

Central Bank of Portugal Financial Consumer Protection Strategy

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Supervision Department**

9 July 2018

**UNCTAD – IGE on Consumer Protection Law and Policy
Consumer Protection in Financial Services**



**BANCO DE
PORTUGAL**
EUROSYSTEM



- The **Central Bank of Portugal** is the **conduct supervisor** in charge of **retail banking products and services: deposits, credit and payment services**
- The financial consumer protection mandate assigned to the Central Bank of Portugal, in 2008, is carried out by the **Banking Conduct Supervision Department**, making use of **rule-making, oversight and enforcement powers**

Why is Financial Consumer Protection important?

The financial consumer protection framework **aims to foster a more balanced relationship and to reduce information asymmetry between financial service providers and consumers**

Provision of information to consumers

- Advertising
- Pre-contractual information
- Contractual information
- Information provided during the lifetime of the contract



Conduct duties on credit institutions

- Technical competence
- Diligence
- Neutrality
- Loyalty
- Discretion
- Scrupulous regard of consumers' interests based on a legal and regulatory framework



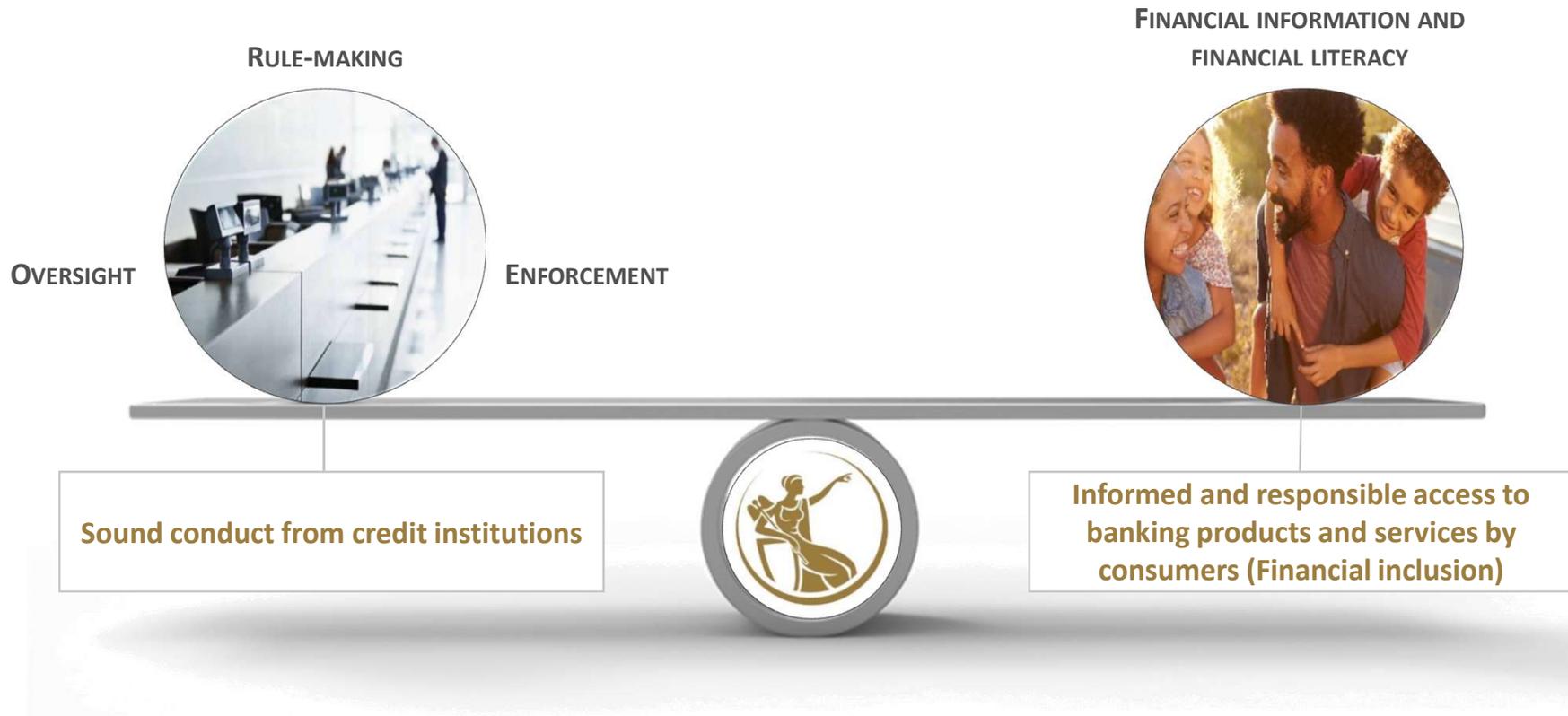
The need for a comprehensive approach

The **financial crisis** and the **increased access to diversified and innovative retail banking products and services**, including through **digital channels**, requires a **more comprehensive and intrusive financial consumer protection approach**



The need to act on the supply and demand sides

Financial consumer protection needs to also focus on the demand side – consumers – to promote **financial inclusion, financial information and education**



NEW CHALLENGES

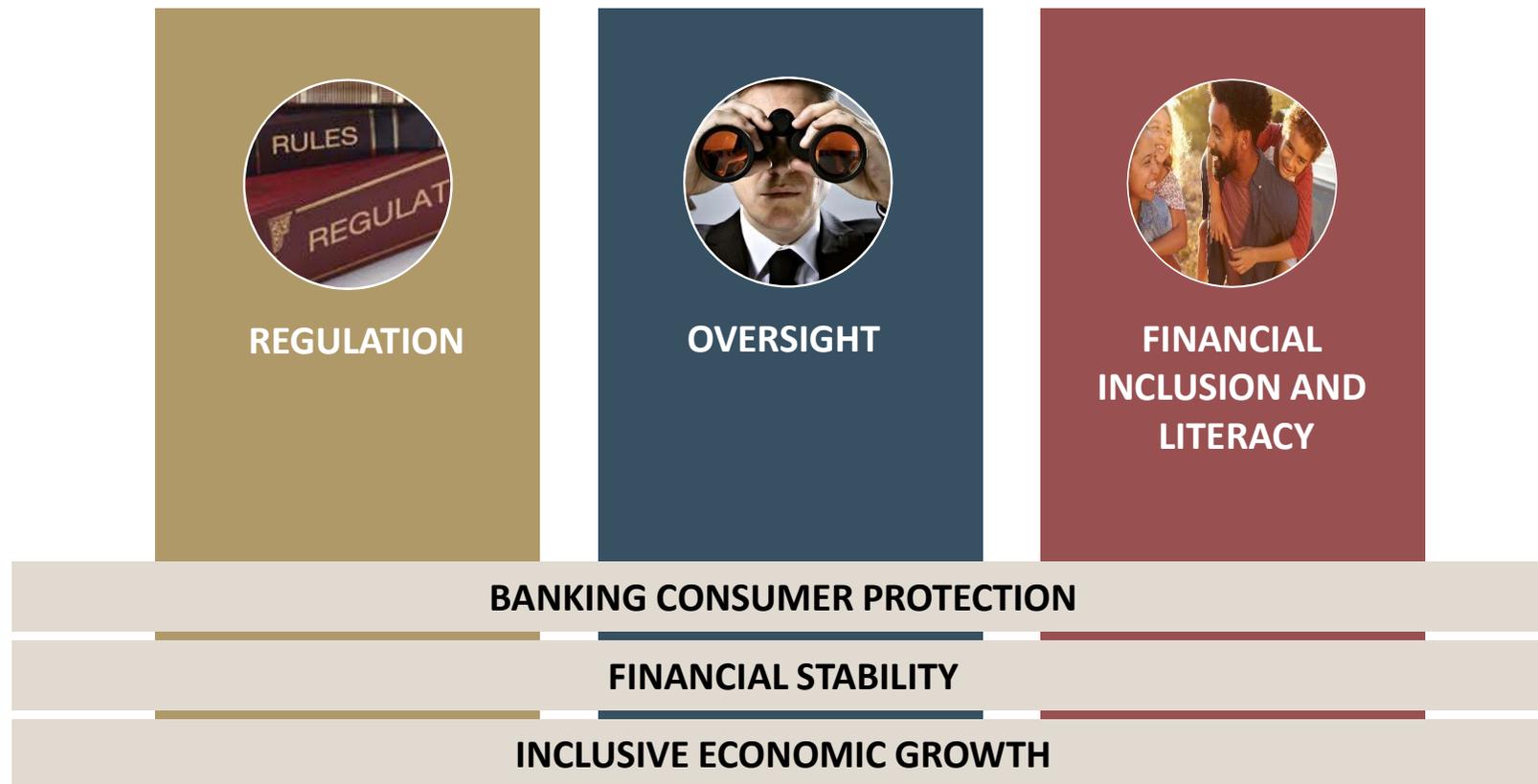
FINANCIAL CONSUMER PROTECTION IN THE DIGITAL ERA

PROMOTION OF
TECHNOLOGICAL NEUTRALITY AND
MARKET INTEGRITY MUST GO HAND-IN-HAND
WITH DIGITAL FINANCIAL LITERACY



The Central Bank of Portugal's Strategy

MAIN PILLARS OF THE FINANCIAL CONSUMER PROTECTION





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8



REGULATION

Regulation | Financial Consumer Protection Framework

In Portugal, bank customers benefit from a very **comprehensive legal framework**, which has been developed based on initiatives from the **European Union (EU)** and the **national authorities**



EU Directives and Regulations



Portuguese law



Regulations from the Central Bank



Regulation | International Engagement – EU



The Central Bank of Portugal is highly involved in the **international financial consumer protection fora** with a **regulatory mandate, participating in the EU discussions: Directives and Regulations and EBA Guidelines and Acts...**



European Commission

EXPERT

- ✓ EU Consumer Credit Directive
- ✓ EU Mortgage Credit Directive
- ✓ EU Payments Account Directive
- ✓ ...



MEMBER



JOINT COMMITTEE
European Supervisory Authorities

- ✓ Guidelines on Arrears and Foreclosure
- ✓ Guidelines on Creditworthiness Assessment
- ✓ Guidelines on Product Oversight and Governance
- ✓ Guidelines on Remuneration Policies for Sales Staff
- ✓ Guidelines on Complaints Handling
- ✓ ...





...and participating in the G20 discussions as founding member of the G20/OECD Task-Force on Financial Consumer Protection and as non-G20 Member Country of the G20/GPFI...



G20 HIGH-LEVEL PRINCIPLES ON FINANCIAL CONSUMER PROTECTION

October 2011

The high-level principles were developed as a response to the G20 Finance Ministers and Central Bank Governors call in February 2011 for the OECD, the FSB and other relevant international organisations to develop common principles on consumer protection in the field of financial services by their 14-15 October meeting.

They were developed by the Task Force on Financial Consumer Protection of the OECD Committee on Financial Markets (CMF), in close co-operation with the FSB and its Consultative Group, other international organisations and standard setter bodies and consumer and industry associations. The Task Force is open to all G20 and FSB members. It held several rounds of consultations, including a public one, on different versions of the draft principles. A final version of the draft principles was discussed and endorsed by the Task Force on 14 September and transmitted to the CMF and the FSB.

The Final High-level Principles on Financial Consumer Protection were endorsed by the G20 Finance Ministers and Central Bank Governors at their meeting on 14-15 October 2011.

For further information please contact Mr. André Laboué, Head of the Financial Affairs Division, OECD [Tel: +33 1 45 24 91 27; Fax: + 33 1 44 30 61 38; E-mail: andre.laboue@oecd.org] or Mr. Michael Chapman, Senior Policy Expert, Financial Affairs Division, OECD [Tel: +33 1 45 24 79 43; Fax: + 33 1 44 30 61 38; E-mail: michael.chapman@oecd.org].



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Took part in the development of the **2011 G20 High-level Principles on FCP**

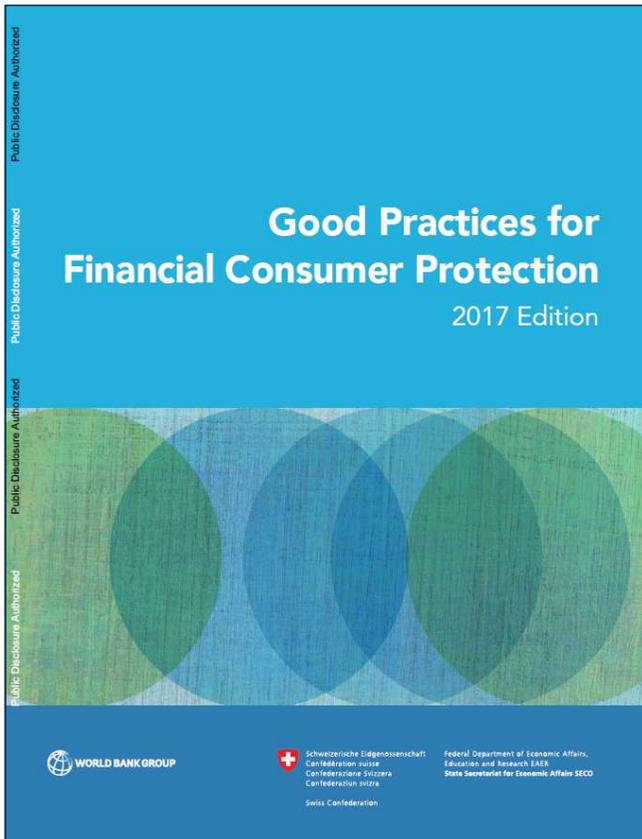
The national framework is compliant with the G20 High-level Principles



G20/OECD Task-Force on Financial Consumer Protection



Regulation | Best Practice



... and has been highlighted as an example of good practices

*“In many cases, as in [...] **Portugal**, a multi-agency institutional arrangement will prevail in which existing financial sector authorities such as central banks and other authorities with a prudential mandate become responsible for consumer protection for different bank and NBFi sectors.”*

*“Attention is warranted to the **potential conflicts of interest** [...] between the consumer protection and the prudential functions [...].*

*One strategy to achieve these objectives is **placing the consumer protection function at the same hierarchical level as prudential supervision and establishing different lines of reporting.***

*This approach has been observed in many countries, including [...] **Portugal** [...].”*





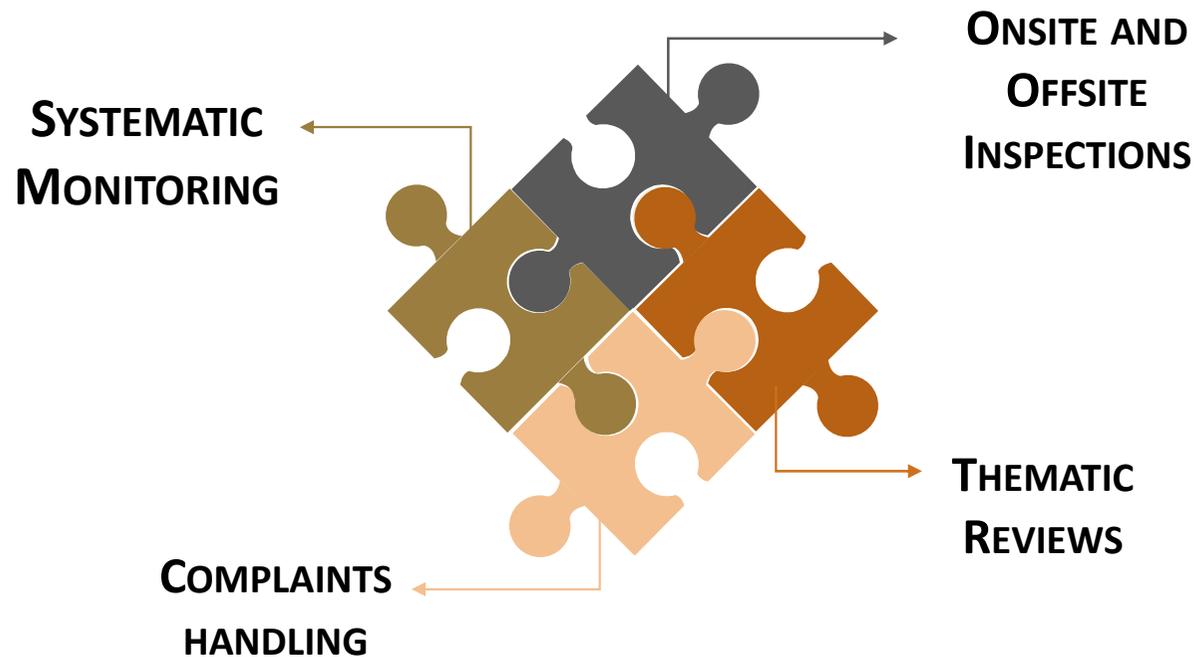
Money Museum
Central Bank of Portugal



OVERSIGHT

Oversight | Strategy

The Central Bank of Portugal **oversees credit institutions, and payment and electronic money institutions' compliance with the applicable legal acts and regulations**, following a risk-weighted approach and using a set of different tools



Oversight | Systematic Monitoring

The Central Bank of Portugal oversees **compliance of advertising campaigns** on banking products and services with the **applicable principles and rules** (*ex post* supervision mainly)...

- Balanced information
- Transparency
- Accuracy



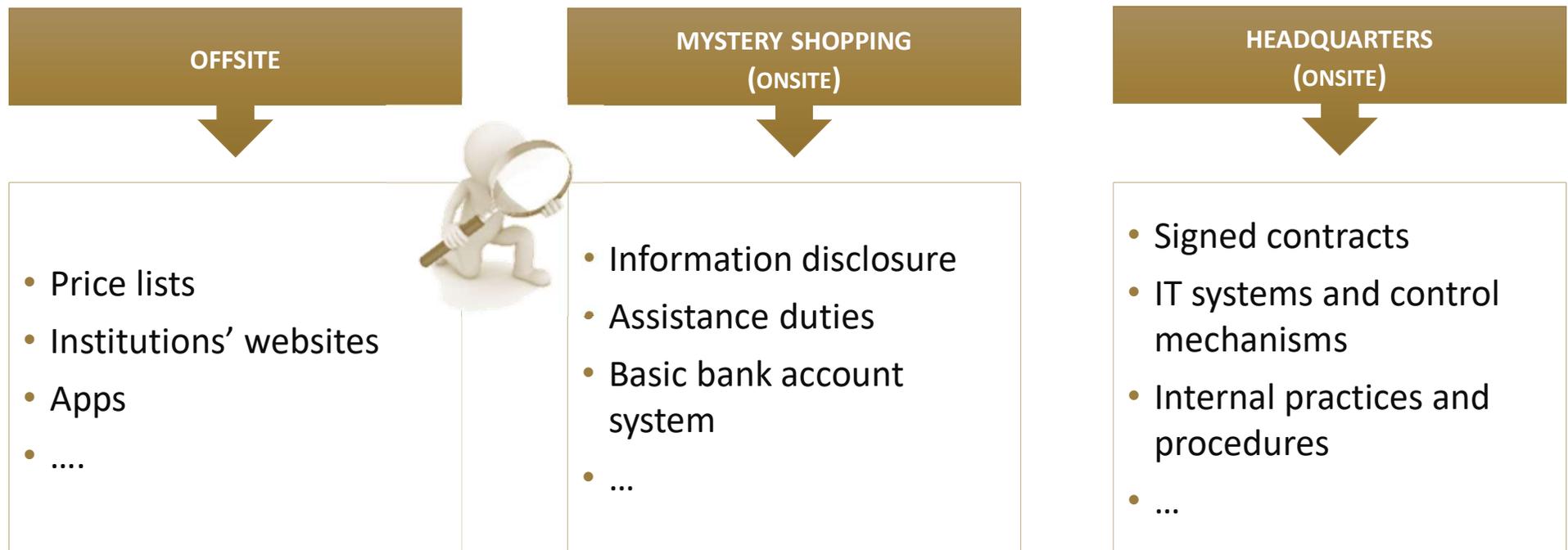
... and monitors the **rate cap regime for consumer credit** (in place since January 2010)

- Publishes the maximum interest rates for new credit agreements (quarterly)
- Analyses information reported on all new credit agreements concluded in the previous month (monthly)



Oversight | Onsite and Offsite Inspections

The Banking Conduct Supervision Department has a **dedicated inspection team**, which follows a risk-weighted annual programme (flexible enough to accommodate new issues)



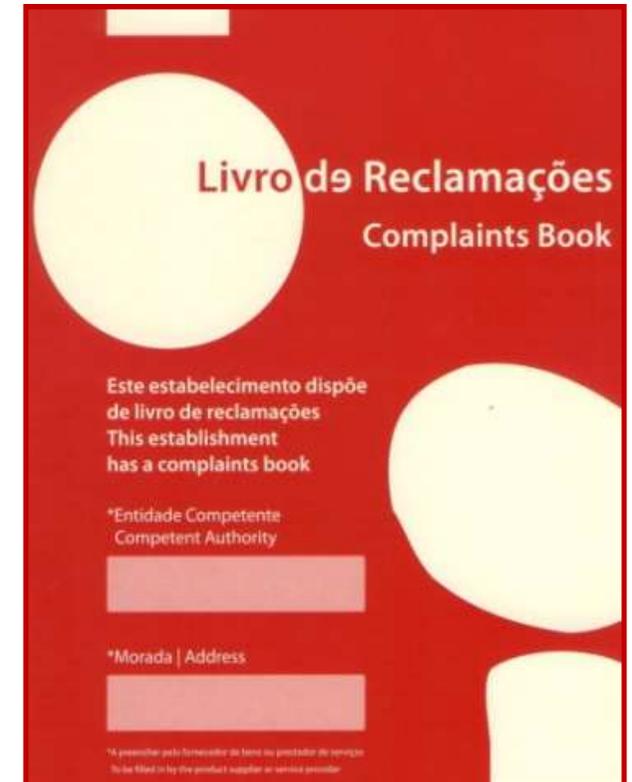
Oversight | Complaints Handling

The Central Bank of Portugal **handles complaints** on all retail banking products and services

Consumers can present complaints:

- ✓ Directly to the Central Bank of Portugal (through the **Bank Customer Website** or written communication)
- ✓ By writing in the credit institution's **Complaints Book**

A **ranking** of institutions with the most complaints is **published** by the Central Bank of Portugal twice a year, acknowledging complaints handling as an important **oversight tool**



In Portugal, all credit institutions' branches are required to provide a Complaints Book



Oversight | Thematic Reviews

Thematic reviews are also used to support and guide the Central Bank of Portugal's conduct supervision activities

These thematic reviews are commonly related to

- ✓ Assessment of **implementation of legal acts**
- ✓ **Market monitoring**



www.bportugal.pt/en/publications/banco-de-portugal/all/392

2017 - to be released shortly



Oversight | International Engagement - FinCoNet

The Central Bank of Portugal is a **founding member of FinCoNet** and **vice-chairs its Governing Council**

FinCoNet

- ✓ *Is an international organisation of supervisory **authorities** responsible for financial consumer protection*
- ✓ *Promotes **sound market conduct** and **strong consumer protection** through efficient and effective financial market conduct supervision*



Guidance to Supervisors on the setting of Standards in the field of Sales Incentives and Responsible Lending



Online and mobile payments:
Supervisory challenges to mitigate security risks

September 2016



Report on the Digitalisation of Short-term, High-Cost Consumer Credit

November 2017

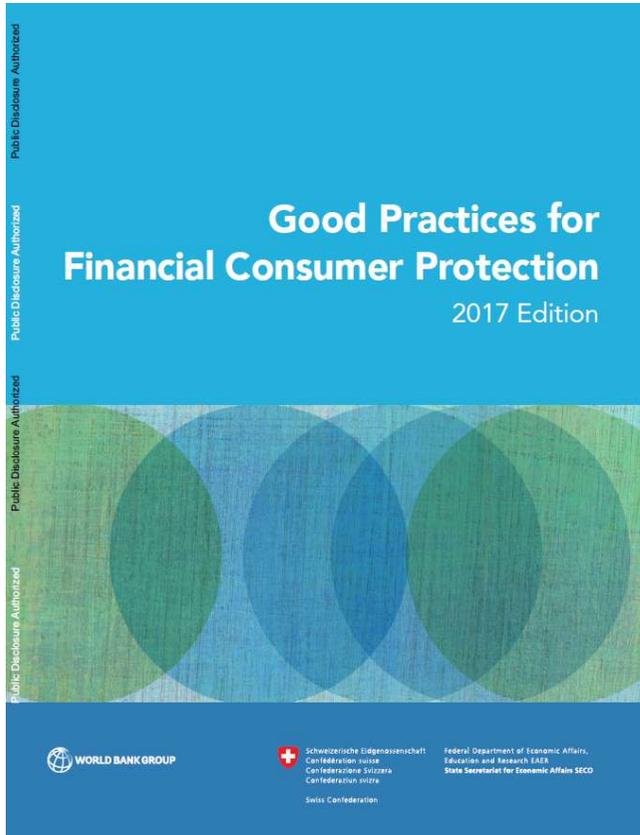


Online and mobile payments
An overview of supervisory practices to mitigate security risks

January 2018



Oversight | Best Practice



Portugal has been **highlighted** as an example of good practices

*“Another **supervisory tool more specific to financial consumer protection is mystery shopping**, which is used by authorities [...] **Portugal** [...] to identify problems arising during the interactions between providers and consumers.”*

*“[...] in **Portugal**, **APR and gross annual nominal rate have to be disclosed**. Providers are subject to penalties for making any false or misleading statements. In [...] **Portugal** [...], **sales materials for loans cannot claim loans are “zero interest” or “free” if there are any applicable charges**, even if these charges apply only after a certain interest-free period.”*

*“For the sake of **transparency and accountability** [...], the **Banking Conduct Supervision Department of the Bank of Portugal publishes biannual reports on market conduct supervision, reports on market monitoring and complaints, and even impact evaluation reports on some key regulatory measures.**”*





Money Museum
Central Bank of Portugal

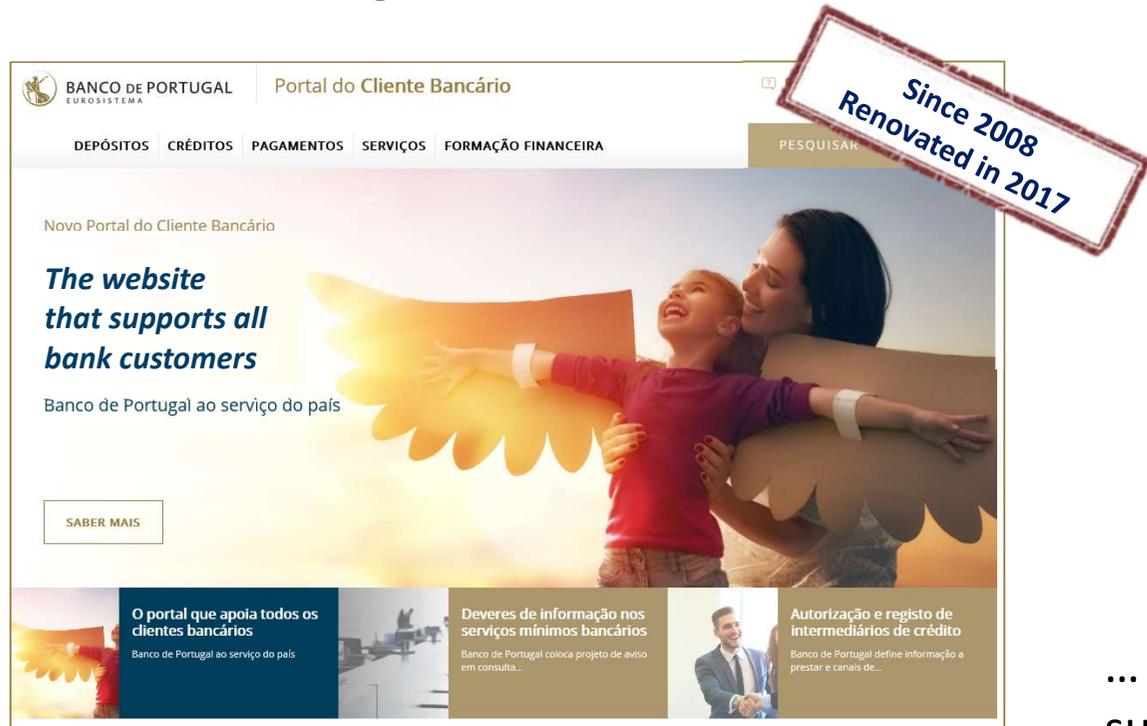


FINANCIAL INCLUSION AND LITERACY



Financial Inclusion and Literacy | Financial Information

The Central Bank of Portugal provides **information to consumers** through the **Bank Customer Website ...**



www.clientebancario.bportugal.pt/



www.clientebancario.bportugal.pt/materiais

... and regularly issues **publications** on several subjects related to retail banking products and services (explainers, booklets, leaflets)



Financial Inclusion and Literacy | Basic Bank Accounts

The Central Bank of Portugal also actively promotes the **Portuguese Basic Bank Account regime**



The screenshot shows the 'Portal do Cliente Bancário' of Banco de Portugal. The main heading is 'Information on the Basic Bank Account'. Below it, a text block states: 'Banco de Portugal coloca três diplomas regulamentares em consulta pública até 8 de julho'. A 'SABER MAIS' button is visible. At the bottom, there are three smaller article teasers: 'Prestação de informação sobre serviços mínimos bancários', 'Débitos diretos: sete informações que vai querer saber', and 'Atua como intermediário de crédito? Assista ao vídeo e saiba o que muda em 2018'.

www.clientebancario.bportugal.pt/



Basic Bank Accounts promote financial inclusion

Consumers may access a range of basic banking services at low cost

*Basic bank accounts include the **opening of a current account, the holding of a debit card to operate the account, direct debits and domestic intrabank transfers***

Financial Inclusion and Literacy | Financial Literacy

The Central Bank of Portugal conducts **financial literacy initiatives across the country** with the support of its **network of branches**



The Central Bank of Portugal participates in the Global Money Week



Training session conducted by the Central Bank of Portugal's staff



Financial Inclusion and Literacy | Digital Financial Literacy Strategy

The Central Bank of Portugal has in place a **digital financial literacy strategy**, included in its Strategic Plan for 2017-2020, aiming to:

- ✓ Empower bank clients on digital financial services
- ✓ Enlighten bank clients on a secure use of digital channels
- ✓ Raise awareness on digital financial products' features and risks



Downloading



Financial Inclusion and Literacy | National Strategy for Financial Education

The Central Bank of Portugal promotes, since 2011, the **Portuguese National Plan for Financial Education** with the other financial supervisors (Securities Market Commission and Insurance and Pension Funds Supervisory Authority)

Materials, information, and news and initiatives from all stakeholders are shared every day on the **Todos Contam website**, the proprietary website for the Portuguese Plan



www.todoscontam.pt

THE NATIONAL PLAN PROPRIETARY WEBSITE



Financial Inclusion and Literacy | International Engagement

The Central Bank of Portugal is highly involved in the international *fora* dedicated to financial inclusion and literacy

- ✓ Founding member of the **OECD/INFE** and member of its Advisory Board
- ✓ Collaborates with **Alliance for Financial Inclusion** on implementing capacity-building programmes with Brazil, Angola, Mozambique, Cape Verde, Guinea Bissau, São Tomé and Príncipe, East Timor (Portuguese-speaking countries)
- ✓ Collaborates with **Child&Youth Finance International**
- ✓ Cooperates with **Center for Latin American Monetary Studies**



THANK YOU!

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