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P8\_TA(2017)0428

## Action plan on retail financial services

### European Parliament resolution of 14 November 2017 on the Action Plan on Retail Financial Services (2017/2066(INI))

(2018/C 356/03)

The European Parliament,

- having regard to the Commission Green Paper of 30 April 2007 on 'Retail Financial Services in the Single Market' (COM(2007)0226),
- having regard to Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC <sup>(1)</sup> (the Consumer Credit Directive),
- having regard to Directive 2009/103/EC of the European Parliament and of the Council of 16 September 2009 relating to insurance against civil liability in respect of the use of motor vehicles, and the enforcement of the obligation to insure against such liability <sup>(2)</sup> (the Motor Insurance Directive),
- having regard to Regulation (EC) No 924/2009 of the European Parliament and of the Council of 16 September 2009 on cross-border payments in the Community and repealing Regulation (EC) No 2560/2001 <sup>(3)</sup>,
- having regard to the Commission Green Paper of 11 January 2012 entitled 'Towards an integrated European market for card, internet and mobile payments' (COM(2011)0941),
- having regard to the 'Report on Good Practices on Comparison Websites' of 2014 by the European Insurance and Occupational Pensions Authority,
- having regard to the opinion addressed to the EU institutions in April 2016 by the European Insurance and Occupational Pensions Authority on 'A Common Framework for Risk Assessment and Transparency for IORPs',
- having regard to Directive 2014/17/EU of the European Parliament and of the Council of 4 February 2014 on credit agreements for consumers relating to residential immovable property and amending Directives 2008/48/EC and 2013/36/EU and Regulation (EU) No 1093/2010 <sup>(4)</sup> (the Mortgage Credit Directive),
- having regard to 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 <sup>(5)</sup>,
- having regard to Regulation (EU) No 910/2014 of the European Parliament and of the Council of 23 July 2014 on electronic identification and trust services for electronic transactions in the internal market and repealing Directive 1999/93/EC <sup>(6)</sup>,

<sup>(1)</sup> OJ L 133, 22.5.2008, p. 66.

<sup>(2)</sup> OJ L 263, 7.10.2009, p. 11.

<sup>(3)</sup> OJ L 266, 9.10.2009, p. 11.

<sup>(4)</sup> OJ L 60, 28.2.2014, p. 34.

<sup>(5)</sup> OJ L 173, 12.6.2014, p. 349.

<sup>(6)</sup> OJ L 257, 28.8.2014, p. 73.

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- having regard to Directive 2014/92/EU of the European Parliament and of the Council of 23 July 2014 on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features <sup>(1)</sup> (the Payments Account Directive),
- having regard to the Commission report of 8 August 2014 on the operation of the European Supervisory Authorities (ESAs) and the European System of Financial Supervision (ESFS) (COM(2014)0509),
- having regard to Regulation (EU) 2015/751 of the European Parliament and of the Council of 29 April 2015 on interchange fees for card-based payment transactions <sup>(2)</sup>,
- having regard to Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC <sup>(3)</sup>,
- having regard to Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution <sup>(4)</sup> (the Insurance Distribution Directive),
- having regard to the Commission Green Paper of 10 December 2015 on 'Retail financial services: better products, more choice, and greater opportunities for consumers and businesses' (COM(2015)0630),
- having regard to the response by the European Banking Authority of 21 March 2016 to the Commission Green Paper on retail financial services,
- having regards to the Special Eurobarometer 446 of July 2016 on Financial Products and Services,
- having regard to its resolution of 22 November 2016 on the Green Paper on Retail Financial Services <sup>(5)</sup>,
- having regard to the report of 2016 by Better Finance entitled 'Pension Savings: The Real Return',
- having regard to its resolution of 17 May 2017 on 'FinTech: the influence of technology on the future of the financial sector' <sup>(6)</sup>,
- having regard to the Commission consultation document of 21 March 2017 on the review of the ESAs,
- having regard to the Commission Action Plan of 23 March 2017 entitled 'Consumer Financial Services Action Plan: Better Products, More Choice' (COM(2017)0139),
- having regard to the UK Financial Conduct Authority's Asset Management Market Study of June 2017,
- having regard to Protocol No 1 on the role of national parliaments in the European Union,
- having regard to Protocol No 2 on the application of the principles of subsidiarity and proportionality,
- having regard to Rule 52 of its Rules of Procedure,

<sup>(1)</sup> OJ L 257, 28.8.2014, p. 214.

<sup>(2)</sup> OJ L 123, 19.5.2015, p. 1.

<sup>(3)</sup> OJ L 337, 23.12.2015, p. 35.

<sup>(4)</sup> OJ L 26, 2.2.2016, p. 19.

<sup>(5)</sup> Texts adopted, P8\_TA(2016)0434.

<sup>(6)</sup> Texts adopted, P8\_TA(2017)0211.

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- having regard to the report of the Committee on Economic and Monetary Affairs and the opinion of the Committee on the Internal Market and Consumer Protection (A8-0326/2017),
- A. whereas the EU market in retail financial services remains rather underdeveloped and highly fragmented, while work is ongoing in different Member States; whereas, therefore, urgent and efficient action is needed to facilitate innovation that is beneficial to end-users while releasing the full potential of the single market in retail financial services, and that would boost competitiveness, lowering prices and increasing the choice and diversity of products;
- B. whereas we should remain ambitious as regards breaking down national barriers and curbing the existing tendencies that block innovation in retail financial services; calls on the Commission and the Council to be more ambitious in the area of cross-border retail investments under the capital markets union (CMU), by tackling not just the easier issues but also the most important barriers affecting this market, which include language, concerns over fraud or crime, uncertainty about the tax implications, differences in securities and corporate law, unknown redress and insolvency proceedings, and lack of confidence in consumer protection frameworks;
- C. whereas a European retail financial services market would only be viable if it represented real added value for consumers and financial services providers by ensuring effective competition and consumer protection, notably in relation to products that are necessary for participation in economic life and for vulnerable consumers;
- D. whereas the Special Eurobarometer 446 concludes that, when it comes to financial products or services, Europeans are still purchasing mostly in their own country and often do not even express a need or desire to have access to these services abroad, although some actual barriers are also preventing them from doing so; whereas even within their own Member State, only a small proportion seek out more attractive offers and change their providers; whereas the resulting lack of (cross-border) competition may prevent consumers and small investors from getting the best deal in the financial products and services they purchase;
- E. whereas the definition of FinTech is set out in Parliament's resolution of 17 May 2017, which states that FinTech should be understood as finance enabled by or provided via new technologies, affecting the whole financial sector in all its components, from banking to insurance, pension funds, investment advice, payment services and market infrastructures; whereas applying technologies to the provision of retail financial services can potentially help overcome certain obstacles to the internal market and enhance the sector's operational efficiency; whereas digitalisation is not sufficient on its own to overcome these obstacles; whereas closer integration of cross-border retail financial services and better information in respect of the opportunities this market offers can help bolster informed demand which raises the bar in terms of quality standards in this field;
1. Notes that in the Commission's Consumer Financial Services Action Plan some of the concerns are taken on board that were raised by Parliament in its report on the Green Paper on retail financial services, with the aim of ensuring consumer protection in the context of striving towards a robust technology-enabled single market for retail financial services, while protecting consumers, encouraging competition, guaranteeing data protection, lowering prices and fighting tax fraud, tax evasion, tax avoidance and money laundering; believes, nevertheless, that the Action Plan falls short of the ambition to create a regulatory environment conducive to transparency, growth and innovation and with a high level of trust on the part of businesses and consumers in retail financial products; notes the continued high levels and opacity of fees and commissions in relation to private pensions, investment funds and other retail products that significantly reduce the real returns to retail investors; shares, however, the Commission's view that the transposition and implementation of legislative acts that have been drawn up in recent years in the area of financial services, including MiFID 2 and IDD, should be maintained and given priority, while new legislative initiatives should be presented if needed;

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2. Welcomes the development of new financial services and institutions contributing to competition on financial markets and to new opportunities for consumers; notes, however, that in 2016 FinTech funding in Europe accounted for only USD 2,2 billion, as compared to USD 12,8 billion in the US and USD 8,6 billion in China, which demonstrates the urgent need for a quick mentality shift and an adequate regulatory response to technological developments in order for Europe to become a lead market for innovation; stresses that a genuine single market for retail financial services in which a high level of consumer protection and a level playing field for new market entrants are ensured will make the EU attractive as a hub for innovative financial services and will provide consumers with more and better choice at lower rates; emphasises that although new technologies present regulatory challenges, they also offer great opportunities for innovation that benefit end-users and represent a stimulus for economic growth and jobs;
3. Considers it vital to ensure that financial services of all kinds — including but not limited to the opening of current and savings accounts and the provision of bank cards, consumer loans and mortgages, insurance and sovereign debt — can be provided on a cross-border basis;
4. Considers it to be against the principles of the internal retail financial services market to require customers to be resident in the Member State in which the financial product — including sovereign debt instruments — is offered, or to hold a national identity document issued by that Member State, for the effective provision of the product;
5. Believes that it would be beneficial to facilitate the acquisition of sovereign debt by retail investors;
6. Takes the view, in line with paragraph 135 of its resolution of 14 February 2017 on the annual report on EU competition policy<sup>(1)</sup>, that current and savings accounts should not incur commission for users unless they are linked to specific services;
7. Stresses that access to cash via ATMs is an essential public service that must be provided without any discriminatory or unfair practices and must not, therefore, incur excessive costs;
8. Reminds the Commission that financial institutions continue to cancel payment cards if the holder moves to another Member State, and calls for action to be taken in this respect, including by alerting national authorities;
9. Welcomes the fact that the Action Plan aims to tackle a number of important issues and that in some of the areas it sets out specific actions to be taken by the Commission, with a clear timetable;
10. Believes that the Commission should play a more proactive role in using the CMU, while closely involving Parliament as part of the implementation of the Paris agreement to support the growing sustainable and responsible investment (SRI) market by promoting sustainable investments, through the provision of effective and standardised Environmental, Social and Governance (ESG) information by listed companies and financial intermediaries and the adequate reflection of such criteria in investment management systems and disclosure standards; urges the Commission, furthermore, to promote environmental, social and governance (ESG) 'rating services' and a consistent framework for the green bonds market, building on the relevant Commission study and the work of the G20 study group on green finance; asks the Commission to put forward a proposal for the creation of an 'EU savings account' in order to unlock long-term financing and support ecological transition in Europe;
11. Underlines the importance of vital financial centres providing dynamic marketplaces for retail services;

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<sup>(1)</sup> Texts adopted, P8\_TA(2017)0027.

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12. Considers a high level of consumer protection and transparency to be key to the development of a single market in retail financial services; insists, notably, on the need to ensure the protection of vulnerable consumers through the efficient implementation of the Basic Payment Account Directive and that further measures are also required, such as financial education policies; believes that EU and national financial consumer legislation needs to be strengthened and properly enforced and, where necessary, further harmonised across all Member States;

13. Calls on the Commission to ensure that the 'same service, same risk, same rule, same supervision' principle is applied so that competition is not distorted, in particular with the emergence of new market players; stresses that these rules must not hold back innovation; urges the Commission to clarify the use of general good provisions which currently could be vicariously used by Member States to block new products entering their market, and to empower the ESAs to become an active mediator between Member States when there are conflicting interpretations regarding the use of such provisions;

14. Stresses that a European retail financial services market must benefit SMEs in terms of both supply and demand; specifies that in terms of supply this means ensuring an improvement in access to financing for SMEs, while in terms of demand it means enabling SMEs to access cross-border markets more easily; emphasises that increasing competition must not penalise SMEs providing retail financial services which operate on a local basis;

15. Urges the Commission to ensure that the European financial supervisors (EBA, ESMA and EIOPA) are provided with appropriate resources and empowered to perform their full range of regulatory and supervisory duties in the interests of consumer protection;

16. Asks the Commission to investigate the possibility of introducing a 29th regime for retail financial products; calls on the Commission, furthermore, to look into the possibility of creating a harmonised legal framework for standardised default options for the most commonly used EU financial products, along the lines of the Basic Bank Account and PEPP model;

#### ***Action 1 — Lower charges on non-euro transactions***

17. Recalls that fees for cross-border payments outside of the euro area still remain high; calls, therefore, on the Commission to rapidly propose an amendment to Regulation (EC) No 924/2009 in order to reduce charges for cross-border transactions in all Member States; regrets, in this context, the lack of a common European online banking payments instrument, such as an EU-wide, European-owned credit or debit card;

#### ***Action 2 — Transparency in currency conversion***

18. Emphasises that enforcing the current legislation is central to tackling the lack of transparency in 'dynamic currency conversion'; points out that Directive (EU) 2015/2366 lays down an obligation for merchants to clearly highlight and present the final cost of the dynamic currency conversion for consumers, including when those consumers are making ATM withdrawals involving currency conversion; stresses, however, that consumers must be able to choose the best rates and should be aware of fees and additional costs when making transactions, payments abroad or ATM withdrawals, including when using dynamic currency conversion; asks the Commission to ensure that providers disclose any exchange rate mark-up, as a charge as part of the costs and charges disclosure required under PSD2, and that the rates offered by different financial services providers are presented in a transparent manner; notes that enhanced financial literacy of consumers is vital for achieving this aim; recommends the carrying-out of 'mystery shopping' exercises at EU level, with a view to assessing and reporting publicly on barriers to cross-border access, quality of service and compliance with EU law and to monitoring developments in products and services;

#### ***Action 3 — Easier product switching***

19. Draws attention to the low switching levels of consumers for most banking and non-life insurance products, which constitute a barrier to entering retail cross-border markets, and therefore encourages the Commission to make it easier for consumers to switch to more advantageous retail financial services across the EU as well as to terminate financial contracts, and to make loans and other financial products available across borders; highlights the large potential for the provision of cross-border insurance products, such as motor insurance; notes, however, that the principle of contractual freedom allows

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financial institutions to decide with whom they enter into a contract; urges the Commission, in this context, to recognise the importance of controlling predatory lending and payday loans, which have resulted in the exploitation of vulnerable consumers and SMEs;

20. Approves of the Commission's ambition to incorporate the achievements of the Payment Accounts Directive so as to make it easier to change financial services providers and products; calls on the Commission to present legislative initiatives, designed specifically for the financial sector, to end unjustified geo-blocking in order to facilitate switching by customers to more advantageous retail financial services in other Member States; notes that adequate disclosure and consumer protection will be key in achieving this;

#### **Action 4 — Quality comparison websites**

21. Stresses the usefulness of a well-structured and easy-to-use EU comparison portal covering the European retail financial markets in their entirety; encourages the Commission to examine the range of existing independent portals in place in Member States for this aim; emphasises that comparison tools must be accurate and of relevance to consumers, and must focus not only on the price of products but also on their quality, taking into consideration other criteria such as availability of branch networks, face-to-face contact and sustainability of business practices, and bearing in mind that only similar products can be compared; points out that products should be compared only with similar products so as to avoid confusing consumers;

22. Urges the Commission to promote tools such as Points of Single Contact, which will enhance competition and assist retail financial services firms;

#### **Action 5 — Better motor insurance**

23. Takes the view that subsequently to the Commission's REFIT review of the Motor Insurance Directive, amendments to the directive will be vital to ensure compensation for traffic accident victims and to facilitate the cross-border portability and recognition of no-claims bonuses, also in light of the CJEU judgments to the effect that the scope of the Motor Insurance Directive should be revised as soon as possible in order to address the non-recognition of no-claims bonuses and ensure that it applies to the circumstances that were intended by the co-legislators;

#### **Action 6 — Transparent pricing of car rentals**

24. Calls on the Commission to examine whether further initiatives are needed on car rentals selling insurance, with a view to ensuring transparent pricing covering all car rental companies across all Member States;

#### **Action 7 — Deeper single market for consumer credit**

25. Stresses that addressing consumer over-indebtedness must be given priority if the Commission aims to explore ways of facilitating cross-border access to loans; calls for action on means of coordinating debt information, on a basis of full compliance with EU law, including data protection laws and consumer protection laws, so that individual creditors can know how indebted a customer is before extending more credit, leading to a more efficient market in which credit providers can compete against each other; calls, with that aim in mind, for a comprehensive evaluation of the causes of consumer over-indebtedness; points out that financial education is an effective means of protecting consumers who are at risk of over-indebtedness; urges the Commission, consequently, to promote financial education and foster multi-stakeholder collaboration in this important field; recalls, in the context of the increased use of customer data or big data by financial institutions, the provisions of the General Data Protection Regulation (GDPR), which grant the data subject the right to obtain an explanation of a decision reached by automated processing and to challenge this decision; stresses the need to

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guarantee that incorrect data can be changed and that only verifiable and relevant data are used; calls on all stakeholders to increase efforts to guarantee the enforcement of these rights; is of the opinion that consent given to the use of personal data needs to be dynamic and that data subjects must be able to alter and adapt their consent;

#### **Action 8 — Fair consumer protection rules**

26. Asks the Commission to assess carefully whether national consumer protection rules and practices do not act as unfair barriers to cross-border investment and whether, in line with well-established internal market legislation and case-law, they are justified by overriding reasons relating to the public interest that are necessary and proportionate in view of the objectives to be attained; stresses that the relevant European consumer protection rules often deliberately leave some leeway for national transposition, to enable European law to be inserted into existing national regulations; underlines nevertheless that the dismantling of national barriers must not be achieved to the detriment of consumer protection and that consumer protection should remain a guiding priority in designing legislation; is concerned that much of the paperwork produced in response to EU legislation from providers of retail financial products and services is not in fact strictly required in law and is of little or no practical benefit to consumers while imposing a burden that can result in unnecessarily higher costs to those consumers; calls on the Commission to review such documentation with the aim of streamlining it while not sacrificing consumer protection benefits; stresses that access to relevant and comprehensible information is crucial in enabling the consumer to take informed financial decisions; notes, however, that it is the quality and not the quantity of the information provided which is decisive; stresses the need to coordinate as effectively as possible the information requirements vis-à-vis customers laid down in various European legal acts; emphasises that double or contradictory disclosure requirements must be avoided, in order not to create unnecessary red tape and expenditure and not to confuse clients;

27. Calls on the Commission to consider omnibus legislation in order to move away from the current silo-based patchwork of MiFID, IDD, AIFMD, etc., and towards the completion of a solid and consistent consumer transparency framework, removing unnecessary complexity for financial service providers, including supervisory convergence between Member States; calls on the Commission to promote an extended use in sectoral legislation of the ESAs' consumer protection mandate and to take this into account in the framework of the upcoming review of the funding and governance of the ESAs; calls on the Commission to mandate the ESAs to lead the work on convergence of conduct-of-business supervision practices between Member States;

28. Welcomes the Commission's intention to prepare a campaign to raise awareness of FIN-NET, a network that helps consumers enforce their rights without having to go to court by finding a competent alternative dispute resolution (ADR) body; believes that FIN-NET should further improve its coverage, clarify its role and improve its website;

#### **Action 9 — Better creditworthiness assessments**

29. Invites the Commission to propose harmonised cross-border creditworthiness assessment standards and principles in order to better mitigate the risk of increasing over-indebtedness when facilitating pan-European online credit, taking the conclusions of published reports on the implementation of the Mortgage Credit Directive and the Consumer Credit Directive thoroughly into account;

#### **Action 10 — FinTech for retail financial services**

30. Recognises the right of consumers to use software to initiate payments and share information about themselves;

31. Supports the Commission's intention to present an all-inclusive FinTech Action Plan in the framework of its CMU and digital single market (DSM) strategies, thus contributing to an effective and well-functioning integrated technology-driven single market in financial services benefiting all European end-users, while at the same time ensuring a level playing field; supports the Commission's creation of a FinTech task force; points out that the new landscape emerging from the

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development of FinTechs calls for the establishment of a variety of appropriate new safeguards such as, inter alia, education of consumers regarding new products or rules on anti-money laundering and leverage on FinTech credit platforms;

32. Calls on the Commission to examine its resolution on 'FinTech: the influence of technology on the future of the financial sector', to promote consumer protection, security, innovation and fair competition, and to ensure that the principle of 'same services, same risks, same rules, same supervision' applies to all companies regardless of their sector or location; stresses that FinTech should be understood as finance enabled by or provided via new technologies affecting the whole financial sector in all its components, from banking to insurance, pension funds, investment advice, payment services and market infrastructures;

33. Urges the Commission to create an environment that is conducive to innovative solutions; notes that innovative companies such as FinTechs provide the competition needed to create an effective retail financial services market;

34. Underlines that different new financial institutions under the name of FinTech have the same responsibilities towards customers and for financial stability as other corresponding traditional institutions and services;

#### **Action 11 — Digital identity checks**

35. Stresses the potential of e-signature and e-identification for easier transactions, and calls on the Commission to build on the work of the eIDAS Regulation; underlines the need to take into consideration persons unable or unwilling to use e-signature or e-identification; promotes the interoperability of cross-border e-identification in the financial services sector and calls for a level playing field across Member States (and possibly beyond, in EEA countries and Switzerland) to be ensured; asks the Commission, furthermore, to urgently assess the current regulatory barriers to e-identification techniques, and stresses that any initiative taken should be technologically neutral;

36. Reiterates the need for the Commission to identify and remove regulatory barriers to the use of pan-European electronic signature systems for subscribing to financial services, thereby facilitating EU-wide cross-border digital onboarding while not affecting the level of security of existing systems or their ability to comply with the requirements of the Fourth Anti-Money Laundering Directive;

#### **Action 12 — Online selling of financial services**

37. Stresses the need to adapt the existing EU legal framework for the digital world in order to counteract consumer protection risks connected with distance online selling, thereby creating new business opportunities for European start-ups and FinTechs; points out the consumer risks associated with online gambling games disguised as financial products, i.e. binary options; believes that a strong and harmonised European supervision is needed to protect consumers and avoid regulatory loopholes; stresses that European consumer protection standards apply irrespective of whether selling takes place via traditional or modern distribution channels;

38. Underlines the importance of cybersecurity and regrets the fact that the Commission does not address cybersecurity issues in its Action Plan; calls on the Commission, therefore, to ensure that those issues are included in the work of its task force;

39. Stresses the need to maintain the provision of high street banks, which provide an essential public service and are of particular benefit to SMEs, the elderly and vulnerable consumers, who are less likely to use e-banking and favour face-to-face interaction; recognises that branch closures degrade financial infrastructure at a local level and can be extremely damaging to communities;

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40. Notes that the increased use of customer data or big data by financial institutions may lead to benefits to consumers, such as the development of more tailored, segmented and cheaper offers based on more efficient allocation of risk and capital; is concerned, on the other hand, at the development of dynamic pricing and its potential to lead to worse outcomes for consumers with respect to comparability of offers, and hence also for effective competition and risk pooling and mutualisation in the credit and insurance sector;

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41. Instructs its President to forward this resolution to the Council and the Commission.

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