



Register ID Number: 4129929362-47

NFU Response to the Consultation on Financial Inclusion: Ensuring access to a basic bank account

About 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 the NFU; two in Denmark, two in Finland, two in Sweden, and one in each Iceland and Norway. Through these trade unions, NFU represents 160 000 employees in the Nordic financial market.

General remarks

To NFU the alliance between consumers and finance sector employees is clear. This of course also goes for presumptive consumers, not yet fully included in the financial market. 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.

Some of the questions asked by the Commission in the consultation paper are dealing with matters that are largely oriented towards the financial industry itself, and hence not for NFU to comment specifically.

In our reply, we have focused on matters that will, from our perspective, have an impact on employees in the finance sector now and in the future.

Question 1: Do you share the Commission's overall objective to ensure that, by a certain date, every EU citizen or resident has access to a basic bank account? What could constitute the main challenges in meeting this objective?

NFU strongly supports the view of the Commission regarding this issue. 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. NFU is in favour of the Commission's approach to focus on the basics regarding financial inclusion since access to a bank account is, as the Commission rightly points out, in many cases a prerequisite for social inclusion in terms of access to employment, healthcare and housing.

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.

One of the main challenges seems to be the plethora of reasons for limited or no access to finance in the different member states. To address all these issues will require time and thorough research, since they are affecting several policy areas of the European Union, and possible solutions may even prove contradictory to each other or to other policies.

For example, one of the main "supply factors" in terms of financial exclusion, as identified in the Commission's report *Financial services provision and prevention of financial exclusion*, is geographical access. Diminishing geographical access is a logical consequence of the up until recently increasing consolidation of the financial market in Europe, admittedly now somewhat hampered by the financial crisis. The integration and consolidation of the financial market, as pursued by the European Commission, will quite naturally lead to down-sizing and closure of local branches, in turn rendering more people facing possible financial exclusion.

Question 2: Do you agree with the description of the causes and consequences of financial exclusion? Please provide additional information if available.

The catalogue of possible causes for financial exclusion seems to be rather all-encompassing and, as pointed out above, needs to be thoroughly analysed in order to combine solutions to financial as well as social exclusion with a competitive and healthy financial market.

One "supply factor" that might be added, or at least specified, is an issue of concern for the employees in the finance sector. When striving to combat financial exclusion, the ever-ongoing shift in companies' remuneration/bonus systems needs to be taken into account. There are many examples where the line between (objective) advice and sales has been effectively eradicated. 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.

If introducing a scheme to combat financial exclusion, the employees in the finance industry must be given time and resources to deal with “low-return” customers. An introduction of basic and easy-to-understand products must not lead 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. 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.

Question 3: Do you think that one can reconcile financial service providers' legitimate need to make profit with any social obligation they may have vis-à-vis excluded groups? Should financial service providers play a stronger 'social' role in the society, in particular in combating financial exclusion?

Question 5: Should all providers be obliged to offer basic bank accounts to all citizens throughout the EU?

As the Commission points out in the consultation document, an obligation for the industry to provide basic access to finance for all is a win-win situation. NFU agrees with the perspective that, as the newly banked become more participative in society, they will become potential customers for other financial services products, increasing the size of the overall market. NFU also agrees this will most likely help the move away from paperbased financial transactions to electronic ones, reducing costs across the industry.

As previously stated, NFU is of the opinion 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 and banks should therefore be obliged to offer a basic current account for everyone.

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.



Yours faithfully

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