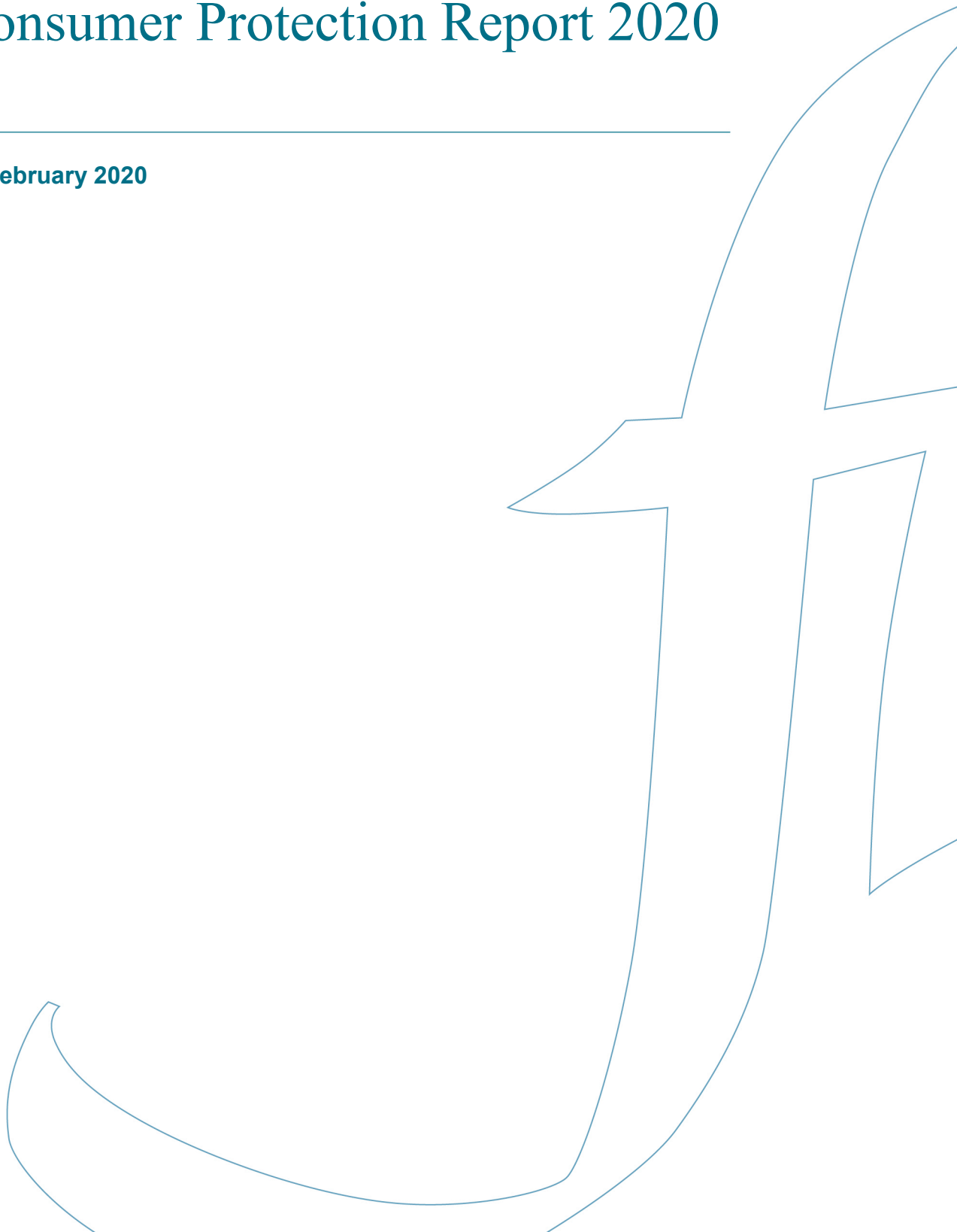




FINANSINSPEKTIONEN

Consumer Protection Report 2020

13 February 2020



Summary

Finansinspektionen (FI) will prioritise two consumer protection risks for further work in 2020: unaffordable lending and unsuitable advice and distribution of financial products to consumers who were not part of the product's original intended target audience. FI will also assess the adequacy of claims handling for home insurance. This report summarises the work that FI has done on consumer protection-related issues during the past year. The report further outlines the need for the Government to consider legislative changes in order to enable credit providers to access a comprehensive view of a consumer's outstanding credit commitments and credit history.

Non-mortgage retail lending has experienced sharp growth over a longer period. More and more retail service providers are actively encouraging customers to “buy now and pay later”. This growth in lending has increased the risk that consumers take out more debt than they can afford. This can lead to over-indebtedness, with severe consequences for the individual consumer. It is therefore key that credit providers lend responsibly. They may only provide credit in instances where they have assessed that a consumer has the means to repay what they have borrowed. In order to conduct an adequate creditworthiness assessment, firms must collect sufficient information about the consumer's individual circumstances. Providers have a duty of care to ensure that they do not lend more than the consumers can afford with regard to their income and financial situation. They are also required to more broadly consider what is in the best interest of the consumers and should discourage them from taking out credit where doing so might be disadvantageous for them. FI is going to look in more detail at the adequacy of credit providers' creditworthiness assessments as part of its supervisory work in the coming year.

FI will also prioritise work related to product governance and financial advice, areas where consideration of a customer's individual circumstances and needs is paramount. Technological change and an increased uptake of products through digital channels has transformed the way that consumers interact with firms. Consumers are now presented with a very large offering of products from Swedish and foreign providers, many of whom are highly complex. Consumers will always be at an informational disadvantage when it comes to assessing the suitability of a financial product for their needs. Firms who are involved in the design, distribution and/or advising on products have a duty of care towards the consumer, and the onus is therefore on them to ensure that they act responsibly.

FI will undertake supervisory work to explore the adequacy of claims handling procedures by home insurance providers in the coming year. The uptake of home insurance as a financial product is high, with the majority of households holding a policy. It is therefore important to ensure that in instances where a customer needs to make a claim, firms handle this quickly and effectively.



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