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Financial consumer protection, including financial education and literacy

Note by the UNCTAD secretariat

Summary

The United Nations guidelines for consumer protection provide concrete recommendations in order to protect consumers of financial services. A well-functioning financial system requires a sound legal and policy framework that defines clear goals aimed at protecting consumers' access to financial services while regulating the conduct of services providers. Oversight and enforcement institutions are needed to ensure that healthy financial markets work for the benefit of consumers. Emerging areas of priority for States in this field, namely, financial inclusion, education and literacy, remittances, overindebtedness and digitalization, are discussed in this note. In addition, policy recommendations are proposed, as well as questions for discussion at the sixth session of the Intergovernmental Group of Experts on Consumer Protection Law and Policy.

I. Introduction

1. Consumer financial services comprise a broad range of retail financial products and services (such as current and savings accounts, payment services, remittances, credit cards, mortgages, insurance and investment products) that financial institutions, whether banks, insurance companies or financial intermediaries, offer to consumers.[1] The global financial crisis of 2008/09 served to bring financial consumer protection, financial risk management and financial services regulation to the forefront of policymakers' attention worldwide. The United Nations General Assembly, in its resolution on consumer protection of 22 December 2015, recognized that "consumer confidence and trust in a well-functioning market for financial services promotes financial stability, growth, efficiency and innovation over the long term and that the recent financial crisis places a renewed focus on consumer protection, calling for effective regulatory, supervisory and enforcement frameworks in the financial sector to contribute to the welfare of consumers".[2] The General Assembly decided to adopt the revised United Nations guidelines for consumer protection, including a new section on financial services and addressing emerging issues such as financial regulation, enforcement and oversight, consumer education and literacy, disclosure, responsible business conduct, data protection and financial inclusion (box 1).[3] The UNCTAD *Manual on Consumer Protection* is aimed at supporting developing countries in their choice of policies, providing practical tools to implement the guidelines and including a chapter on financial services.[4]

Box 1
United Nations guidelines for consumer protection, chapter V, section J: Financial services

66. Member States should establish or encourage, as appropriate:

(a) Financial consumer protection regulatory and enforcement policies;

(b) Oversight bodies with the necessary authority and resources to carry out their mission;

(c) Appropriate controls and insurance mechanisms to protect consumer assets, including deposits;

(d) Improved financial education strategies that promote financial literacy;

(e) Fair treatment and proper disclosure, ensuring that financial institutions are also responsible and accountable for the actions of their authorized agents. Financial services providers should have a written policy on conflict of interest to help detect potential conflicts of interest. When the possibility of a conflict of interest arises between the provider and a third party, that should be disclosed to the consumer to ensure that potential consumer detriment generated by conflict of interest be avoided;

(f) Responsible business conduct by financial services providers and authorized agents, including responsible lending and the sale of products that are suitable to the consumer's needs and means;

(g) Appropriate controls to protect consumer financial data, including from fraud and abuse;

(h) A regulatory framework that promotes cost efficiency and transparency for

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[1] A/RES/70/186; see https://ec.europa.eu/info/business-economy-euro/banking-and-finance/consumer-finance-and-payments/retail-financial-services/consumer-financial-services-policy_en.
Note: All websites referred to in footnotes were accessed in April 2022.

[2] A/RES/70/186.

[3] https://unctad.org/topic/competition-and-consumer-protection/un-guidelines-for-consumer-protection.

[4] UNCTAD, 2017, *Manual on Consumer Protection* (United Nations publication, Geneva), available at https://unctad.org/webflyer/manual-consumer-protection.

remittances, such that consumers are provided with clear information on the price and delivery of the funds to be transferred, exchange rates, all fees and any other costs associated with the money transfers offered, as well as remedies if transfers fail.

67. Member States should adopt measures to reinforce and integrate consumer policies concerning financial inclusion, financial education and the protection of consumers in accessing and using financial services.

68. Member States may wish to consider relevant international guidelines and standards on financial services and the revisions thereof, and, where appropriate, adapt those guidelines and standards to their economic, social and environmental circumstances so that they can adhere to them, as well as collaborate with other Member States in their implementation across borders. In so doing, Member States may wish to study the High-level Principles on Financial Consumer Protection of the Organisation for Economic Co-operation and Development (OECD) and the Group of 20, as well as the Principles for Innovative Financial Inclusion of the Group of 20 and the Good Practices for Financial Consumer Protection of the World Bank.

Source: A/RES/70/186.

2. In 2015, the General Assembly adopted the 2030 Agenda for Sustainable Development, including 17 Sustainable Development Goals.[5] Expanding access to financial services is one of the targets under the Goals, which were designed to be a blueprint for achieving a better and more sustainable future for all. Financial services are instrumental in order for consumers to improve their economic well-being, thereby contributing to achieving the Goals. Increased consumer access to secure payment and remittance facilities, savings and credit, insurance and investment contributes to achieving Goals 1 to 5 and 10. Other relevant international instruments in this regard, referred to in the United Nations guidelines, are the Principles for Innovative Financial Inclusion of the Group of 20, issued in 2010, the High-level Principles on Financial Consumer Protection of the Group of 20, developed by OECD in 2011, and the Good Practices for Financial Consumer Protection of the World Bank, most recently revised in 2017.[6]

3. The coronavirus disease (COVID-19) pandemic renewed the urgency of protecting consumers of financial services, due to the significant transition to digital financial services, increased innovation in financial services[7] and the heightened importance of remittances and the risk of overindebtedness and bankruptcy among consumers. In this context, the Intergovernmental Group of Experts on Consumer Protection Law and Policy, at its fifth session, requested the UNCTAD secretariat to prepare a report on financial consumer protection, including financial education and literacy, as background documentation for the sixth session.

4. This note provides an overview of international guidance on financial consumer protection, drawing on information provided in response to an UNCTAD questionnaire.[8] Existing frameworks for financial consumer protection are presented in chapter II, including laws and policies, institutional arrangements and business conduct; five emerging priorities for Governments in addressing consumer protection in financial services are identified in chapter III, namely, financial inclusion, education and literacy, remittances,

5 A/RES/70/1; A/RES/71/313.

6 https://www.gpfi.org/publications/g20-principles-innovative-financial-inclusion-executive-brief; https://www.oecd.org/finance/high-level-principles-on-financial-consumer-protection.htm; https://www.worldbank.org/en/topic/financialinclusion/brief/2017-good-practices-for-financial-consumer-protection.

7 See, for example, http://documents.worldbank.org/curated/en/515771621921739154/Consumer-Risks-in-Fintech-New-Manifestations-of-Consumer-Risks-and-Emerging-Regulatory-Approaches-Policy-Research-Paper.

8 Respondents included the following: Algeria; Argentina; Bosnia and Herzegovina; Brazil; Canada; Colombia; Costa Rica; Germany; Italy; Japan; Kenya; Mexico; Namibia; Poland; Republic of Korea; Russian Federation; Spain; Sweden; Switzerland; Turkey; United States of America; Zambia; Institute of Consumer Policy and Law, Brazil; University of Political Science and Law, China; OECD.

overindebtedness and digitalization; and policy recommendations and questions for discussion are proposed in chapter IV.

II. Frameworks for financial consumer protection

5. Based on the recommendations in the United Nations guidelines, it is possible to identify the most salient policy requirements in protecting consumers of financial services: enacting legal and policy frameworks, establishing institutional arrangements and ensuring enforcement and good business practices.

A. Laws and policies

6. The global financial crisis of 2008/09 served to demonstrate the lack of effective consumer protection in the financial sector, prompting Governments to establish or strengthen consumer protection laws, policies and enforcement agencies. Financial consumer protection should be an integral part of the legal, regulatory and supervisory framework, and effective legal and judicial or supervisory mechanisms should exist to protect consumers from and sanction against financial frauds, abuses and errors. [9] Accordingly, countries should enact laws that clearly recognize consumer rights and legitimate needs (box 2).

Box 2
United Nations guidelines for consumer protection, chapter III: General principles

5. The legitimate needs which the guidelines are intended to meet are the following:

(a) Access by consumers to essential goods and services;

(b) The protection of vulnerable and disadvantaged consumers;

(c) The protection of consumers from hazards to their health and safety;

(d) The promotion and protection of the economic interests of consumers;

(e) Access by consumers to adequate information to enable them to make informed choices according to individual wishes and needs;

(f) Consumer education, including education on the environmental, social and economic consequences of consumer choice;

(g) Availability of effective consumer dispute resolution and redress;

(h) Freedom to form consumer and other relevant groups or organizations and the opportunity of such organizations to present their views in decision-making processes affecting them;

(i) The promotion of sustainable consumption patterns;

(j) A level of protection for consumers using electronic commerce that is not less than that afforded in other forms of commerce;

(k) The protection of consumer privacy and the global free flow of information.

Source: A/RES/70/186.

7. Of particular relevance for financial services, the guidelines state that Member States should establish consumer protection policies that encourage, inter alia, good business practices; clear and timely information on services providers; clear, concise and easy to understand contract terms that are not unfair; a transparent process for the confirmation, cancellation, return and refund of transactions; and secure payment mechanisms. The guidelines also state that Member States should establish or encourage

[9] https://www.oecd.org/finance/high-level-principles-on-financial-consumer-protection.htm.

appropriate controls and insurance mechanisms to protect consumer assets, including deposits.[10]

8. As at December 2021, 146 economies had implemented deposit insurance mechanisms for their banking systems.[11] However, there is a significant divide between economies with regard to financial cooperatives; 88 per cent of Group of 20 economies have deposit insurance for credit unions and 80 per cent of non-Group of 20 economies do not have such insurance.[12]

9. The legal avenues to achieving adequate protection for consumers of financial services vary across countries. The UNCTAD world consumer protection map shows that 96 per cent of responding member States have general consumer protection laws, 56 per cent of which address financial services.[13] Some States, including Australia, Bahamas, Colombia, Guatemala, India, Indonesia, Israel, Japan, Kyrgyzstan, Panama, Serbia, Tunisia, Turkey, the United States and Viet Nam, have dedicated laws or regulations for the protection of consumers of financial services. There may be an array of financial consumer protection laws tailored to particular institutions or financial products and services. Irrespective of the approach, the goal is to ensure effective protection without loopholes, for which effective institutional arrangements must be put in place.

B. Institutional arrangements

10. The United Nations guidelines state that Member States should establish or encourage financial consumer protection regulatory and enforcement policies and oversight bodies with the necessary authority and resources to carry out their mission.[14] There are a variety of institutional arrangements in this regard.

11. Some countries have adopted a "twin peaks" regulatory structure under the financial sector regulator, with one peak responsible for the prudential soundness of financial institutions and the other responsible for good market conduct and consumer protection. For example, South Africa, in 2018, put in place a twin peaks model, with the Prudential Authority under the Reserve Bank responsible for financial stability and the Financial Sector Conduct Authority entrusted with financial consumer protection. In the United Kingdom of Great Britain and Northern Ireland, the Prudential Regulation Authority under the Bank of England is responsible for financial system stability and the Financial Conduct Authority is responsible for market conduct and consumer protection.

12. Some countries distribute responsibilities between financial sector regulators and consumer protection authorities. In Peru, the Consumer Code and dedicated laws entrust the National Institute for the Defence of Competition and the Protection of Intellectual Property (INDECOPI) and the Superintendency of Banking, Insurance and Private Pension Fund Administrators with shared powers over financial consumer protection. The latter is responsible for regulation and oversight of the financial system and regulates the information that financial institutions must provide to consumers and the way it should be provided. INDECOPI ensures compliance with the consumer rights set out in the Consumer Code. To resolve the conflict of interest inherent in the dual function of the Superintendency, namely, to preserve the stability of the financial system and to monitor compliance with consumer protection legislation, INDECOPI has been authorized to initiate ex officio proceedings against financial institutions even when they operate under the supervision of the Superintendency.[15] In the Republic of Korea, the Fair Trade Commission, the Consumer Agency and the Financial Services Commission have concurrent jurisdiction over financial consumer protection, with the Fair Trade Commission

[10] A/RES/70/186, paras. 14 and 66.
[11] https://www.iadi.org/en/about-iadi/deposit-insurance-systems/dis-worldwide/.
[12] https://blogs.worldbank.org/psd/need-extend-deposit-insurance-financial-cooperatives.
[13] https://unctad.org/topic/competition-and-consumer-protection/consumer-protection-map.
[14] A/RES/70/186, para. 66.
[15] UNCTAD, 2020, *Voluntary Peer Review of Consumer Protection Law and Policy: Peru* (United Nations publication, Geneva).

and the Consumer Agency mandated with financial consumer protection under the general consumer protection framework.[16]

13. Some countries have established ad hoc institutions for protecting consumers of financial services. In the United States, the Consumer Financial Protection Bureau was created in 2010 under the Dodd-Frank Wall Street Reform and Consumer Protection Act as an independent bureau within the Federal Reserve System that empowers consumers with the information needed to make financial decisions in their best interests.

14. Finally, some countries rely on consumer protection authorities to address the protection of consumers of financial services. For example, in Costa Rica, the consumer protection authority is responsible for regulating market conduct in the financial intermediation sector.[17]

C. Business conduct

15. The United Nations guidelines contain a set of principles for good business practices to ensure that businesses deal fairly and honestly with consumers at all stages of the relationship and that this is an integral part of the business culture. These principles include recommendations on fair and equitable treatment, commercial behaviour, disclosure and transparency, education and awareness-raising, the protection of privacy and consumer complaints and disputes.[18] Businesses should not subject consumers to illegal, unethical, discriminatory or deceptive practices, such as abusive marketing tactics, abusive debt collection or other improper behaviour that may pose unnecessary risks or harm consumers. In addition, the High-level Principles on Financial Consumer Protection of the Group of 20 state that financial services providers and authorized agents should work in the best interest of their customers and be responsible for upholding financial consumer protection.[19]

16. Self-regulation plays a significant role in ensuring responsible business conduct by financial services providers and authorized agents. The UNCTAD world consumer protection map shows that some States, such as Argentina, Brazil, New Zealand, Peru, Sweden, South Africa and Trinidad and Tobago, encourage self-regulation initiatives in the financial sector. Brazil, in 2020, launched the self-regulatory initiative Do Not Call for Credit Offers, which is overseen by the National Consumer Secretariat.[20] In Kenya, the Competition Authority has provided training on consumer protection for businesses across the financial services sector.[21]

17. In addition, "aggressive, misleading advertising and sales practices by financial services providers and low levels of financial literacy can lead to poor choices by consumers".[22] Fair treatment and proper disclosure, including of conflicts of interest between financial services providers and third parties, ensuring that financial institutions are also responsible and accountable for the actions of their authorized agents, are cornerstones of good business practices.[23] Bangladesh, Côte d'Ivoire, Ghana, India, Kenya, Myanmar, Pakistan, Rwanda, Uganda and the United Republic of Tanzania have rules on the display of agent identification, name of the principal (and, often, telephone number) and charges and fees for different products and services.[24]

[16] Response to UNCTAD questionnaire from the Republic of Korea.
[17] Response to UNCTAD questionnaire from Costa Rica; see https://www.oecd.org/finance/Costa-Rica-Review-of-Financial-System-2020.pdf.
[18] A/RES/70/186, para. 11.
[19] https://www.oecd.org/finance/high-level-principles-on-financial-consumer-protection.htm.
[20] TD/RBP/CONF.9/2; see https://www.naomeperturbe.com.br.
[21] Response to UNCTAD questionnaire from Kenya.
[22] https://documents1.worldbank.org/curated/es/284281527836970187/pdf/126773-WB-TechNote-KeyFctsCredit-WEB.pdf.
[23] A/RES/70/186, para. 66.
[24] https://openknowledge.worldbank.org/handle/10986/30275.

18. However, disclosure can often become ineffective due to the inherent complexity of financial products and the language used, as well as an excess of information and even font sizes. Well-designed key facts statements are thus important tools with which to improve transparency and the disclosure of information on financial products.[25] Such statements use a standardized format designed to convey information in a simple and easy-to-understand manner, making it easier for customers to compare financial products offered by different providers. Australia, in 2011, introduced a requirement for credit providers to provide key facts statements on home loans and credit cards.[26] Ethiopia, in 2014, introduced key facts statements through the national financial inclusion strategy. Ghana, in 2017, issued a template for key facts statements on standardized loans, with consumer testing used in its development.[27] In Mexico, the Central Bank provides an online comparator of rates for various credit products, providing users with information on the cost of products, interest rates, payments, eligibility requirements and, on a separate screen, the name of the credit provider.[28]

19. With regard to conflicts of interest, the European Consumer Organization, in 2018, launched a campaign titled "The price of bad advice", with an online map of mis-selling incidents in the past 20 years, involving low quality advice in financial services, which shows that most such incidents were caused by commission-based remuneration systems.[29] In response to the UNCTAD questionnaire, Poland emphasized that financial agents do not frankly reveal risks or the additional costs of financial products. Given the limits of disclosure in addressing conflicts of interest, the Netherlands and the United Kingdom banned third-party commissions in 2013; advisers are no longer permitted to receive commissions from product providers and are required instead to charge a separate fee for the cost of advice to consumers.[30]

20. Financial services providers should treat consumers fairly, yet unfair contract terms remain a significant source of concern. In Kenya, the Competition Authority, which has concurrent jurisdiction over financial consumer protection, undertook investigations into unfair terms and conditions in bank and microfinance contracts, in which several clauses were found to be unconscionable, and requested the institutions in question to revise these unfair clauses.[31] In the Republic of Korea, the contract terms of banks were reviewed and the Financial Services Commission was requested to correct nine types of unfair clauses including, but not limited to, the prohibition for consumers to file in court, unilateral cancellation or termination of contracts by banks and the excessive collection and use of consumers' personal information.[32] In the United States, in 2016, the Consumer Financial Protection Bureau and the Department of Justice announced a joint action against a bank for discriminatory mortgage lending practices and, under the consent order, the bank, among others, had to pay "$2.78 million to African-American consumers who were unlawfully denied or overcharged for loans and a $3 million penalty".[33]

[25] https://blogs.worldbank.org/psd/key-facts-statements-simple-way-protect-consumers.
[26] https://www.legislation.gov.au/Details/C2019C00053.
[27] https://blogs.worldbank.org/allaboutfinance/can-key-facts-statements-outperform-financial-education.
[28] https://www.oecd.org/finance/financial-education/digital-delivery-of-financial-education-design-and-practice.htm.
[29] https://www.thepriceofbadadvice.eu.
[30] https://www.beuc.eu/blog/the-price-of-bad-advice/.
[31] Response to UNCTAD questionnaire from Kenya.
[32] Response to UNCTAD questionnaire from the Republic of Korea.
[33] https://www.consumerfinance.gov/enforcement/actions/united-states-america-and-consumer-financial-protection-bureau-v-bancorpsouth-bank/.

III. Priorities

21. Financial services play a pivotal role in the lives of consumers, with far-reaching impacts, and coverage of all existing issues exceeds the scope of this note. UNCTAD, in *Manual on Consumer Protection*, discusses relevant aspects of consumer protection in financial services, including consumer credit and microcredit, insurance, cooling-off periods, contract terms, transparency and comprehensibility, advertising, interest rates and payday lending. The focus in this chapter is on emerging areas of interest and priority for policymakers worldwide, namely, financial inclusion, education and literacy, remittances, overindebtedness and digitalization.

A. Financial inclusion

22. Even prior to the pandemic, financial inclusion was a key development-related concern. In 2017, only 63 per cent of adults in developing economies had an account at a bank or another type of financial institution, well below the rate in developed countries, at 94 per cent, and the poor, the less educated, women and youth have even lower levels of financial inclusion.[34] In 2017, compared with 72 per cent of men who had an account, the rate for women was 65 per cent.[35] The Economic and Social Commission for Asia and the Pacific notes that, globally, "women make up the largest portion of the poorest populations, have the highest rates of illiteracy and are most likely to be employed in the informal sector" and "closing the gender gap and achieving greater economic empowerment through financial inclusion can lead to significant positive impacts on the lives of women, as well as their families and broader communities".[36]

23. Since 2009, the United Nations Secretary-General's Special Advocate for Inclusive Finance for Development has aimed at advancing universal access to and responsible usage of affordable, effective and safe financial services. In 2011, 86 regulatory institutions from 80 countries endorsed a set of financial inclusion principles in the Maya Declaration.[37] The Group of 20, in 2016, endorsed eight high-level principles for digital financial inclusion.[38] Since 2010, more than 50 countries have developed, launched and/or implemented financial inclusion strategies.[39] For example, Bhutan, in 2018, launched National Financial Inclusion Strategy and Financial Inclusion National Action Plan 2019–2023.[40] Côte d'Ivoire, through National Financial Inclusion Strategy 2019–2024, aims to achieve a financial inclusion rate of 60 per cent by 2024.[41] Indonesia, in 2020, launched National Women's Financial Inclusion Strategy, the first financial inclusion strategy worldwide dedicated to women.[42] Solomon Islands, in 2021, launched National Financial Inclusion Strategy 2021–2025, together with an inclusive digital economy scorecard, a tool developed by the United Nations Capital Development Fund to inform government policy by identifying barriers hindering the development of an inclusive digital economy, with six strategic objectives, including engaging women, youth and rural adults in the formal

34 UNCTAD, 2021a, *Financial Inclusion for Development: Better Access to Financial Services for Women, the Poor and Migrant Work* (United Nations publication, Geneva).

35 https://globalfindex.worldbank.org/

36 Economic and Social Commission for Asia and the Pacific, 2022, *Policy Guidebook: Harnessing Digital Technology for Financial Inclusion in Asia and the Pacific* (United Nations publication, Bangkok).

37 https://www.afi-global.org/publications/a-quick-guide-to-the-maya-declaration-on-financial-inclusion/.

38 https://www.gpfi.org/publications/g20-high-level-principles-digital-financial-inclusion.

39 https://www.unsgsa.org/publications/unsgsa-2021-annual-report-secretary-general.

40 https://www.afi-global.org/publications/member-series-bhutan-the-kingdom-of-bhutans-financial-inclusion-journey/.

41 https://apif.finances.gouv.ci/publications/17-strategie-nationale-d-inclusion-financiere.

42 https://www.oecd.org/finance/financial-education/2019-financial-education-in-apec-economies.pdf; https://www.womensworldbanking.org/insights-and-impact/report-womens-economic-empowerment-and-financial-inclusion-in-indonesia/.

financial sector.[43] In Togo, National Financial Inclusion Strategy 2021–2025 prioritizes digitalization.[44]

24. An important way to enable financial inclusion is to educate consumers and enhance financial literacy.

B. Education and literacy

25. Educating consumers is a priority area of all consumer protection policies, as may be seen by its holistic treatment in the United Nations guidelines, requiring the participation of Governments, businesses and consumer groups. The guidelines also state that Member States should adopt measures to reinforce and integrate consumer policies concerning financial inclusion, financial education and the protection of consumers in accessing and using financial services.[45]

26. Several States, such as Australia, Brazil, Chile, India, Indonesia, North Macedonia, Portugal, Singapore, Uganda, the United States and Zambia, have implemented national strategies and schemes for financial education and literacy.[46] Brazil offers an example of multi-stakeholder involvement: the National Financial Education Strategy was developed with various supervisory authorities (including the Central Bank and the insurance supervisor), ministries (including of justice, finance and education) and industry associations. In the United States, the Financial Literacy and Education Commission, comprising the Department of the Treasury, the Bureau of Consumer Financial Protection and 19 additional federal Government entities, fist issued the National Strategy for Financial Literacy in 2011; the strategy was updated in 2016 and 2020.[47]

27. Financial education and literacy increasingly target vulnerable consumers, including poor and rural consumers, women and the elderly. An international survey of adult financial literacy in 2020 showed that, on average, women and those aged 60 and over had lower levels of financial literacy.[48] Argentina has developed a self-directed course for women, delivered through an online platform.[49] Canada has made use of behavioural sciences to meet the needs of different segments of vulnerable and disadvantaged consumers, including persons facing challenges associated with not making ends meet; insufficient or volatile incomes; lack of experience with financial products and services; low levels of literacy and numeracy; lack of digital literacy or access; systemic barriers due to gender, race or other causes; and adverse impacts due to the COVID-19 pandemic.[50] India has issued a film on the ease of banking for senior citizens, elucidating available facilities such as doorstep banking.[51] In Hong Kong, China, the Investor and Financial Education Council has

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43 https://www.uncdf.org/article/6713/solomon-islands-launches-third-national-financial-inclusion-strategy.

44 See https://openknowledge.worldbank.org/handle/10986/34996.

45 A/RES/70/186, para. 67.

46 Responses to UNCTAD questionnaire from Chile and Zambia. See https://asic.gov.au/regulatory-resources/find-a-document/reports/rep-563-national-financial-literacy-strategy-annual-highlights-report-2016-17/, https://www.vidaedinheiro.gov.br/en/quemsomos/, https://www.ncfe.org.in/reports/nsfe/nsfe2025, https://www.ojk.go.id/en/berita-dan-kegiatan/siaran-pers/Pages/Press-Release-SNLKI-Revised-to-Achieve-Target-Financial-Literacy-and-Inclusion-Indices-Faster.aspx, https://www.nbrm.mk/ns-newsarticle-soopstenie-08072021-en.nspx, https://www.todoscontam.pt/pt-pt, https://unctad.org/system/files/non-official-document/cicplp3rd_p_BOP_cpifs_en.pdf, https://www.moneysense.gov.sg, https://www.bou.or.ug/bou/bouwebsite/FinancialInclusion/literacy.html and https://home.treasury.gov/news/press-releases/sm1120.

47 https://home.treasury.gov/policy-issues/consumer-policy/financial-literacy-and-education-commission.

48 https://www.oecd.org/financial/education/launchoftheoecdinfeglobalfinancialliteracy surveyreport.htm.

49 https://www.oecd.org/finance/financial-education/supporting-financial-resilience-and-transformation-through-digital-financial-literacy.htm.

50 Response to UNCTAD questionnaire from Canada.

51 https://www.ncfe.org.in/regulators-initiatives.

developed an audio programme on money matters in retirement tailored to the needs of elderly people and retirees who may be experiencing reading difficulties.[52]

28. Financial services providers are regularly required to participate in financial education and literacy programmes. In the Plurinational State of Bolivia, Law No. 393, on financial services, mandates that financial entities must design, organize and deliver financial education programmes for consumers.[53] In Colombia, financial institutions and financial industry associations must provide financial education programmes to consumers regarding the products and services they offer.[54] In Honduras, the guidelines in the Regulations for the Strengthening of Transparency, Financial Culture and Financial Customer Services amongst Supervised Institutions state that all institutions in the national financial system must allocate budgetary resources for financial education campaigns.[55] However, even literate consumers can experience disadvantaged economic situations, that is, overindebtedness.

C. Remittances

29. Remittances are transfers of money by migrants to their countries of origin, including transfers from temporary migrant workers providing services in the country of destination. In many instances, migrants are considered vulnerable consumers due to lack of knowledge of domestic laws and practices or possible lower levels of economic capacity. International remittances flows were significant and growing until 2019, particularly to developing countries, and represent a major source of external finance. Remittances are a fundamental source of income for over 800 million people.[56] In 2019, global remittances flows were estimated at $714 billion, with $554 billion in flows to low- and middle-income countries.[57]

30. To improve consumers' situations, the United Nations guidelines recommend that regulatory frameworks promote cost efficiency and transparency for remittances, such that consumers are provided with clear information on the price and delivery of the funds to be transferred, exchange rates, all fees and any other costs associated with the money transfers offered, as well as remedies if transfers fail.[58] These measures intend to increase competition in the market and ultimately reduce the costs of remittances. This is recognized in target c under Sustainable Development Goal 10, to reduce the transaction costs of remittances by 2030, and a reduction of 5–10 per cent has been agreed at such platforms as the Group of 8 and the Group of 20.[59] In the third quarter of 2020, a 5 per cent reduction on remittances costs could have saved over $15 billion per year.[60]

D. Overindebtedness

31. The economic recession that followed the global financial crisis of 2008/09 resulted in widespread unemployment and economic hardships due to the significant debts that had accrued even before the crisis.[61] Central banks worldwide eased monetary conditions after the crisis and digitalization enabled smoother and faster processes for obtaining credit.[62]

[52] https://www.ifec.org.hk/web/en/other-resources/multimedia/audio/learn-money-matters-in-retirement.page.
[53] https://www.afi-global.org/publications/financial-education-in-latin-america-and-the-caribbean/.
[54] https://revistas.javeriana.edu.co/index.php/cuadernos_admon/article/view/14374.
[55] https://www.afi-global.org/publications/financial-education-in-latin-america-and-the-caribbean/.
[56] https://www.un.org/development/desa/en/news/population/remittances-matter.html.
[57] https://openknowledge.worldbank.org/handle/10986/33634.
[58] A/RES/70/186, para. 66.
[59] See https://www.un.org/en/observances/remittances-day/background.
[60] https://remittanceprices.worldbank.org/en/about-remittance-prices-worldwide.
[61] https://ec.europa.eu/social/BlobServlet?docId=9817&langId=en.
[62] See https://unctad.org/osgstatement/international-monetary-and-financial-committee-and-development-committee-0.

Income losses, declining interest rates, easy access to credit and poorly regulated consumer credit practices had rapidly led to accumulated debt among consumers.[63]

32. Microcredit has expanded access to credit in some developing countries, yet in other countries, such as Kenya and the United Republic of Tanzania, large numbers of borrowers have been unable to repay loans due to irresponsible lending practices.[64] In Argentina, consumer overindebtedness is one of the main challenges faced by authorities.[65] The United Nations guidelines attest to the widespread concern over indebtedness, stating that Member States should ensure that collective resolution procedures are expeditious, transparent, fair, inexpensive and accessible to both consumers and businesses, including those pertaining to overindebtedness and bankruptcy cases.[66]

33. To overcome overindebtedness, consumers need to be able to mobilize available resources and have access to affordable credit and to individual bankruptcy procedures. In addition, having adequate levels of financial education and literacy is important, including the knowledge and skills to develop budgeting strategies, be aware of how to avoid falling into debt traps and be able to anticipate future risks and unexpected expenses. Debt-related advice also plays a significant positive role in helping to clarify the situation of debtors, prioritize the actions they need to take, facilitate negotiations with creditors and help them better manage their funds and schedule repayments. For example, Portugal, in 2013, established an assistance network for indebted consumers, to support consumers facing difficulties in complying with obligations under credit agreements, the mission of which is to inform, advise and assist consumers at risk of default or already in arrears with regard to credit instalments (with free-of-charge access to entities part of the network), supporting them in the analysis of proposals submitted by credit institutions, namely, whether they are suited to the customers' financial situation, objectives and needs; accompanying them during negotiations with credit institutions; and supporting them in assessing borrowing capacity.[67] The European Commission, in 2013, published a study on overindebtedness in European households, which concluded that personalized debt advice was one of the most effective tools with which to address the overindebtedness of households.[68] In the consumer financial services action plan, in 2017, the European Commission stated that it would "seek to introduce common creditworthiness assessment standards and principles for lending to consumers and work to develop a minimum set of data to be exchanged between credit registers in cross-border creditworthiness assessments".[69]

34. In Argentina, overindebtedness and responsible lending are the areas in which consumers have faced the most significant challenges and, in response, social media campaigns have been conducted to raise awareness about fraud and deceptive and unfair business practices in the financial sector and to prevent overindebtedness, aimed at vulnerable consumers, such as the elderly.[70] In 2021, Brazil approved Federal Law No. 14.181/21, on overindebtedness, aimed at protecting the most vulnerable consumers, such as the elderly, through responsible credit practices, and providing for the information that must be disclosed in advance of a contract. The law also establishes "mechanisms for

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[63] See https://openknowledge.worldbank.org/handle/10986/33495 and https://www.eurodiaconia.org/wordpress/wp-content/uploads/2015/10/Policy-Paper-Over-Indebtedness.pdf.

[64] http://documents.worldbank.org/curated/en/515771621921739154/Consumer-Risks-in-Fintech-New-Manifestations-of-Consumer-Risks-and-Emerging-Regulatory-Approaches-Policy-Research-Paper.

[65] Response to UNCTAD questionnaire from Argentina.

[66] A/RES/70/186, para. 40.

[67] https://www.consumidor.gov.pt/consumidor_4/rede-de-apoio-ao-consumidor-endividado.aspx and https://clientebancario.bportugal.pt/en/assistance-network-indebted-consumers.

[68] https://ec.europa.eu/info/sites/default/files/final-report-on-over-indebtedness-of-european-households-synthesis-of-findings_december2013_en.pdf.

[69] https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52017DC0139&from=EN.

[70] Response to UNCTAD questionnaire from Argentina.

controlling advertising and combating consumer harassment in credit, especially for the elderly, illiterate, sick or those in a state of aggravated vulnerability”.[71]

35. Addressing overindebtedness after economic shocks, such as the COVID-19 pandemic, can be facilitated through a combination of the following instruments: reducing the cost of access to credit services; not penalizing failure to repay debts, such as by way of forced debt collection and reduced credit ratings, including mortgage moratoriums without a re-classification of credit ratings; establishing good business practices for responsible lending; delivering financial consumer education and literacy campaigns tailored to vulnerable and disadvantaged consumers; and reinforcing law enforcement against unfair business practices such as providing misleading or deceptive information.

E. Digitalization

36. Digitalization in financial markets is showing great potential in enhancing consumer welfare, providing consumers with greater opportunities to access financial services. It has also expanded the range of financial services providers via new entrants, promoting competition and facilitating comparison shopping and switching between products.

37. In 2007, the largest mobile network operator in Kenya launched the country’s first mobile money service, M-PESA, which enables the conduct of financial transactions over telephones, eliminating travel and other costs. The service has now been extended to include mobile credit, insurance, cross-border remittances, bill payment, airtime top-up and savings. Financial inclusion in Kenya, due to the use of mobile money, grew from 27 per cent in 2006 to over 75 per cent in 2016 and the mobile market in Africa is expected to undergo rapid growth in the number of new subscribers, reaching around 140 million between 2019 and 2025.[72] More than 10 per cent of adults in sub-Saharan Africa have a mobile money account, the highest rate worldwide, and rates are growing in West Africa and beyond.[73]

38. However, digitalization also poses threats to consumers, such as new types of fraud, lack of security or privacy and lack of or inadequate regulation and supervision. In response to the UNCTAD questionnaire, Canada, Italy, Kenya and Zambia cited scams and fraud in digital financial markets as one of the main challenges encountered by consumers and Poland indicated that digitalization exposed large groups of consumers to complex financial products that had become readily available online. In this regard, Germany is monitoring potential consumer risks emerging in the areas of financial technology and cryptocurrency.[74] This trend can be exacerbated by a lack of digital literacy, resulting in new types of financial exclusion. For example, elderly consumers may lag behind younger consumers in levels of digital capability due to a combination of health and cognitive ability-related factors, as well as the ongoing rapid digitalization of financial markets. Together, these factors make the elderly more vulnerable.[75] There is also a significant gender gap within countries. In Indonesia, 45 per cent of men are digitally ready, that is, they own a smartphone and can use it to download applications and access websites, but only 38 per cent of women show such readiness.[76]

39. In the Lao People’s Democratic Republic, the central bank has stated that digital tools are only effective and efficient for consumers who have adopted such technologies, noting the widening digital gap.[77] UNCTAD, in *Digital Economy Report 2021*, noted that

[71] Response to UNCTAD questionnaire from Brazil; see https://www.lexology.com/library/detail.aspx?g=fc8b9aa8-5672-4167-8768-69b810c15c7b.
[72] UNCTAD, 2021a.
[73] https://unctad.org/news/mobile-money-holds-key-financial-inclusion-africa-experts-say.
[74] Response to UNCTAD questionnaire from Germany.
[75] https://www.oecd.org/daf/fin/financial-education/Financial-Consumer-Protection-and-Ageing-Populations.pdf.
[76] https://www.povertyactionlab.org/blog/11-23-20/improving-womens-digital-literacy-avenue-financial-inclusion.
[77] https://www.oecd.org/daf/fin/financial-education/Financial-consumer-protection-and-financial-literacy-in-asia-in-response-to-covid-19.pdf.

only 20 per cent of people in the least developed countries use the Internet, and at relatively low download speeds and at a relatively high price.[78] Further, within countries, there are significant divides between rural and urban areas, as well as between men and women.[79] UNCTAD has stated that affordable access to open and secure Internet should be provided, taking into consideration the needs of the elderly and of consumers with disabilities who may be less familiar or less comfortable with digital tools and therefore more prone to digital fraud.[80]

40. In Ghana, Malawi and Uganda, the government-led digital financial literacy campaign “Hey, sister! Show me the mobile money!” was launched in 2020, designed to provide women with the skills needed to use digital financial services with confidence.[81] Malaysia took steps to facilitate the improvement of digital financial literacy among the elderly during the COVID-19 crisis by delivering monthly webinars targeting elderly consumers with Internet access, focused on digital access to capital market products and services and digital scam and fraud awareness.[82] In the United Republic of Tanzania, a programme on empowering adolescent girls and young women through education has provided smartphones to 400 adolescent girls and young women who have been able to develop digital literacy and skills in online communications and interactions.[83]

41. In order not to compromise the benefits of digitalization, countries should focus more of their resources on enhancing digital financial literacy, with a particular focus on vulnerable consumers, such as the elderly, women and people with disabilities, taking into account the unique characteristics, advantages and risks of digital financial services and channels.

IV. Policy recommendations and questions for discussion

42. The United Nations guidelines for consumer protection provide concrete recommendations on protecting consumers of financial services. A well-functioning financial system requires a sound legal and policy framework that defines clear goals aimed at protecting consumer access to financial services while regulating the conduct of services providers. In doing so, the current priority areas for member States include financial inclusion, education and literacy, remittances, overindebtedness and digitalization. Based on the United Nations guidelines, the UNCTAD *Manual on Consumer Protection* and responses received to the UNCTAD questionnaire, some policy recommendations on financial consumer protection, including financial education and literacy, are as follows:

(a) Enact and regularly update adequate legal frameworks to protect consumer rights in financial services;

(b) Establish and strengthen enforcement agencies and oversight bodies with the necessary authority and resources to carry out their mission;

(c) Enhance and ensure good business practices, with an emphasis on fair and equitable treatment; ethical behaviour; disclosure and transparency; education and awareness-raising; protection of consumers’ privacy; and availability of dispute resolution;

(d) Design and implement multi-stakeholder strategies to enhance access to financial services, inclusion and education and literacy;

(e) Implement effective policies to address remittances, consumer overindebtedness and bankruptcy;

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78 UNCTAD, 2021b, *Digital Economy Report 2021: Cross-Border Data Flows and Development – For Whom the Data Flow* (United Nations publication, Sales No. E.21.II.D.18, Geneva).

79 Ibid.

80 TD/B/C.I/CPLP/23.

81 https://www.siaedge.com/show-me-the-mobile-money.

82 https://www.oecd.org/finance/financial-education/supporting-financial-resilience-and-transformation-through-digital-financial-literacy.htm.

83 https://en.unesco.org/news/adolescent-girls-and-young-women-tanzania-expand-digital-literacy-and-skills.

(f) Harness the potential of digitalization in financial services while protecting consumers from emerging threats.

43. Delegates at the sixth session of the Intergovernmental Group of Experts on Consumer Protection Law and Policy may wish to consider the following questions:

(a) What are the emerging challenges facing consumers in financial markets?

(b) How can consumer protection law and policy tools be improved to better meet the needs of consumers?

(c) What are the most effective means by which to enhance financial education and literacy?

(d) How can UNCTAD better support member States in improving financial consumer protection?