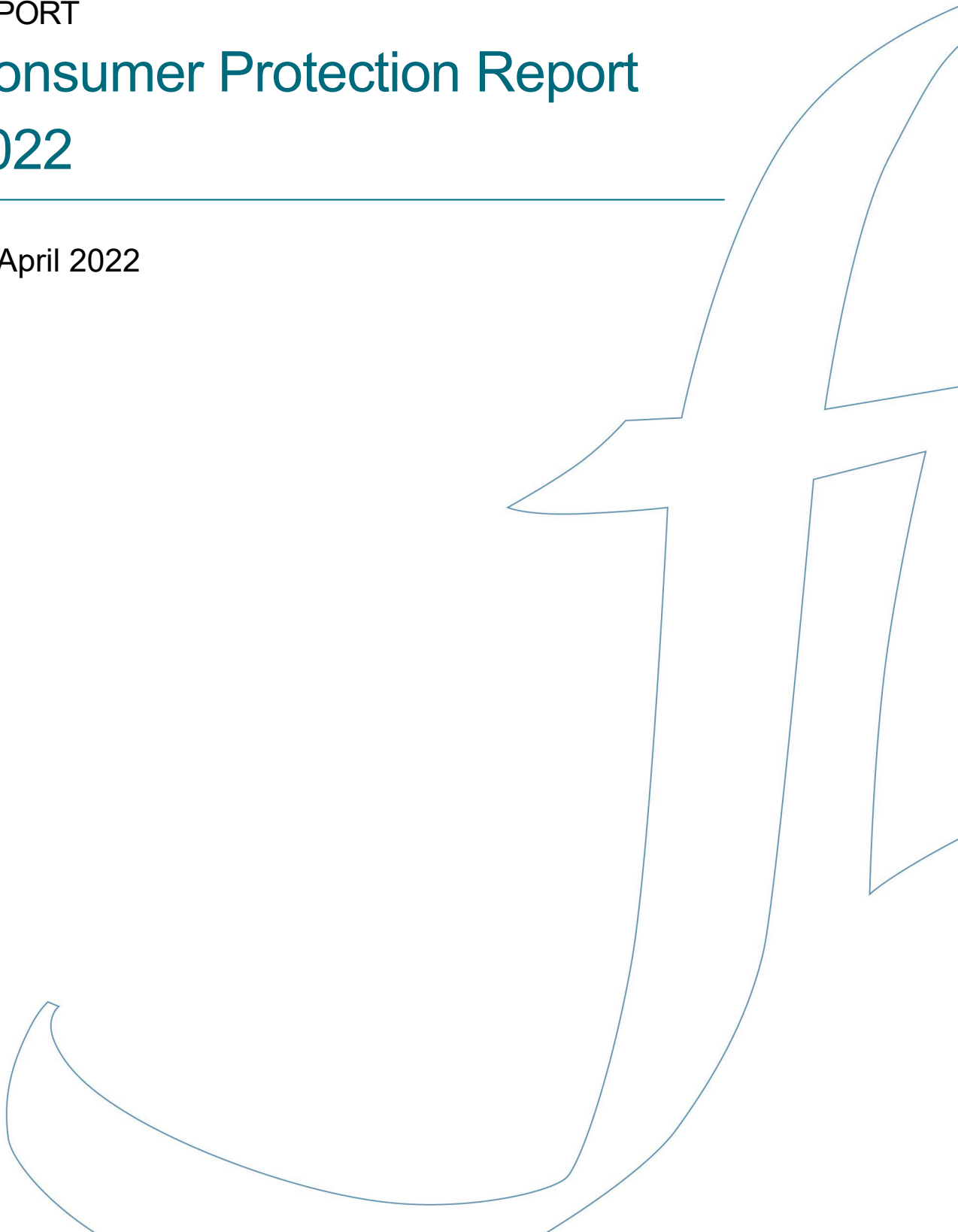




REPORT

Consumer Protection Report 2022

07 April 2022



Summary

Unsound lending practices and commission from the sale of financial instruments are the highest prioritised risks in Finansinspektionen's (FI) consumer protection assignment for 2022.

We are still seeing risks on the consumer credit market associated with consumers receiving loans that they are not able to repay. In the long run, this can lead to overindebtedness.

In this year's consumer protection report, FI emphasises the importance of thorough credit assessments. The assessments must be based on sufficient information about the consumer's financial circumstances, so the consumer can pay back their loans and at the same time maintain a reasonable standard of living. If the loan has been issued through a credit intermediary, the creditor may need to supplement the information collected by the intermediary. The choice of the sales channel can never justify basing a credit assessment on insufficient information. Credit intermediaries, who receive commission from the creditors and that in their marketing often encourage consumers to refinance their loans or raise new loans, are obligated to meet the requirements on sound lending practices.

Although there was some improvement in terms of the handling of commissions, securities institutions and insurance undertakings continue to receive large commissions from product companies, primarily fund management companies, in terms of distribution, both with and without advice. We make the assessment that there continues to be a risk of adverse conflicts of interest due to commission. FI emphasises the importance of the firms meeting the requirements that apply to them with regard to receiving commissions.

An increasing number of consumers are turning to FI to complain that the banks are refusing to allow them to open a payment account or that their payment account has been frozen or closed. They then have difficulties managing day-to-day activities. In many cases, the banks make this decision because they view themselves as having insufficient customer due diligence according to the anti-money laundering regulations. We emphasise that they must always perform a thorough individual assessment of the consumer's application for an account. FI will invite the industry to a dialogue to discuss the matter.

Some consumers turn to FI because they have had difficulty getting into contact with the firms' complaint managers or have never been referred to such managers at all. All financial firms should have functional complaints handling in order to develop their business, address deficiencies and protect consumers' rights. It is

important that the information about to whom consumers can turn is clear and that it is easy to communicate with the firm about the problem that has arisen.

In 2022, FI will analyse whether insurance undertakings are raising loyal policyholders' insurance premiums for home or auto insurance more than they raise premiums for other policyholders in the same risk group. During the year, we will also hold a dialogue with the Swedish fund managers regarding our analysis of activity levels in funds. Of the 28 funds that were included in the analysis, 19 were deemed to be potential closet index funds, with some belonging to the largest fund managers in Sweden. Some fund managers will need to improve their governance and oversight procedures. In the report, FI also highlights the risks of investment fraud, which has increased sharply in recent years, and the risks associated with investing in crypto-assets.

We also highlight the need for new rules on how liquidity in some funds can be safeguarded and on how the interest differential payment should be calculated when a consumer wants to repay their mortgage before their fixed interest term expires. The latter of these issues has become particularly relevant following Russia's invasion of Ukraine, which has led to greater inflationary pressures and raised the expectations on the Riksbank to tighten Sweden's monetary policy. The market's expectations on rising interest rates could lead to more consumers wanting to secure their housing costs by fixing their mortgage rate. Given this development, it is particularly important that consumers who want to repay fixed-rate loans early are not subject to requirements on unjustifiably high remuneration to the bank.