

**IEFP - OECD Symposium on Financial Education
Financial education: a possible response to the financial crisis**

SPEAKER SPEECH

CONCLUDING REMARKS

Pier Carlo Padoan, OECD Deputy Secretary-General

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SPEAKING POINTS
Deputy Secretary-General, Pier Carlo Padoan
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Distinguished guests, I am very happy to be with you today.

Please let me remark on the timeliness of this symposium.

- For the past several months, the OECD has focused on developing its strategic response to the financial and economic crisis. We have seen that the strong consumer aspects of the crisis may, in some cases, have not been given due attention. The OECD is one of the few international stakeholders to emphasize, the need for reinforcing financial consumer protection through better market conduct regulation, and wide-ranging financial education initiatives.

- Three key messages have emerged from this symposium. First, speakers throughout this conference have asserted that financial education must be a key pillar of strategies to redefine the financial marketplace in the post-crisis world. Second, instilling sound financial behavior in a population is a long-term process. For maximum impact, teaching must start early. What better way than to fully benefit from public education infrastructures? Many countries have made the integration of financial education into educational curricula a policy priority. Through events like this one we hope that experiences and good practices can be shared and discussed. The third message is that financial education is a necessary complement to proper consumer protection regulation.

- Let me now just elaborate on that third message. I would like to turn to a related issue. Specifically, the importance of improving consumers' protection and awareness when it comes to credit products.

- The credit market is innovating rapidly becoming so complex that the average household no longer understands the available range of products and their risks.

- I am thinking of products such as adjustable mortgages with reset provisions; interest only loans; the use of foreign currency loans; and the lightly

regulated (or unregulated) alternatives to traditional credit products. These are all proliferating.

- The potential consequences of uninformed decisions in relation to these non-traditional products can be disastrous since they are often tied to a mortgage loan, which is likely to be the most important financial commitment a household ever makes.

- Policymakers must address this dangerous combination of high risk products, coupled with questionable selling and marketing practices aimed at an uninformed population.

- Clearly, financial education in partnership with reinforced regulatory oversight of consumer protection is the way to help the average consumer to evaluate credit options available to them, to understand the terms and conditions of these options and to make to most appropriate decisions for their needs.

- The European Parliament, for example, released its consumer credit directive last year, which aims at harmonizing credit information disclosure provisions among EU countries. The French government is going even further through its consumption credit reform, announced last year. This proposal aims at strengthening credit providers' responsibilities, governing their marketing practices, imposing responsible lending obligations, and introducing a range of consumer protection measures. This initiative is commendable, and in line with other countries' proposals, the most recent ones having been announced earlier this year in Canada and in the US, by President Obama.

- To assist policymakers in the implementation of these measures, the OECD has developed a set of "Good Practices on Financial Education and Awareness Relating to Credit". These Good Practices, should be endorsed in the coming days, as a non-binding Council Recommendation, addressed not only to OECD countries, but to any government that is interesting in improving financial literacy. Their purpose is to guide governments and relevant public and private institutions seeking to develop financial education and awareness programmes in relation to credit. The Good Practices pay special attention to mortgage products and propose special tools and methods aimed at governments, social and

business partners, and credit market participants, each of whom has a role in financial education and awareness raising.

- I would like to emphasize one aspect that is central in both French Ministry of Finance's reform and OECD credit good practices, and which really deserves special attention. This issue relates to the fundamental function played by financial institutions, intermediaries and service providers.

- The crisis has demonstrated that the accountability and transparency of financial institutions and their practices *vis -à-vis their* clients and consumers should be further strengthened. This priority has been reflected in our Credit Good Practices, which contain a series of recommendations aimed at credit providers and intermediaries. An important component is that financial providers should be responsible and liable for ensuring that their staff has sufficient training and competence to provide accurate and complete information to consumers. Perhaps even more importantly financial providers should be responsible for verifying that this information is understood.

- To further its analytical work on this important topic, the OECD has launched a broad project on the role of financial institutions and intermediaries in the financial education process which should be carried out in 2009/2010. This project should notably be instrumental in identifying good practices in this area.

- On this note, please let me thank you, dear guests, for your valued participation in today's Symposium. I wish especially to thank *l' Institut pour l'Education Financière du Public* for partnering with the OECD in organizing this event.