

Finance Watch feedback on Consumer Agenda 2025-2030 and action plan on consumers in the Single Market

We generally agree with the areas identified as priorities in the Commission Call for Evidence, however, would like to raise the following points which are not clearly raised as key priorities but, in our view, should be.

With regards to **protecting vulnerable groups**, it is essential that measures are taken to **reduce barriers to access affordable essential financial services such as basic payment accounts and insurance, including tackling barriers created through insufficiently regulated new technologies such as AI.**

Recent research reports from Finance Watch and our member, the German consumer association (vzbv), show that there are **still significant barriers for vulnerable consumers in the EU to access a basic payment account** which is essential not only for financial but also social inclusion (please see: <https://www.finance-watch.org/policy-portal/retail-inclusion/report-breaking-down-barriers-to-basic-payment-accounts-in-the-eu/> and https://www.vzbv.de/sites/default/files/2025-05/2025-05-06%20Zusammenfassung%20Zugang%20Basiskonto_EN_final.pdf). The barriers are due to: affordability (high fees), lack of awareness, documentation/ excessive de-risking issues as well as a lack of willingness by financial institutions to proactively offer and inform consumers about these products. Therefore, the Commission should **prioritize the revision of the Payment Accounts Directive (PAD) whose review is long overdue** (it was mentioned in the last consumer agenda already but never happened) to address these issues.

In addition, **gaps in the regulatory framework for AI systems used in the provision of retail financial services risks causing access barriers for vulnerable groups to essential financial services** and therefore needs to be urgently tackled. As highlighted in our recent report on the topic (see: <https://www.finance-watch.org/policy-portal/digital-finance/protecting-eu-consumers-in-the-age-of-ai-driven-retail-finance/>), the EU AI Act introduces rules that would fill many of the key regulatory gaps in the existing EU regulatory framework with regards to the fair and safe use of AI in the retail financial sector. However, only two financial sector applications, i.e. the assessment of creditworthiness of natural persons, and the risk assessment and pricing of life and health insurance are deemed 'high risk' under the AI Act. Evidence shows, however, that **the use of AI is increasingly leading to people being denied a bank account due to discriminatory outcomes of AI**



systems used for the customer due diligence process (see: <https://algorithmwatch.org/en/false-positives/>). **Likewise, AI enables highly granular risk assessments of consumers which puts the current insurance business model which allows high-risk consumers to be insured by spreading out the risk collectively across policyholders (also known as the ‘solidarity principle’) at risk.** Therefore, there is an **urgent need to extend the scope of high-risk AI systems in the EU AI Act** by broadening the scope of Annex III of the regulation.

In addition, **the use of AI in the provision of financial services creates barriers for consumers to seek redress** in cases where actions taken by financial institutions based on outputs of these systems cause consumer harm such as financial exclusion. Given the lack of explainability (i.e. the black-box nature) of AI systems, it is difficult, and in some cases even impossible, for consumers to easily seek redress in cases where damages are caused by the use of AI as **existing national civil liability regimes are not tailored to the unique challenges stemming from AI. Therefore, an EU-harmonized AI liability regime, similar to the AI Liability Directive** which was regrettably withdrawn earlier this year, **must be introduced** that addresses the transparency and explainability challenges of AI outputs when seeking redress by reversing the burden of proof in favour of the individual claimant.

Moreover, due to the impacts of the **cost-of-living crisis on over-indebtedness**, it is key that the **Mortgage Credit Directive (MCD) is revised** to address excessive mortgage costs, prevent the mis-selling of mortgages, and to strengthen the rules on debt relief measures for existing borrowers.

In addition, **supervisory convergence** is a priority, **including ESAs' resources to strengthen product oversight and enforcement.** And lastly, **reforming the sustainability rules (product classification per the SFDR and sustainability preferences rules per MiFID/IDD)** to improve accessibility of information and to combat greenwashing are very important and should therefore part of the agenda as well.

