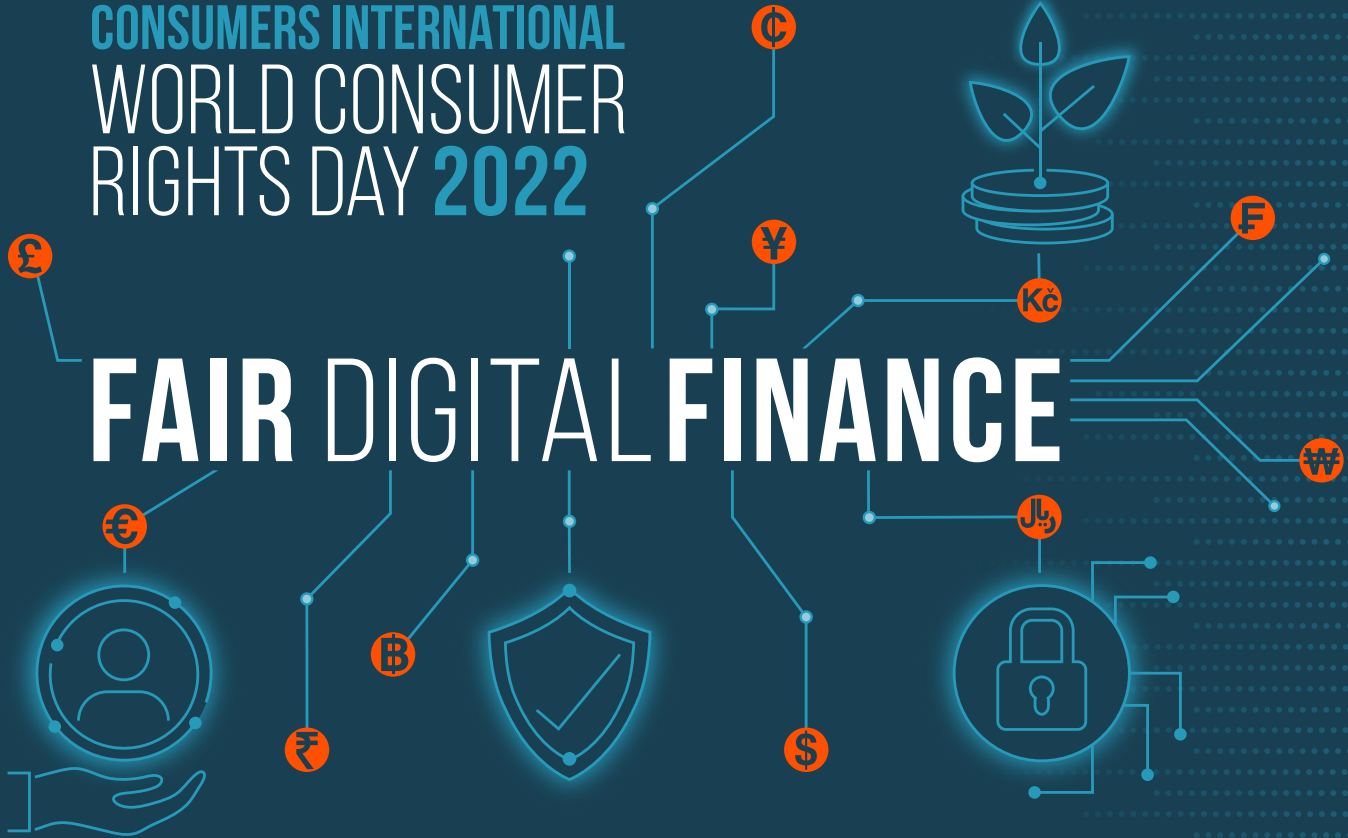


CONSUMERS INTERNATIONAL  
WORLD CONSUMER  
RIGHTS DAY 2022

# FAIR DIGITAL FINANCE

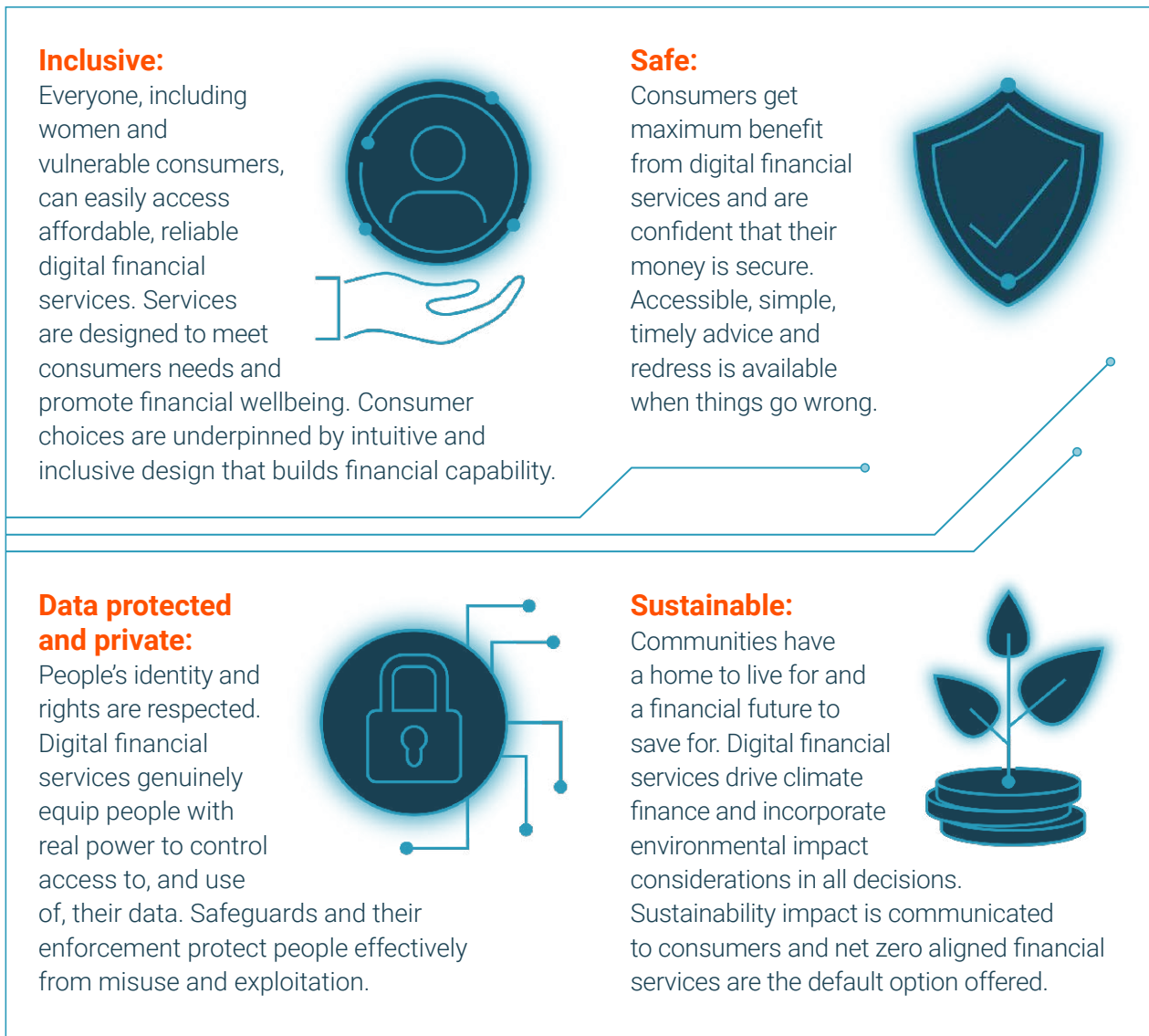


## BUILDING FAIR DIGITAL FINANCE

A vision for Fair Digital Finance  
from Consumers International  
and our 200+ members  
in more than 100 countries

## OUR VISION

Digital Financial Services can empower consumers, everywhere. To achieve this, digital financial services must be **inclusive, safe, data protected and private, and sustainable**:



*Building financial inclusion and resilience is vital for thriving communities and economies. We want digital finance products and services that help us alleviate poverty, avoid debt, create jobs, grow health and wealth and help us plan for the future in a sustainable way. Digital finance services can help in many ways. But it will take effort.*

*To maximise the benefits and prevent consumers being harmed, consumer associations, government, industry and civil society organisations must work together to create a fair, safe and sustainable marketplace for all.*

# FROM VISION TO REALITY: THE RISKS WE MUST ADDRESS

Globally, financial regulatory frameworks have been designed to deal with the presence of digital technologies, however many still lack effective consumer protection mechanisms and appropriate supervision and enforcement capacity. Equally, some providers of digital finance are ignoring the needs of consumers and actively leaving them exposed to vulnerabilities. The use of technology and the possibility of a cashless society creates new risks and exacerbates existing ones already present within financial services.

## RISKS INCLUDE:



### **Insecure, unreliable infrastructure and distribution network**

Only 54% of open banking platforms in Latin America report using the OAuth security standard<sup>1</sup>. Data breaches are highest for consumers in Latin America. Globally data breaches are surpassing the increase in data created<sup>2</sup>.

In Zambia, lack of agent liquidity has been noted as a “recurring and critical issue that impacts the spread of agent businesses in rural and hard-to-reach places”<sup>3</sup>

The number of ATMs across EU countries has been steadily decreasing since 2014 and this trend is accelerating.



### **Fraud and scams**

Globally, mobile app fraud is rising faster than mobile app usage and smart phone usage<sup>4</sup>. One in three people in Southeast Asia experienced online fraud amid the boom in online activity such as e-commerce and remote working sparked by the Covid19 pandemic in 2020<sup>5</sup>.



### **Data misuse**

The risk of gender bias in algorithms is well recognised<sup>6</sup>. In the US, Goldman Sachs was accused of gender bias towards men<sup>7</sup> in its newly launched apple card.

1 <https://resources.axway.com/financial-services/report-open-banking-and-open-finance-in-latin-america-2021-snapshot>

2 <https://assets.kpmg/content/dam/kpmg/xx/pdf/2019/03/consumer-loss-barometer-2019.pdf>

3 Reported in [https://www.cgap.org/sites/default/files/publications/slidedeck/2022\\_02\\_Slide\\_Deck\\_DFS\\_Consumer\\_Risks.pdf](https://www.cgap.org/sites/default/files/publications/slidedeck/2022_02_Slide_Deck_DFS_Consumer_Risks.pdf)

4 [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3588453](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3588453)

5 <https://www.bjia.com/covid-19-impact-on-fraud-1-in-3-people-in-southeast-asia-have-experienced-Online-fraud/>

6 [https://www.womensworldbanking.org/wp-content/uploads/2021/02/2021\\_Algorithmic\\_Bias\\_Report.pdf](https://www.womensworldbanking.org/wp-content/uploads/2021/02/2021_Algorithmic_Bias_Report.pdf)

7 <https://venturebeat.com/2019/11/11/goldman-faces-probe-after-entrepreneur-claims-gender-bias-in-apple-card-algorithm/>



### **Lack of transparency and complex design**

In Kenya, India, Indonesia, and Philippines, users of mobile apps and P2P loans have experienced higher levels of default in the recent past - partly attributed to a lack of understanding of loan and terms/conditions<sup>8</sup>.



### **Inadequate redress mechanisms**

In Bangladesh, Cambodia and Uganda, only 11 percent of customers who experienced difficulties with mobile money reported it via a formal complaints channel<sup>9</sup>.



### **Lack of consumer protection and enforcement**

Globally, responsibility and enforcement against scams is limited<sup>10</sup>. The UK has been branded 'bank scam capital of the world'. It can take two years for a scam case to get to court and police have limited resources to find and stop scammers<sup>11</sup>.



### **Low financial literacy**

A study in 2020 found that consumers in 26 countries score very poorly on financial literacy indicators, such as knowledge, behaviour and attitudes. Women and younger people typically have lower levels of financial literacy<sup>12</sup>.

Technology is vulnerable to hackers and illegal actors creating substantial risks to security and privacy. Frauds and scams are increasing exponentially<sup>13</sup>. Consumers risk not just loss of money but loss of personal and biometric data too, which can never be recovered.

Digital inclusion is increasingly a precondition for financial inclusion. Global gaps in connectivity impede broad-based access to digital tools. Personal computers and mobile phones have replaced the bank branch but assume networks and devices are both available and affordable. Low digital and financial literacy is common and unequally spread across generations. These factors are creating and exacerbating digital divides.

Digital financial products are often more complex but designed to offer a frictionless interface which can undermine informed decision making. Market forces mean that profiling can be used to select profitable consumers, leading to further exclusion.

8 Reported in [https://www.cgap.org/sites/default/files/publications/slidedeck/2022\\_02\\_Slide\\_Deck\\_DFS\\_Consumer\\_Risks.pdf](https://www.cgap.org/sites/default/files/publications/slidedeck/2022_02_Slide_Deck_DFS_Consumer_Risks.pdf)

9 Reported in [https://www.cgap.org/sites/default/files/publications/slidedeck/2022\\_02\\_Slide\\_Deck\\_DFS\\_Consumer\\_Risks.pdf](https://www.cgap.org/sites/default/files/publications/slidedeck/2022_02_Slide_Deck_DFS_Consumer_Risks.pdf)

10 [https://www.itu.int/en/ITU-T/extcoop/figisymposium/Documents/ITU\\_SIT\\_WG\\_Unlicensed%20Digital%20Investment%20Schemes\\_f.pdf](https://www.itu.int/en/ITU-T/extcoop/figisymposium/Documents/ITU_SIT_WG_Unlicensed%20Digital%20Investment%20Schemes_f.pdf)

11 <https://inews.co.uk/inews-lifestyle/money/saving-and-banking/uk-bank-scam-capital-world-lack-police-resources-1351256>

12 <https://www.oecd.org/financial/education/oecd-infe-2020-international-survey-of-adult-financial-literacy.pdf>

13 [https://www.cgap.org/sites/default/files/publications/slidedeck/2022\\_02\\_Slide\\_Deck\\_DFS\\_Consumer\\_Risks.pdf](https://www.cgap.org/sites/default/files/publications/slidedeck/2022_02_Slide_Deck_DFS_Consumer_Risks.pdf)

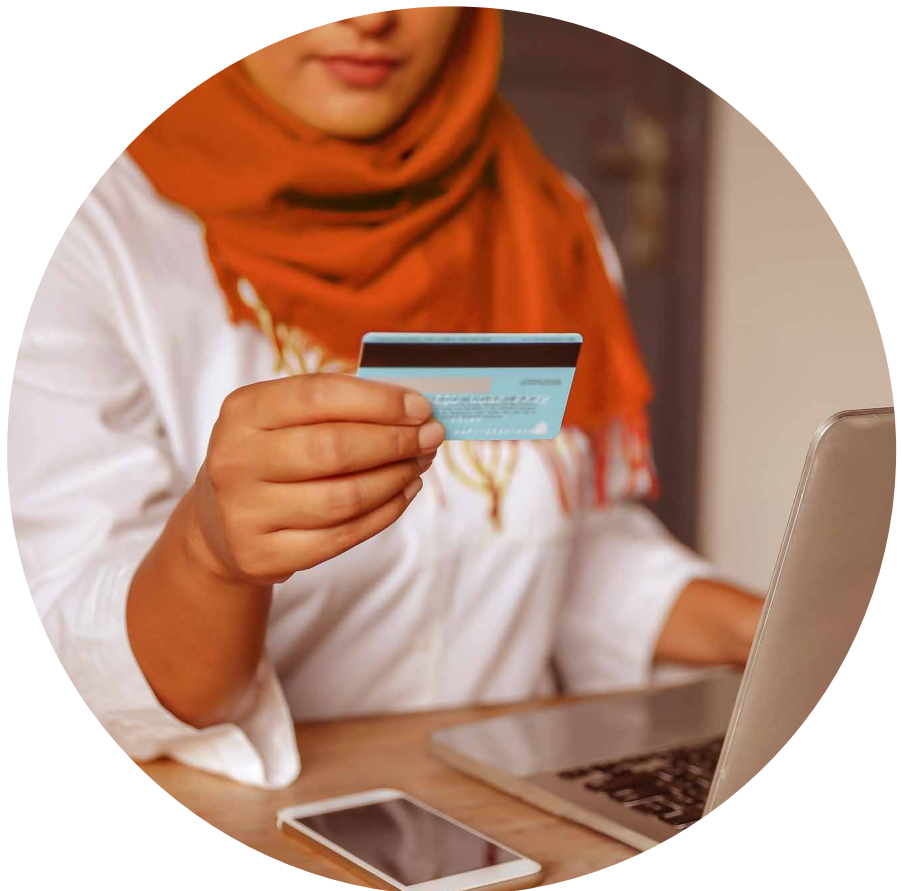
The use of algorithms and artificial intelligence can lead to bias and exclusion or discrimination. The build-up of data among a concentrated set of companies reduces competition and can lead to higher prices for consumers.

The lack of human interaction on complaints channels can make it difficult for people to get problems resolved when using digital finance products and services. Awareness of redress mechanisms is also low, and access may be expensive or bureaucratic.

The gradual decline in cash-based payment options leaves vulnerable consumers at risk from financial exclusion and social exclusion. A fully cashless society limits consumers essential right to choose how they manage their finances in the marketplace.

The increase in digital technologies without safe alternatives creates most significant harm for people who are already vulnerable; those who already find themselves more likely to be discriminated against; people who are deemed less profitable; and those who are 'data poor'.

*To deal with these risks, lawmakers, enforcement bodies, providers and civil society actors must work together to address common issues.*



## WHY THIS VISION NOW

Digital finance has the potential to transform the livelihoods of consumers if it is supported by effective consumer protection frameworks that exist alongside cash-based payment options. Building well-designed digital financial services and infrastructure can offer safe and innovative ways to engage with financial services and improve financial health.

### BENEFITS INCLUDE:



#### **Increased accessibility**

In Latin America, during Covid-19, FinTech's assisted 40m open accounts to access vital Conditional Cash Transfers from their governments<sup>14</sup>.



#### **Improved value for money**

In Tonga, remittances are a vital source of income, providing up to 37% of the country's GDP. The introduction of a digital remittance service has halved the cost of remittances (which are some of the highest in the world), and improved speed and security<sup>15</sup>.



#### **Greater innovation and personalisation**

In the UK, personal financial management apps are helping people keep on top of their expenditure and keep to a budget. Automated savings are helping adults save for the first time<sup>16</sup>.



#### **More choice and convenience**

In Mozambique, research shows that digital tools for payments, savings and remittances reduces the costs and risks associated with travelling long distances to get to bank branches<sup>17</sup>.



#### **Better for the planet**

In New Zealand, financial data is being used to help people understand their carbon footprint and change their consumption patterns to become more sustainable<sup>18</sup>.

Throughout developing and developed regions, digital financial services are using mobile networks to disrupt traditional banking models. For many consumers globally, there is often greater efficiency and access from mobile money and digital wallets.

14 <https://dealroom.co/blog/fintechs-hottest-market-latin-america>

15 [https://www.ifc.org/wps/wcm/connect/news\\_ext\\_content/ifc\\_external\\_corporate\\_site/news+and+events/news/impact-stories/tonga-remittances-2020](https://www.ifc.org/wps/wcm/connect/news_ext_content/ifc_external_corporate_site/news+and+events/news/impact-stories/tonga-remittances-2020)

16 <https://www.openbanking.org.uk/news/obie-publishes-second-open-banking-impact-report/>

17 <https://assets.publishing.service.gov.uk/media/5fbd3eb5e90e077edee807d3/glmlic-wp030.pdf>

18 <https://www.cogo.co/>



Digital finance products and services can increase our understanding of consumer experience and thereby accelerate inclusion. Digital transactions can create digital footprints and new ways to define creditworthiness, widening access to loans, if used fairly and with effective oversight.

Aggregation with other datasets facilitates more tailored and embedded products, allowing consumers to manage their own portfolio of financial services to meet their own individual needs. Personalised services can give people more visibility and control over their money and help build resilience.

Automated savings can help people save small amounts with ease. Certain platform services give rise to more accessible investments, at lower costs.

Emerging financial technologies have provided a growing number of sustainably minded digital financial services providers with the necessary tools to offer transparency to consumers on their sustainable consumption practices<sup>19</sup>. The technological solutions have the potential to give consumer greater insight into their sustainable choices and nudges consumer behaviours towards outcomes that combat climate change.

Digital technologies will continue to reshape all forms of financial services including payments, lending, insurance, and wealth management everywhere – a process that the COVID-19 pandemic has accelerated.



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<sup>19</sup> <https://www.weforum.org/agenda/2020/11/sustainable-digital-finance-low-carbon-economy/>

## AN OPPORTUNITY TO BUILD TOGETHER

This Vision for Fair Digital Finance asks all stakeholders to play their part. Fair digital financial services need to be underpinned by consumer-centric policy and trustworthy systems. The design and delivery of products and services should be informed by consumers and their representatives. The digital finance ecosystem must deliver better value and create financial health and resilience for everyone, no matter where they are.

Work with Consumers International and our 200+ members in more than 100 countries to build a digital financial services marketplace that is inclusive, safe, data protected and private, and sustainable.

