Experience of SLOVAKIA

Financial Education as an Integral Part Of the Protection of Financial Market Consumer Rights

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Asymmetry
In the Financial Market

- **Information and Professional Asymmetry:**
  - Financial Institutions – Financial services providers and intermediaries
    - appropriate professional competence, professional marketing and promotion
  - Consumers – Financial Services Beneficiaries
    - non-professional users, weakly educated, simply influenced by pointed advertising
Lessons
From the Nation-Wide Survey

- Implications of survey based on personal interviews with 1107 active users of financial services in Slovakia in the age between 18 and 75 years:

- Fast financial, demographic and social development in the past 10 years is not followed by appropriate financial education of the Slovak citizens and their ability to absorb the financial information flow

- In the average only 56% of all material questions were answered correctly by the respondents
Financial Literacy Level Is Lower Than Expected ...

- In spite of the frequent use of financial services the general level of nation's financial literacy does not reflect the actual needs
  - Simple financial arithmetic tasks were correctly answered by only 66% respondents
  - More than half of them will choose among two different possibilities the worst time deposit scheme
  - 84% will choose worst loan condition among two different possibilities
  - Approximately one third does not understand the mortgage concept at all
  - Only 19% is able to understand the APR concept
... But The Volume of Financial Information is Sufficient ...

- The respondents feel the amount of information about the financial services and products is sufficient
  - 56.7% of respondents think they have all necessary information for decision, 69.8% of clients think their bank gives them all necessary information
  - The clients are easy influenced by their banks: 47.2% does not compare the competitive offers, 43.4% will decide for the same bank product again
... So The Main Problem Is In The Financial Language ...

- Although there is no lack of financial information, the consumers feel to be uninformed

- 77.3 % of respondents think the financial language is too complicate

- As the result of misunderstanding of basic financial terms the ability to deal with financial information is generally low
... And The Need For Understanding Increases

- The attitude of respondents to financial education is positive

- **Fin. education is useful (63 %), should be accessible for each age group (72 %), should be promoted by state (71 %) and financial industry (68 %)**

- Who is the first-instance person for explanation of financial terms and information?

- **The most frequent source of information is bank clerk or financial agent / advisor – in most cases it is the single information source**
Rational For Financial Education

National Strategy

- The market confidence is on upward slope
  - The building of market confidence is a long-term process, the breaking of confidence could be the matter of a moment
- Rapid GDP growth implies both increase of consumption and investments
  - Although a large portion of population is not professionally capable in financial matters, they are exposed almost on a daily basis to financial services use
- New pension scheme introduced in 2004 has increased the interest of people in financial matters
Financial Market Consumer Rights Protection - Strategic Task

- Recent Conceptual and Strategic Activities of the Slovak Government
  
  
  • June 2008 – Approved Basic theses of the Bill on Financial Market Consumer Rights Protection
  
  • Autumn 2008 – Will be submitted Bill on Financial Intermediation and Financial Advising
Three Solutions For Improvement Of Consumer Protection

- **Support of financial education**
  - Launch of Academy of Financial Education (Jan 2010)

- **Strengthening of regulation in the area of financial services intermediation and financial advising**
  - Act on financial intermediation and financial advising (1 H 2009)

- **Increased legal protection in disputes arising from contractual relation with financial institution**
  - Launch of Financial Ombudsman Service (Jan 2010)
Academy of Financial Education

- Governmental authority that will be launched by Ministry of Finance, Ministry of Education and NBS with the aim
  - To promote general financial education in the public
  - To serve as nation-wide accreditation authority for financial education activities and for testing the professional requirements for licensed activities in the financial market
Financial Agents and Advisors - Source of Financial Information

- Financial intermediaries and advisors substantially influence the financial decisions of consumers
- Possibility of intermediary or advisor failure / misinformation → special skill is necessary
- Need for common approach for legal regulation of intermediation and advisory activities in the whole financial market
Slovak Approach – Key Implications

- Improving of financial services consumer protection - The way to decrease the information asymmetry in the financial market
- Special attention should be given to permanent education and testing of bank and insurance clerks, financial agents and advisors – these persons can influence the decisions of clients and can serve as the mediator of financial education for general consumer public
- Financial education on governmental level should be in the common competence of finance ministries, central banks and/or regulators
Thank you for your attention

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