



NORDISKA FINANSANSTÄLLDAS UNION

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NFU Response to the Consultation on Alternative Dispute Resolution (ADR) in the area of financial services

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 Finland, two in Sweden, and one in each Iceland and Norway. Through these trade unions, NFU represents 160 000 employees in the Nordic financial market.

General remarks

NFU generally supports the objectives set out in the consultation document, 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 organisations are on board. Empowered and well-informed consumers are of great advantage as seen from an employee perspective. In the repercussions of the financial crisis, we have once again seen that a high level of consumer protection at national and international level is necessary. Statutory regulation must guarantee that any financial institution provides its customers with qualified and proper advice based on their interests.

Some of the questions asked by the Commission in the consultation paper are dealing with matters that are largely oriented towards the finance industry itself, and hence not for NFU to comment specifically.

In our reply, we have focused on matters that will, from our perspective, have an impact on employees in the finance sector now and in the future.

- **Should adherence to an ADR scheme be mandatory to all financial services providers? If yes, should the financial services providers be obliged to adhere to the ADR scheme only in the country where they are established or to all the ADR schemes in Member States where they provide services?**

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It is the opinion of NFU that without effective solutions in terms of dispute handling, the likelihood of an effective cross-border financial market is diminishing. It is of crucial importance that all financial services providers are subject to dispute resolution in some form, be that through national courts or alternative options. ADR schemes may be a good way to solve disputes, but then consumers and finance sector employees need to be thoroughly informed of the content of the scheme and what this would mean for them, especially regarding costs and obligations. NFU agree with the Commission that ADR schemes generally offer a much quicker and cheaper way to settle disputes than in courts and also provide an opportunity to resolve disputes that consumers would not normally pursue in courts. There are however 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. The access to court is a vital prerequisite in any contractual relationship, and the use of ADR schemes cannot in themselves be excluding, directly or indirectly, private customers from court access due to costs or other conditions.

Any interconnection between the "home country scheme" and the "subsidiary country scheme" must also be properly indicated. If there would suddenly be an obligation in one country to adhere to an ADR scheme emanating from another country, it must be made clear how that scheme is designed and what that means for the consumer as well as for the employees that might have to apply it.

In relation to this, NFU would like to point out that if any regulation is being adopted regarding the adherence to ADR schemes, it must be clear what this will mean for the companies and thus for the employees that then would have to inform about it and apply it.

- **Should financial services providers be obliged to inform customers about the possibility to resolve disputes through an ADR scheme? Should this obligation be applicable also with regard to FIN-NET?**
- **When should the financial services provider inform its customer about the possibility to address the complaint to an ADR scheme? As part of the contractual information? At the moment when the dispute arises and it cannot be settled between the provider and the customer bilaterally? Both? Other?**

If an ADR scheme is being applied in the company, it is natural that the customer is being informed about the possibility to resolve disputes in this way. This could be done as part of a standardized contract, so to ensure that the information regarding the scheme is given in the same manner to all customers.

NFU agrees with the Commission that consumers need to know that the possibility to resolve their disputes with providers through an ADR exists, in order to have effective redress. 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 of course also includes information regarding dispute resolution.

As previously stated, the consumers need to be informed of the content of the scheme and what this would mean for them, especially regarding costs and obligations. This means that finance sector

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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 information and training offered to employees. Furthermore, not only competent, but also sufficient personnel will be the key to success.

All 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.

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 outmost necessity that roles, risks and responsibilities are made crystal clear to all parties involved. NFU is of the 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.

Yours faithfully

NORDISKA FINANSANSTÄLLDAS UNION (NFU)
The Confederation of Nordic Bank, Finance and Insurance trade unions

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