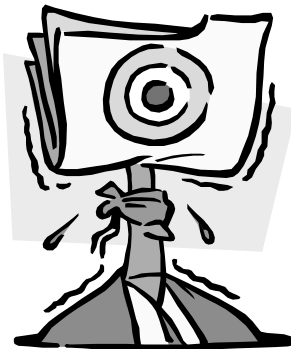


Consumers' View

- More than a matter of opinion -

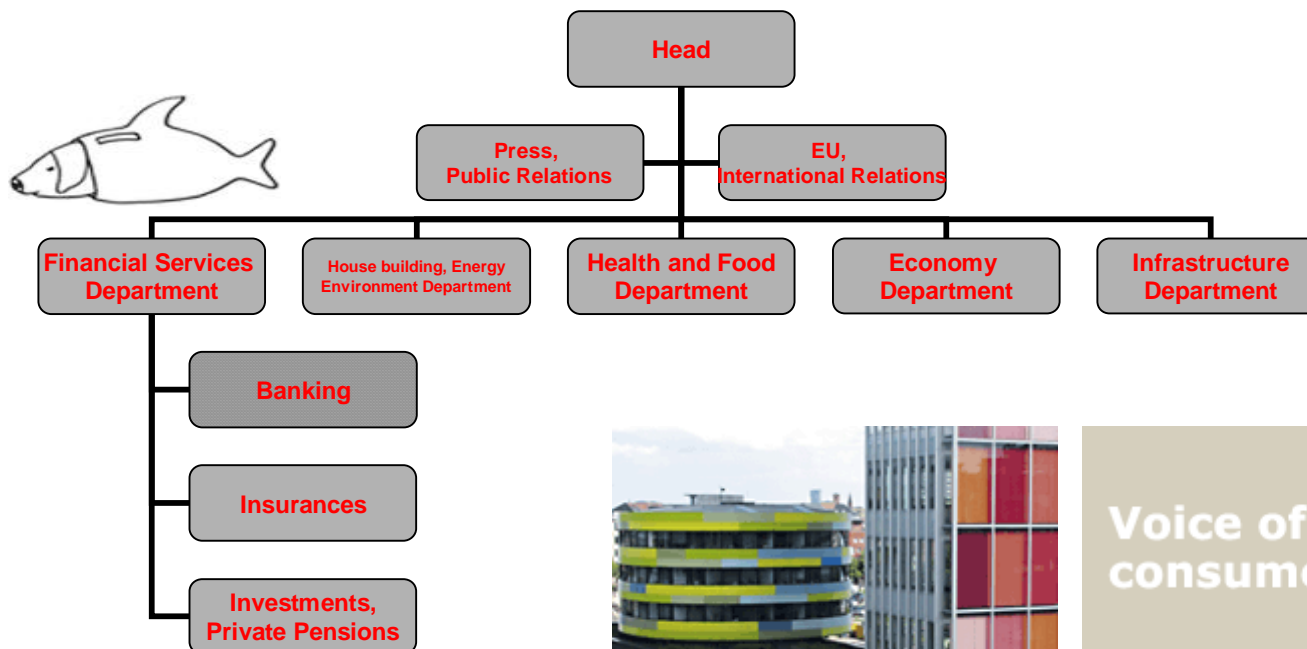


**INTEGRATION OF RETAIL BANKING IN EUROPE:
NEW TECHNOLOGIES – NEW OPPORTUNITIES
Brussels – 7th February 2008**

Frank-Christian Pauli
vzbv Germany
www.vzbv.de pauli@vzbv.de

consumer centres
of Germany's
16 federal states

24 other
consumer-oriented
organizations and
associations



**Voice of the
consumer**

Member of BEUC and CI

What we do ...



- ❖ We represent the interests of consumers in public and vis-à-vis legislators, the private sector and civil society.
- ❖ Our goal is to protect and empower the consumer. We do this by lobbying and campaigning at national and European levels, by taking collective legal action on behalf of consumers and by ensuring that our message receives broad media coverage. We also provide professional training for the staff of consumer organisations.
- ❖ Consumer advice is provided at a regional level by the 16 consumer centres of the German states (Verbraucherzentralen)

NEW TECHNOLOGIES – NEW OPPORTUNITIES –

-NEW Problems?

-Probably

ADDITIONAL TASKS

Consumers?

- ❖ Why consumer protection is important to consumers as well as to the market?
- ❖ What are current and future consumer issues with new technologies in the retail banking market?
- ❖ A new concept of security and trust

Good Reasons for Consumer Protection

- ❖ We are all Consumers, actually.
- ❖ Market equilibrium - Supply and Demand
 - ❖ Both sides need to be equally strong
 - ❖ No side should enforce decisions on the other
 - ❖ Information and Option
- ❖ Consumer Protection as Quality Management
 - ❖ US-mortgage crisis shows importance of concept

New Technologies

- ❖ Primarily providers' and commercial users' concepts
- ❖ Close – necessary – cooperation with development, implementation of new services.
- ❖ Consumers? – Acceptance or Failure at last ...
 - ❖ Missing interest?
 - ❖ Missing protection?

Concepts

❖ Information

- ❖ To be provided
- ❖ Comprehensible
- ❖ Always at hand

❖ Options

- ❖ Choice – based on adequate information
- ❖ Rights – to defend individual interest

❖ Redress

- ❖ Damages for poor service
- ❖ Security issues

Importance of all three aspects

- ❖ It does not help if you are informed but have no choice.
- ❖ Nor does it help if you have choice but do not know the essentials.
- ❖ As a consumer you usually can only make choice of what is offered and how it is offered. → Responsibility

General concepts

- ❖ Good service, of course.
- ❖ Responsible lending
- ❖ Cost transparency
- ❖ Indiscriminatory access
- ❖ ... at least to the essential services

Experiences

Some examples ...some questions ...

Credit by Mobile vs. Written Contract

- ❖ Old-fashioned paperwork and new technologies
 - ❖ Written form provides warning – slows deliberately down the process to reduce the danger of indebtedness by mouse-click
 - ❖ Furthermore provides as far as we experienced and surveys showed the only ensured way to provide consumers with all the relevant information on durable media

Durable Media

- ❖ Easy to obtain or actively provided.
- ❖ Needs to be at hand in good time before the decision
- ❖ Needs to be accessible afterwards, no matter how technologies change – floppy disk, outdated file formats, hardware no longer at hand etc...

Scoring – Effective and fair?

- ❖ Data protection is defending peoples ability to act freely.
- ❖ Recent survey on credit scoring showed results where almost irrelevant to the real financial situation of mystery shopping consumers.

Scoring – Check your customer check up!

❖ Critical aspects:

- ❖ Intransparent offers like individual APRs – price decoy effect
- ❖ If intransparent score parameters are used in further calculations how can they be accurate?
- ❖ Scoring is only semi-objective. It does only reflect large numbers and does not necessarily work individually. Statistical criteria might not fit the correct assumption made on the consumer.

Scoring – To Do it a better way

- ❖ Consider scoring a quick test – provide check up and provide test of accuracy on criteria. Do not block human corrective decision!
- ❖ Restrict use – no necessity to know how good a consumer is within two years if a simple bill is to be settled within a month's notice.
- ❖ The more we want to know of a consumer, the more this will restrict his/her actions, the more market gets imbalanced. And: Unwise development today may exclude a provider from equally accessing consumers in future.

How smart is your card?

Besides security issues ...

- freedom of choice of services (multifunction)
- Shadow accounts effects and over-securisation issues. May I refuel for less than a 80 Euro balance for the next weeks?
- Contactless payments – you should always know when you are contracting and paying (also an online issue)

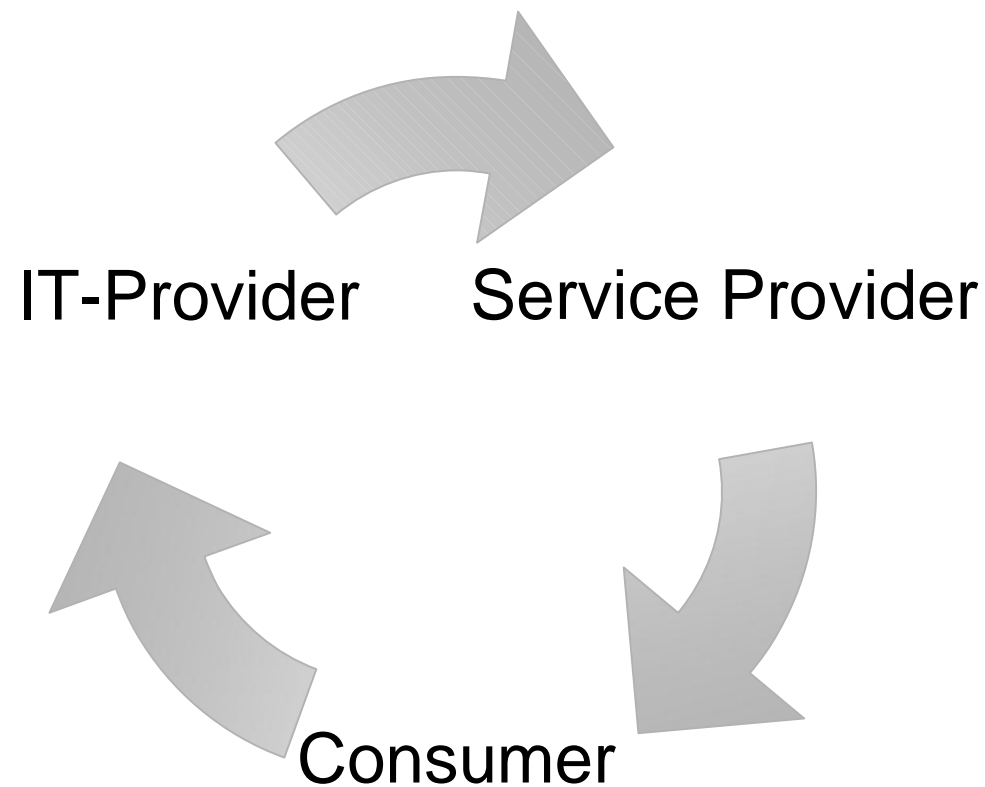
„Think criminal“ – How to protect consumers adequately

- Adequate means of security need to outweigh actual criminal intent and ‚economic‘ interest of fraudsters
- Rules of Responsibility
- What is trustworthy today?
- Consequent issues in a more secure and identified world – ID Fraud - how to protect from improper identification.

At the point of attack...

- ❖ Phishing, Pharming, Trojans, Man-in-the Middle, Skimming, Spying and Card Theft
 - ❖ Active (Social engineering)
 - ❖ Passive (Eavesdropping) – Increasing issue!
- ❖ A lot of attacks target on a “weak spot in the chain” – the consumer
 - ❖ Lack of knowledge
 - ❖ Lack of protection

Chain of responsibility



Consumer's opportunities

- ❖ Making use of recommended security advice
- ❖ Making use of offered protective means and systems.

Systems come first ...

- ❖ Consumer may only make use of means of security that are offered.
- ❖ Consumers can only assume responsibility for risks that they can actually influence in terms of risk-avoidance and risk-minimization.
- ❖ Consumers' devices (computers) are no high security systems
- ❖ Security needs to be safe AND convenient to be a success

Consumer's need means ...

- ❖ they can understand
- ❖ they can remember
- ❖ they can practice

Will security fight back known vulnerabilities?

- ❖ We need concepts that actually thwart current methods ...
- ❖ ... and adapt to new developments
- ❖ Phishing/Pharming esp. with Online-Banking
 - ❖ Abusable PIN/TAN System still in use
- ❖ Leaks consumer's have no chance to provide for.
 - ❖ POS-Systems, HighTech approaches, simple means of attack concerning the „systems periphery“

When security efforts fire back on the consumers...

- ❖ Card Fraud and PIN cases
- ❖ Pure program solutions on PCs
- ❖ Single Tier approaches

How can I prove I have been attacked?

**We want consumers
well within the *walled*
city - together with
payment service and
commercial user.**



The concept of trust is about to change.

May we still trust in "invincible systems" ?

Or shall we trust in the openness and ability of industry to talk as well as cope on discovered flaws adequately

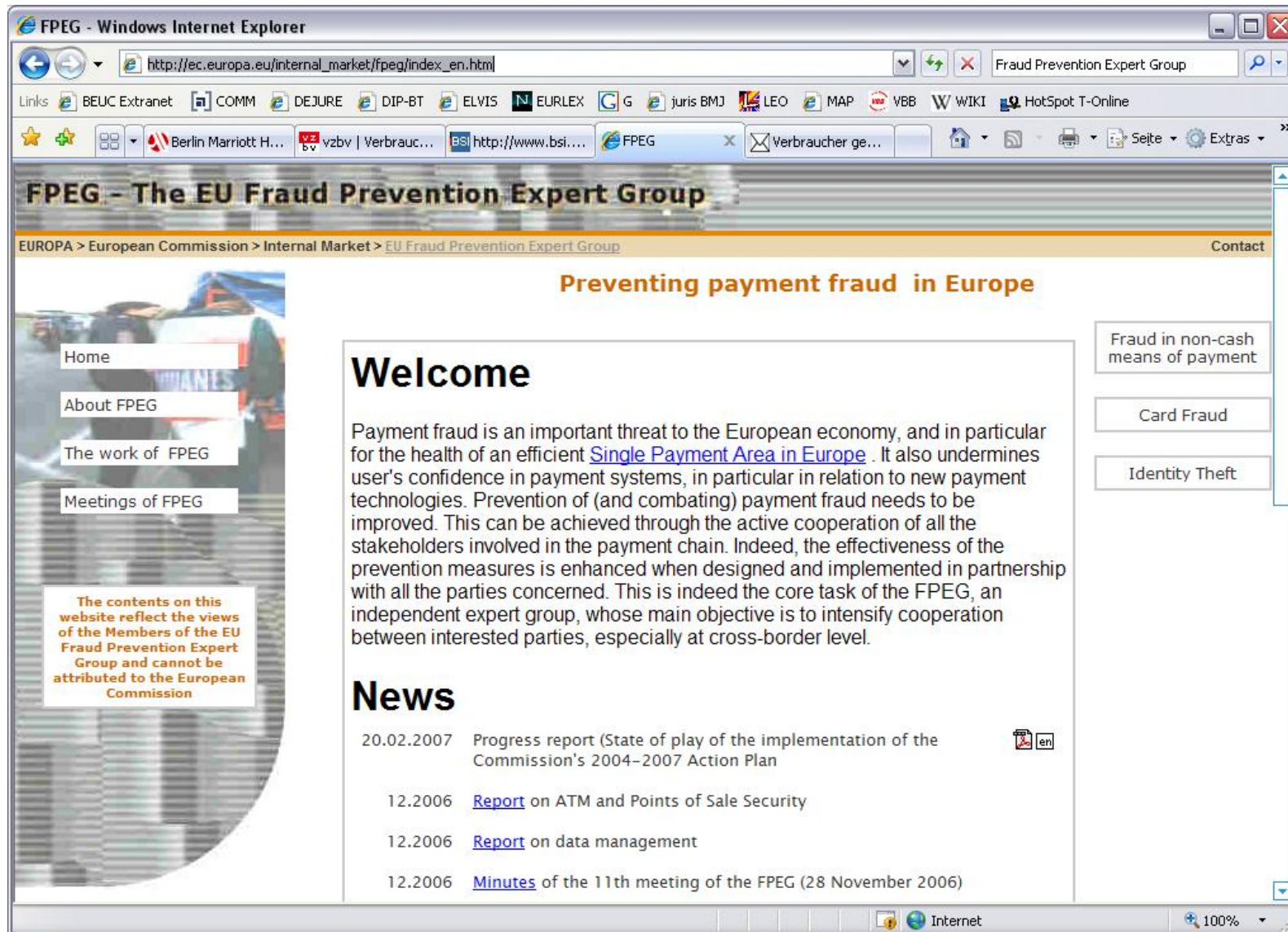
- granting a consumer at last a trustworthy feeling that everything possible will be done to prevent any harm to him/her.

Please keep in mind!
Technology and Innovation is of course
of benefit and interest to consumers.

-

This list of problems or better tasks
is to be considered as
food for thought
to help you provide that technological
innovations will always be actually as
beneficiary as they are intended
to be – to all.





Further reading

(in German, yet English summaries provided)

- ❖ vzbv Scoring study January 2008, by GP Forschungsgruppe Munich
<http://www.vzbv.de/go/presse/970/index.html>
- ❖ vzbv and EESC Distance selling of Financial services survey March 2007, by IFF Institute for Financial Services Hamburg
<http://www.vzbv.de/go/presse/856/1/2/index.html>
Short English intro at
<http://www.vzbv.de/go/dokumente/601/3//index.html>