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# **DRAFT REPORT**

on the Action Plan on Retail Financial Services  
(2017/2066(INI))

Committee on Economic and Monetary Affairs

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## MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

### on the Action Plan on Retail Financial Services (2017/2066(INI))

*The European Parliament,*

- having regard to the Commission Green Paper of 30 April 2007 on ‘Retail Financial Services in the Single Market’ (COM(2007)0226),
- having regard to Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC<sup>1</sup> (the Consumer Credit Directive),
- having regard to Directive 2009/103/EC of the European Parliament and of the Council of 16 September 2009 relating to insurance against civil liability in respect of the use of motor vehicles, and the enforcement of the obligation to insure against such liability<sup>2</sup> (the Motor Insurance Directive),
- having regard to Regulation (EC) No 924/2009 of the European Parliament and of the Council of 16 September 2009 on cross-border payments in the Community and repealing Regulation (EC) No 2560/2001<sup>3</sup>,
- having regard to the Commission Green Paper of 11 January 2012 entitled ‘Towards an integrated European market for card, internet and mobile payments’ (COM(2011)0941),
- having regard to the 2014 European Insurance and Occupational Pensions Authority ‘Report on Good Practices on Comparison Websites’,
- having regard to the European Insurance and Occupational Pensions Authority Opinion to EU Institutions on a Common Framework for Risk Assessment and Transparency for IORPs of April 2016,
- having regard to Directive 2014/17/EU of the European Parliament and of the Council of 4 February 2014 on credit agreements for consumers relating to residential immovable property and amending Directives 2008/48/EC and 2013/36/EU and Regulation (EU) No 1093/2010<sup>4</sup> (the Mortgage Credit Directive),
- having regard to Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU<sup>5</sup>,
- having regard to Regulation (EU) No 910/2014 of the European Parliament and of the Council of 23 July 2014 on electronic identification and trust services for electronic

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<sup>1</sup> OJ L 133, 22.5.2008, p. 66.

<sup>2</sup> OJ L 263, 7.10.2009, p. 11.

<sup>3</sup> OJ L 266, 9.10.2009, p. 11.

<sup>4</sup> OJ L 60, 28.2.2014, p. 34.

<sup>5</sup> OJ L 173, 12.6.2014, p. 349.

- transactions in the internal market and repealing Directive 1999/93/EC<sup>1</sup>,
- having regard to Directive 2014/92/EU of the European Parliament and of the Council of 23 July 2014 on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features<sup>2</sup> (the Payments Account Directive),
  - having regard to the Commission report of 8 August 2014 on the operation of the European Supervisory Authorities (ESAs) and the European System of Financial Supervision (ESFS) (COM(2014)0509),
  - having regard to Regulation (EU) 2015/751 of the European Parliament and of the Council of 29 April 2015 on interchange fees for card-based payment transactions<sup>3</sup>,
  - having regard to Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC<sup>4</sup>,
  - having regard to Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution (recast)<sup>5</sup> (the Insurance Distribution Directive),
  - having regard to the Commission Green Paper of 10 December 2015 on retail financial services: better products, more choice and greater opportunities for consumers and businesses (COM(2015)0630),
  - having regard to the European Banking Authority response of 21 March 2016 to the Commission Green Paper on retail financial services,
  - having regard to its resolution of 22 November 2016 on the Green Paper on retail financial services<sup>6</sup>,
  - having regard to its resolution of 17 May 2017 on FinTech: the influence of technology on the future of the financial sector<sup>7</sup>,
  - having regard to the Commission Action Plan of 23 March 2017 entitled ‘Consumer Financial Services Action Plan: Better Products, More Choice’ (COM(2017)0139),
  - having regard to Rule 52 of its Rules of Procedure,
  - having regard to the report of the Committee on Economic and Monetary Affairs (A8-0000/2017),

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<sup>1</sup> OJ L 257, 28.8.2014, p. 73.

<sup>2</sup> OJ L 257, 28.8.2014, p. 214.

<sup>3</sup> OJ L 123, 19.5.2015, p. 1.

<sup>4</sup> OJ L 337, 23.12.2015, p. 35.

<sup>5</sup> OJ L 26, 2.2.2016, p. 19.

<sup>6</sup> Texts adopted, P8\_TA(2016)0434.

<sup>7</sup> Texts adopted, P8\_TA(2017)0211.

- A. whereas the EU market in retail financial services remains underdeveloped and highly fragmented; whereas efficient action is therefore needed to facilitate innovation beneficial to end users, while unlocking the full potential of the single market;
  - B. whereas a European retail financial services market would only be viable if it represented real added value for consumers by ensuring effective competition and consumer protection, notably in relation to products necessary for participation in economic life and for vulnerable consumers;
1. Welcomes the Commission Action Plan on consumer financial services as a means of addressing some of the challenges raised by Parliament in its report on the Green Paper on retail financial services, with the aim of striving towards a genuine technology-enabled single market for retail financial services, while protecting consumers, lowering prices and fighting against tax fraud, tax evasion and tax avoidance;
  2. Considers that the three main strands of work identified by the Commission for the remaining years of the current mandate are worth pursuing; believes, nevertheless, that several concerns raised by Parliament in its report on the Green Paper on retail financial services have not been credibly addressed by the Commission in its Action Plan;
  3. Believes that the Commission should play a more proactive role in using the capital markets union, while closely involving Parliament as part of the implementation of the Paris agreement to support the growing sustainable and responsible investment (SRI) market by promoting sustainable investments; urges, the Commission, furthermore, to promote environmental, social and governance (ESG) ‘rating services’ and a consistent framework for the green bonds market, building on the relevant Commission study and the work of the G20 study group on green finance;
  4. Considers a high level of consumer protection and transparency key to the development of a single market in retail financial services; believes the enforcement of EU and national financial consumer legislation needs to be strengthened across all Member States;

***Action 1 – Lower charges on non-euro transactions***

5. Welcomes the Commission’s commitment to propose an amendment to Regulation (EC) No 924/2009 on cross-border payments, involving payments in non-euro currencies, with the aim of ensuring that the fees for all cross-border and national payments in the EU are identical;

***Action 2 – Transparency in currency conversion***

6. Emphasises that enforcing the current legislation is central to tackling ‘dynamic currency conversion’; reaffirms that this will necessitate an obligation for merchants to clearly highlight and present the most advantageous option for consumers, including when these consumers are making ATM withdrawals involving currency conversion;

***Action 3 – Easier product switching***

7. Approves of the Commission’s ambition to incorporate the achievements of the

Payment Accounts Directive to make it easier to change financial services providers and products; calls on the Commission to present legislative initiatives specifically targeted at the financial sector to end unjustified geo-blocking in order to facilitate switching by customers to more advantageous retail financial services in other Member States;

***Action 4 – Quality comparison websites***

8. Urges the Commission to set up promptly a well-organised and easy-to-use EU comparison portal covering the European retail financial markets in its entirety;

***Action 5 – Better motor insurance***

9. Takes the view that subsequent to the Commission's REFIT review of the Motor Insurance Directive, amendments to it will be vital to ensure compensation for traffic accident victims and to safeguard the cross-border portability and recognition of no-claims bonuses;

***Action 6 – Transparent pricing of car rentals***

10. Urges the Commission to put forward legislative proposals to amend the Insurance Distribution Directive to include car rental companies selling insurance add-ons with a view to ensuring transparent pricing covering all car rental companies across the Member States;

***Action 7 – Deeper single market for consumer credit***

11. Stresses that addressing consumer over-indebtedness linked to credit activities must be given priority if the Commission aims to explore ways of facilitating cross-border access to loans;

***Action 8 – Fair consumer protection rules***

12. Asks the Commission to assess carefully whether national rules and practices are motivated by consumer protection concerns; underlines that the dismantling of national barriers should not be to the detriment of consumer protection;

***Action 9 – Better creditworthiness assessments***

13. Calls on the Commission to amend the Mortgage Credit Directive and the Consumer Credit Directive to introduce compulsory, harmonised, cross-border creditworthiness assessment standards and principles to better mitigate the risk of increasing over-indebtedness when facilitating pan-European online credit;

***Action 10 – FinTech for retail financial services***

14. Calls on the Commission to present an all-inclusive FinTech Action Plan in the framework of its capital markets union (CMU) and digital single market (DSM) strategies, contributing to an effective and well-functioning integrated technology-driven single market of financial services benefiting all European end-users;

***Action 11 – Digital identity checks***

15. Reiterates the need for the Commission to identify and remove regulatory barriers to the use of pan-European electronic signature systems for subscribing to financial services, thereby facilitating EU-wide cross-border digital onboarding, without affecting the level of security of existing systems or their ability to comply with the requirements of the Fourth Anti-Money Laundering Directive;

***Action 12 – Online selling of financial services***

16. Stresses the need to adapt the existing EU legal framework for the digital world to counteract consumer protection risks connected with distance online selling, thereby creating new business opportunities for European start-ups and FinTechs;

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17. Instructs its President to forward this resolution to the Council and the Commission.

## EXPLANATORY STATEMENT

Your Rapporteur believes that the Commission has presented its Action Plan on retail financial just in right time. Concrete action is namely essential for the remaining years of the current mandate period in order to take further steps towards a genuine technology-enabled Single Market for retail financial services.

The digitalisation of retail financial services will be changing consumer behaviour and financial markets in ever-increasing speed. Consequently, policy-making has to adapt much faster to remove cross-border barriers, increasing competition benefitting consumers in terms of better products to lower prices, while at the same time enforcing consumers. New pieces of legislation should carefully be monitored in the later stages of the policy cycle so we make sure that the level 2 measure get fit and proper. Continuously and closely monitoring national implementation is key to achieve the intended policy objectives. Ultimately, the Commission Action plan manifests a dynamic approach to policy-making necessary in the field of financial services.

Yet numerous concerns raised by the European Parliament in its resolution on the Green Paper on Retail Financial Services remain unanswered by the Commission. For instance, no coherent solution is presented regarding the confusing practices which consumers are facing when making ATM withdrawals involving currency conversion, including in practice for the consumer to understand and control the situation fully. In addition, currency conversion relating to payments in the digital market is neither credibly addressed. The somewhat obstinate practice of cancelling payment cards if the holder moves to another Member State needs urgent action in order to facilitate cross-border mobility within the Union.

Moreover, legislative initiatives specifically targeted at the financial sector to end unjustified geo-blocking will be crucial to facilitate for consumers to switch to more advantageous retail services in other Member States. The challenge of increasing consumers' propensity to product switching in the retail financial services market should not be underestimated. Even within Member States, consumers are to large extent 'loyal' to their local bank or insurance supplier. Nevertheless, competition within the internal market has to be increased in order to foster innovation, and better financial products to lower prices.

In this perspective, the Commission should accelerate its work to promote the mutual recognition and interoperability of digital identification techniques, without affecting the level of security of existing systems or their ability to fulfil the requirements of the EU anti-money laundering framework. The Commission and the Member States will have to implement the eIDAS Regulation and the new anti-money laundering legislation carefully, while identifying and removing regulatory barriers to the use of electronic signature systems for subscribing to financial services, thus enabling EU wide cross-border digital onboarding.

An overarching challenge will be to ensuring financial inclusion in the years ahead. Access to the most essential financial services is guaranteed by the Payment Accounts Directive, which gives every consumer a right to a basic payment account. While an ambitious step in the right direction, surely more needs to be done in the coming years. Fighting tax evasion, tax avoidance and tax fraud more persistently will be fundamental for attaining inclusive growth across all Member States.

In the field of financial services, creating and maintaining a level playing field has to be a key



objective in order to ensuring business model and technology neutrality in a fast-developing market. Hence, building a strong and vibrant single market in retail financial services is a considerable project definitively worthwhile pursuing. At best, this is an area where the European project can make real difference in people's lives.