

Financial Education: from access to credit to security for the elderly
Event by ADICONSUM

SPEECH

by

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Ladies and gentlemen:

- It is truly with great pleasure that I am with you today alongside this distinguished panel, to discuss the role of financial education in restoring *confidence* in the financial system and in restoring *trust* to the relationship between creditors and citizens;
- For although there are some positive economic signs in 2014, notably, the expectation that the EU will see growth rates of 1.4% this year, the return of Ireland and Spain to capital markets and the reductions in the yields of the Greek, Italian and Spanish bonds, there are nonetheless many factors which have led to the continued mistrust of the global banking system and to the stagnation of European economies;
- Not only have financial innovation and a general lack of transparency in the system made it harder for people to understand what is inherently a complex and globalised market, overwhelmed by a vast range of financial products;
- But central to the mistrust is the belief that irresponsible behaviour by financial institutions played a large part in causing the financial crisis, which has of course led to a very serious economic, social and political crisis in Europe;
- The issue of political instability is one which I think should not be underestimated, given the direct repercussions on economic 'behaviour' of individuals investors and companies;
- What is certain is that in today's Europe, banks have become remote from customers and there is the firm perception that profits made by banks are acquired as a result of 'information asymmetries' between sellers and buyers of financial products;
- In other words, citizens do not trust the financial institutions!
- And the repercussions of this absence of trust are deeply felt in European society, particularly as our society is mired by the demographic challenges of an ageing population and increasing social inequalities;
- So what is the way forward? How can trust be revived and what role should financial education play in delivering more equitable societies and more dynamic economies?
- How can we build a more robust, safe and transparent financial system?

- I would like to begin by mentioning that the topic of financial education is one that the EESC has dealt with intermittently since 2007 and more recently last June when the Various Interests Group organised a conference on the subject of 'The Credit Crunch and Shrinking Savings';
- Building on this experience, the first comment that I would like to make today is to remind us that a significant proportion of the decisions that we take in our lifetime have a financial element, with a direct impact on individuals, families and communities;
- Within this context, the objective of financial education is to enable consumers to make informed decisions and to promote the 'intelligent' consumption of financial products;
- This is directly linked to the financial empowerment of citizens and can contribute to reducing financial exclusion and over-indebtedness, whilst raising overall well-being;
- In a Europe where 10.9% of the population or 26.5 million individuals are unemployed, of which 5.6 million are young people, and where there is an increasing ageing population, any instrument which can help citizens to plan ahead, to save and to avoid excessive debt is more than welcome!
- Let us call it 'financial literacy', where consumers must know what it is that they are signing up to and they should be able to compare the market easily – this should be the principal result of financial education.

- The second point that I would like to make is that any financial literacy or financial education, should go hand in hand with better regulation of the financial system;

- However, financial education by itself is insufficient unless backed by appropriate legislation to protect consumers, shielding them from misleading and fraudulent practices, whilst also creating a stable financial environment;
 - Ultimately, there needs to be transparency, regulation and supervision of the financial system, particularly as in recent times the risks entailed with financial products have increasingly been shifted towards the consumer;
 - At the EU level, there have been efforts to better regulate the financial markets through a number of Directives, for example, the directive on payment services, which has ensured greater access to information, or the Directive on consumer credit agreements, which establishes the principle of a 'responsible loan' with the lender taking responsibility for providing advice;
 - And of course, the Single Market Act I and II also provide for consumer protection in the fields of retail financial products;
 - Added to this have been initiatives for self-regulation of the banking industry launched by the European Commission, in order to improve access to information on bank charges and to ensure that these charges are easier to understand and compare;
 - But in order to ensure the success of this project, consumer organisations must be involved in developing the process;
 - In EESC Opinions we have also called for the establishment of independent ombudsmen to defend and protect the rights of consumers purchasing financial products;
 - Cooperation between the different ombudsmen is crucial;
 - Moreover, we have called for all financial intermediaries (including not only banks but also insurance brokers, stockbrokers, etc), to implement the regulations in force;
 - Lastly, as we all know, more recently with the crisis we have seen considerable efforts to better regulate the Eurozone: steps towards a banking union, single resolution mechanism, etc;
 - Hence with all of this activity, it is hoped that a 'virtuous triangle' will be created, linking financial education with market regulation and consumer protection.
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- The question now is what form should financial education take and who should be involved?
 - As we all know, the EU is not mandated to legislate on education and this policy area remains a responsibility of Member States;
 - Despite this, the OECD, the EC and even ECOFIN have launched initiatives on financial education for consumers;
 - In the case of the EC, this involves the DOLCETA consumer education tool for adults and the Expert Group on Financial Education which meets regularly to examine the different national strategies for financial education programmes and encourages public-private partnerships;
 - These initiatives are very welcome as they complement national strategies;
 - What is crucial is continuing to assess and evaluate the impact of the various education programmes;
 - For indeed there are many excellent initiatives in Member States which need to be supported and best practices exchanged;
 - Whether it be the 75 000 French people who have so far accessed the government's Finance and Education Programme or the British Money Advise Service which specifically targets schools, spending 30 million GDP to provide financial education to staff in schools and continually analysing the needs of the UK public;
 - Some countries have made extensive use of media outlets, using television, radio and the internet with good results;
 - It is partly because of these examples, that the EESC strongly supports the inclusion of financial education as a compulsory subject on school curricula and the provision of financial training and re-training schemes for employees in their work environment;

- The EESC has also recommended specific training for employees working in financial institutions, so as to enable them to best explain products to potential customers;
- We also support education on the use of diverse innovative approaches and services such as microfinance, in order to effectively reach out to a variety of stakeholders;
- For let us not forget that certain categories of actors do not fall into the 'normal' category of clients, for example, social enterprises;
- Moreover, in the case of some SMEs, they do not have the sufficient information nor the knowledge to be able to effectively access the range of financial services available;
- But perhaps the best example of a project on financial education that I am aware of is that of the UniCredit bank for consumer protection, an example brought to our attention at the Conference on the Credit Crunch that we organised at the EESC last June;
- In what was truly an impressive presentation of cooperation between a bank and numerous Italian consumer organisations including Adiconsum, UniCredit has established an extensive programme of financial education which aims to empower citizens, promote responsible consumption and address social exclusion;
- It involves bank staff volunteering their time to provide training courses, the recipients of which are for the large part not clients of UniCredit; courses have also targeted immigrant communities, thus contributing to greater social inclusion;
- This brings me to the next point that I would like to make, namely, that in order to ensure financial inclusion, it is imperative that financial education targets the young, women, immigrants and citizens on low incomes;
- Indeed the 2010 European Year for Combatting Poverty and Social Exclusion emphasised both the collective and the individual responsibility in poverty reduction/social inclusion.

- Ladies and gentlemen: before ending this presentation, I would like to emphasise two further points;
- The first is that as with the individual responsibility highlighted in the 2010 European Year for Combatting Poverty and Social Exclusion, financial education also carries *individual* responsibilities;
- For what must be clearly stated that it is the responsibility of individual *consumers* to acquire skills and to learn about the financial products that they are buying – this cannot be bi-passed;
- Secondly, I firmly believe that if there is to be any hope of a sustained economic recovery in Europe then we need five factors: trust, stability, security, performance and competitiveness;
- The same five factors are crucial for an effective financial education – for ultimately, in both cases, what we need is strong and trust-worthy alliances between consumers, businesses, financial intermediaries, private investors, institutions and diverse entrepreneurs;
- These actors need to work in partnership to raise awareness, engage in public discussions, create forums and increase support for their work, which ultimately aims to support the real economy;

- Dear friends: 2014 will undoubtedly be a year of change, of democratic scrutiny and accountability;
- It will be a year of tentative growth and I hope that it will usher in a Europe which is more united, more cohesive and more ambitious;
- We have seen in our discussions today that financial education has a clear role to play in this recovery, but that a great deal still needs to be done, be it in the realm of information provision, capacity-building or networking;

- What is clear is that financial education has a pivotal role to play in our societies and in supporting the real economy;
- For as we all know, in several European countries including in Italy, there is a wealth of income sitting in bank accounts – what we need is to restore confidence in the financial sector among citizens, in order for that money to be invested and to be made available to the real economy;
- But we must reward risk with suitable guarantees and we must actively support and coordinate the existing good examples;
- Here there is a role for the European Commission, from which I hope will take an active role in supporting the actors involved;
- We have a lot of work ahead of us!
- Thank you for your attention.