

Financial education

(Text largely based on “Retail Banking in Europe - The Way Forward” - ESBG 2009)

Consumer empowerment has been the focus of the European Commission in recent initiatives targeting the retail financial services sector, such as the Green Paper on Retail Financial Services¹ and the Single Market Review². Financial education is recognised as one of the means for achieving a higher level of consumer confidence. It is not only approached as an essential element of consumer protection and consumer information, but also as a priority in the debate on access to finance and responsible lending. As a consequence, the Commission adopted a Communication on Financial Education in December 2007³, providing a number of recommendations to the EU Member States on how to address the issue at the national level. In reaction to the Commission Communication, the EU Finance Ministers concluded in May 2008 that raising public awareness about financial issues is seen as being of particular importance as products become more and more complex and consumers need to make an increasing number of choices for their personal finance. In addition, the European Commission established the Expert Group on Financial Education (EGFE)⁴ in 2008 which aims at promoting the exchange of ideas, experiences and best practices.

The European Parliament for its part adopted a Report on “Protecting Consumers: Improving consumer education and awareness on credit and finance”⁵ in November 2008, advocating for a stronger focus on the role of Member States instead of action at the EU level, and on exchanges of best practices rather than legislation. In addition, the European Commission launched the European Database for Financial Education (EDFE)⁶ in January 2009. It has been designed as a reference to numerous financial education programmes offered by public or private institutions in the EU.

Financial education is important throughout savings banks’ history

Ensuring a high level of financial literacy is a matter which has throughout history been seen as an issue of great importance among savings banks across Europe. Savings banks play a key role in educating people on finance and budget matters, far beyond their actual clientele. Consumers’ lack of insight into and understanding of financial matters can be detrimental for customers’ confidence and even to customers’ satisfaction. It is consequently in the interest of all stakeholders to work together towards improving the situation.

Financial education is important to empower citizens and prevent over-indebtedness

¹ European Commission. 2007. Green Paper on Retail Financial Services in the Single Market [COM 2007 (226) final], 30 April.

² European Commission. 2007. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. A single market for 21st century Europe [COM 2007 (724) final]. SEC(2007) 1517 SEC(2007) 1518 SEC(2007) 1519 SEC(2007) 1520 SEC(2007) 1521, 20 November; European Commission. 2008. Commission Staff Working Document. The Single Market Review: one year on SEC 2008 (3064), 16 December.

³ European Commission. 2007. Communication from the Commission. Financial Education [COM(2007)808], 18 December.

⁴ European Commission. 2008. First Meeting of the Expert Group on Financial Education. National Strategies for Financial Education. Report, 7 October.

⁵ European Parliament. 2008. European Parliament resolution of 18 November 2008 on protecting the consumer: improving consumer education and awareness on credit and finance (2007/2288(INI)).

⁶ European Commission. 2007. European Database for Financial Education. Brussels [http://ec.europa.eu/internal_market/fesis/index.cfm]. Accessed June 2009.

ESBG therefore considers that financial education is an important way to enable citizens to make their own independent judgement as well as conscious choices on the products offered to them. Consumers need to have the skills to manage and use their money wisely and adequately, and to understand the complex products and variety of services that are offered. In developing these skills and enabling consumers to choose the products and services that are best tailored to their specific needs, financial education also plays an important role to prevent over-indebtedness and to integrate people who are at risk of financial exclusion.

ESBG views

Provision of financial educations should be dealt with at national, regional and local level. As financial institutions with a strong commitment to CSR, ESBG members welcome all efforts to ensure that European consumers are knowledgeable and well-informed on financial matters. ESBG supports the European institutions' initiative of placing financial education high on the agenda and welcomes the current discussion on European level, reflecting the importance of the topic. Nevertheless, ESBG is convinced that the provision of financial education is mainly a matter for Member States and should be dealt with at national level, regional and local level. This way, financial literacy schemes are able to take into account the local specificities, such as culture, tradition and languages.

All stakeholders have a responsibility to foster financial education

In order to make financial education an efficient and sustainable tool to empower the consumer, all interested stakeholders have to be involved. Member States, national governments, education bodies and authorities, financial regulators and institutions, as well as other stakeholders such as parents, share the responsibility to foster financial education amongst Europe's citizens, helping them to have a better knowledge of financial issues and to make informed choices. Governments and public institutions have the responsibility to give the policy orientations, to provide the overall support to financial education strategies, to raise awareness on potential financial needs and risks, and to encourage people to anticipate and prevent personal financial difficulties. Financial institutions, including savings banks, are involved in delivering financial education programmes and schemes to increase the level of financial literacy.

Savings banks should be involved in drafting financial education programmes

Savings banks are close to their clients and well aware of the areas where the lack of knowledge is most present. They can widely contribute to financial education throughout citizens' lives, and savings banks play a key role all over Europe in educating people on specific money matters. ESBG members have traditionally been involved to a large extent in creating and participating in various financial literacy schemes at the local level, tailoring the needs of the target groups and covering literacy programmes in primary, secondary and higher education.⁷ They therefore have a significant amount of experience to share as best practises with other actors. Based on the knowledge of their clients' needs, savings banks can efficiently bring their expertise to financial education campaigns and provide technical input for the development of targeted projects focusing on consumer's life planning aspects - and they can do this successfully on a voluntary basis.

⁷ Please also see *Annex 2 CSR Case Studies*

Against this background, the ESBG welcomes the two practical initiatives on European level to encourage the sharing of experiences and best practices which were outlined in the Commission's 2007 Communication on Financial Education: the Expert Group on Financial Education (EGFE) to which two ESBG members⁸ participate and the European Database for Financial Education (EDFE) in which a number of schemes initiated and carried out by ESBG members are presented in the database including the European Stock Market Learning⁹ initiative - a multinational financial education programme for students which is a joint project of savings banks across Europe,. The latter has received great attention at the EU level for its interdisciplinary approach, involving linguistic, economic, mathematical and cultural science.

⁸European Commission. 2008. Members of the Expert Group on Financial Education. National Strategies for Financial Education, Brussels [http://ec.europa.eu/internal_market/financeservices-retail/docs/capability/members_en.pdf]. Accessed June 2009.

⁹ Deutscher Sparkassen Verlag. 2009. Stock Market Learning, Stuttgart, <http://www.planspiel-boerse.com/toplevel/englisch/index.htm>]. Accessed June 2009.