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Retail Financial Services in the Single Market

P6_TA(2008)0261

European Parliament resolution of 5 June 2008 on the Green Paper on retail financial services in the single market (2007/2287(INI))

(2009/C 285 E/10)

The European Parliament,

- having regard to the Commission Green Paper on Retail Financial Services in the Single Market (COM(2007)0226),
- having regard to the Commission Communication on the Sector Inquiry under Article 17 of Regulation (EC) No 1/2003 on retail banking (Final Report) (COM(2007)0033),
- having regard to the Commission Communication on the Sector Inquiry under Article 17 of Regulation (EC) No 1/2003 on business insurance (Final Report) (COM(2007)0556),
- having regard to the Commission Communication on A single market for 21st century Europe (COM(2007)0724), and, in particular, the accompanying working document by Commission staff on Initiatives in the area of retail financial services (SEC(2007)1520),
- having regard to Commission Regulation (EC) No 358/2003 of 27 February 2003 on the application of Article 81(3) of the Treaty to certain categories of agreements, decisions and concerted practices in the insurance sector ⁽¹⁾,
- having regard to its position at second reading of 16 January 2008 on the common position adopted by the Council with a view to the adoption of a directive of the European Parliament and of the Council on credit agreements for consumers and repealing Council Directive 87/102/EEC ⁽²⁾,
- having regard to its resolution of 12 December 2007 on European contract law ⁽³⁾,
- having regard to its resolution of 11 July 2007 on financial services policy (2005-2010) — White Paper ⁽⁴⁾,
- having regard to its resolution of 4 July 2006 on further consolidation in the financial services industry ⁽⁵⁾,
- having regard to Rule 45 of its Rules of Procedure,
- 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 (A6-0187/2008),

⁽¹⁾ OJ L 53, 28.2.2003, p. 8.

⁽²⁾ Texts Adopted, P6_TA(2008)0011.

⁽³⁾ Texts Adopted, P6_TA(2007)0615.

⁽⁴⁾ Texts Adopted, P6_TA(2007)0338.

⁽⁵⁾ OJ C 303 E, 13.12.2006, p. 110.

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- A. whereas citizens' assent to European integration depends on the tangible benefits that they derive from it; whereas all citizens must therefore share fairly the benefits of the internal market,
- B. whereas retail banking plays a decisive role in the proper transmission of monetary policy conditions to the market, in particular to consumers and small and medium-sized businesses (SMEs),
- C. whereas under the Treaty of Lisbon, the European economic model is a sustainable social market economy,
- D. whereas in recent years the integration of the internal market in financial services has made encouragingly rapid progress as regards large businesses, but the internal market in financial services for consumers and SMEs still has room for improvement,

In general

1. Welcomes the Green Paper, which covers banking, insurance and pension products, and its aims to deliver tangible benefits for consumers by securing greater choice and lower prices, enhancing their confidence and empowering them;
2. Notes that not only consumers but also SMEs are less inclined to take up cross-border financial services; underlines the need to ensure that the advantages of the internal market for financial services also benefit small businesses; points out, however, that this does not imply extending consumer protection law to SMEs; underlines, furthermore, that a comprehensive retail strategy includes a wide range of measures, consumer protection law being only one of the relevant areas;
3. Considers that, especially on the demand side, the provision of financial services to consumers and SMEs is, to a large extent, local, due to linguistic and cultural factors and people's preference for personal contact; recognises, at the same time, the opportunities presented by facilitating retail market access on the supply side; encourages consumers and SMEs, therefore, to take advantage of the gains in competition and supply that cross-border financial services can offer;
4. Emphasises that the internal market for retail financial services can be created only by measures that provide a secure environment for both the demand and the supply side, including as regards the conditions for redress; considers it crucial that such measures should open the way for new products, services and market actors;
5. Emphasises the need to examine and define a framework and national mandates for cooperation among national supervisory authorities to provide practical solutions for supervision of cross-border retail financial groups within a short time frame; favours colleges of supervisors dealing with multi-jurisdictional financial conglomerates;

Better regulation

6. Supports the Commission in its aim only to pursue initiatives that demonstrably offer citizens tangible benefits, are soundly justified by thorough cost-benefit analyses and have been subject to well-conducted impact studies; agrees that cross-border activity is crucial to increase competition, which usually creates more choice, lower costs and more dynamic development;
7. Points out that a well-conducted impact study must always include a component correctly ascertaining the original market conditions; emphasises that the integration and competitiveness of a market and the impact of an initiative should be assessed not by means of a single indicator alone but on the basis of the largest possible number of measurements; calls on the Commission to take account not only of the price and range of choice on offer but also of the quality of services and the social and cultural context;

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8. Notes that of the legislative approaches currently available, targeted full harmonisation, which implies full harmonisation of those key elements that are deemed essential, is the appropriate approach for the development of cross-border business and consumer protection, and thus the integration of the retail market; considers that for those elements where harmonisation is not feasible, mutual recognition of different national rules should apply;

9. Is aware that the notion of a 28th regime, such as the common frame of reference, has been raised as a possible new approach to European regulation, to enable cross-border users access to pan-European financial products with a uniformly high consumer protection standard; calls on the Commission to put forward a time-frame for a thorough investigation into whether a 28th regime may be feasible, in the event of demand on the part of the financial services industry or consumers, and in the event that it could produce positive results; stresses that, in any event, a 28th regime should form no obstacle to new services and products;

10. Is critical regarding the idea of the standardisation of products by means of legislation, if this undermines the aim of greater product diversity; considers that in order to improve comparability of competing financial products, legal harmonisation, for example of information or prudential requirements, is the way forward;

11. Considers that in some cases, self-regulation of the financial services industry can be effective; emphasises that, in particular in those specific cases, self-regulation should be encouraged and its implementation thoroughly monitored; calls on the financial services industry to work steadily towards the aims of the Green Paper by self-regulation and thus reduce the need for legislation;

12. Points out that a particular duty of care needs to apply to the marketing of savings and old-age pension products, as the decisions that consumers take in that regard are normally decisions of great importance to them;

More choice and lower prices for consumers and SMEs

13. Stresses that, for the creation of an internal market for financial services for consumers and SMEs, the establishment of Community-wide competition and cross-border provision of financial services are among the basic preconditions; points out that lower prices, more choice and greater quality are what mainly follow from healthy competition between financial services providers; stresses that financial services directives favouring SMEs bring benefits only if there is effective competition between retail financial service providers;

14. Welcomes the initiative of the payments industry to create the Single Euro Payments Area, but emphasises that such a system should lead to greater transparency, especially concerning interchange fees;

15. Reminds the Commission that effective competition between financial service providers is secured by having a large number of market participants competing under equal conditions and a constant flow of consumer-relevant information; draws attention to its resolution on consolidation in the financial services industry, in which it states that the pluralistic structure of the EU banking market, where financial institutions take diverse legal forms in accordance with their diverse business aims, is an asset to the European social market economy, consumers and the stability of the financial markets;

16. Notes the important role that mutual insurers play in the EU insurance market, with 68 % of insurance companies with a 25 % market share, serving more than 230 million European citizens; stresses that current tools to develop business in the internal market are not compatible with the mutual corporate structure;

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17. Points out that a statute for a European mutual society would allow mutual insurers to operate at the same level as other insurance undertakings, in particular in a cross-border situation, thus increasing the offer of insurance products; emphasises that mutual organisations, because of their governance, which directly involves their customers, contribute to increased overall consumer confidence in the EU financial markets; strongly believes that the participative design of governance of mutual organisations is capable of increasing customer awareness of and participation in the financial markets;

18. Notes that real and fair competition can arise only on a level playing field; concludes that any legislation must follow the principle 'same business, same risks, same rules'; points out, however, that in the financial services sector, product design is particularly influenced by the regulatory environment and an undifferentiated 'one-size-fits-all' approach would adversely affect product diversity; stresses, thus, the importance of differentiating according to the type of product; is convinced, however, that comparable transparency and disclosure requirements for competing investment products, are needed, in particular, at the point of sale; regrets that, so far, the issue of complex financial products has not been properly addressed; calls upon the Commission, therefore, to address unjustified inconsistencies and other shortcomings of the regulatory framework concerned;

19. Urges the Commission to present proposals to streamline regulatory requirements with respect to the distribution and organisation of comparable retail products and information thereon; is of the opinion further that such proposals should be based upon the principles laid down in Directive 2004/39/EC ⁽¹⁾ of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments such as those of 'best advice' and 'know your customer';

20. Regrets that cross-border providers of financial services incur high costs and suffer from legal uncertainty as a result of differing legal provisions and practices of national supervisory authorities; calls on the Lamfalussy committees to step up their work establishing uniform EU standards; advocates, in particular, agreement on simple and practical standard forms for reporting and approval procedures;

21. Considers that the development of Internet services changes the prospects for EU financial markets and presents an opportunity to take the lead in the development of retail services; calls on the Commission and the Member States to promote e-commerce and the electronic signature further; calls on the Commission and the Member States, moreover, to assess whether the money laundering directive ⁽²⁾ is hindering the remote provision of services and how such a situation might be remedied;

22. Recognises the great importance of financial service intermediaries (agents and brokers), in providing financial services from other Member States to consumers and SMEs; calls on the Commission to ensure a framework that will strengthen that industrial sector; reiterates that any framework for that sector must follow the principle 'same business, same risks, same rules', while avoiding an ill-adapted 'one-size-fits-all' approach; stresses that any provision for intermediaries must ensure legal certainty for agents and brokers, as well as the protection of consumers, for example from dubious sales practices; emphasises, furthermore, that rules should also be established for the training of financial services intermediaries and advertising and sales consultancies;

23. Recalls the importance of developing financial education as a complement to adequate consumer protection; calls on the Member States and all the stakeholders to take and coordinate measures to raise financial literacy among citizens — including children, young people, employees and retired people — with a view to empowering and educating consumers to seek better, cheaper and more appropriate products and services, enhance competition, quality and innovation within the industry, and build up financially literate consumer organisations able to counterbalance the role of business, in the process of preparing regulation; recalls that citizens who are confident investors can provide additional liquidity to capital markets;

⁽¹⁾ OJ L 145, 30.4.2004, p. 1.

⁽²⁾ Directive 2005/60/EC of 26 October 2005 of the European Parliament and of the Council on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing (OJ L 309, 25.11.2005, p. 15).

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24. Points out that differences in tax law constitute one of the greatest obstacles to the internal market for finance services; reminds the Member States of their great responsibility in this area;

25. Drawing lessons from certain recent cases of turmoil in the retail banking sector, such as the cases involving Northern Rock, IKB, Sachsen LB and Société Générale, recognises that remuneration systems in banks should be reshaped on the basis of long-term objectives and guidelines by supervisory authorities in order to combat more efficiently the moral hazard phenomenon and strengthen the role of prudent risk management systems;

Banking

26. Emphatically draws attention to the importance of enabling credit institutions and credit data agencies to have non-discriminatory cross-border access to credit data and fraud-data registers; encourages banks to use the information on credit data available, especially in order to facilitate client mobility, which would in turn encourage healthy competition; stresses, however, that, at the same time, optimal protection of consumer data must be guaranteed as well as consumers' right to inspect and, if necessary, correct their personal data;

27. Urges the Commission to clarify the legal status and supervisory framework of non-banking consumer credit providers such as those that are accessible only through the Internet and/or by text message;

28. Stresses the importance of reliable data for granting bank loans, which should be made available on the basis of fair, transparent criteria;

Insurance

29. Urges the Commission to support cooperation in the insurance industry on promoting market access; calls on the Commission to extend Regulation (EC) No 358/2003 beyond 2010;

30. Considers that abolishing the requirement to appoint a fiscal representative when taking up activities in another Member State should take place only once the legal framework defining supervisory competences and responsibilities of cross-border operations is in place;

31. Supports the Commission in its endeavours to scrutinise all national legally binding provisions of general interest for their compliance with Community law;

32. Calls on the Commission to resume its work on a statute for a European mutual society by initiating a feasibility study for that legislative project;

Enhancing consumer confidence and empowering consumers

33. Emphasises that, while calling for Community law on retail financial services, always to aim for very high standards of consumer protection, all market operators — including consumers and investors — need to be fully aware of the basic financial market principle that any opportunity for a higher return is reflected by a higher risk, and that risk is an indispensable element of any functioning financial market; stresses, further, that a good compromise between a high level of consumer protection and flawlessly functioning internal market mechanisms should be sought; takes the view that the Commission should encourage national initiatives which impart an understanding of finance, in order to ensure an accurate grasp of the 'risk-return' principle and the specific characteristics of financial instruments;

34. Recognises that although retail financial demand today is primarily domestic, Internet and e-banking have become key instruments for consumers wishing to undertake cross-border retail financial activities; calls, therefore, upon all stakeholders to promote the development of such services, while ensuring, at the same time, the security of electronic correspondence, particularly in relation to consumers;

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35. Stresses, however, that consumers who do not have access to these technologies or who find them difficult to use, for example because of their age, should not be forgotten;
36. Is of the opinion that the simplification of financial service regulations and the dismantling of barriers to customer mobility should not lead to lower standards of consumer protection in the Member States;
37. Recalls its resolution of 11 July 2007, in particular the recommendation contained therein for the creation of a European budget line to finance financial market expertise in consumer and SME organisations;
38. Agrees that consumers who wish to change financial service provider must be free to do so at any time, subject only to minimum legal barriers and costs, and that contract clauses governing such a change of provider must be drafted in transparent, easily comprehensible language and be explicitly brought to the attention of consumers;
39. Supports the Commission's initiatives to raise the level of financial literacy and realises the need for information to do so, but, at the same time, recognises the tension between preventing information overload and providing consumers with sufficient information; favours quality over quantity; calls on the Commission, therefore, to invite consumer organisations to determine which information they deem to be essential to allow consumers to make appropriate choices; underlines that a clear distinction should be drawn between information and advice;
40. Emphasises that consumers need confidence and proper knowledge to select the right financial product; emphasises, further, that coordinated efforts at national and European level are therefore needed to improve levels of financial literacy in all Member States;
41. Requests that consumers should have access to out-of-court alternative dispute resolution (ADR) mechanisms to resolve disputes on retail financial services issues both at national and cross-border level; calls on the Commission to promote best-practices for ADR;
42. Calls on Member States to promote consumer awareness and knowledge of the financial dispute resolution network of national out-of-court complaint schemes in the European Economic Area countries (FIN-NET); underlines that FIN-NET should play a key role in coordinating public information in all Member States on access to redress and ADR mechanisms, particularly in relation to cross-border financial services;
43. Recalls the fact that conventional court litigation will remain an important dispute resolution mechanism; calls on the Commission, therefore, to examine the effect on cross-border retail financial services of Council Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgements in civil and commercial matters ⁽¹⁾;
44. Supports finding a coherent solution at European level which provides consumers with access to balanced new forms of collective redress for the settlement of cross-border complaints related to retail financial products; suggests evaluating the impact of systems recently established at national level;
45. Stresses the need to ensure access to financial services for all interested parties; urges financial service providers, therefore, to offer at least a credit-based giro account to consumers expressing an interest;

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46. Instructs its President to forward this resolution to the Council, the Commission, the European Central Bank, the Committee of European Banking Supervisors, the Committee of European Insurance and Occupational Pensions Supervisors, and the Committee of European Securities Regulators.

⁽¹⁾ OJ L 12, 16.1.2001, p. 1.