



## Consumer protection: Commission adopts stronger consumer rules for online financial services

Brussels, 11 May 2022

Today, the European Commission has adopted a reform of the current [EU rules on Distance Marketing of Consumer Financial Services](#), which govern financial services sold at a distance. The Proposal will strengthen consumer rights and foster the cross-border provision of financial services in the single market. This market has significantly evolved in light of the overall digitalisation of the sector and the new types of financial services that have been developed since the rules were first introduced in 2002. These developments have been further enhanced by the impact of the COVID 19 pandemic, which greatly contributed to an increase in online transactions.

Vice-President for Values and Transparency, Věra **Jourová**, said: "*Consumers increasingly turn to online services, also when it comes to finances, and that is a good thing. But we also need to ensure that the rules of the game are up to speed with the latest developments. Consumers need clear information and a safety net in case something goes wrong*".

Commissioner for Justice, Didier **Reynders**, added: "*As the world of financial services evolves, so must our rules: it is that simple. Digitisation and the multiplication of new financial products have fundamentally changed this sector in the past twenty years, and the recent lockdowns brought by the Covid crisis have evidenced that a more efficient and up-to-date regulatory framework for distance financial services is more relevant than ever. Although the risks and challenges may vary, our spotlight is invariably set on the safety of consumers*".

### Modernisation of EU rules

To ensure the fostering of the provision of financial services in the internal market and to ensure a high level of consumer protection, the Proposal introduces actions across several areas:

- **Easier access to 14-day withdrawal right** for distance contracts for financial services: with a view of easing the exercise of this right, traders will have to provide a **withdrawal button** when selling through electronic means. Furthermore, the trader is obliged to send a notification of the right of withdrawal if the pre-contractual information is received less than a day before conclusion of the contract.
- **Clear rules on what, how and when pre-contractual information is to be provided:** the Proposal modernises the rules, for example with regards to electronic communication, imposing obligations on the seller to provide certain information upfront, including for instance the e-mail address of the trader, any potential hidden costs or the risk related to the financial service. Information must also be displayed prominently in the screen, and rules are introduced regarding the use of pop-ups or layered links to provide information. The new rules will also ensure that the consumer is given sufficient time to understand the information received, at least a day before the actual signature.
- **Special rules to protect consumers when concluding financial services contracts online:** financial services contracts might be complex to understand, in particular, if negotiated at a distance. The Proposal obliges traders to set up online systems which are fair and transparent and to provide an adequate explanation when using online tools (e.g. roboadvice or chat boxes). The rules also empower the consumer by introducing the option to request human intervention, if the interaction with such online tools is not fully satisfactory.
- **Enforcement:** the Proposal will give teeth to the competent authorities. Stronger penalties will apply to financial service contracts concluded at a distance in case of widespread cross-border infringements, with a maximum penalty of at least 4% of annual turnover.
- **Full harmonisation to ensure the same high level of consumer protection across the internal market:** the Proposal introduces full legal harmonisation, establishing similar rules for all providers across Member States.

### Next steps

The Commission's Proposal will now be discussed by the Council and the European Parliament.

## **Background**

Over the last 20 years, distance marketing of consumer financial services has changed rapidly. Financial providers and consumers have abandoned the fax machine, mentioned in the Directive, and since then new players (such as fintech companies) with new business models and new distribution channels (e.g. financial services sold online) have emerged. In addition, the impact of the COVID-19 pandemic and related lockdowns has accelerated the use of online shopping in general.

The Directive has been subject to a full [evaluation](#). The main outcomes were: (i) following the entry into application of the Directive, a number of EU product-specific legislative acts (e.g. the [Consumer Credit Directive](#)) and EU horizontal legislation ([the General Data Protection Regulation](#)) have been enacted, reducing the Directive's relevance and its added value subsequently decreased; (ii) a number of developments such as the increasing digitalisation of services have affected the Directive's effectiveness in reaching its principal objectives; (iii) however, the Directive remained useful since its horizontal application ensured that consumers had a certain level of protection for contracts concluded at a distance for those financial products that were not yet subject to any EU legislation (e.g. in the absence of EU rules on crypto-assets, the Directive applies).

The Impact Assessment accompanying the Proposal explored a number of possible options. The preferred option has led to the repeal of Directive 2002/65/EC, the modernisation and subsequent inclusion of the still relevant articles (right to pre-contractual information and right of withdrawal) into Directive 2011/83/EU (Consumer Rights Directive), the extension of the application of certain rules of Directive 2011/83/EU to consumer financial services concluded at a distance (e.g. rules on additional payments and rules on enforcement and penalties) and the introduction of targeted new provisions to ensure online fairness when consumers conclude financial services online. In this light, the Proposal tackles the identified problems and addresses the objectives in an effective, efficient and proportionate way.

## **For More Information**

[Proposal amending rules concerning financial services contracts concluded at a distance](#)  
[EU rules on distance marketing of financial services](#)

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