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NOTE

from: European Commission
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Subject: Consumer Financial Education

Please find enclosed a discussion document prepared by the Commission on Consumer Financial Education.

**EUROPEAN COMMISSION**

Internal Market and Services DG

FINANCIAL SERVICES POLICY AND FINANCIAL MARKETS

Financial services policyBrussels,
MARKT/ G1/SL D(2007)**DISCUSSION DOCUMENT: CONSUMER FINANCIAL EDUCATION****MEETING OF THE FINANCIAL SERVICES COMMITTEE (FSC)****19 SEPTEMBER 2007****1. Introduction**

Financial education should be understood as the process by which individuals improve their understanding of financial products and concepts, and develop the skills necessary to improve their financial literacy; i.e. being aware of financial risks and opportunities and making informed decisions in their choice of financial services. Financial education does not replace, but is complementary to, measures aiming to ensure the appropriate provision of information, protection and advice to consumers. These all contribute to empowering consumers to make the best decisions for their financial circumstances.

The education of consumers in financial matters is becoming increasingly important, particularly as responsibility for financial security passes from the public sector to the individual and as capital markets also increasingly shift risk to households. Technological advances, electronic delivery channels and the greater integration of financial markets have increased the range of services offered and broadened the channels through which they are available. Numerous international surveys have demonstrated a low level of understanding of financial matters on the part of consumers. The current difficulties experienced by sub-prime borrowers in the US mortgage market serve as a reminder of the importance of tackling the problem.

The growing significance of this issue has been acknowledged at the global and EU levels in recent years, including in the White Paper on Financial Services Policy (2005-2010)¹, the May 2007 Green Paper on Retail Financial Services², the European Parliament resolution on financial services policy³ (July 2007) and in the FSC's own papers, including the Chairman's discussion note on retail financial services (June 2007).

¹ COM (2005) 629

² COM (2007)226

³ P6_TA-PROV(2007)0338/ A6-0248/2007

The issue of financial education was also raised in the final report by the FSC subgroup on the implications of ageing populations for financial markets (March 2007), and in the ensuing Council conclusions, adopted on 08 May 2007, in which the ECOFIN Council invites Member States "to significantly step up their efforts to raise households' awareness on the latter's need to obtain proper information and education, in combination with the financial industry's own responsibilities and initiatives as appropriate, so as to increase households' preparation whilst maintaining adequate investor protection". Financial education is to be included in the Commission's review of the Single Market as an essential component of its efforts to ensure that the Single Market can bring direct benefits to Europe's citizens.

The Commission intends to come forward with a Communication in November this year, in which it will set out its objectives of raising awareness of the need to address the issue of low financial education, promoting the provision of high-quality financial education in the EU, and providing some tools to help achieve these goals.

2. Benefits of Financial Education

Although it can never replace consumer protection provisions in financial services legislation, financial education can bring significant benefits to individuals, households and society in general helping them to be better informed to make choices and more inclined to be attentive to regulatory risk warnings.

Financial education can benefit citizens at all stages in their lives, for instance in helping them understand the importance of budgeting, borrowing, saving, investing and generally making provision for significant life events and preparing for retirement. People who understand financial issues are more likely to make appropriate choices of financial services for their particular needs. Financial education can help address problems of financial exclusion, as recipients of financial education are far more likely to be engaged with the mainstream financial industry and not have to rely on higher-cost and higher-risk fringe providers. It can lead to lower default rates on loans and mortgages and more diversified and therefore safer saving and investment.

Financially educated consumers, able to seek out better, cheaper and more appropriate products and services can drive efficiencies in the financial industry and improve economic welfare by fostering increased competition, spurring innovation and demanding improvements in quality and diversity. Consumers who become confident in investing in financial products and services can provide additional liquidity to capital markets. In short, the benefits of financial education can be experienced not only by the individuals to whom the action is directed, but also by the wider economy and society around them.

3. Provision of Financial Education within the European Union

Two European Commission-funded studies⁴ give an indication of the provision of financial education in the EU

⁴ Observatoire du Crédit et de l'Endettement et al, *FES - Better access to financial services and financial education (2007)*, Report of the survey on Financial Education, April 2007 and Evers & Jung, *Survey on Financial Literacy Schemes in the EU27*, to be published in October/ November 2007

- Financial education is provided by a wide variety of actors, ranging from national financial supervisory authorities to debt advisory clinics, financial industry federations and others. National administrations are the drivers of programmes in 11 Member States.
- The surveys have identified almost 180 financial education schemes in the EU Member States. The provision of financial education is strongest in the UK, Germany, Austria, the Netherlands and Italy. In many other countries, including Greece, Bulgaria and Latvia, there is limited, if any, activity.
- The most common subject of financial education programmes appears to be "money basics", such as how to use a bank account. This is followed by budgeting skills, including managing credit and debt. The issues of investment, saving and retirement, insurance and risk-management come towards the bottom of the list.
- There is an even split in the profile of the target audiences of the programmes between those aimed at children and young people, and those aimed at the adult population. Only few schemes seem to be aimed at a more specific public, such as those of pre-retirement age, women, ethnic minorities or those on low incomes.

4. Context for Action at EU Level

Article 149 of the Treaty provides that education in the established sense of the word is a matter for the Member States. However, financial education relates to a teaching and learning experience in the wider sense, which can be delivered at any time in an individual's life. In this context, there can still be a role for action at EU level.

The Commission has already taken some initial steps to address the issue of financial education. It has set up a website that offers consumer education to adults, called Dolceta⁵. One of the modules of this site is dedicated to improving understanding of financial services. Another initiative is the 'Europa Diary'⁶, a booklet that is distributed to students in secondary school to inform them about their rights as consumers. The diary includes a section on money and debt.

On 28 March 2007, the Commission organised a conference on "Increasing Financial Capability". This conference was successful in highlighting the importance of high-quality financial education provision, and providing a forum for the exchange of best practices.

The vast majority of respondents to the Green Paper on Retail Financial Services supported the view that financial education is important in contributing to the empowerment of consumers, and argued that it should be developed as part of the school curriculum. Many stated that education should remain a matter for national authorities, but stressed that the Commission had a role to play in collecting and disseminating information on best practices.

5. Guidelines for the Provision of High-Quality Financial Education Schemes

⁵ Development of On-Line Consumer Education Tools for Adults, www.dolceta.eu

⁶ http://ec.europa.eu/consumers/cons_info/consumer_diary_en.htm

Based on its overview of financial education schemes already running in the EU, the Commission plans to propose in its Communication some key guidelines that should guide public authorities, financial services providers, consumer organisations, employers and other stakeholders in their efforts to launch and run financial education schemes. These guidelines are flexible, take into account the diversity of financial education approaches and the various methods available to develop a successful financial education strategy, and encourage the development of innovative and useful financial education programmes. The guidelines are consistent with the OECD's 2005 Principles and Good Practices for Financial Education and Awareness.

The guidelines could be as follows:

- (1) *Financial education should be available at all stages of life on a continuous basis.*
- (2) *Financial education programmes should be carefully targeted to meet the needs of consumers. Programmes should be timely, and easily accessible.*
- (3) *Consumers should be educated in financial matters as early as possible, namely beginning at school. National authorities should give consideration to making financial education a compulsory part of the school education curriculum.*
- (4) *Financial education schemes should, inter alia, include general programmes to raise awareness of the need to improve understanding of financial issues and risks.*
- (5) *Financial education supplied by financial services providers should be delivered in a fair, transparent and unbiased manner and care should be taken to ensure that it is always in the best interests of the consumer.*
- (6) *Financial education trainers should be given the resources and appropriate training so as to be able to deliver financial education programmes successfully and confidently.*
- (7) *National co-ordination between financial education stakeholders should be promoted in order to achieve a clear definition of roles, facilitate sharing of experiences as well as rationalise and prioritise resources. International co-operation between financial education providers should be enhanced to facilitate an exchange of best practices.*
- (8) *Financial education providers should regularly evaluate and, where necessary, update the schemes they administer to bring them into line with best practices in the field.*

Member States would be invited to take due account of the above principles for financial education and to promote their application by financial services providers, consumer organisations and other stakeholders in the provision of financial education

6. Intended Commission Action

The Communication will outline some planned actions for practical assistance that will be taken in the field of financial education, which are likely to include:

- The creation of a network of financial education practitioners: In order to promote networking and learning from each others' experience , the Commission could propose the creation of a structured group of experts in financial education including representatives of Member State authorities, financial services providers, consumer organisations and other groups. Its aims would be to share and promote best practice on initiatives that deal with financial education; to assist the Commission in identifying problems in the provision of financial education; to advise the Commission on how the above guidelines are being implemented; and to contribute to an evaluation of the Commission's initiatives on financial education by 2010.
- Supporting Member States and private actors in the organisation of national/regional conferences on financial education: most financial education programmes are local, regional or, at best, national in scope. As such, there is a need for local or regional awareness-raising events to take place as close to the target audiences as possible. Such events which could be organised with the active collaboration of the local Commission representative offices, would provide impetus, visibility and coverage to the issues concerning financial education at the level at which they should be tackled.
- The publication of an online database of financial education schemes in the EU: building on the findings of the studies mentioned above, the Commission will develop an online database of financial education schemes throughout the EU. This database will provide references to projects with regard to their geographical base, the subject matter covered, the target audience, and the contact details of the providers. The purpose of this database is to facilitate consultation of good practice and research findings throughout the EU.
- The enhancement of the Dolceta web-based consumer education module: Dolceta has already proved very useful in facilitating the teaching of financial issues to adult learners. In order to build on this, and to enable its use in the school environment, the Dolceta module on financial services will be expanded, and support for teachers provided, on a voluntary basis, through CD-ROMS, books and internet training. This project will be undertaken with the help of financial experts and academics of the European Universities Continuing Education Network (EUCEN).

7. Next Steps

The Communication will be published by the end of November 2007, with work on the intended actions likely to commence in the first half of 2008.

Q1: Do FSC members agree that, in the full respect of the subsidiarity principle, there is a role for the European Commission to play in this area? Do they support the Commission's objectives of raising awareness of financial education, promoting the provision of high-quality financial education in the EU, and providing tools to help achieve these goals?

Určitě ano, aktivity EK by měly mít podpůrný (podpora výměny informací o projektech FV a zkušeností, průzkumy úrovně finanční gramotnosti v EU) a doporučující charakter (např. potřebné finanční znalosti Evropana – např. v kontextu SEPA).

Obecně viz naše pozice k ZK:

Finanční gramotnost a informovanost spotřebitelů je bezpochyby klíčová oblast ochrany spotřebitele na finančním trhu, proto podporujeme jakoukoli aktivitu, která zvýší jejich úroveň.

Jako návrhy konkrétních opatření lze uvést:

a) provedení průzkumu veřejného mínění zaměřeného na zjištění, jaká skutečně je míra finanční gramotnosti.

b) efektivní výměnu best practices,

c) vypracování doporučení ze strany Evropské komise na minimální standardy finanční gramotnosti pro jednotlivé cílové skupiny. K tomuto účelu doporučujeme maximálně využít aktivity OECD v této oblasti a její výstupy pouze přizpůsobit kulturním a systémovým odlišnostem Evropské unie.

Q2: In view of the growing importance of financial education, could the FSC members agree to play a role in disseminating the messages in the Communication at a national/ regional level?

Tot' otázka, jak by to měli členové FSC dělat. Zakládat podskupinu pro FV je zbytečné, neb v dokumentu se píše, že něco podobného by mohla (měla) udělat EK. Není tedy zbytečné, aby členové skupiny Rady zajišťovali přenos info z Komise do ČS? To by snad měla Komise dělat sama.

Rada (FSC a výše) by se samozřejmě mohla shodnout na důležitosti FV a podporovat jej ve svých závěrech.

Q3: Do FSC members have any comments on the proposed principles, and would they be prepared to subscribe to them?

ad (5) – má se týkat obecně všech programů FV, nejen těch, které poskytují subjekty finančního trhu. My to nazýváme jako principy FV (trochu jinak popsáno vcelku to samé) – viz NSFV:

*Projekty finančního vzdělávání, ať už garantované státem v oblasti počátečního vzdělávání nebo nabízené soukromým sektorem v oblasti dalšího vzdělávání, mají-li být považovány za součást systému finančního vzdělávání, mají svým charakterem rozvíjet a zvyšovat úroveň finanční gramotnosti ve smyslu základní orientace a přehledu o finančních produktech či službách (**princip obecnosti**), přičemž se nesmí týkat propagace konkrétních produktů a služeb. Dále má být zajištěna odborná úroveň vzdělavatelů (**princip odbornosti**) a informace musí být skrze vhodné informační kanály dostupné příslušným cílovým skupinám bez dalšího omezení (**princip informovanosti**).*

ad (6) – to je “hezký” cíl (to deliver financial education programmes successfully and confidently), avšak dost neurčitě formulovaný princip – kdo jim má dát prostředky – stát? finanční trh? Takto to vůbec nic neříká a je téměř zbytečné. Navrhujeme využít naše “principy”, které více méně pokrývají i tento cíl.

Ostatní principy jsou vcelku OK.

Ad (2) – tady bych zdůraznila kromě dostupnosti daných programů ještě informování o nich, protože jinak by asi i bylo zbytečné, kdyby byly někde přístupné, pokud by o tom nikdo nevěděl. (viz princip informovanosti v NSFV)

Ad (5) – tady jsou dle mého názoru mínění poskytovatelé finančních služeb, ne finančního vzdělávání, takže bych s tímhle bodem souhlasila.

Ad (6) – taky by mě zajímalo, kdo má dávat ty zdroje na vzdělávání vyučujících. Ten, kdo daný program realizuje? Nebo by byly nějaké speciální na vzdělávání vyučujících (viz např. Program GE)

Ad (8) – Podle mě by se projekty neměly updatovat jen dle best practises, ale i podle výzkumů FG, podle toho, zda plní účel, ke kterému byly vytvořeny.

Q4: Do FSC members have any comments on the proposed actions? Could they envisage organising national events on financial education, possibly with the Commission's support? Would their national authorities be interested in participating in a network of financial education practitioners?

Určitě ano. Je třeba rozlišit akce regionálního typu (pro ČR, pro vybrané ČR v rámci úzce provázané oblasti – pobaltské země, ČR+SR...), které by byly zaměřeny čistě na “jejich” vlastní projekty, a dále akce zaměřující se na FV obecně – ty by měly být spíše koncentrované, aby se nestalo, že bude 10 konferencí ročně, všechny o tom samém, se stejnými řečníky. To je pak mrhání penězi.

Podpora EK je rozhodně vítána (TAIEX?).

Naformátováno:
Portugalština (Brazílie)