

# Financial inclusion and consumer rights in an AI world

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### Who we are

Finance Watch is an independent non-profit organisation, founded in 2011 to make finance serve society and the environment by defending the public interest in the field of financial regulation.



Staff: 17

Civil society members: 110

European countries represented: 20



### What we do

- **Research** - Develop a vision for finance to serve society | Review EU legislation and propose new policies.
- **Advocacy** - Interact with policymakers to bring about change | Debunk misleading arguments from vested interests.
- **Networking** - Act as a hub for NGOs and expert members across Europe | Build capacity in civil society to speak up on finance.
- **Communication** - Illustrate how the financial system impacts society | Explain the mechanisms of finance in an accessible way.
- **Campaigns** - Organise members around collective targets | Mobilise citizens to increase pressure for change.



# Current priority areas of work

We cover most financial reform thematic areas via our five active workstreams as presented on our [homepage](#)



**Digitalisation**  
protect public interest in the age of digitalisation



**Retail & Inclusion**  
address financial exclusion and over-indebtedness



**Public Finance**  
modernise EU public finance rules for today's challenges



**Stability & Supervision**  
Safeguard financial stability and protect citizens



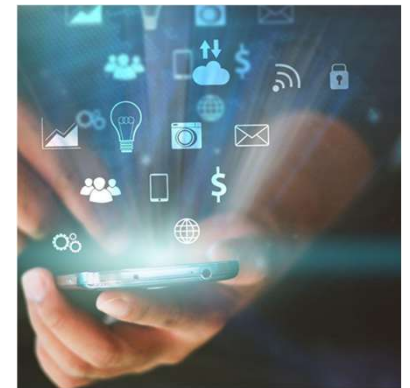
**Sustainable Finance**  
enable a safe transition towards a sustainable economy

# AI use cases in consumer financial services

**AI is increasingly used in retail financial services. A report by the European Insurance and Occupational Pensions Authority (EIOPA) shows, for example, that AI is used by 50% of non-life insurers and 24% of life insurers in the EU.**

## Common use cases are:

- Customer due diligence (know your customer [KYC]) process when opening a new bank account
- Creditworthiness assessments of clients when granting consumer credit and mortgages
- Risk assessments and pricing for insurance
- Claims management in insurance
- Automated investment advice and portfolio management for retail investors (aka robo-advice)
- Chatbots to reply to customer queries or provide assistance



## Opportunities/ benefits for consumers

- Efficiency gains for financial institutions, potentially resulting in speedier processes for consumers when concluding contracts.
- Cost reductions for financial institutions which could potentially be passed on to consumers.
- Availability of chatbots for queries/customer assistance 24/7.

## Consumer risks

- Financial exclusion risks due to biased AI models
- Mis-selling risks
- Unfair price discrimination practices
- Unfair denial of insurance claims
- Inability to seek redress



## EU regulatory framework (1/2)

There are a number of horizontal and sectoral EU legislation applicable to AI in retail financial services:

- EU AI Act:
  - Data governance rules (Article 10): high quality and unbiased data
  - Human oversight requirements (Article 14)
  - Rules requiring organisations to have a risk management system in place (Article 9)
  - Record-keeping requirements (Article 12)



# EU regulatory framework (2/2)

- Unfair Commercial Practices Directive (UCPD):
  - Bans misleading practices: e.g. AI used to generate false or deceptive information (e.g. in targeted personalised advertising)
- GDPR:
  - Purpose limitation
  - Data minimisation
  - Data accuracy
- Sectoral legislation:
  - But only newly revised CCD and DMFSD explicitly drafted with AI in mind



# Regulatory gaps

**Despite these existing rules, considerable regulatory gaps remain...**

- The EU AI Act applies only to two financial-sector applications
  - CWAs for personal loans and mortgages
  - Risk assessment and pricing of life- and health insurance
- GDPR does not specify which specific types of data are, in fact, relevant for the different use cases under which AI processes personal data within the consumer financial services sector.
- Existing EU sectoral financial legislation were approved before AI systems even existed or were widely used.
- No EU harmonised redress and liability rules tailored to AI systems

# Digital Omnibus - de-regulation rather than filling the gaps...

**Worryingly, the European Commission has recently tabled a proposal which would weaken consumer safeguards with regards to AI...**

- Changes to the GDPR:
  - Would allow personal data to be freely processed and used to train AI models without consumer consent
- EU AI Act:
  - Delay the implementation of the rules for high-risk AI systems

# Finance Watch policy recommendations

- Extend the scope of high-risk AI systems in the AI Act to cover all financial services
- Introduce in existing sectoral legislation (e.g. IDD, MiFID II, etc.) new rules specifying the kind of data that can be collected and used by AI systems and for the purposes of training, testing and validating AI models
- Ban price optimisation practices in the UCPD as an unfair commercial practice
- Introduce a right for consumers to request human intervention to review decisions made by AI systems in sectoral legislation, aligned with the new CCD rules in this area
- Introduce an EU harmonized AI liability regime, similar to the AI Liability Directive, that addresses the transparency and explainability challenges of AI outputs when seeking redress by reversing the burden of proof in favour of the individual claimant

# Thank you

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**For more information contact:**

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