face when engaging with service providers that promote and sell financial products digitally and suggests several improvements. The Proposal simplifies and adapts the legislative framework by repealing the existing DMFSD and by including relevant aspects of consumer rights regarding financial services contracts concluded at a distance within the scope of the Consumer Rights Directive. The proposed directive introduces full harmonisation, which will ensure the same high level of consumer protection across Member States.

- The Commission proposal is extending the scope of the distance marketing for financial retail services beyond distance contracts so as to ensure that this new horizontal safety net also applies to all financial services offered off premises;
- It maintains all the relevant provisions of the DMFSD for instance the right of withdrawal for insurance and pension products. It stipulates for an easier access to 14-day right of withdrawal for distance contracts for financial services, including a requirement to be provided to the consumers with a withdrawal button. The proposal is at the appropriate level of protection and ensures that the level of harmonisation does not lead to lower consumer protection at national level;
- It is adding provisions on comparison tools, automated advisors and advertising in the financial services chapter, especially when it comes to the use of social media to advert high-risk products such as crypto assets. Special rules on concluding financial services contracts online are introduced, requiring financial services providers to submit to consumers an adequate explanation, including

¹⁶ European Commission, 2020, Evaluation of Directive 2002/65/EC on Distance Marketing of Consumer Financial Services

by using robo advice or chat boxes. However, the consumers will have rights to request to speak to a person;

- The proposal provides for clarification of the rules on what, how and when pre-contractual information has to be provided. This includes an obligation on the service provider to inform consumers on potential hidden costs or on the risk related to the financial product. Consumers will have a right to reflect on the pre-contractual information, which is to be received at least a day before signing a contract;
- Stronger penalties, in line with those that already apply to other widespread cross-border infringements of consumer rights, with a maximum penalty of at least 4 % of a trader's annual turnover are introduced.

The proposal ensures consistency with the current rules in the area of financial services, because the relationship between the two areas is regulated by the principle if any provision of this Directive conflicts with a provision of another Union act governing specific sectors, the provision of that other Union act shall prevail and shall apply to those specific sectors.

5.2. Financial competence framework for adults

Financial literacy is a substantial part of the overall framework for financial consumer protection. According to the 2020 OECD Recommendation on Financial Literacy, „financial literacy refers to a combination of financial awareness, knowledge, skills, attitudes and behaviours necessary to make sound financial decisions and ultimately achieve individual financial well-being“. However, the level of financial literacy among individuals still remains low, making the promoting of the financial literacy and financial education priority for policymakers and other stakeholders in the EU. The European Commission also recognised the importance of the topic and included two measures in the 2020 Capital Markets Union Action Plan which aim at increasing the financial literacy levels of citizens in the EU. The first measure is to conduct by the end of the first half of 2021 a feasibility assessment on the development of an EU financial competence framework. The feasibility assessment for the development of a financial competence framework in the EU was published in April 2021 and supported the creation of EU-wide financial competence frameworks in collaboration with the OECD-INFE. The second measure is in case of a positive impact assessment to prepare a legislative proposal requiring Member States to promote measures that support the financial education of consumers.

In January 2022 the European Commission together with the OECD's International Network on Financial Education published the joint EU/OECD-INFE financial competence framework for adults¹⁷, a measure announced in Action 7 of the 2020 capital markets union action plan.

This framework aims at improving the consumers' financial skills so that they can make sound informed decisions in line with their personal finances. That would support development of public policies, financial literacy and educational programs and

¹⁷ EU/OECD-INFE (2022) Financial Competence Framework for Adults in the European Union

materials by Member States, NGOs, educational institutions and industry. It will also promote the exchange of good practices among policy makers and stakeholders in the EU.

Having a better understanding of their personal finance helps individuals in managing their personal budget (assets and liabilities) and allows them to more safely and confidently use financial products and participate in financial markets. The joint financial competence framework for adults outlines key skills that will help individuals to make their own sound financial decisions. The framework is built upon the competences defined in the G20/OECD INFE core competencies framework on financial literacy for adults, adjusting them to the EU context, and further integrating the digital and sustainable finance skills.

The framework is not intended to be used as a curriculum, but rather as a conceptual basis on which to build the different financial educational materials, policies and measures. The framework provides a set of outcome-based competences that can be used to support the development, implementation and update of national financial literacy strategies and also support the design of financial education programs and the development of financial education learning materials and tools. The framework could support the inclusion of financial education in curricula for higher education institutions, inform the design of teachers' adult trainings and support learning materials and programs specifically designed to help financially vulnerable groups. It could also underpin the setup of private or public awareness-raising campaigns. The framework will facilitate the assessment of the levels of financial literacy among the population and the evaluation of financial literacy initiatives. For example, it can be used as a basis to develop financial literacy indicators that could assess the effectiveness of the national financial literacy initiatives.

The finalisation of the EU/OECD-INFE financial competence framework for adults is only the beginning of the process. The next step is dissemination and facilitation of the uptake of the framework amongst Member States and stakeholders, including through targeted exchanges. The objective is to support the use of the framework in financial literacy policies, tools and educational materials, and to offer a platform for policy makers and stakeholders to exchange good practices and lessons learnt when developing the framework. Developing a financial competence framework for children and youth is the next step. In 2022, the Commission services and OECD, in cooperation with Member States, started working on the financial competence framework for children and youth (individuals under 18). The framework is expected to be finished by the end of 2023.

6. Conclusion

The European Union continues to focus its efforts and to prioritise financial consumer protection, introducing new regulations and initiatives to ensure the well-being of consumers in the financial marketplace. Through the newly introduced measures the EU is promoting transparency, empowering consumers, and fostering responsible financial practices. The new EU initiatives aim at building on what has been achieved so far in the area of consumer protection of financial services.

Undoubtedly, better protection of users of financial services will create conditions for increasing their confidence in these services and in the financial sector as a whole, which in turn will strengthen financial stability at the national and European level. Moreover, consumer protection and financial stability are very closely linked.

Furthermore, the better protection of users of financial services leads to the achievement of better results from the financial business itself and the various financial intermediaries - banks, payment institutions, investment intermediaries, insurance companies and others. These advancements not only strengthen consumer rights but also contribute to the overall stability and integrity of the European financial system. As technology evolves and consumer expectations change, the EU remains committed to adapting and refining its regulatory framework to meet the evolving needs of financial consumers.

Another advantage of the new EU initiatives is that the changes and the increase in consumer protection standards apply horizontally to all financial sectors. The significant changes affect both banking and payment services, as well as insurance services, investment services and all other areas where financial services are offered to consumers.

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