

# G20/OECD High-Level Principles on Financial Consumer Protection 2022



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# G20/OECD High-Level Principles on Financial Consumer Protection

## Background

The G20/OECD High-Level Principles on Financial Consumer Protection (“the Principles”) were first endorsed by G20 Leaders on 3-4 November 2011 and adopted by the OECD Council on 17 July 2012. The Principles were originally developed by the G20/OECD Task Force on Financial Consumer Protection in response to the call from G20 Leaders to enhance financial consumer protection, as part of the strategic response to the global financial crisis. The Principles set out the elements of an effective and comprehensive financial consumer protection framework.

The Principles were revised and updated in 2021/2022, following a comprehensive and inclusive review conducted by the G20/OECD Task Force on Financial Consumer Protection, in collaboration with the Global Partnership for Financial Inclusion. The review process comprised extensive gathering and analysis of inputs and a public and stakeholder consultation process.

The updated Principles were approved by the G20/OECD Task Force on Financial Consumer Protection on 3 May 2022, and by the Global Partnership for Financial Inclusion on 12-13 May 2022.

The updated Principles were endorsed by G20 Finance Ministers and Central Bank Governors at their meeting on 12-13 October 2022. The updated Principles were endorsed by G20 Leaders at the Bali Summit on 15-16 November 2022.

The updated Principles were approved by the OECD Committee on Financial Markets on 1 July 2022, and adopted by OECD Governments on 12 December 2022, via an updated Recommendation of the Council.

The Principles are also included in the Financial Stability Board Compendium of Standards and referenced in the G20 Financial Inclusion Action Plan.

## Context

Financial consumer protection policies play an important role, alongside financial inclusion and financial literacy, to contribute to fairer, more sustainable and inclusive growth and financial system stability. It is important for people to have access to quality financial products and services, be included in the financial system, have support to make informed decisions and have appropriate protections in place, for instance to adequately protect people from harms or provide redress mechanisms when harms occur. Consumer finance policies are enhanced by broader policies aimed at efficient financial system stability, regulation and corporate governance, to support the financial resilience and ultimately the well-being of individuals, families and communities.

The G20, via the GPF, and the OECD have played a key role in supporting and elevating the importance of financial inclusion, financial consumer protection and financial literacy in the international arena.

Since the endorsement of the Principles by G20 Leaders in 2011, the GPF has produced among others: the G20 High-Level Principles for Digital Financial Inclusion (2016); the G20/OECD Policy Guidance on

Financial Consumer Protection Approaches in the Digital Age (2018); G20 Fukuoka Policy Priorities on Aging and Financial Inclusion (2019); the G20 High-Level Policy Guidelines on Digital Financial Inclusion for Youth, Women and SMEs (2020); and the G20 Menu of Policy Options for Digital Financial Literacy and Financial Consumer and MSME Protection (2021). In addition, the Task Force produces policy guidance in the form of effective approaches to support the implementation of the Principles, including for example, Financial Consumer Protection and Ageing Populations (2020) and Protecting Consumers' Assets, Data and Privacy (2020).

This body of work, guided by the Principles, recognises that consumer trust and confidence is also important for the proper functioning of the financial system, and consumers should be knowledgeable, safe and secure in their dealings with financial services providers and their intermediaries. The integration of financial consumer protection policies into regulatory and supervisory frameworks therefore contributes to strengthening financial stability, addresses information asymmetries, and ensures that consumers are treated fairly and adequately protected from harms.

Among other important aspects, the updated Principles recognise the importance of advancements, such as financial innovation and digitalisation. They aim to support policymakers in ensuring that consumers can benefit from these new opportunities while managing risks to consumers and maintaining an appropriate degree of financial consumer protection. The updated Principles recognise that some consumers may experience vulnerability in the context of financial transactions or be exposed to risks such as frauds and scams due to a combination of personal characteristics (e.g. disability, age, gender, low education or poor linguistic proficiency), behavioural biases (e.g. overconfidence, information overload, impulsiveness, cognitive limitations) and market conditions (e.g. unemployment).

Importantly, the updated Principles incorporate lessons learnt from the impact of the COVID-19 pandemic on consumers of financial products and services and trends and developments impacting consumers, such as digitalisation and sustainable finance. These aspects ensure the updated Principles are forward looking, represent best practice and contribute to consumers' financial resilience and well-being.

The Principles are monitored and maintained by the G20/OECD Task Force on Financial Consumer Protection, which conducts assessments of implementation at regular intervals.

## Cross-cutting themes

The following cross-cutting themes are relevant to the consideration and/or implementation of each and all of the Principles, which are set out below:

- The **financial well-being** of financial consumers<sup>1</sup> and their resilience. Financial consumer protection policies should contribute to the overall financial well-being and financial resilience of consumers.<sup>2</sup>
- The impact, opportunities and risks of **digitalisation and technological advancements** for financial consumers. This includes considering the ways that consumers increasingly interact with digital financial products and services including cryptoassets and digital currencies, consumer behaviour in a digital environment, the impact of greater use of artificial intelligence, machine learning technology and algorithms.
- The impact, opportunities and risks of **sustainable finance** for financial consumers. This includes considering that financial services providers are increasingly incorporating environmental, social

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<sup>1</sup> While the meaning of financial consumer is not defined so as not to restrict coverage, it is generally considered to include private individuals at a minimum, but may also include micro and small enterprises however defined by jurisdictions.

<sup>2</sup> An OECD working definition of individual financial well-being refers to being in control, feeling secure and having freedom about one's own current and future finances, based on objective and subjective factors.

and governance (ESG) and other sustainability-related factors into their operations, products and services, and growing consumer demand for such products.

## Principles

### ***Principle 1: Legal, Regulatory and Supervisory Framework***

Financial consumer protection should be an integral part of the legal, regulatory and supervisory framework, it should comprehensively cover all types of financial products and services and should reflect the diversity of national circumstances and global market and regulatory developments within the financial sector.

Regulation should reflect and be proportionate to the characteristics, types, risks and variety of the financial products and services, providers and consumers. Regulation should account for the various rights and responsibilities of the relevant actors and be responsive to new products, services, designs, technologies and delivery channels. Approaches should be developed to address new delivery channels for financial products and services, including through digital distribution, while preserving the potential benefits of these channels for consumers. Strong and effective legal and judicial or supervisory mechanisms should exist to protect consumers from and sanction against misconduct, financial frauds, abuses and errors.

The legal, regulatory and supervisory framework should provide regulators and supervisors with an appropriate regulatory toolkit which is flexible so they can adapt to emerging risks as required, including to changes at the regulatory perimeter. Where relevant, to complement approaches relating to conduct and processes, the framework could include promoting appropriate outcomes for consumers to contribute to their financial well-being.

Financial services providers and intermediaries<sup>3</sup> should be appropriately and proportionately regulated and/or supervised, with account taken of relevant service and sector specific approaches.

Relevant non-governmental stakeholders – including industry (including small business) and consumer organisations, professional bodies and research communities – should be consulted when policies related to financial consumer protection and education are developed or reviewed. Access of relevant stakeholders and in particular consumer organisations to such processes should be facilitated and enhanced.

### ***Principle 2: Role of Oversight Bodies***

There should be oversight bodies (dedicated or not) explicitly responsible for financial consumer protection, with the necessary authority to fulfil their mandates. They require clear and objectively defined responsibilities and appropriate governance; operational independence; accountability for their activities; adequate powers; resources and capabilities; defined, effective and transparent enforcement framework and clear and consistent regulatory processes. Oversight bodies should observe high professional standards, including appropriate standards of confidentiality of consumer and proprietary information and the avoidance of conflicts of interest.

Oversight bodies should have the capability, flexibility and the appropriate range of tools and powers to carry out their role. This may mean adapting market monitoring, for instance relating to technological or sustainable finance developments, or the power to intervene in specific, high-risk products to protect consumers from harm where appropriate. Oversight bodies should regularly assess the effectiveness of supervision tools and enforcement mechanisms. Effective enforcement mechanisms may include, for

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<sup>3</sup> Intermediaries are understood to mean third parties acting for the financial services provider or in an independent capacity. They include any agents (tied and independent agents), representatives, brokers, advisors and distributors etc.

example, penalties, sanctions, licence revocation, variations in permissions to trade, publicising enforcement outcomes, compensation, restitution and other remedies.

The oversight approach should ensure that policy, regulatory and supervisory actions that promote financial innovation, stability, integrity, inclusion or other objectives appropriately account for their effects on financial consumer protection and consumer outcomes.

Co-operation with other financial services oversight authorities and between authorities or departments in charge of sectoral issues should be promoted. A level playing field across financial products and services should be encouraged as appropriate. International co-operation between oversight bodies should also be encouraged, while specific attention should be considered for consumer protection issues arising from international transactions, including cross-border payments, marketing and sales, and risks arising from digitalisation and automation of financial products and services.

### ***Principle 3: Access and Inclusion***

Governments, oversight bodies and financial services providers and intermediaries should seek to support consumers' access to and use of financial products and services where possible and promote an inclusive financial system. Achieving these objectives requires both addressing barriers that prevent consumers from accessing and using financial products and services in the formal, regulated financial system, as well as ensuring consumers remain included in the financial system, for example, in the event of financial hardship or other circumstances giving rise to financial exclusion.<sup>4</sup> To support this, policy makers and oversight bodies should consider embedding financial inclusion and financial consumer protection objectives in policies and strategies relating to innovation.

Governments, oversight bodies, and financial service providers should leverage digitalisation where relevant, including the use of interoperable systems. At the same time, it should be recognised that consumers may have different needs and levels of digital skills that affect financial access and usage, for instance, access to cash and traditional forms of financial services may be important for some consumers.

### ***Principle 4: Financial Literacy and Awareness***

Financial literacy<sup>5</sup> and awareness should be promoted by all relevant stakeholders as part of a wider financial inclusion and/or literacy strategy. Appropriate mechanisms should be developed to help consumers gain the knowledge, skills, behaviours and attitudes to be aware, understand risks and opportunities, make informed choices, know where to go for assistance, and take effective action to support their financial well-being and resilience. Such mechanisms may also involve enhancing digital financial literacy skills, raising awareness of digital security risks and promoting safe online and digital transactions.

Financial literacy programmes, including clear and timely information on consumer protection, rights and responsibilities, should be easily accessible by all consumers and should be promoted, especially for relevant target groups, for example, those experiencing vulnerability.

Taking into account national circumstances, financial literacy and awareness programmes should be delivered through diverse and appropriate channels, including digital ones where relevant. Financial literacy programmes should begin at an early age and be accessible for all life stages, and should include mechanisms to evaluate and improve their effectiveness. Further, national and international comparable

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<sup>4</sup> Financial inclusion generally refers to the effective and quality access to and usage of – at a cost affordable to the customers and sustainable for the providers – financial services provided by formal institutions: 2017 G20 Financial Inclusion Action Plan, GPF1 July 2017.

<sup>5</sup> Financial literacy is defined as a combination of financial awareness, knowledge, skills, attitudes and behaviours necessary to make sound financial decisions and ultimately achieve individual financial well-being: OECD 2020. Some jurisdictions use different terms, for example, financial capability. Financial education is understood as the process to achieve financial literacy and ultimately supporting financial well-being.

information on financial literacy and awareness should be collected in order to assess and enhance the effectiveness of approaches to financial literacy. All relevant stakeholders should be encouraged to implement the international principles, guidelines and methodologies on financial literacy developed by the OECD International Network on Financial Education (INFE).

### ***Principle 5: Competition***

Fair, efficient and competitive markets should be promoted in order to provide consumers with greater choice amongst financial products and services, create competitive pressure on providers to offer quality and competitively priced products, enhance innovation, foster inclusion and maintain high service quality. Policy makers should aim to ensure that competition between providers meets these objectives without compromising consumer outcomes. Consumers should be able to search, compare, share data and, where appropriate, switch between products and providers easily and at reasonable and disclosed costs, for instance by leveraging interoperable systems.

### ***Principle 6: Equitable and Fair Treatment of Consumers***

All financial consumers should be treated equitably, honestly and fairly at all stages of their relationship with financial services providers. Treating consumers fairly should be an integral part of the good governance and corporate culture of all financial services providers and intermediaries. The enhanced use of digital technology to support decision making by financial services providers should not lead to inappropriate or discriminatory outcomes for consumers.

Special attention should be paid to the treatment of consumers who may be experiencing vulnerability. Approaches may take into account that consumer vulnerability can manifest differently and be applicable in different circumstances, and may be due to a combination of personal characteristics, economic situations and market conditions. Approaches could include, for example, the provision of impartial debt advice for consumers suffering financial hardship due to over-indebtedness.

### ***Principle 7: Disclosure and Transparency***

Financial services providers and intermediaries should provide consumers with key information on the fundamental benefits, risks and terms of the product, including for cross-border payments and other transactions and regardless of the distribution channel. They should also provide information on conflicts of interest associated with the intermediaries through which the product is sold.<sup>6</sup>

In particular, appropriate information should be provided on material aspects of the financial product at all stages of the relationship with the consumer. All financial promotional material should be accurate, honest, understandable, transparent and not misleading. Standardised pre-contractual disclosure practices (e.g. forms) should be adopted where applicable and possible to allow comparisons between products and services of the same nature. Specific disclosure mechanisms, including possible warnings, should be developed to provide information commensurate with the complexity and riskiness of products and services. The use of digital channels may provide innovative opportunities to engage consumers with disclosure information via different formats.

Where possible, consumer research should be conducted and behavioural insights used to help determine and improve the effectiveness of disclosure requirements, acknowledging the limits to disclosure by itself

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<sup>6</sup> Financial services providers and intermediaries should provide clear, concise, accurate, reliable, comparable, easily accessible, and timely written and oral information on the financial products and services being offered, particularly on key features of the products and (where relevant) on possible alternative services or products, including simpler ones, they provide. In principle, information should include prices, costs, penalties, surrender charges, risks and termination modalities.

in terms of ensuring consumer understanding and engagement. Improved transparency may help consumers make more informed choices and encourage financial institutions to address these factors. For example, as sustainable finance becomes increasingly important to consumers and financial services providers, transparency on methodology will be important to help consumers understand their investments and counter the risk of greenwashing.<sup>7</sup>

Consumers should also be made aware of the importance of providing financial services providers with relevant, accurate and available information.

### ***Principle 8: Quality Financial Products***

Quality financial products are those that are designed to meet the interests and objectives of the target consumers and to contribute to their financial well-being. There should be appropriate product oversight and governance by financial services providers, and where appropriate, by intermediaries, to ensure that quality financial products are designed and distributed. This may include requirements for appropriate systems to design, approve, manage and monitor financial products through their life cycle to ensure that they meet the interests and objectives, and aim to contribute to the financial well-being, of consumers that the products and services are designed for, as well as the relevant regulatory requirements.

In order to promote quality financial products that offer value to consumers, financial services providers may be required to define a target market for a financial product, conduct research and consider behavioural insights to understand the target market and, depending on the type, complexity and risk of the product, carry out testing before launching the product.

### ***Principle 9: Responsible Business Conduct and Culture of Financial Services Providers and Intermediaries***

Financial services providers and intermediaries should have as an objective to work in the best interest of consumers and be responsible for upholding financial consumer protection. Financial services providers should also be responsible and accountable for the actions of their intermediaries.

The conduct and culture of financial services providers and their intermediaries should be aligned to promoting the fair treatment of consumers and achieving appropriate consumer outcomes that contribute to their financial well-being.

Depending on the nature of the transaction and based on information primarily provided by consumers, financial services providers and intermediaries should assess the related financial capabilities, situation and needs of consumers before agreeing to provide them with a product, advice or service. They should recommend to consumers suitable products or services that aim to deliver appropriate outcomes and ultimately contribute to their financial well-being.

Financial services providers and intermediaries (especially those who interact directly with consumers) should be properly trained and qualified. Financial services providers and intermediaries should endeavour to avoid conflicts of interest, for example, from remuneration or other incentive structures. When such conflicts cannot be avoided, financial services providers and intermediaries should mitigate the impact by having in place internal mechanisms to manage such conflicts, ensure proper disclosure or decline to provide the product, advice or service. Disclosure as a means of effectively managing conflicts of interest may be limited due to consumer understanding and behavioural responses, and behavioural insights should be used, where relevant, to test and inform approaches.

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<sup>7</sup> Generally, greenwashing is understood as financial products being marketed as being more environmentally friendly than they are.



The provision of advice, regardless of the distribution channel, should be objective, in the best interests of the consumer and should be based on the consumer's profile considering the complexity of the product, the risks associated with it, as well as the consumer's financial objectives, knowledge, capabilities and experience.

The remuneration structure for both financial services providers and intermediaries should be disclosed and made transparent to consumers, and be designed to encourage responsible business conduct, fair treatment of consumers and to avoid conflicts of interest.

### ***Principle 10: Protection of Consumer Assets against Fraud, Scams and Misuse***

Relevant information, control and protection mechanisms should be appropriately developed and implemented by oversight authorities and financial services providers and with a high degree of certainty protect consumers' deposits, savings, and other similar financial assets, including against fraud, scams, misappropriation or other misuses. These protection mechanisms should be readily adapted to the ways new technologies, such as digital assets, are used, as well as to online scams, fraud and misuse, and other digital security risks. They should include clear and transparent liability arrangements between financial services providers and consumers in the event of financial loss.

Policy makers and oversight authorities should work collaboratively with relevant stakeholders, including other government and regulatory agencies, digital security agencies, law enforcement agencies, financial services industry and utility companies, to raise public awareness of digital security risks and promote safe online and digital transactions.

### ***Principle 11: Protection of Consumer Data and Privacy***

Consumers' financial and personal information should be protected through appropriate control and protection mechanisms. These mechanisms should define the purposes for which the data may be collected, processed, held, used and disclosed (especially to third parties). The mechanisms should acknowledge the rights of consumers regarding consenting to data-sharing, accessing their data, being informed about breaches impacting their data, and seeking redress such as the prompt correction and/or deletion of inaccurate, or unlawfully collected or processed data. There should be co-operation among oversight bodies responsible for consumer data protection and privacy.

### ***Principle 12: Complaints Handling and Redress***

Jurisdictions should ensure that consumers have access to adequate complaints handling and redress mechanisms that are accessible, affordable, independent, fair, accountable, timely and efficient. Technology may be leveraged to facilitate the effective design of these mechanisms, which should not impose unreasonable cost, delays or burdens on consumers. The needs of consumers, including those experiencing vulnerability, should be considered when designing and publicising complaints handling and redress mechanisms.

In accordance with the above, financial services providers and intermediaries should have in place mechanisms for complaint handling and redress. Such mechanisms should allow providers to monitor and address systemic issues and support improved financial consumer outcomes.

Recourse to an independent redress process should be available to address complaints that are not efficiently resolved via the financial services providers' and intermediaries' internal dispute resolution mechanisms. At a minimum, aggregate information with respect to complaints and their resolutions should be made public. Information relating to consumer complaints should be available to oversight bodies to support their supervisory or enforcement functions.

