

E-Money Consultation  
Financial Services Regulation team  
HM Treasury  
Allington Towers  
19 Allington Street  
London  
SW1E 5EB

17 December 2001

Our ref: LA 22

Dear Sirs

## **Implementation of the Electronic Money Directive**

I am responding on behalf of the Financial Services Consumer Panel to the consultation on the implementation of the Electronic Money Directive. We have the following comments on the proposed legislative measures for implementing the Directive into UK law: -

### **Waivers**

The Panel is uneasy about the proposal to implement Article 8 by empowering the FSA to grant waivers on a case-by-case basis to all e-money issuers who wish to be waived and appear to meet the relevant conditions. The underlying reason for this concern is our belief that a large potential market for e-money exists amongst financially excluded consumers and children (people who are unlikely to have bank accounts). For this group of consumers €150 could represent a significant amount of money. The proposals seem to leave the way open for unscrupulous or incompetent providers to avoid the need for authorisation by limiting the amount that can be stored on their electronic storage device to €150 and obtaining a waiver (providing that they also meet one of the other criteria). If, having collected consumers' money, these electronic money issuers go out of business for any reason the out-of-pocket consumers are likely to be those who can least afford losses. We acknowledge that the examples considered in paragraph 22 of the paper are reasonable. However, we question whether the proposed criteria will be sufficient to prevent less worthy or less reputable companies setting themselves up as electronic money issuers.

### **Financial Services Compensation Scheme**

The Panel acknowledges the arguments put forward in the consultation document for disapplying the compensation scheme for e-money issuers. However, given our views that e-money will be widely used by consumers who are 'financially excluded' our preference would be for a compensation scheme to be available.

### **Ombudsman Scheme**

For the same reasons, we are of the view that the Ombudsman Scheme should be applied to e-money.

### **Financial Promotion**

Again, because of the vulnerability of the consumers most likely to be attracted to e-money, we believe that the activity of issuing e-money should be made subject to the financial promotion regime of FSMA.

Yours sincerely,



**Colin Brown**  
Chairman

cc. FS Consumer Panel Members  
Christine Farnish, Director, Consumer Division, FSA

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