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New G20 proposals on financial consumer protection fail to learn lessons of financial crisis

- Open letter signed by G20 consumer groups spells out concerns ahead of key meeting
- No specific reference to deposit protection from bank failures or minimum standards for financial products

The global consumer rights movement believes crucial omissions in new G20 proposals on financial services will mean they do little to improve protection for consumers from bank failures and will fail to remove risky mortgages and poor credit services from the market.

Consumers International (CI) and BEUC, the European Consumers' Organisation, together with consumer organisations in all G20 economies, today published an open letter^[1] expressing dismay that the proposals being considered by G20 finance ministers "still fall short of what is required" on financial consumer protection. Finance ministers meet in Paris on Friday to discuss the proposals.

The letter urges the G20 to "remember that weak consumer protection in the form of irresponsible mortgage lending was both a catalyst for this crisis, and is a long-standing concern of 'ordinary people' who use financial services every day."

The proposals, which were requested by the G20 following concerted pressure from the world's consumer organisations^[2], were drawn up by the OECD. While CI and its members contributed formally^[3] to the process, there is disappointment that key demands were not included in the final submission.

As outlined in the open letter, the proposals "do not include any explicit reference to deposit guarantees in the event of bank failures, nor do they support the adoption of minimum standards for financial products." CI believes these are crucial steps for avoiding any future financial crises.

CI also calls for G20 leaders to support the establishment of a new international organisation to champion financial consumer protection in banking and the provision of credit. CI has proposed that the organisation is based on an existing network of national financial consumer protection agencies and has an independent consumer panel to monitor, challenge and advice.

On the omissions in the G20 recommendations Jim Guest said:

"These recommendations fail to grasp two of the most important lessons from the financial crisis - regulators should have done more to keep very poor and risky financial products off the market, and that in periods of uncertainty, consumers need to know that their deposits are backed by deposit guarantee schemes."

Monique Goyens, Director General of BEUC added:

"While G20 leaders continue to hold back on essential actions to protect consumers in the financial markets, the EU should lead by example. By taking bold steps to overhaul mortgage credit and retail investment legislation, Europe can give an urgently needed sign that it's doing its bit to help consumers in today's interconnected financial markets. "

ENDS

Notes to Editors

[1] Open letter to G20 finance ministers and G20 leaders:
<http://www.consumersinternational.org/media/842391/ci-open-letter-to-g20-finance-ministers.pdf>

[2] In September 2010, CI working with consumer organisations in all G20 countries launched the 'Consumers for Fair Financial Services' campaign calling for the G20 to take urgent action to support financial consumer protection.

Following the launch of campaign, the G20 leaders meeting in Seoul requested the FSB to report on options to enhance protection in consumer finance (credit), and the G20 finance ministers requested the OECD to develop a set of 'high level principles on financial consumer protection'. Both pieces of work will now be presented to G20 finance ministers in Paris, 14-15 October and the G20 leaders in November.

<http://www.consumersinternational.org/our-work/financial-services/key-projects/g20-campaign>

[3] CI's formal recommendations to the G20: Safe, fair and competitive markets in financial services: recommendations for the G20 on the enhancement of consumer protection in financial services

<http://www.consumersinternational.org/media/669348/cifinancialreport2011.pdf>

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