

Action plan on retail financial services

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The European Parliament adopted by 489 votes to 126 with 64 abstentions, a resolution on the action plan on retail financial services.

The EU retail financial services market remains **undeveloped and extremely fragmented**. As the Special Eurobarometer 446 concluded, **Europeans are still purchasing mostly in their own country** and often do not even express a need or desire to have access to these services abroad, although some actual barriers are also preventing them from doing so.

Promoting the development of an efficient retail financial services market: Parliament stated that **urgent action is needed** to facilitate innovation that is beneficial to end-users while releasing the full potential of the single market in retail financial services.

Although the Commission has taken into account some of the concerns expressed by the European Parliament in its report on the [Green Paper on retail financial services](#), Members considered that **the action plan falls short of the ambition to create a regulatory environment conducive to transparency, growth and innovation** and with a high level of trust on the part of businesses and consumers in retail financial products.

The resolution noted that in 2016 FinTech funding in Europe accounted for only **USD 2.2 billion**, as compared to USD 12.8 billion in the US and USD 8.6 billion in China, which demonstrates the urgent need for an **adequate regulatory response to technological developments** in order for Europe to become a lead market for innovation.

Parliament considered it vital to ensure that **financial services of all kinds** – including but not limited to the opening of current and savings accounts and the provision of bank cards, consumer loans and mortgages, insurance and sovereign debt – can be provided on a cross-border basis.

It felt that it is **contrary to the principles of the internal market for retail financial services** to require customers to be resident in the Member State in which the financial product is offered, or to hold a national identity document issued by that Member State, for the effective provision of the product. In addition, it considers that a **high level of consumer protection** and transparency is essential for the development of a single market for retail financial services.

Recommendations: Parliament makes a number of recommendations to take further steps towards a genuine technology-enabled Single Market for retail financial services:

- propose an amendment to [Regulation \(EC\) No 924/2009](#) of the European Parliament and of the Council on cross-border payments in the Community in order to **reduce charges for cross-border transactions** in all Member States;
- increase **transparency in currency conversion** so that consumers can choose the best rates and be aware of additional costs when making transactions, payments made abroad and ATM withdrawals, including when using dynamic conversion;
- make it easier for consumers to **switch to more affordable retail financial services** across the Union, terminate financial contracts, make loans and other financial products available across borders, including cross-border insurance products, such as motor vehicle insurance;
- introduce legislative initiatives designed specifically for the financial sector to **end unjustified geo-blocking**;

- ensure **greater quality of the comparison websites**: Members stressed in this respect the usefulness of a well-structured and easy-to-use EU comparison portals across the Union covering the European retail financial markets in their entirety;
- promote tools such as **Points of Single Contact** to increase competition and assist retail financial services companies;
- amend the [Motor Insurance Directive](#) to ensure compensation for traffic accident victims and to facilitate cross-border portability and recognition of no-claims bonuses;
- examine whether initiatives are needed with regard to **car rental companies** selling insurance products, in order to guarantee the transparency of vehicle rental prices;
- **facilitate cross-border access to loans** by giving priority to the fight against consumer over-indebtedness: Members called for measures on the coordination of debt information so that each creditor knows the level of indebtedness of consumers before giving him more credit. The data subject would have the right to obtain explanations of decisions made by automated processing and to challenge those decisions;
- **assess whether national consumer protection rules and practices do not act as unfair barriers to cross-border investment**, and whether they are justified by overriding reasons of general interest;
- **coordinate as effectively as possible the information requirements vis-à-vis customers** laid down in various European legal acts: double or contradictory disclosure requirements must be avoided, in order not to create unnecessary red tape and expenditure and not to confuse clients;
- put in place a **solid and consistent consumer transparency framework**, removing unnecessary complexity for financial service providers, including supervisory convergence between Member States;
- propose **harmonised cross-border creditworthiness assessment standards** and principles in order to better mitigate the risk of increasing over-indebtedness when facilitating pan-European online credit;
- promote **financial technologies** for retail financial services in light of [Parliament's resolution](#) on financial technology (FinTech) to improve consumer protection, security, innovation and fair competition, and to ensure that the principle of
- **remove regulatory barriers to the use of pan-European electronic signature systems** for subscribing to financial services. To this end, the Commission should build on work related to the eIDAS Regulation;
- adapt the existing EU legal framework for the digital world in order to counteract consumer protection risks connected with distance online selling.

However, the resolution stressed the need to maintain the provision of high street banks, which provide an essential public service and are of particular benefit to SMEs, the elderly and vulnerable consumers, who are less likely to use e-banking and favour face-to-face interaction. It recognised that branch closures degrade financial infrastructure at a local level and can be extremely damaging to communities.