Financial Consumer Protection in the Banking Sector

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Background

- Importance of financial consumer protection
- Basic bank accounts and consumer credit
- Electronic commerce
- Key problems
- Financial exclusion
- Irresponsible lending practices
- Over-indebtedness
- Financial crisis
International framework

• International initiatives to improve financial consumer protection
• OECD Recommendation on Good Practices on Financial Education and Awareness Relating to Credit, 2009
• High-level Principles on Financial Consumer Protection endorsed by the G20 Ministers, 2011
• Revisions of the UN Guidelines for Consumer Protection, 2015
Core objectives

• How can financial consumer protection be strengthened effectively to enhance financial stability and increase consumer welfare?

• Focus on consumer credit regulation and deposit protection

• Exploring different conceptual models to enhance financial consumer protection: e.g. social inclusion of vulnerable consumer, empowerment via the capability concept, and responsible lending
Focus and questions

• Examination of key aspects of consumer protection in banking
• Inclusion: Access to financial services accounts and credit
• Transparency: How much disclosure and which form of consumer information is most effective?
• Knowledge: Financial education and literacy
• Sustainability: Responsible lending, fairness and avoidance of over-indebtedness
• Redress: Compliance and enforcement
Methodology and outcome

• Comparative and empirical research methods
• Comparison of regulatory solutions in four national and regional legal systems
• Designing a questionnaire:
  ➢ to assess the current state of financial consumer protection,
  ➢ identify key consumer challenges and regulatory gaps,
  ➢ examine best practices
• Proposal of a mix of regulatory instruments and best practices to promote a coherent approach to financial consumer protection
Countries and region

- South Africa
- Peru
- Indonesia
- EU
Project plan

• **Phase 1:** Mapping the international and national legal frameworks of particular countries on financial consumer protection in the banking sector

• **Phase 2:** Analysis of different concepts that might help to understand and improve financial consumer protection, including responsible lending, financial inclusion and capability

• **Phase 3:** Drafting a questionnaire on financial inclusion, responsible lending practices and financial capability

• **Phase 4:** Evaluation and comparison of the legal and empirical study

• **Phase 5:** Formulation of recommendations to strengthen financial consumer protection in the banking sector
Thank you

Comments or questions?