



PROTECTING THE ECONOMIC INTERESTS OF CONSUMERS IN FINANCIAL SERVICES

Draft Legislation Financial Services – General Section

Final Report for the Federal Ministry of Consumer Protection, Food and Agriculture (BMVEL)
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Executive Summary

Consumer information, in its application to financial services designed for the standardised mass market, with their growing impact on the lives of consumers, on small businesses and the self-employed, is becoming increasingly important in strengthening the role of consumers in the marketplace, in the design of products to meet the needs of consumers, in their effective use by private households and in protection from overindebtedness and the loss of income and assets.

Draft legislation, designed by the institute for financial services (*iff*), has now been tabled which is intended to improve consumer information in this area and bring greater transparency to the maze of duties to provide information, which is scattered across a multiplicity of private and public law, European Directives, guidelines, regulations and voluntary codes of practice, some of which are repetitive, contradictory, inconsistent in their use of terminology and applicable to different providers and a variety of product ranges.

The basic principle underlying the draft legislation is a requirement of transparency in all forms of consumer information relating to financial services. This includes provision of timely information, which is accessible and usable by consumers, in an appropriate form with a minimum contents requirement, which importantly must also include information as to risks and side-effects. Not only must information be available and accessible, it must also be of good quality and appropriate.

The detailed legislation deals with duties applicable to prospectuses where there are specific risks and dangers, advice appropriate to the individual and the subject matter, duties to provide information where there are particular complexities and risks associated with the product, provision of information before the customer is committed, retention of personal signatures where there is a risk of overindebtedness, transparency as to the status of agents and the commission due to them, clear unambiguous, understandable and arithmetical presentation of costs, prohibition against discrimination, including an obligation to give reasons on refusal to provide a product, publication of objective criteria on variable terms and minimum information where the contract can be varied or terminated by one of the parties alone.