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## **New G20 proposals on financial consumer protection fail to learn lessons of financial crisis**

- **Open letter signed by G20 consumer groups spells out concerns ahead of key meeting**
- **No specific reference to deposit protection from bank failures or minimum standards for financial products**
- **Call for new international organisation to protect consumers of financial services**

The global consumer rights movement believes crucial omissions in new G20 proposals on financial services will mean they do little to improve protection for consumers from bank failures and will fail to remove risky mortgages and poor credit services from the market.

Consumers International (CI)<sup>1</sup>, together with consumer organisations in all G20 economies, today published an open letter<sup>2</sup> expressing dismay that the proposals being considered by G20 finance ministers “still fall short of what is required” on financial consumer protection. Finance ministers meet in Paris on Friday to discuss the proposals.

The letter urges the G20 to “remember that weak consumer protection in the form of irresponsible mortgage lending was both a catalyst for this crisis, and is a long-standing concern of ‘ordinary people’ who use financial services every day.”

The proposals, which were requested by the G20 following concerted pressure from the world’s consumer organisations<sup>3</sup>, were drawn up by the OECD. While CI and its members contributed formally<sup>4</sup> to the process, there is disappointment that key demands were not included in the final submission.

As outlined in the open letter, the proposals “do not include any explicit reference to deposit guarantees in the event of bank failures, nor do they support the adoption of minimum standards for financial products.” CI believes these are crucial steps for avoiding any future financial crises.

CI also calls for G20 leaders to support the establishment of a new international organisation to champion financial consumer protection in banking and the provision of credit. CI has proposed that the organisation is based on an existing

network of national financial consumer protection agencies and has an independent consumer panel to monitor, challenge and advice.

President of Consumers International, Jim Guest, will be addressing finance ministers and central bank executives on Friday, ahead of the G20 meeting.

On the omissions in the G20 recommendations Jim Guest said:

*“These recommendations fail to grasp two of the most important lessons from the financial crisis - regulators should have done more to keep very poor and risky financial products off the market, and that in periods of uncertainty, consumers need to know that their deposits are backed by deposit guarantee schemes.”*

On the need to establish a new international organisation for financial consumer protection, Jim Guest said;

*“Given the importance of financial services to the stability of the economy and the livelihoods of consumers, it is unacceptable that we don’t have an international organisation to support consumer protection in banking and the provision of credit. G20 leaders should use this meeting to give their support to an effective new international organisation that will champion the protection of consumers of financial services.”*

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## Notes to Editors

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<sup>1</sup> Consumers International (CI) is the only independent global campaigning voice for consumers. With over 220 member organisations in 115 countries, we are building a powerful international consumer movement to help protect and empower consumers everywhere.

Consumers International is a not-for-profit company limited by guarantee, registered in England and Wales (No. 4337865). CI is also a registered UK charity (No.1122155).  
<http://www.consumersinternational.org/>

<sup>2</sup> Open letter to G20 finance ministers and G20 leaders:  
<http://www.consumersinternational.org/media/842391/ci-open-letter-to-g20-finance-ministers.pdf>

<sup>3</sup> In September 2010, CI working with consumer organisations in all G20 countries launched the ‘Consumers for Fair Financial Services’ campaign calling for the G20 to take urgent action to support financial consumer protection.

Following the launch of campaign, the G20 leaders meeting in Seoul requested the FSB to report on options to enhance protection in consumer finance (credit), and the G20 finance ministers requested the OECD to develop a set of ‘high level principles on financial consumer protection’. Both pieces of work will now be presented to G20 finance ministers in Paris, 14-15 October and the G20 leaders in November.

<http://www.consumersinternational.org/our-work/financial-services/key-projects/g20-campaign>

<sup>4</sup> CI’s formal recommendations to the G20: *Safe, fair and competitive markets in financial services: recommendations for the G20 on the enhancement of consumer protection in financial services*  
<http://www.consumersinternational.org/media/669348/cifinancialreport2011.pdf>