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V.N. KARAZIN KHARKIV NATIONAL UNIVERSITY

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QUALIFYING MASTER'S THESIS

on the topic:
Institutional and financial foundations for the protection of consumers of banking services

submitted by the applicant of higher education
Liu Yanming

The qualifying master's thesis was accepted for defense by the decision of the Department of Banking Business and Financial Technologies

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MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE
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ASSIGNMENT
FOR A QUALIFYING MASTER’S THESIS
assigned to
Liu Yanming,

1. The topic of the thesis: "Institutional and financial foundations for the protection of consumers of banking services"
Scientific advisor – PhD in law, Assoc. Prof. Roman Galych
(last name, first name, patronymic, academic degree, academic title)
approved by the order of the University dated 17 September 2024. No 4601-3к/1025
2. Deadline for submission of thesis by the student 18/11/2024
3. List of questions to be researched:
In chapter 1: Study the definition of financial consumer protection; clarify what rights are enjoyed in financial activities; describe the financial consumer rights protection system; analyze the financial basis and related theories of financial consumer protection.
In chapter 2: Study the current situation and problems of financial consumer rights protection in Ukraine; learn from the experience of China and developed countries in protecting financial consumers in the banking industry.
In chapter 3: Measures to improve the banking industry's financial consumer rights protection system; strengthen regulatory reform; improve service quality and accountability mechanisms; strengthen investor education to reduce the vulnerability of financial investors.
4. Plan of qualifying master's thesis

№	Name of work stages
1	Selection of the topic
2	Approval of the plan and tasks of thesis
3	Implementation of thesis
4	Submission of thesis to the department to check for the presence of borrowings from other documents
5	Completion of the admission procedure for the protection of thesis
6	Defence of thesis

5. Date of assignment issuance _25.09.2024___________

Student	Liu Yanming	_Liu Yanming__
	Signature	Initials, surname
Scientific advisor	____________	Roman Galych
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ABSTRACT ON QUALIFICATION MASTER'S WORK «INSTITUTIONAL AND FINANCIAL FOUNDATIONS FOR THE PROTECTION OF CONSUMERS OF BANKING SERVICES» OF LIU YANMING

Qualification Master's Work contains 67 pages, 4 figures, 42 references, 7 appendices.

Object of research is the protection of consumers of banking services.

Subject of research is the institutional and financial foundations for consumer protection in the Ukrainian banking sector.

Purpose of qualification master's work situational analysis and comparative methods - to study on the institutional and financial foundations of consumer protection in Ukrainian banks. In combination with banking supervision in Ukraine and the current management of banking institutions, consumer protection in the banking sector can be clarified by expanding research on basic concepts, theoretical systems, work status, case analysis, and propose measures of the current rights and interests of consumers in the banking sector. The problems that exist in building a protection system, as well as ways to manage financial innovations and improvement measures, as well as suggestions that are in the interests of the people to better protect legal rights. and interests of consumers.

Tasks of qualification master's work are

- to investigate the essence of consumer protection in the banking sector, its characteristics and importance;
- to characterize the institutional basis for the protection of consumers of banking services in Ukraine;
- to analyze the financial foundation of consumer protection in the Ukrainian banking sector;
- to research the Current Situation and Problem Analysis of Bank Consumer Rights Protection in Ukraine;
- to comparative analysis of China's protection of consumer rights in the banking services industry;
- to analyze the protection of consumer rights in banking services in developed countries;
- to make improvements and recommendations for protecting the rights of banking consumers in Ukraine based on regulatory reforms to strengthen consumer protection;
- to recommend Ukraine to enhance consumer protection of banking services by improving transparency and accountability in banking services;
- to make recommendations for protecting banking consumers in Ukraine based on promoting financial inclusion and reducing consumer vulnerability.

According to results of the research, theoretical and practical improvement measures and suggestions are proposed for the protection of consumers of banking services in Ukraine, which could help deal with financial innovation as well as in line with the interests of the public.

The obtained results can be used to promote the improvement of Ukraine's legislation, strengthen government supervision, the banking industry's response to financial innovation and deepen internal reform and management, the improvement of consumers' financial literacy and the protection of their rights and interests, and further promote the development and stability of the country's financial environment.

KEY WORDS: BANKING SECTOR, CONSUMER PROTECTION, FOUNDATION, CURRENT SITUATION, COMPARATIVE ANALYSIS.

CONTENT

INTRODUCTION

Ukraine's banking system faces significant challenges as it attempts to modernize and meet global financial standards. Reforms have been introduced to stabilize the sector, increase transparency and increase consumer confidence. However, important issues remain, particularly with the rise of digital banking and complex financial products. Addressing these concerns is essential for the long-term stability of the banking sector and increased public confidence, which in turn supports economic growth. This research will examine the institutional and financial foundations of consumer protection in the Ukrainian banking sector, assess current mechanisms, identify gaps and propose solutions to strengthen them in line with international standards. As more and more Ukrainians engage in digital banking, consumer protection becomes increasingly important. Financial understanding and transparency are key to ensuring that consumers make informed decisions and that banks act ethically. Therefore, it is crucial to study consumer protection in the banking sector. This research will analyze the current situation and suggest improvements, highlight the relevance of the issue and contribute to the development of consumer rights in the banking sector in Ukraine.

The theoretical basis of the work is the scientific works of domestic and foreign scientists and specialists on protecting consumers' rights and interests of banking services. The scientific and theoretical basis of the research was the scientific works of the following scientists: Howells G., Weatherill S., Ramsay I., Wilhelmsson T., Kraft D., Lusardi, A., Mishkin F S., Rose P S., Hudgins S C., Burkovska A., Dewi S., Hulzannah M., Panggabean M., Rizki R A., Sriono S., Dudchyk O., Matvijchuk I., Kovinia M., Salnykova T., Tubolets I., Kharchenko O., Laketa M., Sanader D., Laketa L., Misic Z., Prymostka L O., Krasnova I., Prymostka O., Nikitin A., Shevaldina V., Santiago F., Shkarlet S., Prokopenko V., Dubyna M., Sobolieva-Tereshchenko O., Zharnikova V., Suryana D., Tovkanets H., Kravchenko T., Utari A A D., Imaniyati N., Kartono K., Wisuda S., and other scientists. Paying tribute to the contribution of well-known scientists, it should be noted that the problems of consumer protection in the Ukrainian banking industry need more and more sustained attention in order to analyze the causes of the problems and explore measures and solutions to solve them.

The importance of this question determined the choice of the topic, determined the goal, task, logic and content of the research.

The purpose of the work is to study the institutional and financial foundations of consumer protection in Ukrainian banks. In combination with banking supervision in Ukraine and the current management of banking institutions, consumer protection in the banking sector can be clarified by expanding research on basic concepts, theoretical systems, work status, case analysis, and propose measures of the current rights and interests of consumers in the banking sector. Existing problems in building a protection system, as well as ways to manage financial innovations and improvement measures, as well as suggestions that are in the interests of the people to better protect legal rights. and interests of consumers.

To achieve the set goal, the following tasks are solved in the work:

-the essence of consumer protection in the banking sector, its characteristics and importance are investigated;

- the institutional basis for the protection of consumers of banking services in Ukraine is characterized;

- the financial foundation of consumer protection in the Ukrainian banking sector is analyzed;

- research on the Current Situation and Problem Analysis of Bank Consumer Rights Protection in Ukraine;

- comparative analysis of China's protection of consumer rights in the banking services industry;

- the protection of consumer rights in banking services in developed countries is analyzed;

- improvements and recommendations for protecting the rights of banking consumers in Ukraine based on regulatory reforms to strengthen consumer protection are made;

- recommend Ukraine to enhance consumer protection of banking services by improving transparency and accountability in banking services;

- recommendations for protecting banking consumers in Ukraine based on promoting financial inclusion and reducing consumer vulnerability are made.

The object of the study is the protection of consumers of banking services.

The subject of the research is the institutional and financial foundations for consumer protection in the Ukrainian banking sector.

Research methods: logical generalization and analysis - to generalize findings from various sources, such as laws, case studies, and prior research, and identify key patterns and trends in consumer protection.; a systematic approach to examine the consumer protection framework in Ukraine as part of a larger financial system, considering how different institutions and regulations interact.; economic analysis - to evaluate the economic impact of consumer protection on the banking sector and its broader effects on the economy; a comparative analysis to compare the current status of banking consumer protection in Ukraine with that in China and other developed countries, analyze the existing deficiencies, and learn from other countries experience to enhance Ukraine's consumer protection.

The scientific novelty of the qualifying master's thesis consists of the existing theoretical foundations for defining the concepts of “bank consumers” and “protection of banking consumers’ rights” which are comprehensively synthesized. This generalization provides a clearer understanding of these key concepts in the context of modern banking systems. This thesis also provides practical recommendations for improving compliance with consumer protection laws, particularly in the area of digital banking and financial education programs, which have not been adequately addressed in previous research.

The information base of the research is the data from the National Bank of Ukraine, the Association of Ukrainian Banks, the Organization for Economic Cooperation and Development, the Ministry of Finance of Ukraine and other statistical sources.

CHAPTER 1
INSTITUTIONAL AND FINANCIAL INFRASTRUCTURE FRAMEWORK FOR CONSUMER PROTECCTION IN THE BANKING INDUSTRY

1.1 Definition and importance of consumer protection in banking

The concept of a customer for a bank is that a person who uses the bank's services such as deposit and loan and the process of customers enjoying these services, they have corresponding rights to be informed, choose, safety, redress, be treated fairly, confidentiality and consumer education (Central Bank of Eswatini [CBE], 2021). The core principles of consumer rights include transparency, fairness, accountability, and access to justice. These policies are designed to protect consumers from exploitation, ensure informed choices, and promote confidence in the marketplace. Theories supporting these principles come from behavioral economics (the study of consumer decision-making), contract theory (on compliance and fairness in consumer contracts), and rights foundations, which argue that consumer rights are essential to the maintenance of public welfare in market interactions (Howells et al., 2018).

Banks are financial institutions, where people deposit their owning money in the expectation of getting it back on time and in the form of considerable interest. This expectation from customers means that the survival of banks depends heavily on public trust. As public trust increases, people's willingness to deposit money in banks and use other banking services increases. The key to the growth and success of banks is public trust, and banking institutions are institutions that rely on public trust to maintain business continuity (Dewi et al., 2020). Wisuda (2022) also reports that the key to customer protection is trust, and as a prudent institution for public finances, banks must play a prudent role as an intermediary.

Banking, as a service industry, is about collecting money and making payments to third parties through the method of saving and investing. It is designed to suit funding needs of consumption and production (Suryana, 2013). Based on the importance of consumer rights protection, more and more banks are aware of this issue and apply customer relationship management concepts and methods to their daily business activities and management. Banks are obliged to use their best endeavours to avoid conflicts of interest between bank employees and clients, and between bank customers (Law of Ukraine on Banks and Banking Activity, 2000).

Customer relationship management (CRM) is a banking practice of building and maintaining long-term relationships with customers to enhance the value of the customer and the bank. This concept enables banks to identify, share, communicate, and build long-term relationships with each customer. In today's business environment, banks strive to understand their customers and tailor their services to their needs in order to maximize profitability (Laketa et al., 2015). Establishing and maintaining good relationships with customers, paying full attention to the reasonable demands of financial consumers, effectively protecting the interests of bank consumers, and making consumer rights protection a top priority in promoting banking reform, transformation, and innovative development will help improve banks' daily operations and management activities, create a good symbiotic atmosphere, present a win-win situation, and subsequently promote the stable development of banking finance and build a good, harmonious, orderly, and common financial ecological environment.

1.2 Institutional basis for consumer protection

1.2.1 Legal policy

In the state, legal protection is not only a building tool, but also the protection of justice and human dignity. Without legal protection, people’s rights to protection or defense are violated, and many crimes occur, especially in the banking industry (Santiago, 2018). As the economy continued to grow, especially since the 1960s, the link between economics and law became stronger, defining a wealth of legal systems including property law, contracts, criminal law, and labor law, as well as national and commercial law, and other articles (Utari et al., 2024). The Ukrainian government's legal policies on banking consumer protection are mainly the following three laws:

a) Law of Ukraine on Consumer Protection

The Law on Consumer Protection, adopted by the Ukrainian Parliament, the Verkhovna Rada in May 1991, is one of the first legislative measures aimed at shaping market relations after the independence of Ukraine. This law was introduced in the context of Ukraine's transition from a centralized to a market economy, with the aim of establishing basic consumer rights in a developing financial environment. Acting as the main regulatory framework, it regulates interactions between consumers and suppliers of goods and services, including financial institutions, by defining consumer rights, specifying protections, and providing a basis for consumer policy in Ukraine.

One of the main purposes of this law is to protect consumers from deceptive practices and to provide a legal framework for remedies when financial services fail to meet regulatory standards. The law allows consumers to file complaints and seek compensation from financial entities for inaccurate information or inadequate service. In addition, financial institutions are required to adhere to strict disclosure and transparency standards and are required to make financial products easier for consumers to understand. This focus on transparency in terms of marketing and contracting helps to mitigate information asymmetry, thereby reducing the risk of consumer exploitation in the banking sector.

In addition, the Law on Consumer Protection is closely aligned with European consumer protection directives, particularly in relation to the emphasis on transparency and the availability of redress mechanisms. This alignment reflects Ukraine's commitment to modernizing its financial regulatory framework and strengthening public confidence in the banking sector. Through the positive method of promoting consumer awareness and informed decision-making, the law plays an important role in developing a more and more resilient and consumer-oriented banking environment in Ukraine.

b) Law on Financial Services and State Regulation of Financial Markets

The Law on Financial Services and Public Regulation of Financial Markets was adopted in 2001 as part of Ukraine's response to the development of financial markets and the need for better regulatory control. This law introduces a formal framework for the financial activities of institutions, especially within the banking sector, to protect users and promote market stability.

The Law has an important role in the supervision of financial institutions of Ukraine, especially banks, by establishing a framework of regulatory mechanisms that protect the interests of consumers. This law allows the National Bank of Ukraine (NBU) and other regulatory authorities to regulate and enforce regulations within the financial sector, thus ensuring compliance with ethical and consumer protection standards. The law mandates compliance with performance standards designed to promote transparency and accountability and gives the NBU the power to impose corrective measures in cases of non-compliance.

One of the main objectives of this law is to increase confidence in the economy. This is done by imposing obligations on financial institutions to maintain high standards in their dealings with clients, including transparent communication about the laws and conditions and associated risks. Additionally, the law addresses consumer financial literacy issues by requiring banks to support educational initiatives that inform users of their rights and responsibilities. This sector is important because it strengthens the ability of users to make good financial decisions based on a comprehensive understanding of the financial situation.

Furthermore, another important feature of this law is its fair role in promoting competition in the Ukrainian financial market. By means of establishing rules that prohibit unfair practices, such as hidden fees or misleading product terms, the law aims to create a fair market in which consumers have confidence in the financial services offered. The law puts more emphasis on financial stability, market integrity, and consumer protection, in line with international standards, and provides Ukraine with transparent and stable responsibility for the financial sector, which is also certainly applied to the banking sector.

c) Anti-Money Laundering (AML) and Counter-Terrorism Financing (CFT) Law

Ukraine’s Anti-Money Laundering (AML) and Counter-Terrorist Financing (CFT) Law was first enacted in 2003, with the aim of establishing a framework for detecting, preventing, and punishing economic crimes, such as money laundering and terrorist financing. . with international standards set by the Financial Action Task Force (FATF).

The implementation of the AML and CFT Law was accelerated when Ukraine was added to the FATF “blacklist” in 2001. The 2003 Law sought to address this by establishing regulatory standards for financial institutions, requiring them to identify customers, implement transaction monitoring procedures, and report suspicious activity.

The Anti-Money Laundering (AML) and Counter-Terrorist Financing (CFT) Law is an important element of Ukraine’s commitment to combat financial crime and protect consumer rights in the banking sector. The law requires banks and other financial institutions to implement robust compliance programs aimed at detecting, preventing, and reporting suspicious activity that may be related to money laundering or terrorist financing. These compliance measures include customer due diligence (CDD) processes, monitoring of high-risk transactions, and regular risk assessments.

An important function of AML and CFT legislation is to ensure that banks and financial institutions not only prevent illegal activities but also protect consumers from potential exploitation. By implementing rigorous identification and verification processes, the legislation helps reduce the risk of identity theft and fraud, thereby protecting consumers’ assets and personal information. In addition, the legislation requires financial institutions to train their staff on AML and CFT procedures to ensure that they are well-equipped to identify and respond to high-risk situations.

Ukraine’s AML and CFT legislation is also closely aligned with global standards, including the recommendations of the Financial Action Task Force (FATF), to which Ukraine is committed. Compliance with these standards not only enhances the security of Ukraine’s financial system but also increases consumer confidence in banking institutions.

Through AML and CFT legislation, consumers are protected from becoming unwitting participants in illegal activities that could expose them to legal or financial risks. This legal framework underscores Ukraine’s commitment to maintaining a safe and transparent banking environment by promoting system stability and individual consumer protection.

1.2.2 Regulatory agencies

a) National Bank of Ukraine (NBU)

The National Bank of Ukraine (NBU), established on March 20, 1991, is the central bank of Ukraine. It was established after Ukraine declared independence from the Soviet Union, which marked a key change in the country's economic structure. The NBU is a government agency operating independently of the government to ensure monetary stability and the smooth functioning of the banking system. It is responsible for formulating and implementing monetary policy, regulating the banking sector, and managing foreign exchange reserves. As part of its mission, the NBU also seeks to create conditions for sustainable economic growth, financial stability, and an efficient payment system. It plays a key role in monitoring and regulating financial markets, implementing anti-inflation measures, and promoting the overall stability of the national currency, the hryvnia (UAH). The NBU is also actively involved in modernizing the financial sector through reforms in line with European Union standards and best practices.

The NBU's responsibilities in the field of consumer protection include ensuring transparency, monitoring fair practices in the banking sector, and implementing policies that ensure that financial institutions treat consumers ethically. As a central body, the NBU is authorized to review consumer complaints, enforce disclosure requirements, and regulate interest rates and fees related to banking products. The NBU also monitors compliance with the Consumer Protection Law and other financial regulations, promoting compliance with standards that protect consumers from exploitation.

The NBU’s importance in the area of consumer protection stems from its dual role as both the central bank and the regulator of financial institutions. In recent years, it has significantly strengthened consumer confidence through reforms aimed at increasing transparency and stability of the financial system. By ensuring that banks provide accurate and complete information about services and contracts, the NBU helps prevent information asymmetry, which is a common problem in financial markets and can lead to consumer vulnerability. In addition, the NBU's emphasis on stability has strengthened confidence in the banking system, making it the primary consumer protection institution in the Ukrainian financial sector.

b) State Financial Monitoring Service of Ukraine

The State Financial Supervision Service of Ukraine (SFSA) was established in 2014 as part of the government's commitment to combating financial crimes and increasing transparency in the financial sector. State Financial Monitoring, with its headquarters in Kyiv, operates under the Cabinet of Ministers and performs the functions of the main unit of the Financial Intelligence Unit of Ukraine (FIU). Its creation was motivated by the need for Ukraine to comply with international standards in the field of anti-money laundering (AML) and countering the financing of terrorism (CFT). State Financial Monitoring is responsible for collecting, analyzing, and disseminating financial information regarding suspicious activities and transactions. It works with various national and international organizations, including regulatory and law enforcement agencies, to investigate financial crimes and ensure compliance with Ukrainian financial laws. In addition, Derzhfinmonitoring plays an important role in creating financial monitoring systems, building the capacity of reporting entities, and conducting training and public awareness activities to promote a culture of compliance in the financial sector.

State Financial Monitoring is responsible for the implementation of normative legal acts of Ukraine in the field of anti-money laundering (AML) and financing of terrorism (FT). As part of its mandate, the FSA requires banks and other financial institutions to carry out due diligence on customers and report suspicious transactions. This regulatory oversight indirectly contributes to consumer protection by preventing financial institutions from engaging in illegal activities that could harm the financial industry and consumers. State Financial Monitoring also cooperates at the international level to comply with global anti-money laundering and terrorist financing standards, taking into account Ukraine's obligations regarding international financial stability.

The importance of state financial monitoring lies in its financial security prevention mechanism, which reduces the risks of erroneous customer relationships with banks due to illegal activities. State Financial Monitoring plays an important role in strengthening consumer confidence in the Ukrainian banking system and protecting the financial sector from reputational damage in terms of compliance with the requirements of the AML and FT. Its activities comply with Ukraine's international obligations, and the country's financial institutions work within the global framework of security and transparency, which is important for protecting the interests of bank clients.

c) Ukrainian Parliament Commissioner for Human Rights (Ombudsman)

The Ukrainian Parliamentary Commissioner for Human Rights, known as the Ombudsman, was established on November 23, 1998 under the Constitution of Ukraine and acts as an independent authority accountable to the Verkhovna Rada (Ukrainian Parliament). The Ombudsman’s office is located in Kyiv and has regional representatives throughout the country, facilitating communication with citizens and responding to their concerns. The Ombudsman’s main task is to protect and promote human rights and freedoms, as defined in the Ukrainian Constitution and international treaties. The Ombudsman is empowered to investigate complaints of human rights violations in various sectors, including banking and financial services. Through its activities, the Ombudsman ensures that all citizens have access to justice, are treated fairly, and are protected from abuse, discrimination, and exploitation. The office also engages in awareness-raising, public education campaigns, and advocacy initiatives to empower consumers and inform them of their rights. In addition, the Ombudsman makes recommendations to government agencies and the parliament to improve laws and practices related to human rights and consumer protection.

The Ombudsman’s Office is responsible for monitoring and enforcing human rights standards in various sectors, including financial services. Although it does not directly regulate banks, the Ombudsman plays an important role in handling consumer complaints regarding discrimination, abuse, or violation of consumer rights in the banking sector. It has the authority to investigate complaints, recommend corrective measures and report violations to relevant authorities, including the National Bank of Ukraine or judicial bodies, if necessary. The Ombudsman also works to raise public awareness of rights issues, inform consumers of their banking rights, and advocate for consumers facing financial exploitation.

The importance of the Consumer Protection Ombudsman is twofold: first, by handling individual complaints, it ensures that consumers' voices are heard at the highest levels of management. Second, through public advocacy and reporting, the Ombudsman's Office brings systemic consumer protection issues to national attention, advocating for reform where appropriate. In the Ukrainian financial sector, the Ombudsman promotes bank accountability and serves as an important guarantor of consumer rights, thereby strengthening the ethical framework within which financial institutions operate.

1.2.3 Other structures and organizations

a) National Commission for State Regulation of Financial Services Markets (NCSRFSM)

The National Commission for State Regulation of the Financial Services Market (NCFSM) was formed in 2011 to strengthen the regulation of non-bank financial services. His mandate included overseeing financial institutions such as insurance companies, credit unions, and pension funds, making sure that they are working within the framework of protecting consumer rights. NKGRFU is under the jurisdiction of the Cabinet of Ministers of Ukraine and works closely with other regulatory authorities, including the National Bank of Ukraine (NBU). Work related to consumer protection, including regulatory oversight: developing and strengthening advanced regulatory standards for non-bank financial service providers, including clear budgeting guidelines, transparent reporting and prohibiting unfair practices; Compliance monitoring: The Commission conducts regular inspections and advanced assessments of financial service providers to ensure compliance with consumer protection laws and to identify potential risks and violations. Consumer Education Initiative: NCSRFSM conducts a public awareness campaign aimed at educating consumers about their rights, financial products and safe financial transaction practices. Therefore, there are workshops, online resources and information materials that can be used in various channels; Management and resolution of complaints: The Commission has established a mechanism for consumers to file complaints with financial service providers. By introducing a structured process for submitting complaints and providing dispute resolution facilities, this will increase consumer confidence.

NCSRFSM plays a very important role in ensuring that the non-bank financial services market is fair and transparent. While working hard to prioritize the well-being of consumers and maintain an environment of accountability, NCSRFSM reinforces the trust of advanced manners in financial institutions. It is important to encourage consumers to take advantage of the benefits that have been achieved and to help the financial sector to be more stable and reliable in Ukraine.

b) Association of Banks of Ukraine (ABU)

The Association of Banks of Ukraine (ABU), founded in 1991, is a self-regulatory organization of the banking industry of Ukraine. It has various banking operations, including commercial banks, savings banks, and specialized financial institutions. ABU aims to promote cooperation between its members, support their interests in regulatory debates and promote best practices in the banking industry. ABU strongly promotes ethical standards and practices among its members, focusing on transparency, fairness and responsible lending. Works with members to develop ideas to improve customer relations. Cooperation with regulatory authorities to establish effective systems for resolving client disputes, promoting communication between banks and their clients for satisfactory resolution of complaints. In addition, the company provides training programs and resources for bank employees that emphasize the importance of customer service, compliance with customer protection laws, and effective customer communication.

ABU serves as an important interface between banks and consumers, promoting a banking style characterized by efficiency and knowledge. By encouraging cooperation and setting standards, ABU improves the overall stability of the banking sector, thereby strengthening customer confidence and preventing fraud.

c) Ukrainian Consumers' Union (UCU)

The Union of Ukrainian Consumers (UCU) is a leading non-governmental organization founded to protect the rights and interests of consumers in all sectors, including finance. Established in 1992, UCU operates as an independent organization dedicated to advocating for consumer rights, conducting research, and providing legal assistance to individuals facing issues related to businesses and financial institutions. The UCU plays an active role in lobbying for consumer rights nationally and locally. Participates in the legislative process, providing expertise and recommendations to enact laws that protect the interests of consumers, particularly in the financial sector.

Public awareness campaigns hosted by UCU aim to raise awareness of consumer rights, financial products, and the potential risks associated with financial services. These initiatives often use media, workshops, and educational materials to reach a wider audience. The organization also conducts research on consumer issues and monitors market practices to gather the data needed for policy advocacy. We publish reports and position papers to highlight systemic problems and propose solutions to strengthen consumer protection. UCU also provides legal resources and support to consumers who are in disputes with their financial institutions. This includes helping consumers understand their rights, guiding them through complaints procedures, and representing them in legal matters where necessary.

UCU encourages consumer voice and helps hold companies accountable. UCU improves consumers’ ability to effectively navigate the financial environment by advocating for stronger consumer protection and providing educational resources. Our independent stance and commitment to transparency put consumer interests at the forefront of policy deliberations, ultimately contributing to a healthy financial environment.

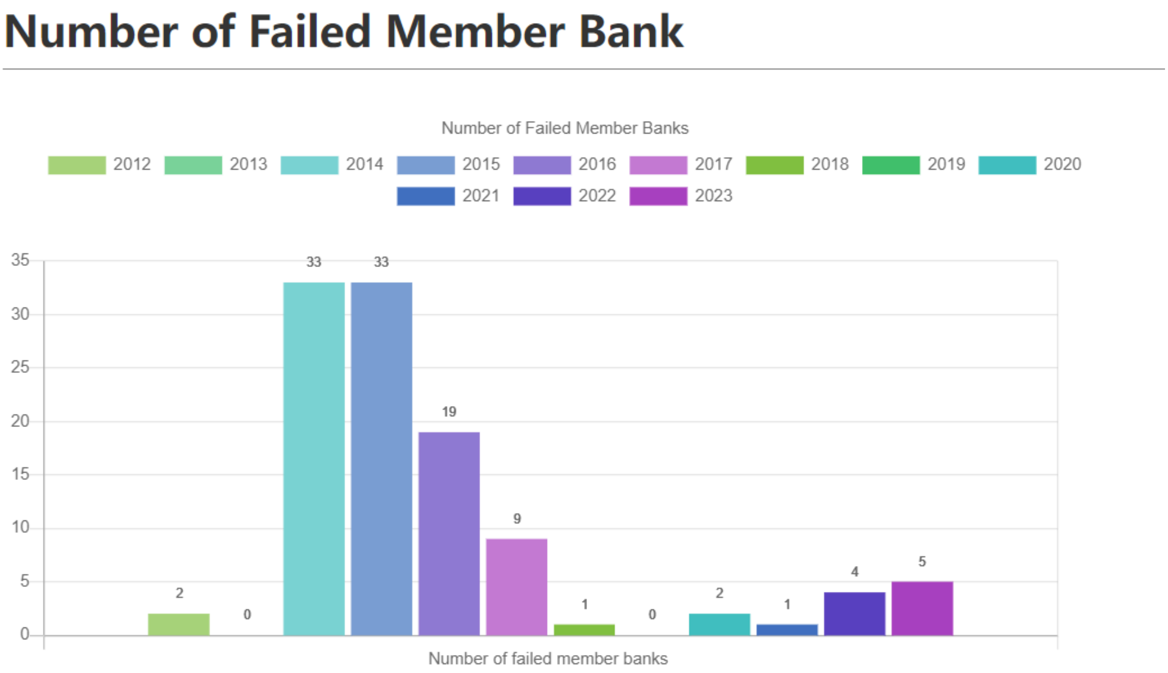
1.3 Financial infrastructure supporting consumer protection

1.3.1 Deposit Guarantee Fund

Deposit Guarantee Fund (DGF) was established by a decree of the President of Ukraine in 1998 at the aim of protecting the rights of individual depositors in commercial banks. Afterwards, the Law of Ukraine on the Household Deposit Guarantee Scheme was adopted in 2012, which is belonging to a part of the deposit guarantee system reform in Ukraine. The mission of the Deposit Guarantee Fund (DGF) is to guarantee deposits, protect the rights of creditors, increase financial knowledge to build people's confidence in the state's financial system and improve people's lives. In addition, DGF's vision is to act as a transparent, innovative and reliable partner to prevent financial losses and set standards for deposit insurance systems worldwide (Deposit Guarantee Fund [DGF], n.d.). Since 1998, the Deposit Guarantee Fund (DGF) has paid UAH 103.3 billion (data statistics until August 1, 2023) to more than 2.3 million depositors of 136 failed banks. Currently 54 banks are in liquidation. The Deposit Guarantee Fund compensates depositors within the limits of depositor coverage and satisfies the claims of creditors.

From the report of KPMG (2019), non-performing assets were mainly held by the DGF along with Economic crisis in Ukraine and the consecutive restructuring of the banking system from the year of 2014. From 2014 to 2018, no fewer than 90 banks Ukrainian banks went bankrupt and were under the leadership of the DGF. The number of failed banks in Ukraine reached thirty-three in the year of 2014 and 2015 and then has been less than five per year since 2018, as shown in Figure 1 below. Statistic to September 2018, the total value of non-performing assets managed by the DGF was equivalent to UAH 524 billion (EUR 16.5 billion) and consisted mainly of non-performing loans

(KPMG, 2019).



Source: Deposit Guarantee Fund (DGF)

Fig. 1. Number of failed member banks of Deposit Guarantee Fund

1.3.2 Financial literacy program

The Organization for Economic Cooperation and Development (OECD) indicates officially that the definition of the concept of financial literacy is the combination of awareness, knowledge, skill, attitude and behaviour needed to make informed financial decisions and ultimately achieve personal financial well-being. In addition, OECD also points that making an assessment of the level of public financial literacy is an essential component of a successful national financial education strategy, allowing policymakers to identify gaps and design appropriate solutions. International comparisons add value to these assessments because they allow countries to compare themselves with other countries. If similar patterns are observed in different countries, national authorities can work together to find common approaches to improving the financial literacy of their own populations (Organization for Economic Cooperation and Development [OECD], 2018).

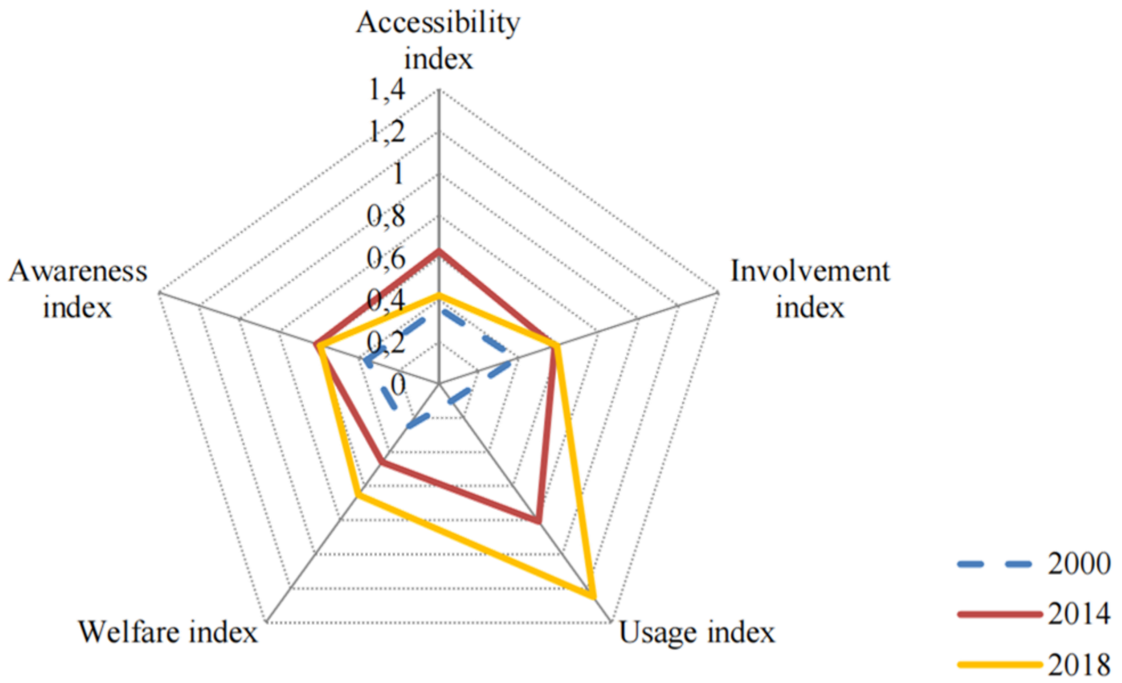
In December 2018, the representatives of the Financial Sector Transformation Project of the United States Agency for International Development (USAID) interviewed Ukrainian citizens to find out about their financial system and how the public understand and interact with it. The survey was conducted in person and covered a large part of Ukraine, interviewing 2,007 Ukrainians aged 18-79. However, Ukraine gets a disappointing result from this survey that Ukraine only ranks 30th among OECD countries with only 11.6 points out of 21 based on the Financial Literacy Index (Dudchyk et al., 2023). Three factors make up the Financial Literacy Index, including the level of financial knowledge, financial behavior and financial relevance. Dudchyk et al. (2023) also note that the survey found that Ukrainians do not have a high level of understanding of professional financial terms.

Although some people have relatively positive financial behaviors and goals, most people think that their current income is too low to cover daily expenses and cannot afford to save and invest. Short-term thinking and prioritizing spending over saving are Ukrainian attitudes towards finance. Only 12% of Ukrainians say they save by putting money in a savings account. However, more than half (52%) say they keep money “in their wallet” or at home, which once again highlights the widespread short-termism in Ukrainian financial behavior and attitudes. Use of financial products is low in Ukraine, with only 60% of respondents saying they have used any form of financial product in the last two years. The survey shows that Ukrainians have a negative perception of their financial situation, with two-thirds (67%) saying their financial situation limits their ability to do the things that are important to them.

With the development of the digital economy and the gradual increase in the ownership of personal digital devices, digital financial literacy, as the cornerstone of an effective financial market, can have a positive impact on economic growth, financial stability and social cohesion in the digital economy, and also open up new perspectives for financial institutions such as banks and credit institutions (Sobolieva-Tereshchenko & Zharnikova, 2022). An important focus of the National Financial Literacy Strategy is consumer protection in digital financial services. Since 2019, the National Bank of Ukraine (NBU) has been empowered to take protection of consumers’ rights of financial services and regulate relations with clients of banks and non-bank financial institutions. The special office responsible for this is the Office for the Protection of Consumer's Rights of Financial Services (PCRFS). Sobolieva-Tereshchenko & Zharnikova (2022) also report that the National Financial Literacy Strategy is aim to create a new mentality of Ukrainian citizens who are economically literate and ready to live according to European principles. The objectives of the strategy are to increase the level of knowledge and competence of Ukrainian citizens in financial matters, to ensure the financial security of citizens, to promote trust building and attract customers to the financial system. It is necessary to integrate financial education measures.

Kharchenko (2011) indicates that financial literacy has an indirect impact on savings by affecting wealth. Improving financial literacy is conducive to encouraging people to make savings decisions. Implementing national measures to enhance public financial awareness is expected to foster greater confidence in the banking sector, increase the influx of funds into financial institutions, and improve understanding of financial instruments. As a result, the financial culture of the population will advance, ranging from school education to increased participation in the financial market (Tovkanets & Kravchenko, 2021).

From the research made by Prymostka et al. (2020), a composite approach was used to assess the financial inclusion of the population of Ukraine by creating a composite map, which combines the integrative values of the components of financial inclusion (well-being, awareness, access, participation, utilization). During the investigation, individual indicators were analyzed and their changes in the period from 2000 to 2018, and based on the results, a comprehensive map of the financial inclusion of the population of Ukraine was developed. The map presented in the Figure 2 below shows an overview of the general state of financial inclusion of the population of Ukraine in 2000, 2014 and 2018 and provides an opportunity to assess the dynamics of the studied territory.



Source: Financial inclusion in Ukraine: determinants and evaluation (Prymostka et al., 2020)

Fig. 2. Map of the financial inclusion of the population of Ukraine

The data presented in the above map indicates that a significant portion of Ukraine's population lacks sufficient orientation in the economic and financial sectors. The level of financial inclusion remains low, which is concerning for a country pursuing European integration and economic growth strategies. As a result, many citizens have limited access to financial institution services, hindering broader participation in the financial system, which is due to the public's lack of funds, lack of trust in financial institutions and high cost of financial services.

Given the current situation of low financial literacy of the population of Ukraine. and the importance of increasing the financial literacy of society. Financial literacy of society is an important condition for the economic development of the country. Especially the financial system Increasing financial literacy can reduce consumers' misunderstanding of the true terms of financial services when using them. Therefore, it is necessary to develop a national plan to improve the financial literacy of citizens for the long term (Shkarlet et al., 2018).

Financial education should be viewed as a public good because financially literate people contribute to a more stable and efficient financial system. By investing in financial education, policymakers can help foster a more resilient economy so that people can weather financial crises and plan for the future (Lusardi, 2015). Adopt policy measures to promote financial literacy, especially early childhood education. Incorporating financial literacy into the school curriculum can be an effective tool for achieving long-term change, as early exposure to these concepts leads to smarter financial behavior.

Ukraine has adopted a National Strategy for Financial Literacy Development, set to run until 2030, aimed at improving financial awareness across the population. This strategy was formulated after consultations with over 220 representatives from 116 organizations, including educational institutions, local governments, NGOs, financial professionals, banks, and non-banking entities. Contributions were also made by the Ministry of Digital Transformation and the Department of Entrepreneurship and Export Promotion. The strategy's implementation will broaden financial education efforts to target various demographic groups. While previous initiatives focused primarily on children and youth, there will now be increased attention on entrepreneurs, adults, veterans, internally displaced persons, and the elderly. Key objectives include promoting responsible financial behaviors, enhancing digital financial literacy, fostering financially informed entrepreneurs, and building a supportive ecosystem for financial culture development.

1.3.3 Theories related to financial consumer rights and financial instruments development

The protection of consumer rights within the banking industry has developed alongside advancements in financial regulatory theories and practices. Examining foundational theories relevant to financial consumers provides a theoretical basis for the regulatory oversight of banks' business practices. There are three main theories:

a) Consumer sovereignty theory

Consumer sovereignty theory, also referred to as customer-oriented theory, delineates the relationship between producers and consumers by asserting that consumers hold a decisive role in market dynamics and economic activities. This theory suggests that, in a market-driven economy, consumer preferences ultimately dictate the types and quantities of goods that producers supply. Introduced by Adam Smith in The Wealth of Nations, consumer sovereignty posits that the market has self-regulatory mechanisms, especially within competitive environments, encouraging banks to enhance their products and services to meet consumer demands. Economic schools, including the Cambridge and Austrian Schools, recognize consumer sovereignty as a central principle in market interactions, establishing it as a core theoretical foundation for financial consumer protection (Research Group of Xi'an Branch of the People's Bank of China, 2011).

b) Information Asymmetry Theory

The 1990s witnessed substantial growth in financial markets and innovation, which introduced a range of new financial products and services and heightened potential conflicts between banks and consumers. Traditional regulatory models, which assumed fully rational decision-making among economic agents, faced critique as financial crises exposed their limitations. Consequently, behavior-based regulatory approaches gained traction, emphasizing that traditional prudential oversight alone is inadequate. Information asymmetry—where one party, often the bank, possesses more knowledge than the consumer—combined with structural issues, can lead to behavioral deviations that manifest as market anomalies.

Economists within behavioral finance suggest that consumers often make errors in complex decision-making due to factors such as overconfidence, cognitive biases, and limited financial literacy (Yang Dong, 2018). Akerlof's "lemon market" theory (1970) further illustrates the effects of adverse selection, whereby sellers' superior knowledge about products can compel consumers to purchase inferior goods, driving 'bad money to displace good' in the market (Akerlof, 1970). The growth of financial innovation has intensified these challenges, as incomplete or biased information conveyed by bank employees—sometimes incentivized to promote certain products—can lead consumers into uninformed decisions, potentially jeopardizing their financial well-being (Chen & Zheng, 2021).

c) Behavioral Supervision Theory

The idea of behavioral supervision first gained attention in the 1970s with advocacy from the National Association of Insurance Commissioners in the United States for market conduct regulation (Liao, 2012). Its significance increased in 1995, when economist Michael Taylor introduced the 'Twin Peaks' model, focusing on consumer protection as a primary regulatory objective. This model distinguishes between prudential supervision—aimed at maintaining financial system stability and mitigating systemic risks—and behavioral supervision, which seeks to uphold transparency, fairness, and ethical conduct in financial markets. Traditionally, bank regulation centered on prudential oversight, yet the behavioral supervision model prioritizes consumer rights, ensuring that information disclosure is comprehensive and accurate. Given the high degree of replicability in banking products, services, and business models, the proactive approach of behavioral supervision identifies potential systemic risks embedded within commercial banking practices. This model prioritizes market fairness, emphasizes regulatory accountability, and positions behavioral oversight as a core regulatory goal, ultimately enhancing consumer protection by extending beyond traditional prudential measures.

In addition to theories related to financial consumer rights, the financial instruments development is also a significant factor, as the financial foundations for the protection of consumers of banking services. Trusova et al. (2021) note that the payment system in Ukraine serves as an important indicator of the economy, and one of the main development priorities is the modernization and improvement of financial instruments, especially payment systems used by banking institutions. Due to the continued development and impact of digitization and globalization, the nature of money is constantly changing, taking on more advanced forms that are more suitable for use in payment systems for transactions and settlements. This transformation has a direct impact on the flow of money through banking institutions. In the context of dynamic economic development, factors such as speed, security, convenience, availability and cost are essential for efficient money transfer and payment processing. Technological innovations are gradually reshaping payment systems to better meet users' needs.

The National Bank Electronic Payment System (SEP) is a National Bank payment system that provides interbank transfers through correspondent accounts of resident banks at the National Bank, using electronic means to receive, process, transmit and protect information in a documented or real-time mode. SEP is the only systemically important payment system in Ukraine. The systemic importance of SEP lies in that it provides: 96% of interbank transfers in the national currency of Ukraine; transfers of funds for transactions in national securities on the open market and settlement of obligations of participants incurred in other payment systems (NBU, 2020). The National Bank of Ukraine assesses whether systemically important payment systems, important payment systems and socially important payment systems comply with the requirements of the Ukrainian legislation and international standards for the supervision of payment systems (on-site) in order to minimize the risks inherent in payment systems (Law of Ukraine on Payment Systems and Money Transfers in Ukraine, 2001).

The continued development of electronic payment systems has led to a reduction in the use of personal and commercial checks, including interbank commercial checks, which has gradually led to their withdrawal from the financial and banking markets. An important factor in ensuring customer satisfaction in payment systems is the security of online payment services (Burkovska, 2023). In this context, preventive measures against potential risks include careful planning and design of payment products, as well as assessing their risk based on the credit rating of participants and regular users of payment systems. It is important to develop robust control and monitoring mechanisms that address both unique individual risks related to payments and broader portfolio risks. Banking institutions must continuously develop their methodological frameworks and recommendations for assessing and reducing the risks of the payment system. During development, the dialectical relationship between external efficiency - reflected in the achievement of business goals - and internal efficiency, which means the achievement of economic performance within the payment portfolio, must be taken into account (Trusova et al., 2021).

The rise of fintech firms is also causing problems for the banking sector, namely banks. As a result, many banks do not see fintech as a threat, they are working with fintech companies to improve services and leveraging fintech innovations to launch new products and enhance the customer experience (Rose & Hudgins, 2013). The rise of fintech is forcing traditional banks to reassess their business models. Transform conventional banking models and respond by investing in digital capabilities. Service Improvement Use a customer-centric approach.

CHAPTER 2
RESEARCH ON THE CURRENT SITUATION AND PROBLEM ANALYSIS OF BANK CONSUMER RIGHTS PROTECTION

2.1 Current status of consumer protection in Ukrainian banks

Ukraine's signing of the Association Agreement with the European Union in 2017 was an important milestone. As an EU associated country and seeking to join the EU, Ukraine harmonized its consumer protection legislation with EU directives, such as the EU Consumer Credit Directive and the EU Payment Services Directive. Such alignment ensures that consumers of banking services in Ukraine have the same rights as in EU member states, including transparency, fair practices and legal remedies. The EU–Ukraine Association Agreement (AA), specifically Chapter 20 of Title V, Economic and Sectoral Cooperation, along with Annex XXXIX, provides the foundation for collaboration between the EU and Ukraine in the realm of consumer protection. The AA's provisions create a framework of mutual obligations that prioritize a high level of consumer protection. This partnership is designed to promote harmonization between the EU and Ukraine's consumer protection systems, establishing compatibility as a central objective of their joint efforts.

This reform initiative played an important role in developing Ukraine's consumer protection framework and enabled Ukraine to align its domestic laws with EU standards gradually. These adjustments underscore the broader goal of strengthening the rights of Ukrainian consumers and building trust in the financial and market sectors. In the pursuit of legislative harmonization, Ukraine has implemented a number of legislative reforms within its consumer protection structure. These efforts include the Consumer Credit Law (Law No. 1734-VIII/2016) and the Civil Code on Protection of Consumer Rights (CRPA 1991), which promote transparency in lending and strengthen the protection of consumer credit agreements; and fundamental legislative amendments, including the Market Surveillance Law (Law No. 2735-VI/2010);

In addition to this important legislative change, Ukraine's regulatory framework was further strengthened through updated trade regulations, exemplified by Command 104/2007. This diversified strategy, which includes both new legislation and targeted amendments, aims to protect consumer rights in areas such as financial services, product safety, and fair trade (Holovko-Havrysheva, 2020). By gradually aligning consumer protection standards with EU practices, Ukraine will not only strengthen its internal regulatory system but also achieve its goal of economic integration with the EU. These harmonization efforts are a key element in building a consumer protection system compatible with the EU and will ultimately provide citizens with greater security, transparency, and fair redress in the market.

Ukraine is aware of the essence of liberal values and follows the European tradition of human rights protection. For this reason, Article 129 of the Association Agreement provides that each Party shall permit a financial service provider of the other Party to transmit information by electronic or other means within or outside its territory for the purpose of data processing if such processing is necessary for the normal operation of the service provider. Each Party shall take appropriate specific measures to protect the right to privacy and fundamental human rights and freedoms with respect to the transfer of personal data. Due to the need to protect confidential information, including personal data, the principle of cooperation and collaboration has been enshrined in the Basic Principles of Effective Banking Supervision, which provides that laws, regulations or other mechanisms form the basis for cooperation and collaboration with relevant national authorities and foreign Supervisory Authorities. The National Bank of Ukraine, the National Securities Market Commission, the Ministry of Finance of Ukraine and the Deposit Guarantee Fund have developed a strategy for the development of the financial sector of Ukraine until 2025, according to which an important task in the reform of the financial sector and, in particular, the banking system is: to increase public confidence from 10% to 60% by 2025. The disclosure index is also expected to improve to 5.0, including the introduction of a number of disclosure requirements up to 5.0 (Doroshenko et al., 2021). The objectives of the strategy are to promote sustainable economic growth in Ukraine, achieve macro-financial stability, increase the reliability and productivity of the financial system, implement European standards in the financial market, strengthen confidence in the financial market, and implement the Association Agreement and other international treaties in Ukraine.

The National Bank of Ukraine has improved regulation, strengthened its regulatory role, actively monitored banking operations, and ensured consumer rights. The introduction of prudential regulation and banking supervision can help ensure the financial stability of banks while protecting consumers from inappropriate risks such as predatory lending or hidden fees.

In recent years, Ukraine has taken significant steps to improve its banking supervision and regulatory system and bring it closer to international standards and practices. However, there are still many unresolved issues and shortcomings, the most important of which are the lack of proper risk management systems in the bank. There is a low level of practical implementation of supervisory requirements, especially regarding insider trading and compliance with high credit risk standards. There is insufficient monitoring of banks' anti-money laundering systems, practices and procedures, etc (Ruda, 2021).

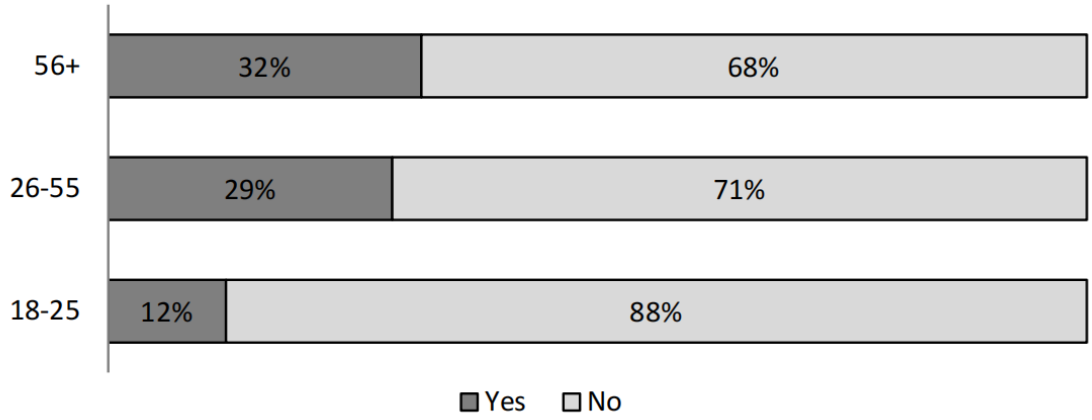
Although Ukrainian bank consumer protection has made significant progress in recent years, it still faces several challenges. These barriers stem from factors such as legal and regulatory loopholes, regulatory enforcement issues, complaint handling mechanisms and financial literacy gaps. The rapid development of financial technology has reshaped the traditional financial system and brought a series of challenges to consumer protection that are difficult for the existing regulatory framework to cope with. Most current financial regulations are designed for traditional banks and financial institutions, rather than the unique structures and business models of fintech companies. This regulatory lag creates loopholes that result in a lack of regulation of certain fintech activities, potentially exposing consumers to new types of risks (Mishkin, 2019). Fintech often spans multiple financial sectors (e.g., payments, lending, investing), which complicates regulation and can lead to inconsistent enforcement of regulations.

Existing Ukrainian legislation is unclear, and consumer protection laws in the banking sector are unclear. Important laws, such as consumer protection laws, have detailed provisions related to modern banking practices, especially for system financial products. Moreover, this law was passed in 1991, and although it has been slightly updated, it has not adapted well to the rapid changes in financial technology. The challenges facing the contemporary social and financial environment, such as digital market protection, cybersecurity and data privacy, require the law to evolve with technology and consumer behavior (Howells & Weatherill, 2017). With the emergence of innovations such as cryptocurrencies and peer-to-peer lending, there is an urgent need for comprehensive legislation to protect consumers from the industry. The current system fails to adequately account for complex financial products, leaving consumers vulnerable to exploitation. Law enforcement is inconsistent with real life, and there is a clear gap between laws aimed at protecting consumers and enforcement of financial institutions. Consumers are concerned about banks' compliance with consumer protection laws. This inconsistency not only undermines consumer confidence but also creates a different level of protection for banks, resulting in unfairness for consumers.

Complaint-handling procedures are ineffective, and customer complaint-handling procedures are often cumbersome and slow. Consumers have expressed dissatisfaction with the effectiveness of the complaint handling procedures. This bureaucratic situation undermines the effectiveness of consumer protection by preventing consumers from filing complaints directly. At the same time, many consumers are not clear about their rights and the complaint procedures. Lack of knowledge leads to customer apathy, which causes many to abandon their vehicles due to lack of knowledge, even after a complaint has been filed. Insufficient follow-up to process a complaint. Customers often complain that they have not been contacted by the bank after filing a complaint. Lack of follow-up can lead to feelings of neglect and loss of trust in the financial system.

The financial literacy and financial knowledge of Ukrainian citizens are low. This limits the user's ability to make informed decisions and is open to abuse. Consumers who do not have a basic understanding of financial concepts may find it difficult to identify unfair or fraudulent practices. Financial literacy programs in Ukraine are underfunded and poorly known, so efforts to promote them are limited. In addition, the shift to digital banking has marginalized certain groups, created barriers to accessing online financial education resources and services for those without Internet access, and exacerbated consumer inequities.

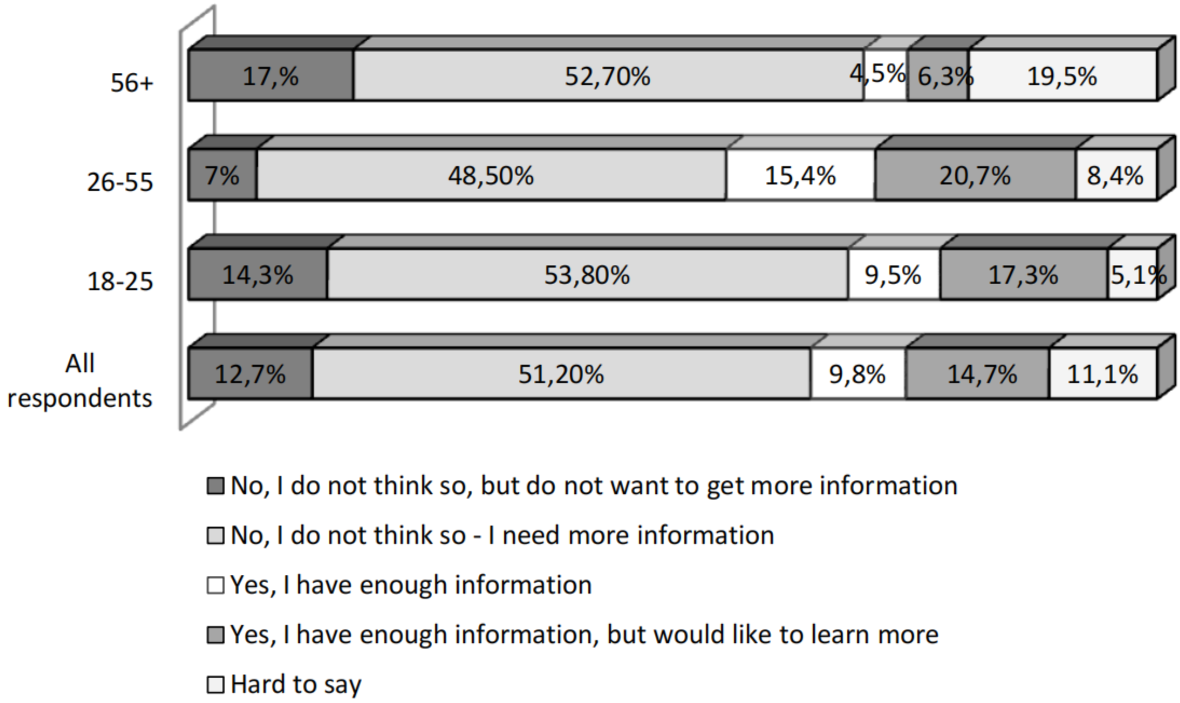
According to the assessment of the system of protection of the rights of users of financial services in Ukraine, 24% of respondents from 1,500 questionnaires collected by Lobozynska (2016) believe that their rights were violated when using financial services. From the below Figure 3, the largest share of consumers whose rights were violated in the financial markets is aged 56 and older (32%). Based on the results of the research, it can be concluded that as the respondents get older, the share of financial institutions that violate their rights increases. Overall, the level of violations by Ukrainian customers of financial services is significant. We believe that this will reduce people's confidence in the financial markets. According to a public opinion poll conducted by the Democratic Foundation in December 2016, the level of distrust in banks was 73. From the point of view of global competitiveness, the stability of Ukraine's banking system is the worst in the world for the second year in a row.



Source: S.M. Lobozynska, 2016, Report on the survey “Protection of consumers in financial services in Ukraine”, November, 1,500 questionnaires.

Fig.3. Have your rights been violated when you had received banking services? (according to age)

The research also shown that there are a large number users of financial services (69%) know that it is important to increase their knowledge in order to protect their rights. Consumers of all ages expressed a desire to improve their financial knowledge, especially among the 18- to 25-year-old group, who want to improve their knowledge of consumer protection in the financial market, reaching 71.1%. Although most Ukrainians have low financial literacy and lack sufficient professional financial knowledge, they have a positive attitude towards acquiring financial knowledge. They correctly realize that their lack of financial knowledge will affect their judgment of financial services, thus causing damage to their rights as consumers. This means that regulators and the government can get a very positive response when expanding financial education and publicity, which provides a basis for improving national financial literacy and more effective protection of bank consumer rights.



Source: S.M. Lobozynska, 2016, Report on the survey “Protection of consumers in financial services in Ukraine”, November, 1,500 questionnaires.

Fig.4. Shares of answers the question “Do you consider that you have sufficient information to protect your rights as a consumer of financial services?”

2.2 China's protection of consumer rights in the banking services industry

China’s legal framework for financial consumer protection currently consists of (1) core laws, such as the Consumer Protection Law and the Commercial Bank Law, and (2) administrative regulations from regulatory authorities, including the People’s Bank of China’s Implementation and Assessment Measures for Protecting Financial Consumer Rights and Interests. Together, these form a comprehensive legal system that supports financial consumer protection principles. The Commercial Bank Law originally focused on consumer protection in terms of depositor rights, but a 2020 revision expanded its scope to address marketing, information disclosure, service fees, debt collection, and suitability management for banking services. The updated law also integrated Cybersecurity Law provisions to strengthen protections for personal financial information and data security. This revision reflects a shift toward a customer-centered approach, though distinctions between individual and professional clients, or between complex products such as asset management and derivatives, remain undeveloped. While these enhancements increase compliance costs, they reinforce market-oriented principles and foster fair competition, encouraging banks to focus on serving the real economy (He, 2018).

Discussion of the regulatory system to protect consumers' financial rights in China's banking industry. Prior to 2011, China had no dedicated agency for financial consumer protection. Instead, bodies such as the People’ s Bank of China (PBOC), the China Banking Regulatory Commission, the China Insurance Regulatory Commission, and the China Securities Regulatory Commission handled consumer complaints independently. In 2011, the central government established specialized agencies for consumer protection within these organizations. By 2015, the State Council issued Guiding Opinions on Strengthening the Protection of Financial Consumer Rights and Interests, underscoring the importance of safeguarding consumer rights in banking. Currently, China’s regulatory framework consists of the PBOC and two main commissions, each operating separately. However, varying objectives among regulators have limited uniform enforcement of consumer protections.

With the growth of internet finance, financial innovation has expanded consumer access but also introduced new risks, including increased consumer rights violations. Nearly a thousand consumer disputes have arisen across banking services, including asset, liability, and intermediary transactions. While regulatory measures have focused on financial stability and risk control, protections for financial consumers remain inadequate. To address this, the PBOC issued the Implementation Measures for Financial Consumer Protection in 2020, strengthening consumer legal protections. China’s financial regulations have historically prioritized banking stability, but the shift to 'one bank and two commissions' reflects a move toward centralized, effective supervision, aimed at enhancing industry competitiveness and better protecting financial consumers amidst ongoing financial liberalization.

Considerable advancements have been achieved in safeguarding the rights and interests of financial consumers within the banking sector. To enhance consumers’ understanding of banking products and services, financial institutions have proactively strengthened their focus on consumer rights protection. Initially, banks have integrated consumer protection within their organizational structures, establishing specialized departments and roles dedicated to this purpose. This strategic integration has enabled the development of comprehensive systems designed to protect consumer rights throughout all service delivery stages. Moreover, regulators and banking professionals have participated in extensive training programs aimed at enhancing both theoretical understanding and practical skills related to consumer protection. Such initiatives not only improve compliance with regulatory requirements but also promote a consumer-focused culture within financial institutions, thereby boosting consumer awareness and confidence. Finally, focused efforts have been directed toward resolving consumer complaints efficiently, particularly by addressing issues at the first point of contact to reduce repeat complaints or escalations. For recurring issues that could potentially infringe on consumer rights, banks have implemented root-cause analysis within business operations and internal control frameworks, followed by timely corrective measures. Furthermore, institutions prioritize the training and assessment of complaint-handling personnel and ensure accountability by enforcing regulatory standards on responsible parties when necessary.

Despite advancements in consumer rights protections, significant challenges remain in safeguarding financial consumers within China's banking sector. As the economy evolves and cross-market financial products become more widespread, these issues have become increasingly pronounced:

a) Moral hazard arising from information asymmetry

The rapid development of financial products has outpaced the existing consumer protection framework under the Commercial Bank Law, People's Bank of China Law, and Banking Supervision and Administration Law, which provide only general guidelines and lack enforceable operational clarity. Due to information asymmetry, bank employees typically have deeper insights into financial products than consumers, who must rely heavily on the information shared by these personnel. The limited regulatory scope for information disclosure has resulted in disputes over a range of products, such as wealth management, loan services, and insurance.

In practice, employees may exaggerate potential returns or obscure risks, hindering consumer comprehension and informed decision-making. Although the Commercial Bank Information Disclosure Measures were issued by the China Banking and Insurance Regulatory Commission in 2007 to standardize disclosure practices, the guidelines remain insufficient in scope and lack detail for various financial products, leading to inconsistency and gaps in consumer protection. This shortfall in transparency makes it difficult for consumers to assess product costs, risks, and benefits accurately, undermining their legal rights.

b) Consumer rights infringement via standard contractual clauses

Financial institutions frequently employ standardized contract terms that impose unfavorable conditions on consumers, which can compromise the fairness of transactions. In banking, this imbalance affects various contracts, including those for personal loans, credit cards, account management, electronic banking, and wealth management. Typical issues include terms that place excessive liability on consumers, unilateral contract modification rights, broad force majeure interpretations, hidden insurance costs, and restrictive remedy clauses. Such clauses disadvantage consumers who may not fully understand or review contract details and lack bargaining power to negotiate terms.

Establishing standardized, equitable contract language is essential for improving consumer rights protections and ensuring fairness in banking transactions.

c) Risk transfer to consumers through financial innovation

While financial innovation offers potential benefits, it also places a responsibility on institutions and consumers to manage associated risks. In China’ s banking sector, the expansion of complex products, including asset securitization, derivatives, supply chain finance, and free-trade financial services, has sometimes led institutions to transfer risk to consumers in pursuit of profit. This can expose consumers to excessive risk, heightening the potential for systemic instability. Without balanced regulatory oversight that aligns financial innovation with adequate consumer protections, moral hazards and credit risks increase, leaving consumers at heightened risk of financial harm if institutions are insufficiently regulated (Hao, 2009).

2.3 Protection of consumer rights in banking services in developed countries

2.3.1 The United States

The United States is recognized as a global leader in developing legislation for the protection of banking consumers, with an advanced supervisory framework dedicated to safeguarding consumer rights in the financial sector. Initiated by the consumer rights movement of the 1960s, the U.S. has progressively strengthened both its legislative and enforcement strategies to ensure comprehensive protection for financial consumers. This legal framework combines federal and state statutes with regulatory mechanisms, covering a broad spectrum of financial services, such as mortgages, housing loans, service fees, debit and credit card transactions, and fund account operations. A major advancement occurred in July 2010 with the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which formally established the Consumer Financial Protection Bureau (CFPB). Chapter 10 of this Act authorizes the creation of an autonomous agency dedicated to consumer protection within the financial industry, thereby securing consumer rights in accessing deposit and loan services, as well as other essential financial products.

In response to the subprime mortgage crisis, the United States undertook significant actions to reinforce financial consumer protections (Sun & Yuan, 2012). In 2008, the U.S. Treasury Secretary proposed the creation of a federal consumer protection commission. Building on this, President Obama introduced the Financial Regulatory Reform plan in 2009, addressing the inadequacies in consumer protection revealed by the crisis and advocating for a dedicated regulatory agency. This initiative culminated in the Dodd-Frank Wall Street Reform and Consumer Protection Act, which Congress passed in July 2010, establishing the Consumer Financial Protection Bureau (CFPB) as a specialized entity for consumer protection within the financial sector. Presently, the federal framework for consumer protection includes seven key agencies, such as the Federal Reserve, Federal Deposit Insurance Corporation (FDIC), Office of the Comptroller of the Currency (OCC), alongside the CFPB, which specifically oversees consumer-facing financial products and services.

Formally launched in September 2010, the CFPB began full operations in July 2011. Its primary responsibilities include setting regulatory standards, handling consumer complaints, conducting research on consumer behavior, promoting transparency in industry information, and pursuing legal actions to prevent consumer abuse and unfair practices. The CFPB’s regulatory scope encompasses a wide array of financial institutions, including insured depositories, financial service providers, and other large market participants (Sun & Yuan, 2012). Since its inception, the CFPB has implemented various regulatory measures targeting specific areas, such as mortgage lending, student loans, foreign exchange operations, credit reporting, and debt collection (Jiao, 2015).

Moreover, small claims courts have been established across various states in the United States to resolve disputes about consumer rights in the financial sector. If a consumer bank becomes aware of a violation of his rights, he can initiate a lawsuit by submitting a simple written application on its website to a small court. After the petition is filed, the court will issue a summons to the defendant and set a hearing date following a procedure similar to a standard civil action. A central purpose of the small claims court is to encourage both parties to settle disputes through conciliation. If the parties are unable to reach an agreement, the case will proceed to judicial review. This system offers several advantages, including a streamlined legal process that only requires a simple written application, lower legal costs and a flexible schedule to accommodate both parties. As a result, the small claims market is an accessible and efficient market for banks seeking relief in rights disputes.

2.3.2 The UK

In 1997, the UK established the Financial Services Authority (FSA), an independent agency tasked with overseeing the regulation of the financial sector. In 1998, the FSA officially assumed its regulatory role and quickly grew into one of the most respected and strongest regulators in the world. The FSA's regulatory framework is highly structured and includes stages such as risk identification, risk assessment, policy development, regulatory planning, implementation and accountability assessment. This robust and reliable framework prioritizes “proactive regulation and supervision” and “regulation in the process” controls to quickly manage and mitigate financial risks. Ultimately, this system of action is designed to protect consumers' financial rights while promoting a strong and resilient financial sector. Each year, the FSA, with the support of banking institutions, conducts comprehensive assessments of customers' cash flow and operating conditions. In situations where institutions violate regulatory standards, the FSA has the power to enforce disciplinary action, including, if necessary, revoking licenses. Through this comprehensive supervision, the FSA plays an important role in improving the protection of financial consumers and ensuring long-term stability in the financial sector.

On 14 June 2000, the UK passed the Financial Services and Markets Act, which was finally passed and officially came into force on 1 April 2001. This legislation, like the first, represents a significant development in the regulatory environment, in which the objectives of UK financial supervision were formally expressed in a statutory framework. In particular, it establishes the protection of consumer rights in the financial sector as the primary objective of financial regulation.

The Act is primarily intended to improve the financial situation of those who are knowledgeable about it. To achieve this goal, the UK Financial Services Authority (FSA) has launched several programmes to improve the financial literacy of bank customers. These initiatives include strengthening financial communication so that users could easily access important financial information and skills. In addition, the Financial Supervisory Authority has encouraged banks to provide high-quality advisory services for the formation of the necessary applications. Particular emphasis is placed on developing a common understanding of the benefits of banking products, highlighting their importance in the broader context of consumer protection.

In addition, the Act gave the Financial Supervisory Authority explicit responsibility for the protection of financial rights. To this end, the Act identifies four types of risks that consumers face when dealing with banks: stability risk refers to the risks associated with bank failures that pose a threat to consumer deposits; detrimental risk covers risks associated with fraudulent activities, defamation, deliberate mis-selling of financial products and omission of crucial information while providing services; Suitability risk refers to the likelihood that customers will acquire products or lending services that do not fit their understanding or unique requirements and performance risk includes the possibility that the investment fund will not deliver the expected returns.

The role of financial accountants was to identify and mitigate the stability, detrimental and special types of opportunity risks. To effectively respond to these challenges, the Act proposes several strategic measures:

a) Disclosure: Regular banks must provide complete and accurate information about the provision of banking services and the sale of financial funds, to enhance transparency and enable informed consumer decisions.

b) Public participation and education: The Act calls for greater public participation in financial decision-making processes and educational initiatives aimed at raising awareness of the risks and benefits associated with various banks and services.

c) Complaints investigation and dispute resolution mechanisms: Establish a robust complaints investigation system and a comprehensive dispute resolution framework designed to address customer complaints.

d) Financial services compensation scheme: This is offered to consumers with a compensation framework in the event of bank failures or fraudulent practices.

e) Public statements: The Financial Supervisory Authority has the power to issue public advice on certain banking services or products, thereby warning consumers of potential risks.

In summary, the Financial Services and Markets Act embodies a holistic approach to consumer protection in the UK banking sector and effectively balances regulatory oversight with facilitating consumer participation in informed financial markets.

In 2001, the UK established the Financial Ombudsman Service (FOS) as an independent, not-for-profit organisation, which is responsible for handling consumer financial complaints, mediating disputes about consumer rights and making legally binding decisions. Under this framework, if a UK consumer believes their financial rights have been breached, they should first contact their financial institution directly. If the institution fails to resolve the issue within eight weeks, consumers can report the matter to the FOS by telephone, via an online form or in writing. After receiving a complaint, the FOS appoints an impartial Financial Ombudsman to investigate the dispute and make an impartial decision. It is important to note that the FOS operates as a free service for consumers, and does not require the production of substantial evidence to hear a complaint, reducing the burden of proof. This streamlined process gives financial consumers a cost-effective and free way to seek help, while ensuring a fair and impartial outcome.

As a unified financial regulatory agency, the HKMA is also responsible for protecting bank consumers and providing services to bank consumers. A single 'Financial Ombudsman Service' has been set up with the Financial Ombudsman Service Ltd specifically designed to facilitate the informal resolution of disputes arising in relation to transactions between banking consumers and financial institutions. Participation in this service is mandatory for all recognized banks, ensuring a standardized approach to resolving consumer complaints. This organization is dedicated to resolving complaints related to financial products and acts as an alternative dispute resolution mechanism for banking consumers.

The Financial Ombudsman Service aims to create a fair environment for both banks and consumers and promote transparency and fairness in the dispute resolution process. Banking consumers have the right to detailed information on the procedures of the Financial Intermediary, who is obliged to provide full information on all processing procedures. In addition, the "Financial Services Compensation Scheme" was introduced to protect bank consumers from losses arising from bank insolvency or fraudulent activities. This scheme is designed to offer compensation to affected consumers up to specified limits. It includes the deposit insurance scheme currently administered by the Deposit Protection Board. Funding for this program comes from contributions from participating banks. In the event of a bank failure, consumers are entitled to a 100% refund on the first £2,000 of their deposit and 90% on remaining deposits, with a maximum refund limit of £33,000.

In the UK, banks are not legally required to provide basic banking services to people on low incomes. Nor are there any legal restrictions on banking activities, goods, or payments. However, government agencies and regulators often play an important role in encouraging financial institutions to meet the banking needs of vulnerable groups. As well as incentives for banks to provide essential banking services to these groups, the UK Government will also explore alternative delivery and service-sharing mechanisms to better integrate disadvantaged groups into the network of financial services. One such development is the introduction of “ basic bank accounts”.

Essential bank accounts are designed to help people who have been excluded or have chosen not to use traditional banking services. These accounts offer basic services like receiving and paying bills, but no credit services, eliminating the need for a credit history check. This approach alleviates concerns about potential accumulation of debt and the costs associated with short-term buyers. To further combat cash shortages, the Fair Trade Bureau has called for banks to offer low-cost basic online accounts without unauthorized overdrafts, thus reducing the risk of overcharges. It is worth noting that all major British banks have such accounts, many of which are offered for free. Bankers have laid down standards for basic bank accounts in the Banking Act, stating that these accounts should allow for direct deposit of payroll and government benefits, allow deposit of checks and cash, facilitating bill payments through direct debit, and ATM withdrawals . These accounts are designed to deduct interest from accounts, enabling full withdrawals at any given time.

Although formal legislation does not currently seem necessary, the British government has proposed a CAT (Charges, Access, Conditions) document, which includes the following: (1) Fees: fees for one-time or permanent for each day . transactions, which helps you effectively avoid the risks of overdrafts; (2) Access: No initial or minimum deposit is required, and account holders should have access to services such as ATMs, cash and check deposits, direct deposits and direct withdrawals ; (3) Conditions: All advertising and materials shall be clear, convenient, and simple; Regular account statements must be provided and if the bank decides to close the basic account associated with CAT, it must give a six months' notice. Moreover, all the money in these accounts must belong to the account holders. The CAT Act specifically prohibits the charging of direct or flat fees in day-to-day transactions, thereby limiting the ability of banks to charge fees on these accounts. However, it is important to note that not everyone can open a basic bank account; In general, banks may refuse to open accounts with a history of bad credit, bankruptcy, or fraud.

2.3.3 Australia

In 2001, Australia established the Australian Securities and Investments Commission (ASIC) as an independent regulator to oversee the retail banking, securities and foreign exchange industries. ASIC's primary mandates are to maintain market integrity and ensure consumer protection. To strengthen consumer rights in the banking sector, ASIC uses two important regulatory strategies.

The first strategy is to implement a strict disclosure framework that banks must follow. ASIC actively monitors and assesses the extent to which banks comply with this system, ensuring that consumers receive clear and accurate information about products and services that meet their rights. By prioritizing regular oversight, ASIC promotes transparency and supports informed consumer decision-making. The second approach consists of requiring banks to submit periodic questionnaires to monitor the frequency and types of consumer disputes. This data enables ASIC to monitor consumer protection trends across the industry. Where breaches of consumer rights are found, ASIC has the power to take enforcement action against non-compliant establishments. Through these strong measures, ASIC plays a vital role in promoting fair and transparent practices in Australia's banking sector, thereby enhancing consumer confidence and ensuring financial stability.

Australia has established a separate banking consumer complaints office to deal with consumer disputes involving economic losses of less than A$100,000. Australian banking consumers can lodge a formal complaint with this office by submitting written documentation if they believe their rights have been violated. Once a complaint is received, the office facilitates the mediation process by bringing the relevant parties together in a meeting to discuss the issues and explore possible solutions. If mediation efforts are ineffective and the parties do not accept the proposed solution, the office has the right to make a binding decision on the dispute. The aim of this structured approach is to provide consumers with a remedy while promoting fair and effective dispute resolution in the banking sector.

The Securities and Investments Commission (ASIC) serves as the principal agency charged with protecting banking rights in Australia. Its functions include the promotion and review of regulatory standards for banks operating in the market, particularly in relation to disclosure requirements and consumer protection measures. ASIC's regulatory objectives are to enhance investor and consumer confidence in the financial sector and to encourage informed participation. To achieve these regulatory objectives, ASIC uses a variety of initiatives, including prohibiting restrictions on fraudulent or deceptive practices and other dishonest conduct. Mandatory opening standards for banks, closely monitoring their performance practices to facilitate compliance with established procedures and customer complaints systems. In addition, ASIC investigates patterns of misconduct and examines dispute resolution mechanisms, such as the Ombudsman Scheme. A complementary initiative is the establishment of an independent Consumer

Advisory Panel, designed to strengthen financial lending rights.

Education also plays an important role in ASIC's consumer protection mandate. Management prioritizes financial literacy in areas where consumers are particularly vulnerable to losses due to lack of knowledge. Its efforts include education and advocacy to help consumers assess their financial needs and make informed choices. ASIC aims to equip consumers with the skills to detect financial fraud and deceptive business practices, and to understand their rights and the various avenues available to resolve disputes. In addition, ASIC seeks to increase financial literacy and numeracy through resources such as FIDO (Financial Information and Data Online), awareness campaigns, publications and a comprehensive consumer protection service called "Consumer Online". Another crucial role of ASIC is to monitor the industry's compliance with the Code of Conduct. This review requires banks to conduct an annual self-assessment of their compliance with the Code using standardized questionnaires. Each bank is required to submit a statement of compliance detailing the number and type of disputes that arise during the reporting period.

In addition, the Competition and Consumer Commission (CCC) is responsible for protecting consumer rights under the Trade Practices Act 1974 and the Price Investigation Act 1983. The Trade Act serves as the primary legislative framework for consumer protection, addressing issues such as unfair business practices, product safety and detailed product information. It also strictly regulates trade practices and prohibits activities that violate competition principles. In line with these national regulations, all Australian states and territories have adopted fair trading laws that mirror the provisions of the Trade Practices Act to strengthen consumer protection efforts.

The self-regulatory organization also play an important role in protecting customers' rights in the banking sector. The Australian Bankers' Association (ABA) acts as the self-regulatory body for the Australian banking sector. In November 1993, the ABA worked with the Competition and Consumer Commission and the Federal Treasury to introduce the Code of Banking Practices. This code aims to establish standardized protocols of information disclosure and business practices that banks must follow in their interactions with consumers. As such, it seeks to promote positive relations between banks and their customers and encourage exemplary banking practices.

The Banking Code addresses issues that are not directly regulated by current legislation, thereby improving consumer protection and clarifying relevant legal obligations. Its main objectives include defining standards of good business practice and service provision, promoting transparent disclosure of relevant information to consumers, promoting effective and informed relationships between banks and consumers, and requiring the development of dispute resolution procedures. The scope of the Banking Code includes three key components: disclosure requirements, principles governing business practices, and dispute resolution protocols. Currently, all banks that carry out large retail operations are signatories to the code. In addition, to further protect consumer rights, the banking industry has voluntarily established the Australian Banking Industry Ombudsman, which serves as a mechanism for resolving disputes arising during banking transactions.

In addition, the ABA provides consumers with a variety of educational and promotional resources that cover key topics such as safe use of ATMs, understanding bank fees and choosing appropriate loan options. These resources aim to provide consumers with the knowledge they need to effectively navigate the banking landscape.

CHAPTER 3
IMPROVEMENTS AND RECOMMENDATIONS FOR PROTECTING THE RIGHTS OF BANKING CONSUMERS

3.1 Regulatory reforms to strengthen consumer protection

A strong and flexible legal framework is essential to create enforceable standards to prevent misconduct in the financial sector. For effective consumer protection, legislation must meet modern and new challenges and meet international standards. By strengthening existing laws, Ukraine can increase transparency, fairness, and accountability in the banking system, ultimately protecting consumer rights and increasing trust in institutions.

Update the legislative framework, improve the structure of laws and regulations, and modernize Ukraine's legislation on consumer protection, especially in the current environment of rapid development of financial technologies and banking services. Existing legal frameworks cannot cope with digital banks, mobile payment systems, and cryptocurrencies, which are complex. In the process of updating, broad listening can help uncover loopholes and inefficiencies in current regulations. Regulations should also specifically target emerging technologies such as cryptocurrencies and decentralized finance (DeFi). These areas pose unique risks, including potential fraud and market volatility, as a way to strengthen consumer protection and create a safer banking environment.

Establish a regular review and evaluation mechanism, designate a regulatory body for oversight and review, and comprehensively evaluate applicable laws and practices. Through collecting data on consumer experiences, analyzing complaint trends, and evaluating the overall effectiveness of existing regulations. Legal updates and developments must keep pace with changes in market practice and consumer behavior. Establishing an independent body to carry out these assessments will ensure that the rules remain relevant and effective. The agency should be tasked with monitoring trends in the industry, assessing the effectiveness of existing laws, and recommending necessary changes.

In addition, the laws and regulations should be more comprehensive and take into account the needs of vulnerable groups, such as people with low incomes, the elderly, and people with low education. By developing regulations that address the unique challenges faced by this population, the regulatory environment becomes fairer and more equitable. Public hearings allow consumers to voice their concerns and suggest improvements, ensure transparency and diversity in the regulatory process, increase people's confidence in regulation, and foster a culture of accountability among financial institutions. Create a responsive regulatory framework that adapts to the changing needs of consumers and increases overall confidence in the financial system.

A cooperation mechanism should be established between the supervision department and between the supervision department and the operation department of banking institutions to protect consumer rights, with the aim of jointly protecting consumers' legitimate rights and interests, effectively preventing consumers' risks, ensuring consumers' safety, the right to know, the right to assert and protect the right to choose, and ultimately achieving sound and stable economic and financial activities. First of all, the willingness and close cooperation between various departments should be improved, which is a prerequisite for the smooth and effective implementation of consumer protection supervision. Then, the industry-wide development plan should be designed to realize the legitimate rights and interests of consumers, and the responsibilities of senior management in implementing the protection of consumers' financial rights should be clarified.

Under the guidance of the supervision department, banking institutions should organize a platform for discussion and consultation, and the supervision department and banks should jointly participate in the meeting, hold face-to-face discussions, strengthen exchanges, fully articulate their views on issues, and provide suggestions. There are advantages and disadvantages, so that the final opinion can integrate the opinions and proposals of various parties, reflect the interests of various parties, and finally form a coordinated action and goal. After strategic thinking, the human, material, and financial resources of various departments should be integrated, jointly participate in cooperation, provide reasonable solutions and solve problems, and take practical measures such as information sharing, learning exchanges, and joint law enforcement.

With the continuous innovation of financial products, commercial banks' lending activities have also developed rapidly. Financial institutions have used new and inappropriate methods to generate profits. Disputes frequently arise over service quality, service fees, standard product and service contracts, risk warnings and disclosures, and basic and information security. Bankers are pursuing unfair profits in expanding their business, such as secretly raising or lowering interest rates, unfair deposit collection and lending methods, sending funds through inappropriate means such as false advertising, and leaking known commercial information. These are acts that violate confidentiality and consumer rights, disrupt financial order, and even threaten the stability and security of the financial market.

In order to solve these problems and minimize the damage caused by them, the authorities should further strengthen the tools necessary for performing their duties and apply meaningful management methods and measures such as administrative sanctions, operational restrictions, or suspensions. Financial institutions and financial orders. Revise illegal or unfair business systems, strengthen investigation and punishment of inappropriate banking practices, make full use of the expertise of regulatory agencies, regulate and regulate the financial market order, promptly regulate new inappropriate acts, and ensure the effective enforcement of legal provisions and the protection intensity of consumer rights.

3.2 Improving transparency and accountability in banking services

Proper complaint procedures are necessary to protect consumers, provide consumers with a reliable means of resolving complaints, and strengthen the accountability of financial institutions. When consumers have access to a clear and efficient complaint resolution process, they are more likely to trust the process and use formal financial services.

Complaints redressal mechanisms are critical to ensuring that consumers have effective ways to resolve their complaints with financial institutions. Streamlined and transparent processes can go a long way to increasing customer satisfaction and trust. First, banks should simplify the procedure for handling complaints. This includes the step-by-step steps taken to establish clear guidelines for filing a complaint and the time required to resolve it. Banks can create user-friendly online platforms that allow consumers to file complaints and track their status easily. By reducing bureaucratic barriers and increasing accessibility, consumers are more likely to file complaints and thereby hold financial institutions accountable.

Banks can implement comprehensive training programs to train employees in the skills they need to communicate with care and compassion. Customer service representatives must be trained not only in complaint-handling techniques but also in active listening and conflict-resolution techniques. A customer-centric approach can lead to a more positive consumer experience, encouraging them to engage with their bank. Having a dedicated customer protection team within the bank can further improve the effectiveness of complaint handling. This group should be responsible for reviewing the complaint process and ensuring that complaints are resolved promptly and thoroughly. By creating a dedicated consumer protection team, banks can demonstrate their commitment to consumer protection and accountability. Once the complaint is processed, a response stage is added to solicit consumer feedback about their experience. Subsequent investigations and communications can provide valuable information about the effectiveness of the complaints process and identify areas for improvement. Examining these answers can help banks improve their practices and better match the needs of consumers.

To increase trust and transparency in banking and the complaints resolution process, banks should publish annual reports summarizing complaints handling statistics, including information on the number of complaints received, types of issues proposed, and resolution results. A report-based system can provide transparency, strengthen regulatory oversight, and ensure compliance with established complaint resolution standards. The National Bank of Ukraine should regularly review its bank complaints procedures and audits to assess compliance with the guidelines. Non-compliance should be subject to heavy penalties, which encourages banks to prioritize consumer protection.

Increase the share of the company's internal audit in protecting the financial rights and interests of users, improve performance indicators, continue to strengthen evaluation and follow internal procedures, adhere to scientific standards, incentives, and restrictions, and strengthen consumer protection during evaluation and evaluation. In addition to paying attention to the use of assessment results, carefully follow the instructions of the management policy and compare the existing problems. Assessment reports to the responsible department conduct deep root cause analysis, identify weaknesses, learn from past experiences and lessons, and correct issues in a timely manner.

Banks should evaluate the results of consumer rights protection activities of various operating agencies and management departments in the general quarterly evaluation, continuously increase the proportion of consumer rights protection in the evaluation of the overall performance of the bank, consolidate the main services, and bring about the transformation of the rights of the victims of pressure protection into an increased internal factor. pressure motivate and strengthen further administrative procedures for the protection of consumer rights.

In the organizational structure, banks will strengthen their internal control, optimize the allocation of resources, establish a separate management department for the protection of consumer rights, resolve issues related to banking work in the field of consumer rights protection, and improve the provisions of banks for the protection of consumer rights in accordance with the law. the character of the bank itself. In order to avoid the business of financial banking institutions that violate the legal rights of bank users, the real protection rights of the bank enrich the cost and clarify the duties of honesty, reports, and warnings of financial institutions. In the internal management process of the department, the responsibilities of each department and employee will be clarified, and the management, communication, and coordination of various activities to protect the interests of consumers will be carefully organized. Other management departments and relevant business units must be effectively managed and directed to provide adequate services and protect the legitimate business of banking customers.

3.3 Promoting financial inclusion and reducing consumer vulnerability

Consumer empowerment is a key element of effective consumer protection. Increasing financial knowledge and awareness helps consumers make informed financial decisions, recognize potential risks, and understand their rights. This, in turn, encourages responsible financial behavior and helps reduce problems of misunderstanding and exploitation. Promote financial education and guide the sound development of financial education work. It is essential to strengthen coordination and cooperation between banking regulators, banking associations, and banking institutions, establish a coordinating organization, clarify the general objectives of financial education, and promote the orderly development of financial education. Activities for all stakeholders and ensure the continuous and effective development of consumer financial education work. The regulatory authority coordinates the development and implementation of the National Education Plan Ministries.

Regulatory authorities, non-governmental organizations, and banking institutions jointly promote the development of financial education systems. During the multi-party cooperation, it is necessary to clarify the distribution of responsibilities and responsibilities of stakeholders. Establish strategic planning and coordination mechanisms, coordinate and promote the development of financial education activities for stakeholders, and clarify the responsibilities and responsibilities that stakeholders should bring to the user system. In mobilizing financial literacy promotion resources, we will give full importance to the advantages of regulatory agencies and banking experts, develop a variety of financial literacy publicity and popularization channels, and various financial literacy coaching public lectures, online media promotion, and various promotions.

Governments and consumer protection organizations can work together to regularly advertise public services to ensure consumers have a clear and complete understanding of their rights and can better protect them. These advertisements can run across multiple platforms and cover important topics such as filing a complaint, understanding contract terms, and identifying fraud. At the same time, dedicated financial advisory services and community centers can be established to provide consumers with immediate financial advice and support. These centers can provide resources to those who do not have access to the internet or who have urgent problems, helping them understand their credit situation, prevent fraud, resolve financial issues such as debt, expand knowledge channels, and ensure that all kinds of consumers have access to reliable financial information.

Provide professional assistance in the production of promotional materials and other activities, and carry out public welfare activities to disseminate financial knowledge, improve the financial knowledge level of financial users, and create a well-organized financial service environment. Develop targeted educational plans, use different types of education, implement comprehensive financial education in an organized and financial manner, as well as educational programs with different levels and characteristics to spread financial culture and increase the goal of financial literacy in the national education system.

Banks should develop annual work plans to promote financial knowledge and education, actively participate in centralized promotion and education programs launched by the supervisory authorities, refine specific implementation plans each time according to the needs of the various subjects, clearly identify the main promotion and education department, and establish and strictly enforce the relevant requirements. Creating user-friendly financial product guides, brochures, and videos increases the accessibility of financial information. These resources should be distributed in branches, bank websites, and community centers so that consumers can learn on their own time. Partnerships with non-profit organizations or local governments can help distribute these materials to maintain populations such as rural communities, thereby promoting economic inclusion.

Personalized financial education through fintech, banks and fintech companies can collaborate to provide customers with personalized financial education based on their spending and saving behavior. For example, mobile banking apps can provide advice on spending habits, budgeting suggestions, and automatic savings suggestions for individual users. This information delivered directly through digital channels will make financial education relevant and immediate for users. Meanwhile, fintech platforms can also provide tools to track users' financial health, highlight areas that need improvement, and provide advice on how to improve financial stability. These tools can assess factors such as credit utilization, savings rates, and debt-to-income ratios, and provide practical suggestions for healthier financial behaviors. Making financial education marketing more targeted and timely can enable consumers to acquire financial knowledge and skills in a more targeted manner, as well as wisely use fintech tools to protect their own interests, understand the financial information that is kept up to date, and reduce the negative effects of fintech spillovers.

CONCLUSIONS

With the rapid development of financial innovation and financial markets, financial products have become increasingly complex. In today's business environment, the particularity of bank consumers determines the importance of consumer protection in the banking industry and the development of national social finance. In the process of enjoying financial services such as bank deposits and loans, bank consumers enjoy the corresponding rights to know, choose, be safe, have relief, be treated fairly, keep confidentiality and receive consumer education. The core principles of consumer rights include transparency, fairness, accountability and access to justice. The banking industry belongs to the service industry and is a sound public financial institution that relies on public trust to maintain business continuity. The key to its growth and success lies in public trust.

Based on the importance of consumer rights protection, more and more banks apply the concepts and methods of customer relationship management to their daily business activities and management. Banks have the obligation to do their utmost to avoid conflicts of interest between bank employees and customers and between bank customers. Establish and maintain good customer relationships, pay full attention to the reasonable demands of financial consumers, and effectively protect the interests of bank consumers, so as to promote the stable development of banking finance and build a good, harmonious, orderly and common financial ecological environment.

Make an analysis of the institutional and financial foundations of consumer protection in Ukrainian banks. Institutional foundations mainly include three sections: legal policy, regulatory agencies as well as other structures and organizations. Law of Ukraine on Consumer Protection, Law on Financial Services and State Regulation of Financial Markets and Anti-Money Laundering (AML) and Counter-Terrorism Financing (CFT) Law are not only a building tool, but also the protection of justice and human dignity. Without legal protection, customers' rights to protection or defense are violated, and many crimes would occur, especially in the banking industry. The three main regulatory agencies, namely the National Bank of Ukraine, the State Financial Supervision Service of Ukraine and the Human Rights Commissioner of the Ukrainian Parliament, and organizations such as the Ukrainian Banking Association have all played a strict and efficient regulatory role and strengthened supervision over banking financial services, effectively protecting the rights and interests of consumers.

The financial foundation is mainly discussed and studied from the following aspects: deposit guarantee fund, financial literacy popularization project and theories related to financial consumer rights and financial instrument development. Making an analysis of the main factors of bank consumer protection from a financial perspective. The Deposit Guarantee Fund plays an significant role in guaranteeing deposits, protect the rights of creditors, increase financial knowledge to build people's confidence in the state's financial system and improve people's lives. Financial literacy is an important condition for a country's economic development. Improving financial knowledge can reduce consumers' misunderstanding of the true terms of financial services when using them. Therefore, it is crucial to enrich consumers' financial knowledge and cultivate their financial decision-making ability.

Through a comparative analysis of the current status of consumer protection in the banking industry in Ukraine, China, and developed countries such as the United Kingdom, the United States, and Australia, the paper points out the current problems and shortcomings in consumer protection in the Ukrainian banking industry, and puts forward corresponding improvement measures and suggestions for these problems, mainly including strengthening consumer protection through regulatory reforms, improving the transparency and accountability of banking services, promoting financial inclusion, and reducing consumer vulnerability.

First, the objective of the regulatory reforms is to strengthen consumer protection. A strong and flexible legal framework is needed to create enforceable standards to prevent abuse in the financial sector. To ensure effective consumer protection, the legislation must respond to modern challenges and meet international standards. By strengthening existing laws, Ukraine can increase the transparency, fairness, and accountability of the banking system, which will protect consumer rights and increase trust in institutions.

Second, strengthen transparency and accountability in the banking sector. Proper complaint procedures are needed to protect consumers, provide them with credible recourse, and hold financial institutions to account. When consumers have access to a clear and effective process to resolve their complaints, they are more likely to trust the process and use formal financial services.

Third, promote financial inclusion and reduce consumer vulnerability. Consumer empowerment is a key element of effective consumer protection. Increased financial knowledge and awareness help consumers make informed financial decisions, identify potential risks, and understand their rights. This, in turn, promotes responsible financial behavior and helps reduce problems such as misunderstanding and exploitation. Promote financial education and lead the sound development of financial education work.

Therefore, these measures are indispensable and crucial to improve the current situation of consumer protection in the banking sector in Ukraine. Establish and improve an appropriate legal system to protect the rights and interests of bank consumers, improve the control and management system and mechanism, increase the awareness of banking market players about consumer protection, protect the rights and interests of consumers, and thus promote the stable development of bank finance and the construction of a good, harmonious, orderly, and inclusive ecological financial environment.

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APPENDICIES

Lobozynska S.M., 2016, Report on the survey „Protection of consumers of financial services in Ukraine", November, 1,500 questionnaires.

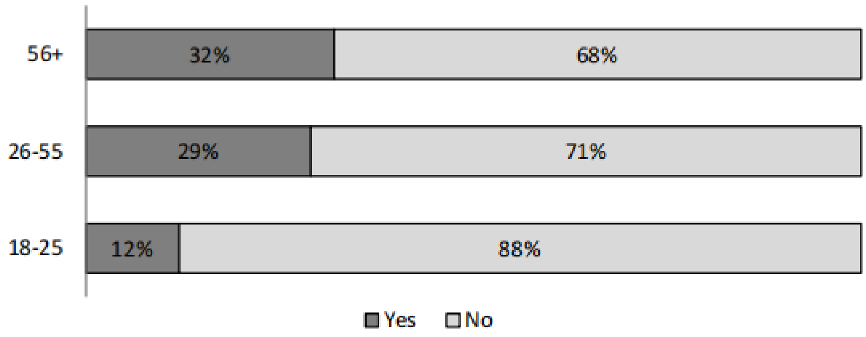

Figure 1. Have your rights been violated when you had received banking services? (according to age)

Source: S.M. Lobozynska, 2016, *Report on the survey „Protection of consumers in financial services in Ukraine"*, November, 1,500 questionnaires.

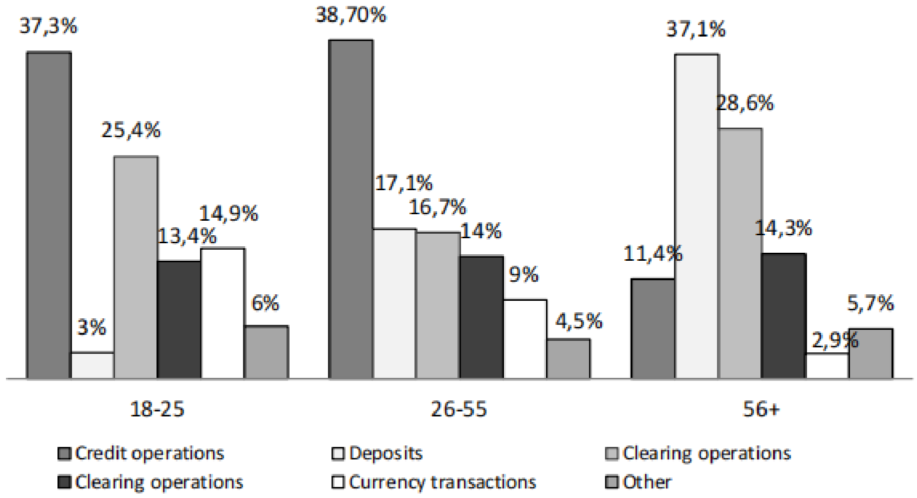

Figure 2. Shares of violations that occurred in obtaining financial services

Source: S.M. Lobozynska, 2016, *Report on the survey „Protection of consumers in financial services in Ukraine"*, November, 1,500 questionnaires.

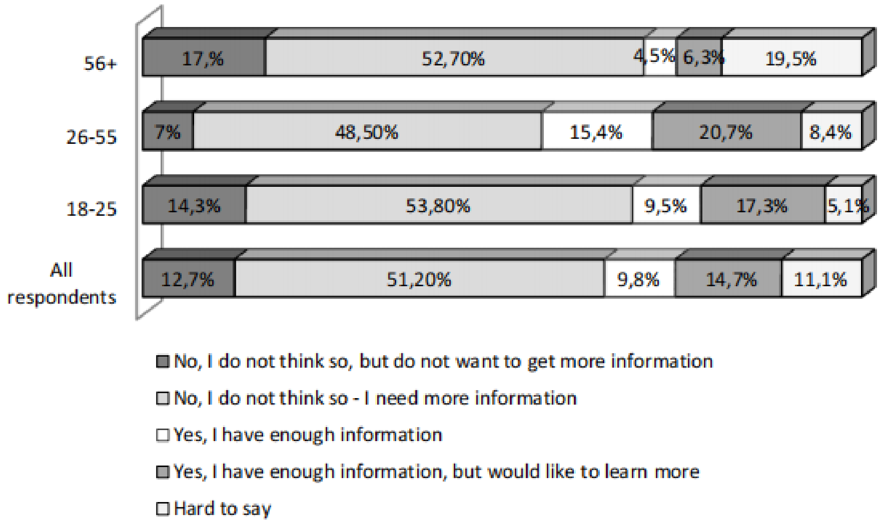

Figure 3. Shares of answers the question „Do you consider that you have sufficient information to protect your rights as a consumer of financial services?"

Source: S.M. Lobozynska, 2016, *Report on the survey „Protection of consumers in financial services in Ukraine"*, November, 1,500 questionnaires.

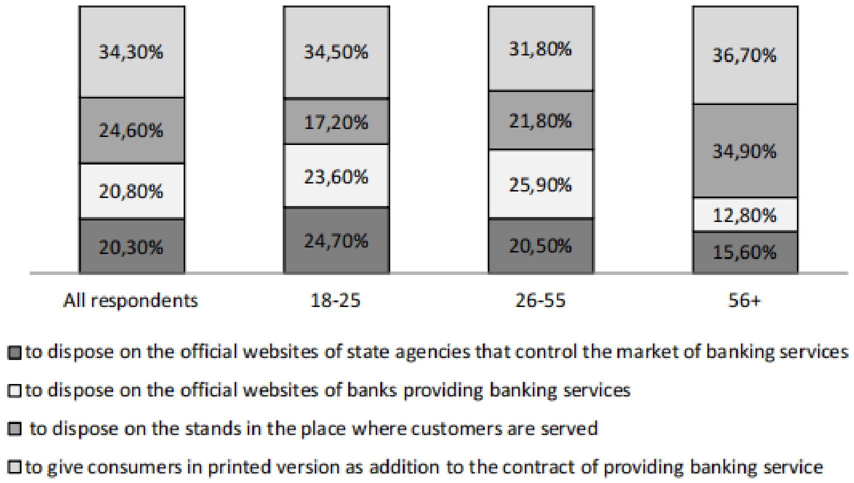

Figure 4. Shares of answer the question „The information about consumer rights it is necessary… "

Source: S.M. Lobozynska, 2016, *Report on the survey „Protection of consumers in financial services in Ukraine"*, November, 1,500 questionnaires.

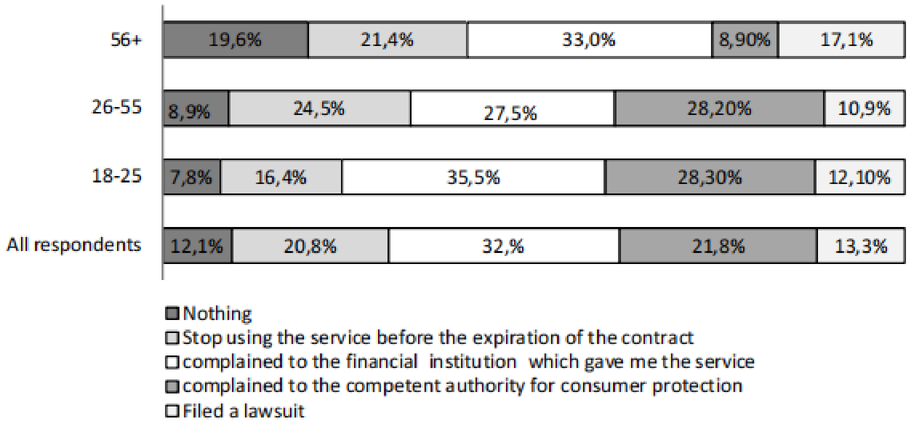

Figure 5. Shares of answers the question If your rights have been violated (or could be violated) by the financial institution, what you have done (or will do)?

Source: S.M. Lobozynska, 2016, *Report on the survey „Protection of consumers in financial services in Ukraine"*, November, 1,500 questionnaires.

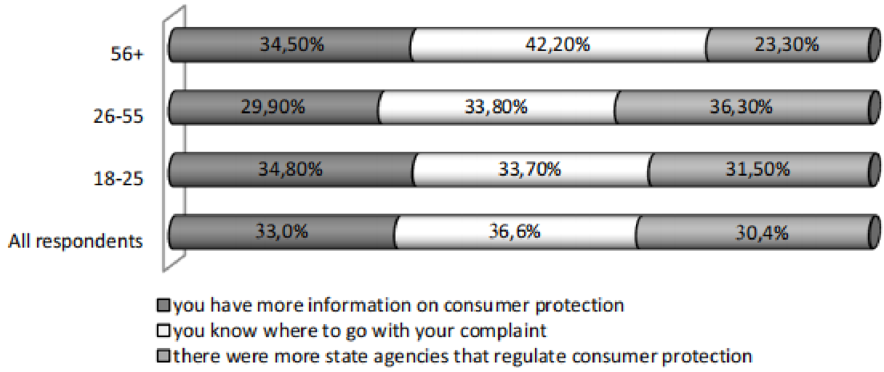

Figure 6. Shares of answers the question Will you be safer, if:...?

Soure: S.M. Lobozynska, 2016, *Report on the survey „Protection of consumers in financial services in Ukraine"*, November, 1,500 questionnaires.

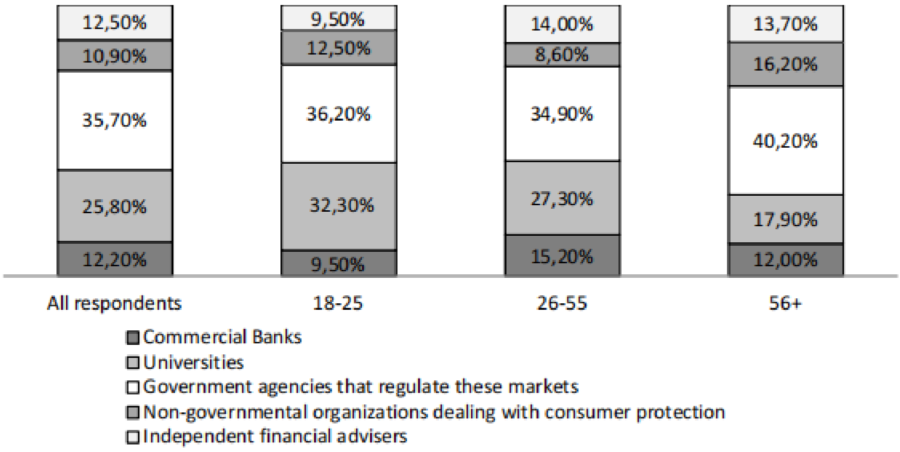

Figure 7. Shares of the answers the question „In your opinion, who should implement financial literacy programs for consumers?"

Source: S.M. Lobozynska, 2016, *Report on the survey „Protection of consumers in financial services in Ukraine"*, November, 1,500 questionnaires.

Онлайн сервіс створення та перевірки кваліфікованого та удосконаленого електронного підпису

ПРОТОКОЛ
створення та перевірки кваліфікованого та удосконаленого електронного підпису

Дата та час: 16:21:21 14.05.2025

Назва файлу з підписом: KMR_Liu_Yanming_Galych_bank.pdf.p7s[1].p7s[1].p7s
Розмір файлу з підписом: 1.4 МБ

Назва файлу без підпису: KMR_Liu_Yanming_Galych_bank.pdf.p7s[1].p7s[1]
Розмір файлу без підпису: 1.4 МБ

Результат перевірки підпису: Підпис створено та перевірено успішно. Цілісність даних підтверджено

Підписувач - 1: ГАЛИЧ РОМАН ВОЛОДИМИРОВИЧ
П.І.Б.: ГАЛИЧ РОМАН ВОЛОДИМИРОВИЧ
Країна: Україна
РНОКПП: 3271209038
Організація (установа): ФІЗИЧНА ОСОБА
Час підпису (підтверджено кваліфікованою позначкою часу для підпису від Надавача): 19:11:36 12.12.2024
Сертифікат виданий: КНЕДП АЦСК АТ КБ "ПРИВАТБАНК"
Серійний номер: 5E984D526F82F38F0400000086D01A01A0838205
Тип носія особистого ключа: Незахищений
Алгоритм підпису: ДСТУ 4145
Тип підпису: Удосконалений
Тип контейнера: Підпис та дані в одному файлі (CAdES enveloped)
Формат підпису: З повними даними ЦСК для перевірки (CAdES-X Long)
Сертифікат: Кваліфікований

Підписувач - 2: АЗАРЕНКОВА ГАЛИНА МИХАЙЛІВНА
П.І.Б.: АЗАРЕНКОВА ГАЛИНА МИХАЙЛІВНА
Країна: Україна
РНОКПП: 2571514226
Організація (установа): ФІЗИЧНА ОСОБА
Час підпису (підтверджено кваліфікованою позначкою часу для підпису від Надавача): 19:34:13 12.12.2024
Сертифікат виданий: КНЕДП АЦСК АТ КБ "ПРИВАТБАНК"
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Алгоритм підпису: ДСТУ 4145
Тип підпису: Удосконалений
Тип контейнера: Підпис та дані в одному файлі (CAdES enveloped)
Формат підпису: З повними даними ЦСК для перевірки (CAdES-X Long)
Сертифікат: Кваліфікований

Підписувач - 3: Омеляненко Денис Олегович
П.І.Б.: Омеляненко Денис Олегович
Країна: Україна
РНОКПП: 3634714115
Час підпису (підтверджено кваліфікованою позначкою часу для підпису від Надавача): 15:08:40 19.12.2024
Сертифікат виданий: "Дія". Кваліфікований надавач електронних довірчих послуг
Серійний номер: 382367105294AF9704000000EF5A070009B10B03
Тип носія особистого ключа: ЗНКІ криптомодуль ІІТ Гряда-301
Серійний номер носія особистого ключа: Не визначено
Алгоритм підпису: ДСТУ 4145
Тип підпису: Кваліфікований
Тип контейнера: Підпис та дані в одному файлі (CAdES enveloped)
Формат підпису: З повними даними ЦСК для перевірки (CAdES-X Long)
Сертифікат: Кваліфікований

Версія від: 2025.01.15 13:00