



# 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
- World Bank, Good Practices for Financial Consumer Protection, 2012
- 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?