



NFU response to Consultation on the Report of the Mortgage Funding Expert Group and the Report of the Mortgage Industry and Consumer Dialogue

Facts on NFU

The Confederation of the Nordic Bank, Finance and Insurance Unions (NFU) is an organisation for co-operation between trade unions that organise employees in the banking, finance and insurance sectors in the five Nordic countries. At present, eight trade unions are affiliated to NFU, two in Denmark, two in Finland, two in Sweden and one in each Iceland and Norway. Through these trade unions, NFU represents 156 000 employees on the Nordic Financial Market.

Approach

This response has been created in cooperation in-between policy officers from all NFU affiliates. The NFU Executive Committee has discussed a draft response and thereafter made a per capsulam decision to adopt this response.

NFU comments

Information

The duty of consumer information provision should be borne jointly by the borrower and the provider. In connection with compulsory provision of advice and guidance, the borrower may receive advice and information without the borrower himself taking responsibility for the greatest financial decision in her/his life. The provider is under an obligation to provide the borrower with objective information, but so that the borrower can make her/his choice on an informed basis.

The choice of product must be made by the borrower and not by the provider. This division of responsibilities must be ensured from the commencement of the provision of advice. If there is a requirement for provision of written advice, the provider and the provider's employees may be legally obligated and may incur a liability for damages. This may limit the provision of advice to being solely factual, instead of being objective and based on overall financial considerations, which is the type of advice for which the borrower has the greatest need when he is to find the right mortgage.



A voluntary code of conduct allows certain flexibility in companies' ways of handling daily affairs. Flexibility allows mortgage providers to differentiate from competitors by providing competent advice and information.

Advice, Provision and costs

Mortgage products are complex and involve decisions of high economic importance for the consumers. The provision of advice should be compulsory and should be made on joint conditions in order to protect the borrower as well as the provider and the provider's employees. Moreover, it is crucial that the employees receive sufficient and ongoing training, instruction and information about their advisory role and the Code of Conduct described above.

Product pricing should be free in relation to a free market. Information about prices, fees and charges and their effect on the loan during its term should be provided when the loan is obtained. It should be observed that the addition of a charge or fee is made on the basis of a risk assessment throughout the term of the loan.

There should be a minimum EU standard for provision of information about costs comprising administrative expenses, risk/insurance costs as well as costs for drawing up and issuing the loan. This will ensure comparable products.

NFU supports the report's ambition to make distinctions between Information, Advice and Risk warning. The information, advice or risk warning services are useless if it's not given by someone with high credibility. The provider should be obliged to support the information that there are risks involved and that there are institutions involved that can provide this information to the potential consumer. NFU supports the six principles for the advice situation but there should be an additional compulsory principle that the consumer needs to state, by signature, that he or she has received an advice, information or a risk warning.

NFU would like to stress what we responded to the green paper. It is of outmost importance that the individual employee that will provide these services is not just given the appropriate and ongoing training for this but also that the industry/employers will provide this training under decent conditions and that it will be regarded as a natural part of the work and therefore shall be paid as work. In the Swedish retail bank business there is an increasing concern regarding the conflict between the laws, regulations and traditions to act as a bank employee with the concern of the customer's wellbeing and the increased focus on remunerations based on sales figures. We will come back to this during the financial capability conference in Brussels 28 March 2007.

Annual Percentage Rate of Charge (APRC)

A total statement of the monthly costs that are not included in the APRC must be regarded as only partly easy to grasp for the borrower. The borrower should be able to be provided with this information on demand when the loan is obtained, repaid or extended.

Early Repayment

NFU has the following reflections regarding rules for early repayment. One is the same as above regarding competition. If there is an open and fair competition the contracts will cover such a possibility. The core problem here is the level of capability of the consumer. If the consumer knows what to ask for his or her position in the contract negotiation will be much stronger.

NFU thinks that early repayment should be a legal right to ensure certain product diversity. In addition, we think that the consumer should be able to waive this right in exchange of better loan conditions. To this end, the Danish possibility of early repayment at par should be observed where bond-based loans are involved. In periods of falling yields, this possibility enables borrowers to prepay their loans at par and to take out new loans at a lower interest rate. In Denmark, borrowers are highly focused on the possibility of prepaying their mortgage loans.

We think that this information should be included as a natural part of the compulsory advice provision mentioned above.

Annual Percentage Rate

The purpose of APR is to provide consumers with knowledge about the total loan costs to ensure that they are able to evaluate and compare competing mortgage products and to make the correct choice.

The interest charged by the lender, the annual percentage rate, will obviously be calculated using a mathematical model that is based on costs and profit. Such a model is regulated naturally by the market. It is difficult to provide consumers with advice and information about the calculation model, and a standardisation will be impossible in practice. The borrower should obviously be informed about the calculation result.

Qualifications and training

The Mortgage Funding Expert Group recommends that common standards be adopted for the professional qualification of property valuers. NFU supports this recommendation but the EU Commission needs to point out that such an action need solutions for vocational training of the staffs exerting this valuations.



Open the European market

NFU supports the recommendation that non-domestic EU mortgage loans could be accepted as eligible assets in cover pools. But NFU asks the EU-Commission to make an impact assessment on the effects for national laws and regulations and on the effects this would have on the mortgage market industry structures.

Allan Bang

President

Per Karlberg

Dep. General Secretary



NFU response to Sector Inquiry Insurance Industry

Facts on NFU

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NFU comments

At first NFU would like to comment the fact that the employees are not mentioned in the Sector Inquiry.

We would like to draw attention to our concerns on transparency and on the consumer/client aspect and also the importance that the employees get sufficient training for giving qualified economical advice to the customers. There is sometimes a conflict between the two interests, to sell and to give advice to the customer.

To have a sufficient number of employees in the companies promote better service to the customers and consumers.

Involvement of the employees when it comes to creating systems for bonuses and remuneration is important. This is an instrument to motivate the employees to do a better job and will result in a better quality of service and advice to the customers.

We are also concerned about the working conditions of all the industry and stress the importance of all employers' social responsibility including brokers and agents as employers. There have been problems with this category of employers in the respect of following collective agreements and dumping the conditions of the employees.

Jan-Erik Lidström

General Secretary

Per Karlberg

Deputy General Secretary



NFU's response to the European Commissions' Green Paper on Retail Financial Services in the Single Market

About NFU

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General remarks

Our response to the consultation will be twofold. We will address the questions raised in the consultation document that are of relevance to us as representatives of the employees in the finance industry. Secondly, we will introduce a number of new issues and principles that we believe should be addressed at European level; issues that we are convinced will foster efficiency and competitiveness as well as good governance of companies.

Comments and proposals to some of the questions raised in the Green Paper

Question 1: Do you agree with the objectives and priorities set out in this paper?

NFU generally supports the objectives set out in the Green Paper, but we are surprised that the employees of the financial sector have not been mentioned at all. To us the alliance between consumers and finance sector employees is clear. Consumer objectives can only be achieved in close cooperation with and when employees and their organizations are on board. Empowered and well-informed consumers are of great advantage as seen from an employee perspective. What we call for is awareness of how this will affect financial institutions. Enough staff and well-qualified staff are imperative. Training is paramount. Therefore the too limited focus on reducing of personnel costs cannot go on.

One of the main priorities in the Green Paper aims at investigating and remedying national practices that restrict competition and reduce consumer welfare. It must be pointed out, however, that enforcement of competition law cannot be solely based on the economic

interests of the customer; the economic interests of employees must also be taken into account. NFU supports the idea of a level playing field in terms of competition, but it cannot lead to a situation where reduced profits for companies are balanced with reduced personnel costs. Another issue that needs to be discussed is cross border activity. The eagerness to enhance the consolidation activities in the sector should not be seen as a go-ahead for any possible merger.

The increasing consolidation of the financial market is a growing concern for the trade union movement, and one that is shared by more and more stakeholders from other interest groupings. Consolidation should not be a political objective per se, but should bring clear benefits to the economy by stimulating growth and encouraging innovation. At the moment there is evidence that some of the bigger banks resulting from cross border consolidation are less capitalised and thus worth less, relatively speaking, than smaller banks. There is an opinion among potential customers that the giants on the market are unable to give the customers what they want.

As we have stated before in our meetings with DG Internal Market, we welcome change if there are benefits for the market and its stakeholders to be gained. NFU does not oppose consolidation, but wants to point out that in every merger there are burdens in form of social consequences and costs that must be shouldered by the companies involved.

Question 3: The Commission has undertaken several initiatives to improve consultation with consumers and to secure their input into its policy making. Should further steps be taken and, if so, what steps?

It is necessary to see the interests of employees, consumers and the industry as integrated, not separated. Consultations with consumers should be available to sector employees and representatives from the industry as well, since all parties involved has input and insights that would be fruitful in conjunction with each other.

Question 5: Despite efforts, in particular the creation of FIN-NET, the handling of cross border consumer complaints in the field of financial services still remains problematic. The Commission would welcome input as to the ways to improve the current situation. For example, should Member States be obliged to ensure that alternative dispute resolution (ADR) schemes are in place? Should providers be obliged to adhere to an ADR scheme? Should they be contractually obliged to offer ADR mechanisms to their clients?

ADR schemes may be a good way to solve disputes, but then the consumers need to be informed of the content of the scheme and what this would mean for them. There are examples where certain types of ADR schemes are more expensive for the parties involved

than if the dispute would be tried in a national court, whereas other schemes are quite cheap to use for the consumer. The access to court is a vital prerequisite in any contractual relationship, and the use of these proposed ADR schemes cannot in themselves be excluding, directly or indirectly, private customers due to costs or other conditions. Before it is made clear how such schemes would be designed, an obligation for any part involved to adhere to an ADR scheme would at this point be counterproductive.

It is the opinion of NFU, however, that without effective solutions in terms of dispute handling, the likelihood of an effective cross-border financial market is diminishing. We suggest that a working group comprising representatives from the industry, the employee side, consumers and governments is established with the aim to examine and evaluate different national and/or international dispute resolution systems. The findings could then serve as a base for setting up a system for handling of cross border consumer complaints in the field of financial services, looking at best practice.

Question 6: The creation of the Single Euro Payments Area (SEPA) offers challenges and opportunities for businesses and consumers alike. What do stakeholders think of SEPA's impact on consumers? Should consumers be more involved in the governance and the preparation of SEPA?

There are already examples of how the new initiatives in the payments area might lead to outsourcing and centralisation. In Finland the cooperative banks have entered into a contract with the German Transaktionsinstitut, meaning that cross-border money transfer systems is in the process of being outsourced to Germany (and the German unit is negotiating a merger with the Dutch). We would like to draw the Commission's attention to new developments and point out that a certain vulnerability might follow from this. Centralisation of services is often known to have negative effects on consumers, inter alia as regards pricing of services and the range of services available. We would also like the Commission to – in its communication with the industry – launch a discussion on employment effects and on how these can be tackled. There is no doubt that information is needed – both targeted at employees and consumers. EU level information initiatives are one aspect of this.

It is also NFU's opinion that the Commission generally should promote research on adult education on financial services, in order to improve the understanding of different measures taken by the market, such as SEPA for example.

Question 9: Do you think that there could be benefits for both banks and consumers, if banks would have the opportunity to offer an optional simplified standardised product, which would have a good level of consumer protection, would be easy to

understand, and could be offered across borders without the need to be modified to fit local rules?

NFU has previously stated that it is our opinion that everybody should have easy access to basic financial services – no matter where they live/move to. This must not mean, however, that an introduction of basic and easy-to-understand products leads to a creation of layers, where consumers interested in simplified products are left to conduct their own business, while the industry focuses on stakeholders that might be able to reap benefits from more advanced financial products.

Question 10: The Commission believes that more could be done to improve consumers' financial literacy and capability. Possible measures include developing guidelines or promoting best practices. The Commission would welcome input on how this policy should be further developed at the European level.

At several meetings with DG Internal Market we have stressed the importance of training and education – of both finance sector employees and of consumers. The complexity of financial products is increasing and at the same time the individual must take greater responsibility for pension savings. Employees cannot have sole responsibility for consumer education. However, we have maintained that consumers need to be educated primarily in the situation where they actually set out to buy services and are looking for the best deal. This means that finance sector employees have an important role to play and will be major providers of consumer training. The quality of services to the consumers will thus depend upon the level and content of training offered to employees. Furthermore, not only competent, but also sufficient personnel will be the key to success.

Financial education for customers is important from the trade union perspective, since it renders more competent customers. Competent customers, in turn, leads to more advanced work for financial advisors, which is satisfying for the employees. Finance employees are also the best teachers in the sale moment when customers are willing to adopt the knowledge. However, the employees must be given the time and opportunity to transfer this knowledge. Aggressive sales targets and merit rating systems are counter productive to customer protection and qualified advice, and the Finance industry employers need to take responsibility for this conflict between sales and advice.

It is important that all stakeholders are involved not only at the EU-level, but also at the national level. An important aspect will be missing, if the national financial literacy programmes are decided by the financial industry and the consumer side only, while not taking on board e.g. the experience and expertise of the financial employees.

Question 11: Do you think that, as they stand, the provisions on consumer information contained in financial services directives are adequate and consistent with one another? Were it not the case, how could the Commission ensure that information requirements are set at the right level, ensuring proper information but without creating any overload? Do you think that informing consumers is sufficient or that advice should also be provided? If yes, should that be compulsory or on request?

As stated above, aggressive sales targets and merit rating systems are counter productive to customer protection and qualified advice. One of the main issues is not whether any advice given should be compulsory or by request, but that any advice given should be objective. There are many examples where the line between (objective) advice and sales has been effectively eradicated, mainly due to an ever-ongoing shift in companies' remuneration/bonus systems. The problem is two-folded; firstly, there are simply not enough time for the employees in the finance industry to explain the meaning of the different products offered by the company, and secondly, since the remuneration of the employees are increasingly linked to their sales targets, the objectivity of the employees in a situation where advice is given stands the risk of being questioned, which will lead to a very unsatisfying work situation.

This leads to another major issue in this context – the quality of the information and advice given, which is closely linked to the issue of training and staffing that was mentioned earlier. This question will continue to be at the core of consumer education, since the complexity of the products on the market in constantly increasing. Given this increasing complexity, it is of the outmost necessity that roles, risks and responsibilities are made crystal clear to all parties involved. As under question 10, it is our opinion that the quality of services to the consumers will depend upon the level and content of training offered to employees, and that not only competent, but also sufficient personnel will be the key to success.

Question 14: Customer mobility and competition are closely associated. The Commission would welcome input as to how customer mobility could be enhanced. In particular, in the field of bank accounts, and as a follow-up to the Expert Group's work, would stakeholders see merits in, for example, having EU wide account switching arrangements? Will SEPA have an impact on customer mobility?

NFU questions the view that customer mobility should be seen as a goal in itself. Our opinion is that a multitude of choices should be available, but customers should not be pressurized in any way. When confidence and trust is in place, mobility will follow.



NFU's response to the European Commission's consultation on the report of the Expert Group on Customer Mobility in relation to Bank Accounts

About NFU

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General remarks

Our response to the report will be twofold. We will address the points and findings in the report that are of relevance to us as representatives of the employees in the finance industry. Secondly, we will point to a number of issues and principles that we believe should be addressed at European level; issues that we are convinced will enable access to the market as well as foster efficiency, competitiveness and good governance of companies.

NFU's opinion on the report

To NFU the alliance between consumers and finance sector employees is clear. The employees make a company work and, as a part of this, consumers get good advice. Consumer objectives can only be achieved in close cooperation with and when employees and their organisations are on board. Empowered and well-informed consumers are of great advantage as seen from an employee perspective. Sufficient numbers of staff and well-qualified staff are imperative. Training is paramount. It is necessary to see the interests of employees, consumers and the industry as integrated, not separated. Consultations with consumers should be available to sector employees and representatives from the industry as well, since all parties involved has input and insights that would be fruitful in conjunction with each other.

According to the report, the main task for the Expert group is identifying obstacles to customer mobility in relation to bank accounts and to provide recommendations to the Commission on how the obstacles identified should be addressed. NFU agrees that the field financial products should be as easily accessible as possible for everyone. It must be pointed out, however, that consumer access cannot be the sole, over-arching imperative in terms of reinventing the



market for bank accounts. NFU supports the idea of a level playing field in terms of financial access, but it cannot lead to a situation where increased costs for companies are balanced with reduced personnel costs.

NFU has previously stated that we question the view that customer mobility should be seen as a goal in itself. Our opinion is that a multitude of choices should be available, but customers should not be pressurized in any way. Many customers seek a long-term relationship based on continuous good advice and confidence and want a bank that put the interest of the consumers first. When confidence and trust is in place, mobility will follow. A European labour market depends on easy access to basic financial services for mobile customers.

In the report, there are many references to SEPA and the impact it will have on the future market for payment services. NFU wants to point out, once again, that there are already examples of how the new initiatives in the payments area might lead to outsourcing and centralisation. We would like to draw the Commission's attention to new developments and point out that certain vulnerability might follow from this. Centralisation of services is often known to have negative effects on consumers, inter alia as regards pricing of services and the range of services available. We would also like the Commission – in its communication with the industry – to launch a discussion on employment effects and on how these can be tackled. There is no doubt that information is needed – both targeted at employees and consumers. EU level information initiatives are one aspect of this. It is also our opinion that the Commission generally should promote research on adult education on financial services, in order to improve the understanding of different measures taken by the market, such as SEPA for example.

NFU also agrees with the consumer experts that argue that it is impossible nowadays to participate in social and economic life without a bank account, and that consumers without a bank account have severe difficulties to find work and are threatened by social exclusion. The finance industry has a particular importance for economic stability, for employment and decent working conditions at national, regional and global level. Universal access and high quality of affordable financial services for everyone must be guaranteed. It is unacceptable that entire areas or people of lower or no income are excluded from financial services. In particular, banking services are a prerequisite for participating in the economy and society – banks must be obliged to offer a basic current account for everyone.

NFU has on several occasions stated that it is our opinion that everybody should have easy access to basic financial services – no matter where they live/move to. This must not mean, however, that an introduction of basic and easy-to-understand products leads to a creation of layers, where consumers interested in simplified products are left to conduct their own business, while the industry focuses on customers from whom it may reap benefits.

In the long term, European policies cannot succeed unless the citizens of Europe – the consumers and the workers, support them. That means that all policymaking and business



sectors must take the social dimension of their actions into account. Particularly the financial services sector, given its important societal role, bears a central responsibility.

Jan-Erik Lidström

General Secretary



NFU's response to the European Commission's consultation on a possible statute for a European Private Company (EPC)

About NFU

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General remarks

NFU will refrain from taking a stand on the overall question whether there is a need for a statute for a European Private Company or the following business related issues, since they are all addressing specific matters from a company perspective. We will, however, provide our opinion on the section that deals with employees' involvement.

V. Social aspects – employees' involvement (information, consultation and participation) in the company's decision-making process

Question 13

If EPC's at some point in the future are to be a reality we expect, of course, that satisfactory employee participation rules must be an integral part of the legislation. EPC's must never become loopholes in this respect.

NFU would like to see European principles accompanying European strategies. In particular we call for principles on how to tackle short-term and medium-term social and employment effects. We want one regulatory model that will cover any type of action and any type of resulting company; to have separate rules for European Companies, companies' resulting from cross-border mergers and then again EPC's makes the assessment of a restructuring process harder and less foreseeable for every part involved. NFU's position is that the participation structure from the SE-Directive is preferable since it provides for a clear and stable framework for information and consultation, as well as safeguarding national provisions concerning

participation rights. Once again; corporate governance and corporate social responsibility must not be seen as isolated issues. This has also been pointed out in the European Parliament's resolution on further consolidation in the financial services industry, where it is stated that market participants should take into account their social responsibility during M&A and restructuring activity.

If the EPC legislation will cover establishments and/or subsidiaries in two or more Member States, it should provide for the setting-up of a European level works council in order to be consistent with existing European legislation.

It is of utmost importance that existing employees' rights are maintained when a national company is converted into an EPC or an EPC into a national company, when the level of existing employees' rights are higher than national requirements before the conversion. Vice versa, the legislation should provide for negotiations in order to increase the level after the conversion, if the then existing rights are less advantageous than national requirements. Good governance is also about developing the inclusion of employees in the decision-making and strategic discussions on the future of the company. The principle of employee participation should, as NFU sees it, be an integral part of the corporate governance agenda. Employees are key stakeholders in the companies, and they also represent the link between the companies and their customers.

Jan-Erik Lidström

General Secretary