



## **Ad hoc Expert Meeting on Financial Consumer Protection**

**Monday, 27 November 2023 (10:00 – 18:00)**

**Palais des Nations, Room XXIII**

Financial services are instrumental for consumers' well-being by providing access to goods and services, receiving salaries and other allowances, and encouraging savings. In 2015, the United Nations General Assembly recognized that "consumer confidence and trust in a well-functioning market for financial services promotes financial stability, growth, efficiency and innovation over the long term and that the recent financial crisis places a renewed focus on consumer protection, calling for effective regulatory, supervisory and enforcement frameworks in the financial sector to contribute to the welfare of consumers"<sup>1</sup>. The United Nations guidelines for consumer protection provide concrete recommendations to protect consumers of financial services, highlighting financial education and literacy.

This meeting will focus on three crucial issues for all consumers: the opportunities and challenges brought by fin-tech, remittances and development, and behavioral insights for financial consumer protection policymaking.

The advent of digitalization has significantly broadened access to financial services, offering more convenient and expeditious solutions for consumers. Nonetheless, this transformation also entails challenges, such as digital illiteracy, particularly among vulnerable and disadvantaged consumers (elderly, migrants, etc.) as well as the prevalence of deceptive and fraudulent practices<sup>2</sup>. Women often face unique barriers that stem from a mix of societal norms, discrimination in financial settings, and a disparity in financial knowledge<sup>3</sup>. These factors foster mistrust towards formal financial institutions, leading to lower engagement with essential financial services and enlarging the gender gap<sup>4</sup>.

Remittances play a crucial role in the income dynamics of households in low and middle-income countries (LMICs). According to the World Bank<sup>5</sup> in 2022 migrants sent home \$800bn, 80% of which were sent to low- and middle-income countries. Remittances empower recipient consumers to bolster their resilience, enabling families to invest in

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<sup>1</sup> [A/RES/70/186](#) and [United Nations Guidelines for Consumer Protection](#)

<sup>2</sup> OECD (2023), "Financial consumers and sustainable finance: Policy implications and approaches", *OECD Business and Finance Policy Papers*, No. 32, OECD Publishing, Paris, <https://doi.org/10.1787/318d0494-en>. Pages 4,5,7, 8, 9. World Bank blog Addressing consumer risks in fintech to maximize its benefits - <https://blogs.worldbank.org/psd/addressing-consumer-risks-fintech-maximize-its-benefits>.

<sup>3</sup> [CGAP \(2021\) Addressing Gender Norms to Increase Financial Inclusion: Designing for Impact](#)

<sup>4</sup> [UNCDF \(2021\) The Role of Consumer Protection in the Digital Economy](#)

<sup>5</sup> [Remittances Grow 5% in 2022, Despite Global Headwinds, The World Bank, November 2022](#)

improved housing and providing a more stable living environment. From the sender's perspective, remittances represent the culmination of their dedicated efforts and labour to provide support to their families in their country. However, remittances are still costly. In the second quarter of 2022, remittance costs remained on average at 6%, doubling the SDG target of 3%. South Asia had the lowest cost at around 4.1%, while Sub-Saharan Africa had the highest at 7.8%. Latin America and the Caribbean saw costs rise from 5.6% to 6%, with Europe, Central Asia, and the Middle East also experiencing increases. Banks were the costliest channel at 11%, followed by post offices at 6.5%.<sup>6</sup> Enhancing consumer protection of sending and receiving consumers is a way to improve the lives of consumers in recipient countries and should be a priority of Governments' policies.

Behavioral economics plays a pivotal role in informing policymaking. By understanding the biases and tendencies that influence how consumers process information and consumers' decision-making, they shape better consumer protection policies and allow policymakers to design consumer friendlier financial products and regulation<sup>7</sup>, contributing to empowering consumers to assert their rights<sup>8</sup>.

**Questions for discussion:**

- How can financial consumer protection and other institutions address challenges posed by digitization, including fraud, data security, and complex financial products, while attending the needs of digitally vulnerable groups?
- How can businesses and policy makers work together to reduce the gender gap in digital literacy and enhance digital financial literacy among women and marginalized communities? What are the major consumer protection issues in the remittances sector today?
- How can policymakers and experts harness the significant impact of remittances, essential for households in low and middle income countries, to craft more effective poverty reduction strategies?
- How can behaviour economics be used to improve consumer protection in financial services?

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<sup>6</sup> [Migration and Development Brief 37, Remittances Brave Global Headwinds , Special Focus: Climate Migration, World Bank Group, November 2022](#)

<sup>7</sup> European Commission - Behavioural research: Behavioural insights help policymakers in the EU understand how consumers process information and make decisions. [https://commission.europa.eu/strategy-and-policy/policies/consumers/consumer-protection-policy/evidence-based-consumer-policy/behavioural-research\\_en](https://commission.europa.eu/strategy-and-policy/policies/consumers/consumer-protection-policy/evidence-based-consumer-policy/behavioural-research_en).

<sup>8</sup> [OECD, Use of Behavioural insights in consumer policy, DSTI/CP \(2016\)/final, Directorate for Science, Technology and Innovation Committee on Consumer Policy.](#)