



FinCoNet

INTERNATIONAL FINANCIAL CONSUMER
PROTECTION ORGANISATION

Welcome

Dear FinCoNet Members,

I hope that you, your colleagues and your families are keeping well.

I am pleased to share with you the fourth and final 2023 edition of the FinCoNet newsletter, which includes articles provided by the National Bank of Rwanda, the Financial Markets Authority of New Zealand, the Brazilian Federation of Banks, with the support of the Central Bank of Brazil, the Japan Financial Services Agency, Bank Indonesia and Banco de Portugal.

The In Focus section of this Newsletter includes information on the FinCoNet Annual General Meeting 2023 and links to recent publications by the European Commission.

I hope you will find this edition of the FinCoNet newsletter an interesting and enjoyable read!

Juliana Mozachi Sandri
Chair, FinCoNet

In this issue

This final 2023 issue of the FinCoNet Newsletter includes:

[National Bank of Rwanda: Financial Services Consumer Protection Empowerment Initiatives](#)

- The National Bank of Rwanda embarked on conducting awareness campaigns on various initiatives related to Financial Service consumer protection.

[The Financial Markets Authority \(FMA\) of New Zealand is consulting on fair outcomes for consumers and markets](#)

- The FMA is seeking feedback on its approach to outcomes focused regulation, including the fair outcomes for consumers and markets it wants to see financial service providers focus on.

[Guide to Best Practices in Engaging with Vulnerable Customers](#)

- The Brazilian Federation of Banks has released a comprehensive Guide to Best Practices in Engaging with Vulnerable Customers.

[Establishment of a new public organization to accelerate financial and economic education: Japan](#)

- The Japanese government has a policy of revitalizing Japan's economy by transforming social issues into an engine of growth through public-private collaboration under the concept of a "New Form of Capitalism".

[Bank Indonesia International Consumer Protection Seminar: "Consumers' Trust: The Key to Expanding Digital Financial Economy"](#)

- Consumer Protection provided by Bank Indonesia (BI) as a regulator, exists as a preventive action as well as a means of resolving problems related to financial services, including payment system services.

[Mortgage credit borrowers in Portugal impacted by the sudden increase in interest rates may fix their instalments for a period of two years](#)

- The Portuguese Government approved an additional temporary measure to mitigate the effects of increasing interest rates for borrowers with variable rate mortgage credit contracts.

In Focus

FinCoNet Annual General Meeting 2023 and International Seminar on Market Conduct Supervision in Challenging Times



Representatives from nearly 50 jurisdictions around the world, as well as international organisations, participated in the AGM in-person or virtually. The meeting was held back-to-back with an International Seminar on *Market Conduct Supervision in Challenging Times* on 24 November 2023 co-organised by FinCoNet and the Bank of Mauritius.

The AGM was chaired by the new Chair of FinCoNet, Ms. Juliana Sandri, Head of the Department of Conduct Supervision at the Banco Central do Brasil. Ms. Sandri was elected Chair of FinCoNet on the first day of the AGM, after previously serving as Vice-Chair and Acting Chair of the organisation. Upon her election as Chair, Ms. Sandri said:

“It is an honour and privilege to be appointed Chair of FinCoNet on its 10th anniversary. Looking back, I realise how much has been built. I appreciate the efforts of all members and former chairs who have contributed to address so many challenges in market conduct supervision. I am confident that to overcome the challenges of the next ten years, we will find the same energy, effort and dedication among our current and future members.”

At the AGM, FinCoNet Members also appointed Mr. Yuji Yamashita of the Japan Financial Services Agency as its new Vice Chair and Mr. Frank Kajungu of National Bank of Rwanda as its Treasurer.

FinCoNet Members shared experiences and advanced work on issues of high importance to market conduct supervisors worldwide. During a stimulating roundtable discussion, Members exchanged views

about the challenges they currently face and the solutions they are developing. Notably, Members shared experiences from their jurisdictions relating to the increase in digitalisation, scams and frauds, new oversight tools and supervising credit products.

FinCoNet Members approved two reports at the AGM, tackling current challenges for market conduct supervisors globally. The first report, prepared by Standing Committee 3, covers [market conduct supervisory implications of non-traditional financial entities offering financial services, especially payments](#). The second report, prepared by Standing Committee 6, covers [mortgage distribution – sales incentives, consumer outcomes and supervisory approaches](#).

The AGM also featured an interactive workshop on supervising new market entrants, which offered FinCoNet Members the chance to share experiences on how they are responding to the challenges arising from the entry of new and non-traditional market players, including fintechs and BigTech.

FinCoNet also welcomed at the AGM three new Members who joined FinCoNet during 2023: National Bank of Serbia, National Bank of Rwanda and Bank of Zambia.

KEY HIGHLIGHTS FROM THE AGM

- **Celebration of FinCoNet's 10th Anniversary**

During the AGM, FinCoNet Members celebrated the organisation's 10th anniversary and noted its accomplishments since its founding in 2013 as a not-for-profit association under French law. Over the past ten years, FinCoNet has grown from 15 founding members to 35 Members, Associate Members and six Observers. Together, FinCoNet Members have published 22 reports, briefing notes and seminar reports. To commemorate the 10th anniversary of FinCoNet, the former chairs of FinCoNet shared their reflections about the evolution of the organisation, which was also marked by [a celebratory video](#).

- **Report on *Market conduct supervisory implications of non-traditional financial entities offering financial services, especially payments***

Members approved the publication of a report from FinCoNet Standing Committee 3 on *Market conduct supervisory implications of non-traditional financial entities offering financial services, especially payments*. The Briefing Note sets out information on the market changes brought about by the entry of non-traditional financial entities (including FinTech firms and BigTechs), the risks to consumers and challenges for market conduct supervisors, and regulatory and supervisory responses.

- **Report on *Mortgage distribution – sales incentives, consumer outcomes and supervisory approaches***

Members approved the publication of a report from FinCoNet Standing Committee 6 on *Mortgage distribution – sales incentives, consumer outcomes and supervisory approaches*. The Briefing Note explores risks to appropriate distribution of mortgage products to consumers through both direct and in-direct channels and how legal and regulatory frameworks and conduct supervision tools are designed to address those risks. The Briefing Note considers consumer outcomes associated with direct and in-direct distribution, situations in which sales incentives are permitted, distribution through digital channels, and the use of bundling and tying practices when mortgage products are distributed.

- *International Seminar on Market Conduct Supervision in Challenging Times*

The AGM was followed by an International Seminar on *Market Conduct Supervision in Challenging Times* on 24 November 2023.

The Seminar brought together FinCoNet Members, guests and other external stakeholders, including representatives from consumer associations and industry, to hear from experts in the field and join an engaging discussion on the key topic of market conduct supervision. During the opening ceremony, welcome remarks and addresses were delivered by Mr. Harvesh Kumar Seegolam, Governor of the Bank of Mauritius, Ms. Juliana Sandri, Chair of FinCoNet and Ms. Pauline Charazac, Advisor on International and Institutional Relations; followed by an introduction to the Seminar's panels by Mr. Mardayah Kona Yerukunondu, First Deputy Governor of the Bank of Mauritius.

Mr. Miles Larbey, Head of Financial Consumer Protection and Financial Education at the OECD Secretariat, moderated a panel on *Perspectives on Economic Challenges*. The panel featured interventions from: Ms. Deniz Igan, Head of Macroeconomic Analysis, Bank for International Settlements; Ms. Harshana Kasseeah, University of Mauritius; Mr. Brendan Pearce, CEO of FinMark Trust, South Africa; and Mr. Assad Umar, Manager of Fair Digital Finance Accelerator, Consumers International.

Mr. Colm Kincaid, Director of Consumer Protection, Central Bank of Ireland, moderated a panel discussion on *Implications for conduct supervisors: How recent economic trends are affecting consumers and the implications this has had on market conduct supervision*. The panel featured interventions from: Ms. Hemlata Sadhna Sewraj-Gopal, Second Deputy Governor of the Bank of Mauritius; Ms. Clare Bolingford, Financial Markets Authority, New Zealand; Mr. Frank Lofranco, Financial Consumer Agency of Canada; and Ms. Farzana Badat, Financial Sector Conduct Authority, South Africa.

The FinCoNet AGM 2024 will be held in November 2024, hosted by SBS Peru, followed by an international seminar.



In Focus

Recent publications by the European Commission

[Amended Directive on Consumer Credit \(CCD\).](#)

Directive (EU) 2023/2225 of the European Parliament and of the Council of 18 October 2023 on credit agreements for consumers and repealing Directive 2008/48/EC

[EU study on over-indebtedness](#)

EU rules on consumer credit are designed to strengthen your consumer rights and to help you make an informed choice if you sign up to a credit agreement.

[Revision of the Alternative Dispute Resolution system](#)

The objectives of the review are to:

- make the ADR framework fit to the digital markets by covering all categories of disputes concerning EU consumer rights;
- improve the access to ADR in cross-border disputes through the use of digital tools, assistance to consumers and traders;
- simplify ADR procedures to all actors; including reducing reporting obligations of ADR entities and information obligations of traders whilst encouraging traders to increase their engagement in ADR claims through the duty to reply;
- discontinue the ODR platform and replace it by user-friendly digital tools to assist consumers in finding a redress tool to resolve their dispute;
- incentivise online marketplaces and EU trade associations having a dispute resolution mechanism to get aligned with the quality criteria in the ADR Directive;

This was done through conducting a coordinated awareness campaigns in 30 districts. In each district more than 50 people were trained to make a total of more than 1,500 ambassadors. Financial Consumers' ambassadors are given advanced trainings to equip them with sufficient knowledge so that they can assist to train the consumers in their specific localities.



Central Bank Trains Consumers' ambassadors in different districts assisted by Local Government officials.

In this training, Ambassadors elected their coordinators in each district and have a WhatsApp group that help them to share and report encountered consumer issues to the National Bank of Rwanda but also these platforms are used by the bank to communicate new initiatives regarding consumer protection.



The trained Consumers' ambassadors elect their leading committees to assist in coordination.

The Consumer Protection Ambassadors are influential people in the Districts who easily have access to a wide range of consumers. These include Consumer Protection Association Representatives, School representatives, staff in charge of business and economic development in the districts, Church Leaders, Private Sector Federation representatives, special groups representatives (Women, Youth and people with disability) and Business Development and Employment team leaders at the district and sector levels.



The trained consumers' ambassadors also assist to train the consumers in their localities.

The National Bank of Rwanda is intending to extend this initiative to cover as many consumers as possible.

The trained ambassadors will assist the National Bank of Rwanda in the following areas:

- Act as a bridge between the National Bank of Rwanda and the grassroots final financial consumers and therefore transmits the awareness messages of the National Bank of Rwanda to the consumers and listen and record issues from the final consumers to NBR for action;
- Facilitate the National Bank of Rwanda to reach a wide range of consumers where they organize different gatherings and train different consumers about their rights and obligations;
- Facilitate NBR during the consumer surveys and research in mobilizing respondents to provide their inputs;
- Facilitate NBR in financial inclusion aspects by encouraging and educating the financially excluded categories in accessing the financial services, using the financial services and educating them on the best way to get the best from the financial services.

The National Bank of Rwanda sees dedicated Consumer Protection Ambassadors as a proactive approach to ensuring a fair and transparent market environment, ultimately benefiting both consumers and businesses in the long run.

Umuganda (community work)

Umuganda has been an important platform to disseminate financial consumer protection messages. Every after Umuganda activities, communities take time to listen to new developments and communiques from the central and local government and the National Bank of Rwanda has taken advantage of this platform to pass messages that create an awareness of financial services consumer protection. The beauty of Umuganda is that it takes place at village level across the country.

"Umuganda" is a Kinyarwanda term that means "coming together in common purpose to achieve an outcome." It is a concept that holds significant cultural and social importance in Rwanda. Since the early 2000s, "Umuganda" has also been the name given to Rwanda's national community service day. It

occurs on the last Saturday of every month, and it involves citizens coming together to engage in various community development activities. These activities can include things like cleaning public spaces, planting trees, constructing infrastructure, and participating in educational or health-related initiatives.

There are also some long-term initiatives that will go along with financial education strategy including: Embedding consumer protection matters in the school curriculum, having consumer protection courses provided using the on-line platform, using celebrities such as singers and including consumer protection matters in the films and theatre contents, etc.

Financial Service Consumer Satisfaction Survey

One of the pillars of financial consumer protection is the measurement of consumer satisfaction levels towards financial services. A general survey was carried out to understand the views of consumers towards the services offered by FSPs but also assess the levels of satisfaction about those products and services. This survey focused on broad areas including a survey targeting Financial Service Providers' staff, senior management and their Board members and survey targeting consumers of these Financial Service Providers' products and services. The questionnaire for the survey was elaborated based on services and products provided by Financial Service Providers (Banks, MFIs, Insurance Companies, and Pension Funds, with and specific focus on digital financial services).

The survey findings informed the need to draft new or revise the existing regulatory frameworks and other strategic actions from the Central Bank as the supervisory authority of consumer protection to promote transparency, honest and fair treatment of customers within the financial sector and more strategic actions needed from different stakeholders including FSPs themselves. This is coupled with financial consumer empowerment to enable them to make informed financial decisions and boost their trust in financial service providers and that is why questionnaires were designed in a way that helps capture information on the nature of services, the satisfaction of the services or products, the challenges, complaints handling procedure and confidence and trust towards FSPs' services.

The survey report covered a range of areas which would be impossible to cover in one newsletter but if we were to mention few highlights of the key findings of the survey then can be found in the below table.

#	Financial service Consumer protection Key Pillars	Banking sector	Insurance & Pension Providers	Payment Service Providers	Average
1	Respondents on level of their satisfaction on disclosure and transparency of their financial service providers	65.3%	42.5%	51.8%	53.20%
2	Respondents' level of satisfaction on whether their financial service providers treat them fairly and honestly	62.79%	40.61%	56.0%	53.13%
3	Satisfaction level on complaints handling	35.7%	26.5%	47.7%	36.63%
4	Confidence/Trust level towards their financial service providers	72.21%	49.24%	65.31%	62.25%
5	How consumers are aware of their rights and obligations	36.18%	24.90%	26.86%	29.31%

The survey was quite helpful in understanding consumers' perspective about services and products they consume, and their challenges and it was recommended to always conduct periodic surveys and disseminate the findings of the same to all concerned stakeholders.

The satisfaction survey findings guided the National Bank of Rwanda to put in place different initiatives and others are in the pipeline aiming to ensure that confidence and trust are developed between financial service providers and consumers.

The Financial Markets Authority (FMA) is consulting on fair outcomes for consumers and markets

Contributor: Financial Markets Authority of New Zealand:

The FMA is seeking feedback on its approach to [outcomes focused regulation](#) including the fair outcomes for consumers and markets it wants to see financial service providers focus on.

A focus on outcomes means the FMA will be prioritising the end results it wants to see for consumers and markets. The FMA recognises that rules and "tick box" compliance are not an end in themselves.

This approach and these outcomes do not replace or introduce new rules or regulations. Since the FMA published its "Guide to the FMA's view of conduct" in 2017, the FMA has expected firms to deliver fair outcomes. The consultation signals the approach it'll be taking when working with industry to deliver on this goal.

The proposed fair outcomes are:

- Consumers have access to appropriate products and services that meet their needs
- Consumers receive useful information that aids good decisions
- Consumers receive fair value for money
- Consumers can trust providers to act in their interests
- Consumers receive quality ongoing care
- Markets are trusted based on their integrity and transparency
- Markets enable sustainable innovation and growth.

The FMA expects providers of financial products and services to take ownership of these outcomes and consider how their governance, leadership, management, and operations delivers outcomes that are most appropriate and effective for their business and consumers.

Submissions for this consultation close on Friday 1 March 2024.

Guide to Best Practices in Engaging with Vulnerable Customers

Contributor: Brazilian Federation of Banks (FEBRABAN)

The Brazilian Federation of Banks (FEBRABAN) has released a comprehensive Guide to Best Practices in Engaging with Vulnerable Customers. The primary objective is to share insights and effective strategies implemented by financial institutions to address the unique needs of diverse audiences, including those with disabilities, individuals of advanced age, those with limited education, low digital literacy, or facing over-indebtedness, necessitating specific actions for their protection.

This guide is a product of the Banking Self-Regulation System (SARB) Directive No. 24/2021, which outlines guidelines aimed at elevating the quality and service standards of financial institutions in their interactions with consumers identified as potentially vulnerable. Established in 2008, FEBRABAN's Banking Self-Regulation System boasts the voluntary commitment of the nation's 25 largest banks.

With the support of the Central Bank of Brazil, this guide showcases over 200 practices from nine financial institutions that collaborated on a project involving various departments. The development process included extensive dialogues, the exchange of experiences, and a survey of existing initiatives within these banks. The overarching goal is to adapt banking products and services more closely to the profile and actual needs of consumers requiring special attention, fostering a more qualified, inclusive, and supportive service within financial institutions.

Among the identified practices, one participating bank highlighted that when a customer utilizes an ATM, the institution already recognizes the customer's level of vulnerability. In such instances, if the consumer wishes to secure a loan at the ATM, they should receive assistance and clarification from an identified bank employee.

In another case, when a customer reaches out to the bank's customer service, they are promptly identified as a vulnerable consumer requiring special attention. Additionally, another participating bank has implemented a special language guide, simplifying the explanation of banking products and services to make them more accessible to individuals who may struggle with understanding or have limited digital skills.

The compilation of best practices involved the use of a questionnaire and interactions with all participating banks. The covered topics include the definition and identification of vulnerable audiences, institutional policies for consumer relations and protection of vulnerable audiences, offering and advertising products and services tailored to the consumer's profile, use of simple language, equitable service, education, and financial inclusion programs for vulnerable audiences, employee engagement and training, and the design of products for vulnerable audiences, as well as contracting with vulnerable individuals.

For those interested, the Guide to Best Practices is available in Portuguese at:

<https://portal.febraban.org.br/pagina/3334/52/pt-br/guiaboaspraticas>

Establishment of a new public organization to accelerate financial and economic education: Japan

Contributor: Japan Financial Services Agency

The Japanese government has a policy of revitalizing Japan's economy by transforming social issues into an engine of growth through public-private collaboration under the concept of a "New Form of Capitalism." As part of the "Doubling Asset-based Income Plan," which aims to ensure stable asset formation for the middle class, while promoting sustainable economic growth and a shift of household assets from savings to investment, there have been ongoing measures to enhance financial and economic education. In this regard, the new legal framework, which focuses on the promotion of financial and economic education, was enacted in November 2023. The new public organization is scheduled to be established in the spring of 2024.

The Financial Services Agency, the Bank of Japan, industry associations, and financial institutions have implemented various financial and economic education. However, many cases of fraud and scams remain observed and problems with investment solicitations through Social Networking Services have increased. Therefore, the new organization is expected to orchestrate a more strategic and effective implementation of financial and economic education as a neutral entity.

The organization's responsibilities encompass several areas: 1) Certifying customer-oriented financial advisors as the main engine to provide the new institution's various services; 2) Providing more financial education activities, with more funds and more efficient usage of the funds; 3) Improving the quality of financial education activities through a new education system for the certified advisors; 4) Centralizing teaching materials and content creation to make them more robust (e.g., catching up newest cases of financial fraud); 5) Providing individual consultation services to promote a behavioural change among investors/consumers; and 6) Conducting surveys and statistics to run a PDCA cycle for the institutions.

Specifically, with respect to 1), the organization aims to certify and support neutral advisors who can provide unbiased advice on financial businesses or products as a mechanism to promote the provision of impartial and reliable advice to consumers, thereby fostering an environment in which customers can easily consult with them.

In addition, the Japanese government will formulate a fundamental policy framework as a national strategy in order to comprehensively and systematically promote measures related to asset formation support for the entire country, in cooperation with related government ministries and agencies, local governments and private organizations. In doing so, the Financial Services Agency will act as the secretariat to promote cooperation among relevant ministries and agencies, coordinate measures and conduct follow-up. In addition, we will establish forums such as a council, to discuss and promote the measures necessary for asset formation through broad cooperation between the public and private sectors.

Bank Indonesia International Consumer Protection Seminar : "Consumers' Trust: The Key to Expanding Digital Financial Economy"

Contributor: Bank Indonesia

Consumer Protection provided by Bank Indonesia (BI) as a regulator, exists as a preventive action as well as a means of resolving problems related to financial services, including payment system services. The authorities continue to strengthen this to ensure legal certainty for consumers so they are protected from unfair and detrimental practices. This is increasingly important as the development of the digital economy has encouraged the proliferation of financial services that are riddled with cyber risks, data leaks, transparency, and fraud. In the midst of these risks, through strong consumer protection, society as consumers is increasingly empowered to support their rights. The hope is that consumers will increasingly trust and be confident in utilizing both conventional and digital financial services. This emerged in the discussion at the International Seminar on Consumer Protection with the theme "Consumers' Trust: The Key to Expanding Digital Financial Economy", which took place on November 10, 2023 in Bali.

At the opening of the seminar, Deputy Governor of BI, Junda Agung, conveyed 3 (three) main points that the authorities need to pay attention to in their responsibility to create a safe ecosystem for all consumers, especially for vulnerable communities. First, jointly prioritizing digital financial literacy to empower consumers by sharing knowledge about financial services. Second, enforcing a regulatory framework to support innovation while enhancing market integrity by safeguarding consumer identity and transaction data. Third, there is a need for collaboration between regulators, technology companies, and financial institutions to escalate consumer protection. In this collaboration, authorities need to bridge institutions with communities in remote areas.

In this digital era, society is faced with various risks, the modes that people often experience include SIM swaps, data breaches, Ponzi schemes, and the rise of unlicensed service providers. The latest method that has developed is sending ".apk" files via communication media which can take over the victim's data and financial funds. Regarding this method, Indonesia is one of the countries that has the highest number of victims of ".apk" file fraud in the world with a share of 15% globally. This has attracted the attention of regulators and made this case one of the main focuses of consumer education and protection. The public needs to be alert to this, including other methods. Consumers' basic efforts to avoid this are to maintain the confidentiality of personal data and ensure the correctness of the information they receive.

In the event that the public as consumers of financial services experience the impact of this fraud, find the provider violating BI Regulations, or experience detrimental practices, they can submit a complaint to BI. Consumer protection regulated by BI covers consumers from providers which include payment system providers, money service activity providers, parties carrying out activities in the money market and foreign exchange market, and other parties regulated and supervised by Bank Indonesia. If consumers have complained about problems with providers that fall within this scope and have not found common ground, BI will handle them in the form of education, consultation, and facilitation, especially by confirming the rights and obligations of consumers and organizers.

The international seminar on Consumer Protection accommodates the views of speakers from national and international institutions and central banks. Present at the discussion included representatives of the Financial Services Authority (OJK), Consultative Group to Assist the Poor (CGAP), Bank Negara Malaysia (BNM), Central Bank of Nigeria (CNB), and Reserve Bank of India (RBI). These regulators share their experiences and best practices related to financial consumer protection initiatives in digital era to

increase consumer trust to digital financial services. Further discussion also includes best practices initiatives to overcome fraud and scam in digital era related to financial consumer protection. Various initiatives were expressed from institutions and industry, including representatives from the Indonesian Ministry of Communication and Information, BI, Payments Network (PayNet) Malaysia, International Telecommunication Union (ITU), and Google Indonesia. With the seminar held, it is hoped that BI will strengthen its contribution to anticipating threats in the digital era in the context of financial system stability. The seminar is also intended to contribute to BI roles in anticipating threats in the digital era, so the benefits from digitalization can be maximized as well as to serve Indonesia's contribution on international discourse regarding consumer protection risk.



Mortgage credit borrowers in Portugal impacted by the sudden increase in interest rates may fix their instalments for a period of two years.

Contributor: Diana Vieira, Banco de Portugal

The Portuguese Government approved an additional temporary measure¹ to mitigate the effects of increasing interest rates for borrowers with variable rate mortgage credit contracts². In Portugal, the great majority of mortgage loans are based on variable rates – 81% of mortgage agreements concluded in 2022 had variable interest rates,³ making the corresponding borrowers more prone to rises in interest rates.

While previous measures targeted mortgage borrowers who were more vulnerable to the rise in interest rates considering the level and impact on their debt service-to-income ratio (DSTI), this new regime is universal, seeking to protect borrowers irrespective of their income levels and not requiring an assessment of their financial capacity.

As such, since 1 November 2023, borrowers of housing loans (including purchase, renovation or construction of a permanent residence) with a variable interest rate (or with a mixed interest rate, if in the variable rate period), may ask for the instalment to be fixed for a period of two years, with a lower interest rate. The applicable interest rate is capped at 70% of the six-month Euribor plus the spread stipulated in the credit agreement. However, if the values resulting from the application of this rate are not sufficient to cover the interest due in accordance with the original credit agreement, the value of the instalment will be that of the interest owed. If the amount of interest is lower than the cap, then the remaining value will reduce the principal due. The remaining principal is deferred and will be repaid four years after the end of the fixed-rate period, divided over the remaining maturity of the credit, or over the last two years of the credit agreement, if the residual maturity by the end of fixed-rate period is less than 6 years.

Interest is paid on the deferred principal. However, the borrower may opt to reimburse the deferred principal sooner, in which case the borrower cannot be charged an early repayment fee.

Although this new regime is universal, there are some requirements applicable to variable rate mortgage credit agreements and to borrowers to access this measure: (i) the credit agreement must have been concluded by 15 March 2023 or, in case of a credit transfer to a different institution, by 31 March 2024; (ii) the remaining period of the credit agreement until its maturity must be longer than five years; (iii) the borrower cannot be in arrears, subject to any of the Portuguese legal mechanisms for arrears prevention and management, nor under an insolvency procedure.

The new legal framework also provides for the extension, until 31 December 2024, of the suspension of the early repayment fee⁴ for mortgage borrowers and amends the legal regime approving the extraordinary interest subsidy to simplify, to increase its value and to extend its application period until 31 December 2024.⁵

¹ Decree-Law No 91/2023, of 11 October.

² “The Portuguese measures taken to alleviate mortgage borrowers from rising interest”, Issue 4, December 2022, FinCoNet Newsletter.

³ Retail Banking Markets Monitoring Report of 2022 of the Banco de Portugal.

⁴ Decree-Law No 80-A/2022, of 25 November.

⁵ Decree-Law No 20-B/2023, of 22 March.

The Banco de Portugal, under the mandate assigned by the Portuguese legislator, has regulated several aspects of the mentioned legal regimes, including on information duties, and oversees institutions' compliance with the new rules in force, namely by assessing the information reported under the new Banco de Portugal's Instruction for that purpose.⁶ Also acting on the demand side, the Banco de Portugal has published materials, including frequently asked questions, a leaflet and a video, to raise awareness of the measures implemented, as well for their possible financial consequences to consumers.

The Banco de Portugal will continue to monitor credit market developments, remaining vigilant of their impact on financial consumers and will remain dedicated to empowering consumers, promoting financial literacy among bank clients.

⁶ Banco de Portugal Instruction No 24/2023.

About FinCoNet

Established in 2013, FinCoNet is an international organisation of supervisory authorities responsible for financial consumer protection. It is a Member-based organisation set up as a not-for-profit association under French law.

FinCoNet promotes sound market conduct and strong consumer protection through efficient and effective financial market conduct supervision.

Each Member of FinCoNet has responsibility for and an interest in protecting the interests of consumers of financial services. FinCoNet seeks to enhance the protection of consumers, and to strengthen consumer confidence by promoting robust and effective supervisory standards and practices, and sharing best practices among supervisors. It also seeks to promote fair and transparent market practises and clear disclosure to consumers of financial services.

Visit our website at www.finconet.org/

Contacts

FinCoNet Chair

Juliana Mozachi Sandri
juliana.mozachi@bcb.gov.br

FinCoNet Secretariat

Miles Larbey
miles.larbey@oecd.org

Sally Day-Hanotiaux
sally.day-hanotiaux@oecd.org

FinCoNet Vice Chair

Yuji Yamashita
y-yamashita@fsa.go.jp

Matthew Soursourian
matthew.soursourian@oecd.org

