EUROPEAN COMMISSION
HEALTH & CONSUMER PROTECTION DIRECTORATE-GENERAL

Directorate A - Consumer Policy
Unit A5 - Financial services

Brussels, 11 September 2002

EUROBAROMETRE 56: EUROPEANS & FINANCIAL SERVICES

1. INTRODUCTION & SUMMARY

As in the Eurobarometres 47, 52 and 54, EB 56 explores a number of themes in consumer views on and attitudes to financial services (and their providers); these themes are:

- General views on financial services and industry
- Assessment of national legislation, in general and in relation to distance marketing
- Views on EU harmonisation/intervention, notably in relation to new technologies
- Views and experience in relation to means of payment, including electronic purses
- Experience in relation to access to financial services, in the sense of obstacles to provision and in the sense of exclusion from these services.

Although EB 56 reveals some improvements, consumers still feel basically powerless vis-à-vis suppliers and ill-informed about important financial products. They continue to call by an overwhelming majority for better and more harmonised consumer protection rules in the EU, in particular in relation to "new technologies".

For reasons of convenience, cash remains the preferred means of payment, followed by cards. More than 50% of consumers refuse to contemplate using "electronic purses" (such as Proton) whether at home or abroad.

Only 20% of consumers have any experience with "distance payment" (payment in e-commerce) and the concerns about safety of such payments are growing.

Consumers remain deterred from exploiting potential opportunities across borders for reasons of insufficient information, language problems, and perceived risk.

To the extent living in a modern society requires use of banking facilities, app. a third of European consumers are effectively excluded from doing so, whether willingly or because they are uninteresting as customers for the financial institutions. 30% have never had a current bank account and 60% or more have never had an account, current or savings, with any other financial institution.

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2. GENERAL VIEWS (SECTION I)

11 statements, cf. enclosure 1, about consumers' situation in relation to financial services (providers) have been ranked.

2.1. Consumers and suppliers

The main conclusion is that **consumer continue to feel powerless in relation to financial service providers:** 65% of consumers believe they will never win in a dispute with an insurance company or with a bank. 60% believe that you never can be sure of your insurance cover. 50% find mortgage credit offers incomparable and are convinced you never know the cost of a (consumer) credit in advance. This is essentially the same picture as in 2000/EB 54.

Compared to the two earlier EB's on 1996 and 1999, in which a different ranking technique was used making direct comparisons difficult, the overall picture is that ***the feeling of powerlessness has grown significantly since the mid-1990's***.

On the **positive** side, an increasing number of consumers find that banks give sufficient information on the handling of bank accounts (positive score doubled from 26% in 1996/EB 47 to 52% in 2001/EB 56). The almost equal split between those who find bank accounts very expensive is also gradually changing towards disagreement although a relative majority still finds this is so

2.2. Consumers and credit

In view of the lead responsibility of DG Health & Consumer protection on EU policy in relation to credit the 11 statements include a number on credit matters. The replies reveal considerable concerns about the impact of credit on consumer financial health .

Almost 70% continue to believe that over-indebtedness (defined as incapacity to pay back a loan) is a problem in their country and more than 50% find consumer credit is more dangerous than useful. A relative majority (40+%) is dissatisfied with the explanations by mortgage credit institution of the operation and risk of their products. Notwithstanding, almost 70% are satisfied that consumers may not borrow as much as they want without any controls.

3. ASSESSMENT OF NATIONAL LEGISLATION (SECTION II, CHAPTERS 1 AND 3)

Consumers have been asked to assess national legislation according to 5 criteria, i.e. whether this legislation ensures

- Transparency of information
- Protection of consumer rights
- Redress against banks/insurance companies
- Security for transactions
- Privacy (protection of confidential information)

This assessment is made in ***general*** (chapter II.1) and with particular reference to ***distance marketing*** techniques, i.e. marketing by telephone, proprietary computer systems, and over the Internet (chapter II.3).

The enclosed table summarises this assessment as made in all four EB's; the general conclusions are that:

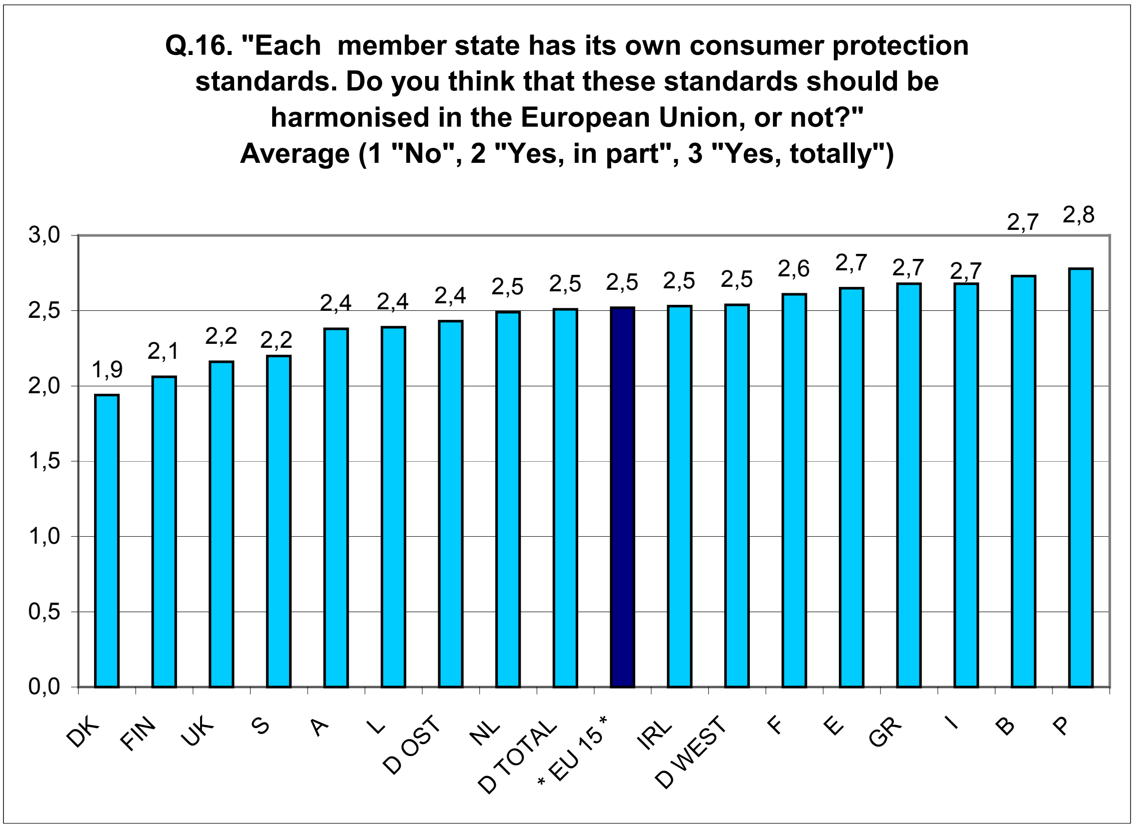
- In the three previous EB's the **breakdown of consumer views has, on average, been relatively balanced**. Neither "yes"- nor "no"-scores have been above 50%. This picture is confirmed in EB56. The highest score recorded is 45% ("no"-score for the information transparency criteria in general) and the lowest is 20% ("don't know"-score for the protection of rights criteria in general).

- A key feature is the **irresolution** of consumers reflected in the considerable size of **"don't know"-scores.** The lowest is 20%, cf. above, but in general app. a third of replies are "don't know"; as in previous EB's this score **is relatively higher** in the **distance marketing mode** than in the general mode.

- **For all five criteria, the "No"-scores prevail in the distance marketing mode**.

4. EU HARMONISATION/INTERVENTION (SECTION II, CHAPTERS 2 AND 4)

Given the signs of consumer insecurity reflected above it is unsurprising that **more than 70%** of consumers continue to call for more **EU harmonisation** of consumer protection standards as indicated in the table below:



The trend is slightly reclining, but the overall fall in support is marginal: from 75% in 1997 to 72% in 2001. Denmark and the UK are the least positive, but only in the UK is the positive score below 50% (49%), which, however, is a fall of 22 percentage points since 1997.

A steady 80% calls for **EU intervention** to protect consumers in relation to **"new technologies"** (in fact the distance marketing techniques quoted above)[1]. On this theme no Member States is below 70%, but again it in Denmark and the UK that the lowest scores and the sharpest declines have been registered, cf. the report p.89.

In both instances the "don't know"-score is app. 15%.

5. VIEWS AND EXPERIENCE IN RELATION TO MEANS OF PAYMENT (SECTION III)

5.1. Preferred means of payment and reasons for this (chapters III.1 & 3)

Cash remains the preferred means of payment **within Member States** and **increasingly so compared to 1997:** 47% versus 42% in 1997. However, compared to 2000 there is a slight reduction from 49%.

Cards[2] also remain in second place with an increased score from 30% to 34%. Cheques are still in third place, but down to 11% from 14%; no other means scores more than 4%.

Cards and cash also dominate when paying **abroad**. Both cover **35%**. The trend is unclear: For cash this is a decrease since 2000 (37%), but an increase since 1997 (31%). For cards there was a dip in 2000 (30%), but the 2001 figure represents modest growth compared to 1997 (34%). Cheques have fallen to 4%; no other means scores above 3%.

In both instances and as in the past, the **main reason for preferring** any dominant means of payment is **"convenience"**. This is quoted respectively by 77% (home) and 68% (abroad), an increase by 2% compared to previous surveys. Safety and security aspects are, however, growing in importance, although from a low baseline. In second place after facility is "avoidance of loss and theft", scoring 6% at home and 21% abroad, up by 1%. **"Security"** has grown by 7% at home (5% to 12%) and 10% abroad (7% to 17%), covering developments ranging from massive growth in score in the Netherlands (below 10% to above 30% in both types of payments) to 2%-5% reductions in France, a unique case.

5.2. "Distance payment" (chapters III.4 & 5)

81% of consumers have **no experience** with "distance" payment by telephone, proprietary computer systems or Internet (200: 83%, 1999 and 1997: 85%).

The **four main reasons for not using** these means are lack of interest (30%), sense of risk or danger (25%), absence of opportunity (22%) and non-possession of a card (15%). The trend is clear: as the opportunity for using such means has dramatically increased

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[1] 1997: 81%; 1999: 79%; 2000: 68% "yes absolutely" + 14% "yes partially = 82%; 2001: 65% + 14% = 79%

[2] In Eurobarometre 52 cards were broken down into credit cards (charge cards/cards with deferred payment) and debit cards (cards with direct debit). Since this distinction mainly reflects differences in national card markets of which consumers are unlikely to be aware, it has been abandoned since EB 54.

(56% had had no opportunity in 1997), the **feelings of insecurity have increased significantly** (the score was 10% in 1997). This picture is found in all Member States, cf. the tables pp 125 and 128.

5.3. Electronic purses (chapter III.6)

56% of the consumer population queried in **say <u>no</u> to using an electronic purse**, e.g. Proton or Danmønt, whether in their Member State or abroad. This is precisely as in 1997 (1999: 50%, 2000: 60%).

6. ACCESS (SECTION III, CHAPTER 2; SECTION IV)

6.1. Obstacles to the use of non-national financial services (chapter III.2)

Again consumers have ranked a series of potential obstacles to access to (cross-border) financial services; these cover absence or low quality of information, risk involved, amounts involved, the distance aspect as such, redress deficiencies and language barriers.

The **conclusion** is that **consumers are deterred** from exploiting potential opportunities across the borders: **The four replies "lack of information", "language problems", "don't know", and "too risky" have the four highest scores** (between 32% and 22%). Compared to 2000 this is an increase in score for all four and in particular for "too risky" (up from 18%). Moreover, the score for "no obstacles" has decreased from 19 to 16%, i.e. returned to the 1997 level. Compared to 1997, "lack of information" and "language problems" are on the decrease whereas "too risky" has grown (at the same time the reply "weak legal protection" has, however, decreased!).

6.2. Exclusion (section IV, section 1 to 4)

EB 56 does not identify problems of exclusion in the sense of "forced exclusion". Notwithstanding, 30% of consumer have never had a current bank account and 60% or more have never had an account, current or savings, with any other institution. To the extent living in a modern society requires use of banking facilities, app. a third of European consumers are effectively excluded from doing so, whether willingly or because they are uninteresting as customers for the financial institutions.

As in 2000 banks and savings banks dominate both the markets for **current accounts** (56% and 27% respectively) and for **savings accounts** (40% and 30%); for the latter, however, building societies account for a respectable third place with 23%. These figures are unchanged compared to 2001. 30% of consumers have never had a current bank account (60% have never had a savings bank account). Cultural and national peculiarities are reflected in the figures: Use of financial institutions is far higher in northern Europe than in the south (80% of Finns have a current bank account; only 10% of Greeks do so). The Germans go to the savings banks both for current and savings accounts. The "building society" is a concept basically only known in the UK, Ireland and Austria: the German consumers do not equate the "Bausparkassen" with building societies. The Dutch (and the Irish for savings) go to the Post Office for accounts.

Asked if they had **closed down** such accounts, between 5% had closed a savings account irrespective of institution, and between 2% (building societies, post office) and 4%

(savings banks) had closed a current account. These figures do not represent any significant change compared to the 2000 figures.

A maximum of 0.4% had been subject to imposed closure of their account by the financial institution (savings bank or a building society; for banks: 0.2%)). This is the **twice as much** as in 2000 and 1999; but in absolute figures it is of course negligible.

51% of consumers have a chequebook; however, this average **covers extremes** ranging from 89% in France to 0.6% in Finland, which reflect different "payment behaviours" induced e.g. by cost structure, use of e-payment, etc.

55% of consumers have a bank card (Bancontact, Dankort, etc.).This is the same as in 2000; but again there are the well-known north/south differences within the EU.

6.3. Credit exposure (chapter IV.5)

- 42% have a credit card (Visa, Amex, etc.).
- 30% of consumer have a right of overdraft on their current account
- 22% have a mortgage credit.

These figures do not reveal major changes compared to previous surveys.

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The data were collected during August/September 2001. The results are presented by Member State and by a number of socio-demographic variables. This note is a summary of the general picture (trends and comparisons), offering only limited insight into the national and socio-demographic details. Reference is made to the report as such, available on the SANCO website.