

**European Supervisory Authorities  
Joint Committee**

**Brussels, 4 March 2016**

*Re: Discussion Paper on automation in financial advice*

Dear Sir/Madam,

Eurofinas, the voice of consumer credit providers at European level welcomes the opportunity to respond to the Discussion Paper on automation in financial advice.

Eurofinas supports the work of the ESAs in ensuring that market actors engaging in financial innovations can do so with confidence across Europe. We trust that our comments will be taken into account and remain at the disposal of the authorities should any further questions arise.

As a Federation, Eurofinas brings together associations throughout Europe that represent finance houses, universal banks, specialised banks and captive finance companies of car or equipment manufacturers.

The products sold by Eurofinas members include all forms of consumer credit products such as personal loans, linked credit, credit cards and store cards. Consumer credit facilitates access to assets and services as diverse as cars, furniture, electronic appliances, education etc. It is estimated that together the Eurofinas members financed almost 356 billion euro worth of new loans during 2014 with outstandings reaching 861 billion euros at the end of the year. In addition to the provision of consumer loans, companies represented by Eurofinas distribute insurance products on an optional and ancillary basis. These insurance products are distributed either directly by consumer credit firms or by partners (retailers, dealers, etc.) that are part of their supply chain.

With the increase in the digitalisation of financial services, financial innovations such as the automation of financial advice are of key importance for the Eurofinas constituency as it may impact product creation and distribution alike. We understand the background of the ESAs initiative and we support the objective to enhance consumers and market actors' confidence to ensure successful innovation in financial activities. However, the current scope of the ESAs' initiative is very wide as it covers all online distribution of products.



It is important that this initiative takes into account the specifics of the existing various business models. In this regard, we draw your attention to the potential detrimental impact we believe - the ESAs' initiative will have on distribution-only models. The distribution of credit and simple insurance products should not be treated by default as an advisory process unless it is made clear to the customer that this is the case. Advisory services should be treated differently than simple product distribution as is currently required by European legislation. We do not see any justification why there should be a differentiated treatment between online and point of sale distribution.

We understand the background of the ESAs initiative and we support the objective to enhance consumer and business confidence to ensure successful innovation in financial activities.

Legal certainty, business and consumer confidence require a consistent definition of the concept of 'advice' across the banking, financial and insurance sectors.

The existing European legislation (for example the Mortgage Credit Directive<sup>1</sup>, the Insurance Distribution Directive<sup>2</sup> and the Consumer Credit Directive<sup>3</sup>) provides that advice only occurs when a personal recommendation is made to the customer and should be treated as a separate service.

We believe the ESAs' initiative is inconsistent with this approach. The provision of information by a consumer to a banking or insurance provider for an individual quotation has nothing to do with an advisory service. It makes no difference that such process is being conducted online or by a member of staff / business partner at the point of sale. We oppose this approach which voluntarily ignores the EU framework in place. We recall that the latter has been precisely developed to minimize conflicts of interest and ensure a proportionate regulatory landscape.

I remain at your disposal, should you be interested in discussing any specific issue. Alternatively feel free to contact my colleague Nadia Hazeveld ([n.hazeveld@eurofinas.org](mailto:n.hazeveld@eurofinas.org) - tel: + 32 2 778 05 72).

Yours sincerely,

Leon Dhaene  
Director General

**Eurofinas is entered into the European Transparency Register of Interest Representatives with ID n° 83211441580-56**

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<sup>1</sup> Directive 2014/17/EU of 4 February 2014 on credit agreements for consumers relating to residential immovable property, OJEU L 60.

<sup>2</sup> Directive 2016/97/EU of 20 January 2016 on insurance distribution (recast), OJEU L 26.

<sup>3</sup> Directive 2008/48/EC of 23 April 2008 on credit agreements for consumers, OJEU L 133.