

# Field Description in Consumer Protection

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## **1. Preface**

Within deliverable D6.1 of the ITSSOIN project, research on the two fields of environmental sustainability and on consumer protection was carried out. Only certain complementarities across time could be established between those fields. It was therefore decided to treat the two separately in analysis. Thus, the document at hand contains the second part of a two sectioned deliverable. It covers the field of consumer protection and explores three selected countries (Anheier, H. K., Krlev, G., Mildemberger, G., & Preuss 2015).

The analysis is focused specifically on the area of alternative financial services (AFS), which are financial services not bound by the requirement of their countries existing banking system. AFS can represent social innovations taking various shapes and logics of operation for consumer protection. The field description covers countries AFS central regulative characteristics and reviews important changes of those within the last 10 years. It describes the structure of the field AFSs for three countries - the Czech Republic, Denmark and Spain, covering important actors from the state, market and third sector (section 4.2); their central regulative characteristics (section 4.3), important changes of those within the last 10 years (section 4.4); connections to other fields (section 4.5) and conclusions (section 4.6).

## 2. Introduction

The aims of this field description and comparison are to generate an insight into the structure of the field in the three states under inspection - the Czech Republic, Denmark and Spain, covering central their regulative characteristics, important changes of those within the last 10 years and important actors from the state, market and third sector.

The main goal of the report is twofold. First it aims at identification of similarities and differences of the field of consumer protection in alternative financial services. This shall help us understand the basic logic, structure and features of the field especially with regard to the roles of various actors. Second, the major aim is to capture social innovations that take place in the field. This shall feature as the basis for case selection process in the next stage of ITSSOIN research.

The field of consumer protection in finance was narrowed down to the consumer protection in alternative financial services (AFS) for several reasons. First of all, the area of the finances is so extensive that in order to use effectively a small-N comparative design we needed to focus on a very concrete set of issues in order to fulfil the main goal of this study - to identify a set of socially innovative patterns that shall be further studied and analysed in a comparative manner in order to depict the role of third sector in the processes of social innovations under different circumstances and constellations of other actors and broader cultural-political settings. Apart from methodological reasons, there were also content-related ones. The field of AFS has become very dynamic before but especially during the Great Recession: while its roots are several centuries old, it gained new momentum in last decade in many countries. There are several reasons for that - overall liberalization of economies, unavailability of services of traditional banking actors for the whole society or dissatisfaction with their resent activities in the light of recent crisis. Resent social and economic turmoil in the developed countries provides a unique occasion of the study of (potential) social innovations, their dynamics and sustainability.

This report proceeds in a following manner. After introducing the background of the field (4.1.1) and reviewing available academic production relating the field to the notion of social innovations (4.1.2), we proceed to the description of background for the country cases (4.1.3) and of our methods and data (4.1.4), and to the very analysis. First, actors and field structure are introduced (4.2), followed by the analysis of the dynamism in the field and its connections to other areas (4.3 and 4.4). Finally, concluding comparison (4.5 and 4.6) is presented with a special focus on social innovations.

### 2.1. Background of Consumer Protection in Finance: Alternative Financial Services

According to OECD, financial services providers are generally expected to adopt equitable and fair treatment of consumers as an integral part of their business culture. Regarding the treatment of financial consumers it is often demanded to treat them equitably, honestly and fairly at all stages of their relationship with financial service providers. Special attention should be dedicated to the needs of vulnerable groups. Financial services providers should ensure that vulnerable consumers are provided with reasonable arrangements and/or assistance that may be necessary to facilitate them in their dealings with the financial services providers (OECD, 2014).

Financial consumer protection analysis can cover, but is not limited to, the following areas: institutional frameworks; the role of oversight bodies; financial literacy/education; access to basic financial products and services; alternative financial services; disclosure requirements and transparency; responsible business conduct; responsible lending practices; data protection and privacy; effective resolution schemes and complaint handling mechanisms.

Financial services providers can take into consideration the capabilities and vulnerabilities of their consumers when designing, marketing and distributing financial products and services and when providing advice. Potential vulnerabilities can be identified, for instance, consumers might be capable of making decisions but could require reasonable accommodation in doing so (hearing-impaired, vision-impaired, official language not first language, poor literacy, etc) or their particular life stage or circumstances can be taken into account when assessing suitability (age, poor credit history, low income, serious illness, bereaved, etc). Additionally, consumers might temporarily or permanently have limited capacity to make decisions because of mental illness or intellectual disability. Special measures could be introduced to ensure protection of consumer groups or communities with particular cultural or linguistic needs (OECD, 2014).

In our working group, we aim to take into consideration all above mentioned, however, we primarily want to focus on specific area of so called alternative financial services (AFS). AFS represent a remarkable phenomenon in many countries, yet their influence and impacts can be perceived ambiguously. They can contribute to the solution of the problem of vulnerable groups' limited access to traditional financial products. On the other hand, specific kinds of AFS represent serious threat to the social situation of the same groups of people.

In some countries, economic crisis has resulted in a general distrust towards the traditional banking system and financial markets. As a reaction, commercial subjects, social economy entities and solidarity networks providing alternative financial services to citizens as well as TSOs and civic platforms organizing consumers of financial services started to emerge even more frequently, as well as the number of citizens impacted by the eviction processes and owners of perpetual preferred shares, and advocating their rights.

Generally, an AFS can be described as any provider of financial services willingly operating outside the established realm of traditional bank/insurance system. The AFS population is incredibly diverse and there are several factors driving AFS growth and accessibility: They exist in a stream of continual innovation; as technology advances, they find new ways to capitalize on those advances. They are more readily accessible and flexible in their operations and hours, making them incredibly convenient. While their fees may seem prohibitive at first glance, in an economy where traditional banks tightened their loan restrictions, many AFS providers loosened theirs, making them incredibly flexible, therefore, the fees are not an obstacle to those needing these services. Generally, they are not bound by the requirement for an existing banking system (Hermanson & Gaberlavage, 2001).

The AFS industry is growing as increasing numbers of consumers are unable to access the traditional banking system. Like traditional banks, AFS businesses provide access to cash and/or credit. AFS services include subprime services such as small loans, car financing, and home equity lending. Sometimes, AFS services often can be substantially more expensive than traditional banking services, and may involve unfair and deceptive practices. The primary goal of state and government policy should be to assure equal consumer protections for the customers of both traditional and alternative financial services. Consumers who use AFS

services should have access to fairly priced alternatives, and be provided with information to make informed choices. In addition, when consumers use AFS services, they should be protected from unfair and predatory practices that can lead to a long-term “financial treadmill” (Hermanson & Gaberlavage, 2001).

To conclude, we understand AFS as both representing a socially more embedded and responsible alternative to official banking system (and in fact protect citizens against its pitfalls), and as a potentially threatening the citizens and various vulnerable social groups (and consequently in need of socially innovative measures to protect them). Consequently, we expect that social innovations in this field may take various shapes and follow various logics. And as our brief literature review proves, there can be expected significant role of the TSO as the creators of the social innovations.

## **2.2. Literature Review on Consumer Protection in Finance**

For purposes of the field description, academic resources reflecting consumer protection in finance can be divided into several interconnected sections. Firstly, there are sources related to the need of consumer protection in finance and various forms of alternative financial services. Closely associated is the topic of rationale, merits and risks of alternative financial services and consumer protection in general. Finally, there are authors dealing with relationship of the individual types of innovation.

Alternative financial services are of a great importance especially in relation to vulnerable people. The problem of social exclusion, far exceeding the field of consumer protection, can also be associated with financial exclusion. There are groups of people, and some other WPs focus on them too, which do not have access to mainstream banking and finance services, whether because of poverty or other disabling factors. Financial exclusion causes an increase in the cost of living, worsening living conditions, and prevents from re-improvement. This issue is mentioned by Wilson (2012), who sees the solution in supporting the social enterprises, focusing on the area of financial services.

Kharb (1986) points out the need to protect consumers, especially the poor ones. This support should be implemented in particular through the tools aiming at financial and consumer literacy. However, Kharb does not use the concept of social innovation or innovation in general, but his work in the field refers to the social movements and philosophy, for example, also on learning of Mahatma Gandhi. His rhetoric has markedly pro-social character typical for social innovations.

Campbell, J. Y., Jackson, H. E., Madrian, B. C., & Tufano, P. (2011) reflect the rapid development of the market for financial services resulting from innovations on financial markets. They claim that due to financial innovations the field of offered financial services has become highly complex, with many previously non-existing services (new forms of loans and insurance policies, etc.). These authors confront development of this sector with the consumer behaviour theories of market failures and come to the conclusion that the sector needs to be regulated (by the government) in order to achieve effective functioning with respect to the arguments that both consumers and the market fail. They mention only financial market innovation that can lead to the development of the sector and the need of consumer protection by the regulator, but the social innovation are left aside. On the other hand, it gives quite convincing evidence of the perceived need of regulation. It shall be noted that the possibility of

the regulator's failure is being ignored. So, it does not cover other solutions inefficiency, which may embrace social innovation being carried by the third sector.

Another view on the regulation of financial services offers Benston (2000). Benston reviews regulations imposed to protect consumers of banking, securities and insurance. He concludes that capital regulation is useful for some goal (to assure that a supplier on whom consumers rely does not fail), while regulations specific to financial services are neither necessary nor desirable for other goals (to maintain consumer confidence in the financial system, to assure that consumers receive sufficient information to make "good" decisions and are dealt with fairly, to assure fair pricing of financial services, to protect consumers from fraud and misrepresentation, and to prevent invidious discrimination against individuals).

The issue of too complex and comprehensive system of financial services is also examined in the environment radically different from the European. Nevertheless, we can find inspirational ideas here. Xingchen (2013) deals with the development of the financial sector (using case study of China) and describes the consumer who may potentially benefit from financial services and products, but does not fully understand them because of their complexity. According to Xingchen, consumer protection and assistance is necessary (improving financial literacy and financial markets knowledge). Xingchen prefers instruments typical primarily for the state-guaranteed regulation, such as training programs, certification services, incentives for helpful and accommodating behaviour of financial institutions, etc. However, in the countries with cooperative relations between the state and the third sector we can also expect the participation of the third sector organizations in the field. In this case, it is certainly possible to expect the occurrence of social innovations.

In this regard, Xingchen approaches the conclusions of Campbell, J. Y., Jackson, H. E., Madrian, B. C., & Tufano, P. (2011). But Xingchen emphasizes one exceptional aspect, as he does not consider consumer protection as a goal in itself; the aim is permanent prosperity, fair and harmonious society. Thus, we find here an interesting connection between consumer protection and social innovations. Social innovation is not only a tool of solving the problem of insufficient consumer protection, but it is the path to prosperity and harmonious development of society through innovative and better functioning financial system.

The emphasis on vulnerable groups of citizens is also reflected by Wilson, T., Howell, N., & Sheehan, G. (2009). They describe limits of the legal consumers protection in Australia, particularly low-income consumers. They come to conclusions that the current framework still does not provide the possibility to create an informed choice for low-income consumers in case of many financial services.

Wilson and others argue that mainstream financial institutions are adequately regulated by the law, so they are safe for low-income consumers. On the other hand, the fringe lenders are not subjects to adequate regulation and consumers are not sufficiently protected. It presents a "negative" point of view on AFS. As the problem areas, again, the financial illiteracy of the population, unfavourable conditions provided by financial institutions and lack of transparency are mentioned. However, this applies mainly to the marginal - alternative - financial institutions, what may be in conflict with certain expectations about the need of alternatives to the mainstream institutions. Lumpkin is another of the authors dealing with the financial innovations, imposing too high demands on consumers and causing widespread social problems. Lumpkin does not consider financial innovation primarily harmful, but notes that innovations

can bring new problems. He analyses the changing financial sector from the perspective of the traditional approach reflecting asymmetric information, insufficient transparency and fairness (Lumpkin 2010).

Lack of fairness is understood as unequal access to the services and conflict of interest in deciding on the provision of financial services and products. In addition, Lumpkin identifies other problems associated with products and services: intricacy and complexity of financial products, long-term character and unknown and unpredictable quality of financial products, non-transparent pricing and financial illiteracy of consumers. Lumpkin also discusses consumers' views on consumer protection. According to him, consumers do not trust the current government consumer protection, so they can avoid the consumption of some finance services. This argument opens the door for finding a solution in the third sector, based on the argument of greater credibility of TSOs.

The above-mentioned articles and approaches have more or less complex character. Some authors have, however, chosen specific instruments and alternative financial services for their analysis. Geleta (2014), for example, deals with social capital, social relationships and microcredits. He critically evaluates especially microcredits, and draw attention to their limits. he notes that the population of poor people does not reach them anyway (due to their social background and low social capital) so they still remain socially excluded (and excluded from the consumption of AFS, too). This is one possible example that AFS do not always bring the solutions to the most needy people.

An interesting approach focuses on technological advances. Poindexter & Rogers (2014) point out the progress of ICT, especially smartphones and their use by the financial institutions. These new technologies are seen both as advances and new threats (SMS loans, etc.). Poindexter and Rogers highlight the new challenges associated with protecting consumers. At the same time, however, modern ICT represent potential alternatives to traditional banks, as mobile technologies can be useful in many ways (low-cost alternative financial services, etc.); they can also influence consumers' behaviour. There can be identified the causality "technological innovation - financial innovation - social innovation".

### **2.3. Background to the Country Cases**

This part of the report builds upon three cases - the Czech Republic, Spain and Denmark. As both the alternative financial services and the consumer protection in these countries differ significantly, this selection enables us to follow and compare three very different types of consumer protection in alternative financial services, however with a very similar historical background. There are several key dimensions determining the status of AFS, and structure and dynamics of the field of consumer protection in AFS. These are especially their conceptions of welfare state (determining the regulation of the field), impact of the Great Recession on these countries (determining the demand for AFS and recent dynamics in the field), and their structure of AFS (determining the roles and actors in the field).

First, there are obvious differences in terms of social and political development of the three societies that determines overall setting of the field of AFS. While today's Denmark may be associated with rather Social-Democratic setting (even if followed by extensive liberalization since 1990's) based on the principles of universalism and high level of de-commodification, Spain may be associated with Christian-democratic welfare state model oriented more towards the principle of subsidiarity and the Czech Republic, where transition from state-socialist

model quickly took liberalizing turn, may be characterized as the social-democratic model with some liberal features. Consequently, while in Spain and Denmark the state is central actor in implementing the regulation of the field, it cooperates more with private and third-sector actors in the Czech case.

Second, the coming of Great Recession is believed to significantly change the landscape of consumer protection in AFS in many countries and brought new challenges (e.g. Rutledge 2010). The impact of the Recession differed significantly across selected countries. In terms of unemployment as a key indicator of social impact of crisis the situation in Denmark and the Czech Republic was very similar, however this was hardly comparable to the Spain. Here the unemployment boosted earlier and much more intensively and was much more enduring than in other two countries. This made the demand for AFS much more widespread and common than anywhere else.

Third, the structure of AFS differs across the three countries. While all of them share very similar historical background (history of mostly rural cooperatives and mutual credit-unions etc.), their recent structures of alternative financial services are rather different: while in Spain one of the most important features of the AFS since 1970s were the microcredits provided by the civil society organizations and aiming at helping people in poverty, the Danish case was more oriented towards the system of small and medium sized saving banks that often aimed at incorporation into the traditional banking system. The Czech AFS after 1989 might be described as being driven first by the consumption loans and credits, and later on supplemented by the fast microcredits provided by non-banking commercial subjects with profit-making intentions.

To conclude, we may expect differences in the structure and dynamics of the field of consumer protection in AFS. We proceed in the description and comparison of actors, field structure, dynamics, role of the state, social innovations, media and other sub-fields related to AFS.

## **2.4. Methodology**

As mentioned above, the aim of this report is to map the three national fields of consumer protection of alternative financial services, and to capture (potential and not always successful) social innovation patterns here which might (but do not have to) incorporate element of client or citizenship participation, or that strive for the protection of clients or citizens against the unfair practices of alternative financial service providers.

We combined various data collection strategies in three main areas (origins and general background, structures, and actors) in order to capture key features of the field of alternative financial services and their (dis-)contents and to structure the activities in the field description according to goals to be achieved. These are basically:

- identification and description of actors, their relations, interests and resources
- description of the field structure (regulations, power structure - discourses, norms)
- description of the field dynamics (change of the aforementioned in last 10 years)
- exploration of the relation of the field to the state
- exploration of how is field reflected, constructed and perceived in the media
- exploration of how is field connect to other fields
- identification of socially innovative patterns in the field

## Data collection and analysis

Data were collected and analysed on the national level in three countries - Czech Republic, Denmark and Spain, and results were compiled into this final report.

### 1. Academic review of the field

Here the national databases of academic journals, books or theses related to the alternative financial services, their genealogy, tradition, long-term reception, institutionalization, social impact and other aspects in particular country were identified and described. We compiled various academic resources to provide a description of aforementioned aspects focusing on:

- genealogy, national origins and socio-cultural embeddedness of the field
- general description of the field structure and its context (regulations, power structure - discourses, traditions, cultural origins, norms)
- description of the broader field dynamics
- traditional relation of the field to the state
- how is AFS field connected to other fields in the long term perspective?
- are there any socially innovative patterns may in the field?

### 2. Policy and legislation analysis

Here more specific structures of the field were described and analysed. First, most significant policy documents on the field were identified and analysed. In the documents we looked for the information on following areas:

- power structure of the field and their change (key discourses, norms, institutions, traditions etc.)
- relation of the field to the state (how is connected? through which institutions?)
- connection of field connect to other fields (e.g. consumer protection in general, social services, commercial services and industry, etc.)
- socially innovative patterns may be identified in the field

### 3. Actor analysis

We further conducted several semi-structured interviews, and combined them with systematic media mapping and findings from previous steps. Each country selected at least 3 experts representing and/or having the in-depth knowledge of one of the three key sectors in the field - non-profits (e.g. watch-dogs, cooperatives), commercial institutions (e.g. private or business agencies), and public/state institutions (e.g. regulators, social services providers) and conducted a semi-structured interviews with them (face-to-face or telephone/skype interview). The interviews focused on identification of:

- the main actors in the field
- their interests, influence and resources
- recent social innovations in the field (or attempts to innovate)

Furthermore, we employed media analysis using the same national database as was already employed in ITSSOIN (Brink Lund, Lilleør, 2015). We used the keywords referring to the field of alternative financial services provision (these were identified by performing recurrent searches

and logic of snowball in order to sample those terms which best capture the AFS in particular national context in its full variety and meaning) in several steps.

First, we went through the results for 2014 and identified prevailing issues and perceptions related to the field in the mainstream media. Second, we analysed the results in terms of the most important actors that are related to the field. Third, we added a keyword “social innovation” (and then “innovation” in case there were no results) to the searched items and attempted to identify any notion of social innovation related to the field.

Finally, we used google search to list the most important non-profit, for-profit and state institutions in the field and supplement the list obtained from the media analysis in order to capture the most important ones (10 per sector at maximum). We analysed their websites (annual reports, references etc.) and described their mission, type of resources used, number of personnel and legal status. We also described their mutual relations both within and across the sectors (in terms of cooperation, competition or hierarchy).

### **3. Description of Actors**

There are several important dimensions in the field that may be taken into account during its mapping. First and most importantly, there are state regulators. This is a group of actors that is common for all three countries. The state has an important position as it decides on the key aspects and parameters of the field, and through various dependent or semi-dependent institutions regulates and controls the field (or tries to do so).

Second, there are two types of private organizations operating in the field. The first of them are traditional and consequently old banking institutions that may not focus on the provision of AFS but attempt to regulate the field. This is the case in Spain - especially because of the special legal and social status of banks before 2013 - but also partially in the Czech Republic. The second class of actors are the extremely diverse AFS providers - it consists of small cooperatives, ethical or alternative banks, but also of consumer credit providers owned by multinationals or financial corporations.

Finally, there are TSO that usually focus on the rights of the consumers and exercise both service (education, consultations) and advocacy (participation in the legislative processes, commenting on directive proposals) functions. Presented review of relevant actors is not exhaustive, as the main purpose was not to describe all the existing actors, but rather to bring to the reader the picture of the diverse spectrum of the most important actors.

#### **3.1. Public Institutions**

##### **Czech Republic**

In the Czech Republic, the regulatory and supervisory powers are divided among several institutions, while the distribution of responsibilities is not entirely systematic. Especially the responsibility for the control of transparent and fair behaviour of non-banking institutions is still under discussion.

Ministry of Industry and Trade is the main responsible public institution in the field. It focuses on the consumer protection, prepares the legislation and policies and cooperates with other actors engaged in the field (other ministries, Czech National Bank, and non-profits).

The Ministry of Finance is the main public institution responsible for the consumer protection in finance and also for education of consumers in the area of finance since 2006. It cooperates with various subjects here, and has a special Department of Retail Finance Services and Consumer Protection in the Financial Market and has a special branch focused on the education in finances.

Czech National Bank is a central bank, an independent body that is responsible for the supervision over the whole financial market (with special focus on traditional banks). It regulates the field through its directives and cooperates mainly with the Ministry of Finance.

The Czech Trade Inspection Authority was established in 1986 and is supervised by the Ministry of Industry and Trade at the moment. It is the key tool of the state for the supervision of unregulated actors of the financial market. In the long-term perspective, it lacks the adequate number of personnel and is often criticised for imperfect supervision of these actors. The inspection cooperates with other actors (bureaus of commerce, professional associations etc.). It runs the European consumer centre (ECC) which provides the consumers with free services related to the disputes with service and good providers from other EU countries, Norway or Iceland, and to the consumers from these countries in their disputes with Czech providers. It also provides advices and information on their rights on the European market and their advocacy. It also negotiates the non-judicial settlement of cross-border consumer disputes.

There is also a Financial Ombudsman which is a state institution that was established in 2003. Its budget is part of the budget of the Ministry of Finance. It is non-judicial institution that deals with settlement of disputes that on demand of the consumer decides on disputes between the customers and organizations providing financial services. Since 2011 the Ombudsman is proposed by the ministry of finance and appointed by the government for 5-year term. For his function and activity the Ombudsman is liable to the government.

## **Denmark**

In Denmark, there is a notable role of the Consumer Ombudsman. Comparing its role with the role of the Czech "Financial Ombudsman", which is also a public agency, we can find several similarities. However, the Danish institution benefits from its forty years of history and experience. While the Danish Ombudsman's role in the system of consumer protection is essential, Czech Financial Arbiter has so far been limited in its powers plays a rather complementary role in the regulatory system.

The Consumer Ombudsman (*Forbrugerombudsmanden*) is the key state actor in issues on consumer protection in the field of AFS. The Consumer Ombudsman deals with consumer complaints It can notify the police as well as take a case to court if financial agency does not comply with legislation concerning consumer protection, i.e. the Marketing Act. The consumer Ombudsman was first installed in 1974 and the employees in this office are typically lawyers. The Consumer Ombudsman him- or herself is appointed by the Ministry for Competition and Consumption, but the office is a politically independent entity. Consumer Ombudsman can under its supervision intervene with a loan provider's overall marketing, including any unfair contract terms.

The Danish Financial Services Authority (*Finanstilsynet*) is an authority under the Ministry of Business and Growth. FSA's main task is supervision of financial institutions: banks and

mortgage banks, insurance and pension funds, mutual funds, investment firms and stockbrokers as well as financial markets. FSA also supervises whether companies comply with consumer protection rules. Besides supervisory activities FSA contributes in the design of financial legislation and issues regulations in the financial field. It issues permission to run financial business and considers complaints from consumers of financial products, and has authority to order businesses and companies to comply with regulations, i.e. on APR information. FSA may also report a company to the police if rules are violated. Hence FSA is also an important actor in issues concerning consumer protection in the field. The FSA runs the free and objective consumer counselling web site on private economy and financial services.

The Consumer Affairs and Financial Intermediaries Division (*Kontor for Forbrugerspørgsmål og Finansielle formidlere*) under FSA is responsible for authorizing and carrying out full supervision of Insurance broker undertakings, insurance agents, investment advisors, payment service providers with restricted licence, E-money providers with restricted licence, and mortgage companies.

The Danish Competition and Consumer Authority (*Konkurrence- og Forbrugerstyrelsen*) is an authority under the Ministry of Business and Growth, which responsible for legislation in the field of consumers. The Danish Competition and Consumer Authority provides expertise to the Consumer Ombudsman and the Consumer Complaints Board.

The Consumer Complaints Board (*Forbrugerklagenævnet*) considers complaints from private consumers related to goods, work and services purchased from traders. The competition and consumer authority also runs the web based consumer council- and information-platform [www.forbrug.dk](http://www.forbrug.dk).

The Governance, Anti-money Laundering and Payment Services Division (*Kontor for Governance, Hvidvaskforebyggelse og Betalingstjenester*) is responsible for, among other acts, the Act on prevention of money laundering and financing of terrorism (Ministry of Business and Growth, 2013b), as well as rules on remuneration and requirements for the management of financial companies in the Financial Business Act (Ministry of Business and Growth, 2015a).

## **Spain**

Within the Spanish system is important not only the role of public institutions in general, but also the emphasis on regional governments.

Government is the highest authority within the Spanish financial system, currently developing its functions through the Ministry in charge of economy and competitiveness. Autonomous Communities have power not only in the financial sector but also in the regulatory field and in the supervision and control spheres, especially when it comes to credit unions and financial cooperatives. Before the Law 26/2013, of December 27, has been passed, Autonomous Communities had also competences in relation to savings banks; this circumstance changing once the law was passed.

In addition, credit institutions are subject to supervision, control and inspection by the Banco de España, which acts independently from the state administration. Finally, the Money Laundering Advisory and Monetary Infractions Committee, presided by the State Secretary for Economy, is the competent authority in the prevention of money laundering by any of the AFS institutions.

## 3.2. The Private Sector

### Czech Republic

Czech private actors in the field form a rather diverse group. Especially saving cooperatives have undergone a turbulent development. Bankruptcy of many of them, caused partly by the lack of regulation and consumer protection, has caused general distrust in the non-banking institutions (although many underprivileged citizens are forced to use them).

*Saving cooperatives* and *credit union cooperatives* are one of the most frequent types of actors providing AFS to citizens. They build on the membership fees and provide their services exclusively to their members. They usually attempt to differentiate themselves from traditional banking institutions as a grass-root and more favourable alternative (offering higher interest rates for savings and lower for loans than traditional banks). On the other hand, the steep rise of these type of actors has been also marked by the considerable number of their bankruptcies and frauds, and consequent legal proceedings. On the other hand, some of the most successful ones attempted to get a standard banking licence and quit the field of AFS.

Czech leasing and financial association (*Česká leasingová a finanční asociace*) was founded in 1991. It is an association of providers of lease purchases and other non-banking services (consumer's credits, factoring and others). It has more than 40 members and participates on the process of preparation of legislation related to non-banking service provision and to the status of its providers. It also helps its members to interpret and apply existing legislation. Association promotes Ethical codex of activity of its members and maintains a list of arbiters that decide on disputes related to non-banking financial services and products. Recently the association became a partner in the EC campaign on the protection of the rights of consumers related to credit requests.

*Association of providers of non-banking credits* (*Asociace poskytovatelů nebankovních úvěrů*) organizes the providers of short-term micro-credits. It aims at promote and maintain the rules of transparency and accountability and responsiveness towards the clients. Currently it consists of 6 organizations. The aim is a self-regulation of this segment of non-banking financial services and the protection of a reputation of this industry, and a protection of consumers. It also focuses on the education activities towards the public and aims at responsible money borrowing. It organizes workshops and provides the advices to indebted people, and participates in the process of legislation preparation, and implements rules against unfair practices.

*Association of credit union cooperatives* (*Asociace družstevních záložen*) was founded in 2001 as a voluntary association of saving banks and credit unions/cooperatives and other non-banking institutions providing credits. It aims at cooperation over the legislative regulation of the market. Currently the association has 6 members which is more than half of the sector of Czech cooperatives in the field.

COOP is a federation of regional and local grass-root cooperatives that run a grocery chain. Since 2013 these cooperatives started to provide also some financial and postal services, as they cover mainly the rural areas with low access to standard banking services.

### Denmark

In Denmark, there are four key types of private actors: these are the “standard” providers of consumption loans, bank-organized advisory organizations, alternative banks and P2P platforms and crowd-lending.

### ***Consumption loans and consultations:***

Several websites in Denmark offer quick loans. These are a couple of them. Common to all of them is that they provide loans to customers without evaluating customer's' financial situation. Consumers alone have to provide information of their name, age, cell phone number, identity number and bank account. The agreement is signed with the official electronic citizen identification code. The loans are carried out if consumers do not have a credit report in the RKI register. All quick-loan providers are subject to marketing legislation and financial legislation, which are regulated by the Consumer Ombudsman and the Danish FSA.

1. [www.vivus.dk](http://www.vivus.dk)
2. [www.ferratum.dk](http://www.ferratum.dk)
3. [www.kvikautomaten.dk](http://www.kvikautomaten.dk)
4. [www.udenombanken.dk](http://www.udenombanken.dk)  
is from 2014 and is a slightly different platform that provides contact between consumers who wish to lend money for buying a house and creditors in the form of mortgage brokers.
5. [Forsikningsguiden.dk](http://Forsikningsguiden.dk) (Insurance guide)  
is a web based platform initiated Insurance & Pension (trade association) and The Consumer Council. Here citizens can seek information on insurances available. The aim is to create transparency in the insurance market and thereby help consumers to choose the right insurance at the best price.
6. [Pengepriser.dk](http://Pengepriser.dk) (Money prices)  
is initiated by The Danish Bankers Association and The Consumer Council providing information on prices on products and banking services in Danish banks.

### ***Alternative banks***

In Denmark there is a long tradition for banks that choose to pursue a different financial strategy than regular stock banks. The alternative banks are typically cooperative banks, where customers are also the owners. Alternative banks are all subject to the regular legislation and regulation of money institutes. The different activities that they pursue are initiated on the bank's own initiatives, and are in accordance with all regulative legislation. The alternative elements in these banks are that they aim at providing alternative practices in terms of i.e. less speculation, lower interest rates and no stakeholders.

JAK is a movement that goes back to the 1930. JAK stands for Soil, Work and Capital. The idea behind the movement is to develop a bank system of the people, which is not governed by the state. The aim is to establish local self-governed bank-cooperatives supporting local society well-being. JAK has since 1930'ies worked to inform people on the interest-free society as well as providing the practical functions to promote that purpose through alternative banks.

Andelskassen JAK goes back to the 1930s and is a cooperative bank. The bank is divided into interest-free and interest-bearing department. Both departments work as an ordinary bank where the money can be put into, borrowed and raised. In the interest-free department

interest-free deposits allow customers to take up interest-free loans (though there is a fee on 3,5-5% per year for administration contributions).

Folkesparekassen also builds on the same ideas of an interest-free monetary system, like Andelskassen JAK and is also part of the JAK cooperatives' union. It is an alternative savings bank and has no shareholders. The aim is not to make profit but to develop a community with access to transparent banking services.

Oikos is a cooperative bank with a focus on improving the lives of poor people. Started in 1994 to lend money to the world's poor after inspiration from Germany, where there is church banks, working with the eradication of poverty. Oikos is also part of the JAK cooperatives' union.

Coop is a grocery chain that in supplement to grocery enterprise has run a bank since 2013. To become a client in Coop Bank customers have to be member of Coop, an association of Coop enterprise, Coop grocery stores and Coop Bank.

Merkur was established in 1982 and is a cooperative bank combining classical banking funded through deposits with lending criteria that include environmental and social aspects in addition to financial considerations.

### ***Peer-to-peer services and Crowd-lending:***

www.trustbuddy.dk is a platform providing contact between borrowers (regular consumer or small companies) and lenders. The loans are short term. All peer-to-peer companies are subject to financial legislation and marketing legislation.

Lendino is a platform from 2013 where companies can be put in contact with private. Companies can apply for loans from 50.000 kr. A company must have at least two years' accounts and a good credit history in order to be considered for a loan. All crowdfunding which by the FSA are considered to be Alternative Investment Funds (AIF), must obtain authorization from the FSA to market themselves to professional investors.

## **Spain**

### ***Incumbents***

The Spanish banking system has been traditionally formed by commercial banks, including savings banks, and credit unions and financial cooperatives. They differ from each other in terms of legal form, although they carry out the same activities and are subject to the same supervision rules (with the exception of credit unions and financial cooperatives, which are additionally subject to Autonomous Communities regulation). In particular:

Commercial banks. Banks operating in Spain are established under the public limited company form. Historically savings banks had a peculiar legal nature as foundational institutions. Performing the same activity, their overstock was allocated to social purposes in compliance with their social function. Savings banks have assumed a traditional and retail-based banking model, hugely contributing to the access to credit of families and SMEs and improving social services from the local sphere. However, after new legislation passed (Law 26/2013), only two of the 45 savings banks existing in Spain in 2010 are merely surviving, the rest being settled in commercial banking groups via mergers or acquisitions. As a result, financial activities are totally separated from charitable work, transforming savings banks into banking foundations or

regular foundations depending on the level of participation and control exercised over the credit institution by shareholders.

Credit unions and financial cooperatives. Credit unions and financial cooperatives are companies with an operating capacity much similar to commercial banks and savings banks. Yet, they should preferably take care of their members' needs and, precisely because of that, the whole of the transactions with third parties cannot surpass 50% of the total resources. Dual-character –such as cooperatives and credit institutions- imply dual administrative dependence: On the one hand from the General Directorate of Cooperatives of the Ministry in charge of employment and social security and on the other, from the Banco de España and the Ministry in charge of economy and competitiveness. Given that credit unions and financial cooperatives are based on defined territories outside of which they cannot operate, they are equally subject to the statutes of autonomy of the Autonomous Communities where they operate.

Financial credit establishments (FCEs). These entities cannot take public deposits and therefore, do not need to be attached to the deposit guarantee fund. Since the adoption of a new law (Law 5/2015), any company working in credit, factoring, leasing to own, granting bank guarantee and granting reverse mortgage can incorporate as a FCE. Being no longer considered as credit institutions, FCEs are submitted to the same supervisory framework.

### ***Emerging providers and challengers***

Two groups of entities are identified in this category. First, emerging providers operating in the edges of the AFS traditional offer with more relaxed regulations: Shadowbanking, crowdfunding and microfinance providers. Secondly, economic actors with a new sense of a participatory financing system with high community involvement: ethical banks. In particular:

Shadow banking. Non-banking professionals and organizations are emerging as an alternative these days. Generically speaking, this sector contributes to diversify risks and channel resources towards funding specific needs. However, this is not risk-free since they are evading regulations and control of the traditional banking system, either the Banco de España or specific supervisors. Guardianship nevertheless, is assigned to consumption departments of Autonomous Communities under the competence of the Ministry in charge of health, social services and equality, and registered in the State Register of Companies (RD 106/2011) in addition to the registers established in the Autonomous Communities.

Crowdfunding platforms. Crowdfunding digital platforms based on a financial component have been recently regulated (Law 5/2015). These platforms should take the form of capital firms and fulfil certain authorization and registration requirements by the Comisión Nacional del Mercado de Valores (CNMV, which supervises the stock markets and the activities of the participants). Additionally, their regular activity is subject to regulation on the protection of users and consumers, falling under the umbrella of control and supervision of the CNMV thus, not linked to any deposit guarantee fund. Either the Ministry in charge of economy and competitiveness or CNMV shall authorize the services to be provided.

Microfinance providers. Small loans granted to disadvantaged sectors of the population at risk of social and financial exclusion, without access to the conventional financing system due to the lack of guarantees. Microfinance allows people launching small businesses or microenterprises to create self-employment and, as a result, wealth.

Ethical banks. These are financial intermediaries subject to the supervision of the Banco de España in terms of transparency and liquidity; main goals relating to funding projects based on their economic, environmental and social impact. Ethical banks usually adopt the form of cooperatives or non-profit associations, depending on the voting rights of social capital participation or on the amount of assets with respect to the total issued.

### **3.3. Third Sector**

#### **Czech Republic**

Non-profit organizations in the Czech particularly important advocacy work. All the mentioned are well known and respected by the general public. Some of them are really popular, as the activities aiming at traditional banks (absurd fees, potential bank changing).

Association for the Consumers' Defence (Sdružení obrany spotřebitelů) is a non-profit that was founded in 2003 and currently operates nationwide. It is a member of Consumer Advisory Committee (a platform coordinated by the Ministry of Industry and Trade aiming at dialogue between the public institutions, business organizations and the consumer protection NGOs in the area of consumer policies). It actively engages in the process of legislation on the area.

Association of Czech Consumers (Sdružení českých spotřebitelů) was founded in 1990 and it is the oldest NGO in the field. Its primary resources are public ones (which is typical for a large part of the Czech non-profit organizations; in this case, the public financial support can be understood as an expression of the preferences of the state). It provides mainly the consultation and advisory services for consumers, and organizes public lectures on financial education and risky loans. It has branches all over the country. It is involved in numerous committees on the regional and local level, and cooperates both with public institution (as a member of Consumer Advisory Committee) and also with the Association of Financial Intermediaries and Financial Advisers of Czech Republic (as a member of its ethical committee).

Association of Civil Advisory Centres (Association of Civil Advisory Centres) was founded in 1997 with the aim to develop a network of advisory centres. It coordinates 37 advisory centres in 74 Czech towns and cities. It primarily focuses on the people in difficult social situations. It is a member of Consumer Advisory Committee and provides advisory services in the area of finances. At the moment it focuses on the advisory services related to indebted people and on consumers' protection and aims at raising the financial literacy and awareness of consumers' rights. It cooperates both with public and private organizations.

Debt Advisory Center (Debt Advisory Center) was founded in 2007 and has 9 branches in the Czech Republic. It was founded by the Association of Czech Consumers and Česká spořitelna (Czech branch of Erste Bank). It cooperates with other banking institutions, foundations and universities. It organizes lectures and training and help consumers with legal aspects of heavy indebtedness.

Banking fees is the web portal providing users with detailed information and comparison of various banking fees and transaction costs, organizes popular voting on the "most absurd banking fee", and provides useful information and references related to the field. It defines itself as "the online ombudsman for bank clients"

## Denmark

As well as the key public agency (Financial ombudsman), also an important third sector consumer protection actor can benefit from its long history. Noteworthy are the activities promoting freedom to choose and change banking institutions (here we can find some similarities with some Czech NGOs in the field).

The Consumer Council (*Forbrugerrådet Tænk*) is an independent membership-based consumer organization providing advice and guidance on consumer rights in all fields of consumption and promoting consumer interests. The Council is a private organization and does not deal with complaints. The Danish Consumer Council is a membership-based NGO. The Consumer Council offers free and impartial advice for people with low income or in deep debt. Volunteers undertake the counselling activities. The Consumer Council is a very important actor in the field of consumer protection and the council is pursuing consumers' interests by engaging in debates and consumer policy. The council has a long tradition for consumer protection in general and is also specialized in consumer protection in the financial field.

The Consumer Council and The Social Legal Counsellors (*Den sociale retshjælp*) help consumers managing their debts. Volunteer organizations as Mothers' Help, Legal Help and the social enterprise Gældskompagniet (Debt Company) also help consumers manage debts and negotiate with creditors.

Skift bank dag (change bank day) is a movement that focuses on the role of banks in society. The movement encourages Danish bank customers to change bank. Change Bank Day is also the name of the date on which the movement for the first time called on bank customers in Denmark to switch banks.

mybanker.dk, a web page whereby a bank change can be facilitated and where consumers can debate in a debate forum and ask questions relate to banks and financial services.

Danish Shareholders Association is a membership-based non-profit consumer political interest group whose purpose is to support shareholders and pension savers and improve their conditions.

Gode Penge (positive money) is a membership organization working for a reform of the monetary system. Gode penge is member of the International Movement for Monetary Reform.

## Spain

### ***Networks of social economy entities and formal and informal networks of consumers and prosumers***

Under this umbrella we refer both to (1) AFS supply side, i.e. social economy or third sector initiatives, and other more or less formal groups and civic initiatives in the field of AFS, namely social economy entities (cooperatives, associations, etc.) providing alternative financial services (e.g. crowdlending, retirement housing cooperatives) and mainly belonging to the "solidarity economy" network; and (2) AFS demand side, mainly consumerist associations providing protection, training, complaint, information and advocacy services to consumers; PAH, the national platform that brings together those facing difficulties with their mortgages payment, involved in eviction processes, and sympathizers with their cause; and different associations, platforms and groups of consumers of perpetual preferred shares. Many of these

actors are “challengers” because they network to challenge the existing financial system and frequently mix direct provision or endorsement of AFS with advocating the rights of consumers of financial services.

Particularly, from the supply side, several organizations attempt to foster a change in the economic and financial model as one of their goals. We can highlight the following entities:

**Reas – Red de Redes de Economía Alternativa y Solidaria** ([http://www.economiasolidaria.org/red\\_redes](http://www.economiasolidaria.org/red_redes)). Reas is a non-profit organization created in 1995 whose scope of activities includes the whole Spanish territory, comprised of more than 300 entities. One of its areas of activity is related to financial activities and microcredits, in order to develop self-employment initiatives and promote solidarity economy. It is part of RIPESS (Intercontinental Network for the Promotion of Social Solidarity Economy).

**Setem – Finanzas éticas** (<http://finanzaseticas.org/finanzas-eticas/>). It was created in 1968 as a federation comprised of 10 non-profit organizations for international solidarity. Its main areas of activity include awareness and education by means of courses, workshops, publications, and campaigns; promotion of fair trade alternatives through campaigns, programs, and product sales; and solidarity through exchanges and cooperation activities. Setem promotes and disseminates ethical banking and alternative financial services initiatives.

**FETS – Financiación Ética y Solidaria** (<http://www.bancaetica.cat/es/fets.php>). It is an association created in 1999 and comprised of non-profit organizations and social and solidarity economy entities. Its goals are to raise awareness about the ethical use of money, promote those organizations that provide ethical financial instruments in Catalonia, dialogue with public administrations and other social actors, provide services that open new ways for social action, and promote an alternative financial entity in Catalonia aligned with the basic principles of ethical banking.

**Red de Finanzas Alternativas y Solidarias** (<http://www.abamerida.org/2015/02/red-estatal-de-finanzas-alternativas-y.html>). It is a national association founded in 2015. It aims to coordinate the network of local alternative/solidarity finance and coordinate the possibilities and limits of shadow banking in the context of ethical financing and its links and synergies with other ethical financing initiatives. More specifically, this association shall support the development in Spain of FIARE Ethical Bank and it will promote awareness in society about ethical and responsible saving alternatives in collaboration with the cooperative BANCA POPOLARE ÉTICA- Società Cooperativa per Azioni in the activities helping to consolidate an ethical banking system in Spain.

From the demand side, we can include those organizations that attempt to defend the interests of people affected by practices and activities of financial institutions. Thus, in addition to well-known entities such as the traditional national consumerist associations such as ADICAE (“Asociación de Impositores y Usuarios de Bancos y Cajas de Ahorro”), AUSBANC (“Asociación de Usuarios de Servicios Bancarios”), FACUA-Consumidores en Acción (member of Consumers International), OCU (“Organización de Consumidores y Usuarios”), and even AHE (Spanish mortgage association), other organizations have emerged during the last few years focused on the particular problems derived from unethical activities and behaviour of financial entities. This is the case of PAH (“Plataforma de Afectados por la Hipoteca”), its main activities being related to stopping evictions and advocating the devolution of real estate properties in lieu of

payment of mortgages. It is also possible to include here different associations, platforms and groups of consumers of perpetual preferred shares, which are organized around local communities and/or the savings bank with which affected consumers have contracted the specific product.

### **3.4. Commonalities and Differences Among Actors**

The state is regulating and protecting consumers' interest in all three countries. While its role in the case of the Czech Republic and Denmark is rather centralized, the regional governments have much more influence in the Spanish case. The central banks that regulate the environment of financial services are important in the AFS field in case of the Czech Republic and Spain, while the institution of ombudsman is present in the Czech Republic and Denmark. The most detailed and complex public control of the field may be probably identified in Denmark with its rich web of public bodies and organizations.

The private sector differs significantly across the three countries. It consists of three different classes of actors. These are, first, commercial providers (short-loans providers, consumer's credit providers), cooperatives and alternative banks (COOP), and citizens' and grass-root initiatives and groups. While the first and second type are present in all countries, the third one is represented mainly in Spain. Generally, there is a significant portion of cooperatives and alternative banks in Spain and Denmark, but these are only weakly established in the Czech context, which is dominated by commercial actors. This means that the nature of the AFS providers differ significantly in all countries - while there are some close connections and cooperations between the AFS providers and the third sector in Denmark and Spain, the relations between the non-profit sector and AFS providers in the Czech context are more contentious or reserved (even if this does not apply generally to all actors).

The third sector organizations play two major roles in the field. First, they provide citizens with advocacy activities and services aiming at improving their situation vis-a-vis the market, and they usually cooperate with the state in this regard. This is typical for Danish and Czech third sectors - on the one hand, there are counselling services, lectures and financial education as a services provided by the NGOs. On the other hand, there are advocacy activities of NGOs aiming at the change of legislation, watchdogs of commercial organizations and promoting the rights of citizens. These two functions are demonstrated to a high level here. The second major role of the third sector is the provision of alternative financial services. While in the Czech Republic and Denmark this function is limited rather to established NGOs, in Spain the landscape is much more dynamic and marked by more significant presence of less institutionalized entities that connect in the networks of social economy entities and formal and informal networks of consumers and prosumers.

#### **3.4.1. Actor-Interest**

Following the aforementioned characteristics of public, private and non-profit actors, several types of interests may be identified. Typically, two types of interests arise in the public institutions. First, the state aims at *controlling* the field and *monitoring* the changes that take place there. Generally the purpose here is to prevent any massive social and political unrest resulting from social degradation of large part of population in a globalized world due to their financial illiteracy, indebtedness and resulting low social standards. In some cases state delegates its power to regional governments (Spain) or to central banks (Spain, Czech Republic, Denmark). Second, the state is pushed to *protect* the consumers-citizens-voters directly against

the particular unfair practices, whether traditional banking institutions or AFS, by the citizens themselves or NGOs. Here the state consults the citizens and NGOs and attempt to adjust its regulatory power, and thus increases its legitimacy in the field.

Another key type of interest in the field is connected to commercial subjects here. Often the primary mission of the commercial subjects is to gain a financial *profit* by providing high-interest loans and consumer credits to the citizens that would not reach the standard banking products. At the same time, the motive of profit is not exclusively related to commercial (stock) firms and multinationals, but also to cooperatives, ethical banks and social enterprises that work in the area. The profit is important here, however it is not the only interest here. The idea of *social sustainability* and fair financial practices often plays an equally important role.

Finally, two broad types of interests are usually associated with the nonprofit sector. The first one is to *improve the situation of the citizens* hit by the unfair AFS or in a situation where they could become a prey of these practices. Here the NGOs aim at advisory activities, counselling, reviewing the existing AFS and rising the financial literacy of the most vulnerable social groups. There are also actors focusing on legal counselling or financial help after the citizens already experience any problems related to AFS. Second, there are also advocacy nonprofits aiming at broader changes in the field that usually aims at *more intensive regulation* of AFS from the part of the state on the one hand, but also at *promotion of alternative banking systems* based on cooperative and ethical principles.

#### 3.4.2. Actor-resources

Actors in the field use various resources - most importantly the economic or social ones. State organizations are typically funded from the state budget, some of the activities of national public institutions use different type of public resources - EU funds (ESF) as they run projects related e.g. to the increase of financial literacy of citizens and students etc. State institutions have a large amount of social trust in the country - they are usually regarded (also by the media) as the ultimate guardian of the fair business practices and rights of citizens-consumers. At the same time, it is the major player in the field of AFS which attracts the other collective actors - business and non-profit ones.

The commercial actors are typically dependent on their commercial revenues from lending and investing their resources, but they operate with more type of material resources - cooperatives are often based also on membership fees of its members, donations etc. The social capital of commercial actors in AFS differ significantly. In the Czech media, the whole issue of cooperatives related to AFS is often treated with suspicion as there are many recent scandals. As mentioned before, the social climate for these actors is not very favourable and the successful ones attempt to get banking licence and transform themselves. The situation was radically different both in Spain and Denmark. In Spain the massive shakes of Great Recession and consequent crisis of political institutions worsened the image of traditional banks thus offering a significant opportunity for AFS and their providers, and the very same crisis combined with the Danish strong tradition of AFS led to similar (even if somewhat less radical) outcome.

Finally, the non-profits operating in the field are often funded from non-commercial revenues. These are public resources (support from state, public projects) or individual contributions (membership fees and charges). The non-profits generally enjoys high social capital and some

of them are invited both by the state and by the commercial actors to be part of their platforms and associations (usually as members of various ethical committees or boards). Usually this is motivated by the increase of the legitimacy of these actors in the eyes of citizens/consumers. Special cases of resources in the non-profit sectors are crowd-lending and crowd-funding initiatives that rely only on the coordination of resources among individuals.

## 4. Field Structure

### Czech Republic

The policymakers in the CR realize that AFS represent quickly evolving alternative to the traditional banking system. This is why they attempt to follow problems in this field and regulate the legislation also within the scope of EU directives. The most important problem at the moment is the regulation and control over the non-banking credits and loans which are the dominant type of service offered in the field. There are about 50,000 service providers in the area, sometimes using inadequately high interest rates and unfair advertising and commercial practices. Ministry of finance is therefore preparing a legislation that would reduce the number of actors in the field and regulate it better.

The contemporary structure of the field is as follows. Firstly, there are the *regulating institutions*. Ministry of Industry and Trade (preparing consumer policy and legislation, run agencies controlling the field), Ministry of Finance (consumer protection in finance and its legislation, financial literacy) and Czech National Bank (issuing sub-legal directives in the field). The actual agenda in the field suggests that there should be a shift to some supervisory competences from ministries towards the Central Bank as it already controls the banking system.

*Instruments of control* are present both in the form of *public instruments of control* and *non-public instruments of control*. Among the public ones we can find Czech Trade Inspection Authority (supervision over the financial products in the field - leasing companies, mortgage advisors, etc. - only to the extent to which no traditional financial services are provided by the actor), Czech National Bank (supervises the legal obligations of the service providers, checks the complaints of the consumers), Bureaus of Commerce (provide AFS actors with licences and permissions to operate). *Non-public instruments of control* have the form of various TSO, very often cooperating with both state and commercial actors.

On the other hand, as *objects of control* there are private actors (e.g. commercial firms, cooperatives). As other important elements of the system, the *institutes for dispute settlement* shall be mentioned. Financial Ombudsman (non-court settlement, only the disputes initiated by the consumer, results are executed as in the case of court proceeding), Courts (may take decision in every disputes in contrary to the Ombudsman, are often time and money consuming) and arbiters (fast and effective way of dealing with disputes - must be contained in the contract between the consumer and provider).

In the context of consumer protection there are some crucial legal norms regulating the field. Essential is the Civil Code (2012). This law represents the basics of private law protection of consumers. It contains e.g. the definition of a consumer and entrepreneur, consumer contract, duty of information or the right to back out of the contract. In the Czech environment, this is the most fundamental change of this law since 1964. New Civil Code strengthens the role of

consumers in relation to financial services providers, redefines consumer rights and expands the obligations to inform consumers.

Law on consumer protection (1992) represents the basic law of public law protection of the consumer. It sets the basic requirements and obligations on the entrepreneurs (duty of information provision, ban on consumer discrimination, unfair treatment of consumer etc.), formulates the tasks of public administration in the field, and enumerates entitlements of the consumers including their right to associate in order to promote their demands.

Law on consumer credit (2010). This law regulates certain rights and obligations relating to consumer credit, such as: information obligation, supervising authorities, or calculation of the annual percentage rate charged on a consumer credit. That's why it is an important act in relation to our purpose.

We shall also mention the Law on credit unions (1995) governing some relationships related to the incorporation, business activities, and termination of the legal existence of credit unions. This Act shall also govern supervision of credit unions performed by the Czech National Bank and insurance of deposits in credit unions.

There are also three specific laws that are important in the field. Law on foreign exchange activities (2013) includes comprehensive rules for foreign exchange activities, both public conditions for conducting this activity, as well as adjust civil relationships. Law on payments (2002) focuses on consumer protection and regulation of payment systems. And finally, law on skilled trades (1991) establishes the conditions for granting authorization for the provision or mediation of consumer credit and also provides for certain obligations on operators of pawnshops.

## **Denmark**

Policymakers seem to see AFS as a threat to consumer safety, as all policy and legislation aim at improving consumer protection by limitation of marketing and increase information on credit conditions. This is enforced partly by the "Marketing Practices Act" (Lov om markedsføring) that regulates misleading and unfair marketing, advertising identification, and prize contests, pricing information and invitations to purchase (Ministry of Business and Finance, 2013c), and partly by the "Law on credit agreements" (Lov om kreditaftler) that appoints demanded levels of information in credit agreements (Ministry of Justice, 2014). The "Law on Financial Business" (Lov om finansiel virksomhed) regulates misleading and unfair marketing specifically in the field of financial businesses (Ministry of Business and Growth, 2015a).

Moreover the "Law on consumer contracts" (Lov om forbrugeraftaler) protects citizens when they engage in a credit agreement over a long distance (i.e. online) by regulating consumers' right to cancel agreements, as well as what information the provider of a financial product must supply (Ministry of Justice, 2013). The prevailing focus regarding consumer protection in the field of alternative financial services is thus on avoiding that consumers are lured into loans which are much more expensive than what is clear from marketing. Hence policy discusses needs for further regulation and legislation on interest rates and on information and registration.

Another important piece of legislation is the "Order on good practice for financial undertakings" (Bekendtgørelse om god skik for finansielle virksomheder), that enacts

supervision of financial institutions such as banks, insurance companies and mortgage companies by the Danish Financial Services Authority (FSA). The financial institutions are obliged by this law to meet a number of rules that protect consumers' rights and conditions. For example, it follows the rules of "good practice" that financial institutions must act honestly and in good faith to their customers. (Ministry of Business and Growth, 2013a).

The main issue in policy regarding consumer protection in relation to AFS is APR (Annual Percentage Rate). An expert in the field explains that when the APR is not regulated, creditors do not have to evaluate debtors' creditworthiness, because the losses that stem from debtors who are unable to repay their debts are reimbursed by high interest rates, and hence high APR. An upper limit would thus install the necessity of evaluating debtors as well as preventing interest rates from being unreasonable high. The expert finds that in regard to market competition such a law would weaken the market.

Today information on APR has to be clear in all credit agreements, but the size of interest rates and other expenses is not regulated. In 2014 the Consumer Ombudsman issued guidelines for short-term loans, i.e. quick loans. The guidelines are applicable on all loans that are agreed on at distance (on the internet) and are to be reimbursed within 3 months. The guidelines inform creditors and debtors on consumer protection rules concerning marketing of quick loans, and the guidelines also put forward that consumers must be informed on APR in relation to short-term loans (Danish Consumer Ombudsman, 2014). The publication of these new guidelines is a response to the rising number of young people who obtain quick loans without being able to pay them back.

In 2014 the Danish Competition and Consumer Authority initiated an investigation of the quick-loan market in order to produce an overview of the field. The investigation, which is still being conducted, will look into the access to quick loans and into which situations normally cause consumers to obtain the loans. In the press release the Danish Competition and Consumer Authority states that the quick loan market generated sales for 100 million DKK (Consumer and Competition Authority, 2014).

In the field of peer-to-peer lending and crowd-lending the Danish FSA recently published a brief informing about the relation between financial regulation and the new forms of alternative financial investment: crowdfunding and peer-to-peer lending/borrowing. The legislation and regulation of this field is extensive, as such enterprises are subjects to laws on financial enterprise. The focus in legislation is not directly aimed at consumer protection or alternative financial services, but on financial stability and on securing investors by making sure that the enterprises that they invest in have adequate solvency (Danish FSA, 2013). Hence these alternative financial services are subject to regular financial legislation and have not resulted in further legislation.

## **Spain**

At the present time, the Government sees that it is essential to promote the access to credit for families and SMEs. The Government is committed to foster the emerging forms of financing (like crowdfunding platforms) because they are perceived as an important opportunity for development and they have to be appropriately regulated. In this context measures have been implemented to promote the emerging forms of financing and to improve risk management while preventing money laundering (see Law 5/2015; RD 304/2014).

Spanish political and economic authorities are aware that there is a need for protection of the most vulnerable customers because they are suffering economic crisis the most. That is why some recent measures have been taken to raise trust and to reduce the risk of insolvency of individuals and families at particular risk of exclusion, like mortgage debtors without resources or evicted families (see Law 1/2013; RD-Law 1/2015)RD-Law 6/2012; RD-Law 6/2013; RD-Law 27/2012).

Some Spanish micro-credit providers from shadow banking have created in the year 2013 the Spanish Association of Micro-credit and they have endorsed a code of good practice. This code constitutes a self-regulation initiative and a protective frame for customers. This type of action reveals a commitment to transparency and proper management in the sector.

#### **4.1. Commonalities and Differences**

Even if the structures of the field are quite similar in all countries, some differences might be identified. First of all, the field has been changing quickly in the Spanish case because of the recession. While in the Czech Republic and Denmark the government is rather trying to implement much stricter framework of regulation of the AFS - often in relation to some recent negative cases or even scandals and with explicit aim of downsizing the field and making it more transparent and controllable - the Spanish case is much more encouraging different forms of AFS to fill in the space left out by the traditional banking system after it was hit by the crisis. Even if there is an emphasis on the protection of consumers from the potential threats of AFS, the general tendencies are much more positive towards the field regulation than in other two countries. Second, the Czech case is specific in relation to the extent to which the field has arisen and has been unregulated for a long time after 1989 as a consequence of quick economic and political deregulation after the establishment of liberal free-market ideology. In comparison to that, both Spain and Denmark has developed a much more refined and rather slowly transforming system of division of roles in the field related to control and monitoring that matches their socio-political traditions where AFS has its place.

### **5. Changes within the last ten years**

#### **Czech Republic**

Czech financial and banking market has belonged for about fifteen years to those less regulated. This is reflected, for example, a series of bankruptcies of cooperative banks. One of the consequences of insufficient regulation of the market is significantly inferior position of consumers in relation to both bank and non-bank institutions. Most of the changes within the last ten years arise from these specifics.

The most important change in the Czech AFS was related to the accession to the EU in 2004. And the most significant changes related to that is the attribution of a part of a supervision to Czech Central Bank (2006).

In 2011 a new law became effective on consumer credit that raised the information duty of the providers and brokers and strengthen the role of the consumer (e.g. the option of stepping down from the contract in the first 14 days without any reason).

In 2013 a financial arbiter was introduced which represents a system of contact bureaus where advices and consultations are provided free of charge for consumers. also a new law on exchanges offices was passed in the same year, again aiming at the strengthening of the role of

the consumer/customer and focusing on the provision of the certain amount of information on the transactions.

In 2014, a new Civil Code was issued that brought many changes into the field, further strengthening the position of the consumer (again related to the information duties of the provider etc.). During the same year a new law on credit union and saving cooperatives was passed which aims at the stabilization of the field that was hit by the series of bankruptcies.

The last important change took place in March 2015 when government approved a new law on the consumer protection, implementing an extra-court proceedings of consumer disputes and broadens the role of Czech Trade Inspection Authority in its fight against the unfair trade practices.

## **Denmark**

The main political and legal norms regulating AFS stem from a wish to protect consumers when engaging in internet or mobile phone based loans. Little concern has been given to platforms mediating peer-to-peer lending and crowd-lending, and there is not a strong focus on protecting consumers in these cases.

Issues regarding consumer protection in relation to alternative consumption loans have been a political subject the last 10 years.

In 2005 Danish FSA presented several initiatives to investigate the political strategic initiatives to improve consumer protection in the financial field. FSA wanted to evaluate concrete legislation and initiatives regarding rules on consumption in the financial field, supervision of good practice in financial enterprises and on information levels, fees and transparency (Danish FSA, 2005).

In 2008 the Danish Parliament presented a bill on prohibition of SMS-loans, but it was not passed (Danish Parliament, 2010).

In 2010 the Danish government strengthened the focus on consumer protection in alternative financial services such as SMS-loans. It was put forward that the “grey” lending market, i.e. suppliers of SMS-loans, operated with unreasonably high interest rates. The government therefore wanted to provide the legal framework that would make sure that consumers are provided with adequate information to make informed choices. This was put forward on basis of analyses made by the Consumer Ombudsman, which suggested that debtors should be able get cuts on interest rates if the creditor had not provided the adequate information (Danish Government, 2010).

The Danish Credit Agreement Act (Ministry of Justice, 2014) was merged in 2010 in order to include consumer issues in relation to lending and credit. The government merged the act on the backdrop of an EU directive (2008/48/EF). The law enacts that when engaging in an agreement of credit with a consumer any creditor is obliged to meet certain demands for information on the financial product. This means that the credit agreement contract has to inform the consumer on the Annual Percentage Rate (APR) and interest rates as well as all future credit costs. The act also imposes that creditors evaluate of debtors’ creditworthiness. The Credit Agreement Act does not cover all credit agreements, and hence there were some credit agreements that were not regulated in terms of the Credit Agreement Act. These are the

credit agreements which are for example fee- and interest-free as well as loans with a loan term under three months (Ministry of Justice, 2014). Hence credit agreements with a loan term under three month were not obliged to inform consumers on the interest rates in terms of the APR or to evaluate consumer's' credit worthiness.

Since 2010 consumers have obtained quick-loans (with a loan term under three month) more and more frequently. In 2013 the number of obtained quick-loans was more than doubled from 2010 levels. Thus an ongoing political discussion has been considering two things; prohibiting quick-loans with very high APR or installing an upper limit for the APR on all loans. The discussion is motivated by a need for protecting young people, who are the primary consumers of quick-loans, because more and more young debtors fail to pay back the debts with high interest rates. The government has not enacted an upper limit for loan prices, but in 2012 the government took initiative to install an appeal board, where consumers can complain about loans with high APR (Danish Government, 2012). The appeal board has been launched in 2015.

## Spain

Important changes have been brought about in the Spanish financial system in the last 10 years. These changes, that have affected the supply/demand of AFS, can be structured around the following core issues:

- *Legislation on consumer protection in AFS has been strengthened*

Two phenomena deeply linked to AFS have expanded considerably in Spain over the past few years: the services of credit intermediation (used to consolidate the families' debt) and the granting of loans and mortgages by companies that are not financial institutions. These activities did not have specific regulatory standards, but they were subject to the general consumer protection legislation instead. That's why the Government has felt the need to provide specific protection thus, passing specific legislation (see Law 2/2009; RD 106/2011). Something similar has happened to consumer microcredits. These microcredits have emerged and developed significantly outside the traditional financial services in the last few years. Government was keenly aware of the need for reinforcing the protection of consumer credit agreements (see Law 16/2011).

- *Legislation incorporating the impact of new ICTs on financial services, including alternative ones, has been passed*

The expert from the supervising authority (the Banco de España, Spain's central bank) emphasizes that the main changes in financial services over the past ten years are related to the development of new communication and information technologies (ICTs) (many doubts arising about new risks) and to the methods of payment. For this reason, legislation on distance marketing of consumer financial services (which relates directly to AFS providers) was adopted (see Law 22/ 2007).

- *Financial activity of savings banks, traditional AFS providers, has been segregated and separately regulated from its social activity*

Until their recent dismantling, Spanish savings banks used to be a pillar of the third sector, as financial entities of foundational nature often with their own instrumental foundations dedicated to manage social action. Before the crisis some mergers have taken place in the

savings banks sector however, the significant current transformation is a consequence of the crisis and of previous mismanagement. The major restructuring of the banking sector started in 2010, with the adoption of legislation to guarantee the viability of the sector and increase transparency in banking governance and credit operations (RD-Law 11/2010). It has affected mostly savings banks, their social action initiatives and their foundations. Subsequent legislation passed in 2013 however, meant that financial activity of savings banks was completely separated from the “social action” and the savings banks became foundations (see Law 26/2013). As a consequence of this new legislation the number of entities, branches and employees has been significantly reduced, limits have been legally imposed on their financial activity and governance, and banking foundations resulting from the restructuring have experienced dramatic reductions in their budgets. In fact many of the savings banks services have disappeared.

- *Legislation related to AFS providers and products has been passed*

At the present time, the Government sees that it is essential to promote the access to credit for families and SMEs. The Government is committed to foster the emerging forms of financing (like crowdfunding platforms) because they are perceived as an important opportunity for development and they have to be appropriately regulated. In this context measures have been implemented to promote the emerging forms of financing and to improve risk management, namely the passing of legislation regulating some new forms of financing and also encourages the use of direct sources of funding (Law 5/2015), and aimed at the prevention of money laundering and the fight against terrorist financing, which establishes preventive measures to improve transparency and reduce the risk of inappropriate use of funding sources (RD-Law 304/2014).

- *Legislation to protect vulnerable consumers of financial services has been passed*

Spanish political and economic authorities are aware that there is a need for protection of the most vulnerable customers because they are suffering economic crisis the most. Accordingly some recent measures have been passed in order to develop good practice (RD-Law 6/2012) and to protect debtors and evicted families (RD-Law 27/2012; RD-Law 6/2013; Law 1/2013). Additionally a second opportunity for debtors in bankruptcy is fostered (RD-Law 1/2015).

- *Self-regulation initiatives in AFS have been taken*

Some Spanish micro-credit providers from shadow banking have created in the year 2013 the Spanish Association of Micro-credit and they have endorsed a code of good practice. This code constitutes a self-regulation initiative and a protective frame for customers. This type of action reveals a commitment to transparency and proper management in the sector.

## **5.1. Commonalities and Differences**

As mentioned above, we may observe several similar but also different tendencies in the three countries. First, all of the countries aim at more detailed and more extensive regulation of the field, for several reasons - because of new technologies available in the field (internet, mobile devices - Denmark), because of the existing unfair practices (Czech Republic, Spain), appearance of new social trends in the field that need to be codified (Spain) or just the lack of

regulation because of the naive liberal perspective on the self-regulating market (Czech Republic). On the other hand, there are also important differences in the processes: re-configuration of basic institutional setting of the field took place in the Czech case, while Denmark rather sought to incorporate more sophisticated tools of regulation of AFS practices. At the same time, most progress took place in Spain, which was related to the extensive codification of new forms of AFS that appeared and treated them not only in restrictive but also in an innovative and supportive manner.

## **6. Connections to other Fields**

### **6.1. Connections to the field of “national state”**

The field of AFS is a non-state niche quickly emerging within a state field (as financial services in general are highly and increasingly regulated and supervised by national and European public authorities). Public institutions have the power to make decisions, supervise, control and inspect providers. They are perceived as working in cooperation to solve the delicate situation of retail consumers affected by preferred shares and/or ground-clauses. From the perspective of policy makers and in a context of (social) innovation objectives, AFS are seen as either new financial tools necessary to fund business innovation and increase private investments in innovation, or alternatively, as socially responsible tools necessary to foster social inclusion of vulnerable population segments.

#### **Czech Republic**

The main role in the field play central public authorities as Ministry of Industry and Trade and the Ministry of Finance. These are complemented by other, again mainly national, institutions such as the Financial Arbiter. A special supervisory competence has a central bank, an independent body that is responsible for the supervision over the whole financial market (but, as stated above, with special focus on traditional banks). It regulates the field through its directives.

Some local character can be found obviously in case of some non-profit organizations. Non-profit organizations operate locally, of course, but especially in the area of funding they must respect national schemes. It is also possible for individual regions to place greater emphasis on consumer protection in its subsidy policy. This option of an independent regional policy exists there, but individual regions rather employ it in favour of social welfare, or sports activities.

However, a typical representative of the local and regional structures is the COOP, as well as in Denmark. Declared reasons for this chain establishment were as follows. After the arrival of foreign retail chains in the Czech Republic, it was necessary to create a counterweight to the ever increasing positional pressure. The COOP's activities are concentrated mainly in the area of food and goods for daily use, although cooperative stores especially in the villages still run as a main supply organizations all the goods that are needed for life.

#### **Denmark**

It appears that in Denmark play a major role the central, respectively nationwide operating institutions. This feeling is even more strengthened by the fact that the NGOs in the field have weakened their membership base over the last decade. At central government level consumer

issues are subject to regulation by a number of agencies, first of all The Danish Competition and Consumer Authority and Consumer Ombudsman “Forbrugerombudsmanden”, a semi-detached, public agency dealing with consumer complaints. In comparison to other areas of consumer protection, issues of banking and finance do not trigger civic engagement to a large extent in Denmark.

The only exception seems to represent the Coop. It has a distinctly regional character, while bringing innovative financial instruments. Or, in other words, the traditional retail chain of food and consumer goods is introducing certain financial instruments, which is exceptional for similar subjects.

On the other hand, Danish history is very rich in financial and consumer activities with significantly regional character. Denmark has a long tradition for co-operative organizations. Since the middle of 19th century cooperatives emerged on farmers’ initiative, i.e. creameries. Later on cooperatives were formed in the city by initiative of workers. The co-operative movement in the field of finance aimed at creating public monetary economic system, and hence political and ideological orientations were closely linked to the establishment of co-operatives. In the end of the 20th century the co-operative systems weakened and many co-operative banks, savings banks and credit associations were merged into joint-stock companies (Bager 1992:16, 35f).

As for co-operative banks or credit-cooperatives they were not as common as in other European countries, and other co-operative enterprises such as creameries by far represented the main population of co-operatives in the country. In Denmark the needs of rural small borrowers who were also the main clients in co-operatives were satisfied by savings-banks instead. Hence credit co-operatives did not develop and spread at the same rate as other co-operatives (Guinnane & Henriksen 2011).

## **Spain**

The most immediate record as regards Alternative Financial Services (AFS) in Spain is traditionally connected to certain social economy and Third Sector Organizations (TSOs); mainly savings banks, credit unions and financial cooperatives, and rural and agricultural savings banks. According to the European Economic and Social Committee (2015:3) these entities are characterized by “their links with the local production fabric, their firm anchorage in their region, their extensive commercial networks, their closeness to the customer, the financing of specific sectors, their closeness to local interests and social operators, and their solidarity.” Therefore, financial and social functions have been closely intertwined in these organizations.

In particular, credit unions and financial cooperatives are worthy of note due to their of governance structure. According to Soler & Melián (2012), the social, democratic, participatory and supportive character of the cooperative movement has been pointed out since its origin. Credit unions and financial cooperatives appeared as a response to a failed and inefficient system in which certain groups with limited access to credit needed to turn to solidarity and cooperative formulas. Thereby, credit unions and financial cooperatives have traditionally developed a proximity-based banking, with a prominent presence in rural areas and a clear purpose of financial inclusion. Despite that this proximity-based relation has been weakened by the evolution of financial businesses and their larger dimension, it is still visible through democratic participation principles and control capacity of the rural savings banks’ members.

### 6.1.1. Commonalities and Differences

In the Czech Republic and Denmark the main actors in the field of AFS can be found among central or nationally operating institutions. Their regulatory, monitoring and supervisory role is performed by the ministries, and by specialized national agencies and the central bank respectively. In contrast to this, a much closer connection of AFS (both in the case of saving banks, credit unions or financial cooperatives) with a particular territory or a particular region may be detected in Spain. As previous text attempted to show, the financial and social functions have been closely intertwined in the missions of AFS organizations.

It might be stated that the Spanish AFS are often closest to the nature of social enterprises responding to the deficiencies in the current system of commercial banking, as the social, democratic, participatory and supportive character of the cooperative movement has appeared as a response to a failed and inefficient system in which certain groups with limited access to credit needed to turn to solidarity and cooperative formulas. Thereby, credit unions and financial cooperatives have traditionally developed a proximity-based banking, with a prominent presence in rural areas and a clear purpose of financial inclusion. In this way, the Spanish reality can be identified as the most inspiring of the compared systems and it can also be assumed that we should look for some innovative solutions here.

## 6.2. Connections to the “field of innovation policy”

### Czech Republic

As a social innovation, having its source in government structures, can be considered the effort of introducing the alternative methods of law enforcement. This is very important in the country where is a long-term dissatisfaction with the law enforcement. This innovation is represented by the extrajudicial settlement of consumer disputes. Ministry of Industry and Trade has strived for its implementation since 2008. This extrajudicial settlement should come into force in 2015 and it is to be guaranteed and supervised by the Czech Trade Inspection Authority. As a major advantage of this tool the speed and lower cost for consumers can be considered. Another strength is the instrument’s ability to resolve disputes online using specialized web platforms. Through the European Consumer Centre it will also serve as assistance for consumers in cross-border disputes. There is also prepared the introduction of a system of collective law enforcement. Ministry of Justice should assess the possibilities and conditions of an implementation of the collective law enforcement into Czech legislation until the end of 2016.

Changes aiming at improving financial literacy and thus consumer sovereignty also occur in the area of financial education. Since 2009, Ministry of Finance has introduced a compulsory financial education in secondary schools, and, since September 2013, also in primary schools. In 2014, special web portal "Why to be financially educated?" was launched. This portal provides information about the principles and risks of the financial world, offers interesting links and various tips, tutorials and solving problems guides for the financial market. All those activities can be recognized as the social innovation, although it is actually only an example of the extension of educational curriculum.

Furthermore, the policy papers discuss the issue of product mobility and the possibility to use the right of withdrawal from the contract, which already applies to almost all financial services, except of microcredits.

In recent years, different innovative tendencies have emerged in the field, which can mostly be identified as social ones. Innovations bearers come from all stakeholder groups, i.e. public sector, nonprofit organizations, professional associations, and employers. Their activities are primarily focused on preventing and solving social problems associated with consumer debt trap.

As an example can be taken responsible companies that are trying to solve overindebtedness of their employees by providing corporate financial education and help in debt relief, and not by layoffs. There are also various projects run by labour offices. For example, during the financial crisis, employees of companies with economic troubles have been provided by training courses, the content of which consisted of financial literacy knowledge and skills. There also started to be organized special educational events for consumers and unemployed, focused on the elements of financial education.

Among several interesting projects we can mention the project "Education of job seekers in socio economic competences (hereinafter referred to as" SEKO) organized by the Fund for further education, which is a contributory organization of the Ministry of Labour and Social Affairs.

The project is being implemented in 2012-2015; it aims to increase the chances of the labour offices clients to obtain and retain employment through the development of their socio-economic competence (SEKO), especially financial literacy. Within this project, 35,000 should be educated in all regions of the Czech Republic. Innovativeness of the project lies, according to the wording of the project, in the fact that it is for first time when the socio-economic competences have been defined. The project is funded by the EU, so this is another example of positive european influence. More information about the project can be found on the website <http://www.zivot-bez-dluhu.cz/>.

Another case is the "Alliance Against Debts", which seeks to promote redevelopment fund, which is an alternative form of debt relief that provides interest-free loans and allowing negotiations with creditors to forgive part of the debt. The Alliance proposes that such a fund should be financed from the incomes from the gambling and lottery activities.

These projects are supported by a wide range of actors; so far, however, we failed to implement these projects in practice. A source of financing still remains a problem in the case of a remediation fund. The project on a smaller scale, however, has been already implemented in 2008, as the joint project of the Ministry of Justice in cooperation with the TSO Rubikon, which focuses on the rehabilitation of prisoners' debts. The main objective was to reduce recidivism and crime among people released from prison. The project has lasted for two years and was designed for about 120 selected persons. It was funded by the Swiss Association for the Development of the Probation Service in Eastern Europe.

Currently ongoing project is the EU information campaign on consumer loans. The campaign is aimed primarily at young people aged 18-35 years who are considering their first consumer credit and could require relevant information. This information-consulting campaign is

conducted in cooperation with more than twenty local partners, as consumer associations, TSO and lenders. Relevant information will be disseminated mainly through social networks.

Like in Denmark, the grocery chain Coop provides financial services in the Czech Republic, too. However, it's not about ground-breaking or innovative financial products. On the other hand, we're talking about extending financial services in villages and rural regions, where the network of traditional banking institutions is rather sparse. Coop has introduced several years ago cashless payments, cash back, paying bills and deposits in bank accounts, but also, for example, the provision of postal services under a contract with the Czech Post.

## Denmark

There are generally two different streams of innovations in consumer protection in AFS.

1. The first and most significant in the Danish context is the steps that are taken to protect consumers in relation to quick loans. Hence AFS are in this context a threat to citizens and vulnerable social groups and consequently AFS call attention to needs of measures to protect consumers.
2. On the other hand AFS are also represented by the emerging crowd lending and peer-to-peer lending platforms. These are not understood as a threat to consumers or private economy generally, but can be seen as an innovation protecting consumers against the pitfalls of the regular banking system. The examples of socially innovative measures to protect consumers are all related to the first and most common conception of AFS in Denmark, quick loans and the likes.

In official policy most innovations to improve consumer protection are legal and regulatory rather than social. Some of the protective regulations are aimed at protecting vulnerable groups such as children and young people. The main task seems to be the merging of legislation and producing guidelines on how to consume and supply new financial products that are available through the new (online) market of credit possibilities.

Politically there is a wish for improving consumer protection in AFS such as quick loans. The state is hence a primary actor in terms of innovating consumer protection in relation to AFS through improvement of appeal possibilities, legislative changes and initiating advisory platforms ([www.forbrug.dk](http://www.forbrug.dk), [www.raadtilpenge.dk](http://www.raadtilpenge.dk)).

The Consumer Council works to improve regulations of consumer protective mechanisms in terms of an upper limit for APR, in which they have not succeeded. Another service the council provides is financial counselling in general. An innovative aspect of the Consumer Council activities lies in the partnerships that the council engages in with private and state actors to run general information and advisory platforms (Forsikningsguiden, Pengepriser).

Crowd-lending and peer-to-peer lending can in one expert's view be seen as social innovations as they meet a need for less limited and more social ways of raising money for private debtors. Also in the case of the creditors providing capital for such loans this can be seen as a social innovation in terms of easy access to investment. The regulations in these fields are state initiated and regulations concern both lenders and administrators of the platforms. Hence, further initiatives for improving consumer protection do not seem to flourish in this field.

Alternative banks can be understood as social innovation in terms of protecting costumers from the ups and downs of the financial market, because these banks do not speculate. They are not innovative, as they have existed for decades, but after the financial crisis they have become more and are popular among Danes, who do not wish to contribute to the regular banking system. Coop bank is the only bank that is very new. This bank can be seen as socially innovative, because it wish to meet the needs of the members of Coop grocery-stores' members by providing saving and credit services. The alternative banks are hence in themselves have a consumer protective aim, and do not inspire further protection of consumer interests.

The re-emerging support for alternative cooperative banks and the ideological platforms Godepenge.dk and Skift Bank Dag are social innovations that wish to mobilize citizens to choose smaller banks and to improve citizens well-being through a renewal of the entire banking system and monetary system.

As an AFS sui generis Coop should be mentioned. Coop is a grocery chain that in supplement to grocery enterprise has run a bank since 2013. To become a client in Coop Bank customers have to be member of Coop, an association of Coop enterprise, Coop grocery stores and Coop Bank.

## Spain

Also in Spain, AFS can be viewed in two ways.

1. AFS are seen as new financial tools necessary to fund business innovation and increase private investments in innovation.
2. Alternatively, as socially responsible tools necessary to foster social inclusion of vulnerable population segments.

The different policy documents refer explicitly to financial-related innovations in connection to two major fields: increasing national economic competitiveness and reducing poverty and social exclusion. In the context of promoting national economic competitiveness AFS are related to the objective of developing a favourable environment for innovation and, in particular, to innovative businesses, namely by:

- Fostering venture capital, crowdsourcing, crowdfunding, etc.
- Promoting initiatives that fund innovative business projects throughout their growth chain, specifically venture capital instruments and initiatives that secure funding from seed capital and across the different stages of innovative business development.
- Increasing private investments in basic research through patronage, micro-patronage and CSR.

Innovation in the field in Spain are promoted in a very wide spectrum of activities. Anyway, there can be the identified three key social innovations identified in this field:

Social innovation 1. New social demands and organizations advocating regulation, good governance and transparency of traditional financial entities, and increased visibility of advocates of the rights of consumers of financial services.

Social innovation 2. New networks and organizations advocating a new economic model and financial system based on ethical values, particularly solidarity and responsibility.

Social innovation 3. New actors providing Alternative Financial Services. Basically, the most relevant types of new actors in the case of Spain are ethical banks, crowdfunding platforms, and microfinancing institutions/microcredits. All of them can lead to social innovations.

### 6.2.1. Commonalities and Differences

Connection of the field to social innovations has few similarities in the countries under comparison. First of all, in terms of tools and procedures implemented by the responsible stakeholders to promote and protect the socially weak and vulnerable. This threat has its roots in a difficult social situation, which forces many people to unfavourable credit contracts, such as quick SMS loans, or loans with unintelligible constructed or extremely high APR.

Another common feature of the compared systems has been identified in the Spanish field description where increasing social demand for financial services transparency is being stressed. Response to this request is represented by the advocating organizations promoting the regulation of the market, good governance and transparency of traditional actors, as well as growing importance of consumer rights advocates in the financial markets. In addition to Spain, these activities are especially important in the Czech Republic, although they do not always successfully meet their objectives.

Unlike the Czech Republic and Denmark, Spain witness the massive emergence of new types of alternative financial institutions, based on completely new principles, such as new networks and organizations advocating new economic model and financial system based on ethical values, particularly solidarity and responsibility.

For the traditionally less regulated Czech financial market the significant innovation role of public administration is more typical. This innovation, however, lies in the setting of better, more transparent and enforceable "rules of the game".

### 6.2.2. Connections to the "field of media"

Examining the public perception of the field of consumer protection is the next step in the analysis. The importance of consumer protection in relation to financial markets and alternative financial services has been clearly demonstrated in previous parts of the research. It was therefore a logical step to proceed with the analysis of the media perception of the field. We did not conduct complex media analysis; rather we wanted to explore how the main relevant concepts and relationships were reflected by the major mainstream print media in each country.

Of course, search terms were adapted to the specific conditions in each country. The following text informs the readers about the way the search was carried out in different countries.

#### **Czech Republic**

In the Czech Republic, alternatives to banking services offered by non-bank entities are considered "alternative financial services". That's why as one of the keywords we selected "nonbank". Furthermore, as the AFS we recognize some forms of leasing services, pawnshops, credit unions and consumer loans. Analysis was performed on the newspaper Mlada Fronta Dnes (MFD) for 2014; MFD is the most read mainstream newspaper in the Czech Republic.

For the first search parameters were chosen as follows: (consumer protection) <AND> (nonbank <OR> consumer loans <OR> pawnshop <OR> Leasing <OR> credit union).

Second search has included only the following keywords: (nonbank <OR> consumer loans <OR> pawnshop <OR> leasing <OR> credit unions).

The last search was focused on the relationship between innovations and AFS, therefore, following parameters were chosen: (innovations) <AND> (nonbank <OR> consumer loans <OR> pawnshop <OR> leasing <OR> credit unions).

The first search was focused on the nexus of consumer protection with AFS, a total of 6 articles was found. The newspaper in this case mainly focuses on consumer protection-related non-bank consumer loans and leases. Articles draw attention to the issue of high fees and unfair contracting and subsequent debt problems of consumers. They also points out the need to improve the dispute settlement authorities, i.e. financial arbiter, courts and arbitrators. It's also referred to a flawed legal regulation. The most important actor in the context of consumer protection is perceived the Czech Trade Inspection Authority; it's given by the fact that all the relevant articles highlighting violations of consumer rights derive from the findings of this organization.

The second search, which examined actual AFS, has found 203 articles, of which 102 were actually relevant. Although the articles did not contain the phrase "consumer protection", that topic was quite often focused. Examined newspapers have a clearly negative perspective on the AFS, which are regarded as a source of deceiving and robbing consumers. The most problematic areas were non-bank credit conditions for loans and leasing used cars. The most commonly mentioned supervisory institution was CTIA, but the media itself and nonprofit organizations often pointed to its imperfect way of supervision and unwillingness to litigation with creditors. Of the institutions of dispute resolution was the most frequently cited financial arbiter, its activity is perceived positively, but at the same time draw attention to its limited powers.

As the most problematic area were perceived the non-bank credit conditions for used cars loans and leasing. The most often mentioned supervisory institution was the Czech Trade Inspection Authority, though its imperfect supervision and unwillingness to litigate with creditors were pointed out by the newspapers itself (and by the nonprofit organizations cited, too). As the institution enabling and mediating the dispute resolution was mostly cited the financial arbiter. Its activities are perceived positively, while at the same time emphasized limited powers of this institution.

The last round of the search focused on the link between AFS and innovation, unfortunately, media analysis revealed no article. Generally, the media analysis confirmed that the field is influenced by all the actors, i.e. regulatory authorities, which are trying through the legislative changes to reflect the problems that arise, authorities supervising the activities of the AFS, and last but not least, TSO, which highlight the imperfect legislation, lack of supervision and inform consumers while simultaneously help to resolve disputes with AFS providers. However, it must be noted that the media is insufficiently engaged in problems with the debt trap, which was also emphasized by the Deputy Financial Arbiter in conducted interview. Similarly, the media only rarely draw the attention to legislative changes in the field.

## **Denmark**

The analysis of Danish newspaper coverage of consumer protection in alternative financial services has been conducted using an online newspaper archive and search engine (Infomedia, 2015). Four Danish newspapers have been included. The three of them, *Berlingske*, *Jyllands-Posten* and *Politiken* have been chosen because they are the three biggest newspapers, while the fourth news-paper, *Børsen*, has been chosen because it is specialized in the area of economy

and finance. The analysis covers all articles from 2014 containing a number of predefined keywords.

Alternative financial services are interpreted as alternative lending services such as quick loans, SMS-loans, peer-to-peer loans, crowd lending etc. Two searches have been conducted in order to identify the media coverage of consumer protection in such alternative lending services. The first search was aimed at articles mentioning both consumer protection and alternative lending services. No such articles could be identified. Then an adapted second search was conducted. The second search solely focused on alternative lending services (and not necessarily consumer protection), thereby identifying 50 articles. However, as described in the qualitative review above, it turned out that some of these articles actually did relate to consumer protection issues. None of the 50 articles included the word 'innovation'.

Search string for the first search focusing on protection and alternative lending services: ("beskyttelse") AND ("kviklån" OR "sms-lån" OR "smslån" OR "hurtiglån" OR "peer-to-peer" OR "P2P" OR "crowd-lending" OR "crowdlending" OR "alternativ\* lånemulighed")

Search string for the second search focusing solely on alternative lending services:

"kviklån" OR "sms-lån" OR "smslån" OR "hurtiglån" OR "peer-to-peer" OR "P2P" OR "crowd-lending" OR "crowdlending" OR "alternativ\* lånemulighed"

Search string for testing whether any of the identified articles included the word 'innovation': ("kviklån" OR "sms-lån" OR "smslån" OR "hurtiglån" OR "peer-to-peer" OR "P2P" OR "crowd-lending" OR "crowdlending" OR "alternativ\* lånemulighed") AND ("innovation")

Media analysis shows that we have to distinguish between aforementioned two types of alternative lending services.

1. On the one hand quick loans and SMS-loans are often criticized for offering quick and easy loans at a very high interest rate, thereby creating debt traps that lock people in financial troubles.
2. On the other hand alternative lending services such as peer-to-peer lending and crowd-lending are often praised, because they challenge banks and the established lending services, thereby creating a more equal, diverse and democratic lending market.

Whereas peer-to-peer lending and crowd-lending is generally seen as strengthening the position of consumers and enterprises in relation to banks by offering lending services independently of banks, quick loans and SMS-loans are regarded very problematic in terms of consumer protection. The ease of obtaining these loans attracts people who cannot borrow from the established banks due to their financial troubles. Their financial troubles then grow, which again make quick loans and SMS-loans their only lending option and thereby creates a debt trap.

Several actors try to raise media awareness about this issue. The primary actor is *Forbrugerrådet Tænk* (The Consumer Council), which is an independent member based organization working for consumer interests. The qualitative review of the newspapers articles showed that a number of other actors draw attention to the negative consequences of quick loans and SMS-loans, too.

Altogether the Danish newspaper coverage of consumer protection in alternative lending services shows that both private and public actors are engaged in this area in order to ensure protection of consumers against quick loans and indebtedness. As regards peer-to-peer loans, consumer protection is not an issue in the newspaper coverage, since these kinds of loans generally are seen as strengthening the position of consumers and enterprises in relation to banks. However, it must be kept in mind that the newspaper coverage of alternative lending services is quite limited (50 articles in 2014), which might reflect that the area is not key to the political agenda in Denmark.

## **Spain**

In the previous analysis of four leading Spanish newspapers for the year 2013, we have identified 29 articles related to the field of consumer protection (see previous ITSSOIN Report on media and perceptions analysis of third sector fields in Spain. Step 3, Qualitative perceptions, by Rey-Garcia and Felgueiras). The analysis of the content of those 29 articles returned 11 items specifically related to the protection of financial consumers. These 11 items constitute the sample we have used in the present analysis of prevailing issues, actors and perceptions within the field of financial consumer protection-related issues in the mainstream media. None of the 11 items on financial consumer protection refers specifically to providers or consumers of alternative financial services. However, they relate to key issues shaping the field and changes taking place in the field of the protection of financial retail consumers and alternative ways of dealing with the problems they face.

Consumer protection in finance is framed in national media in a rather independent way without direct connections with other fields or subjects being mentioned. Innovation is not explicitly referred to in the media as regards this field in spite that newspaper articles do reflect key issues that can be considered innovative, in particular generalized demands for transparency in the field and alternative conflict resolution schemes.

Media refers to a series of actors from the private, the public and the third sector that are related to the field. These are generally incumbent organizations, their roles and relationships aligning with the general traditional structure within the country.

In the private sector the focus is put on traditional banking institutions, whose behaviour is perceived as opportunistic and non-transparent. This perception of abusing clients' trust becomes particularly visible in the case of savings banks.

Public sector actors are perceived in media as regulators, supervisors, and/or mediators in conflict situations. Recurrent actors, often described as working in cooperation to solve the delicate situation of retail consumers affected by preferred shares and/or ground-clauses, are: the central government; the Banco de España (Spain's central bank, which supervises financial entities); the CNMV; the FROB (Fund for Orderly Bank Restructuring, the national program for the bailout and restructuring of savings banks).

When it comes to TSOs, media perception varies a little. Consumerist organizations are generally framed positively and attributed the role of representatives of the interests of the consumers affected by the abusive behaviour of banks, advocating their rights and facilitating collective mechanisms for handling complaints. In a few articles however, transparency as regards origin of funds or good governance of specific TSOs acting in the field are questioned.

### 6.2.3. Commonalities and Differences

Key words and phrases used as a basis for analysing media reflection of investigated field match the specifics of individual compared countries. However, it is noteworthy that AFS are very often mentioned with negative connotations (Czech Republic, Denmark). In the Czech Republic, moreover, any media reflection of the relationship between AFS and innovation cannot be traced.

Generally, the media look critically on traditional banking institutions that have compromised during the financial crisis, or which have a tendency to abuse their information superiority and unfair dealing with clients (high banking fees, onerous contracts). Equally clearly negative references get such alternative forms of financial services, which potentially threaten consumers, especially those at risk of indebtedness.

Especially in Denmark and Spain enjoyed generally positive media image TSO active in the field, especially in those cases where they contribute to greater transparency and participatory nature of the organization.

## 6.3. Connections to other relevant fields

### Czech Republic

AFS issue has obvious overlaps to other fields. In the Czech Republic, counseling and financial education can serve as an example. These tools have been implemented mostly to help with solving the problems arising primarily in areas such as gambling, lotteries, etc. These have been only poorly regulated for a long time, and besides causing addiction they also became the source of serious financial problems of entire families. This problem is very serious in the Czech Republic, especially because it has significant overlaps to health prevention and health care, social care, etc. Now, education and training in the field of financial literacy, but also the strict regulation of gambling could help improve the state of consumer protection.

### Denmark

Relations of this field to other fields is based mainly on the long tradition of co-operatives, saving banks and various types of insurance institutions. We are seeing strong ties to social and economic fields generally. In the Danish context, there is an interesting historical process of some saving banks and credit associations transforming into joint-stock companies

### Spain

In short, the AFS field is a non-state niche quickly emerging within in a state field (as financial services in general are highly and increasingly regulated and supervised by Spanish and European public authorities) that is proximate to the rest of ITSSOIN fields, since it has the potential of functioning as a funding channel for the rest of the fields. The other fields show therefore, a potential dependence relationship with the AFS field. All the fields are resorting to these initiatives. It could be argued that relations with the other fields are vertical (cooperation between fields).

Spain also indicates the connection with other fields studied within the ITSSOIN project segments. In the Spain, the different policy documents refer explicitly to financial-related

innovations in connection to two major fields: increasing national economic competitiveness and reducing poverty and social exclusion. Nevertheless, consumer protection in finance is framed in Spanish national media in a rather independent way without direct connections with other fields or subjects being mentioned. Innovation is not explicitly referred to in the media as regards this field in spite that newspaper articles do reflect key issues that can be considered innovative, in particular generalized demands for transparency in the field and alternative conflict resolution schemes.

### 6.3.1. Commonalities and Differences

Consumer protection has become an extremely important topic as both nation states and the EU institutions in the shadow of Great Recession are aware of the consumers' increasingly subordinate positions on the market and resulting social and political risks. The consumer is facing not only the information superiority of the supplier, but this fact is even reinforced by the complexity of many modern products, but also by the fact that the population is aging and some population groups are thus finding themselves in a situation where they need protection more than ever.

Financial services represent a special part of the consumer protection. Financial services are characterized by their complexity for an average consumer. The complexity and sophistication of these products is currently growing and there is also a large amount of information provided to consumers about the product or service. The consumer often has only a limited capability to identify all the relevant information and to be aware of all the risks associated with the financial products.

This field is clearly very closely linked with other fields examined within the ITSSOIN framework. Moreover, it is itself part of a broader field of general consumer protection.

To resolve this situation the help with debt relief itself is often not enough. It is necessary to prevent these problems, so as to prevent their transmission to the area social field, housing and so on. And at the same time, problems associated with the finances can sometimes be successfully solved only with the help of actors from other fields, such as healthcare and work integration.

## 7. Conclusions

Generally, three broad classes of social innovations in the field of consumer protection in AFS were identified during the analyses in the three countries under study. These are:

- 1) new demands and advocacy activities aiming at regulation, good governance and transparency of AFS
- 2) new ideas, forms and models of AFS
- 3) new type of actors providing AFS

In empirical analyses, the problem of identification of social innovation the field of consumer protection arises for several reasons. First, usually the social dynamics in AFS is closely related to traditional banking system. In other words, many initiatives within AFS directly stem from the critique and dissatisfaction with the functioning of an institutionalized financial system. This was clearly the case of many Spanish social innovating initiatives which arose from the crisis of legitimacy and trust to standard banking institutions, or Czech third sector's efforts to

fight against unethical practices of providers of AFS which overlap with their campaigns against the practices of standard banks.

Second, many actors and initiatives related to the social innovative patterns in fact are not very recent ones: all three countries share a rich history of AFS in many organizational forms and social spheres (rural, agricultural, workers etc.). Therefore, every analysis of social innovation has to elaborate also the historical context of a particular phenomenon in order to identify e.g. some recurrent patterns and then decide how "innovative" these are in contemporary society. All these factors raise important conceptual and methodological questions.

Interestingly enough, while all of the social innovations that were empirically identified could be detected in a relatively similar form (but under different field constellations) both in Spain and Denmark, only the first of them seem to be present also in the Czech Republic. At the same time interesting differences exist in this only joint type of social innovation for all three countries in terms of its initiators and brokers - while in Denmark and Czech Republic an intensive cooperation between all state and non-profits exists, the role of the third sector seem to be much more dominant in Spain. Consequently, two problems arise: why certain innovations do not arise in particular countries? And, what are the causes of the differences within the social innovations that occur across all countries under study? Hopefully, the comparative analysis of the national fields of consumer protection in AFS shall provide us with sufficient information to answer these questions.

### **7.1. Cross-country comparison of Actors**

The three key types of actors are present in all countries, however they character and function differ significantly.

Public sector is a key regulator in all countries, however in Czech Republic and Denmark it is represented especially by nationwide political institutions and organizations, while the role of public institutions in Spain is much more decentralized. One of the most important institutions are central banks (Czech Republic, Spain), and generally the most detailed and complex public control of the field may be probably identified in Denmark with its rich web of public bodies and organizations.

The private sector consists of three different class of actors. These are, first, commercial providers (short-loans providers, consumer's credit providers), cooperatives and alternative banks (COOP), and citizens' and grass-root initiatives and groups. The composition of the AFS providers differ significantly in all countries - while there are some close connections and cooperation between the AFS providers and the third sector in Denmark and Spain, the relations between the non-profit sector and AFS providers in the Czech context are more contentious or reserved.

The third sector organizations play two major roles in the field. First, they provide citizens with advocacy activities and services aiming at improving their situation vis-a-vis the market, and they usually cooperate with the state in this regard. This is typical for Danish and Czech third sectors - on the one hand, there are counselling services, lectures and financial education as a services provided by the NGOs. On the other hand, there are advocacy activities of NGOs aiming at the change of legislation, watchdogs of commercial organizations and promoting the rights of citizens.

## **Actor-Interest**

Following the aforementioned characteristics of public, private and non-profit actors, several types of interests may be identified. Typically, two types of interests arise in the public institutions. First, the state aims at controlling the field and monitoring the changes that take place there. In some cases state delegates its power to regional governments (Spain) or to central banks (Spain, Czech Republic, Denmark). Second, the state is pushed by the citizens themselves or NGOs to protect the consumers-citizens-voters directly against the particular unfair practices.

Another key type of interest in the field is a commercial one. The primary mission of the commercial subjects is to gain a financial profit by providing high-interest loans and consumer credits to the citizens that would not reach the standard banking products. Sometimes, it is also supplemented by the idea of social sustainability and fair financial practices often play equally important role.

Finally, two broad types of interests are usually associated with the non-profit sector. The first one is to improve the situation of the citizens hit by the unfair AFS or in a situation where they could become a prey of these practices. Here the NGOs aim at advisory activities, counselling, reviewing the existing AFS and rising the financial literacy of the most vulnerable social groups. There are also actors focusing on legal counselling or financial help after the citizens already experience any problems related to AFS. Second, there are also advocacy non-profits aiming at broader changes in the field that usually aims at more intensive regulation of AFS from the part of the state on the one hand, but also at promotion of alternative banking systems based on cooperative and ethical principles.

## **Actor-Resources**

There are two main types resources used by the actors in the field - the economic or social ones. State organizations are typically funded from the state budget, some of the activities of national public institutions use foreign type of public resources - EU funds (ESF) etc. State institutions further have a large amount of social trust in the country in the field of AFS - they are usually regarded (also by the media) as the ultimate guardian of the fair business practices and rights of citizens-consumers. This has changed especially in the Spanish context where the government during the recession lost much of its credit as a just and effective regulator of the economic sphere.

The commercial actors are typically dependent on their commercial revenues, but e.g. cooperatives operate also with membership fees, donations etc. The social capital of commercial actors in AFS differ significantly. In the Czech media, the whole issue of cooperatives related to AFS is often treated with suspicion because of recent scandals. The situation is radically different both in Spain and Denmark. In Spain the massive shakes of Great Recession and consequent crisis of political institutions worsened the image of traditional banks thus offering a significant opportunity for AFS and their providers, and the very same crisis combined with the Danish strong tradition of AFS led to similar (even if somewhat less radical) outcome.

Finally, the non-profits in all three countries operating in the field often use public resources (support from state, public projects) or individual contributions (membership fees and charges). The non-profits generally enjoy high social capital and some of them are invited both

by the state and by the commercial actors to be part of their platforms and associations (usually as members of various ethical committees or boards). Special cases of resources in the non-profit sectors are crowd-lending and crowd-funding initiatives that rely only on the coordination of material resources among individuals.

## **7.2. Field Structure**

Even if the structures of the field are quite similar in all countries, some differences might be identified. First, the field has been changing quickly in the Spanish case because of the crisis. While in the Czech Republic and Denmark the government is rather trying to implement much stricter framework of regulation of the AFS - often in relation to some recent negative cases or even scandals and with explicit aim of downsizing the field and making it more transparent and controllable - the Spanish case is much more encouraging different forms of AFS to fill in the space left out by the traditional banking system after it was hit by the crisis.

Second, the Czech case is specific in the extent to which the field has arisen and has been largely unregulated for a long time after 1989 as a consequence of the re-establishment of liberal free-market ideology. In comparison to that, both Spain and Denmark has developed and maintained a much more refined and rather slowly transforming system of division of roles in the field related to control and monitoring that matches their socio-political traditions where AFS has its place.

### **Changes within the last ten years**

As mentioned above, we may observe several joined but also different tendencies in the three countries. First, all of the countries have aimed at more detailed and more extensive regulation of the field, for several reasons - because of new technologies available in the field (internet, mobile phones - Denmark), because of the bad existing practices (Czech Republic, Spain), appearance of new social trends in the field that need to be codified (Spain) or just the lack of regulation because of the naive liberal perspective on the self-regulating market (Czech Republic).

On the other hand, there have been also important differences in the processes: re-configuration of basic institutional setting of the field took place in the Czech case, while Denmark rather sought to incorporate more sophisticated tools of regulation of AFS practices. At the same time, most progress took place in Spain, which was related to the extensive codification of new forms of AFS that appeared and treated them not only in restrictive but also in an innovative and supportive manner.

## **7.3. Connections to the field of national state**

In the Czech Republic and Denmark the main actors in the field of AFS can be found among central or nationally operating institutions. Their regulatory, monitoring and supervisory role is performed by the ministries, respectively specialized national agencies and the central bank.

By contrast, in Spain, we observe much closer connection of AFS with a particular territory or region. It can be stated that the Spanish AFS are closest to the nature of social enterprises responding to the deficiencies in the current system of commercial banking, with developed proximity-based banking aiming at prominent presence in rural areas and a clear purpose of financial inclusion.

#### **7.4. Connections to the field of innovation policy**

Connection of the field to social innovations has several similarities in the countries compared. First of all, the aim of tools and procedures implemented by the responsible stakeholders is usually to promote rights and protect the socially weak and vulnerable.

Another common feature of the compared systems are the new social demands and organizations advocating regulation, good governance and transparency of traditional financial entities, and increased visibility of advocates of the rights of consumers of financial services. These activities are particularly visible in the Czech Republic, although not always meeting successfully their goals.

Unlike in the Czech Republic, Denmark, and even more clearly Spain witness the emergence of new types of alternative financial institutions, based on completely new principles, as new networks and organizations advocating a new economic model and financial system based on ethical values, particularly solidarity and responsibility.

#### **7.5. Connections to the field of Media**

Key words and phrases used as a basis for analysing media reflection of investigated field correspond to the features of the countries compared and described so far. It is noteworthy that AFS are very often mentioned in negative connotations (Czech Republic, Denmark). In the Czech Republic, moreover, any media reflection of the relationship between AFS and the concept of innovations cannot be traced.

Generally, the media look critically on traditional banking institutions that have been compromised during the financial crisis, or which may abuse their position in the market resulting in unfair dealing with clients (high banking fees, onerous contracts). Equally clearly negative references get such alternative forms of financial services, which potentially threaten consumers, especially those at risk of indebtedness.

Especially in Denmark and Spain enjoyed generally positive media image TSO active in the field, especially in those cases where they contribute to greater transparency and participatory nature of the organization.

#### **7.6. Connections to other relevant fields**

Consumer protection is a very up-to-date topic in the era following the Great Recession, and both nation states and the EU institutions are aware of the consumers' subordinate positions on the financial market. There are several interrelated problems or challenges - clear information superiority of the suppliers of AFS, but also aging population and still more vulnerable social groups.

Financial services represent a special part of the consumer protection. They are characterized by the complexity for an average consumer. The complexity and sophistication of these products is currently growing and there is also a large amount of information provided to consumers about the product or service. The consumer often has only a limited capability to identify all the relevant information and to be aware of all the risks associated with the financial products.

In this sense, the field is clearly closely linked with other fields examined within the ITSSOIN framework. The issue of work integration, community development and social services are related to the social circumstances influencing citizens' need for AFS. At the same time, some of the progressive forms of AFS may be identified in the field of culture as having slightly different effects - such as crowd-funding projects related to the sphere of music or cinema - they challenge the existing status quo in the field of culture and bring in new innovative practices and alternative cultural patterns.

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## 9. Appendixes

### Legal norms - Czech Republic

- Law no. 89/2012, Civil Code
- Law no 634/1992, On consumer protection
- Law no 145/2010, On consumer credit
- Law no. 87/1995, On Credit unions
- Law no. 277/2013 Sb., On foreign exchange activities
- Law no. 124/2002, On payments
- Law no. 455/1991 Sb., On skilled trades

### Legal norms –Spain

- Law 1/2013 (May 14, 2013). De medidas para reforzar la protección a los deudores hipotecarios, reestructuración de deuda y alquiler social. BOE 2013, 116.
- Law 26/2013 (December 27, 2013). De cajas de ahorros y fundaciones bancarias. BOE 2013, 311.
- Law 5/2015 (April 27, 2015). De fomento de la financiación empresarial. BOE 2015, 101.

- Royal Decree (RD) 106/2011 (January, 28, 2011). Por el que se crea y regula el Registro estatal de empresas previsto en la Ley 2/2009, de 31 de marzo, por la que se regula la contratación con los consumidores de préstamos o créditos hipotecarios y de servicios de intermediación para la celebración de contratos de préstamo o crédito, y se fija el importe mínimo del seguro de responsabilidad o aval bancario para el ejercicio de estas actividades.
- Royal Decree (RD) 304/2014 (May 5, 2014). Por el que se aprueba el Reglamento de la Ley 10/2010, de 28 de abril, de prevención del blanqueo de capitales y de la financiación del terrorismo. BOE 2014, 110.
- Royal Decree-Law (RD-Law) 1/2015 (February 27, 2015). De mecanismo de segunda oportunidad, reducción de carga financiera y otras medidas de orden social. BOE 2015, 51.
- Royal Decree-Law (RD-Law) 27/2012 (November 15, 2012). De medidas urgentes para reforzar la protección a los deudores hipotecarios. BOE 2012, 276.
- Royal Decree-Law (RD-Law) 6/2012 (March 9, 2012). De medidas urgentes de protección de deudores hipotecarios sin recursos. BOE 2012, 60.
- Royal Decree-Law (RD-Law) 6/2013 (March 22, 2013). De protección a los titulares de determinados productos de ahorro e inversión y otras medidas de carácter financiero. BOE 2013, 71.
- Law 2/2009 (March 31, 2009). Por la que se regula la contratación con los consumidores de préstamos o créditos hipotecarios y de servicios de intermediación para la celebración de contratos de préstamo o crédito. BOE 2009, 79.
- Law 16/2011 (June 24, 2011). De contratos de crédito al consumo. BOE 2011, 151.
- Law 22/2007 (July 11, 2007). Sobre comercialización a distancia de servicios financieros destinados a los consumidores. BOE 2007, 166.
- Royal Decree-Law (DR-Law) 11/2010 (July 9, 2010). De órganos de gobierno y otros aspectos del régimen jurídico de las Cajas de Ahorros. BOE 2010, 169.
- Law 26/2013 (December 27, 2013). De cajas de ahorros y fundaciones bancarias. BOE 2013, 311.

### **Additional Web resources – Italy**

A2A: [www.a2aenergia.eu](http://www.a2aenergia.eu)

Coordinamento Agende Locali. <http://www.a21italy.it/chi-siamo/soci/>

Fondo Ambiente Italy FAI [www.fondoambiente.it](http://www.fondoambiente.it)

Greenpeace Italia: [www.greenpeace.org](http://www.greenpeace.org)

IcityLab: <http://www.icitylab.it/il-rapporto-icityrate/edizione-2014/dati-2014/>

ISPRA: <http://www.isprambiente.gov.it/it/temi/valutazione-di-impatto-ambientale-via>

Legambiente [www.legambiente.it/](http://www.legambiente.it/)

### **Additional Web resources – Czech Republic**

2013. Nekonečný spor: Děti Země opět napadly přesun nádraží v Brně [Endless Dispute: Children of the Earth again attacked the displacement of the Brno main station]. Lidové noviny, 30/10 2013. Retrieved from: [http://byznys.lidovky.cz/nekonecny-spor-deti-zeme-opet-napadly-presun-nadrazi-v-brne-p49-/doprava.aspx?c=A131030\\_175029\\_ln-doprava\\_mev](http://byznys.lidovky.cz/nekonecny-spor-deti-zeme-opet-napadly-presun-nadrazi-v-brne-p49-/doprava.aspx?c=A131030_175029_ln-doprava_mev). Accessed July 1, 2015.

**Additional Web resources – Germany**

Frankfurt University of Applied Science. (2015). Zukunftssicher Bauen (M. Eng.) Retrieved from <https://www.frankfurt-university.de/fachbereiche/fb3/forschung-transfer/forschungsinstitutezentren/zlmn.html> Accessed May 27, 2015.