



Strengthening the Collective Voice of Consumers in the Financial Sector

Webinar | July 9, 2020



Agenda

Welcome

Overview of Topic and Project

Lightning Talks | Four Perspectives

State of Consumer Associations | Findings from the Field

Regulatory Perspective | Models and Tools

Question and Answer

Next Steps

Welcome



Gerhard Coetzee

Lead, Customer Value
CGAP



Helena Leurent

Director General
Consumers International



The Consultative Group to Assist the Poor

OUR VISION

A world where poor people, especially women, are empowered to capture opportunities and build resilience through financial services.

OUR MISSION

To improve the lives of poor people by spurring innovations and advancing knowledge and solutions that promote responsible, sustainable, inclusive financial markets.

- ✓ **WE ARE** Global partnership of over 30 leading development organizations, housed at the World Bank
- ✓ **WE BELIEVE** Financial inclusion is an important enabler of poverty alleviation
- ✓ **WE CARE ABOUT** Innovation driving services for the poor at scale and low cost
- ✓ **WE ENGAGE IN** Applied research, knowledge sharing and evidence-based advocacy with financial service providers, policymakers and funders

our members



Consumers International is the membership organisation for consumer rights groups

We bring together **over 200 member organisations in more than 100 countries** to empower and champion the rights of consumers everywhere and build a fair, safe and sustainable marketplace.

Independent not-for-profit consumer groups, working on a range of topics e.g., finance, energy, food, sustainability, digital safety and security



Members include:

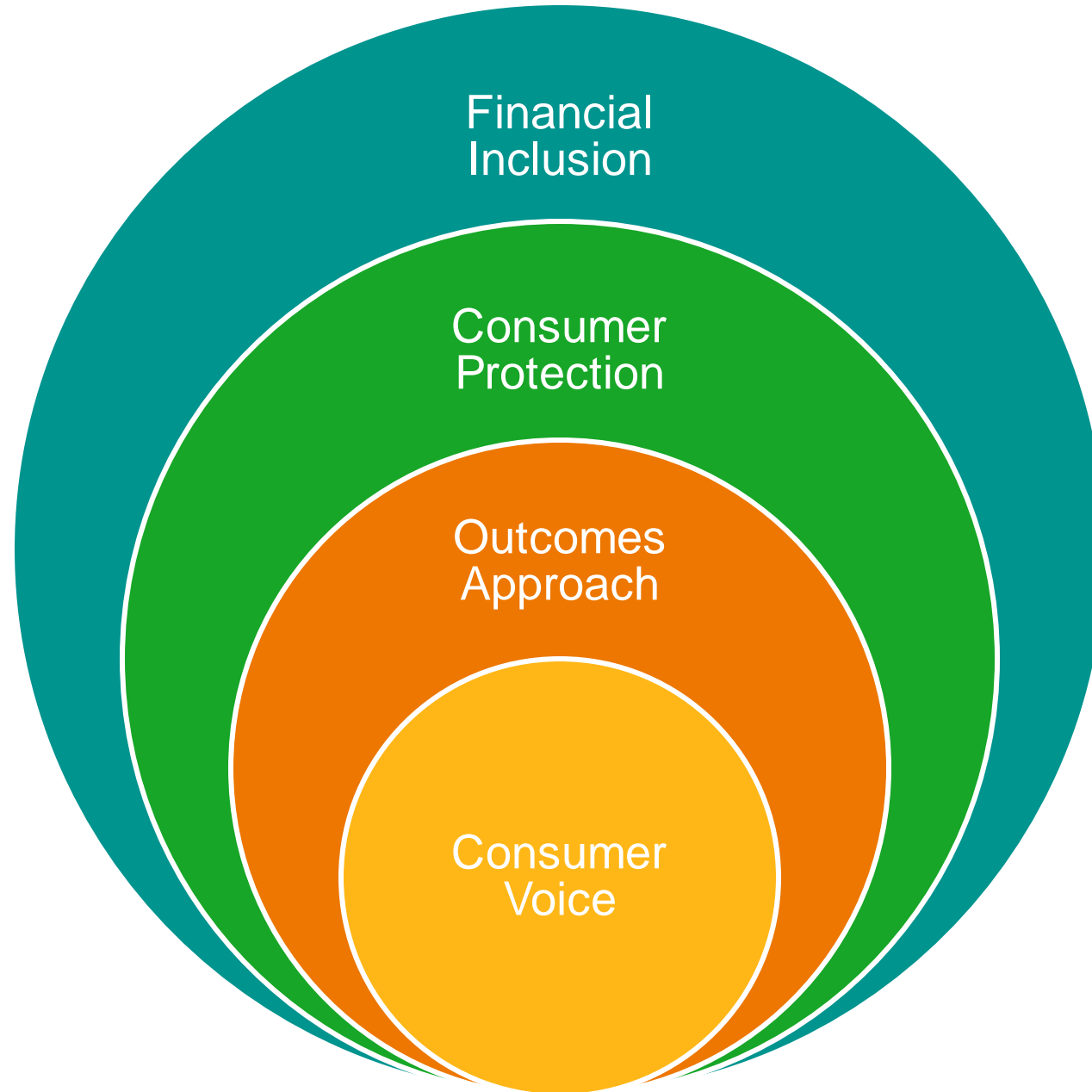
- Consumer Reports (USA)
- Consumer Council of China
- CUTS International (India)
- IDEC (Brazil)
- ADECOR (Rwanda)
- Consumer Awareness (Nigeria)
- El Poder (Mexico)
- Choice (Australia)
- Que Choisir (France)
- Altroconsumo (Italy)
- Consumer Protection Association (Saudi Arabia)
- Consumers Lebanon
- Which? (UK)
- Consumer Council of Zimbabwe
- Foundation for Consumers (Thailand)
- FOMCA (Malaysia)
- Consumers Japan
- VZBV (Germany)
- KONFOP (Russia)

Overview



Matthew Soursourian

CGAP



What?

The **collective consumer voice**

brings together and elevates

diverse and segmented interests of individual consumers

to more powerfully and effectively

represent the consumer perspective

in the marketplace.

Why?

Minimal consumer representation in financial policymaking

An increasingly complicated, rapidly evolving digital financial sector

Not a key focus for financial inclusion, historically

New opportunities emerging

How? Landscaping with Consumers International

Research on consumer voice in regulatory process

Pilot promising models

Longer-term objective is to provide guidance for:

Consumer Associations

- Influencing policymakers
- Using technology to strengthen impact and leveraging cross-sector support

Regulators

- Institutionalizing the voice of consumers in rulemaking processes – through consumer panels, data providing consumer insights, leveraging technology, etc.

Development Partners

- Engaging the consumer perspective and supporting consumer advocacy in emerging markets
- Encouraging regulators to engage with consumer representatives

Questions for chat box

1. What are biggest but most manageable challenges facing financial consumers and their representatives in financial consumer protection policymaking?
2. In what areas (types of issues, countries, etc.) would there be most fruitful opportunities to strengthen the collective consumer voice?
3. What can CGAP do to enhance the collective voice in financial consumer protection?

Advancing the Collective Consumer Voice

Four Perspectives



Rosemary Siyachitema

Consumer Council of
Zimbabwe



Teresa Liporace

Brazilian Institute of
Consumer Defence (IDEC)



Graham Collett

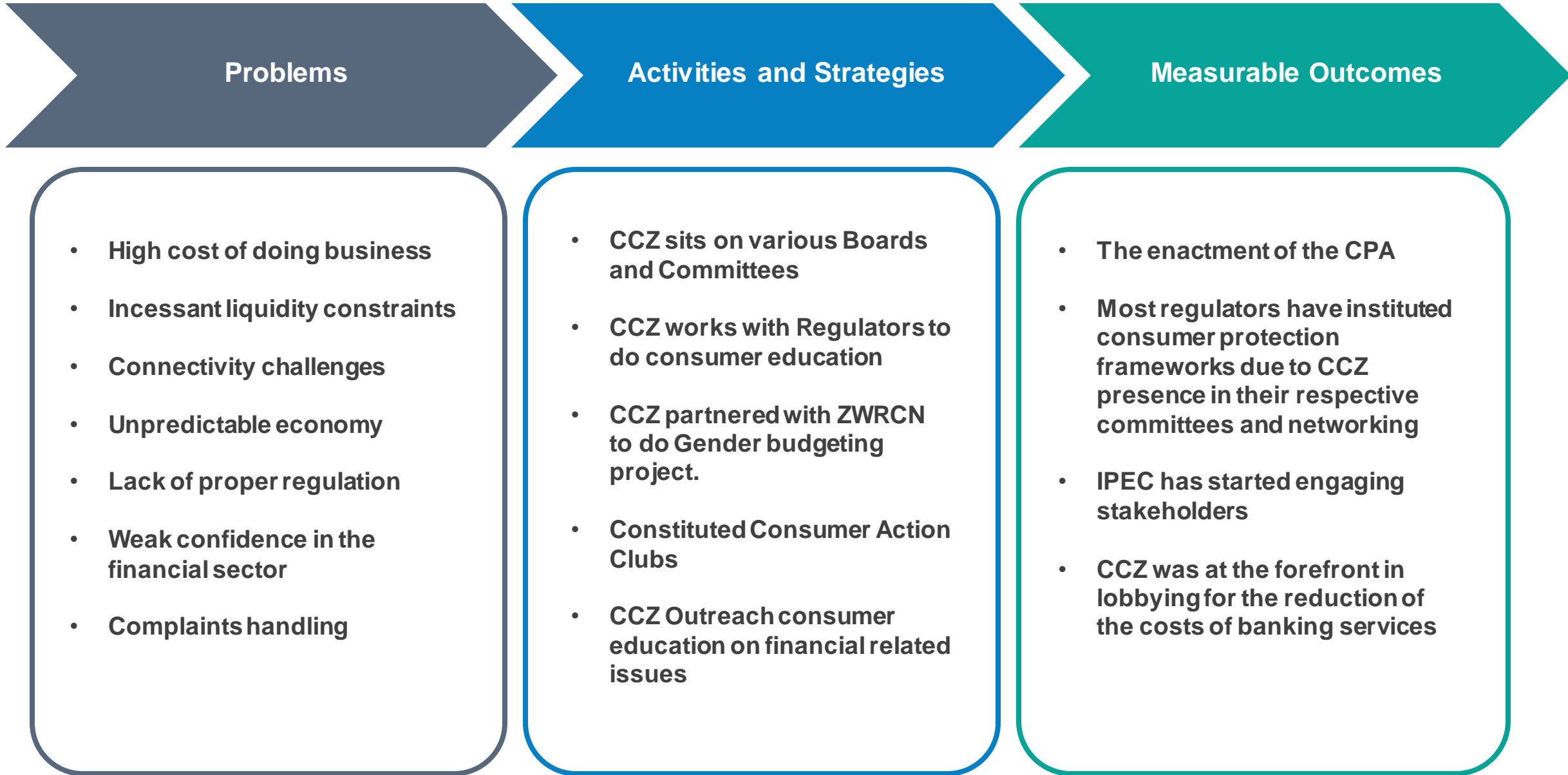
Financial Conduct Authority
(UK)



Sita Zimpel

GIZ

FINANCIAL SERVICES CONSUMER PROTECTION ADVOCACY IN ZIMBABWE





Teresa Liporace

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Consumer Defense)
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Our Approach

I. Researching and monitoring practices of financial institutions and their impacts on consumers during a decade

- Aggressive marketing with a focus on the elderly and vulnerable people
- Advertisements with misleading messages that induce the consumer to make wrong decisions
- Lack of transparency regarding risks
- No national authority to regulate and supervise consumer financial services
- Ineffective, insufficient, and not very far-reaching financial education actions
- Consumers organizations without training and effective instruments to support indebted consumer
- Lack of rules and procedures for debt renegotiation
- Banks renegotiating debts directly with vulnerable consumers without resolution indicators

II. Creating a communication strategy and a narrative to make people and decision makers aware we have an environment that favors over-indebtedness in Brazil. (It's not about blaming the individual but make real changes in order to prevent and treat the over-indebted consumer)

- Social media campaign, releases, articles published on big newspapers
- Documentary humanizing the social problem of over-indebtedness in Brazil

III. Doing a strong advocacy work at The National Congress together with other organizations to get a bill approved

- Fact sheets, research summaries, technical papers with targeting parliamentarians
- Public hearing at National Congress (Senate and Chamber of Deputies)
- Social media campaign, releases, articles published on big newspapers

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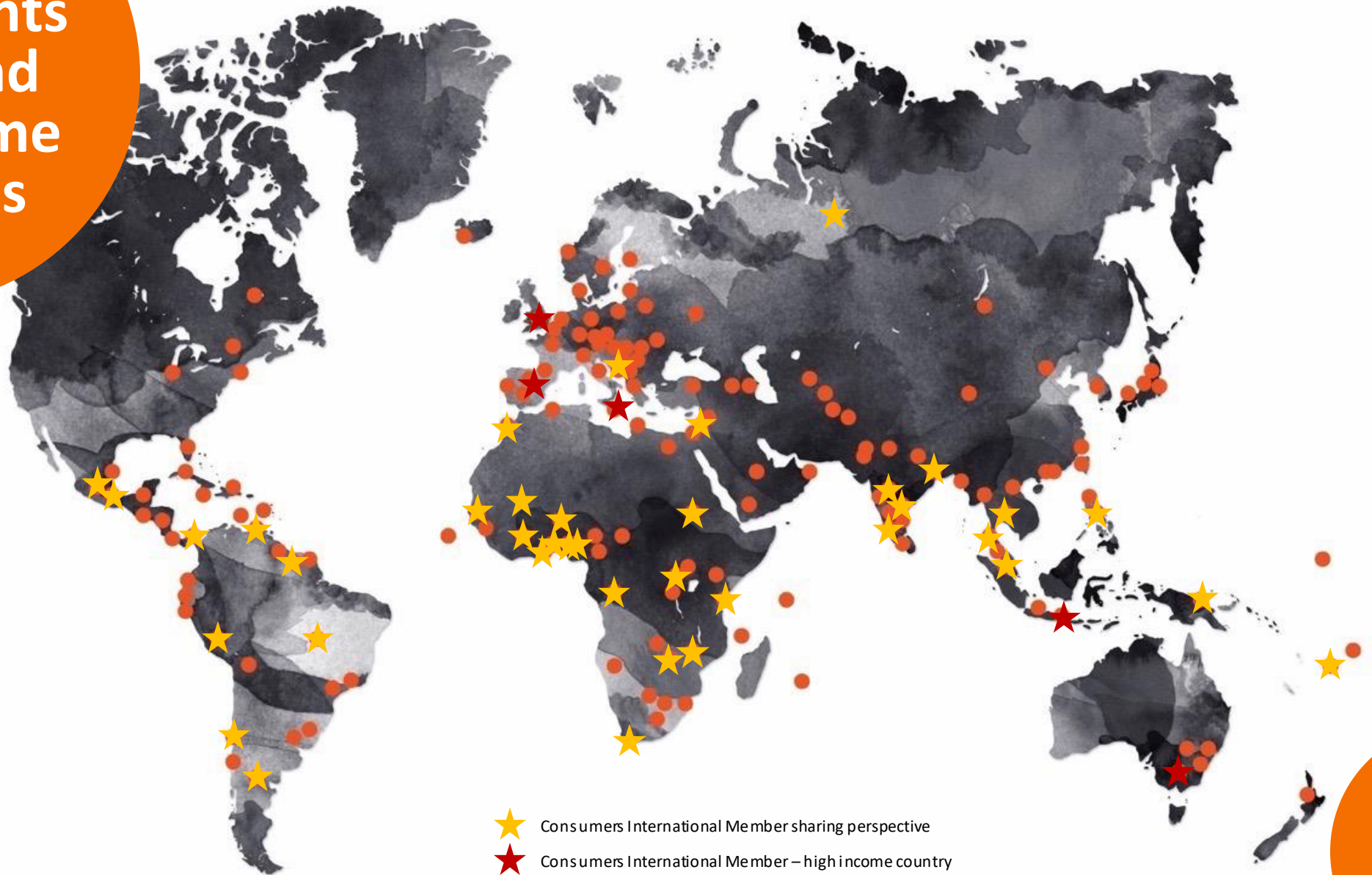
Consumer Associations

Feedback from the Field



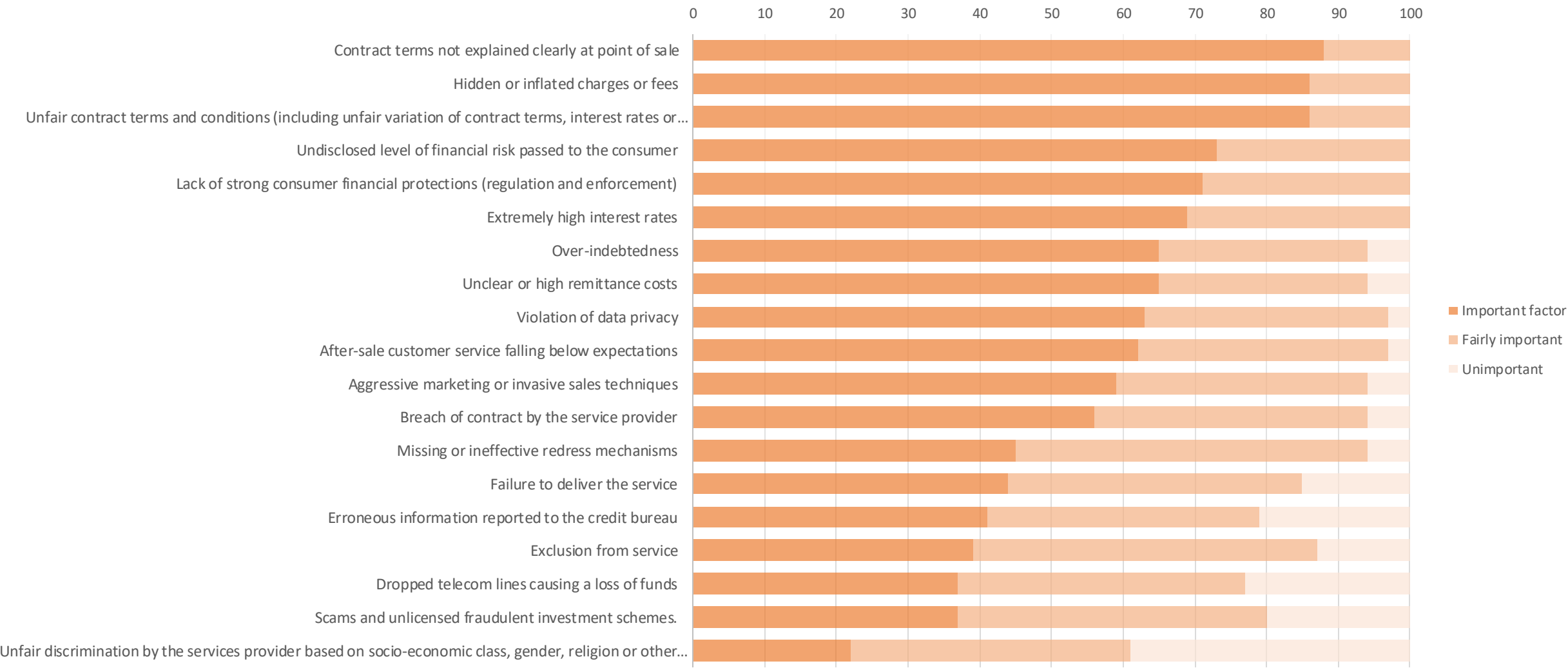
Helena Leurent
Director General
Consumers International

37
respondents
in low and
mid-income
countries



Over 80% respondents are supporting consumers in financial services in low and mid-income countries

WHAT ARE THE MOST SIGNIFICANT CHALLENGES FACING CONSUMERS OF FINANCIAL SERVICES IN YOUR COUNTRY (TICK ONLY ONE OPTION PER ROW).



Consumer advocacy strategies to support consumers

Research highlights 6 current areas of focus :

Representing the Consumer Voice in
the Legislative & Policy Making
Process



Providing Consumer Debt
Counselling



Awareness Raising and Financial
Education



Consumer Insight / Market Research



Public Interest Litigation to Enforce
Consumer Rights

Complaints Handling and Facilitating
Dispute and Resolution on Behalf of
Consumers



Examples include:

Representing the Consumer Voice in
the Legislative & Policy Making
Process



Most surveyed Members **participate in government policy-making committees/consultations on an *ad hoc*, as invited basis:**

- ADECOR has a unique grassroots structure of regular meetings in rural districts which then feed into government decision making process.
- IDEC Brazil has lawyers in Brasilia who follow all legislative acts on consumer issues and provide input e.g., advocating for passage of the debt relief act, video for awareness raising.

Examples include:

Consumer Insight / Market Research



Consumer organisations have long used **market research, including mystery shopping and comparative product testing** as advocacy tools.

- CCZ is exploring research in the area of telecommunications QoS.
- Mystery shopping conducted by several Consumers International Members:
 - KONFOP in 20 regions in Russia
 - CUTS survey of consumers' behavior on data privacy when using digital services



Awareness Raising and Financial Education

Financial education initiatives are an essential financial consumer protection tool.

- 65% of the consumer organisations surveyed believe awareness raising campaigns are the most effective financial consumer protection advocacy tool.
- IDEC plans a financial education program for vulnerable women in Sao Pao, LGBT persons, and other poor/vulnerable consumers - on pause due to the pandemic.

Examples include:



Providing Consumer Debt
Counselling

Consumer organisations are working to assist debt stressed consumers.

- FNAC referenced over indebtedness as the leading financial consumer protection challenge in Morocco. It works with debt stressed consumers, engaging with creditors on their behalf to find restructuring solutions.
- FFC in Thailand offers debt counselling, assisting anywhere from 10-20 consumers per day to develop a debt prioritisation plan.

Examples include:

Complaints Handling and Facilitating Dispute and Resolution on Behalf of Consumers



Complaints handling is an essential element of financial consumer protection that allows them to engage directly with consumers.

- Direct/guide to use the government-established complaints process e.g., CUTS (RBI ombudsman).
- ASPEC 'hand holds' consumers through the INDECOPI complaints process and receives a percentage of sanctions awarded.
- FAC in Cote d'Ivoire uses an app which referred consumers complaints direct to the responsible entity.



Public Interest Litigation to Enforce Consumer Rights

When other advocacy efforts fail, consumer organisations will seek redress and rulings in the courts .

- In February 2020 Consumers Lebanon brought legal action against the Lebanese Bankers' Association and three of the largest banks in Lebanon.
- CUTS and IDEC also indicated they had brought more cases in the past, but now these are too cost prohibitive.



Financial Literacy and Gender

Enhancing the financial literacy and education of women and vulnerable groups is a key activity of several consumer organisations interviewed and surveyed.

- CCZ enacts programs at the community level which provide training on household budgeting, small business account keeping and financial literacy courses
- CUTS helps women access financial services by linking them with government and non-government development schemes.
- The Consumer Council of Fiji provides financial advisory services to women through the Debt Management and Consumer Advisory Services



Common Challenges

From select examples:

Capacity and up to date expertise

- A **diversity of expertise is required to be effective** – capacity to stay up to speed with multiple legal/regulatory frameworks and new areas e.g. cyber security.

Building resilience

- **Funding is inconsistent and lacking** even when guaranteed from government sources.
- As advocates, consumer organisations rely on governments to enact **laws and policies** which **can take years to pass and are vulnerable to changes in governments**.

Crisis Response

- Consumers International's members in Libya, Lebanon, Sudan, Yemen and Zimbabwe **continue to advocate for financial consumers even during times of economic collapse and war**.
- Our members in Yemen and Libya have reported **a drastic reduction in financial services** e.g., as companies de-risk.

Leveraging core competencies

- **Increasing collective voice in policymaking:** Governments could establish legal reform committees which **systematically involve consumer advocacy bodies**.
- **Accessing and using sources of data:** **Complaints handling affords an opportunity to analyse data** that can be submitted to financial regulators, illustrating ongoing financial consumer protection trends.
- **Representing consumers through litigation:** **Partnerships** with legal aid organisations and/or legal clearinghouses which can link them with pro bono legal services from large law firms.
- **Knowledge/expertise sharing among consumer organisations :** **Exchanging knowledge and experiences** across consumer organisations regionally and internationally can build strength e.g., with international law and trends.

Shaping financial services of the future

- **Sustainable Finance:** Consumers advocates could work with sustainable providers to conduct **research/share input on how to create centred financial services; ensure we avoid misleading claims.**
- **Supporting agile governance:** Consumer advocates can be at the forefront of **driving creative regulation models.** Consumer organisations can share data with the regulators interested in developing new supervisory technology (suptech) mechanisms.
- **Engaging with new business models:** Consumer advocacy can ensure that **new products are designed and regulated with consumer at the centre.** E.g., Consumers International work with Vodafone highlights how Trust by Design principles can create products that are secure, transparent and ethical.

Strategies for Stakeholders in Financial Consumer Protection



For Consumer Organisations

- Communities of practice whereby consumer organisations can **share expertise** on technical subjects
- **Advocacy blocs** with sustainable finance and development objectives; such as social money movements.
- Use of **crowdfunding** sites which can support the consumer movement and public interest projects.



For Government law/policy makers and Regulators

- Allocating funds to consumer organisations to conduct **market conduct supervisory activities**.
- Establishment of a **financial services consumer protection act** and supporting regulations
- Establishment of a **formal mechanism and supporting legal/regulatory framework to provide debt relief for over indebted consumers**.



For Bilateral and Multilateral Organisations & Foundations

- **Seconding professional staff with technical expertise** to consumer organisations to work on digital financial services consumer protection issues.
- **Consultations with consumer organisations when conducting in country diagnostics** (e.g. as held by the World Bank Financial Consumer Protection Diagnostics).
- Consultations with consumer organisations and/or **involving them in the due diligence process prior to grant issuance, or investments** in financial services providers.

Opportunities for Regulators

Models and Tools



Mary Griffin
CGAP

Consumer voice helps regulators

- **Provides insights** about needs and outcomes in the marketplace and identifies **consumer needs from regulators e.g.**, information, complaints handling, including during crises
- **Supports informed and balanced decision making** and market monitoring
- Helps ensure **participatory and collaborative policymaking**

Recognition of the need to seek out the consumer voice to inform policymaking

To ensure the fourth pillar of financial citizenship – participation – “it is necessary to give people voice on financial services issues.”

Two ways: intensify public consultation and explore huge amount of data held by regulators and the regulated institutions.

Adapted from 2019 presentation on Brazil's four pillars of financial citizenship

Principle 6 - Strong Consumer Advocacy is Promoted

The consumer voice should be heard by governments and consumer representation must be effective. Governments should seek consumer views before decisions are taken on relevant industrial, trade and social policy issues. ...

ASEAN High Level Principles of Consumer Protection (AHLP), Adopted in 2017

How regulators can engage the consumer voice



Build Awareness

Develop communication channel, e.g., dedicated office, website

Identify and reach out to consumer segments and their representatives through technology or provider channels

Ensure culturally-appropriate communications

Track participation and input across agency



Ensure Consultation

Outreach about policymaking process

Public consultation, including access to draft proposals

Transparency and use of plain language to convey complex subjects

Open access to data

Use convenings to promote collaboration



Create Structure

Formal consumer advisory bodies – statutory or regulatory

Process for individual and class representation of consumers

Data-driven metrics to ensure consumer voice captured

Structures for consumer feedback, redress and education at regional and local level



Provide Funding

Consumer participation, e.g., expenses and per diems

Research and expertise that reflects consumer voice, e.g., focus groups on disclosures

Support feedback and advisory/information channels directly to consumers through consumer organizations and others

Create Structure | Examples of regulatory consultative bodies

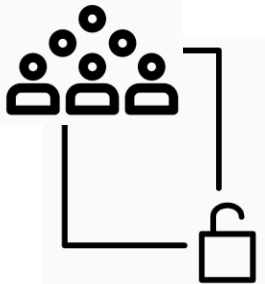
Model	Key Features	Country Example
Independent consumer council/agency	Independent – can challenge agency action Scope of authority and funding varies	US (Texas, state Utility Councils), UK
Consultative Body – Statutory	General advisory function May include consumer and other interests Role and timing in consultative process varies	Australia, Malaysia, Tanzania, US, UK
Consultative Body – Policy, Ad Hoc	Specific, time-limited advisory function Regulator-driven May include consumer and other interests	Australia (ASIC), Canada
Funding an Apex Consumer Association	Independent Aggregates and organizes via network May dilute some consumer interests	Australia (telecom), Morocco
Funding Consumer Associations	Builds capacity of consumer associations May or may not provide direct advisory function	Peru, Zimbabwe, India

Leveraging technology to elevate consumer voice



Meeting people where they are – customize to elevate and connect

- African country campaigns (CFI)
- Twitter analysis to gain consumer insights
- Submitting complaints via social media platform



Regulators use information and technology for insights and engagement

- Canada, Statistics department uses crowdsourcing to survey residents (Covid-19)
- Reaching the informal sector through nonfinancial or proxy data, e.g., census
- US, CFPB public complaints and analytics



Private online complaint tools facilitate consumer redress and analytics

- South Africa helloworldpeter.com
- UK, India resolver.uk.org, resolver.in

Question and Answer



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Next Steps



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Lead, Customer Value

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Thank you

To learn more, please visit
www.cgap.org



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