What is financial inclusion?

Strictly speaking, financial inclusion is the delivery of financial services at affordable costs to sections of disadvantaged and low-income segments of society. However, it can go way beyond low-income earners as many other segments of society can be excluded from access to some financial services such as unstable income earners, fixed-term contract workers, etc.

Which services are we talking about?

Transaction banking: access to a basic account, being able to make/receive payments and withdraw cash.

Savings: access to a savings account (in addition to a regular deposit account), access to a pension scheme (linked to the current tension between cuts in public pension plans and the push towards more private pension schemes).

Credit: access to essential credit products such as mortgage credit or credit for other substantial investments such as paying for a means of transportation, energy efficiency renovations etc.

Insurance: access to basic mandatory insurances at an affordable cost (car insurance, mortgage credit insurance, fire insurance…) and to other basic insurances such as life insurance.

What has COFACE worked on?

COFACE has drafted several position papers on the issue of financial inclusion and on preventing over-indebtedness.

In 2009, COFACE's Administrative Council approved a general position on preventing over-indebtedness, personal finance education and action against banking and financial exclusion. This position laid down the foundations of COFACE's later work on financial inclusion.

It underlined the importance of responsible lending and borrowing, proper creditworthiness assessment notably via a public credit register, the right to basic financial services including a bank account or some form of credit (mortgage credit) and education in budget management.

Following that position paper, COFACE took on to explore to a fuller extent topics such as how a public credit register should contribute to reducing over-indebtedness and how it should operate to work at the advantage of families and not against them (2009).

These position papers served as a basis to respond to a variety of consultations launched by the EU Commission on responsible lending and borrowing, ensuring access to a basic bank account and the report of the expert group on credit histories.

Finally, COFACE drafted a position paper related to credit insurance and access to mortgage credit in 2012.

What has happened at EU level?

The EU Commission has extensive competences to legislate on financial services, notably via the stated objective of “creating a single market”.

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The core directorates responsible for this policy were DG SANCO and DG MARKT (now DG FISMA -Financial Stability, Financial Services and Capital Markets Union). DG EMPL also had some “soft” competences in this regard since it covered social policies and tackling poverty and social exclusion. However, besides studies and papers, DG EMPL never steered legislation related to financial services.

Most directives dealing with financial services aim at harmonizing to some extent consumer protection and tackling unfair competition between financial services across borders, with very little on financial inclusion.

The recent Directive on the transparency and comparability of payment account fees, payment account switching and access to a basic payment account is the exception as it provides for the right for each EU citizen to access a basic bank account (entry into force in April 2016).

At the same time, the EU Commission, under the impulse of key individuals such as Commissioner Michel Barnier (DG MARKT), recognized the importance of a better representation of the interests of financial services users in order to help shape the policy agenda and the content of legislative proposals. The FSUG (Financial Services Users Group) was created on that basis in 2010 and COFACE has been a member since 2014.

In 2014, the FSUG has worked on 5 key priorities:
- Consumer data and practices of creditworthiness assessment
- Crowdfunding and innovation
- Independent financial guidance
- Simple financial products
- Pensions

COFACE has actively contributed to the first four priorities. The paper on simple financial products can be downloaded from the FSUG official webpage here: http://ec.europa.eu/internal_market/finservices-retail/fsug/papers_en.htm

The priorities for the FSUG in 2015 are yet to be determined but several issues have already been identified as important, notably during the conference of the 18th of November 2014 organized by the EU Commission entitled “emerging challenges in retail finance and consumer policy”. These include:

Cross border issues: portability of credit history information from one country to another, portability of life insurance,...

Arrears, defaults and foreclosures: work on harmonization and better protection for people in over-indebtedness, in case of arrears, defaults or foreclosures.

Future forms of payment: online payment systems, mobile payments, reflection on safety, security, price...

Enforcement: look at existing regulation, check how it has been enforced and see how to better ensure that EU legislation works in practice in Member States.

How can COFACE members contribute and what's the added value for them?

The FSUG meets 8 times a year (every 6 weeks). The meeting always starts with a “tour de table” to help identify any problems or issues that financial users face in the different Member States. COFACE can bring to the attention of the Commission any problem that you as a member have identified and utilize it to feed its policy agenda.

COFACE is also asked to contribute directly to consultations or policy positions taken by the FSUG. These documents are very high profile. They are read directly by the Director General and the Commissioner and can greatly influence the content of future Directives or Regulation.

Members that have good practices, policy recommendations, or any other information to share about the ongoing FSUG and EU Commission priorities can capitalize on their existing material and work in order to double the potential for change by acting not only at the level of their national government but also at the EU level.

The Confederation of Family Organisations in the European Union (COFACE), brings together a large number of civil society organisations with the aim of advocating non-discrimination and equal opportunities between persons and family forms. COFACE supports the development of policies aimed at increasing equality between women and men, with a specific focus on reconciliation between work, care and private life.

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