Bringing financial services back to the people they serve

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Good morning, ladies and gentlemen. Thank you Steven, and a particular thank you to Gabriel and EIOPA for organising our conference today. I am very pleased to be here. First, to have the chance to place on the record my thanks to the three European Supervisory Authorities for the work they do to foster supervisory convergence in financial markets and for the contribution they make to financial stability. But also to go back to basics and ask ourselves how we can do more to serve the interests of consumers, of the people who use financial services to help manage their lives.

Many of us here operate in a world of strange and confusing acronyms, of level 2 implementation, of technical standards, of consultations, of communications. In this highly complex world, where experts often use a language few can understand, it is sometimes easy to lose sight of the consumer, the person in whose interest we are ultimately acting. The account holders who need to be able to pay their bills. The policy holders who turn to their insurer when their house has flooded or they fall ill. The savers putting money aside for their old age.

Bringing financial services back to the people they serve is the right way to think about things. It is why early on I said that I wanted to turn the telescope round and look at retail financial services from the point of view of the consumer. It is why I am keen to open up markets to deliver more choice and better service so that people can see more examples of how the EU benefits them. And it is why the retail investor has to be at the heart of the work I am doing to build a single market in capital.

Trust is the bedrock of the financial system. It needs to be won back after the financial crisis and some of the scandals we have seen. I think that everyone in this room — the industry, regulators and supervisors has a part to play in helping make that happen.

It's hard to put the past behind us when we keep reading about people manipulating LIBOR or foreign exchange indices. Those were not victimless crimes. Making someone pay more than they need to for personal gain is no different in my book from stealing from their bank account or their wallet.

To send the message that we will not tolerate this kind of behaviour, I am certainly in favour of strong sanctions. But I do not think that the answer always lies in ever more detailed rules. They in themselves can lead to a culture of compliance in name rather than spirit, where people do not take personal responsibility for their actions, and do not ask whether what they are doing is right, but whether it is possible within a certain interpretation of the rules. For me the role of values and of leadership is vitally important. So my first challenge today is to the industry to demonstrate that leadership, and help rebuild that sense of trust.

Every new business that sets up has to start out by winning customers from somewhere else, by finding out what they want and serving them, by building and keeping their loyalty. By putting customers first. Clearer codes of behaviour, a Banker's Oath in the Netherlands, are good examples of where businesses are trying to rebuild trust. Working to strengthen financial education is another area where I think the financial services industry can try to help its customers and also play a bigger part in the society in which it operates.

Legislators can play their part in setting the framework in which people are protected and able to choose financial products that are right for them.

We have of course already taken a number of steps. This started with our work to strengthen the overall financial system. Putting the Banking Union in place, improving macro-prudential oversight, strengthening regulation of markets – those should all increase confidence and reduce the risk of things going wrong in future.

We have brought in rules to give greater protection to depositors and to ensure more responsible mortgage lending. We are making sure that in future customers will get clear, simple information when they are buying an investment product in a format they can then compare.

We are currently legislating to reform the rules governing benchmarks to introduce greater transparency and strengthen the investigative and administrative sanctioning powers of regulators. New rules to combat market abuse will mean that as from next year under EU law people who manipulate benchmarks can be sent to jail.

In the insurance field, we are updating the Insurance Mediation Directive, which aims to improve competition, make sure that consumers get better advice and clear information about the people selling to them and how they are paid for it; and makes it easier to provide services across borders. Trilogue negotiations are in an advanced stage and I hope that they can be concluded by the end of this month.

The rules that we put in place need to be implemented effectively and coherently. And here the ESAs have an important role to play, as they do in protecting the interests of consumers.

For example, over the past few years, ESAs have issued warnings to retail investors on forex; on the dangers of investing in contracts for difference; and on virtual currencies.

This is an area where ESAs could work more closely with and involve national authorities responsible for consumer protection, and could use their expertise to ensure a more comprehensive approach to consumer protection at the European level.

The Joint Committee is an excellent tool for cooperation and coordination between the different ESAs. We have already seen the benefits of this partnership when EBA and ESMA took inspiration from EIOPA's complaint handling procedure.

The scope for action laid down in the ESAs' founding Regulations is broad. I understand that, along with the national authorities, you are planning to review your strategy for the coming years. I am keen that the ESAs take their consumer protection mandate seriously. As you do so I am sure you will choose your priorities wisely, focusing on the issues that will have the biggest impact on encouraging a single market for retail financial services. We all want consumers to get the most out of the benefits they enjoy from being part of the European Union.

One of the important issues being addressed at today's event is digitalisation and innovation in financial services. We sometimes like to think that these are new issues that have not been faced by previous generations. But it is not so different from the great debates about industrialisation in the eighteenth and nineteenth centuries. When power looms were introduced in England in the 19th century, workers broke into the factories to smash the machines that were increasing production by a factor of 40, and sparked the so-called Luddite riots.

Although the release of the latest generation of smartphone might cause a different nation-wide disturbance – long queues around the block to try to get hold of it first – vested interests sometimes still argue against innovation and competition. Accepting the inevitability of technological change, adapting to it and making the most of the opportunities is vital if an industry wants to survive.

Digital technology is revolutionising how we interact with our financial services providers. Mobile payments, online insurance claims and mobile stock trading are now commonplace. Crowdfunding and automated advice are growing fast. And advanced IT tools are making it easier for insurers and intermediaries to communicate, allowing them to conduct business faster and to provide a better service.

The use of social media and collaboration tools is clearly going to accelerate, including an increase in consumers' use of comparative websites when they are buying financial products.

In all of our thinking about how digitalisation is changing finance, risk mitigation and security are an essential element of any financial services policy. But they should accompany, and not stand in the way of, innovation and new product development. We should not be tying ourselves up in knots trying to regulate away all possible risk, as without risk there can be no growth, and no challenge by insurgents to established business providers.

So as we think about these challenges and how to respond to them, for me regulation in the retail financial services area should be built on three core principles: transparency, competition and choice.

By **transparency** I mean ensuring that consumers are not pressured into accepting certain prescribed products or services, and have good, clear information on which to base their decisions. They need to know if the person selling them a product has an incentive to do so and if the advice they are getting is unbiased. To be able to see the true cost of a service and to be able to compare it.

Consumers should have a real **choice** of better quality products and providers, no matter whether or not they or the supplier are located in the same country. It is true that at that moment people generally stick within their national boundaries to buy financial products like insurance or investments, for reasons ranging from a lack of trust in foreign providers to language barriers, but that used to be true of aviation too.

Look at the big variations in the cost of mortgages between different Member States. Some of this can partly be explained through different re-financing costs or different tax regimes, but surely not all of it. And there are many other examples of price differentials between different Member States; such as the costs of car insurance or credit cards.

Shouldn't people have access to products available in another Member State, if those are cheaper and better suited to them? Why should physical obstacles like lack of acceptance of foreign ID cards or geo-blocking of access to certain websites stand between a consumer and their preferred provider? The more competition there is, the more choice there will be, and the more providers will be spurred to serve the interests of consumers. So we need to identify those barriers and work out how to overcome them.

Another of my priorities is ensuring that poor behaviour does not go unpunished and that people who have lost out have somewhere to turn to when things go wrong. This means not just sanctions, but proper access to redress, where the situation is currently very diverse.

Some alternative dispute resolution systems can take binding decisions and award compensation, others can only issue non-binding recommendations. Although the Directive on alternative dispute resolution and the right to use online dispute resolution will help, not knowing what redress you would be able to get in another country is one of the factors that would be likely to put people off buying services in another Member State.

So, as a firm believer in transparency and the power of choice and competition, how will we go about achieving them? Well first, making the market work for retail investors is certainly, as Stephen said, something we are looking at very closely in the context of the **Capital Markets Union**.

Savers need better options for their savings. At the moment, money in the bank or under the mattress is, at best, not keeping up with inflation or, at worst, actually costing people money. So we need to link savers and retail investors with investment opportunities and that's why individual savers and investors are essential to the success of the Capital Markets Union.

Retail investors will only invest in capital markets if they trust those markets as well as the financial intermediaries operating in them, and believe they can get a better and a safe return on their savings.

Effective consumer and investor protection will, therefore, need to be at the heart of the CMU. We are not starting with a blank sheet of paper. ESMA, EBA and EIOPA have been given increased powers on investor protection through MIFID II and other regulations. The single rulebook for financial services has established clear obligations for investment firms to take care of their clients' interests. There are specific rules on inducements and on packaged products, and other provisions are aimed at providing clear and comparable information on investment performance.

But perhaps there is more to be done, for instance in offering investors a wider choice among investment fund products, like the popular UCITS, and increasing competition between the funds which should lead to lower prices.

There will also have to be work done on the supervisory side so that investors see similar levels of protection and the benefits of the single market, irrespective of where they are or the nature of the investment products. This is not always the case at the moment, even where rules have been harmonised at EU level. Enhanced supervisory convergence is therefore one of the ingredients to strengthen investors' trust in the capital markets.

More widely, the principles of transparency, choice and competition will be the kinds of issues I will be looking at in a Green Paper on retail financial services that we're going to publish later this year. And I hope they will be the guiding principles that the ESAs should rely on in prioritising work for the years ahead.

There is still a lot of work to be done before we will have a single market in financial services that delivers what consumers really want — access to the best products and services at the best prices, real choice, and solutions when things go wrong.

The tools to achieve this will vary; some things we can do with rules, some we can do by removing barriers to competition and market entry that reduce choice and keep prices higher than they could be. Some will be for the industry to take the lead.

But we have a common interest in bringing financial services back to the people they serve. Of course that would be good for consumers. But it would also be good for the industry, it would be good for the economy, good for financial stability and good for a single market in capital. These are not new goals. But they are ones, with your help, where I think we can make new progress. Thank you.