

Press release

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FSB publishes report on consumer finance protection with particular focus on credit

The Financial Stability Board (FSB) published today a report on consumer finance protection in the area of consumer credit, including mortgages, credit cards, and secured and unsecured loans. The report, which was produced in collaboration with the Organisation for Economic Co-operation and Development (OECD):

- (i) provides a global overview of policy initiatives completed or planned to strengthen consumer protection frameworks;
- (ii) presents a comprehensive picture of existing and evolving institutional arrangements; and
- (iii) reviews the work of regulators and prudential supervisors in various areas of consumer protection, including responsible lending practices, disclosure guidelines, product intervention, and complaints and dispute resolution mechanisms.

The report also includes, as an annex, high-level principles covering the financial services sector as a whole, which were developed by the OECD with input from FSB members and published as a stand-alone document on 18 October. G20 Finance Ministers and Governors endorsed both the report and the principles at their 14-15 October meeting in Paris, and called for further work on implementation issues.

Much work is underway to strengthen the supervisory and regulatory framework to make the financial system more resilient, and such initiatives need to be complemented with effective oversight of consumer protection. In the wake of the global financial crisis, national and international efforts have intensified to strengthen consumer protection policies to promote financial stability. Policies that protect the interests of consumers of financial products and services contribute to improved risk management by households, more competitive financial markets, and greater financial stability. The FSB has taken stock of work in this area, focusing on polices relating to consumer credit.

Drawing from the findings of this stock-taking exercise, the report presents internationally applicable lessons and identifies gaps where additional international work could help to advance consumer finance protection and financial stability. Potential areas for future work include:

- ***Calling upon an international organisation of regulators to take the lead on global financial consumer protection efforts.*** An international organisation with a

clear mandate and adequate capacity could help maintain the international momentum on consumer protection; strengthen the connection with domestic developments; facilitate engagement with consumer advocacy groups and other stakeholders; and steer the work in a productive direction.

- ***Launching work on institutional arrangements and, if appropriate, develop best practices to guide institutional reform.*** The institutional arrangements to protect consumers could be studied so as to ensure that clear mandates are established; accountability is clearly defined; and consumer protection authorities have the authority, capabilities, tools and resources to effectively and efficiently regulate and supervise the consumer finance market.
- ***Strengthening supervisory tools by identifying gaps and weaknesses.*** Consumer protection authorities use a broad range of regulatory and supervisory tools, which generally include promoting responsible lending practices and providing disclosure guidelines. More work could be done to ensure consumer protection authorities are equipped with the necessary supervisory tools while at the same time ensuring that sufficient information is being provided to consumers.

Notes to editors

The FSB has been established to coordinate at the international level the work of national financial authorities and international standard setting bodies and to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies in the interest of financial stability. It brings together national authorities responsible for financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts.

At the [Seoul Summit in November 2010](http://www.g20.org/Documents2010/11/seoulsummit_declaration.pdf),¹ the G20 Leaders asked the FSB to work in collaboration with the OECD and other international organisations to explore and report back by the November 2011 Summit, options to advance consumer finance protection. At the request of the French Presidency, [G20 Finance Ministers and Central Bank Governors](http://www.g20.org/Documents2011/02/COMMUNIQUE-G20_MGM%20_18-19_February_2011.pdf)² subsequently complemented this call by asking the OECD, the FSB and other relevant international organizations to develop common principles on consumer protection in the field of financial services by October 2011. The FSB has led the preparation of this report and the OECD led the development of the principles.

Financial education, financial literacy and financial inclusion are keys to protecting consumers; however, these areas are not covered within the FSB report given that the other international work already underway on these subjects, particularly by the G20 Global Partnership for Financial Inclusion, the developing and emerging market Alliance for Financial Inclusion, the World Bank, the International Network on Financial Education and the OECD.

The FSB report largely draws on responses to a questionnaire sent to FSB member authorities in May 2011. In addition, the Secretariat met with consumer groups to better

¹ http://www.g20.org/Documents2010/11/seoulsummit_declaration.pdf.

² http://www.g20.org/Documents2011/02/COMMUNIQUE-G20_MGM%20_18-19_February_2011.pdf.

understand issues of concern to financial consumers, potential best practices and areas where international coordination might be helpful. A draft report was shared with these consumer groups for consultation.

The FSB is chaired by Mario Draghi, Governor of the Bank of Italy. Its Secretariat is located in Basel, Switzerland, and hosted by the Bank for International Settlements.

For further information on the FSB, visit the FSB website, www.financialstabilityboard.org.