Intergovernmental Group of Experts on Consumer Law and Policy

(IGE Consumer)

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Agenda Item 3a. Consumer protection in financial services

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The Central Bank of Portugal is the conduct supervisor in charge of retail banking products and services: deposits, credit and payment services.

The financial consumer protection mandate assigned to the Central Bank of Portugal, in 2008, is carried out by the Banking Conduct Supervision Department, making use of rule-making, oversight and enforcement powers.
Why is Financial Consumer Protection important?

The financial consumer protection framework aims to foster a more balanced relationship and to reduce information asymmetry between financial service providers and consumers.

**Provision of information to consumers**
- Advertising
- Pre-contractual information
- Contractual information
- Information provided during the lifetime of the contract

**Conduct duties on credit institutions**
- Technical competence
- Diligence
- Neutrality
- Loyalty
- Discretion
- Scrupulous regard of consumers’ interests based on a legal and regulatory framework
The financial crisis and the increased access to diversified and innovative retail banking products and services, including through digital channels, requires a more comprehensive and intrusive financial consumer protection approach.
The need to act on the supply and demand sides

Financial consumer protection needs to also focus on the demand side – consumers – to promote financial inclusion, financial information and education.
NEW CHALLENGES
FINANCIAL CONSUMER PROTECTION
IN THE DIGITAL ERA

PROMOTION OF
TECHNOLOGICAL NEUTRALITY AND
MARKET INTEGRITY MUST GO HAND-IN-HAND
WITH DIGITAL FINANCIAL LITERACY
The Central Bank of Portugal’s Strategy

Main Pillars of the Financial Consumer Protection

- Regulation
- Oversight
- Financial Inclusion and Literacy

Banking Consumer Protection
Financial Stability
Inclusive Economic Growth
In Portugal, bank customers benefit from a very comprehensive legal framework, which has been developed based on initiatives from the European Union (EU) and the national authorities.
The Central Bank of Portugal is highly involved in the **international financial consumer protection fora** with a **regulatory mandate**, participating in the EU discussions: **Directives** and **Regulations** and **EBA Guidelines** and **Acts**...
...and participating in the G20 discussions as founding member of the G20/OECD Task-Force on Financial Consumer Protection and as non-G20 Member Country of the G20/GPFI...

Took part in the development of the **2011 G20 High-level Principles on FCP**

The national framework is compliant with the G20 High-level Principles
... and has been highlighted as an example of good practices

“In many cases, as in [...] Portugal, a multi-agency institutional arrangement will prevail in which existing financial sector authorities such as central banks and other authorities with a prudential mandate become responsible for consumer protection for different bank and NBFI sectors.”

“Attention is warranted to the potential conflicts of interest [...] between the consumer protection and the prudential functions [...].

One strategy to achieve these objectives is placing the consumer protection function at the same hierarchical level as prudential supervision and establishing different lines of reporting.

This approach has been observed in many countries, including [...] Portugal [...].”
Money Museum
Central Bank of Portugal
The Central Bank of Portugal oversees credit institutions, and payment and electronic money institutions’ compliance with the applicable legal acts and regulations, following a risk-weighted approach and using a set of different tools.
The Central Bank of Portugal oversees **compliance of advertising campaigns** on banking products and services with the **applicable principles and rules** *(ex post supervision mainly)* ... and monitors the **rate cap regime for consumer credit** (in place since January 2010)

- **Balanced information**
- **Transparency**
- **Accuracy**

**FinCoNet Newsletter (May 2015)**


- Publishes the maximum interest rates for new credit agreements (quarterly)
- Analyses information reported on all new credit agreements concluded in the previous month (monthly)
The Banking Conduct Supervision Department has a dedicated inspection team, which follows a risk-weighted annual programme (flexible enough to accommodate new issues)

- Price lists
- Institutions’ websites
- Apps
- ...

- Information disclosure
- Assistance duties
- Basic bank account system
- ...

- Signed contracts
- IT systems and control mechanisms
- Internal practices and procedures
- ...

OFFSITE

MYSTERY SHOPPING (ONSITE)

HEADQUARTERS (ONSITE)
The Central Bank of Portugal **handles complaints** on all retail banking products and services

Consumers can present complaints:

- Directly to the Central Bank of Portugal (through the Bank Customer Website or written communication)
- By writing in the credit institution’s **Complaints Book**

A **ranking** of institutions with the most complaints is **published** by the Central Bank of Portugal twice a year, acknowledging complaints handling as an important **oversight tool**
Thematic reviews are also used to support and guide the Central Bank of Portugal’s conduct supervision activities.

These thematic reviews are commonly related to:

- Assessment of implementation of legal acts
- Market monitoring
The Central Bank of Portugal is a founding member of FinCoNet and vice-chairs its Governing Council.

**FinCoNet**

- Is an international organisation of supervisory authorities responsible for financial consumer protection.
- Promotes sound market conduct and strong consumer protection through efficient and effective financial market conduct supervision.

[www.finconet.org/](http://www.finconet.org/)
Portugal has been **highlighted as an example of good practices**

“Another supervisory tool more specific to financial consumer protection is **mystery shopping**, which is used by authorities [...] Portugal [...] to identify problems arising during the interactions between providers and consumers.”

“ [...] in Portugal, APR and gross annual nominal rate have to be disclosed. Providers are subject to penalties for making any false or misleading statements. In [...] Portugal [...], sales materials for loans cannot claim loans are “zero interest” or “free” if there are any applicable charges, even if these charges apply only after a certain interest-free period.”

“For the sake of transparency and accountability [...], the Banking Conduct Supervision Department of the Bank of Portugal publishes biannual reports on market conduct supervision, reports on market monitoring and complaints, and even impact evaluation reports on some key regulatory measures.”
The Central Bank of Portugal provides **information to consumers** through the **Bank Customer Website** ...

The website that supports all bank customers

Banco de Portugal ao serviço do país

O portal que apoia todos os clientes bancários

DEPÓSITOS

**The website**

Been renovated in 2017

PAYMENT CARDS

Payment Instruments

ARREARS ON CREDIT

Rights & Duties

www.clientebancario.bportugal.pt/materiais

... and regularly issues **publications** on several subjects related to retail banking products and services (explainers, booklets, leaflets)
The Central Bank of Portugal also actively promotes the Portuguese Basic Bank Account regime

Basic Bank Accounts promote financial inclusion

Consumers may access a range of basic banking services at low cost

Basic bank accounts include the opening of a current account, the holding of a debit card to operate the account, direct debits and domestic intrabank transfers
The Central Bank of Portugal conducts financial literacy initiatives across the country with the support of its network of branches.

The Central Bank of Portugal participates in the Global Money Week.

Training session conducted by the Central Bank of Portugal’s staff.
The Central Bank of Portugal has in place a digital financial literacy strategy, included in its Strategic Plan for 2017-2020, aiming to:

✓ Empower bank clients on digital financial services
✓ Enlighten bank clients on a secure use of digital channels
✓ Raise awareness on digital financial products’ features and risks
The Central Bank of Portugal promotes, since 2011, the Portuguese National Plan for Financial Education with the other financial supervisors (Securities Market Commission and Insurance and Pension Funds Supervisory Authority)

Materials, information, and news and initiatives from all stakeholders are shared every day on the Todos Contam website, the proprietary website for the Portuguese Plan

www.todoscontam.pt

THE NATIONAL PLAN PROPRIETARY WEBSITE
The Central Bank of Portugal is highly involved in the international fora dedicated to financial inclusion and literacy

✓ Founding member of the OECD/INFE and member of its Advisory Board

✓ Collaborates with Alliance for Financial Inclusion on implementing capacity-building programmes with Brazil, Angola, Mozambique, Cape Verde, Guinea Bissau, São Tomé and Principe, East Timor (Portuguese-speaking countries)

✓ Collaborates with Child&Youth Finance International

✓ Cooperates with Center for Latin American Monetary Studies
THANK YOU!

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