

CFPB, European Commission Announce Cooperation to Strengthen Consumer Financial Protection

July 25, 2023

On July 17, 2023, US Consumer Financial Protection Bureau (CFPB) Director Rohit Chopra and Commissioner for Justice and Consumer Protection of the European Commission (EC) Didier Reynders [published a joint statement](#) announcing the beginning of an informal dialogue to take place at least once a year, focusing on strengthening consumer financial protection.

According to the statement, the dialogue is intended to address key challenges created by the increasing digitalization of financial products – “from pricing and customer service to competition and privacy.” The agencies noted their growing concerns about the potential consumer protection risks tied to these developments by citing, for example, the increasing use of automated decision-making and artificial intelligence (AI), new products such as buy now, pay later offerings, and the role of “Big Tech” in digital payments. The joint statement highlights that while policymakers are responding to these issues, the regulatory and enforcement agencies believe that more must be done in order “to compete with the pace of evolving markets and consumer needs.”

Key issues highlighted in joint statement

The dialogue aims to facilitate better policy coordination and exchange of insights and experience on a range of financial consumer protection issues, some of which are outlined below.

Automated decision-making and processing of data in financial services

Consistent with recent statements and publications by the CFPB – e.g., Chopra’s comments in May 2023 when he [stated that the CFPB has been intensifying its AI regulation efforts](#) as it has “already started some work to continue to muscle up internally,” and the CFPB’s June 2023 [spotlight analysis on AI chatbots in banking](#) – the joint statement referenced concerns about transparency, financial privacy and fair lending as consumer protection risks.

New forms of credit, such as buy now, pay later products

The bureau cites concerns about the “over-consumption” of new forms of credit and “over-indebtedness” of consumers – themes flagged repeatedly by the CFPB in connection with such products, including in its [March 2023 consumer use survey](#). Similarly, the EC adopted a [legislative proposal in June 2021](#) to revise the existing Consumer Credit Directive to cover buy now pay later products and services, to ensure increased transparency and better consumer protection, resulting in higher consumer confidence.

Fair choice and access to financial services for unbanked and underbanked consumers

Referencing themes of fair lending and equal access often cited by the bureau, the statement also identifies as consumers at risk those who “want to protect their own data.” The statement aligns with the continued focus on more regulatory oversight as

evidenced by the EC's proposed [reform of the current European Union rules on Distance Marketing of Consumer Financial Services](#) published in May 2022, which aims to bring EU regulation in line with the digitalized financial sector by strengthening consumer rights and fostering the cross-border provision of financial services in the single market.

Consumer protection risks created by Big Tech offering financial services

The agencies listed several issues – data privacy and security, unfair competition, and financial stability – in committing to further dialogue focused on potential risks in Big Tech. This too ties to concerns cited repeatedly by the CFPB, including its announcement of an [inquiry into data brokers](#) in March 2023 and the release of a [report in June 2023](#) identifying issues with increased use of digital payment applications in the servicemember community.

What's next?

The agencies are expected to meet at least once a year, with staff discussions, including bilateral meetings between senior staff and subject matter experts, and roundtables involving the appropriate stakeholders and industry representatives. The joint statement also states that it is expected the dialogue will occur "in parallel with other forms of cooperation and exchanges between the European Union and the United States on various digital and financial services policies and regulation." The announcement further emphasizes the continued focus on these priority agenda items across borders, and the significant efforts and resources being dedicated to monitor, regulate, and enforce compliance in these areas.

Cooley summer trainee Agnes Wong also contributed to this alert.

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