The high-level principles were developed as a response to the G20 Finance Ministers and Central Bank Governors call in February 2011 for the OECD, the FSB and other relevant international organisations to develop common principles on consumer protection in the field of financial services by their 14-15 October meeting.

They were developed by the Task Force on Financial Consumer Protection of the OECD Committee on Financial Markets (CMF), in close co-operation with the FSB and its Consultative Group, other international organisations and standard setter bodies and consumer and industry associations. The Task Force is open to all G20 and FSB members. It held several rounds of consultations, including a public one, on different versions of the draft principles. A final version of the draft principles was discussed and endorsed by the Task Force on 14 September and transmitted to the CMF and the FSB.

The Final High-level Principles on Financial Consumer Protection were endorsed by the G20 Finance Ministers and Central Bank Governors at their meeting on 14-15 October 2011.

For further information please contact Mr. André Laboul, Head of the Financial Affairs Division, OECD [Tel: +33 1 45 24 91 27; Fax: + 33 1 44 30 61 38; E-mail: andre.laboul@oecd.org] or Mr. Michael Chapman, Senior Policy Expert, Financial Affairs Division, OECD [Tel: +33 1 45 24 79 43; Fax: + 33 1 44 30 61 38; E-mail: michael.chapman@oecd.org].
At the occasion of their 19-20 February 2011 meeting in Paris, the G20 Finance Ministers and Central Bank Governors called on the OECD, the Financial Stability Board (FSB) and other relevant international organisations to develop common principles on consumer protection in the field of financial services by the time of their fall meeting in October 2011.¹ As requested and agreed by the G20 French Presidency and the FSB, the development of these Principles was being led by the OECD.

The high-level principles are designed to assist G20 countries and other interested economies to enhance financial consumer protection. The principles complement and do not substitute any existing international principles and/or guidelines. In particular they do not address sectoral issues dealt with by standard setter bodies such as BCBS, IAIS and IOSCO. These (non binding) principles will be applicable across all financial services sectors.

The OECD coordinating work on the principles was mainly channelled through the Task Force on Financial Consumer Protection of the Committee on Financial Markets which is open to all G20 and FSB members, and other relevant international organisations and standard setter bodies. Inputs on financial education issues were provided through the OECD International Network on Financial Education (INFE) which comprises representatives from institutions from 90 economies, including all G20 countries.

The Task Force held three physical meetings in April, June and September. But several rounds of written consultations have also been organised on different versions of the draft principles.

These consultations have included not only the members of the Task Force but also the members of a FSB consultative group, four OECD Committees, relevant international organisations, standard setter bodies and networks and consumer and industry associations.

A sixth version of the draft principles was circulated for public consultation until 31 August 2011. The consultation allowed numerous major stakeholders (governments, consumer and industry associations, trade unions and other relevant individual institutions) to provide further comments.

A seventh version was discussed by the Task Force on 14 September when final amendments by the Task Force were approved and confirmed through a written process. A final ninth version of the draft Principles was submitted to the Committee on Financial Markets (CMF) and the Financial Stability Board (FSB).

This document reflects the Final High-level Principles on Financial Consumer Protection which were endorsed by the G20 Finance Ministers and Central Bank Governors at their meeting on 14-15 October 2011.

¹ This complements the G20 leaders call at the November 2010 Seoul Summit. The G20 leaders asked the FSB to work in collaboration with the OECD and other international organisations to explore, and report back at the next summit, options for advancing financial consumer protection through informed choices that include disclosure; transparency and education; protection from fraud, abuse and errors; along with recourse and advocacy. This report will concentrate on aspects linked to consumer credit and focus largely (but not necessarily exclusively) on related financial stability issues.
Consumer confidence and trust in a well-functioning market for financial services promotes financial stability, growth, efficiency and innovation over the long term. Traditional regulatory and supervisory frameworks adopted by oversight bodies contribute to the protection of consumers – which is often and increasingly recognised as a major objective of these bodies together with financial stability. However, and while it already exists in several jurisdictions, additional and/or strengthened dedicated and proportionate policy action to enhance financial consumer protection is also considered necessary to address recent and more structural developments.

This renewed policy and regulatory focus on financial consumer protection results inter alia from the increased transfer of opportunities and risks to individuals and households in various segments of financial services, as well as the increased complexity of financial products and rapid technological change, all coming at a time when basic access to financial products and the level of financial literacy remain low in a number of jurisdictions. Rapid financial market development and innovation, unregulated or inadequately regulated and/or supervised financial services providers, and misaligned incentives for financial services providers can increase the risk that consumers face fraud, abuse and misconduct. In particular, low-income and less experienced consumers often face particular challenges in the market place.

In light of these issues, financial consumer protection should be reinforced and integrated with other financial inclusion and financial education policies. This contributes to strengthening financial stability. It is essential to protect consumers’ rights while also recognising the fact that these rights do come with consumer responsibilities. This calls for legal recognition of financial consumer protection, oversight bodies with necessary authority and resources to carry out their mission, fair treatment, proper disclosure, improved financial education, responsible business conduct by financial services providers and authorised agents, objective and adequate advice, protection of assets and data including from fraud and abuse, competitive frameworks, adequate complaints handling and redress mechanisms and policies which address, when relevant, sectoral and international specificities, technological developments and special needs of vulnerable groups. This approach complements and builds upon financial regulation and supervision and financial governance.

In order to ensure effective and proportionate financial consumer protection regimes, it is important that all stakeholders participate in the policy making process.

The principles are addressed to G20 members and other interested economies and are designed to assist the efforts to enhance financial consumer protection. They are voluntary principles, designed to complement, not substitute for, existing international financial principles or guidelines. In particular, they do not address sector specific issues dealt with by the relevant international organisations and the financial standard setters (such as BCBS, IAIS and IOSCO). Different kinds of transactions present different risk profiles. The principles may need to be adapted to specific national and sectoral contexts and should be reviewed periodically by relevant international bodies. All G20 members and other interested economies should assess their national frameworks for financial consumer protection in the light of these principles and promote international co-operation to support the strengthening of financial consumer protection in line with, and building upon, the principles.

---

2 This could, in particular, include voluntary peer reviews by OECD, FSB, World Bank and standard setting bodies such as BCBS, IAIS and IOSCO.
PRINCIPLES

1. Legal, Regulatory and Supervisory Framework

Financial consumer protection should be an integral part of the legal, regulatory and supervisory framework, and should reflect the diversity of national circumstances and global market and regulatory developments within the financial sector.

Regulation should reflect and be proportionate to the characteristics, type, and variety of the financial products and consumers, their rights and responsibilities and be responsive to new products, designs, technologies and delivery mechanisms. Strong and effective legal and judicial or supervisory mechanisms should exist to protect consumers from and sanction against financial frauds, abuses and errors.

Financial services providers and authorised agents should be appropriately regulated and/or supervised, with account taken of relevant service and sector specific approaches.

Relevant non-governmental stakeholders – including industry and consumer organisations, professional bodies and research communities – should be consulted when policies related to financial consumer protection and education are developed. Access of relevant stakeholders and in particular consumer organisations to such processes should be facilitated and enhanced.

2. Role of Oversight Bodies

There should be oversight bodies (dedicated or not) explicitly responsible for financial consumer protection, with the necessary authority to fulfil their mandates. They require clear and objectively defined responsibilities and appropriate governance; operational independence; accountability for their activities; adequate powers; resources and capabilities; defined and transparent enforcement framework and clear and consistent regulatory processes. Oversight bodies should observe high professional standards, including appropriate standards of confidentiality of consumer and proprietary information and the avoidance of conflicts of interest.

Co-operation with other financial services oversight authorities and between authorities or departments in charge of sectoral issues should be promoted. A level playing field across financial services should be encouraged as appropriate. International co-operation between oversight bodies should also be encouraged, while specific attention should be considered for consumer protection issues arising from international transactions and cross-border marketing and sales.

3. Equitable and Fair Treatment of Consumers

All financial consumers should be treated equitably, honestly and fairly at all stages of their relationship with financial service providers. Treating consumers fairly should be an integral part of the good governance and corporate culture of all financial services providers and authorised agents. Special attention should be dedicated to the needs of vulnerable groups.

---

3 Where relevant, appropriate mechanisms should be developed to address new delivery channels for financial services, including through mobile, electronic and branchless distribution of financial services, while preserving their potential benefits for consumers.

4 Authorised agents are understood to mean third parties acting for the financial services provider or in an independent capacity. They include any agents (tied and independent agents) brokers, advisors and intermediaries, etc.
4. Disclosure and Transparency

Financial services providers and authorised agents should provide consumers with key information that informs the consumer of the fundamental benefits, risks and terms of the product. They should also provide information on conflicts of interest associated with the authorised agent through which the product is sold.\(^5\)

In particular, information should be provided on material aspects of the financial product. Appropriate information should be provided at all stages of the relationship with the customer. All financial promotional material should be accurate, honest, understandable and not misleading. Standardised pre-contractual disclosure practices (e.g. forms) should be adopted where applicable and possible to allow comparisons between products and services of the same nature. Specific disclosure mechanisms, including possible warnings, should be developed to provide information commensurate with complex and risky products and services. Where possible consumer research should be conducted to help determine and improve the effectiveness of disclosure requirements.

The provision of advice should be as objective as possible and should in general be based on the consumer’s profile considering the complexity of the product, the risks associated with it as well as the customer’s financial objectives, knowledge, capabilities and experience.

Consumers should be made aware of the importance of providing financial services providers with relevant, accurate and available information.

5. Financial Education and Awareness

Financial education and awareness should be promoted by all relevant stakeholders and clear information on consumer protection, rights and responsibilities should be easily accessible by consumers. Appropriate mechanisms should be developed to help existing and future consumers develop the knowledge, skills and confidence to appropriately understand risks, including financial risks and opportunities, make informed choices, know where to go for assistance, and take effective action to improve their own financial well-being.

The provision of broad based financial education and information to deepen consumer financial knowledge and capability should be promoted, especially for vulnerable groups.

Taking into account national circumstances, financial education and awareness should be encouraged as part of a wider financial consumer protection and education strategy, be delivered through diverse and appropriate channels, and should begin at an early age and be accessible for all life stages. Specific programmes and approaches related to financial education should be targeted for vulnerable groups of financial consumers.

All relevant stakeholders should be encouraged to implement the international principles and guidelines on financial education developed by the OECD International Network on Financial Education (INFE). Further national and international comparable information on financial education and awareness should be compiled by national institutions and relevant international organisations in order to assess and enhance the effectiveness of approaches to financial education.

---

\(^5\) Financial services providers and authorised agents should provide clear, concise, accurate, reliable, comparable, easily accessible, and timely written and oral information on the financial products and services being offered, particularly on key features of the products and (where relevant) on possible alternative services or products, including simpler ones, they provide. In principle, information should include prices, costs, penalties, surrender charges, risks and termination modalities.
6. Responsible Business Conduct of Financial Services Providers and Authorised Agents

Financial services providers and authorised agents should have as an objective, to work in the best interest of their customers and be responsible for upholding financial consumer protection. Financial services providers should also be responsible and accountable for the actions of their authorised agents.

Depending on the nature of the transaction and based on information primarily provided by customers, financial services providers should assess the related financial capabilities, situation and needs of their customers before agreeing to provide them with a product, advice or service. Staff (especially those who interact directly with customers) should be properly trained and qualified. Where the potential for conflicts of interest arise, financial services providers and authorised agents should endeavour to avoid such conflicts. When such conflicts cannot be avoided, financial services providers and authorised agents should ensure proper disclosure, have in place internal mechanisms to manage such conflicts, or decline to provide the product, advice or service.

The remuneration structure for staff of both financial services providers and authorised agents should be designed to encourage responsible business conduct, fair treatment of consumers and to avoid conflicts of interest. The remuneration structure should be disclosed to customers where appropriate, such as when potential conflicts of interest cannot be managed or avoided.

7. Protection of Consumer Assets against Fraud and Misuse

Relevant information, control and protection mechanisms should appropriately and with a high degree of certainty protect consumers’ deposits, savings, and other similar financial assets, including against fraud, misappropriation or other misuses.

8. Protection of Consumer Data and Privacy

Consumers’ financial and personal information should be protected through appropriate control and protection mechanisms. These mechanisms should define the purposes for which the data may be collected, processed, held, used and disclosed (especially to third parties). The mechanisms should also acknowledge the rights of consumers to be informed about data-sharing, to access data and to obtain the prompt correction and/or deletion of inaccurate, or unlawfully collected or processed data.

9. Complaints Handling and Redress

Jurisdictions should ensure that consumers have access to adequate complaints handling and redress mechanisms that are accessible, affordable, independent, fair, accountable, timely and efficient. Such mechanisms should not impose unreasonable cost, delays or burdens on consumers. In accordance with the above, financial services providers and authorised agents should have in place mechanisms for complaint handling and redress. Recourse to an independent redress process should be available to address complaints that are not efficiently resolved via the financial services providers and authorised agents internal dispute resolution mechanisms. At a minimum, aggregate information with respect to complaints and their resolutions should be made public.

10. Competition

Nationally and internationally competitive markets should be promoted in order to provide consumers with greater choice amongst financial services and create competitive pressure on providers to offer competitive products, enhance innovation and maintain high service quality. Consumers should be able to search, compare and, where appropriate, switch between products and providers easily and at reasonable and disclosed costs.