

Ljubljana Declaration on Consumers and Financial Services

Towards financial security for all consumers

Consumer organizations gathered in Ljubljana are extremely concerned about the consequences for consumers of the financial crisis, as well as frustrated at the slow effort of both governments and the financial industry to correct the continuing market failures and ensure that the financial services industry operates in a sustainable and stable way, serving the interest of all people.

The consumer organizations gathered at the Financial Forum in Ljubljana therefore endorse the following points as a basis for future work:

1. As the globalized and deregulated financial markets, prone to great extremes, have proven to carry an incalculable risk for consumers, there is a need to ensure **greater market stability and strengthen the demand side of the market**, through:
 - Clever and proportionate regulation and effective enforcement setting strong standards – regulation not only on the international level, but allowing prompt and effective reaction to national or regional developments - instead of further deregulation and voluntary commitments;
 - Implementation of the Group of Twenty governments (G-20) principle that no market, no product, no financial services provider shall be without effective regulation and supervision. There should be no more safe harbors and competitive advantages through lack of, or weaker, regulation;
 - Introduction of measures in order to limit speculative investment where this leads to severe market instability;
 - Strict regulation and close monitoring of credit rating agencies involved in rating of companies and their products in order to prevent failure in neutrality and misleading rating;
 - Remuneration schemes should be regulated in a way to commit managers and staff of financial institutions to responsible long-term performance;
 - Promotion of competition, diversity and corporate governance in the market place, particularly where State aid has led to further consolidation, and removal of barriers to new entrants. Regulation may have limitations without an appropriate market environment.

2. The financial crisis has demonstrated that empowering **financial supervision** not only to control market stability and perform strong prudential supervision, but to engage in consumer-oriented market control and conduct-of business supervision is necessary. We demand that regulatory reforms include the following elements:
 - Consumer protection must be a key objective of financial supervision;
 - Consumer involvement in supervision bodies, the right to launch complaints on market deficits or bad business conduct, as well as support of consumer organizations' watchdog function over the market should be ensured;
 - National and international standards that serve as a floor for consumer protection are needed, while it is essential to create higher standards as is seen fit or as identified need arises at a national or state level;
 - The supervision should take place over the entire life-cycle of products and be cross-sectoral;
 - Governmental oversight should include policies to better match the needs and level of sophistication of the target consumers.

- Effective and stable guarantee schemes should be provided to ensure protection of deposits, investments and insurance;
 - Continuous review mechanisms are installed to assess whether the markets are delivering results that are in the interest of all actors participating in them. Product groups and product features that are found to be damaging or very risky for consumers or for subgroups of consumers should be prohibited or restricted.
3. As mis-selling – from mortgages to pensions and insurance, is the scourge of the financial industry and a major reason for the crisis, it is necessary to ensure that consumers have access to **safe products** that meet their needs, through:
- Short, plain language information focused on key features of the financial product. Simple risk indicators should be created to increase the transparency;
 - Developing concepts for simplified products which are understandable as well as comparable and deliver good, reliable standards;
 - Creation of rules for responsible behavior of financial providers through the full life cycle of products, including marketing, sales, contracts, and post-contract product use;
 - Strengthening provider liability for misbehavior towards consumers and markets in general;
 - Creation of effective and independent individual and collective redress mechanisms.
4. As impartial **financial advice** is essential for the complex financial decisions that consumers face and as financial advice is often solely given by the providers and their intermediaries in their own commercial interest, make sure that:
- Networks and rules are created for provision of independent advice that is free of conflict of interests;
 - Competition in the supply of advice is strengthened and more sustainable remuneration and commission schemes are enabled;
 - Strict rules are introduced for advisors and intermediaries regarding their qualifications, conduct, liability and responsibility to ensure that advice is tailored to consumer needs, and that risk warnings are provided and the advice process is documented;
 - Financial literacy schemes target students as well as adults, but they are not seen as a substitute for other policies.
5. Since the financial markets have failed to provide essential products and services to all consumers, including the vulnerable groups, provide for wide-spread **financial inclusion**, through:
- Basic banking services are a basic right for every consumer;
 - Other products and services need to be designed and distributed to meet the real needs of excluded consumers, while charging structures need to be transparent and related to cost;
 - The role of public authorities in combating financial exclusion, as well as providing advice services to vulnerable groups is of crucial importance;
 - If commercial operators are not able to meet these requirements for these products, if they are public policy objectives, then it is for the State to determine how best to fulfil the aims of inclusion and work with commercial and other providers to achieve this.