

Case Selection in Consumer Protection in Alternative Financial Services

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1. Introduction

The structure of this report is as follows: First, the workflow and the logic behind the country selection process will be presented. It draws on previous work steps. This was, first, the country selection in the ITSSOIN project that considers nine possible countries (deliverable D 2.4 Country Selection). As stated in that document, based on empirical field descriptions provided for each country by 'vignettes' an evaluation of the best country field combinations was performed (Anheier, H. K., Krlev, G., Mildenerger, G., & Preuss, S. (2015)). Second, we build on the field description that provides insights into the field of consumer protection in alternative financial services in general and on the country level (Hyánek V., Navrátil J., Figueroa, M., Tygstrup, C., José Sanzo, M., Álvarez, L., Álvarez, B., ReyGarcía, M., Felgueiras, M. (2015)).

As both the alternative financial services (AFS) and the consumer protection in the partner countries differ significantly, the selection we have chosen enables us to follow and compare three very different frameworks of consumer protection in alternative financial services (CPAFS). At the same time the selection of the three respective countries allows us to investigate relevant cases of social innovations applied in different environments. Here the knowledge derived from individual national country vignettes is utilized. Then, the reasons for narrowing down the field to CPAFS are explained.

Attention is paid to the results of the country field descriptions. These comprehensive documents, as well as the discussions within the consortium and expert consultations, have served as the basis for creating the list of potentially suitable social innovation streams (SI streams). There are several key dimensions determining the status of AFS, as well as structure and dynamics of the field of CPAFS. These are especially their conceptions of the 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 (Hyánek V., Navrátil J., Figueroa, M., Tygstrup, C., José Sanzo, M., Álvarez, L., Álvarez, B., ReyGarcía, M., Felgueiras, M. (2015)).

Generally, we have discovered two key social innovation trends in our analysis. These are efforts to empower consumers/citizens in the field of AFS (in contrast to existing emphasis on government-produced measures in consumer protection), and interconnection between social and technological innovations in the field. We find rather low involvement of the Spanish government in the field, its support of civil society activities, and also a relatively high level of citizens' empowerment in CPAFS. In the Czech case, we observe a middle level of (not very effective) government involvement with government tolerance of civil society activities in the process of transition from an etatist towards a neoliberal setting. Finally, we witness a high share of (rather effective) government control over the CPAFS and rather low intensity of civil society initiatives in Denmark.

To enable selection of the final SI stream, the discussion of the steps taken to validate our initial list is presented. This deliverable concludes with the short list of social innovation activities that we list for further selection and in-depth analysis. The field of consumer protection in finance was narrowed down to the CPAFS for several reasons. First of all, the area of finance is so extensive that effective use of a small-N comparative design required us 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 the 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 became very dynamic before but especially during the Great Recession: while its roots are several centuries old, it gained new momentum in many countries in last decade. 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 recent activities in the light of recent crisis. Recent social and economic turmoil in the developed countries provides a unique occasion for the study of (potential) social innovations, their dynamics and sustainability.

2. Methodology

2.1. Country selection – Country-field Vignettes

Country vignettes represent a brief insight into the field in all participating countries. Every ITSSOIN country elaborated such a “vignette” describing key subjects shaping the respective national field, key actors, regulative characteristics and central changes characterizing the dynamism in the field. Although the country vignettes cannot provide us with an identification of social innovations, they represent a valuable source of political and legislative framing of the field as well as interests of participating actors.

Due to the different national histories, cultures, and especially institutional responses to the financial crisis, the contents of individual vignettes were rather diverse. The second reason why the comparison was not easy was the nature of the analyzed field (ambiguous definition, different understanding of the field content).

Finally we decided for the country selection of the Czech Republic, Denmark and Spain, which allowed us to follow and compare three rather different types of consumer protection in a field of alternative financial services (AFS). The team came to the conclusion that AFS could be the appropriate object of further research also as a consequence of the preliminary interviews of experts. AFS represent a rather dynamic field - especially during and after the Great Recession (which brought new social needs and new incentives for the empowerment of citizens in the area of finances); Spain, especially, has witnessed significant, maybe even radical institutional changes. But considerable institutional and instrumental shifts in the field can be identified in the other two compared countries, as well. In addition, in all three countries selected, AFS bring innovative solutions of the problems of various social groups’ limited access to traditional financial products. At the same time, they can represent a serious threat to the social situation of the same groups of people, which requires socially innovative solutions (Hyánek V., Navrátil J., Figueroa, M., Tygstrup, C., José Sanzo, M., Álvarez, L., Álvarez, B., ReyGarcía, M., Felgueiras, M. (2015)).

Spain is a country which has undergone several radical changes related to financial markets and products. According to the Spanish vignette, after 2009 Spain underwent the largest restructuring of the banking sector in its history. The roots of these changes consist of generalized social distrust of banks in view of a series of irresponsible behaviour in relation to credit concession, the disclosure of generous compensation schemes for directors of banks under public rescue plans, and a broad perception of opacity and moral hazard (Anheier, H. K., Krlev, G., Mildemberger, G., & Preuss, S. (2015)). There seem to be rather low involvement of

the Spanish government in the field, its support of civil society activities, and also a relatively high level of citizens' empowerment in CPAFS.

The Danish vignette signalled that Denmark could be an interesting case of contra factual comparison because few third sector activities were detected by the Danish team in terms of social innovation and civic engagement in consumer protection related to financial services. In the field description, however, it becomes clear that even in Denmark it is possible to identify significant problems related particularly to non-banking institutions, as well as relevant innovative approaches. Finally, there seems to be a high share of (rather effective) government control over the CPAFS and rather low intensity of civil society initiatives in Denmark.

In the post-socialist Czech Republic, the main changes are related to the period after accession of the Czech Republic to the EU, as a consequence of implementation of EU legislation into domestic legal norms. The activities supporting the financial education and raising the awareness of consumers may be identified as the most relevant here. In the Czech case, we observe a middle level of (not very effective) government involvement tolerating the civil society activities in the process of transition from an etatist towards a neoliberal setting.

To sum up, we have built our final case selection mainly on the content of deliverable D 2.4 Country Selection. As stated in that document, based on empirical field descriptions provided for each country by 'vignettes' an evaluation of the best country field combinations was performed (Anheier, H. K., Krlev, G., Mildemberger, G., & Preuss, S. (2015)).

2.2. Field Report

After the country selection, more focused and structured inquiry was conducted within the three countries participating in the empirical field work - i.e. the Czech Republic, Denmark and Spain. The goal of this step was to get a more profound understanding of the activities in the field of consumer protection in alternative financial services in order to prepare for valid cross-country comparisons and elaborate a preliminary list of social innovation streams in the area for further sampling.

The field report was organized along the following lines: first, existing academic resources were reviewed in order to get a more precise understanding of the traditions and context of AFS in all countries. Second, policy and legislation analysis were conducted and finally, actors in the field were analyzed together with innovative patterns that were discovered in the field. During this process, the following data collection and analysis strategies were employed: desk research, document analysis, semi-structured interviews and content analysis of media. In the last step, first list of SI streams was created and prepared for the process of internal and external validation.

2.3. Internal and External Validation of Social Innovation streams

To make sure that our findings are both internally coherent and widely plausible, we aim at maximization of both its internal and external validity. In order to establish internal validity, conceivable SIs have been explored in light of existing research in the field and discussed during the process of the field description preparation with the consortium members. External validation has been realized in two directions. First, we consulted external experts in a workshop at the ITSSOIN mid-term conference. Second, we conducted interviews with international experts in the field.

In terms of external validity, the mid-term workshop discussions helped to identify several promising SI streams, which could be potentially suitable for further in-depth analysis. While there was a common agreement on some streams (financial education, on-line platforms, peer-to-peer lending), the decision was taken to consult the (inter-)national experts in the case of others (COOP, timebanking).

Subsequently, further expert consultations were carried out. During September 2015 we approached five experts to help us identify the most important social innovation streams in the field of CPAFS. The selection was conducted with regard to the ability of experts to reflect trends and potential innovations in different countries. Our requirements were the following: great knowledge of a particular sector (public, private or third sector), expertise in the field of consumer protection in finance, and finally familiarity with local and international tendencies in the same field. From the public sector, we selected a member of cabinet of the European Commissioner for Justice, Consumers and Gender Equality. Besides being a historian and politician, he is also an EU expert, who is focused on consumer policy not only in the Czech environment, but also in a Europe-wide context. From the private sector we addressed a Board Member of Provident Financial, s.r.o., which is a branch of International Personal Finance Plc, a leading international home credit business serving 2.8 million customers across Europe, Mexico and Australia. Our respondent is also active within the British Chamber of Commerce in the Czech Republic. He has extensive knowledge and experience in alternative financial services across Europe. From the third sector, we approached a specialist from the People in Need organization, which is considered a major national nonprofit watchdog in consumer protection in finance, among others. His interest is mainly aimed at the terms and conditions of short-term loans provided by non-banking institutions. He is also involved in the compilation of the Index of Ethical Lending and often comments on the topic of consumer protection in finance in national mainstream media. Furthermore, we were also able to obtain brief relevant information on the topic from one Danish and one Spanish expert.

3. Social Innovation Streams Identification

3.1. Country contexts of Social Innovation

Based on the aforementioned methods, we came to the following conclusions related to the field structure in our countries. First, in terms of the key regulator of the field, it is the public administration. In the Czech Republic and Denmark, the regulator is represented especially by nationwide political institutions and organizations, while the role of public institutions in Spain is much more decentralized. Among the most important public institutions regulating the field are central banks (Czech Republic, Spain).

Second, it is sometimes quite difficult to differentiate between the market and nonprofit actors: even if there are clearly profiled commercial providers involved (short-loans providers, consumer credit providers), there are also many cooperatives and alternative banks, and also citizens' and grass-root initiatives and groups, some of them of a hybrid character. The composition of the AFS providers differs 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 nonprofit sector and AFS providers in the Czech context are more contentious or reserved.

Even if the field structures were found to be quite similar in all countries, some differences could be identified. First, the field has been changing quickly in the Spanish case because of the

arrival of the financial crisis. While in the Czech Republic and Denmark the government has been trying to implement a much stricter framework of regulation of the AFS - often in relation to some recent negative cases or even scandals and with the explicit aim of downsizing the field and making it more transparent and controllable - the Spanish case sees much more encouragement of different forms of AFS to fill the space left by the traditional banking system after it was hit by the crisis. This also has an impact on the level and capacity of actors involved to promote social innovations in the field. Second, the Czech case is quite specific, as 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 have developed and maintained a much more refined and rather slowly evolving system of division of roles in the field related to control and monitoring.

Third and most importantly, we observed several similar tendencies in the three countries. All of the countries aim at more detailed and extensive regulation of the field - either in the form of pressure from the citizens/customers or from the political institutions (which usually follow the opinion of the citizens-voters). This interest in regulation/consumer protection is to a large extent stimulated by existing problems, complexities and deficiencies (cheating practices, new services, lack of transparency etc.) and enabled by the arrival of new communication technologies and tools in the field (Internet, mobile phones - social networks, new media etc.).

3.2 Social Innovation Streams Identification

Two general trends in social innovations in the field of CPAFS were identified in the three countries under study. These are efforts to empower consumers/citizens in the field of AFS and interconnection between social and technological innovations in the field.

In empirical analyses, the problem of the identification of social innovation in the field of consumer protection arose for several reasons. The social dynamics in AFS are usually closely related both to economic conditions of the country and to the traditional banking system. In other words, the extent of initiatives in AFS usually correlates negatively with economic and financial opportunities of citizens (satisfaction of their basic needs, availability of financial resources, access to mortgages or consumer loans etc.) and with the dissatisfaction with the functioning of an institutionalized financial system. This was clearly the case of many Spanish social innovation initiatives (cooperative non-banking institutions, etc.) which arose from the crisis of legitimacy and trust in standard banking institutions and from the country's worsening economic situation, or the 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.

The field report became the basis for the next step in the process of selecting the most dominant type of innovations in our countries. Discussing the results from the field description with all WP partners and additionally considering expert consultations that were part of the field description, the following list of social innovation streams was produced:

1. **Web applications/online initiatives:** these are the use of the new (digital) media and communication tools by citizens, activists and their networks aiming at increasing awareness, providing information, and empowering the consumers of alternative financial services. This social innovation pattern seems to be present in all countries, and is in practice also closely related to financial education (literacy) - see the next stream.

2. **Financial education:** here, the social innovation lies in the programs raising the financial literacy of disadvantaged groups in novel ways, thus empowering them in their relations with some of the AFS providers. This social innovation stream was identified in all countries.
3. **Peer-to-peer lending:** these are networks that provide users with direct connections to each other in order to trade, share data or exchange information. The innovation here consists of satisfying needs of citizens by enabling them to link with each other without any intermediaries, and also helps to solve their maltreatment by official banks and non-banking institutions. This social innovation pattern is present in all countries in the study.
4. **COOP networks:** these are retail business networks that have certain aspects of social economy. They play an important role in local community building, promoting fair/local trade or improving access to various financial or communication services in rural areas. Again, this social innovation stream is present in all countries, albeit to a different extent.
5. **Crowdfunding platforms/sites:** these represent the virtual or real places where monetary contributions for a project or venture are raised from a large number of people. These are typically online sites. Social innovativeness lies in the fact that crowdfunding is a form of alternative finance, which has emerged and operates outside of the traditional financial system and thus empowers and emancipates citizens/consumers. This social innovation pattern was also present in all countries.
6. **Timebanking:** this is a reciprocal service exchange typically among citizens that uses units of time as a currency. This social innovation (avoiding monetary economics and satisfying people's needs without any currency) pattern does not seem to be present in the Czech case (except in the case of membership fees for some NGOs - voluntary work for an NGO in exchange for the fee).

To conclude, the field report in CPAFS helped us to understand the broader conditions of the field in the Czech Republic, Denmark and Spain. More specifically, it seems that in terms of the broader environment, there are both requirements from consumers and authorities to regulate and control the field more in order to prevent unethical or dangerous behavior of AFS providers, and also a strong effect of new digital technologies that effectively enable citizens to cooperate, engage and educate themselves in such an endeavor. We found that online social networks and new communication technologies have become a new terrain where CPAFS is being debated, formulated and applied. This fact shall also constitute a basic ground for the next stage of research of particular social innovation activity in CPAFS.

Furthermore, we identified six social innovation streams in the field out of which five are present in all countries in the study. These patterns arose mostly from the analysis of actors in the field, based also on the analysis of documents and interviews with the representatives of these actors. It seems that four out of six of these streams are directly connected to (and enabled by) new communication tools and technologies, which makes the aspect of digital media in the CPAFS a key factor to be further validated and explored in our analysis.

3.3. Case Selection Process

All of the above mentioned SI streams fit the European Commission definition of social innovation, as is also mentioned in D 1.1: "Social innovation can be defined as the development and implementation of new ideas (products, services and models) to meet social needs and create new social relationships or collaborations. It represents new responses to pressing social demands, which affect the process of social interactions. It is aimed at improving human well-being. Social innovations are innovations that are social in both their ends and their means. They are innovations that are not only good for society but also enhance individuals' capacity to act" (European Commission, 2013a, p. 6).

At the same time, however, the cases we identified as the most suitable ones contain other features and characteristics given by D 1.1 (Anheier, H. K., Krlev, G., Preuss, S., Mildenerger, G., Bekkers, R., Mensink, W.; Bauer, A., Knapp, M., Wistow, G., Hernandez, A, & Adelaja, B. (2014)) referring e.g. to Max Weber's reflection on the impact of 'abnormalities' in social behaviour that lead to social change, affecting the general social order, etc.

3.3.1. Identification of the Most Relevant Social Innovation Streams

Consequently, we have decided to reduce our list as timebanking and COOP, even if they are very interesting and innovative tools of AFS, have a logic in terms of *consumer protection* that is rather indirect and distant, they are not represented in all countries (timebanking) and may be considered innovative for completely different and unconnected reasons (COOP). In other words, although some elements of consumer protection and social innovation are potentially present, they do not constitute the essence of these two social innovation streams or may be somewhat misleading for cross-national comparison.

Reviewing findings from the field description in view of the case selection, we came to the preliminary conclusion that one of the preferred areas will likely be financial education. This conclusion resulted not only from previous analyses (country vignettes, field descriptions), but also from the existing policy approaches and academic research on the topic. The high priority of financial literacy is being declared in many academic, scientific and policy documents. OECD/INFE (2012) focuses on the high-level principles on National Strategies for Financial Education; they were developed by the OECD International Network on Financial Education (OECD/INFE) (which comprises representatives from over 100 economies, including all G20 members and relevant international organisations). This document even states that,

“In the aftermath of the financial crisis, financial literacy has been increasingly recognised as an important individual life skill in a majority of economies. The underlying reasons for this growing policy attention encompass the transfer of a broad range of (financial) risks to consumers, the greater complexity and rapid evolution of the financial landscape, the rising number of active consumers/investors in the financial sphere and the limited ability of regulation alone to efficiently protect consumers. In addition, the consequences of the financial crisis have demonstrated the potential implied costs and negative spill-over effects of low levels of financial literacy for society at large, financial markets and households.” (OECD/INFE 2012, p. 2).

Recent developments in the field of AFS indicate the growing importance of AFS, and financial education especially. In economic terms, the field of AFS (as indicated by the size of the national markets represented by most prominent FS platforms) has grown by more than 140% a year since 2012 and its estimated market size in 2014 size was 2,957 million Euro (Wardrop et al. 2015). In other words, the growing market of AFS attracts more and more commercial subjects and is considered by commercial actors as an increasingly promising area of business, especially in connection with new digital technologies (Levy et al. 2013). At the same time, existing empirical studies point to the fact that AFS are present especially in areas and parts of the cities with low income and populated by immigrants and minorities. So called “spatial void hypothesis” suggests that it is the absence of traditional financial institutions in certain locations (related to the social groups that reside there) that leads to more frequent presence of AFS providers. Research from the US confirms that the location of AFS providers is typically in the areas with dramatically lower income and often heavily populated by minorities, while at the same time services provided by AFS are usually more costly than those of traditional banking institutions (Smith et. al 2008; Smith et al. 2012). This raises the question of financial literacy of vulnerable groups.

It is apparent that the area of AFS is becoming inevitably and firmly tied with digital technologies and new tools of communication. As Wardrop et. al state:

“Since the global financial crisis, alternative finance [...] has thrived in the US, the UK and continental Europe. In particular, online alternative finance, from equity-based crowdfunding to peer-to-peer business lending, and from reward-based crowdfunding to debt-based securities, is supplying credits to SMEs, providing venture capital to start-ups, offering more diverse and transparent ways for consumers to invest or borrow money, fostering innovation, generating jobs and funding worthwhile social causes.” (Wardrop et al. 2015)

In fact, the interconnection between the new communication technologies and AFS has become recognized not only among third sector organizations and academic research but also among the commercial actors:

“The emerging industry of technology startups providing social services, known as FinTech, has typically targeted a relatively affluent customer base. Yet beneath the surface, a groundswell of hundreds of FinTech companies are developing innovations to serve a consumer segment in even greater need of new ways to access and manage their money.” (Levy et al. 2013)

All this points to the key importance of the intersection between financial literacy especially among disadvantaged social groups, and online media and digital communication tools that also have better penetration among these parts of the population.

3.3.2. Identification of the most important Social Innovation stream

The results we obtained from the expert consultations were more or less in alignment with pre-assigned stream priorities. The two most significant innovations appeared to be *web applications/online initiatives and financial education*.

Two of our experts recognized Financial education as the most crucial trend in CPAFS, as well as the Danish partner, who classified the stream as highly important. According to one expert, financial education is an absolute priority, however he suggests that such activity should be implemented particularly by the state and should not lie entirely on the shoulders of the third sector. He also recognizes two important groups of receivers. The first group represents children younger than fifteen years, where the financial education should be provided as a compulsory part of a study program at elementary schools. The second group consists of disadvantaged groups such as elderly, single parents etc., which should especially be familiar with concept of the family budget and basic financial products. Consistently, the respondent from the public sector determines the stream as the most significant, yet distinguishes between at whom educational campaigns are targeted. As he commented, there exists a deep lack of information capturing consumers' rights (not only in the area of finance) in society. Campaigns targeted at the education of the new generation and vulnerable groups (e.g. socially excluded communities) are perceived as more important and practical rather than information campaigns focused on the public (Interview 2).

Nevertheless, the strong argument about counter-productivity of financial education, expressed by the third expert, has to be taken into consideration as well, as he emphasised that financial education substitutes for the role of a functioning system of legal norms, as a matter of fact, supports a system that does not work. Indeed, it justifies the impoverishment of consumers, since it is their duty not to be deceived but rather educated (Interview 3). While perceiving this stream as a field with overly generous financial support, he noted that it would

be more efficient to create an environment where deception is not an economically successful strategy.

Another innovation stream that was ranked highly are Web applications/online initiatives. The experts see this stream's importance not only in the ambience of the Czech Republic, but mainly in the European context. The idea that it is a growing trend is also supported by the Danish and Spanish partners.

Web applications/online initiatives are recognized as the most significant innovation, especially by the third sector expert, who is in touch daily with consumers facing seizures, indebtedness etc. Since consumer protection in finance in the Czech environment represents a massive problem, he considers the stream remarkably important, especially due to its ability to provide consultancy to a large number of clients. As the expert expressed, given the extent of the problem; automatization such as an online electronic form creating legal action is extremely important. Online advice through web application can be used by many times more clients, than could ever be done in person (Interview 3).

Still, for some, the trend is perceived as less important, mainly due to its limited reach among clients of the non-banking sector. Even nowadays, certain numbers of clients involved in alternative financial services (e.g. elderly or low-income consumers) might not have easy access to the Internet. Yet, indisputably, this is a future trend serving as a strong tool to strengthen consumer rights.

Furthermore, given the results of expert consultations, the streams of *Peer-to-peer lending* and *Crowd-funding platforms* appear to be less important than aforementioned innovations. On the average, both streams were evaluated as having only medium priority. However, during consultations an issue emerged as experts pointed to a potential (both conceptual and empirical) overlap in those innovation streams, since there are peer-to-peer crowd-funding platforms as well. Additionally, according to our experts, the phenomenon of peer-to-peer lending is not very well known in the Czech environment; therefore its explanatory potential would not be very high. Still, it is considered to be a useful and progressive trend where providers can offer better conditions to clients than common commercial subjects.

Subsequently, experts commented on crowd-funding platforms that have already been known for a few years in Denmark or Spain, while crowd-funding is still considered a very new phenomenon in the Czech environment, without legislation covering this topic exhaustively. Since the public is largely unfamiliar with it there is distrust of the innovation. Our expert noted on this issue that Czech crowd-funding platforms face excesses of investors and a lack of borrowers, even though it is a segment that does not lead to seizures and a decline of the social status of clients (Interview 3). While Spain is the only selected country where crowd-funding was designated as a stream with high relevance, minor interest about the trend prevails in Denmark, since the expert assigned only low priority to the stream. Furthermore, in spite of the fact that crowd-funding is a trend of the future our respondents emphasized no direct relation to CPAFS here.

The last two innovation streams COOP networks and Timebanking are those characterized by the lowest significance, according to the majority of experts. While in Denmark, COOP is acknowledged as an alternative bank, in the Czech environment the concept is almost unknown to the public. However, based on consultations, this trend certainly has its importance in some

Member States such as Spain, where COOP networks are seen as highly relevant as a result of distrust of the traditional banking system. In contrast, our experts recognized this stream as irrelevant in the Czech environment due to its little public acknowledgement and a lack of experience.

Subsequently, the stream of Timebanking was assessed and identified by experts from all selected countries as being insignificant. In the Czech environment the innovation was recognized to be quite irrelevant, since this kind of alternative service is not present in the local environment at all.

Interestingly, the expert consultations brought suggestions of two other streams, although without aspiration to the highest significance. Still, we consider them worth mentioning. The first stream, *Provision of non-cash loans only*, was added as a new trend from Slovakia, where the provision of non-cash loans is obligatory as a result of the extent of fraud while providing loans in cash. To end these unethical and fraudulent practices, nowadays, consumer loans are offered solely online directly to the client's account, by credit cards or by money orders, while client can repay the loan by different means of payment including cash. This innovation does not rise from the third sector and is specific only to one country, but it certainly has an impact on improving the field of CPAFS.

The other mentioned trend is known as *Payday loans*. This financial service is recognized especially abroad, while it is considered to be new phenomenon in the Czech Republic. However, this trend is viewed as highly negative.

With the help of expert consultations we were able to distinguish which streams are the most progressive and of the highest explanatory potential as well. For ease of reference we have attached a table below, which contains a ranking of each stream by addressed experts.

Table 1 Social Innovation Streams in CPAFS

SOCIAL INNOVATION STREAM (SIS)	Description	Priority Expert 1	Priority Expert 2	Priority Expert 3	Priority Expert 4	Priority Expert 5
<i>Web applications/online initiatives</i>	<ul style="list-style-type: none"> • New media activists aiming at increasing awareness, advisory, online petitioning thus empowering consumers of financial services • Innovative way of organizing consumer protection in finance - peer-to-peer communication, available to public • Contains a feature of financial education • Present in all countries 	high	medium	high	medium	medium
<i>Financial education</i>	<ul style="list-style-type: none"> • Raising financial literacy, new methods for teaching, special social groups - adults, vulnerable groups • Stressed by OECD • Present in all countries 	high	high	low	high	medium
<i>Peer-to-peer lending</i>	<ul style="list-style-type: none"> • Against maltreatment by official banks and non-banking institutions • Present in all countries 	medium	high	high	medium	low
<i>COOP networks</i>	<ul style="list-style-type: none"> • Different function across our countries (community building, fair/local trade, spread of financial services to rural areas) • Present in all countries 	low	low	medium	-	high
<i>Crowd-funding platforms</i>	<ul style="list-style-type: none"> • Avoiding traditional banking services, improving availability of financial services • Present in all countries 	medium	medium	medium	low	high
<i>Timebanking</i>	<ul style="list-style-type: none"> • Time-based currency, which is alternative currency, where the unit of exchange is the person/hour • Not present in the CR (only in the case of membership fee for some NGOs - voluntary work for an NGO in exchange for fee) 	low	low	Low	low	low
<i>Provision of non-cash loans only (account, credit card, money order)</i>	<ul style="list-style-type: none"> • Preventing unethical practices in transmission of cash • Innovation implemented by state (new legislation) • Present in Slovakia 		low			
<i>Payday loans</i>	<ul style="list-style-type: none"> • New phenomenon in the Czech Republic 		low			

4. Social Innovation Activities

In the following section we illustrate social innovation activities of the two identified social innovation trends that prevail in the three countries under the study - i.e. empowerment of consumers/citizens in the field of AFS and interconnection between social and technological innovations in the field - and consequently also of the most relevant SI streams (*web applications/online initiatives* and *financial education*). These may be found most clearly in the applications/online initiatives related to provision of information, knowledge and expertise and other tools for improving the positions of consumers in the field of AFS, enabling their participation and promoting their voices and concerns. Considering the ITSSOIN objective, we propose focusing on activities that are a) based on educational activities, b) focused on vulnerable groups and c) based on new communication technologies (internet, mobile phones etc.).

The Czech Republic

Web portal “Distrainor-gets-nothing.cz” (Exekutor-má-smůlu.cz) helps consumers to stop seizures. Besides providing information about the topic and examples of successfully stopped seizures, the portal offers an online form through which clients receive assessment of their seizure for free. If there is a possibility that the seizure can be stopped, the client receives legal representation for a symbolic fee that is returned if the seizure proceeds. The project is operated by the market company Český spotřebitel s.r.o., which focuses on projects improving the position of consumers in the Czech Republic. (<http://www.exekutormasmulu.cz/>)

“Class-action.cz” (Hromadné žaloby.cz) operated by the same company as Distrainor-gets-nothing.cz portal, is an initiative focused on improving the position of consumers in the Czech Republic. Through the web page, aggrieved clients can create an organized group to lay collective charge, obtain legal representation as well as get better conditions and lower price, through shared costs. Moreover, clients do not pay to create or join an action, since the service is free of charge. The portal is also a place where consumers can discuss lawsuits already ongoing. (<http://www.hromadnezaaloby.cz/>)

These aforementioned activities are apt examples of online initiatives aiming at empowering people in a rather difficult life situation. Furthermore, both projects combine educational activities with nonprofit service provision.

“Safe Loan Navigator” (Navigátor bezpečného úvěru) is an online project that helps people interested in a loan to select secure loan providers from the banking as well as non-banking sectors. The aim of the initiative is to assess the quality of individual providers and to offer to the public a tool through which financial institutions can be easily compared. The project is a result of collaboration between Charles University and consulting firm EEIP a.s. (<http://navigatoruveru.cz/>)

The web application “Enforcement Costs Calculator” (Vymáhací kalkulačka) from the People in Need organization calculates enforcement costs of legal representation and other judicial services for any amount of debt. Additionally, the application displays development of enforcement costs from the year 2001 until the present, as well as comparison of current costs of legal representation in neighboring countries. (www.vymahacikalkulacka.cz)

Also promising is a forthcoming web application created by the aforementioned organization the People in Need, which should be available by the end of 2015. The application will enable consumers to pursue a legal action on their own, thereby eliminating costs for legal representation. We consider this activity as an interesting potential subject for the next study since it will reduce the financial and time costs of those who really need it (vulnerable groups), while it also has the potential to bring real empowerment for consumers and improve the position of people with financial difficulties.

Supported by the Ministry of Finance, “Financialeducation.cz” (FinančníVzdělávání.cz) is a project that unites professional associations and other subjects operating in the Czech market. The aim is to increase awareness of financial affairs through an educational web, as well as to clarify how financial products and services offered by common financial institutions work. The project represents a good example of social innovation activity suitable for the future study, since it combines aspects of financial education with new media and digital technologies. Furthermore, this activity contributes to consumer protection of vulnerable groups, as it distinguishes between the different needs of people with regard to the specific phase of the life cycle they are in (e.g. young couples with kids, elderly), and considers particular situations that may occur at almost any time (financial reserves for potential illness, unemployment, etc.). Additionally, the portal aims to increase the financial literacy of children by enabling the free download of worksheets for teaching financial education in elementary schools. (www.financnivzdelavani.cz)

“A-Z of Family Finance” (Abeceda rodinných financí) is a financial education project targeted at the general adult public in the Czech Republic. The lectures, which are free of charge, are provided in the form of seminars in communities since 2010. Over the lifetime of the project, the training has been attended by more than 3,500 people and seminars have been held in most regions of the country. We see the value of the project not only in its great reach throughout the population, but especially in activities focused, for instance, on small rural municipalities or vulnerable groups (e.g. low-income populations, single mothers, etc.). Furthermore, the project adds the dimension of digital technologies, since e-learning courses are provided that help consumers to understand the world of personal finance, emphasize the importance of controlling their own income and expenditure and teach them about handling their own money responsibly. Additionally, this activity results from cooperation among parties from the nonprofit, market and public sectors, thereby enabling deep future study of the actors’ network. The project partners are the Financial Arbiter, the Czech Consumer Association, British Chamber of Commerce, Debt Advisory Center - Counselling in Stringency and private provider of non-banking services Provident Financial s.r.o. The project is also a member of the Alliance Against Debts and the Working Group for Financial Education of the Ministry of Finance. (<http://www.abecedarodinnychfinanci.cz/>)

Denmark

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

“Forburg.dk” is a public consumer portal that provides clients with consultancy and helps them in the area of rights and complaints in Denmark.

We see the project as an interesting online activity seeking empowerment of individual clients of bank institutions in relation to those institutions. (<http://www.forbrug.dk/>)

Spain

“REAS” Red de Redes de Economía Alternativa y Solidaria Reas (Network of Solidarity and Alternative Economy Networks Reas) is a non-profit organization created in 1995 whose scope of activities includes the entire Spanish territory, comprised of more than 300 entities. In 1997 the thematic web portal of solidarity economy (Portal de Economía Solidaria) was created. The aim of the portal is to establish a space for all social, economic, political and private sector actors as a place for meeting, reflection, participation and communication, where people, networks and other entities can interact. We consider the project valid for our next study especially in one of its areas of activity, which is related to financial activities and microcredits in order to promote solidarity economy. (<http://www.economiasolidaria.org/>)

5. Final Selection of Social Innovation Stream

In the previous chapters we described the process of identification and selection of social innovation trends and (most importantly) streams in CPAFS in order to prepare the ground for case study in the next analytical step of the ITSSOIN project. Additionally, we discussed the importance and dynamics of each innovation with experts in the field so we could identify streams with the highest explanatory potential - i.e. those that would be most visibly connected to socially innovative patterns in the field and that would be valid for cross-national comparison.

The final step of this process is to narrow down the list of selected social innovation streams. To be able to do so, we need to sort identified streams by their importance considering regional peculiarities and differences.

We rank the stream of *Timebanking* as the least relevant as it appeared to be irrelevant for one of the partners, due to its non-existence in the selected country. Since this trend is not present in the Czech Republic in any form, and is recognized by others as the one with low priority within CPAFS, we rejected it as an unjustified subject for a future study.

Another stream with low comparative potential, especially due to its limited acknowledgement by the general public, as well as its indirect connection to the field of consumer protection, is the case of *COOP networks*. Even though COOP networks is a trend that is considered important in Spain (as a result of radical changes in financial markets and distrust of traditional financial institutions) it does not provide us with full comparative potential, since there is very limited experience with the innovation in the Czech Republic, if any. In view of the fact that we cannot confirm a tendency of dominance or importance of the stream in CPAFS in all three selected countries, we decided to eliminate the stream from further analysis, as it offers neither a strong basis for cross-country comparison nor a direct link to consumer protection.

Second, we identified two streams that embody innovations with certain potential, but are not perceived as having the greatest priority. These are *Peer-to-peer lending* and *Crowd-funding platforms* streams. Given expert consultations, Crowd-funding appeared to be highly relevant only in Spain where the trend is spreading strongly due to social media and information and communication technologies (ICTs), in addition to a negative change of the perception of traditional banking institutions by the public. Nevertheless, we lack any straight connection of

this innovation to the field of consumer protection. In Denmark, both streams are considered possible innovations protecting consumers against pitfalls of the regular banking system, yet, they are not understood as a threat to consumers or private economy in general, since examples of socially innovative measures to protect consumers are all related to quick loans and such. Similarly, in the Czech Republic, Crowd-funding and Peer-to-peer lending are recognized as progressive social innovations, but without direct connection to CPAFS.

Finally, we deliver streams with the highest exploratory potential within CPAFS. As a result of research based on expertise of researchers from the consortium, combined with information gathered from expert consultations, we have determined Web applications/online initiatives and Financial Education as streams with the greatest insight into understanding social innovations and influence of key actors.

We consider both innovation streams as highly significant, as these are dynamic tools of consumer protection, helping consumers to fight information asymmetry and a lack of transparency and fairness in an area traditionally connected to the provision of quick loans and other products of alternative financial services provided to citizens usually without access to services of standard financial institutions.

Since provision of advisory services to the general public and an increase of awareness, information, know-how and expertise on the topic is progressively spread out through new media and ICTs, web applications/online initiatives represent, indisputably, an innovative approach towards consumer protection in the field. We also see this stream as highly relevant because it is massively present in all our countries and thus can be easily and in a valid manner studied across them.

Another stream we perceive as significant is financial education, which is considered an important social innovation that raises financial literacy in a population. We see its importance especially within projects targeted at certain social groups of citizens such as adults or vulnerable groups (low-income consumers, elderly, minorities etc.). Moreover, we can find it widely present in all states in the country selection.

As mentioned above, while analyzing these two SI streams, we needed to acknowledge an interesting and important overlaps between them. Currently, actors involved in increasing financial literacy and awareness of CPF, are developing e-learning methods and web applications to do so. The reason is that traditional seminars and lectures are usually targeted to a specific group and can be offered only to a limited amount of people, while new media and ICTs seek to reach a high number of consumers. Online initiatives and web applications contain features of financial education; however, through new technologies actors provide consultancy and help in solving already existing problems such as seizure or over-indebtedness of clients, rather than just increasing the financial literacy of the public. At the same time, many online-based actors in the field (including commercial ones) started to engage in various projects aiming at helping consumers to orient and protect themselves in the field, either as part of their commercial plans (e.g. educating their own or future clients), CSR strategies (e.g. creating positive images or brands) or non-profit activities (fighting maltreatment of consumers).

To conclude, we consider Web applications/online initiatives and Financial education as innovation streams of highest importance in the field of CPAFS, which provide us with high explanatory prospects in relation to the objectives of our study. These streams represent quite

broad phenomena; therefore, we aim to explore rather their *combination* or *mixture* in which both new communication technologies and education/information provision for consumers in AFS are always present. In other words, we aim at studying some of the social innovations that are characteristic of the usage of online media and education of vulnerable customers of AFS such as the elderly, youths, minorities, excluded groups etc. Our next step will therefore be the selection of the target group upon which to focus the financial education.

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Interviews

Interview 1	with representative of member of cabinet of European Commissioner for Justice, Consumers and Gender Equality. 18/09/2015.
Interview 2	with representative of Provident Financial s.r.o. Prague 22/09/2015.
Interview 3	with representative of People in Need. Prague 22/09/2015.
Interview 4	with representative of Copenhagen Business School. Copenhagen 24/09/2015.
Interview 5	with representative of Oikocredit Euskadi. 02/10/2015.