

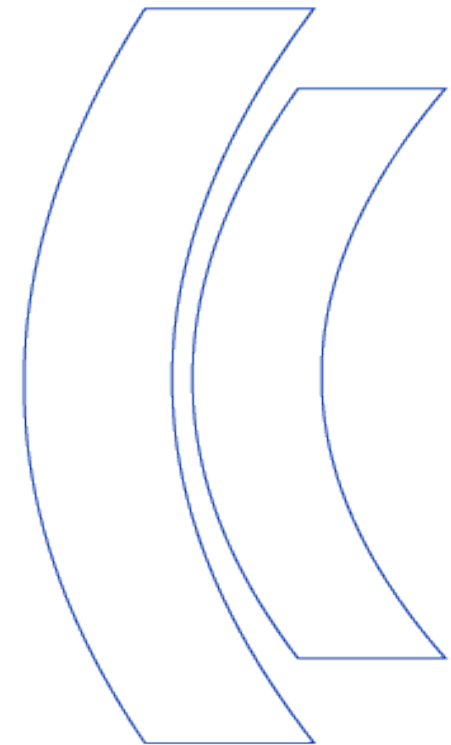


France's tailor-made financial inclusion strategy

G20 DGI Global conference

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WASHINGTON, 14 JUNE 2023



1. Governance of the French financial inclusion framework
2. Data collection and dissemination
3. Challenges ahead and takeaways



FINANCIAL INCLUSION IN FRANCE AIMS AT INCLUSION IN ECONOMIC AND SOCIAL LIFE

2 operational pillars



Providing access to basic financial services needed for everyday life (account and banking services)

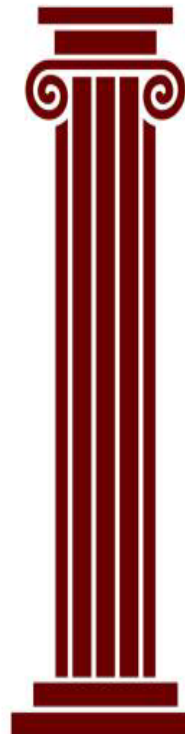
- *Right to a transaction account*
- *Suitable means of payment*
- *Microcredit*
- *Microsaving*



Protecting and informing people facing financial difficulties

- *Treatment of overindebtedness*
- *Specific offer for fragile banks' customers*
- *Management of incident files incl. their capping*
- *Information on banking and insurance*

1 pillar for support/prevention



Financial literacy

Budget advice points



THREEFOLD GOVERNANCE SYSTEM ENABLES FINE-TUNING OF STATISTICS

Observatory for Banking Inclusion

Representatives from charities, public social actors, banks, public institutions, under the presidency of the Governor of the Banque de France / *Created by the Banking Act of 26 July 2013 and plan against poverty and social exclusion*

- monitors banks' practices for financial inclusion, especially for financially fragile people
- defines, compiles and analyses financial inclusion indicators
- publishes an annual report

Scientific board

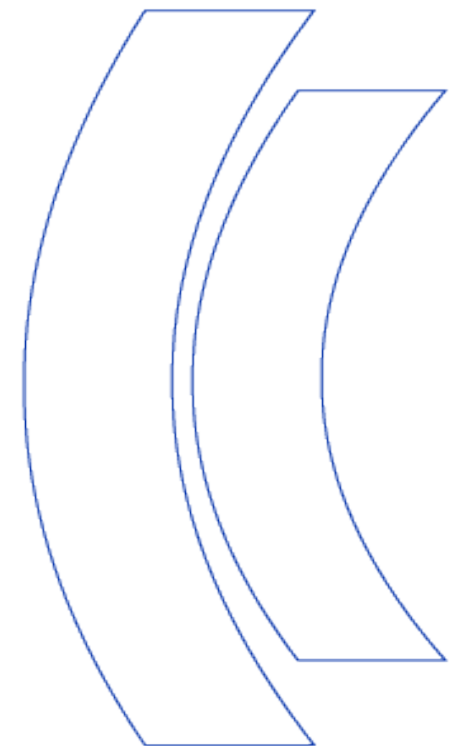
Public authorities, economists

- Consulted on the nature of information collected by the Observatory and on the definition of monitoring indicators for banking inclusion and credit institutions practices

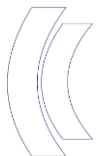
95 local financial inclusion councils

Local equivalents of the national Observatory

- Information outreach and needs collection



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A MULTIDIMENSIONAL LEGAL FRAMEWORK

Financial inclusion

- Monetary and Financial Code (Article L. 141-7) → Banque de France (BdF) can sign agreements with the State.
→ Public service contract entrusts BdF with tasks relating to the financial inclusion of individuals
 - right to a transaction account, right to access files pertaining to individuals, microcredit
- **Right to hold a transaction account:** Monetary and Financial Code Article L312-1
- **Overindebtedness:** Consumer Code Book VII Articles L711-1 to L711-12

Information sourcing

Information provided to the Observatory for Banking Inclusion (list, contents and modalities for data reporting):
Ruling 7 Sept. 2020 passed according to Article R. 312-13 of Monetary and Financial Code

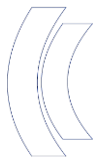
Protection of personal data

- **Data Processing, Data Files and Individual Liberties:** Act No. 78-17 of 6 January 1978
- **General Data Protection Regulation (GDPR):** Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016



THE FRENCH CONTEXT FOR FINANCIAL INCLUSION

- **High level of transaction account ownership and of non-cash payment use**
 - Legal right to hold a (bank) transaction account for all French residents:
BdF can designate a bank to open an account (with slightly restricted services)
 - High level of non-cash payment use, monitored through payment statistics (ECB [Blue Book](#), BIS [Red Book](#))
- **Challenges being addressed:**
 - **Financial fragility**, through a two-layer approach (see details in annex slide 23)
target= sustainable access to banking products and use of services adapted to non-business needs
 - **regulatory criteria**= overindebtedness procedure OR several payment or credit incidents over a given period
 - **modular criteria**= set by banks on the basis of their customers' profiling
 - **Microcredit and microsaving**



MONTHLY AND ANNUAL STATISTICS FOR FINANCIAL INCLUSION



BANQUE DE FRANCE
EUROSISTÈME

Data is mainly collected by banks

OBSERVATORY ANNUAL REPORT AND
STATISTICAL ANNEX

MONTHLY FINANCIAL INCLUSION BAROMETER

- Right to hold a bank transaction account

- Overindebtedness
- Incident registers (cheques, credit repayment)



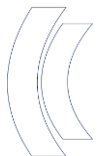
Positive information



Negative information

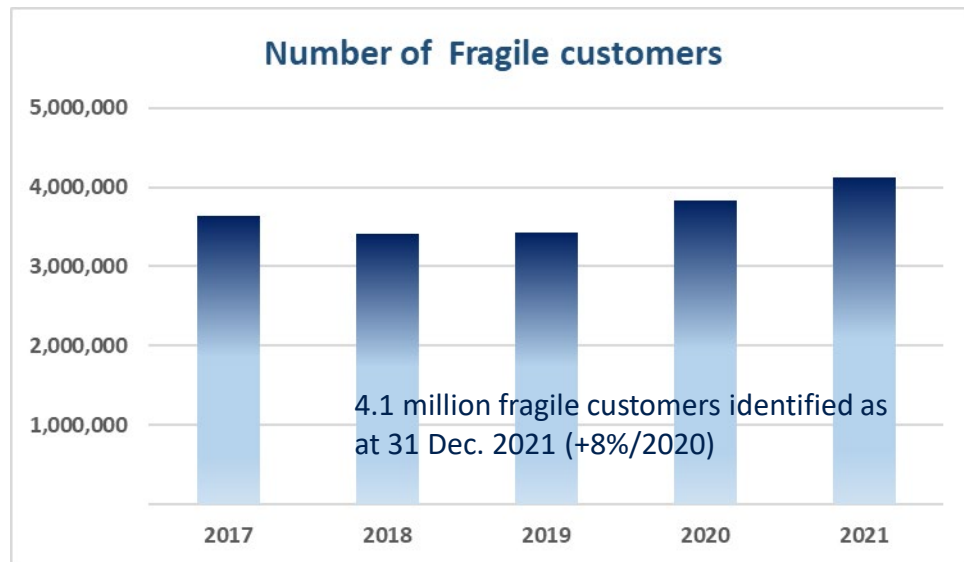
- Right to an account (183,000 active accounts in 2021, of which 23,000 new in 2021)
- Beneficiaries of the Specific Offer (700,000 in 2021)
- Capping of incident fees

- Number and characteristics of fragile individuals (4.1 million in 2021; +8%/2020)
- Payment incidents registers:
 - personal credit repayment incidents file (2 million people)
 - unpayable bank cheques file
- Overindebtedness (110,000 new files in 2022; -6%/2021)

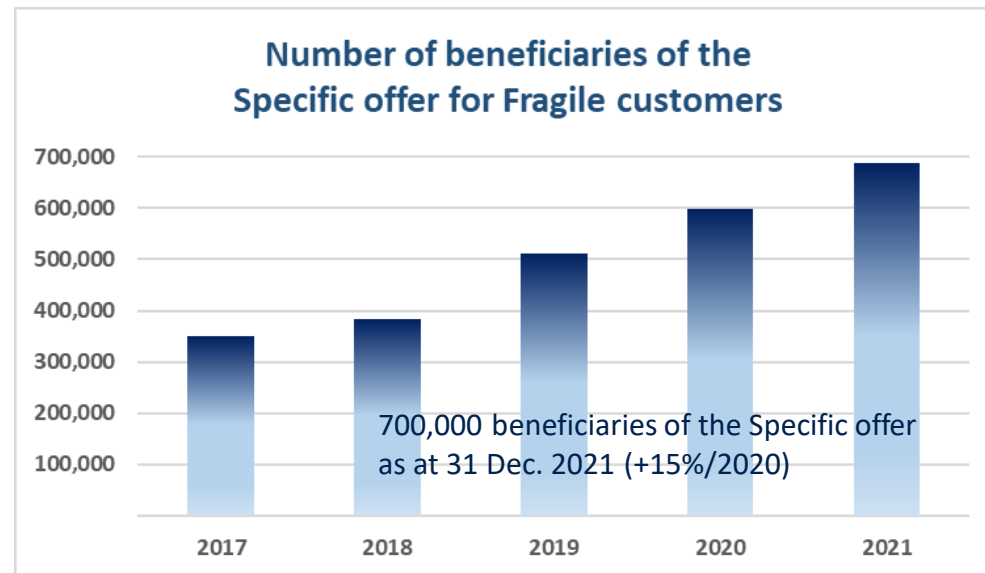


EXAMPLE: NEGATIVE AND POSITIVE INFORMATION ABOUT FRAGILE CUSTOMERS

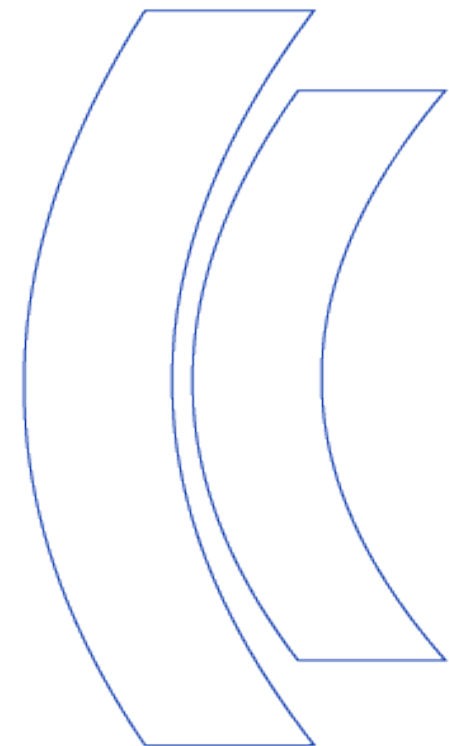
- All banks have to detect customers who are financially fragile and propose a Specific Offer
- Specific Offer = basic instruments & services including a payment card, 4 monthly credit transfers and unlimited direct debits, limited charges for payment incidents or account irregularities, remote consultation of the account balance...
- Growing use of preventive criteria for detection of fragility by banking institutions



Source: Banque de France



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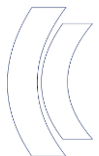
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ONGOING METHODOLOGICAL RESEARCH WITHIN THE SCIENTIFIC BOARD

- Link financial inclusion indicators with **macroeconomic conditions** indicators
- **Financial fragility**
 - forward-looking indicators for early detection of households' financial fragility
 - longitudinal monitoring of financially “fragile” customers
- **Microcredit**
 - identify reasons for non recourse (demand side)
 - revamp data collection (offer side)
 - assess efficiency of the scheme





THREE TAKEAWAYS ON FINANCIAL INCLUSION

- Framework suited to national characteristics, regularly assessed and revised



- Need for a high coverage rate in order to produce fine-tuned statistics
- NCBs qualified for compiling financial inclusion statistics:
 - independent
 - allowed to collect information from banks
 - comply with official statistics quality standards



THANK YOU FOR YOUR ATTENTION



Cécile Golfier

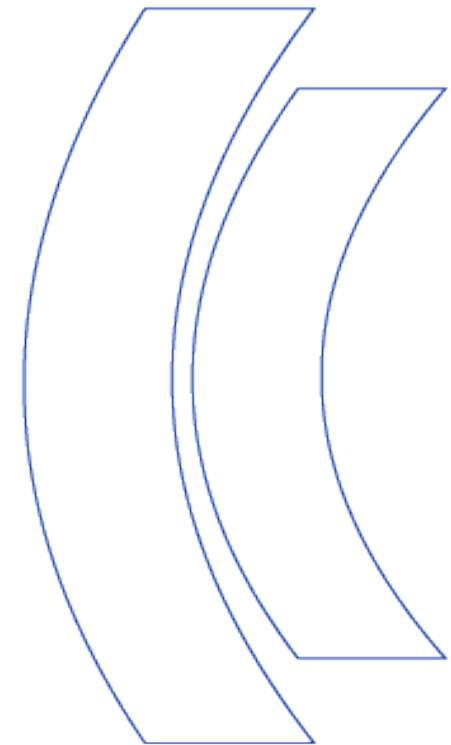
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Annex



THE OBSERVATORY FOR THE FRENCH BANKING INCLUSION COMPOSITION

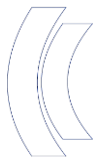
- Ex-officio members
 - President: Banque de France Governor
 - Director General of the French Treasury
 - Director General for Social Cohesion
 - President of the Caisse des Dépôts et Consignations (Consignments and deposits fund)
 - President of the Financial Sector Consultative Council (CCSF)
 - President of the National Council for Poverty and Social Exclusion Policies (CNLE)
- Members appointed by the Ministry of the Economy and Finance
 - Six representatives of credit institutions, nominated by the French Banking Federation
 - Six representatives of charities involved in the fight against poverty and exclusion, consumers



THE OBSERVATORY FOR BANKING INCLUSION ELABORATES RECOMMENDATIONS

- Recommends good practices, some of which are incorporated into regulation
- OIB scope= data collected by banks

- Definition and construction of indicators related to banking inclusion (access to banking services, financially fragile population etc.)
- Construction and evolution of the collection (change to quarterly collection)
- Work on the detection of fragility and related costs
- Microcredit
- Prevention of over-indebtedness, information, financial education, supporting schemes



THE SCIENTIFIC BOARD MEMBERS

Chaired by a senior statistician of the Banque de France,
representative of the Banque de France Governor

- Member proposed by the DG of the National Statistics Institute (Insee)
- Member proposed by the Director of Research, Studies, Evaluation and Statistics at the Social Affairs Ministry
- Two independent experts
- Two representatives of the Banque de France



DEPARTMENTAL FINANCIAL INCLUSION COUNCILS (CDIFS): OIB RELAY AT LOCAL LEVEL

- Chaired by the Departmental Director of the Banque de France
- A Financial Inclusion Correspondent (CORIF) in each department

- **A place for dialogue between local actors:**

- Social workers (PCB, charities etc.)
- Banking industry
- General public

- **The objectives of the CDIFs:**

- OIB out-reach
- Capture financial inclusion concerns and expectations at local level
- Enhance awareness of the Bank's services for individuals and social workers
- Catalyse cooperation across stakeholders





THE FINANCIAL INCLUSION CORRESPONDENT

- CORIF = COrrespondent Financial Inclusion
- An externally oriented function → towards financial inclusion partners (social workers, CDIF members)
- The CORIF is the interlocutor and contact point for any question, transmission of information or issue related to financial inclusion from the financial inclusion partners
- Provides the secretariat of the CDIF
- 92% of metropolitan departments had a CORIF by the end of December 2022

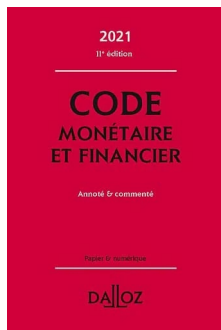


WORLD BANK'S STANDARDS FOR THE COLLECTE OF INFORMATION

- The information collected must include both positive information (credits) and negative information (credit incidents, cheques, unpaid bills, etc.);
- The sources of information should be as diverse as possible (banks, public services, etc.);
- All debtors are included in one common file;
- Credit information is a market: collection and dissemination can therefore be carried out by private actors (credit bureaus) as long as the public authorities provide a legal framework and adequate supervision. However, the World Bank has recognised the role of (public) credit registers in the latest Doing Business study.
- The information collected gives rise to value-added services (credit scoring), taking into account the history of data relating to a person or a company.



THE RIGHT TO HOLD A BANK ACCOUNT



- The **right to hold a deposit account** is a fundamental principle of French law: Article L312-1 of the Monetary and Financial Code
 - **Any natural or legal person domiciled in France** who does not have a deposit account has the right to open such an account
 - **Any natural person of French nationality residing outside France** who does not have a deposit account in France also benefits from this right
 - **Any natural person legally resident in another EU Member State and not acting for professional purposes**, without a deposit account in France, also benefits from this right



DETECTING FINANCIAL FRAGILITY

- Banks must identify situations of fragility affecting their customers who are natural persons and not acting for professional purposes Act 2013-672 of 26 July 2013
- To do this, they must have a mechanism for detecting their customers in a situation of financial fragility, a charter for banking inclusion and for preventing overindebtedness
- Objectives:
 - supporting their customers quickly
 - adapting their offer
 - enabling them to try to recover a sound financial situation
 - avoiding over-indebtedness
- No credit mediator for natural persons (whereas it exists for companies), but micro-credit



CRITERIA FOR DETECTING FINANCIAL FRAGILITY

2 types of criteria defined by [Article R312-4-3 of the Monetary and Financial Code](#):

Regulatory criteria	<ul style="list-style-type: none">-Registration for more than 3 consecutive months in the Central cheque register (FCC)-Filling of an over-indebtedness file, declared admissible by the over-indebtedness commission (the client is then fragile for the duration of the measures)
"Modular" criteria → Set by the banks → Available on their websites	<ul style="list-style-type: none">-Existence of irregularities in the operation of the account or payment incidents as well as the repeated nature of these incidents over three consecutive months. In particular, in the event of 5 payment incidents or irregularities during the same month (decree 20 July 2020): the person is considered to be vulnerable for at least 3 months-Amount of resources credited to the account-Possibility of taking into account elements likely to give rise to payment incidents, in particular expenditure debited to the account

THE CONSEQUENCES OF DETECTING FINANCIAL FRAGILITY



The bank informs its customer that he/she is detected as financially fragile



Automatic capping of incident fees at €25 per month



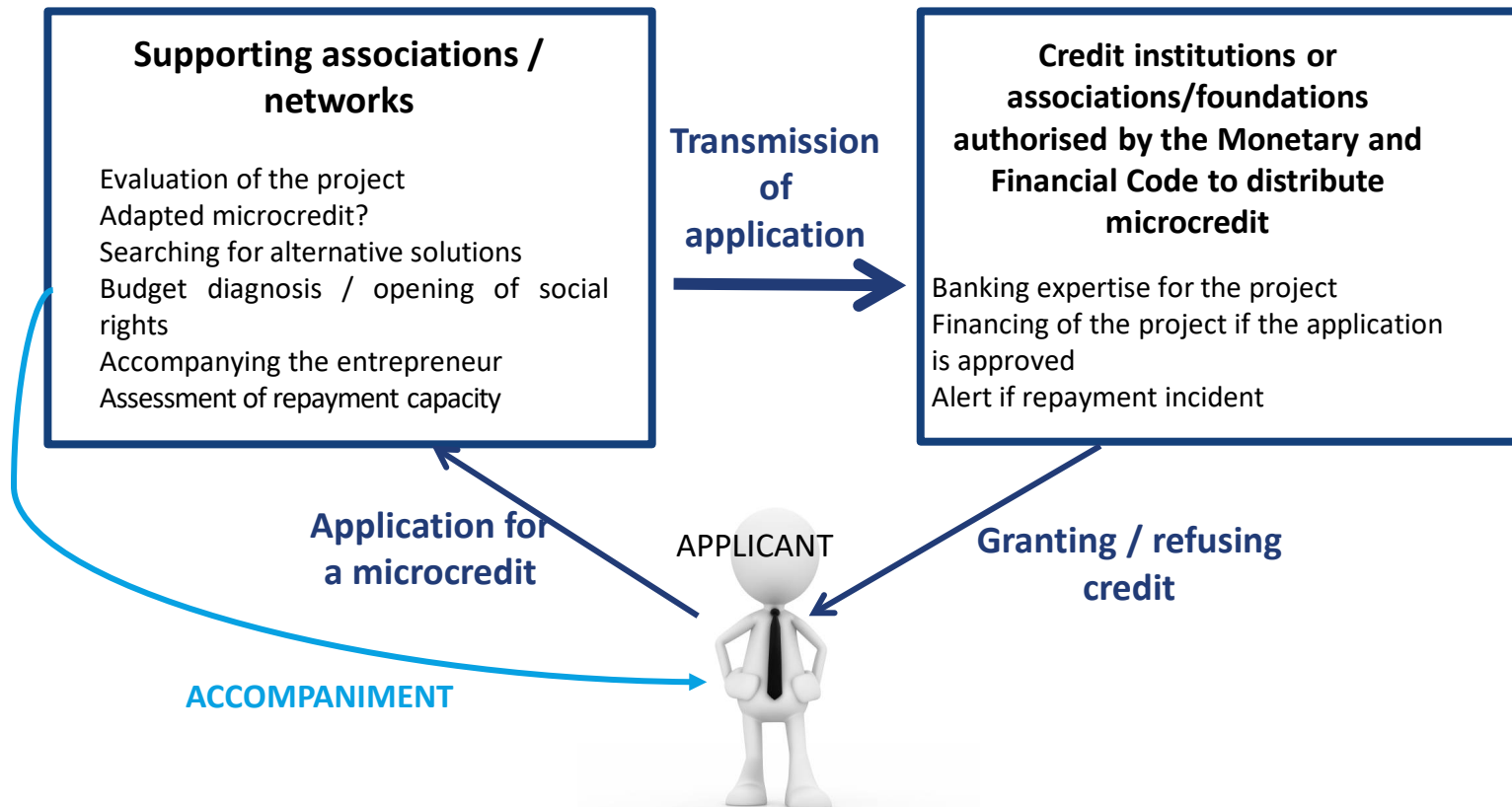
The bank must offer its customer the possibility of subscribing to the fragile customer offer



AUTOMATIC CAPPING OF CHARGES FOR BANKING INCIDENTS

- A person detected as fragile automatically benefits from a ceiling of **EUR 25 per month on** banking incident fees (EUR 20 per month and EUR 200 per year if (s)he has subscribed the specific offer)
- The cap is valid for a minimum period of 3 months
- The charges for banking incidents that French banks have undertaken to limit for financially fragile customers are as follows:
 - The cost of blocking the card by the bank;
 - The fee for an advance information letter for NSF cheques;
 - The fee for an information letter for an unauthorised debit account ;
 - The fixed fee for each cheque rejected for insufficient funds;
 - Direct debit rejection fees for lack of funds ;
 - Charges for non-execution of standing orders for lack of funds ;
 - Intervention fees ;
 - Charges following notification by the Banque de France of a ban on the customer issuing cheques;
 - Fees for reporting a decision to withdraw a bank card to the Banque de France.

MICROCREDIT PROCEDURE



microcredit benefits from a public **guarantee** mechanism managed by BPI France:





MICROCREDIT FOR NON-BUSINESS NEEDS AND FOR BUSINESS NEEDS

- **microcredit is a lever for the economic and social integration of people in a situation of financial fragility**
 - 85% of personal microcredits finance training or a means of transport necessary for employment
 - 65% of business microcredits support business creation

- **Supported microcredit illustrates a partnership between borrowers, associations and credit institutions**

- **In 2021, microcredit remained dynamic** (information reported by microcredit actors)
 - 21,357 new personal microcredits granted, for EUR 70 million
 - 52,515 new professional microcredits, for EUR 588 million



PROCEDURE FOR DEALING WITH OVERINDEBTEDNESS

FINDING SOLUTIONS TO EACH TYPE OF OVER-INDEBTEDNESS SITUATION

- This procedure applies primarily to individuals
- A procedure free of charge, opened only for debtors
- Due to tight deadlines, this procedure is rapid :
 - less than 6 weeks to accept or decline the request
 - the average length of time is about 4 months
- If the situation is accepted by the commission, lenders can no longer pursue debtors
- After having analysed the income and expenditure, Banque de France calculates a repayment capacity



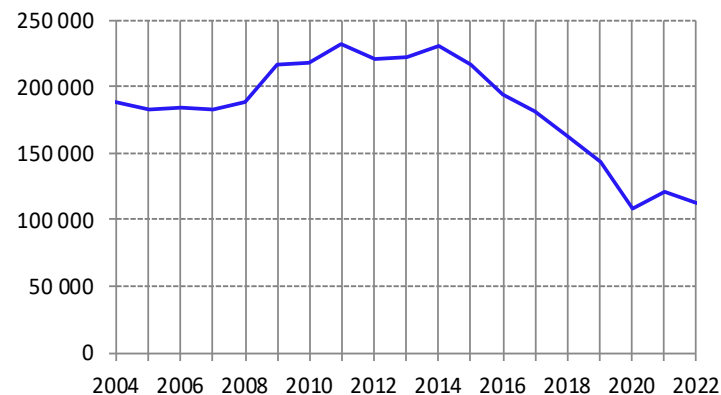
MANAGING HOUSEHOLD OVERINDEBTEDNESS

The total procedure lasts a maximum of 7 years

- If the whole repayment is possible, the interest rate will be decreased
- If the whole repayment can not be met within the limited time, the outstanding amount will be written-off
- If there is no repayment capacity, the whole debt could be written-off
- In some cases, a standstill period is possible
- For landlords, there is no time limit

Key figures : 113 081 deposits in 2022

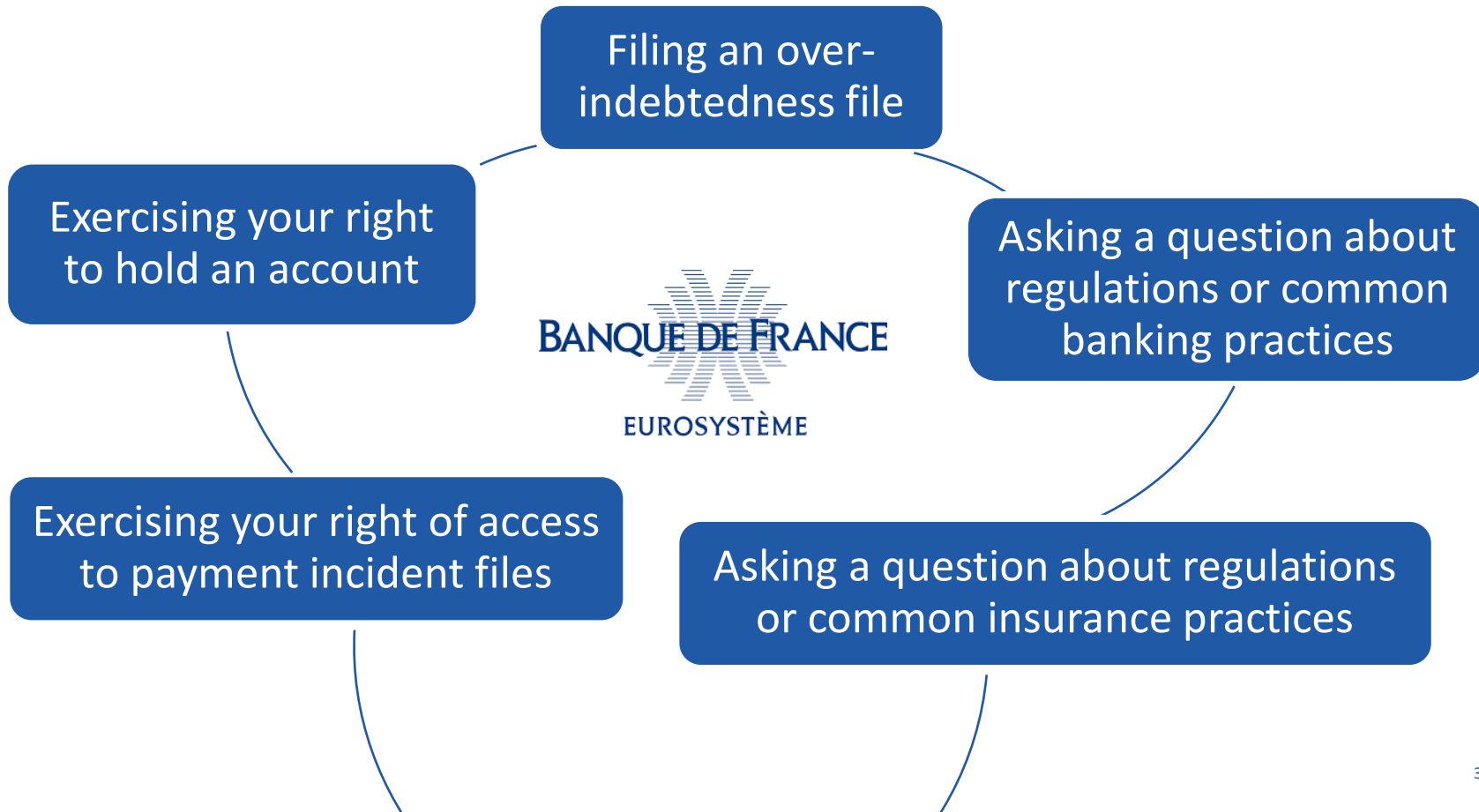
- Decrease by 7% /2021
- Decrease by 51% /2014





MULTI-CHANNEL RECEPTION OF THE PUBLIC AT THE BANQUE DE FRANCE

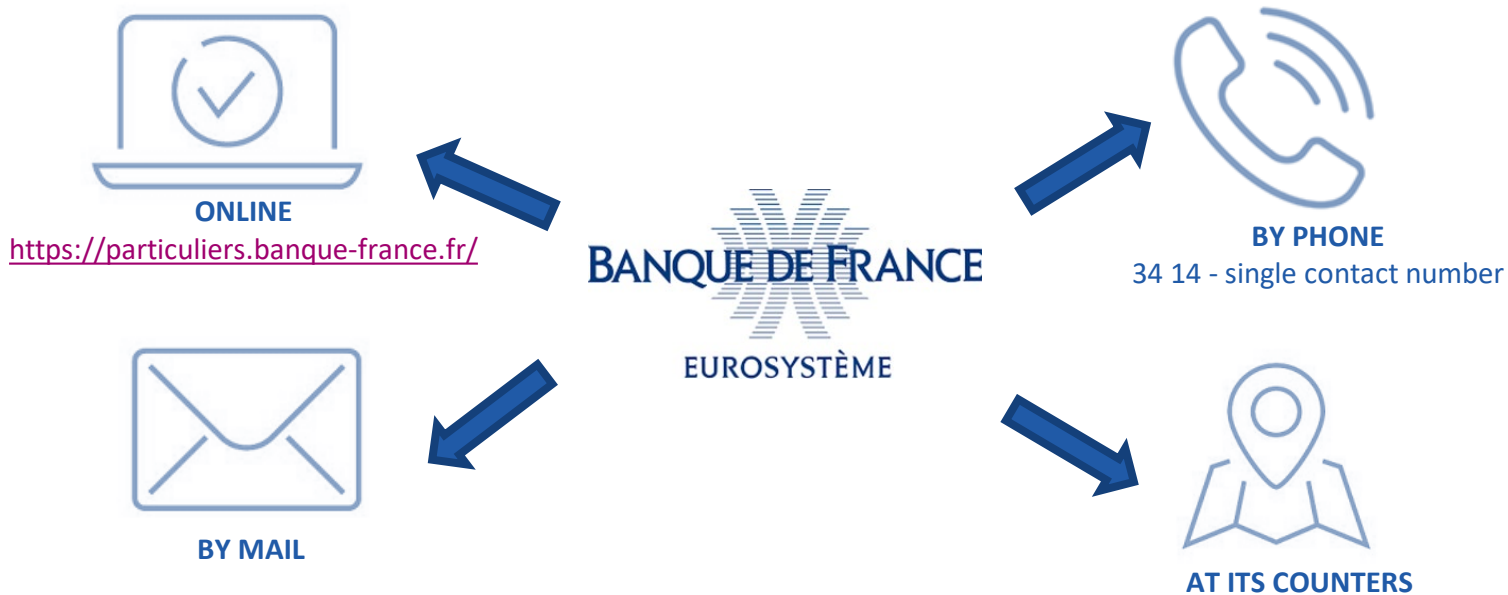
The Banque de France facilitates the implementation of policies aimed at financial fragilities





MULTI-CHANNEL RECEPTION OF THE PUBLIC AT THE BANQUE DE FRANCE

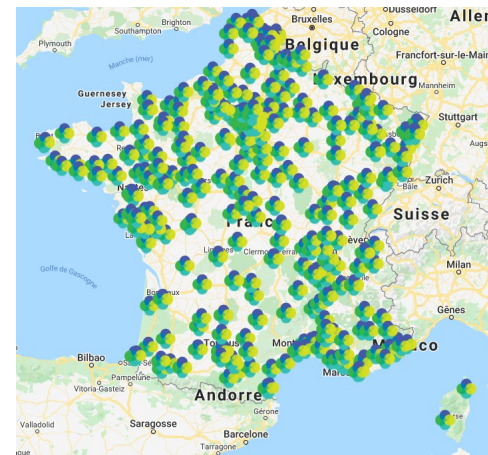
Thanks to its multi-channel reception system, the Banque de France handled 1.4 million requests in 2022





THE BUDGET ADVICE POINTS (BAPs)

- The objectives of BAPs are to prevent over-indebtedness and promote budget education.
- BAPs can be various entities: local or consumers associations, consumers, municipal and inter-municipal centers for social action
- 500 BAPs labelled by State
- To be labelled, one BAP must offer the following services: reception, listening and information, budgetary support and support for the over-indebtedness procedure.
- Free services





THE BANQUE DE FRANCE BANKING PAYMENTS INCIDENTS FILES



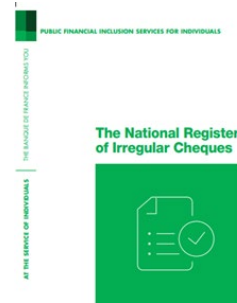
FCC

The Central Cheque Register



FICP

The National Register of
Household Credit
Repayment Incidents



FNCI

The National Register
of Irregular Cheques