

An Ethical Approach to Consumer Protection Frameworks



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In the ever-changing landscape of financial services, the protection of the consumer stands as a cornerstone of ethical practice. As financial systems become increasingly complex, occurring more and more in Ireland and the wider EU financial system, the need for robust frameworks, to safeguard consumers, becomes even more necessary. However, the existence of regulatory measures and oversight is not likely to be sufficient in properly protecting consumers of financial services. It is the ethical basis and foundation on which these frameworks are built that works towards ensuring the integrity and trustworthiness of financial services. We will delve into the significance of an ethical approach to financial services consumer protection frameworks.

As Ireland undertakes a comprehensive review of their Consumer Protection Framework, with an overhaul of the Consumer Protection Code, originally of 2006, and the recent Central Bank of Ireland’s lengthy and inclusive consultation process, it seems timely to consider what ethical approaches are usually necessary to ensure an effective consumer protection framework is in place. Regardless of the outcome of the newly revised Consumer Protection framework here going into 2025, without the right ethical approach, the protection of consumers of financial services cannot be guaranteed.

At the heart of ethical consumer protection approaches lies a commitment to fairness, transparency, and accountability. In a world where financial decisions can have profound impacts on individuals and wider communities, it can be said that ensuring consumers are treated justly and fairly is not only a moral imperative but also essential for the stability of the financial system as a whole. Ethical frameworks are expected to prioritize the

needs and interests of consumers utilising the financial products above all else, with the provider aiming to mitigate potential risks and prevent any possible exploitation, in many circumstances where the consumer is indeed at the ‘mercy’ of more knowledgeable financial service providers.

We can consider some of the key elements of an ethical approach to consumer protection expected to be seen.

The first is **transparency**. Consumers have the right to clear, unambiguous information about the products and services they are engaging with, including the potential risks, fees, and relevant terms and conditions. Transparency can foster trust between financial institutions and consumers, empowering individuals to make properly informed decisions about their finances. It also enables regulators to properly and effectively monitor the financial services market and identify potential market abuses or misconduct by any firms.

A further crucial aspect when considering ethical consumer protection is that of **accessibility**. Financial services should always be designed and delivered in a manner that shows inclusivity and accessibility to all segments of society, regardless of income, education, background, or any other factor. This requires proactive efforts to consider and address barriers to access to financial services, such as discriminatory practices or inadequate financial literacy. By ensuring that everyone has equal opportunities to participate in the financial system, ethical frameworks promote social equity and fairness and economic empowerment.

Further, ethical consumer protection emphasises **accountability** and **responsibility**. Enforcement mechanisms are available to deter misconduct and ensure compliance with regulations and



expectations. Financial institutions, and their leaders, must be held accountable for their actions and approaches. There must be appropriate sanctions imposed for violations of consumer rights. Regulators play a key role in overseeing the conduct of financial service market participants and enforcing regulations. By holding both institutions and individuals accountable for their behaviour and approach to consumer protection, ethical frameworks create a culture of responsibility and integrity within the financial services industry.

In addition to protecting consumers from harm, ethical frameworks also contribute to the general stability and resilience of the financial system in the country. By promoting prudent financial service practices, such as with proper risk management and governance, it helps to mitigate systemic risks and prevent crises. Moreover, ethical behaviour fosters trust and confidence for users in the financial system, which is essential for its smooth functioning. In times of uncertainty or volatility, it is this trust which can act as a stabilizing force, preventing concern and panic.

Going beyond regulatory compliance, ethical consumer protection approaches encompass a broader commitment to corporate social

responsibility. Financial institutions have a responsibility not only to their shareholders, but to society as a whole. This involves considering the social and environmental impacts of their operations and striving to create positive outcomes for stakeholders, including the consumers of their products and services. By integrating ethical considerations into their business practices, organisations can contribute to sustainable development and promote the common good.

To conclude, an ethical approach to financial services consumer protection frameworks is indispensable for fostering trust, fairness and integrity within the financial system. By prioritising transparency, accessibility, accountability, and responsibility, ethical frameworks can safeguard the interests of consumers while promoting stability and sustainability. As the financial landscape continues to evolve at such a pace, and with the current review of the Consumer Protection Code by the Regulator, maintaining this strong ethical foundation is essential for ensuring that financial service provision satisfies the needs of society as a whole.