



We need financial education to help keep consumers safe on the financial marketplace

Article written by VP Valdis Dombrovskis on the occasion of the "EduFin Summit 2017"

Today's financial marketplaces offer consumers a vast and sometimes bewildering range of products to manage and plan their finances. This diversity of offers encourages competition and innovation, but also increases complexity for consumers seeking to make important financial decisions. In order to make informed decisions and avoid excessive risks, consumers depend on a certain level of financial literacy.

The European Commission is therefore paying particular attention to financial education, which we believe can contribute to restoring consumer confidence in financial markets - in particular following the crisis. By increasing sensibility around risk, financial education can also contribute to financial stability, leading to lower default rates, for instance on loans and mortgages, and more diversified and therefore safer saving and investment. Finally, by empowering everyone to choose products and services which suit their needs, it can also contribute to financial inclusion.

In Europe, education, including financial literacy, remains a competence of EU Member States. But the Commission is working with Member States and other stakeholders to promote financial education and keep consumers safe. Our main contribution is to provide support and patronage to a number of projects implemented by public or non-profit organisations.

This can take different forms, including training of advisors to provide financial advice, or information campaigns, such as the broad campaign carried out in a number of Member States to inform consumers about their rights when they take out credit.

It can also include legislation, such as in the case of the 2014 Mortgage Credit Directive, which requires Member States to promote measures that support consumer education on responsible borrowing and debt management. We have also recently asked two EU-level expertise centres, Better Finance and Finance Watch, to take actions aiming at providing and promoting financial education.

These initiatives go hand in hand with clear consumer information, consumer protection rules, and the responsible behaviour of financial service providers themselves.

And financial education cannot replace independent and inexpensive financial advice, in particular on more complex financial products, such as pensions, insurance or investment funds.

But we see that financial education can help provide the answer to many current developments.

For example, new developments in financial services highlight the continued importance of working to promote financial literacy, such as the ongoing development of new financial technologies, known as FinTech. Easy and affordable access to financial services and advice from mobile phones or through other digital interfaces can contribute to financial inclusion, empower consumers and raise trust in retail financial services.

Thanks to the EU's Payment Accounts Directive, every consumer has a right to access a basic bank account regardless of his or her place of residence in Europe, and can switch payment accounts more easily. It will be important for consumers opening their first bank account or switching bank accounts to fully understand what features the new account offers and under what conditions.

Experts from EU Member States have also identified lack of financial literacy as a barrier to cross-border capital flows within the EU, for instance for SMEs seeking to borrow abroad. Member States have therefore agreed on a roadmap to exchange best practices on financial literacy programmes, and contribute to developing solutions to increase SME knowledge around cross-border and alternative sources of finance.

The European Commission will continue to play its role when it comes to supporting financial education across Europe and globally, along with members of civil society and other stakeholders. By working together in this way, we can promote the safety of consumers, the stability of our financial system, and the inclusion of everyone in the financial marketplace.