

The full report can be downloaded at:

[https://www.finance-watch.org/wp-content/uploads/2020/07/Basic-financial-services\\_Finance-Watch-report\\_July-2020.pdf](https://www.finance-watch.org/wp-content/uploads/2020/07/Basic-financial-services_Finance-Watch-report_July-2020.pdf)

## Conclusions

By collating available information on the current markets for financial services and their use, with the expertise of professionals working in fields related to financial inclusion, a list can be compiled of the basic financial services that are needed to participate fully and equally in society.

The research undertaken has confirmed that access to financial services is necessary for citizens to participate fully in European society. Over the last four decades, European citizens have seen a sharp increase in the use of financial services in their daily lives. This financialisation of society has dramatically changed the way people receive their income and spend their money. The importance of financial products has grown to such an extent that lack of access can create a real challenge for financially excluded citizens to be fully active and integrated in society.

Currently, the market for financial services offers products to a large range of citizens. However, the impact of financial exclusion on social inclusion has meant that ensuring all citizens are able to access services is now a political concern. This has been acknowledged at European level through the European Pillar for Social Rights under Principle 20:

“Access to essential services:

Everyone has the right to access essential services of good quality, including water, sanitation, energy, transport, financial services and digital communications. Support for access to such services shall be available for those in need.”

The list of financial services that has been established aims to meet both the criteria of being essential and of good quality. It is important to mention that these services are not considered to be obligatory, but should be available to all citizens. A minimum basket of basic financial services is a key way to fight against the negative externalities arising from financial exclusion such as low employability, long-term sickness, lack of mobility, poverty, over-indebtedness and others.

One of the most interesting findings from the survey is that the highest number of respondents identified motor and home insurance as being necessary basic financial services. However, discussions that took place in interviews and the workshops raised access to a bank account, cash, pensions and credit products as being equally important or even more important in many cases. Another important and recurrent finding was the divide between countries with higher levels of financialisation than others. In countries with a high level of financialisation, the basket of minimum necessary products may need to be wider, as they have become more integrated into different aspects of daily life. This seems to be particularly related to the digitalisation trend, which is

affecting the consumption of products by financially included consumers, but also often creating another barrier to inclusion.

In order to reach an overall conclusion, an initial list of basic financial services categories identified in research and through the survey was put to workshop participants. The participants then discussed and agreed on the following list that should form the basis for a common minimum basket of financial services needed, where a lack of access risks creating a negative societal impact and externalities:

- A payment account coupled with guaranteed access to cash
- A safe consumer credit market
- A savings account
- A pension scheme
- Motor, House, Personal/Family Third Party Liability and Health insurance

## The minimum basket of basic necessary financial services

Payments	Savings & Pensions
<p>The right to a basic payment account already exists<sup>1</sup> and should be properly implemented.</p> <p>The use of cash is currently at risk of being phased out or restricted in certain countries. It should be protected as a means of payment.</p>	<p>A savings account with attractive conditions for all citizens should be designed and made available on the market.</p> <p>A safe third pillar pension product with attractive conditions for all citizens should be designed and made available on the market.</p>
Credit	Insurance
<p>Affordable, responsible and tailor-made consumer credit should be made available on the market for creditworthy customers.</p>	<p>Motor, health, home and personal/ family liability insurance should be available to all citizens at an affordable cost and provide appropriate cover.</p>

<sup>1</sup> Finance Watch, Financial Exclusion: Making the invisible visible, 2020, URL: [https://www.finance-watch.org/wp-content/uploads/2020/03/FW-Report\\_Vulnerable\\_Groups\\_March2020.pdf?mc\\_cid=3e58d0bba6&mc\\_eid=6aa7949e24](https://www.finance-watch.org/wp-content/uploads/2020/03/FW-Report_Vulnerable_Groups_March2020.pdf?mc_cid=3e58d0bba6&mc_eid=6aa7949e24)

## Recommendations

### How can these financial services overcome existing barriers to access?

Basic financial services should be designed and distributed to specifically tackle financial exclusion. To achieve this objective, basic financial products should ideally be designed, marketed and sold in order to overcome the barriers faced by excluded citizens, who are the most at risk of financial exclusion. As part of the same research project Finance Watch identified particular groups of citizens, characteristics of groups and the barriers that they face to being financially included.<sup>2</sup>

**A key role for the minimum basket of basic financial services is to increase access for vulnerable groups by removing barriers to access.**

The barriers identified fall into the following categories:

- **Legal requirements for access:** Certain groups of people, such as migrants, are not able to provide the documents required by law as proof of their identity and place of residence. This is a particular barrier to accessing a payment account. Without it the chances of exclusion are high.
- **Financial requirements for access:** Financial services are often too expensive for low income households or for those at risk of poverty. First, access to financial services often has partly hidden costs, such as a phone or internet connection. Second, the poor and vulnerable often face higher costs of financial services as they are perceived to carry higher risk for providers.
- **Lack of required skills or means:** A lack of literacy can disproportionately affect vulnerable groups. There are also serious issues over the physical abilities needed to access financial services: certain visual, hearing, physical or mental abilities are considered 'standard' and access may not always be possible for those with different abilities.

To ensure that each of the products and categories that have been identified for the minimum basket of goods addresses these barriers, a number of provisions can be used as a guideline. The tables below outline these provisions and should be used by policymakers when introducing new rules or adapting existing rules to implement Principle 20 of the European Pillar of Social Rights.

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<sup>2</sup> Finance Watch, Financial Exclusion: Making the invisible visible, 2020, URL: [https://www.finance-watch.org/wp-content/uploads/2020/03/FW-Report\\_Vulnerable\\_Groups\\_March2020.pdf?mc\\_cid=3e58d0bba6&mc\\_eid=6aa7949e24](https://www.finance-watch.org/wp-content/uploads/2020/03/FW-Report_Vulnerable_Groups_March2020.pdf?mc_cid=3e58d0bba6&mc_eid=6aa7949e24)

## Provisions for the basic set of necessary financial services

Payments		
<b>Basic payment account</b>	Legal requirements	<p>The right to basic payment account exists BUT a strong barrier has been identified related to Anti-Money Laundering / Terrorist Funding regulation. Articles 11 and 13 of the AMLD, set out that the identification of a client is the responsibility of the financial institution. This responsibility, and the potential liability that goes with it, is potentially a strong disincentive for the financial institution to take any risk where there are doubts over the identification process. As a consequence, Article 15 on “Anti-discrimination” of the PAD is at risk of not being fully implemented.</p> <p>To reconcile the objectives of these two necessary regulations, the right to a basic payment account should be applied with certain adjustments to propose a proportionate response to the risks related to AML/ATF and social inclusion.</p>
	Financial means	<p>The cost of the basic payment account should be maintained fairly low in line with Article 18 of the Payment Account Directive on “Associated fees”. This must now be properly assessed to ensure that Article 18 is sufficiently enforced. This assessment should also examine whether or not Article 18 is appropriate to ensure access for vulnerable groups.</p> <p>Article 16(1) of the PAD should be improved to ensure the same price for access is guaranteed for both digital and non-digital or online and offline services. Currently use of non-digital or offline services can result in additional costs.</p>
	Skills	<p>Online or digital access often necessitates certain tools and devices. These devices and tools must be designed for all levels of visual, hearing, physical or mental abilities and all skill sets. The EU Accessibility Act should be enforced, assessed and amended as necessary to ensure that this is the case.</p>
<b>Cash</b>	Legal requirements	<p>All citizens should be able to access and store value in universally accessible public money. Until this is possible through alternative digital means, access to cash should only be restricted in line with the AMLD.</p>
	Financial means	<p>The use of cash should be maintained as an alternative payment option, to ensure fair, equal prices and access to goods and services.</p> <p>Cash payments should not be coupled with additional fees and costs.</p>
	Skills	<p>Cash access points should be designed for all levels of visual, hearing, physical or mental abilities and all skill sets.</p> <p>The EU Accessibility Act should be enforced, assessed and amended as necessary to ensure that this is the case.</p>

Savings & Pensions		
<b>Savings account</b>	Legal requirements	Ensure that document and identification requirements for basic option products are proportionate and achievable for all EU citizens.
	Financial means	<p>There should not be a minimum first deposit amount requirement to open a savings account.</p> <p>Public tax or other incentives should be extended to vulnerable groups to encourage saving.</p>
	Skills	Online or digital access often necessitates certain tools and devices. These devices and tools must be designed for all levels of visual, hearing, physical or mental abilities and all skill sets. The EU Accessibility Act should be enforced, assessed and amended as necessary to ensure that this is the case.
<b>Private/ third pillar pensions</b>	Legal requirements	Ensure that document and identification requirements for basic option products are proportionate and achievable for all EU citizens.
	Financial means	The PEPP Regulation should ensure that the basic PEPP is a simple, standard, low cost product that is suitable for all EU citizens. A basic third pillar pension product must also be financially attractive and adapted to customers from vulnerable groups, by ensuring that there is no risk of loss. Customers from these groups are often not able to benefit from current financial incentives associated with these products, such as income tax reductions.
	Skills	<p>Online or digital access often necessitates certain tools and devices. These devices and tools must be designed for all levels of visual, hearing, physical or mental abilities and all skill sets. The EU Accessibility Act should be enforced, assessed and amended as necessary to ensure that this is the case.</p> <p>Citizens should have access to an independent, publicly-funded (including through industry levies) pensions calculator or equivalent tool. This should allow citizens to easily access the expected future income that their first pillar pension will provide. It should also allow them to make simulations to understand how investing in a third pillar pension, and how their second pillar pension if applicable, will impact on their expected retirement income.</p>

Credit		
Consumer credit	Legal requirements	Ensure that document and identification requirements for basic option products are proportionate and achievable for all customers.
	Financial means	<p>The Consumer Credit Directive should be amended to:</p> <ul style="list-style-type: none"> <li>• Ensure proper assessment of creditworthiness.</li> <li>• Enlarge the scope to include credit under 200 euros and hire purchase agreements, among others, to eradicate exploitative products that often specifically target vulnerable groups and where freely given consent is at risk.</li> </ul> <p>Explore the use of microfinance and credit union schemes.</p> <p>Scale-up the key findings from use of microfinance and credit unions to improve the market supply to vulnerable groups.</p>
	Skills	<p>Online or digital access often necessitates certain tools and devices. These devices and tools must be designed for all levels of visual, hearing, physical or mental abilities and all skill sets. The EU Accessibility Act should be enforced, assessed and amended as necessary to ensure that this is the case. The online experience should be designed to increase the understanding of risk and costs related to credit taking in the pre-contractual phase. Key findings from “behavioural economics” should impact the online journey to limit inefficient information disclosure and replace it with a dialogue / questionnaire that tests the understanding of the consumer AND assesses their creditworthiness based on accurate and sound budget analysis that is properly documented.</p>

Insurance		
<b>Motor, health, home and personal/family liability insurance</b>	Legal requirements	Ensure that document and identification requirements for basic option products are proportionate and achievable for all EU citizens.
	Financial means	<p>Ensure that risk-based pricing models are fair and that an affordable basic option product exists.</p> <ul style="list-style-type: none"> <li>• Pricing rating factors should be carefully selected to avoid any risk of direct or indirect discrimination, or any risk of unfair bias;</li> <li>• Basic products should in particular be based on reinforcing the principle of mutualisation and exclude rating factors that might result in “poverty” identification and related extra charges;</li> <li>• As these products might be less profitable the obligation to offer and provide them should be equally shared by all market players to distribute cost.</li> </ul>
	Skills	Online or digital access often necessitates certain tools and devices. These devices and tools must be designed for all levels of visual, hearing, physical or mental abilities and all skill sets. The EU Accessibility Act should be enforced, assessed and amended as necessary to ensure that this is the case.

## About Finance Watch

Finance Watch is an independently funded public interest association dedicated to making finance work for the good of society. Its mission is to strengthen the voice of society in the reform of financial regulation by conducting advocacy and presenting public interest arguments to lawmakers and the public. Finance Watch's members include consumer groups, housing associations, trade unions, NGOs, financial experts, academics and other civil society groups that collectively represent a large number of European citizens. Finance Watch's founding principles state that finance is essential for society in bringing capital to productive use in a transparent and sustainable manner, but that the legitimate pursuit of private interests by the financial industry should not be conducted to the detriment of society. For further information, see [www.finance-watch.org](http://www.finance-watch.org)

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