



## Association For Consumer Rights (Malta)

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**March 2023**

### **Association for Consumer Rights Resolution AGM 2023**

#### **Strategy to Promote Financial Literacy in Malta**

##### **Justifications, reasons and current situations to be addressed**

Financial literacy will help people understand money, the importance of saving and the confidence to manage their money. Vulnerable people will find themselves shut out from mainstream financial services like credit cards, that could help them weather the storm. Numeracy, financial literacy and inclusion are the building blocks for a fairer society. They help people make sense of their money, plan for the future, manage shocks, and get on in life.

##### **Reasons and current situations to be addressed**

The cost-of-living crisis which is leaving many struggling to keep up with their bills, has deepened the problem and provides fresh impetus for us to act. Poor numeracy is holding people back from progressing in their careers. This often disproportionately affects women and people from low-income areas, deepening existing inequalities in Malta. Without adequate financial education to protect them an increasing number of children are finding themselves victims of financial exploitation. Financial literacy increases people's awareness of financial risks and opportunities from an early age, which can help them make informed decisions about which financial services meet their needs. Insurance Europe Survey stated that more than a third of respondents are not saving for retirement, with a quarter of those saying they were not interested in doing so.

##### **Recommendations**

ACR has for many years has been advocating for a strategy with regards to promoting a Culture of Literacy with regard to Financial Savings and Investments and Retirement Income and has been supporting such a strategy in its AGM Resolutions. Now that sustainability preferences are to be made in investments when buying insurance, savings or pension products, consumers must know what this means.

- **Financial education that is accessible to everyone** will benefit society as a whole. Financial training projects should be targeted as a priority at the sections of the population that are at risk of financial exclusion.



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- Over the past few years, **growing complexity and lack of transparency in the financial system** especially the use of the internet for transactions have made it increasingly difficult to understand financial products.
- **The young generations** of today do not have the luxury of long-term job stability especially after what we have seen with the pandemic. They need more than ever financial know-how of investing and also building their future pensions. We cannot underestimate the importance of financial education to consumers.
- In a recent Financial Education Conference, it was stated that the fact that personal finance is covered so much on social media today makes it more important and urgent to have financial education in school and colleges, especially the fact that it is the young generation who get financial information from social media and they need to be able to discriminate good from bad information.
- “Financial education can act as a facilitator in raising societal awareness about the urgency of climate change and can favour the acquisition of the knowledge needed to integrate sustainability into our personal financial decisions (in this case pension funds), so that we can all be part of the change through access to sustainable finance.”

### 1. **BBVA EduFin Position Paper “How can financial education contribute to sustainable recovery and inclusive growth?”**

**<https://www.bbvaedufin.com/wp-content/uploads/2021/10/EduFin-Position-Paper-ENG-5.pdf>**

- **“Digitalization is also a key element of recovery.** The pandemic has accelerated the acquisition of technology, as well as the digitization of everyday finance. While digital technology can democratize finance, it also has its shortcomings and some issues need to be addressed. In this regard, it is important to improve the level of digital financial education to enhance access to digital products and services, in particular for some population groups.”

**<https://www.bbvaedufin.com/wp-content/uploads/2021/10/EduFin-Position-Paper-ENG-5.pdf>**

- “Also of note is the decline in financial literacy from 51% for the 70-74 age group to 42% for the 75+ age group. This highlights potential risks as people reach old age – where they may have significant assets but potentially declining abilities. This issue was picked up as part of the Japanese Presidency of the G20.”



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- According to the latest research and studies, it identified gaps in knowledge of financial matters and in financial behaviour (Raijas et al. 2020). For example, women, the lowly educated and those on low incomes have been found to be less interested in money matters (see e.g. Danske Bank 2019), which presumably also affects their financial literacy.
- **Recommendations in detail**
  - **A National Strategy**

Draw up a national strategy on financial education, with appropriate processes for monitoring and impact assessment.

In the exceptional circumstances of the coronavirus pandemic, interactive remote activities as well as digital materials and services were rapidly developed. This should be continued, because these types of activities are cost-effective, reaching large numbers of people efficiently. In this area, it is good to share knowledge and expertise among actors, as both the development and implementation of new practices take up a lot of resources.

- Citizen engagement must take into account the different target groups as well as accessibility to messages.
- Communications with target groups should be in plain language and in different languages, because the same message and channels are not suitable for everyone. The form and channel of communication should be selected according to the target group
- Potential channels should be extensively mapped and harnessed to promote financial literacy. Communications should take in account the accessibility of information to those who seek it, but also the active provision of information to those who do not know how to search for it, but who have been identified as possible target groups.
- For this reason, both traditional and digital channels should be actively used in communications. It is also recommended that the media be used in communications.

**Permanent funding from the central government budget and or other public financing must be ensured for the implementation of the strategy.**

Matters related to the promotion of financial literacy are the responsibility of many ministries: the Ministry of Justice, the Ministry of Education and Culture, the Ministry of Education and Employment, the Ministry For Finance and the Ministry For Health.



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- Easy-to-find and low-threshold advisory and information services should be established for decision-making situations in citizens' financial affairs. **The problem of finding up-to-date information has also been highlighted** by actors involved in promoting financial literacy. For them, information about actors, activities, data and materials should be collected in one place and updated regularly.
- The implementation of the strategy must be monitored and evaluated.

### Financial education and responsible consumption

- ACR recommends more powers to the Office of the Arbiter for Financial Services to ensure effective law enforcement.
- **The MFSA is in duty bound to apply relevant legislation properly and to self-regulate in order to foster appropriate and honest practices making it easier to access transparent financial products:** consumers should know exactly what they are signing up to and should be able to compare the market easily. Improvement of regulation, supervision and transparency of the financial system to increase consumer investor protection for financial products is essential.
- However, citizens must still be responsible to improve their financial awareness throughout their lives and to make informed decisions to ensure the responsible consumption of financial products.

### More Proposed measures

Demographic, socio-cultural and technological factors have given rise to new forms of financial behaviour. Consumers are now looking for tailored products and more professional customer service; they are asking for more information, taking an interest in where their money is being invested, and taking a skeptical approach.

- Education and training should be carried out by bodies free of any conflict of interest.
- An education system which should encourage consumers to develop their critical faculties and financial education should continue throughout people's lives through Lifelong Learning programs.
- Financial education to become a compulsory subject on the school curriculum, and followed up in training and retraining programs for workers.



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- As a subject, financial education should encourage responsible management of financial affairs (saving, use of credit cards, borrowing, etc.) and promote socially responsible financial products.
  - The financial industry itself has an obligation to be actively involved in programs focusing on both microfinance and education, and in the provision of access to basic financial services.
  - In a knowledge-based society, an education system that encourages people to think critically, and financial education is a strategic tool which should go hand in hand with the new process of regulating the financial system.
  - The idea of the "responsible consumption of financial products" encourages people to distinguish between what they desire and what they actually need. The concept of "responsible saving" is also becoming more popular. It involves thinking long-term and supporting socially responsible products – products which perform better against environmental, social and corporate governance criteria.
  - There is the need to ensure that all segments of the population are sufficiently financially
  - aware throughout their lives is crucial for maintaining confidence in a well-regulated financial system, and for ensuring its development and stability.
  - Financial institutions also have a key role to play. This means the financial industry giving society a commitment to guaranteeing honesty and transparency in its customer service provision, acting unequivocally in the customers' interests.
  - Transparency is crucial when interacting with consumers, and it is also key in the process of winning back consumer confidence in the financial services industry.
  - Transparency of information is ensured through reports and publications, responsible advice, leaflets, information sheets, guides, new ways of making enquiries, presentations of products and financial services, comparison websites etc.
  - Small print, unfair terms in contracts and misleading advertising should all be eliminated.
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### **Governments and financial institutions need to provide sufficient resources to promote their initiatives:**

- Implement common methodology to assess people's level of financial literacy and inclusion.
- Strengthen financial inclusion strategies. Step up efforts to target specific groups (young people, women, immigrants, people on low incomes).
- Protect consumer rights on financial products.
- Strengthen cooperation between the European Commission, EIOPA, ESMA, EBA, the OECD and national governments to exploit potential synergies and avoid duplication of work.
- Organise a European Day for financial education, for example, endorsed by the EU Presidency of the time.
- Promote an annual conference on financial education, with the involvement of recognised experts

### **The following suggestions can serve to bring together initiatives to improve people's financial skills as well as measures to increase consumer protection in the field of financial products:**

Set up an independent body to provide advice free of charge to consumers on financial products, and on how to incorporate environmental, social and governance (ESG) criteria in their financial decision-making: this body could give advice either face-to-face or via a phone hotline.

- Promote the widespread use of national social security accounts, so that all employees are informed, once a year, about the pensions they would receive when they retire.
- Promote financial products tailored to young people (from the age of 14, in other words, before young people can leave school and start working) and give them regular updates on the characteristics of these products and how they work.



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- Encourage the toy industry to develop educational toys involving financial concepts.
- Broadcast short TV and radio programmes (10-15 minutes long) on basic financial issues (loans, mortgages, insurance, etc. and basic concepts such as profitability and risk), create multimedia initiatives and promote financial education through social networks.
- Make better use of consumers' associations and other independent organisations from organised civil society to disseminate and implement government initiatives in the field of financial education.
- The European Commission should increase its sponsorship of financial education initiatives in the Member States, on the basis of good practice that is identified.

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