

The impact of Europe on financial inclusion of families: Achievements, challenges, and future directions

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Glossary

FSUG	Financial Services Users Group (by DG FISMA – European Commission)
EBA	European Banking Authority (one of the three European Supervisory Authorities)
AI	Artificial Intelligence
GDPR	General Data Protection Regulation
EIOPA	European Insurance and Occupational Pensions Authority (one of the three European Supervisory Authorities)
CCD	Consumer Credit Directive (2008)
CCD2	Revised Consumer Credit Directive (2023)
MCD	Mortgage Credit Directive
PSD2	Second Payment Services Directive
FIDA	Financial Data Access Regulation
ECD	European Central Bank
MiCA	Markets in Crypto-Assets
PAD	Payment Account Directive
PEPP	Pan-European Personal Pension Product
SECCI	Standard European Consumer Credit Information
KID	Key Information Document
ESIS	European Standardized Information Sheet
AML	Anti-Money Laundering
KYC	Know Your Customer
API	Application Programming Interface

1. Introduction: defining financial inclusion and its importance to families

Financial inclusion generally refers to everyone's ability to access and use essential financial services (such as banking, credit, payments, insurance, and savings) that are affordable and meet their needs. It is a cornerstone for full participation in modern society. For families, financial inclusion means having a basic bank account to receive income and pay bills, the ability to obtain fair credit, insure against life's risks, and safely save for the future. Without these services, families struggle to lead a normal social life, to be included in society. Financial exclusion is especially damaging for households with children or other dependents, because it affects the entire household's stability. COFACE-Families Europe emphasises that access to basic financial services should be treated as a fundamental right (derived from human rights) since without it, individuals are effectively barred from full social and economic participation. In short, financial inclusion is not an end in itself; it is a precondition to achieve family well-being and social inclusion.

Beyond access, quality and usage are key. Services must be appropriate to families' needs and not lead to harm. For example, credit should help families invest (such as in housing or education) but not become a debt trap that undermines their quality of life. An inclusive financial system empowers families to budget, absorb shocks, and plan for goals like children's futures. This is vital for families in vulnerable situations (single parents, low-income households, families with disabilities) who often have more precarious finances. In the EU, over-indebtedness is highly skewed toward vulnerable groups: for instance, 41% of over-indebted households are single-parent families and 76% live on low incomes. Financial inclusion, coupled with consumer protection, can shield such families from exploitation and hardship. COFACE-Families Europe stresses that promoting financial inclusion is integral to reducing poverty and upholding the European Pillar of Social Rights, which declares access to essential services (including financial services) as a right.

In summary, financial inclusion means universal access to basic, affordable financial services under fair conditions. It is crucial for families' economic security and social integration. This policy brief on financial inclusion provides an overview of EU-level initiatives, legislation, and strategies advancing financial inclusion (from financial literacy to credit regulation) and how they relate to families' needs. Section 2 highlights different EU initiatives and policies, while section 3 provides updates on recent developments and section 4 reflections on future and upcoming developments which will affect families.

2. EU Initiatives and policies advancing financial Inclusion

The European Union has increasingly recognised the importance of financial inclusion and has launched various initiatives across different domains. The section below outlines key EU-level actions and frameworks in several core areas: financial literacy, consumer credit and creditworthiness, responsible lending and personal insolvency, the right to basic services (banking & insurance), digital finance (including the digital euro and AI-driven finance), tackling discrimination in finance, ensuring product affordability, and leveraging financial inclusion for social inclusion. Together, these measures form a growing policy landscape aimed at making finance fairer and more accessible for all European families.

Financial literacy and education

Improving financial literacy is a foundational step toward inclusion. Consumers who understand budgeting, credit, insurance and digital finance are better equipped to make informed decisions and avoid pitfalls. In 2023, an EU survey found that **only 18% of EU citizens have a high level of financial literacy**. To address this, the European Commission launched a comprehensive [Financial Literacy Strategy in 2025](#), emphasising lifelong financial education. The strategy rests on four pillars:

- Coordination and best practices: the Commission will facilitate knowledge-sharing among Member States and stakeholders on successful financial education initiatives, including programmes tailored to specific groups (youth, vulnerable families, etc.)
- Communication and awareness: an EU-wide financial literacy campaign will be rolled out to complement national efforts and raise public awareness on topics like budgeting, saving, and avoiding scams.
- Funding support: EU instruments (under the European Social Fund + or other programmes) are being mobilised to fund financial literacy projects and research, encouraging Member States to make full use of EU funding for local initiatives.
- Monitoring and assessment: the Commission will regularly measure progress (through Eurobarometer surveys for instance) and develop evaluation tools to track improvements in financial literacy levels across countries.

These efforts build on earlier initiatives such as the joint EU/OECD financial competence frameworks for adults (2022) and youth (2023), which define the core financial skills and knowledge citizens should acquire. By promoting financial education in schools and through public campaigns, the EU aims to empower citizens at all life stages to budget wisely, compare financial products, and plan for long-term goals. Improved literacy helps families avoid over-indebtedness and fraud. The Financial Literacy [Strategy](#) notes that more financial literacy means better budget management, protection from scams, and prevention of over-indebtedness.

The [new Consumer Credit Directive](#) (2023/2225, discussed below) requires Member States to promote financial education on responsible borrowing and debt management. This regulatory nudge underlines that education is part of consumer protection. COFACE-Families Europe supports these moves, having itself developed trainings (such as the online module on “what is

money?”) to demystify finance for the general public. A number of COFACE-Families Europe members have also developed financial literacy programmes such as UNAF (France), Isadora Duncan (Spain), Gezinsbond (Belgium) and Women for Women (Czech Republic).

At the same time, COFACE-Families Europe has underlined that financial literacy cannot be a silver bullet, used to solve all problems related to financial inclusion. Financial literacy has often been instrumentalised by the financial services industry as an excuse to delay or avoid addressing the structural and regulatory causes of financial exclusion such as unfair lending practices, lack of affordable financial products, the growing complexity of financial products and inadequate consumer protection. While improving knowledge and skills is important, true financial inclusion requires systemic fairness: transparent products, ethical business models, and effective regulation to ensure that all families, regardless of income or background, can access and use financial services safely and beneficially.

Raising financial literacy is now a clear EU priority. By equipping families with financial skills, the European Union seeks to enable more informed choices, reduce the risk of exclusion, and ultimately foster greater financial resilience in Europe’s population.

Consumer credit and creditworthiness assessments

Access to credit is an essential service for many families (to buy a home, a car, or cover an emergency), but it must be provided responsibly. EU policy in this area has evolved significantly to balance access with consumer protection. A milestone is the newly revised [Consumer Credit Directive \(CCD\)](#), adopted in October 2023, which strengthens requirements on lenders to assess borrowers’ creditworthiness thoroughly and fairly.

Under the new CCD, before granting a loan, creditors *“must thoroughly assess and verify a consumer’s creditworthiness, examining relevant and accurate information on their income, expenses and other financial and economic circumstances.”* In practice, this means lenders in all Member States will be obliged to look at a household’s ability to repay (focusing on income and essential expenses) rather than relying solely on credit scores or past credit history, a point that COFACE-Families Europe has stressed repeatedly. Notably, the directive explicitly says creditworthiness assessment cannot be based exclusively on the consumer’s credit past, encouraging a more holistic evaluation. Moreover, discrimination in credit services is forbidden: lenders may not refuse or price credit based on protected characteristics like gender, race, nationality or residence. This is vital for fairness, as in the past some groups (migrants or ethnic minorities) have faced and still face bias in lending.

The directive also promotes inclusion by mandating that credit databases be accessible across borders on equal terms, so that a lender in one EU country can access data needed to lend to a consumer from another country without discrimination. This supports cross-border credit while ensuring creditors have the information to lend responsibly.

COFACE-Families Europe and Finance Watch have strongly advocated for such responsible lending rules, with a focus on data minimisation and privacy. In a joint civil society proposal, they argued that lenders should use only core household budget data for creditworthiness checks (the applicant’s income, essential living expenses, and indicators of their ability to manage their

budget) and *not* delve into irrelevant personal data. This approach would greatly reduce the use of intrusive or biased data in credit decisions. It aligns with GDPR principles (data minimisation and purpose limitation) and would help prevent “digital redlining” or algorithmic bias. For example, Finance Watch recommends that lenders be barred from collecting or using data on a borrower’s gender, religion, and personal shopping habits when evaluating creditworthiness, since those are not truly relevant to ability to repay and could introduce discrimination. Instead, only data demonstrating income and necessary expenditures (much of which can be obtained from bank account records with the customer’s consent) should be used.

To facilitate this privacy-focused credit assessment, the advent of Open Banking under PSD2 (which lets consumers share their account data with lenders via regulated third-party aggregators) can be leveraged. However, clear guidance is needed on *which* data are necessary. The European Data Protection Board is being called upon to clarify how GDPR’s data minimisation applies to open banking in credit contexts. One idea floated by Finance Watch is that instead of sharing raw transaction histories, only aggregated indicators or categorised data (e.g. total income, total essential expenses, average discretionary income) should be transmitted to lenders. This would satisfy underwriting needs without exposing granular personal details. Additionally, the new CCD includes an important consumer right: Member States must ensure borrowers are not charged “excessively high” interest rates, and lenders must act transparently and honestly, with penalties for infringements. These measures will curb predatory lending that often traps vulnerable families.

EU policy on consumer credit is moving toward a model of responsible, inclusive lending. By mandating robust yet fair creditworthiness assessments, limiting discriminatory practices, and incorporating data protection safeguards, the aim is to prevent reckless lending and over-indebtedness while still allowing families who can afford credit to access it on fair terms. This is critical to financial inclusion: credit can enhance a family’s opportunities, but only if it is sustainable and based on the borrower’s real capacity to repay. The combined advocacy of consumer groups like COFACE-Families Europe, BEUC and Finance Watch has helped shape these stricter rules, ensuring that credit markets serve families’ interests and do not exacerbate their vulnerabilities.

Responsible lending and personal insolvency

Even with better credit assessments, some families will inevitably face financial distress due to variety of factors including economic downturns, job loss, illness, or other personal shocks (divorce, death of spouse etc.). Thus, an inclusive financial system must also provide safety nets and second chances, through responsible lending obligations and personal insolvency frameworks that help over-indebted families recover.

On the prevention side, the new Consumer Credit Directive requires lenders to exercise reasonable forbearance (offer payment plans) before enforcing debt, and urges Member States to ensure independent debt advisory services are available for consumers in trouble. These provisions recognise that early intervention can resolve debt problems before they spiral out of control. Furthermore, creditors will face sanctions if they extend credit without properly checking

affordability; a clear signal to avoid irresponsible lending practices (like pushing loans or credit cards onto people who cannot repay).

Despite preventive measures, Eurostat data show that in 2020 about 8.8% of EU households (roughly 17.2 million households, or 40 million individuals) were in arrears on at least one essential payment (rent, mortgage, utilities, or loan). Over-indebtedness tends to hit certain families hardest: almost half of debt relief applicants in countries like France and Germany are unemployed, and single-parent families are markedly over-represented among those seeking debt advice. The social consequences are severe: chronic stress, mental health issues, family instability, and even risk of homelessness. Children in over-indebted families often experience poverty and reduced opportunities, perpetuating intergenerational disadvantage. For these reasons, COFACE-Families Europe and Finance Watch stress that **addressing household over-indebtedness is a social policy imperative as much as a financial one.**

A key gap at the EU level has been the lack of a harmonised personal insolvency regime. Business bankruptcies have EU-wide rules, but individuals' debt relief options vary widely by country, from relatively forgiving systems with fresh starts after a few years, to very stringent regimes where personal debt can haunt someone for decades. This fragmentation leads to unfair outcomes and even "debt tourism" (debtors moving to jurisdictions with more lenient discharge rules). COFACE-Families Europe, along with Finance Watch and the Financial Services Users Group (FSUG), have called for EU action to harmonise personal insolvency laws, arguing that a consistent EU framework for consumer insolvency would ensure over-indebted families can access a dignified second chance no matter where they live. This would include reasonable discharge periods, protections for basic assets and income (so families retain enough to live on), and debt settlement procedures that are accessible and not overly punitive.

Encouragingly, the topic is gaining traction. The European Commission, under the banner of the *European Pillar of Social Rights* (which affirms the right to social protection and inclusion), has indicated interest in measures to address over-indebtedness and insolvency for individuals. While a full directive is still pending, the groundwork is being laid: for example, the [2019 Directive on restructuring and insolvency](#) focused mainly on businesses but urged Member States to also facilitate a "second chance" for honest entrepreneurs (many of whom are essentially individuals/small business owners). Building on this, the current Commission (2024-2029) might propose EU-wide minimum standards for personal insolvency. [COFACE's 2025 position paper](#) outlines principles for such a framework, including: preservation of human dignity (exempting minimum income and essential family assets from liquidation), presumption of good faith for debtors, family-friendly procedures (accounting for events like divorce equitably), and flexible access criteria so that relief is available before hopeless debt traps develop.

From a family perspective, humane insolvency laws are critical. They allow over-indebted families to rebuild and re-integrate economically, breaking cycles of poverty. Prolonged insolvency with no escape not only hurts the debtor but also their children and dependents, and keeps families in perpetual exclusion. In contrast, a well-designed insolvency system can reduce creditors' losses (by encouraging earlier, orderly resolutions) and boost economic productivity by letting individuals restart their financial lives after a setback. It also supports social cohesion by preventing the long-term marginalisation of indebted families.

Right to access basic financial services: bank accounts and insurance

A fundamental aspect of financial inclusion is guaranteeing that all individuals can access basic services like a payment account and insurance at a reasonable cost. Without a bank account, for example, one cannot easily receive wages or social benefits, pay utility bills, or participate in e-commerce – effectively barring them from much of daily economic life. Recognising this, the EU enacted the [Payment Accounts Directive](#), which requires every Member State to ensure the right to a basic bank account for consumers legally resident in the EU. These basic accounts come with essential features (deposit and withdraw money, a debit card, online payments, etc.) and must be offered irrespective of the consumer's financial situation (even to those with low income or no credit history). Banks must either provide such accounts for free or a small fee, making them affordable.

However, a [recent study by Finance Watch \(2024\)](#) shows that despite the Payment Accounts Directive, significant barriers remain across Europe. Many vulnerable consumers, including low-income households, migrants, and homeless persons, still face difficulties accessing or affording basic payment accounts. In some countries, fees for basic accounts are disproportionately high (for instance, between €58 and €143 per year in Germany), while in others, access is restricted by excessive documentation requirements or low awareness among both consumers and bank staff. Refugees and people without a fixed address are often denied an account due to strict anti-money-laundering rules, and in many Member States, banks rarely offer these accounts proactively. It would be essential to revise the Directive to make basic payment accounts free for vulnerable consumers, require banks to offer them by default, and ensure clear, accessible information across the EU.

COFACE-Families Europe argues that financial inclusion should extend beyond banking to other essential financial services like insurance and credit. For instance, being unable to obtain basic insurance (health, life, home, or motor insurance) can be devastating for families: it exposes them to catastrophic losses and can even be a legal barrier for living an independent life or being included in the job market (for instance driving a car in the EU generally requires insurance). However, insurance markets sometimes exclude high-risk individuals or charge unaffordable premiums, for example, people with serious pre-existing health conditions, persons with disabilities, or those living in climate-vulnerable areas (flood zones) may struggle to get coverage. The EU has started to acknowledge these issues. Principle 20 of the European Pillar of Social Rights explicitly states that "*everyone has the right to access essential services of good quality, including...financial services.*" Financial services in this context encompass both banking and insurance.

While there is not yet an EU-wide "insurance inclusion law" equivalent to the Payment Accounts Directive, there are important developments: some Member States, supported by EU recommendations, have instituted practices like insurance pools or guaranteed access mechanisms for vulnerable groups. For example, several countries implement a "right to be forgotten" for survivors of illnesses like cancer: after a certain remission period, insurers cannot consider their past illness in pricing life insurance, enabling these individuals to access coverage on fair terms. The GDPR also gives individuals rights that aid inclusion, such as the right not to have outdated negative data (like old health information) unduly penalise them, reinforcing this "*right to*

be forgotten” concept in insurance underwriting. Additionally, [national supervisory authorities](#) and [EIOPA](#) (the European Insurance and Occupational Pensions Authority) have stressed that the increased use of Big Data in insurance must not lead to “personalised pricing” that makes insurance unaffordable for the highest-risk households. Both mutualisation (spreading risks across the insured population) and socialisation (subsidising the most risky segments of the population) of risk, is seen as key to keeping insurance inclusive. If algorithms slice groups too finely, each person pays precisely for their own risk, undermining solidarity (for example, if auto insurance were priced *only* on telematics data, a young urban driver might face exorbitant rates). COFACE-Families Europe is thus defending policies ensuring fairness, solidarity and non-discrimination in insurance premiums.

Another basic service is access to cash. Many families, particularly older people or low-income groups, rely on cash for budgeting. The EU has no single law guaranteeing access to cash, but the issue is often framed as part of inclusion (ensuring sufficient ATMs or cash services even as digital payments rise). COFACE’s economic principles affirm *“the right to access cash and make payments as fundamental,”* and caution that any new digital payment methods (like a future digital euro) should *“emulate all key features”* of cash (wide acceptability, zero cost to use, and privacy in small transactions). This is more important than ever, given the recent regulation in money laundering (2024) which introduces stricter limits on cash payments (banning transactions above 10000€) and tighter reporting obligations (for cash transactions between 3000€ and 10000€), which, while intended to curb illicit activities, risk reducing legitimate access to cash for ordinary families. Policymakers must therefore ensure that anti-money-laundering measures do not inadvertently exclude or stigmatise cash users, but rather coexist with a clear commitment to maintaining universal, affordable, and privacy-respecting access to cash as a public good.

Digital finance: the Digital Euro and AI in financial decision-making

The digital revolution in finance brings both opportunities and challenges for inclusion. On the one hand, fintech innovations can lower costs and expand access (for example, mobile banking reaches people in remote areas, and automated processes can make small loans viable). On the other hand, technologies like artificial intelligence (AI) and big data analytics are increasingly being used to make decisions (who gets a loan, what insurance premium is charged, or even who is flagged for fraud) [raising concerns about fairness and transparency](#). The EU is actively working on two major digital finance initiatives with direct implications for families: the proposed digital euro (a central bank digital currency) and a new regulatory framework for AI in financial services.

In June 2023, the European Commission proposed a **regulation to establish the legal framework for a digital euro**: essentially a public digital currency that would be a complement to physical cash. One of the motivations is to ensure that public money remains available and widely usable in the digital age, as cash use arguably declines (even if a reduced availability of cash may also play a role in the decline in the use of cash). For financial inclusion, a well-designed digital euro could be beneficial if it offers a free or very low-cost means of payment accessible to all Europeans, including those who currently have limited banking access. The European Central Bank (ECB) has emphasised that the digital euro would be available through intermediaries (banks and possibly fintechs) but at least a basic tier of service will be free for users, analogous to having coins and banknotes at no cost. Importantly, the ECB is designing features like offline functionality and privacy safeguards: [the digital euro “is designed to function offline in a way that](#)

offers a cash-like level of privacy" for low-value transactions. This means two devices could exchange value locally (for instance via Bluetooth) with transaction details known only to the payer and payee, similar to handing over cash. Such features are crucial to gain public trust (people worry about surveillance of every cent they spend) and to ensure resilience (being able to pay even during internet or power outages). Any digital euro must preserve users' privacy and freedom to transact. Policymakers face a balancing act: providing enough privacy to feel "cash-like" for users, while still meeting anti-money-laundering requirements. The inclusion benefit is that the digital euro could serve unbanked or underserved groups by giving them a secure digital means of payment guaranteed by the central bank. The legislative debate on the digital euro is ongoing, and COFACE-Families Europe alongside other key stakeholders such as Finance Watch and BEUC are contributing to ensure that inclusion and accessibility (multiple languages, disability-friendly apps, etc.) are prioritised alongside technical and financial stability considerations.

Alongside the digital euro, there has also been a focus on AI in Financial Decision-Making: the use of AI and algorithmic decision systems in retail finance has exploded (credit scoring, insurance underwriting, fraud detection, debt collection, personalised marketing, and more are increasingly driven by algorithms). While automation can improve efficiency and even extend services (like getting a quick online loan), [Finance Watch warns that AI's deployment is "fraught with risk" for consumers](#). Specifically, opaque AI models can result in discriminatory outcomes or exclusion: consumers might be charged different prices or denied products based on algorithmic correlations that inadvertently proxy for protected characteristics or penalise vulnerable groups. For example, an AI-driven credit scoring tool might find a statistical link between an applicant's postcode or social media activity and repayment risk, but those data could be reflecting socio-economic or racial biases (a lower-income neighborhood, or linguistic patterns of a minority group) rather than true creditworthiness. This can lead to unfair "digital discrimination" where certain families systematically get worse financial offers or no access at all. Another issue is mis-selling: AI-powered chatbots or recommendation engines might nudge consumers into buying unsuitable financial products (for instance, encouraging excessive borrowing because the model is tuned to maximise loan sales).

Current EU financial regulations were not written with such AI systems in mind. Meanwhile, [the horizontal AI Act](#) (an EU law to regulate Artificial Intelligence) classifies certain AI uses as "high-risk" and imposes requirements, but as of now it covers only a limited set of financial services (mostly credit scoring for creditworthiness). Many other uses in retail finance might fall outside its scope. Furthermore, the EU's separate initiative for an AI Liability Directive, which would have made it easier for consumers to seek redress for AI-caused harm, was withdrawn. This leaves dangerous gaps: if an algorithm denies someone a bank account or sets an exorbitant insurance premium, the consumer today has limited ability to challenge that decision or get compensation for wrongful harm.

In response, Finance Watch and COFACE-Families Europe are urging a stronger stance. A [July 2025 Finance Watch report](#) calls on the EU to designate all AI systems used in retail financial services as "high-risk" under the AI Act, which would subject them to stricter transparency, oversight, and bias mitigation requirements. They also recommend updating sector-specific laws (like the Consumer Credit Directive, Insurance Distribution Directive, etc.) to include AI-specific rules ensuring algorithms do not undermine consumer protection. For instance, credit and insurance laws could mandate regular algorithmic audits for discrimination and require that consumers receive an explanation of automated decisions affecting them. Additionally, Finance Watch advocates for re-

introducing an EU AI liability regime so that if an AI system causes financial harm (for instance, systematically overcharging certain customers or wrongfully denying claims), consumers can easily seek redress and providers can be held accountable. These steps would reinforce accountability in an era of “black-box” finance, where even the financial institutions using AI might not fully understand how decisions are made.

Digital finance can thus be a double-edged sword when it comes to inclusion: a digital euro could provide a universally accessible means of payment if designed with inclusion in mind, while AI can either broaden access (through efficient digital lending, etc.) or undermine it through opaque bias. For families, this means hopefully enjoying the benefits of innovation (easier payments, faster service) without suffering new forms of exclusion. Achieving that will require vigilant policymaking, ongoing civil society input (as COFACE and Finance Watch are providing), and adaptive regulation as technology evolves.

Affordability and fairness of financial products

Financial inclusion is not just about access in a binary sense, but also about affordability and suitability of products. If a family can technically get a loan or insurance but only at an exorbitant cost, or if the product is so complex that it ends up harming them, true inclusion has not been achieved. Therefore, COFACE-Families Europe also seeks to support policies which focus on making financial products fair, transparent, and affordable for consumers, especially those with limited means.

One concrete initiative is the promotion of simple, standard financial products. The idea, proposed by the Commission’s Financial Services User Group (FSUG), is that the market often fails to serve consumers who need straightforward, low-cost options. In 2014, the FSUG published a discussion paper on a “simple financial products regime”, arguing that developing standard basic products (with mandated features) in areas like payments, savings, insurance, and credit could greatly improve financial inclusion. For example, a simple loan with a fair interest rate cap and no hidden fees, or a basic savings account with zero monthly charges, or a core insurance policy with standard coverage terms, would provide safety nets for consumers who might otherwise end up with overpriced or unsuitable products. The FSUG analysis suggested that simple products could reduce distribution costs (no complexity, easier to understand and sell), enabling banks/insurers to reach more low-income customers who were previously deemed “unprofitable”. In other words, if a product is simpler and cheaper to administer, a wider range of consumers can be served at a lower unit cost, which could improve access to appropriate financial products and promote financial inclusion. Additionally, standard products encourage competition on price and service rather than potentially misleading consumers with complex features.

The paper also noted that market innovation did not deliver enough fair products. In fact, many innovations were mostly tweaking existing products with new fees or complexity rather than better serving consumer needs. By introducing vetted simple products, regulators could set a benchmark for the market. FSUG’s recommendations listed potential product areas (simple payment account, simple short-term savings, basic life insurance, a fair unsecured loan product, basic mortgage, etc.) and key features to standardise (like clear cost caps, transparent terms, easy comparability). Some of these ideas have since been reflected in EU policy: for instance, the basic bank account under the Payment Accounts Directive can be seen as a simple payment product with capped fees.

There are ongoing discussions for simple investment products or pensions (the Pan-European Personal Pension Product or PEPP introduced in 2019 is meant to be a simple, portable retirement savings product with a cost cap).

Affordability is also being tackled through interest rate caps and fee regulations. The updated Consumer Credit Directive allows countries to impose caps on interest or the total cost of credit to prevent usury. Many Member States already have such caps for consumer loans, which directly helps low-income borrowers by ensuring they are not charged exorbitantly high rates (a common problem in payday lending, for example). The CCD also bans certain misleading advertising, like suggesting that credit improves your finances or offering overly easy credit, which often targeted vulnerable consumers. All marketing must include the warning “*Borrowing money costs money*,” a simple reminder aimed at encouraging more prudent borrowing.

Another aspect of fairness is transparent information and advice. Financial products should be presented in a way that an average consumer (which includes many families juggling jobs and children, not finance experts) can understand the key terms and risks. The EU has standardised pre-contractual information: for example, the European Standardised Information Sheet (ESIS) for mortgages, the Standard European Consumer Credit Information (SECCI) for loans, Key Information Documents (KIDs) for investment products. These help consumers compare offers and know the costs but could still benefit from improvements. For complex products, the EU’s Distance Marketing of Financial Services Directive and others require clear explanations and grant cooling-off periods. The goal is to prevent unfair surprises like hidden fees or terms that trap consumers (for instance sudden rate hikes, or insurance exclusions they were not aware of).

For families in vulnerable situations, independent financial advice and counseling are crucial to fairness. The new CCD encourages Member States to ensure independent debt advice services, which ties into fairness: a family in financial trouble should have somewhere to turn that is not just the creditor’s collection department. Moreover, civil society organisations (including COFACE members at national level) often provide budgeting advice or financial coaching to families to help them pick appropriate products, avoid scams and help keep their budget balanced. The Commission’s Financial Literacy Strategy, by raising awareness and knowledge, complements this by empowering families to spot dubious financial products.

Open Banking and Open Finance could also foster affordability and fairness. With consumers able to share their financial data securely with third-party services, they can get personalised product comparisons or fintech tools that recommend cheaper alternatives. For instance, an account aggregator app might analyse a family’s banking fees and suggest a cheaper account, or identify that they could refinance a loan at a lower rate, essentially creating competitive pressure which could drive costs down. However, as mentioned, safeguards (data protection, non-discrimination in data use) must accompany this.

Finally, fairness means considering the ability to use products without hardship. It is not enough that a family qualifies for a loan; the loan repayments must not overwhelm their budget. The concept of “affordable lending” is enshrined now: lenders have a responsibility to ensure the credit is sustainable for the borrower. Likewise, insurance should be reasonably priced relative to the coverage provided, otherwise families might opt out and remain exposed to risks. There is a social policy angle here: some have proposed that certain basic insurance (like basic health or liability insurance) could be subsidised or provided by public-private partnership for those who cannot

afford market rates. While not EU-wide yet, some countries have such schemes (for instance, government reinsurance for catastrophic risks to keep premiums affordable). The EU could in future consider guidelines for “financial inclusion by design”, for example, ensuring digital financial services (like the digital euro, or online banking) do not impose disproportionate costs on those who are less digitally equipped (thus the importance of free basic digital euro transactions, as planned, and maintaining free access to cash in parallel).

Social inclusion through financial inclusion

Financial inclusion is not an end in itself. It is a means to achieve broader social inclusion and cohesion. In Europe’s social model, access to financial services underpins many other social rights: it enables people to receive wages and benefits, secure housing (via loans or rental payments), invest in education or entrepreneurship, and generally participate in economic life. Thus, improving financial inclusion directly contributes to reducing poverty and social exclusion.

The link is evident in EU social policy frameworks. The European Pillar of Social Rights, [principle 20, highlights access to essential services \(including financial services\) as a right crucial for social participation](#). If a segment of society (say homeless people, migrants, or youth leaving foster care) cannot open a bank account or get small credit, they are at risk of deeper exclusion. For example, without a bank account, securing a job can be harder (employers often pay salaries via bank transfer), renting an apartment is difficult (landlords prefer tenants who can do direct debit), and saving safely is nearly impossible (cash savings are vulnerable to theft or loss). Financial exclusion tends to compound other forms of disadvantage, creating a vicious circle.

One striking illustration: migrants or refugees arriving in a new country often struggle to access banking due to lack of documentation or credit history. This hampers their inclusion in society. They may resort to informal or cash-based work, be unable to receive subsidies, or pay higher fees for basic transactions (like remittances or currency exchange). The EU’s Anti-Money Laundering (AML) rules unintentionally contributed to some exclusion by imposing strict ID requirements. In response, the Payment Accounts Directive expressly required banks to accept alternative IDs for basic accounts and for Member States to assist vulnerable groups in the account-opening process. COFACE-Families Europe notes that AML rules, while well-intentioned, can have the effect of excluding homeless people and migrants from accessing a basic bank account and urges careful assessment of such side-effects. This is a good example of mainstreaming inclusion: when designing any economic regulation, consider its unintended impact on vulnerable families.

Financial exclusion often mirrors and exacerbates social exclusion. Data cited by COFACE-Families Europe show that over-indebtedness in the EU is mostly a problem of low-income working families and unemployed people, often exacerbated by job loss, health shocks or family breakdown. In other words, the socially vulnerable are more likely to be financially excluded (cannot get affordable credit, fall behind on payments), and conversely, falling into financial distress can lead to social issues like housing eviction, mental health problems, family tensions, etc. For single-parent households, already at higher risk of poverty, financial exclusion can mean the parent cannot obtain a small loan to fix a car (threatening their job) or cannot smooth irregular income with a credit line, leading to arrears and potentially to utility cut-offs or eviction. This directly affects children’s living conditions and futures.

By promoting financial inclusion, policymakers aim to empower these vulnerable groups and improve overall social outcomes. Accessible microcredit, for instance, can allow a low-income family to invest in a home improvement or education that lifts them out of poverty. Affordable insurance means a health setback or accident does not push a marginal family into cascading health issues. Even something as simple as a basic savings account with no fees encourages the habit of saving and asset-building, which increases economic security. In fact, there is evidence that when people move from a cash economy to having a bank account, they gain not only security but also self-esteem and a greater sense of belonging to society.

The EU's Social Inclusion strategies have frequently included financial inclusion as a component. For example, a 2008 Commission Recommendation on financial inclusion highlighted facilitating access to a basic bank account and financial education as measures to prevent social exclusion. Today, initiatives such as the European Pillar of Social Rights Action Plan incorporate goals to reduce the number of people at risk of poverty and social exclusion; and financial inclusion, via improved access to services, is one lever among others (alongside employment, social services, etc.) to achieve that.

COFACE-Families Europe brings the voice of families to this discussion, emphasising that policies must reflect the reality of families as the “natural social safety net” of society. Families often absorb the shocks when formal systems fail. For instance, grandparents may support grandchildren if parents are in hardship. But to do so, families themselves need support, including financially inclusive policies. COFACE's broader vision of an “Economy which cares” ties economic policies (like financial inclusion) to social outcomes: ensuring every family has the means to participate in the economy is part of reducing inequalities and preventing the intergenerational transmission of poverty.

It is also worth noting the positive feedback loop: social inclusion via financial inclusion can lead to more stable communities and economic growth. When more citizens participate in the formal financial system, there is a larger deposit base, more consumer spending through formal channels, and better transmission of social benefits. It reduces the shadow economy and can improve governance (money flowing through accounts is more transparent than cash). Furthermore, inclusive finance encourages entrepreneurship. Someone from a disadvantaged background might start a small business if they can access microcredit and payment services, which creates jobs and uplifts their community.

Financial inclusion is a key piece of the puzzle in building a more inclusive society. By removing the financial barriers that isolate people, we unlock their capacity to contribute economically and socially. Families that are financially included are better positioned to ensure good housing, nutrition, education, and opportunities for their children, breaking cycles of exclusion. The EU's work on financial inclusion is therefore not just a financial industry agenda, but a social agenda: to ensure no one is left behind, and every family can live in dignity and participate fully in European society.

3. Regulatory update: current policy landscape and upcoming developments

The policy landscape for financial inclusion in the EU is dynamic, with several recent milestones and upcoming developments.

[Revised consumer credit directive \(2023\)](#)

As detailed, this newly adopted directive (CCD) significantly strengthens consumer protection in credit. It will be implemented by 2025-2026. The focus now shifts to Member States' transposition: governments may introduce additional measures like interest caps or debt advice provisions in national law as they implement the CCD. By late 2025, the Commission will also assess whether crowdfunding and peer-to-peer lending (where individuals lend to other individuals via platforms) should be brought into the scope of consumer credit rules, since this segment has grown and could pose risks to consumers. This might lead to further proposals so that borrowers using new fintech platforms have similar protections.

[Digital euro proposal \(2023\)](#)

The legislative proposal for a digital euro is under discussion by the European Parliament and Council. The timeline likely points to a decision by end of 2025 or early 2026 whether to proceed with an actual launch by the ECB later in the decade. Key issues being debated include privacy levels, offline use, and a potential holding limit (caps on how much digital euro an individual can hold to prevent bank disintermediation). From an inclusion perspective, the European Parliament may push for strong wording on free access and universal reach (ensuring, for example, that the digital euro can be used through convenient channels for all citizens). If agreed, the digital euro could be rolled out in a pilot phase in 2027.

[Open finance/financial data access \(FIDA\) regulation](#)

On 28 June 2023, alongside the digital euro, the [Commission proposed a financial data access regulation to implement “open finance”](#). This will allow consumers to share their financial data (from a wide range of products: bank accounts, investments, insurance, pensions, etc.) with third-party providers. The proposal includes provisions for customer consent and data security. In terms of inclusion, open finance could support innovation for underserved customers (for example, new budgeting apps or alternative scoring for those without traditional credit history). But the regulatory process raises key concerns: data holders (such as banks) may seek compensation for providing access via Application Programming Interfaces (APIs), which could create cost burdens or access barriers for consumers. Moreover, the co-legislators are debating the risk of exclusion of consumers that refuse to share access to their data, or gives them worse terms. Declining to share data must not lead to discrimination or inferior offers (often characterised under the label “exclusion prevention”). FIDA will require substantial operational build-out: standardised APIs, new data-sharing schemes, permission dashboards for consumers, and governance regimes spanning banking, insurance, investments and pensions, which means a longer implementation process. At present, the adoption of FIDA is expected in the first half of 2026.

AI Act (2024)

The AI Act is in the final stages of negotiation, but faces delays due to pressure from various interest groups. The outcome will have an impact on how finance-specific AI is governed. The initial European Parliament's draft wanted to label AI systems in credit, insurance,, as high-risk (thus imposing requirements like risk assessments and transparency), whereas the initial Council position was narrower. The [withdrawal of the AI Liability Directive in 2025 was a setback](#), but there are hints it could be revisited in some form – perhaps integrated into a revision of the existing Product Liability Directive or a new initiative, given the strong push from civil society for a liability framework. However, the implementation of the AI Act now faces political and industry pressure that could water down its scope or delay key obligations. The European Commission has confirmed that it is considering granting a one-year “grace period” for companies developing high-risk or general-purpose AI systems already on the market, allowing them extra time to comply with the new requirements. This would postpone the start of fines for breaches of transparency and risk-management obligations until at least August 2027. The move follows intense lobbying from both European industry groups and U.S. tech companies, with the Trump administration reportedly pressuring Brussels to ease AI rules viewed as restrictive to innovation. Large firms such as Meta and Airbus have called for a two-year pause to simplify implementation and reassure investors. Although the Commission insists that it “remains fully behind the AI Act and its objectives,” the debate exposes tensions between Europe’s ambition to lead in trustworthy AI governance and growing concerns about global competitiveness and regulatory overreach. Several Members of the European Parliament, including co-rapporteur Brando Benifei, have warned that further delays could create legal uncertainty and weaken protection for citizens in high-risk sectors such as finance.

Personal insolvency initiative

While no EU law is planned, the new Commission which took office in 2024 might take up this issue. It could start with a public consultation or impact assessment in 2026, leading to a legislative proposal for a Directive on harmonising certain aspects of consumer insolvency/bankruptcy. If COFACE-Families Europe and Finance Watch advocacy gains traction, we could see something like common principles on discharge periods, debt counseling, and conditions for debt forgiveness being proposed. This would be a major development for over-indebted families across Europe. The timeline is speculative, but the next 2-3 years will be crucial to see if it is prioritised in the Commission’s agenda (possibly influenced by economic fallout from COVID-19 and inflation, which increased household debts in parts of the EU).

Mortgage Credit Directive (MCD) Review

The EU initially planned to review the 2014 Mortgage Credit Directive. In light of rising interest rates affecting many European families with mortgages, the review aimed at proposing amendments to strengthen consumer protection in home loans (better information on risks, stricter creditworthiness checks for mortgages, or easier switching of loans). However, the Commission suspended the review on the 18th of December 2024, with no timeline on when such a review is set to resume. COFACE-Families Europe and Finance Watch will continue to monitor the situation and push for a reopening of the review process.

4. Reflections on future developments

Banking/open finance

Open Banking ([under PSD2](#)) is already in effect, allowing third-party providers (with customer consent) to access bank account data to provide services like account aggregation, budgeting tools, or alternative credit scoring. Open Finance extends this to other financial sectors. How does this help inclusion? In theory, it can increase competition and innovation, which should benefit underserved consumers. For instance, new fintech entrants can use banking data to offer tailored products: maybe a fintech notices a user regularly pays for public transport and offers a micro-loan to buy a cheaper bicycle; or an app could proactively identify that a customer is paying high interest on an overdraft and facilitate a lower-cost loan to refinance. Improved credit scoring is a big hope, with access to rich transaction data, lenders might approve customers who were traditionally declined due to lack of credit history or reliance on credit bureau data. As Finance Watch noted, *“increased data can reduce costs via automation in creditworthiness assessments and improve financial management for consumers”*. Open data can also foster self-insurance or community finance via blockchain smart contracts, though that is a nascent area.

However, risks are prominent: more data sharing means more privacy concerns and potential discrimination (if not properly regulated, lenders could start demanding extremely granular data that intrudes on privacy or use data points that cause bias). Consumer protection in open finance is thus crucial. Finance Watch and COFACE’s stance is that strong data use rules must accompany open finance. These include:

- Data minimisation: only relevant data should be used for a given service, and sensitive personal data (health, religion, exact location history) should typically be off-limits.
- Consent and control: consumers should give informed consent and be able to easily revoke it. They should also have transparency on who is accessing what data and for what purpose.
- No penalty for non-sharing: as mentioned, a consumer who is uncomfortable sharing more than basic data should not be blacklisted or offered predatory rates just because they exercised privacy rights. This principle may need to be encoded in the FIDA regulation, for instance by forbidding financial providers from making certain services conditional on unnecessary data sharing.
- Liability and dispute resolution: if something goes wrong (a data breach or misuse leading to financial loss), it must be clear who is responsible and consumers should have straightforward redress.
- Maintain strong socialisation and mutualisation of risk: The use of big data and open finance to deliver more personalised financial services should not go against the principle of mutualisation/socialisation of risk, which spreads risk into larger risk pools to ensure everyone has access to insurance at affordable rates. Failure to do so might lead to personalised risk-based pricing, which would defeat the purpose of taking out an insurance and push consumers into self-insurance (putting money aside to cover their own risk), ending the principle of solidarity, which is key for a functioning society.

Open Banking has already delivered some benefits (many people now use budgeting apps or fintech payment services they would not have had otherwise), but usage is uneven across the EU. Going forward, a priority is ensuring that all consumers benefit, not just the tech-savvy. This might require initiatives to raise awareness of and trust in these new services, as well as important regulatory safeguards. COFACE plays a role in educating family associations about the latest developments in open finance, while also warning them of potential pitfalls (for example, cautioning not to give out banking credentials to unlicensed apps).

GDPR and data protection

Personal data protection is the backbone that holds all the above together in a citizen-friendly way. [The GDPR \(General Data Protection Regulation\)](#) gives Europeans rights over their data and imposes duties on data controllers like banks or fintechs. For financial inclusion:

- GDPR's principles of lawfulness, purpose limitation, and data minimisation support the idea that lenders/insurers should not grab more data than necessary. For example, a bank analysing account transactions for credit scoring should focus on income and essential spending patterns, not snoop into every line of one's spending for marketing purposes. This is exactly what Finance Watch recommended, perhaps even technically enforcing that by coding data at the right level of granularity (so that when data aggregators share info, it's already categorised to protect privacy).
- The right to explanation/meaningful information (GDPR Articles 13-15 in automated decisions) aligns with the push for transparency in algorithmic credit decisions. If you're refused a loan, the GDPR gives you the right to know the main reason, which helps challenge unfair denials and implicitly forces companies to think carefully about what factors they use.
- The right to be forgotten (Article 17) in finance, this underpins things like credit bureaus having to delete negative credit history information after X years, or insurers not using older health data beyond a certain point. This is critical for giving individuals a clean slate and not being forever judged by past difficulties.
- Data security requirements in GDPR are vital as more sensitive financial data is shared. A breach of open banking data could expose someone's full financial life, so strong cybersecurity (as highlighted in the FSUG big data paper's recommendations) is necessary. The concept of personal data stores (like the "FreedomBox" personal server idea) or consumer-controlled data wallets is emerging, perhaps giving people safer ways to manage their data.

Looking ahead, there is synergy between GDPR enforcement and other policies. For instance, if the AI Act mandates certain disclosures or bias testing, that complements GDPR's transparency and non-discrimination aims. [The Data Act](#) (which entered into application on the 12th of September 2025) might enable more data sharing among services like energy, telecom data, and could also help financial inclusion by verifying address stability or payment of utility bills for credit scoring, but that again must be handled carefully under the GDPR.

Overall, action on all three fronts is needed: urging simplicity and fairness in product design, supporting open innovation but with strong guardrails, and championing privacy as a non-

negotiable right (indeed, one of COFACE's economic principles is to “*protect privacy and anonymous transactions*”, reflecting that a surveillance-heavy financial system could exclude or intimidate citizens).

Future outlook: AI, blockchain, and the future of inclusive finance

As we look to the future of financial services, two technological developments stand out: artificial intelligence (AI) (along with big data analytics) and blockchain (and related distributed ledger technologies, including cryptocurrencies and decentralised finance). These have the potential to significantly reshape access to credit, insurance, and other financial products. **The question is: will they democratise finance further, or introduce new risks that harm inclusion?** Here we discuss the prospects and the safeguards needed.

AI and Big Data in Future Credit/Insurance

AI could make financial services more accessible by improving risk assessment and reducing costs. For example, AI-driven credit models might use alternative data (like rent payments, utility bills, mobile phone top-ups) to score people with little or no formal credit history, such as younger consumers or immigrants, thereby granting them access to loans where traditional credit bureaus would score them as “no file” (and likely reject them). This could bring credit to segments like low-income but reliable payers, or single parent families, families with disabilities. Likewise, in insurance, AI could enable usage-based products (telematics car insurance that charges by how safely you drive) which might benefit careful drivers, or micro-insurance on-demand (covering specific short-term risks) which can make insurance affordable in bite-sized pieces.

AI can also streamline processes: fully digital loan applications that give an answer in minutes (convenience for families who may need quick cash for an emergency), or AI chatbots providing 24/7 service in multiple languages (helpful for inclusion of minorities). Operational cost savings from AI (like automated customer support, fraud detection, document processing) could translate into cheaper services if passed on to consumers.

However, as extensively noted, without oversight AI can create harm and lead to exclusion. One future risk is the emergence of highly complex, self-learning AI systems that even their creators do not understand (the ultimate “black box” finance). If such systems were widely used, it might become nearly impossible to audit decisions for fairness. That's why explainable AI (XAI) is a research imperative: developing AI that can explain its reasoning in human terms, or at least frameworks that approximate the reasoning. By 2030, we might see regulators requiring that any AI used in retail finance must meet some explainability standard (perhaps not at the algorithmic level, but at least providing clear factor explanations to consumers).

Another future safeguard is the concept of “ethics by design” in AI. This could mean that AI models are trained not just for profit or accuracy, but also tuned for fairness: for instance, using techniques to correct dataset biases, or including proxy fairness goals in the training objective (so the model tries to minimise disparity in outcomes among groups while still predicting risk). The EU could become a leader in defining these ethical AI standards, which would benefit inclusion globally if adopted.

Artificial Intelligence might facilitate self-insurance and more generally self-actualisation in finance. Given the development of open-source artificial intelligence, combined with more and more powerful devices enabling these models to run locally, and the vast amount of personal data users can leverage, any user could feed these AI systems their personal health data, financial budgeting history, future aspirations and more. Such AI systems would be able to provide advice for better financial budgeting, optimising current subscriptions and financial product choices, or even create self-insurance possibilities. An AI could calculate how much a person should set aside each month in order to cover for most health issues and accidents. Other possibilities include automated investing and active management of financial assets. Such developments could completely redraw finance and consumers' relation to finance, bypassing existing traditional financial products and services entirely, opening up important questions regarding the principles of solidarity and mutualisation/socialisation of risk rather than transferring all the risk on the individual. In this light, AI systems could enable the creation of automated risk pools, modelled after community finance existing in cooperative banking, but removing a centralised layer of intermediation, especially if integrated with Blockchain and DeFi (see the next section).

On the human side, financial institutions will need new skills: data scientists who are also well-versed in ethics and bias, and compliance officers who understand algorithms. Regulators too might employ AI to supervise AI: supervisory technology, to monitor vast numbers of algorithmic decisions for anomalies or biases. However, as the saying goes, this still raises an important question: "who watches the watchers?".

Blockchain and Decentralized Finance (DeFi)

Blockchain technology enables peer-to-peer transactions without traditional intermediaries. DeFi platforms on blockchains offer services like lending, borrowing, and insurance through smart contracts. The vision of DeFi enthusiasts is a more open, permissionless financial system accessible to anyone with internet. In theory, a family shut out by banks could go to a DeFi lending platform and get a loan if they can provide some form of collateral (often crypto assets) or via peer-to-peer trust mechanisms. Additionally, blockchain could facilitate cross-border remittances at a fraction of current costs, benefiting migrant families sending money home.

There are also ideas of peer community insurance: using smart contracts where members pool funds and automatically pay out claims for defined events (for example, farmers in developing countries using a blockchain insurance for crop failure triggered by satellite weather data). In a European context, one could imagine local communities or co-ops using blockchain to self-insure certain risks, potentially increasing coverage in areas traditional insurers avoid. Finance Watch in the FIDA context mentioned "self-insurance schemes powered by blockchain and smart contracts" as a possibility, though needing reliable data and caution about correlation/causation.

Blockchain's transparency (every transaction recorded on a public ledger) could improve trust and reduce fraud in some cases. It could also give consumers more control by holding their funds in so-called non-custodial digital wallets. Smart contracts could enforce fairness automatically (for instance, if an insurance condition is met, the payout triggers without anyone potentially trying to withhold it).

However, the current reality of DeFi and crypto has many issues: volatility of crypto assets, lack of specific regulation leading to scams and collapses (such as major crypto platform failures in recent years), and complexity that the average consumer cannot navigate. In its present form, DeFi might actually exclude those without technical knowledge, and expose those who do participate to significant risks (no deposit insurance, no guaranteed recourse if something goes wrong).

For blockchain to benefit mainstream families and not just tech experts, a few things likely need to happen:

- **Regulatory integration:** The EU has already passed [MiCA \(Markets in Crypto-Assets Regulation\)](#) to bring some order (licensing, reserve requirements for stablecoins, etc.). By 2025-26, this will be in effect, hopefully making crypto markets safer. Further down the line, specific regulations for DeFi may emerge, perhaps requiring certain DeFi protocols to have governance and compliance if they reach a size (a tricky area, since truly decentralised projects do not have a legal entity). This might prompt novel regulatory approaches such as transparent dialogues and exchanges between regulators, consumer representatives, civil society and DeFi developers, in order to reflect collectively on potential challenges and how to tackle them through code.
- **Bridging with traditional finance:** The most inclusive applications might be hybrid. For example, a regulated “digital mutual insurance” that uses blockchain for efficiency but is overseen by supervisors and with consumer protection embedded. Or using blockchain as a backend for cheaper payments (some banks are already exploring this to cut costs).
- **Education and digital literacy:** If blockchain-based services become more common, ensuring families understand how to use them (and the risks) will be important. This ties back to financial and digital literacy initiatives.

One promising application is digital identities on blockchain. If people control a digital identity wallet with verifiable credentials (like proof of income, credit history, etc.), they could present these to lenders anywhere in Europe to get service, without going through burdensome checks each time. This could help those who move countries or who accumulate alternative proof of creditworthiness outside traditional credit bureaus. Digital identity on blockchain should be coupled with very high security (in case of loss of password or other credentials) as well as safeguards against arbitrary confiscation (a public authority remotely disabling or deleting a digital identity) similar to the physical nature of a passport which once granted, remains under the sole control of the holder.

Risks and Safeguards for Future Tech

To avoid leaving anyone behind, a few safeguards are key:

- **Inclusivity in design.** When designing AI or blockchain solutions, include input from diverse users (different ages, socio-economic backgrounds, disabilities). For instance, if a digital euro hardware wallet is made, ensure it is usable by people with visual impairments.
- **Maintain alternatives.** The EU often talks about “digital by default but inclusive by design.” This means while digital services expand, keep alternative channels for those unable or unwilling to go digital (for instance, continue providing face-to-face banking, cash options, etc.) for a transitional period of possibly permanently (in the case of cash). An inclusive future does not force everyone into one mode, but gives them choices.
- **Monitoring impacts:** continuously collect data on who is benefiting from these innovations. If an AI credit system is implemented, regulators should monitor credit access statistics across demographics. If a digital euro rolls out, check usage among different groups. If, for instance,

older people are not using it, maybe more training or adapting/revising the technology is needed.

- **Prevent new digital divides:** As financial services become more tech-driven, those with limited internet access or digital skills could be further marginalised. So that investments in closing the digital divide (broadband access, affordable devices, digital education) are part of financial inclusion strategy. The EC's digital education action plans and national digital inclusion programmes complement financial inclusion in this way.

In the long term, perhaps AI itself can be harnessed to enhance inclusion. Imagine a personal AI financial advisor for every family, an app that, with permission, analyses a family's situation and advises them in simple language on how to improve finances, warns them if they are entering a risky loan, or automatically switches them to better deals (like an AI-powered comparison that actually does the transfer for them). The European Banking Authority recommended developing a *neutral financial education app* that provides personalised feedback on one's creditworthiness to help borrowers make informed choices. This hints at a future where empowering the consumer via AI counters the power imbalance of big institutions using AI.

Finally, a horizon topic: interplay of climate change and financial inclusion. As climate risks grow, insurance and credit might tighten in high-risk areas (making homes un-mortgageable or uninsurable in flood zones, etc.). AI will likely be used to assess climate risk of individuals (carbon footprint linked to loan eligibility in some future scenarios). There is a risk of a new form of exclusion from "climate redlining." Society will have to balance environmental objectives with inclusion, perhaps through public policy (subsidies or guarantees for those in at-risk areas to still get finance, etc.). COFACE's position paper on families and climate change (2025), refers to young people's eco-anxiety and careful investment choices, indicating that the next generation's values (like only wanting to invest in green products) will shape financial markets. Inclusive finance will also mean aligning products with ethical and sustainability preferences to engage people.

In conclusion, the future of inclusive finance with AI and blockchain is one of great promise and great caution. The EU's proactive regulatory approach, trying to set guardrails early with the AI Act, MiCA, is a positive sign. COFACE-Families Europe, alongside other key EU consumer and civil society organisations, will undoubtedly continue to be involved, to ensure that as we innovate, we do not lose sight of the human element: that technology serves the family's well-being, not the other way around.

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