












Procedure file

Basic information		
INI - Own-initiative procedure	2017/2066(INI)	Procedure completed
Action plan on retail financial services		
Subject 2.50.08 Financial services, financial reporting and auditing		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	 Economic and Monetary Affairs	 LUDVIGSSON Olle	21/03/2017
		Shadow rapporteur	
		 CADEC Alain	
		 FOX Ashley	
		 IN 'T VELD Sophia	
		 MATIAS Marisa	
		 GIEGOLD Sven	
		 KAPPEL Barbara	
		Committee for opinion	Rapporteur for opinion
	 Internal Market and Consumer Protection	 WEIDENHOLZER Josef	25/04/2017
European Commission	Commission DG Internal Market, Industry, Entrepreneurship and SMEs Financial Stability, Financial Services and Capital Markets Union	Commissioner	


Key events			
23/03/2017	Non-legislative basic document published	COM(2017)0139	Summary
18/05/2017	Committee referral announced in Parliament, 1st reading/single reading		
10/10/2017	Vote in committee, 1st reading/single reading		
23/10/2017	Committee report tabled for plenary, single reading	A8-0326/2017	Summary
13/11/2017	Debate in Parliament		

14/11/2017	Results of vote in Parliament		
14/11/2017	Decision by Parliament, 1st reading/single reading	T8-0428/2017	Summary
14/11/2017	End of procedure in Parliament		

Technical information

Procedure reference	2017/2066(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 54
Stage reached in procedure	Procedure completed
Committee dossier	ECON/8/09623

Documentation gateway

Non-legislative basic document		COM(2017)0139	23/03/2017	EC	Summary
Committee draft report		PE605.928	30/05/2017	EP	
Amendments tabled in committee		PE607.824	29/06/2017	EP	
Committee opinion		PE605.952	28/09/2017	EP	
Committee report tabled for plenary, single reading		A8-0326/2017	23/10/2017	EP	Summary
Text adopted by Parliament, single reading		T8-0428/2017	14/11/2017	EP	Summary
Commission response to text adopted in plenary		SP(2018)52	22/03/2018	EC	

Action plan on retail financial services

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 peoples 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](#);
- 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.

Action plan on retail financial services

The Committee on Economic and Monetary Affairs adopted an own-initiative report by Olle LUDVIGSSON (S&D, SE) on the action plan on retail financial services.

The Special Eurobarometer 446 concluded that, when it comes to financial products or services, 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: Members 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. This would boost competitiveness, lower prices and increase product choice and diversity.

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 committee stated 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 including sovereign debt instruments is offered, or to hold a national identity document issued by that Member State, for the effective provision of the product.

Recommendations: the report 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, with a view to ensuring transparent pricing covering all car rental companies in the Member States;
- 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: much of the paperwork produced in response to EU legislation from providers of retail financial products and services is not in fact strictly required in law and is of little or no practical benefit to consumers;
- 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 same services, same risks, same rules, same supervision applies to all companies regardless of their sector or location;
- 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 report 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.

Action plan on retail financial services

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.