

# Action plan on retail financial services

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**PURPOSE:** presenting an action plan that sets out ways to provide European consumers with greater choice and better access to financial services across the EU.

**BACKGROUND:** retail financial services - bank accounts, payment cards, consumer and mortgage credit, insurance and long-term savings products - are an integral part of people's daily lives.

The EU has already taken a number of measures to achieve a single market in consumer financial services. These include providing an EU-wide right of access to basic bank accounts, facilitating cross-border distribution of insurance and mortgage credit, protecting consumers' rights in consumer credit contracts and improving consumer protection rules for investments in securities, mortgage credit, and insurance.

Markets for these services remain fragmented, notwithstanding the high degree of harmonisation that has been achieved over recent years. Only 7% of consumers have purchased a financial service from another EU Member State.

**Innovative on-line services** are transforming the way people use financial services. However, truly harnessing this potential requires a framework and working methods that are fit for a rapidly changing financial services sector.

The Commission presented in December 2015 a [Green Paper on retail financial services](#). This action plan draws the Commission's conclusions from the consultation. It is one of the commitments of the action plan on building a capital markets union, and it tackles many of the issues raised by the European Parliament in its report on the green paper on retail financial services.

**CONTENT:** the **action plan sets out further steps towards a genuine technology-enabled Single Market for retail financial services** where consumers can get the best deals while being well protected.

The Commission has identified **three main strands** to move a step closer to towards a genuine single market for retail financial services:

**(1) Increase consumer trust and empower consumers when buying services at home or from other Member States.**

There are several reasons for the low level of cross-border shopping for financial services, such as: (i) potentially excessive fees; (ii) the nature of products available in other countries; (iii) redress procedures abroad; (iv) opaque terms and conditions (particularly when drafted in a foreign language); (v) territorial restrictions ('geo-blocking', residency requirements).

The Commission intends to:

- propose an amendment to the [Regulation on cross-border payments](#) to reduce charges for cross-border transactions in all Member States;
- review good and bad practices in dynamic currency conversion and, on that basis, consider the most appropriate means to allow consumers to choose the best rate;
- explore further steps to make it **easier for consumers to switch to more advantageous retail financial services**, building on what has already been achieved through the [Payment Accounts Directive](#);
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enhance the **protection of traffic accident victims** and to improve the cross-border recognition of claims history statements (which are used to calculate no-claims bonuses) through the review of the [Motor Insurance Directive](#);

- examine whether further legislative and non-legislative action is needed to extend **transparent practices to the entire car rental market**;
- explore ways of facilitating access to loans across borders whilst ensuring a high level of consumer protection. In this context, the Commission will also consider ways of addressing in a more efficient manner consumer over-indebtedness linked to credit activities.

## **(2) Reduce legal and regulatory obstacles affecting businesses when providing financial services abroad.**

Businesses stressed that they cannot build a business case to provide services abroad due to lack of demand coupled with regulatory uncertainty, i.e. the risks (and costs) of having to comply with another Member State's national legislation which may go beyond EU legal requirements.

Differences between national legal systems, as well as a tendency to add national rules on top of the EU provisions when implementing EU law, can distort competition to the detriment of new entrants, who are confronted with high compliance costs.

It is necessary to facilitate cross-border credit. However, credit providers face difficulties assessing creditworthiness of borrowers from other Member States, due to poor availability and comparability of relevant data in other countries.

The Commission intends to:

- **examine national consumer protection and conduct rules** to assess whether they create unjustified barriers to cross-border business.
- introduce common **creditworthiness assessment standards** and facilitate the exchange of data between credit registers in cross-border creditworthiness assessments.

## **(3) Support the development of an innovative digital world which can overcome some of the existing barriers to the single market.**

Innovative firms regularly express concerns that EU and Member State legislation and supervisory practices limit their ability to innovate and to offer services across borders. At the same time, concerns around payment security and the fear of digital fraud are wide-spread among citizens.

The Commission's role is to create a regulatory and supervisory environment across the EU that supports digital innovation. A major step is the recently adopted [Regulation on electronic identification](#) (eIDAS) which allows the cross-border recognition of electronic identification for public services and trust services across the EU Single Market.

The Commission intends to:

- determine, based on the work of the FinTech Task Force and the public consultation, which actions are required to support the development of FinTech and a technology-driven single market for financial services;
- facilitate the cross-border use of **electronic identification** and know-your-customer portability based on eIDAS to enable banks to identify customers digitally;
- monitor the distance selling market to identify the potential consumer risks and business opportunities in this market and, on that basis, decide on the need to amend distance selling (including disclosure) requirements.

Many of the actions set out in the action plan will need to involve stakeholders such as national supervisory authorities, service providers and consumer organisations.