



NFU's response to the European Commissions' Green Paper on Retail Financial Services in the Single Market

About NFU

The Confederation of the Nordic Bank, Finance and Insurance Unions (NFU) is an organisation for co-operation between trade unions that organise employees in the banking, finance and insurance sectors in the five Nordic countries. At present, eight trade unions are affiliated to the NFU, two in Denmark, two in Sweden, two in Finland and one in each Iceland and Norway. Through these trade unions, the NFU represents 165 000 employees on the Nordic financial market.

General remarks

Our response to the consultation will be twofold. We will address the questions raised in the consultation document that are of relevance to us as representatives of the employees in the finance industry. Secondly, we will introduce a number of new issues and principles that we believe should be addressed at European level; issues that we are convinced will foster efficiency and competitiveness as well as good governance of companies.

Comments and proposals to some of the questions raised in the Green Paper

Question 1: Do you agree with the objectives and priorities set out in this paper?

- NFU generally supports the objectives set out in the Green Paper, but we are surprised that the employees of the financial sector have not been mentioned at all. To us the alliance between consumers and finance sector employees is clear. Consumer objectives can only be achieved in close cooperation with and when employees and their organizations are on board. Empowered and well-informed consumers are of great advantage as seen from an employee perspective. What we call for is awareness of how this will affect financial institutions. Enough staff and well-qualified staff are imperative. Training is paramount. Therefore the too limited focus on reducing of personnel costs cannot go on.

One of the main priorities in the Green Paper aims at investigating and remedying national practices that restrict competition and reduce consumer welfare. It must be pointed out, however, that enforcement of competition law cannot be solely based on the economic interests of the customer; the economic interests of employees must also be taken into account. NFU supports the idea of a level playing field in terms of competition, but it cannot lead to a situation where reduced profits for companies are balanced with reduced personnel costs.

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Another issue that needs to be discussed is cross border activity. The eagerness to enhance the consolidation activities in the sector should not be seen as a go-ahead for any possible merger. The increasing consolidation of the financial market is a growing concern for the trade union movement, and one that is shared by more and more stakeholders from other interest groupings. Consolidation should not be a political objective per se, but should bring clear benefits to the economy by stimulating growth and encouraging innovation. At the moment there is evidence that some of the bigger banks resulting from cross border consolidation are less capitalised and thus worth less, relatively speaking, than smaller banks. There is an opinion among potential customers that the giants on the market are unable to give the customers what they want.

As we have stated before in our meetings with DG Internal Market, we welcome change if there are benefits for the market and its stakeholders to be gained. NFU does not oppose consolidation, but wants to point out that in every merger there are burdens in form of social consequences and costs that must be shouldered by the companies involved.

Question 3: The Commission has undertaken several initiatives to improve consultation with consumers and to secure their input into its policy making. Should further steps be taken and, if so, what steps?

- It is necessary to see the interests of employees, consumers and the industry as integrated, not separated. Consultations with consumers should be available to sector employees and representatives from the industry as well, since all parties involved has input and insights that would be fruitful in conjunction with each other.

Question 5: Despite efforts, in particular the creation of FIN-NET, the handling of cross border consumer complaints in the field of financial services still remains problematic. The Commission would welcome input as to the ways to improve the current situation. For example, should Member States be obliged to ensure that alternative dispute resolution (ADR) schemes are in place? Should providers be obliged to adhere to an ADR scheme? Should they be contractually obliged to offer ADR mechanisms to their clients?

- ADR schemes may be a good way to solve disputes, but then the consumers need to be informed of the content of the scheme and what this would mean for them. There are examples where certain types of ADR schemes are more expensive for the parties involved than if the dispute would be tried in a national court, whereas other schemes are quite cheap to use for the consumer. The access to court is a vital prerequisite in any contractual relationship, and the use of these proposed ADR schemes cannot in themselves be excluding, directly or indirectly, private customers due to costs or other conditions. Before it is made clear how such schemes would be designed, an obligation for any part involved to adhere to an ADR scheme would at this point be counterproductive.

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It is the opinion of NFU, however, that without effective solutions in terms of dispute handling, the likelihood of an effective cross-border financial market is diminishing. We suggest that a working group comprising representatives from the industry, the employee side, consumers and governments is established with the aim to examine and evaluate different national and/or international dispute resolution systems. The findings could then serve as a base for setting up a system for handling of cross border consumer complaints in the field of financial services, looking at best practice.

Question 6: The creation of the Single Euro Payments Area (SEPA) offers challenges and opportunities for businesses and consumers alike. What do stakeholders think of SEPA's impact on consumers? Should consumers be more involved in the governance and the preparation of SEPA?

- There are already examples of how the new initiatives in the payments area might lead to outsourcing and centralisation. In Finland the cooperative banks have entered into a contract with the German Transaktionsinstitut, meaning that cross-border money transfer systems is in the process of being outsourced to Germany (and the German unit is negotiating a merger with the Dutch). We would like to draw the Commission's attention to new developments and point out that a certain vulnerability might follow from this. Centralisation of services is often known to have negative effects on consumers, inter alia as regards pricing of services and the range of services available. We would also like the Commission to – in its communication with the industry – launch a discussion on employment effects and on how these can be tackled. There is no doubt that information is needed – both targeted at employees and consumers. EU level information initiatives are one aspect of this.

It is also NFU's opinion that the Commission generally should promote research on adult education on financial services, in order to improve the understanding of different measures taken by the market, such as SEPA for example.

Question 9: Do you think that there could be benefits for both banks and consumers, if banks would have the opportunity to offer an optional simplified standardised product, which would have a good level of consumer protection, would be easy to understand, and could be offered across borders without the need to be modified to fit local rules?

- NFU has previously stated that it is our opinion that everybody should have easy access to basic financial services – no matter where they live/move to. This must not mean, however, that an introduction of basic and easy-to-understand products leads to a creation of layers, where consumers interested in simplified products are left to conduct their own business, while the industry focuses on stakeholders that might be able to reap benefits from more advanced financial products.

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Question 10: The Commission believes that more could be done to improve consumers' financial literacy and capability. Possible measures include developing guidelines or promoting best practices. The Commission would welcome input on how this policy should be further developed at the European level.

- At several meetings with DG Internal Market we have stressed the importance of training and education – of both finance sector employees and of consumers. The complexity of financial products is increasing and at the same time the individual must take greater responsibility for pension savings. Employees cannot have sole responsibility for consumer education. However, we have maintained that consumers need to be educated primarily in the situation where they actually set out to buy services and are looking for the best deal. This means that finance sector employees have an important role to play and will be major providers of consumer training. The quality of services to the consumers will thus depend upon the level and content of training offered to employees. Furthermore, not only competent, but also sufficient personnel will be the key to success.

Financial education for customers is important from the trade union perspective, since it renders more competent customers. Competent customers, in turn, leads to more advanced work for financial advisors, which is satisfying for the employees. Finance employees are also the best teachers in the sale moment when customers are willing to adopt the knowledge. However, the employees must be given the time and opportunity to transfer this knowledge. Aggressive sales targets and merit rating systems are counter productive to customer protection and qualified advice, and the Finance industry employers need to take responsibility for this conflict between sales and advice.

It is important that all stakeholders are involved not only at the EU-level, but also at the national level. An important aspect will be missing, if the national financial literacy programmes are decided by the financial industry and the consumer side only, while not taking on board e.g. the experience and expertise of the financial employees.

Question 11: Do you think that, as they stand, the provisions on consumer information contained in financial services directives are adequate and consistent with one another? Were it not the case, how could the Commission ensure that information requirements are set at the right level, ensuring proper information but without creating any overload? Do you think that informing consumers is sufficient or that advice should also be provided? If yes, should that be compulsory or on request?

- As stated above, aggressive sales targets and merit rating systems are counter productive to customer protection and qualified advice. One of the main issues is not whether any advice given should be compulsory or by request, but that any advice given should be objective. There are many examples where the line between (objective) advice and sales has been effectively eradicated, mainly due to an ever-ongoing shift in companies' remuneration/bonus systems. The problem is two-folded; firstly, there are simply not enough time for the

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employees in the finance industry to explain the meaning of the different products offered by the company, and secondly, since the remuneration of the employees are increasingly linked to their sales targets, the objectivity of the employees in a situation where advice is given stands the risk of being questioned, which will lead to a very unsatisfying work situation. This leads to another major issue in this context – the quality of the information and advice given, which is closely linked to the issue of training and staffing that was mentioned earlier. This question will continue to be at the core of consumer education, since the complexity of the products on the market is constantly increasing. Given this increasing complexity, it is of the utmost necessity that roles, risks and responsibilities are made crystal clear to all parties involved. As under question 10, it is our opinion that the quality of services to the consumers will depend upon the level and content of training offered to employees, and that not only competent, but also sufficient personnel will be the key to success.

Question 14: Customer mobility and competition are closely associated. The Commission would welcome input as to how customer mobility could be enhanced. In particular, in the field of bank accounts, and as a follow-up to the Expert Group's work, would stakeholders see merits in, for example, having EU wide account switching arrangements? Will SEPA have an impact on customer mobility?

- NFU questions the view that customer mobility should be seen as a goal in itself. Our opinion is that a multitude of choices should be available, but customers should not be pressurized in any way. When confidence and trust is in place, mobility will follow.