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CAVEAT EMPTOR

All for rights

ISSUE An experts group to voice consumer concerns is the need of the hour

The right to information is one of the eight basic consumer rights, and is the heart of consumer protection. It is particularly relevant to complex financial products and services, as consumers need access to information that enables them to comprehend what they are offered. It is an interesting fact that every year, 150 million new consumers take to financial services, most of them from countries where consumer protection and financial literacy are still in their infancy.

Fair and accessible financial services to consumers are central to a well-functioning economy. We are aware that ineffective regulation of financial lending practices played a major role in creating and worsening the recent financial crisis. Corrective action is required to ensure this does not happen again.

The banking sector is still complex, rapidly changing, and carries significant risks for consumers, and, there are no international guidelines on how information should be delivered in a consumer-friendly manner.

The Group of Twenty (G-20), of which India is a member, was established in 1999 to bring together important, industrialised and developing economies to discuss key issues in the global economy. Since its inception, the G20 has held annual Finance Ministers and Central Bank Governors' meetings and discussed measures to promote financial stability, and achieve sustainable economic growth and development.

During the summit in Pittsburgh in September 2009, the Leaders' Statement declared, "Far more needs to be done to protect consumers, depositors and investors against abusive market practices, promote high quality standards and help to ensure the world does not face a crisis of the scope we have seen. We are committed to take action at the national and international level to raise standards together so that our national authorities implement global standards consistently in a way that ensures a level playing field".

At the summit in Toronto in June 2010, the key principle put forth was to "encourage a comprehensive approach to consumer protection that recognizes the roles of government, providers and consumers".

To take this commitment forward during the G20 Summit in November at Seoul, South Korea, CAG, along with consumer groups from across the world and the Consumers' International, has called for action on financial consumer protection through the establishment of an Experts Group on Consumer Financial Protection with representation from financial consumer protection agencies, independent consumer organisations and experts representing the interests of consumers.

The Experts Group so formed, is expected to recommend adoption by various governments, of minimum standards relating to fair contract terms and charges for financial products and services, information design and disclosure on financial products, governance and functions of national financial consumer protection bodies, promotion of effective competition for financial consumer services and development of a permanent organisation for international standard-setting and co-ordination with regard to financial consumer protection.

Representations to the respective Heads of State and Finance Ministers have been made in this regard, and it is hoped the dignitaries will proceed with the establishment of the Experts Group.

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