



Report



# A Wrinkle in the Process: Financial Inclusion Barriers in an Ageing Europe

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Finance Watch

Making finance serve society

A close-up photograph of two elderly hands resting on a dark, textured wooden surface. The hands are wrinkled and show signs of age. The lighting is soft, highlighting the texture of the skin and the grain of the wood.

*“It’s not how old you are.  
It’s how you are old.”*

- Jules Renard

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## Executive Summary

**“Never lose sight of the fact that old age needs so little but needs that little so much.”**

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**Margaret Willour**

Building upon previous investigations into the vulnerability of certain groups toward financial and therefore social exclusion, this report begins to explore the vulnerabilities specific to older people residing within the European Union and reflects upon the impact of barriers to their inclusion. Financial exclusion can be understood as *“a process whereby people encounter difficulties accessing and or using financial services and products in the mainstream market that are appropriate to their needs and enable them to lead a normal social life in the society in which they belong.”*<sup>1</sup>

Our findings reaffirm the importance of access to a previously identified basic package of financial tools and services which includes cash, a payments account, savings account, a safe third pillar pension product, motor insurance, health insurance, home insurance and personal liability insurance. The main barriers impacting the access of older people to this basic package of financial tools and services can be broadly summarised into three categories: age limits, digitalisation and poverty or low income. The green and digital transitions as well as the responses to the Covid-19 crisis risk exacerbating these barriers even further if consciousness of these barriers is not elevated. The intersectional vulnerabilities faced by individuals, for example as older women or immigrants, within their local context are vital to consider in constructing equitable solutions.

Mitigation of barriers to inclusion are essential not only in maintaining the autonomy, inclusion and well-being of older people, but absolutely necessary for realising the goals laid out by the European Pillar of Social Rights and the 2030 Sustainable Development Goals (SDGS). They also raise the importance of bolstering the rights of older people and those affected by disabilities through a full implementation of the UN Convention on the Rights of Persons with Disabilities (CRPD).

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<sup>1</sup> Jérusalmy, O., Fox, P., Hercelin, N. & Mao, L. (2020, March). Financial exclusion: Making the invisible visible. Finance Watch. Retrieved 3 September 2020 from [https://www.finance-watch.org/wp-content/uploads/2020/03/FW-Report\\_Vulnerable\\_Groups\\_March2020.pdf](https://www.finance-watch.org/wp-content/uploads/2020/03/FW-Report_Vulnerable_Groups_March2020.pdf).

## Introduction

In the coming years, the European Union will move to implement the twenty key principles of the European Pillar of Social Rights (EPSR). Simultaneously, the post-Covid recovery plan will intensify an already rapid progression toward digitalisation. To ensure that more of the EU's ageing population is not financially and socially excluded in the race to rebuild and transform the economy, the European Union must align its priorities to promote long-term inclusion and a reduction of inequalities both within and between Member States.<sup>2</sup> Theoretical economic models predict that Europe's ageing population and subsequent rise in the old-age dependency ratio will have the effect of increasing inequality due to increased strain on social transfers and the disparity of pension systems between Member States.<sup>3</sup> Optimising the inclusion of older people is especially prudent considering the old-age dependency ratio is projected to rise from 32.0 retirees for every 100 working age members of our society to 39.1 by 2030 and 52.0 by 2050.<sup>4</sup>

To chart our course, we must understand the specific barriers which limit the financial inclusion of older people, as well as how age, gender structures and the realities of geographic locations within the European Union intersect to assert their influence. From this point of awareness, we must support practices and products which promote inclusion and elevate the European Union's best examples of functioning legislation to act as a lighthouse for all Member States. The EPSR can indeed act as a compass in the efforts to increase inclusive social protection when its principles are interpreted mindfully.

Before proceeding to our findings and analysis, it seems sensible to address a perceived shortcoming within the EPSR. It is regrettable that the word 'equality' or 'equal' has been chosen over 'equity' or 'equitable' in every applicable instance of the EPSR. Though both concepts promote the values of fairness, equality is a limited approach to social justice which assumes a level playing field for all members of society and therefore treats all individuals as equal.

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"The greater danger for most of us lies not in setting our aim too high and falling short; but in setting our aim too low and achieving our mark."<sup>5</sup>

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In reality, the constructs built around gender, race or other aspects of social identity, the privileges or disadvantages associated with geographical location and an individual's position along a spectrum of physical and mental capabilities should inspire us to reject 'equality' as an approach toward social rights and protections. Instead, we argue that equity would be a more

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2 Eurostat. (2020, July 3) Accessed 27 October 2020 from DEMO\_PJANIND [https://ec.europa.eu/eurostat/data-browser/product/view/DEMO\\_PJANIND](https://ec.europa.eu/eurostat/data-browser/product/view/DEMO_PJANIND)

3 Von Weizsäcker, R.K. (1995), Public Pension Reform, Demographics, and Inequality, Centre for Economic Policy Research Discussion Paper 978. Retrieved from <http://www.jstor.org/stable/pdfplus/20007465.pdf?acceptTC=true>.

4 Eurostat - EUROPOP2019 population projections. (July 20, 2020). Accessed 27 October 2020 from [https://ec.europa.eu/eurostat/databrowser/product/view/PROJ\\_19NDBI](https://ec.europa.eu/eurostat/databrowser/product/view/PROJ_19NDBI).

5 Michelangelo Quotes. (n.d.). [allauthor.com](https://allauthor.com). Retrieved 15 March 2021, from [allauthor.com](https://allauthor.com/quote/139928/) Web site: <https://allauthor.com/quote/139928/>.

appropriate approach toward enabling “a life in dignity at all stages of life”<sup>6</sup>, as it acknowledges the disparities experienced by certain demographics. The impact of distinguishing between these two different conceptual approaches has been documented in various fields of study and widely circulated in popular culture.<sup>7</sup>

The desire to employ an equitable approach has been implied in certain principles of the EPSR. For example, in ‘Principle 3. Equal Opportunities’, it is stated that “equal opportunities of under-represented groups shall be fostered.” However, it would be more appropriate to apply the concept of equity to all applicable principles in order to elevate the aim of the EPSR’s approach and increase the likelihood of reaching its targets. This distinction in semantics is particularly relevant to our literature review findings on pensions which supplement our survey results.

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6 European Commission. (2020, September 7). The European Pillar of Social Rights in 20 principles. Retrieved 12 November 2020, from [https://ec.europa.eu/commission/priorities/deeper-and-fairer-economic-and-monetary-union/european-pillar-social-rights/european-pillar-social-rights-20-principles\\_en](https://ec.europa.eu/commission/priorities/deeper-and-fairer-economic-and-monetary-union/european-pillar-social-rights/european-pillar-social-rights-20-principles_en)

7 Stabile, B. (2020), The Persisting Importance of Rhetoric and Equity in Health Policy and Outcomes. *World Medical & Health Policy*, 12: 86-89. Retrieved 15 March 2021 from <https://DOI-org.ezproxy.ub.gu.se/10.1002/wmh3.344>.

## Methodology

The primary data collection phase for this study was conducted through a perception survey which was available online September through October of 2020. The perception survey included multiple choice and open response questions on the awareness of barriers regarding six categories of financial products: basic payment accounts, cash, credit, savings, insurances and pensions. Two multiple choice questions with open response sections on the impact of measures implemented in response to Covid-19 and an equivalent number of questions targeted at highlighting any potential gender disparities regarding product or service access and financial wellbeing under national pension systems were also included. The survey was made available in seven of the EU's 24 official languages – English, French, Italian, German, Spanish, Swedish and Romanian – in order to expand the accessibility of the survey and based on the linguistic capabilities of Finance Watch employees and partners. We acknowledge this will have contributed to a smaller number of responses from other countries.

The initial 254 invitations to participate in the survey were disseminated by Finance Watch to members, government agencies, consumer advocacy groups, seniors' organisations and other civil society organisations experienced in working with the target demographic or services from each of the EU's 27 Member States plus the United Kingdom. Invitations welcomed organisations to share the survey with members and other relevant organisations within their national context in an attempt to expand the number of recipients. A total of 77 viable survey responses were received with at least one response from each Member State; Austria (1), Belgium (3), Croatia (1), Cyprus (1), Czech Republic (1), Denmark (1), Estonia (2), Finland (2), France (2), Germany (2), Greece (2), Hungary (1), Ireland (4), Italy (4), Lithuania (2), Luxembourg (1), Malta (2), Netherlands (1), Poland (1), Portugal (5), Romania (22), Slovenia (3), Spain (3), Sweden (1), United Kingdom (1). No response was received from individuals or organisations representing Latvia. The higher number of responses from Romania is likely due to the assistance of Finance Watch member Crederé who were particularly successful in disseminating the survey within their local network.

From the total pool of respondents 53% represented an organisation with 95% from within that group speaking on behalf of a non-government organisation and 5% responding from the perspective of a national governmental institution. The remainder of respondents represented their own unaffiliated, personal views either as academics, individuals drawing from their professional experiences or as older individuals with lived experience.

Not all respondents completed the survey in its entirety, but those survey forms containing a significant amount of data were included in the final results. Responses were considered viable when at least one section of the survey was completed beyond personal information. The denominator for specific questions was calculated using the initial total number of participants minus the number of participants who had not provided any responses within that section. Partial completion of the study might indicate a lack of knowledge surrounding certain financial products, difficulties in language comprehension or fatigue due to the length of the survey which took, on average, 25 minutes to complete.

The very nature of financial exclusion makes it a difficult phenomenon to collect data on.<sup>8</sup> By tapping into the wealth of knowledge accumulated by respondents with expertise or academic credentials in economics, consumer rights, worker and senior advocacy groups we illuminate the most pressing barriers older people face toward financial inclusion. It is recognised that this sample is limited in size, but we are confident that the combined expertise of respondents acting as citizen advocates ensures that important insights can be inferred from this set of data. We also acknowledge that, though no specific information was presented to us by respondents, barriers to inclusion which impact specific groups, such as older migrants or members of the LGBTQ community are likely present in society and are worthy of further investigation. The issues presented here are in no way intended to be an exhaustive list of those which impact the financial inclusion of older Europeans as a whole or of those which impact the numerous intersectional groups composing the demographic.

As the concept of old age is subjective, our survey allowed respondents to select parameters for their frame of reference from two age groups: 50-74 and 75+. While 33 responded in reference to both age groups, 26 responded in regard to people ages 50-74 and 18 to those aged 75 years or more. Open comment sections following each question on the survey allowed participants to refer to specific ages when applicable. The data collected in the initial survey has been disaggregated by age group. Distinct findings between groups or on specific subsets will be mentioned when applicable, otherwise it can be assumed the findings apply to the wide range of persons aged 50 or older. Workshop discourse highlighted the need for a high-level definition of “older persons” in order to fine-tune research and legislative measures. For future studies, we recommend that the age groups be split even further to capture more fine-tuned conceptions of European life as an older worker, the phase of early retirement and finally, the period of later retirement. Age ranges should be adapted to the appropriate national context on retirement when possible.

Following the initial survey, two virtual workshops were held during which the findings were presented, and attendees were able to respond, discuss and provide further information. The first workshop was attended by an assembly of task forces from AGE Platform Europe, an advocacy network for the interests of Europeans aged 50+, which was instrumental in the drafting and dissemination of our survey. Namely, the task forces on Adequate Income, on the Fight Against Poverty and Social Exclusion, on Consumer Rights and Financial Services as well as the task force on Age-Friendly Environments were present. The format of the second workshop was the same but invited all respondents who had submitted responses to our initial survey.

Comments received during the workshop discussions provided important additional information. Participants felt in several cases that the survey data did not represent the full reality of the issues dealt with and were able to offer additional background. They also offered more details on the situations in their countries based on their professional experience.

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8 UN DESA. (2016). Leaving no one behind: the imperative of inclusive development. Report on the World Social Situation. Ch 1; pg 22. Retrieved 3 September 2020 from <https://www.un.org/development/desa/dspd/world-social-report/rwss2016.html>.



## Key Findings

To ascertain the necessity of products which were previously identified by Finance Watch as essential to avoid financial exclusion, participants in the initial survey were asked if a series of products were necessary, or in other words if not having the ability to access or use the products created social issues for older people. Our previously identified basic package of financial products includes cash, a payments account, savings account, a safe third pillar pension product, motor insurance, health insurance, home insurance and personal or family liability insurance. More than two-thirds of respondents identified the above-mentioned products as being essential for older society members as a baseline for inclusion. Payment accounts and cash were identified as the most important products with 70% and 72% of participants respectively responding that they were *absolutely necessary*. These figures grow to 94% and 86% respectively when the scope is expanded to include participants who viewed access to a payment account and cash as at least *somewhat necessary* to avoid exclusion. Travel insurance and consumer credit, which were outside our previously identified basic package, were also viewed as necessary products for older people by 68% and 73% of respondents respectively. Less than half of respondents considered mortgage credit (46%), car loans (49%), and car rental insurance (35%) as products necessary to the financial and social inclusion of older people.

Ensuring the financial inclusion of older people benefits the individual, the family unit and the broader society in which they reside. Participants in our study highlighted the many impacts of exclusion in what we have consolidated into three categories: reduction or loss of financial and social autonomy, reduced quality of living in terms of access to goods and services, as well as a negative impact on self-image and mental health. While the isolated relationship between financial exclusion and health has yet to be firmly established academically, a considerable amount of research has linked material deprivation and social isolation to declining mental and physical health.<sup>9</sup> These effects can radiate out into the family group. Well-aware of the situation of their oldest community members, the burgeoning anxiety over an increasingly aged population of which they will someday be a part of poses unknown psychological burdens upon future cohorts of retirees who work their entire lives knowing the current system struggles to support the status quo. This highlights the need to take action and move towards a more inclusive society now.

In the section that follows, current barriers to the access of basic financial products and services as identified by our respondents are summarised and reviewed individually. The current legislative context is also reviewed and accompanied by recommendations for measures to improve what should be considered a basic principle in modern society – financial inclusion – both for older people now and for future generations.

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9 Terraneo, M. (2020, December 20). The Effect of Material and Social Deprivation on Well-Being of Elderly in Europe. The International Journal of Health Services. Retrieved 20 January 2021 from <https://DOI-org.ezproxy.ub.gu.se/10.1177/0020731420981856>.

## Key barriers: poverty & low income, digitalisation and age limits

A March 2020 Finance Watch report identified three categories of key barriers to financial inclusion: legal requirements to access, financial requirements for access and required skills or means in the form of financial literacy or physical abilities.<sup>10</sup> The survey has confirmed that older people are affected by all three types of financial barriers. The most visible expression of these barriers can be summarised into three main categories: poverty or low income, digitalisation of financial services and age limits on certain products. These barriers present themselves due to situations which older people are more likely to experience.

The majority of participants in our survey posited that older people were more likely than the general population to be affected by poverty or low income, experience reduced mobility, lack digital skills, live with impairment or illness and reside in a remote or rural location. In the case of issues like exposure to the effects of poverty or low income, additional information gathered through the workshops indicated this exposure is due to the cumulative effect of other barriers that older people are more likely to experience in combination with pension inadequacy. Whilst the wider population may also cumulate numerous inter-linked barriers to inclusion, older people in these cases would experience the same situations, with the additional specific barriers that their age may bring on top. Additionally, while older women may have equal legal access to financial tools and services, inequality in the construct of social systems – such as public or occupational pensions built around male realities as the standard – limits women's de facto access. Just over half of the participants indicated an increased likelihood of lacking a digital device on which to access digital financial services and 50% cited an increased likelihood of lacking internet service. Older people were not identified as being at significantly higher risk of homelessness, unemployment, over-indebtedness, having a record of payment default, or as being more likely to have a history or current status of self-employment or a migrant background. This does not imply that such factors do not impair the financial and social inclusion of older people, but rather that such an effect is more or less equal across adult age groups. The perceived magnitude of such life situations differs regionally, but due to limited responses per Member State these findings would best be interpreted as a first basis to inspire future inquiries into more narrowly focused in-depth research.

Rather intuitively, when the data is disaggregated according to age group, those above age 75 are perceived as more likely to be affected by impairment or illness and reduced mobility than their counterparts between the ages of 50 and 74. Conversely, over-indebtedness was indicated to have a greater association with the 50-to-74 age group than those over 75, though only 40% of respondents overall indicated this circumstance was more likely to affect older people than the general public.

It is of extreme importance to recognise from the start that monetary income is not a reliable indicator for capturing the experiential circumstances of those who are living in or at risk of pov-

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10 Jérusalmy, O., Fox, P., Hercelin, N. & Mao, L. (2020, March). Financial exclusion: Making the invisible visible. Finance Watch. Retrieved 3 September 2020 from [https://www.finance-watch.org/wp-content/uploads/2020/03/FW-Report\\_Vulnerable\\_Groups\\_March2020.pdf](https://www.finance-watch.org/wp-content/uploads/2020/03/FW-Report_Vulnerable_Groups_March2020.pdf).

erty.<sup>11</sup> This point was emphasised by participants in our workshops as well as a growing wealth of academic evidence. Neither the true nature of material conditions nor stress of economic hardship are consistent with or fully captured by poverty statistics.<sup>12</sup> Poverty indicators are also not conducive to stand alone in capturing the experiential realities in cross-country comparisons even when adjusted for cost of living.<sup>13</sup> Further discussion on this issue can be found under the heading on poverty and low income.

To ameliorate the barriers to financial inclusion in a systematic way we promote adopting a two-pronged approach of prevention and mitigation. Prevention of financial exclusion in the later stages of life requires equipping children and working age adults with the tools and environment they need to prepare for post-retirement life. This can be achieved through broad, multi-sector collaboration aimed at reducing inequalities in the later stages of life. Mitigation, or reducing the impact of current barriers to inclusion, is viewed here as the approach which places those currently in the near and post-retirement phase of life, or third age, into focus. Mitigation initiatives must take into consideration how the situational contexts of older people are affected by the current trends and provide protections from risks as well as opportunities for adaptation.

The findings of the survey and workshops support the implementation of a set of basic financial services at EU level as the keyway to achieve both mitigation and prevention. These services if properly promoted and implemented would ensure that all citizens can access safe, suitable products that allow them to participate fully and equally in society. Furthermore, this would ensure more people can build a stable financial safety net for their retirement and insulate themselves against life accidents. It would also help more people to access employment and essential services, having a positive economic and social impact. There are a number of other areas to be considered, which can also contribute to mitigation and prevention alongside the introduction of a set of basic financial services.

Financial literacy is commonly promoted as the vehicle to achieve the transition from some level of financial exclusion toward financial empowerment. Within the context of Europe's ageing demography this means individuals must prepare to finance longer periods of retirement within an increasingly digitalised marketplace and cover increased costs of healthcare in the generalised shift away from welfare provision.<sup>14</sup> While increasing financial literacy is relevant within the prevention and mitigation approach, equitable adjustments of social structures and adequate regulation of financial products will go much further towards creating an environment which embodies our values of human dignity, freedom, equality and solidarity for all stages of life.

It must be noted that our view on the concept of financial literacy challenges mainstream notions. Within the confines of a mainstream financial industry perspective individuals are viewed as consumers responsible for adapting to an increasingly complex financial landscape by acquiring

11 Rigen, S. (1988). Direct and indirect measures of poverty. *Journal of Social Policy*. 17(3); 351-365. Retrieved 19 January 2021 from [http://www.dia-vorsorge.de/wp-content/uploads/2016/07/ZUnited\\_Kingdomunfts-preis\\_2016\\_6\\_AdenaMyck\\_SSM\\_2014.pdf](http://www.dia-vorsorge.de/wp-content/uploads/2016/07/ZUnited_Kingdomunfts-preis_2016_6_AdenaMyck_SSM_2014.pdf).

12 Adena, M., Myck, M. (2014). Poverty and transitions in health in later life. *Social Sciences & Medicine*. 116; 202-210. Retrieved 20 January 2021 from <https://DOI.org/10.1016/j.socscimed.2014.06.045>.

13 Fahey, T. (2007). The case for an EU-wide measure of poverty. *European Sociological Review*. 23(1);35-47. Retrieved 20 January 2021 from <http://ub016008.ub.gu.se/cgi-bin/auth.cgi?url=https://www.jstor.org/stable/4137350>.

14 Financial Literacy & Education Russia Trust Fund. (2013, June). Women and financial literacy: OECD/INFE evidence, survey and policy response. Retrieved 27 November 2020 from [http://www.oecd.org/daf/fin/financial-education/TrustFund2013\\_OECD\\_INFE\\_Women\\_and\\_Fin\\_Lit.pdf](http://www.oecd.org/daf/fin/financial-education/TrustFund2013_OECD_INFE_Women_and_Fin_Lit.pdf).

knowledge. Furthermore, the well-being of the financial system is viewed as contingent upon consumer responsibility or lack thereof. We reject that the onus should fall solely upon citizens within an imperfect financial system riddled with predators and rent-seekers. Instead, we promote challenging unwarranted complexity and risk through collective action.<sup>15</sup> Financial literacy programmes for older people should be developed in coordination with seniors' organisations and civil society members, target the needs of specific age groups and ideally not be managed by financial institutions. Workshop participants affirmed these points, highlighting that literacy programmes designed by financial institutions would be biased or viewed through a lens of mistrust.

Disentangling the barriers to inclusion from all aspects of the life cycle and producing an exhaustive list of factors contributing to varying degrees of financial exclusion is well beyond the scope of this report. Acknowledging that a multitude of contributing factors exist, however, allows us to embrace the opportunity to respond with an array of policy solutions across a range of sectors.

In terms of prevention of risk for future cohorts, expansion of early and continuing education in alignment with the prospective demands of the labour market certainly have an important place in reducing old age inequalities and the risk of exclusion. Additionally, the transition toward a sustainable food system which provides affordable, nutritious food and the expansion of access to health can increase the capacity to have a full working life and maximise pension contributions and benefits (Principle 16; right to health EPSR). As wages and pension schemes are built largely on outdated, patriarchal conceptions of labour, a comprehensive approach to modernising the valuation and necessity of unpaid work, part-time and low-skilled labour is long overdue (Principle 14, right to minimum income, EPSR). Adequately adjusting pension credit for care gaps, taking economic shocks to employment into consideration when calculating benefits and bolstering affordable childcare and long term care services can all positively impact the financial and social inclusion that we experience in our old age (Principle 15, old age income, EPSR).<sup>16</sup>

The main focal points of this report, however, are the barriers to inclusion that the current cohort of older Europeans is currently facing and therefore mitigation will comprise the majority of our recommendations. Mitigation and prevention actions are overlapping to some degree in their nature. For example, acknowledging and challenging gender constructs and their outcome can positively impact the current population of older Europeans, in particular the very old, and have a lasting effect on inclusion for the future. Digital skills training, as well, can be useful to all generations. Mitigation of exclusion caused or exacerbated by digitalisation, however, means increasing the availability of digital skills training courses made suitable for older people and ensuring affordable access to the internet as a right for all. The number of these types of programmes are significantly lacking in comparison to those available for working age and traditional students.<sup>17</sup> Digital skills programmes tailored to older persons should be complimented by a proliferation of designed-for-all and adaptive technologies and a mandate to accommodate the preferences of older people by maintaining brick and mortar options and preserving universal access to and acceptance of cash. This again brings us back to the importance of identifying a

15 Hütten, M., & Thiemann, M. (2018, July 30). Critical financial literacy – an agenda. Retrieved 13 November 2020, from <https://www.finance-watch.org/critical-financial-literacy-an-agenda/>.

16 European Institute for Gender Equality. (2015). Gender gap in pensions in the EU: Research note to the Latvian Presidency. Retrieved 30 October 2020 from DOI: 10.2839/221006.

17 European Commission, Digital Economy and Skills Unit F.4. (2018, September 18). Sharing Europe's digital future: Digital Skills for all Europeans -Brochure. Retrieved 13 November 2020 from [https://ec.europa.eu/newsroom/dae/document.cfm?doc\\_id=61691](https://ec.europa.eu/newsroom/dae/document.cfm?doc_id=61691).

set of basic financial services which can have an impact on both mitigation and prevention. It is also based on action that can be taken in line with the competences of the European Union to regulate financial services, whereas other measures are only covered by limited Union mandates.

### Poverty and low income

As we enter a recession equal to if not more severe than that in 2008-2009, we enter a high-risk zone of reversing the progress made in the last 30 years toward ending poverty – the very first of the 2030 SDGs.<sup>18</sup> Older people, especially older women, are particularly vulnerable to economic recession as their finances and healthcare mostly depend, at least to some degree, on social transfers. The European Commission has recognised the fact that increasing age coincides with an increasing risk of poverty and social exclusion.<sup>19</sup> This is not to say that on the whole, older Europeans are at a greater risk of poverty than their younger counterparts. In the EU-27, 16.1% of people over 60 are at-risk-of-poverty or social exclusion (AROPE). The AROPE rate of this group has increased by 1.3% since 2011<sup>20</sup> with the real number of individuals growing from 15.5 million in 2011 to 19.1 million in 2019.<sup>21</sup> Although economic redistribution may be higher among older Europeans, inequality among this group is considerable both between genders, immigrants and natural born citizens, and between Member States. Projections of demographic changes in the old-age dependency ratio and immigration increases forecast growing inequality if not met with reforms to create adequate pensions. Economic models project the risk for rising inequality is higher in countries with pensions linked to pre-retirement earnings in comparison to those with universal, comprehensive public pension benefits.<sup>22</sup>

Indeed, before the Covid crisis began the pace of progress toward eliminating poverty had already decelerated worldwide, though at an EU level this progress varied between Member States and age groups. In 2019, regional averages for northern countries suggest 13.6% of people above the age of 65 are AROPE, compared respectively to 17.2%, 49.9% and 22.4% of their counterparts in the western, eastern and southern states.<sup>23</sup> Awareness among our respondents reflected this interstate inequality. In the northern states of Denmark, Finland and Sweden, 75% of participants cited the risk of poverty or low income as significant for older people. In comparison, 69% of respondents from western countries, 94% from eastern countries and 81% from southern countries felt the same way.

In the majority of Member States, the population over 65 is at higher risk of poverty and social exclusion than the working age population. In the case of some Member States, namely Italy, Luxembourg, the Netherlands, Spain, Sweden and the United Kingdom, the percentage of

18 United Nations. (2020, March). Shared responsibility, global solidarity: Responding to the socio-economic impacts of Covid-19. Retrieved 4 November 2020 from [https://www.un.org/sites/un2.un.org/files/sg\\_report\\_socio-economic\\_impact\\_of\\_Covid19.pdf](https://www.un.org/sites/un2.un.org/files/sg_report_socio-economic_impact_of_Covid19.pdf).

19 European Commission & Social Protection Committee. (2018). Pension Adequacy Report 2018: Current and Future Income Adequacy in Old Age in the EU. Volume 1. Pg. 16. European Union. Accessed 8 September 2020 from DOI:10.2767/406275.

20 Eurostat. (2021, 11 Feb). At-risk-of-poverty rate of older people, by age and sex – EU-SILC and ECHP surveys. Retrieved 15 February 2021 from [https://ec.europa.eu/eurostat/databrowser/view/ilc\\_pns1/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/ilc_pns1/default/table?lang=en).

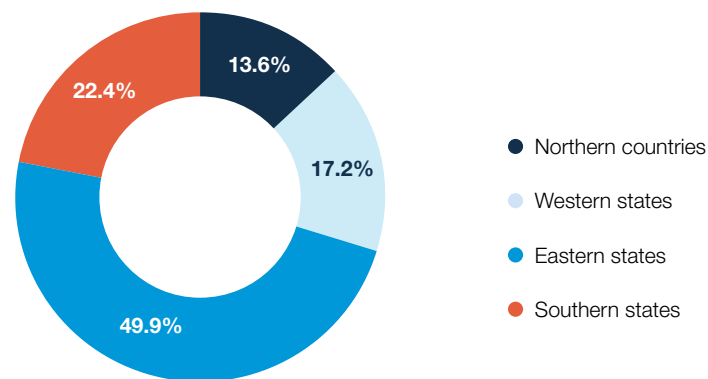
21 \*Rate calculated based on population statistics from Eurostat. (2021, 12 February). Population on 1 January by age group and sex. Retrieved 15 February 2021 from [https://ec.europa.eu/eurostat/product?code=demo\\_pjangroup&mode=view&language=EN](https://ec.europa.eu/eurostat/product?code=demo_pjangroup&mode=view&language=EN).

22 Employment, Social Affairs and Inclusion. (2013, April). Demography and Inequality; how Europe's changing population will impact income inequality. European Commission. Retrieved 28 December 2020 from <https://ec.europa.eu/social/BlobServlet?docId=16060&langId=en>.

23 Eurostat. (2020, 27 Oct). People at risk of poverty or social exclusion by age and sex. Retrieved 31 October 2020 from [https://ec.europa.eu/eurostat/databrowser/view/ILC\\_PEPS01\\_\\_custom\\_147744/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/ILC_PEPS01__custom_147744/default/table?lang=en).

people AROPE between 18 and 64 has increased since 2010 and AROPE for those over age 65, measured after social transfers, is below that of the working age population. Even though the relative risk for the 65+ group has remained lower than the working age population in Luxembourg and the Netherlands, the group's risk for poverty has increased 3.5 and 6.4 percentage points respectively since 2010. In Italy, Sweden, Spain and the United Kingdom AROPE rates for the 65+ group have fluctuated, all reaching their nadir sometime between 2012 and 2014.<sup>24</sup>

#### 2019 regional average AROPE (age 65+)



In other Member States, the risk of poverty among the 65+ group has remained higher than the working-age population or become much higher since 2012 onward. For older people in Bulgaria and Croatia, the risk of poverty has remained consistently higher than their working-age counterparts since 2010, with 47.1% and 33.6% respectively AROPE in 2019. In Estonia, the risk for poverty above the age of 65 has increased from 19% to 44.6% between 2010 and 2019. Older people in Czechia, Cyprus, Latvia, Lithuania, Malta, Poland, Romania and Slovenia face a higher risk of poverty than the majority of the population. In Czechia, Estonia, Lithuania and Malta, the percentage of older people AROPE is higher than it was in 2010.

Workshop participants reflected on the anomalies for AROPE rates in older age groups, specifically discussing countries where older people were at lower risk of poverty than the working population. At least in Italy, the lower relative risk of poverty and exclusion among older Italians was said to be explained by high rates of home ownership and the collective political influence of a large, aged population. Of course, this is in contrast to high unemployment rates among the younger working age population. The pension system has been protected despite austerity measures due to the group's influence and a recognition of the social value older family members play in supporting household incomes.

In general, however, there was much dispute over the validity of using AROPE statistics to accurately capture the vulnerabilities to exclusion older people might face. While the risk of poverty may be lower for those above the age of 65, a significant proportion hover just above poverty level and losing sight of this fact when adjusting policy would place people at risk of losing access to public services. Additionally, household AROPE statistics do not capture those living in assisted living facilities and thereby may exclude a large number of older individuals.<sup>25</sup>

<sup>24</sup> Eurostat. (2020, 27 October). At-risk-of-poverty rate by age group – EU. SILC survey. Retrieved 4 November 2020 from <https://ec.europa.eu/eurostat/databrowser/view/tessi012/default/table?lang=en>.

<sup>25</sup> Eurostat. (2020, January 30). "3.4 Statistical concepts and definitions." Incoming and living conditions (ilc). Retrieved 4 November 2020 from [https://ec.europa.eu/eurostat/cache/metadata/en/ilc\\_esms.htm](https://ec.europa.eu/eurostat/cache/metadata/en/ilc_esms.htm).

How poverty and low income is measured has been widely disputed and crucial to designing appropriate policy responses.

Perceptions of the factors contributing to poverty or low income in old age vary somewhat by geographic location. For the northern Member States, older people are considerably more well off due to “solid pension system(s)” and state provided healthcare services. Certain groups, such as women and immigrants, especially those who have migrated later in life, continue to be at higher risk of poverty.<sup>26</sup> In the eastern states of Croatia, the Czech Republic, Estonia, Hungary, Lithuania, Poland, Romania and Slovenia low lifelong salaries, limited options for pension contributions and age-related health issues requiring costly treatments were commonly cited by respondents as having an impact both on poverty in old age and accessibility to financial products and tools.

Despite regional variations of the prominence of certain factors, some general trends can be identified as contributing to poverty or low income in old age. Pension inadequacy was highlighted by many participants and warrants revisiting to greater depth in a later section. Poverty and low income are cyclically reinforced. When viewed from the level of the entire life cycle, low wages, caring duties and financial hardships earlier in life negatively impact pension contributions as well as the ability of individuals to invest in education, insurances and savings, which may increase their potential earnings or protect against financial hardships. While de jure equality in access to financial tools and services may be realised between genders, de facto access is limited by compounded social constructs throughout life and puts older women at higher risk of poverty and exclusion.

Furthermore, a modest expendable income limits the possibilities of preventative healthcare, including nutrition, depending on national food policy structures and healthcare systems. The inability to access preventative care or avoid a poor diet contributes to the rising rates of non-communicable diseases, which are higher in Europe in comparison to all other World Health Organisation regions.<sup>27</sup> Countries with costly medical treatments and a low level of healthcare provision risk reducing opportunities for working age people to remain in the labour market. Those forced to retire early will retire with reduced pension accruals. The details identified that characterise the barrier of poverty and low income for older people seems to show a clear opportunity for a safe, suitable set of financial services. Access to affordable basic financial services in citizens working, or younger years of life would help them to build financial buffers against the challenges that the survey and our research have outlined.

### Digitalisation

In February 2020, the EU digital strategy ‘Shaping Europe’s Digital Future’ was launched by the Commission as a five-year plan to advance Europe’s digital transformation.<sup>28</sup> By extension the

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26 Gustafsson, B., Mac Innes, H., Österberg, T. (2017, November). Older People in Sweden Without Means: On the Importance of Age at Immigration for Being ‘Twice Poor’. Discussion Paper Series No. 11144. IZA Institute of Labour Economics. Retrieved 18 December 2020 from <http://ftp.iza.org/dp11144.pdf>.

27 World Health Organisation. (2020). Policy. Retrieved 13 November 2020 from <https://www.euro.who.int/en/health-topics/disease-prevention/nutrition/policy>

28 European Parliament. (2020, September). Legislative Train Schedule: A Europe fit for the digital age. Retrieved 30 September 2020 from <https://www.europarl.europa.eu/legislative-train/theme-a-europe-fit-for-the-digital-age/file-digital-age-strategy>.

next Multiannual Financial Framework 2021-2027 promises to deliver a “more digital” Europe.<sup>29</sup> Nearly every facet of public life – from private businesses to healthcare and government services – is going digital. Older generations, however, have reduced levels of experience when it comes to using today’s technology. Mismanaged digitalisation will expand the digital divide already evident in Europe, jeopardise privacy and security, exacerbate pre-existing inequalities within society and isolate vulnerable groups.

In terms of prevention, pension systems must reflect the changing nature of a digitalised labour market in order to adequately reduce inequalities and enable future cohorts of pensioners to live fulfilling lives. A loss in demand for medium skill workers, such as agricultural labourers and clerks, is projected as digitalisation and automation increase. The transforming labour market will demand high- and low-skilled workers and increasingly require individuals to engage in temporary and freelance contracts or work multiple jobs.<sup>30</sup> The Covid-19 crisis has revealed the essentiality of workers who are commonly referred to as “low-skilled,” calling into question the rationality behind this arbitrary taxonomy. Member States must be urged to ensure that pension structures reflect the nature of work and allow workers who perform necessary, but taxonomically low-skilled, temporary labour or multiple part-time jobs to accumulate adequate pension credits. Additionally, access to a set of basic financial services is an important way to help ensure that these workers are not faced with financial difficulty in addition to the issues linked with being on low income.

In general, respondents noted that older people tend to deal in cash and prefer to conduct their personal finances in person rather than on the web or even via ATMs. Respondents seemed to indicate this preference was especially strong in Eastern Europe, though according to the European Central Bank, cash remains the primary payment method for the broader population throughout the eurozone<sup>31</sup> with preference for cash increasing with age in all countries.<sup>32</sup> Respondents in all regions indicated that older people were lacking in the digital skills necessary to be financially included in an ever-increasingly digitalised marketplace. While the Commission’s reflections on the transitional period into the future acknowledge the necessity of social inclusion and equal opportunities as a means to reduce existing inequalities, little or no mention is made of Europeans beyond working age.<sup>33</sup> Europe’s strategy for a digital future, which promises technology that works for people and a more sustainable society, cannot ignore the realities of its older citizens or the advantages of maintaining the cash framework in the race to become technologically advanced and globally competitive.

The European Social Policy Network has identified the three main causes behind low internet usage: lack of interest, insufficient skills and prohibitory costs. The presence and magnitude

29 European Commission. (2020, November 11). Questions and Answers on the agreement on the €1.8 trillion package to help build greener, more digital and more resilient Europe. Retrieved 13 November 2020 from [https://ec.europa.eu/commission/presscorner/detail/en/QANDA\\_20\\_2088](https://ec.europa.eu/commission/presscorner/detail/en/QANDA_20_2088).

30 Vasilescu, M.D., Serban, A.C., Dimian, G.C., Aceleanu, M.I., Picatoste, X. (2020). Digital divide, skills and perceptions on digitalisation in the European Union— Towards a smart labour market. PLOS ONE 15(4): e0232032. <https://doi.org/10.1371/journal.pone.0232032>.

31 With the exception of the Netherlands, Finland and Estonia

32 European Central Bank. (2020, December). Study on the payment attitudes of consumers in the euro area (SPACE). Chart 3; 26. Retrieved 16 March 2021 from <https://www.ecb.europa.eu/pub/pdf/other/ecb.spacereport202012-bb2038bbb6.en.pdf>

33 European Commission. (2019, January 30). Com(2019)22: Reflection Paper; Towards a Sustainable Europe by 2030. Retrieved 21 December 2020 from [https://ec.europa.eu/commission/sites/beta-political/files/rp\\_sustainable\\_europe\\_30-01\\_en\\_web.pdf](https://ec.europa.eu/commission/sites/beta-political/files/rp_sustainable_europe_30-01_en_web.pdf).



of these barriers varies across the European Union and, of course, at the individual level.<sup>34</sup> In comparison to the total population, fewer members of older age groups are prevented from accessing the internet due to cost barriers. Despite this, affordability remains a significant barrier to over 20% of those over 65 in Slovakia, Germany, Bulgaria and Romania.<sup>35\*</sup> Though the Universal Service Directive 2002/22/EC did improve availability and affordability of internet service, the European Electronic Communications Code Directive 2018/1972 which was codified into law at the end of 2020 should further increase broadband access with special considerations put into place for low-income citizens.<sup>36, 37</sup>

From Sweden to Cyprus and Portugal to Poland, digital solutions penalise those without the skills necessary to use them. As 42% of EU citizens lack basic digital skills, our oldest members are clearly not alone in this penalisation.<sup>38</sup> Despite the usership of the internet for banking purposes expanding 22% and 19% respectively for Europeans aged 55-64 and 65-74 between 2010 and 2019, less than 50% of users in both age groups are currently utilising the internet for banking.<sup>39</sup> In some cases, the frustration or confusion that consumers experience with digital solutions result in avoidance of using the products altogether. Those seeking to use traditional services whereby in-person transactions are conducted with a human are forced to travel further to reach increasingly limited brick-and-mortar offices and absorb additional costs for non-digital transactions – sometimes paying fees for something as simple as a paper bank statement. The level of inconvenience which leads to product avoidance impacts not only the well-being of older members of society, but also potentially the financial services industry as a considerable portion of the available market is obstructed from accessing its tools and services.

While maintaining traditional methods of accessing financial services is important, well-designed technology and products can also increase access by older users. Designing and implementing socially acceptable products requires an understanding of the needs, capabilities and experiences of users within their unique socio-cultural context. Neither product designers nor financial service providers can assume the usability of new technology is universal based on their own experiences and data they have accumulated on use of existing products that have excluded certain groups of citizens. In order for older people to be empowered to utilise and access financial tools in the modern world, impairments brought on by old age as well as some basic discoveries in human development must be understood.

A 2010 study published by the Journal of Engineering Design presented the Generational Timeline Tool (GTT).<sup>40</sup> The GTT was built to reflect how the types of technology available in the

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34 Baptista, I. & Marlier, E. (2020). Access to essential services for people on low incomes in Europe: An analysis of policies in 35 countries. European Social Policy Network, European Commission. Retrieved 8 September 2020 from DOI 10.2767/93987.

35 Figures from 2015.

36 Directive 2002/22/EC of the European Parliament and of the Council of 7 March 2002 on universal service and users' rights relating to electronic communications networks and services (Universal Service Directive). Retrieved from <http://data.europa.eu/eli/dir/2002/22/oj>.

37 Directive (EU) 2018/1972 of the European Parliament and of the Council of 11 December 2018 establishing the European Electronic Communications Code (Recast)Text with EEA relevance. Retrieved from <http://data.europa.eu/eli/dir/2018/1972/oj>.

38 75 Digital Economy and Society Index.

39 Eurostat. (2020, October 14). Individuals - internet activities [ISOC\_CI\_AC\_I]. Retrieved 8 December 2020 from [https://ec.europa.eu/eurostat/databrowser/view/ISOC\\_CI\\_AC\\_I](https://ec.europa.eu/eurostat/databrowser/view/ISOC_CI_AC_I).

40 Sze Chong Lim, C. (2010). Designing inclusive ICT products for older users: taking into account the technology generation effect, Journal of Engineering Design, 21:2-3, 189-206. Retrieved 20, October 2021 from DOI: 10.1080/09544820903317001.

formative years – during which attitudes and skills are developed – impact a user’s capability to use technology later in life. These formative years are not marked by rigid boundaries but are considered to be at least between the age of 10 and 25. Though the technology generations in this study – or type of technology that was pervasive in society during the formative years of an individual – were based on the context of developed Western nations, the same can similarly be applied to different contexts. An individual in a developed Western country was part of the mechanical generation if their formative years took place before 1930, of the electro-mechanical generation with formative years between 1930 and 1960, and a member of the digital software generation with formative years occurring beyond 1960.

For example, consider an individual from the baby-boomer generation born in 1950 in the United Kingdom. This individual would be considered part of both the electro-mechanical generation and the digital software generation. By the time this individual was 25, the first commercially successful personal computer, the Altair 8800, had yet to be invented. Queen Elizabeth wouldn’t become the first head of state to send an email for another year and the world wide web wouldn’t be invented in the European Particle Physics Lab for another 14 years. This fictional individual almost certainly would have used the ATMs which began populating the United Kingdom in the late 1960’s and depending on their employment may have used the internet at work.<sup>41</sup> They may even have been among the 50% of U.K. households with internet access by 2005.<sup>42</sup> However, at that point their procedural memory and working memory – meaning the ability to quickly learn and remember how tasks are accomplished – were declining. Of course, we know that many baby boomers today are active online and even partaking in social media to stay connected with family and friends. By this point, however, we are also increasingly familiar with the correlation between older generations and a vulnerability to online security threats and scams.<sup>43</sup> Intuitively, an individual of the same age as our fictional Brit growing up in an area where the proliferation of digital technology occurred later on would likely have less familiarity and ease utilising digital technologies of today.

Decreased cognitive functioning in combination with an overload of information, such as that presented by a loan agreement or even the typical website, leads to suboptimal decision making among older adults.<sup>44</sup> A 2003 study questioning the universality of email interface design found that older generations had difficulties using hierarchical display directories and remembering where various options were located.<sup>45</sup> An opt-in, simplified version of websites or apps for novice users could reduce the difficulty and stress of using online tools. It must be emphasised that conditions such as Alzheimer’s, dementia and late-life onset of physical impairments are not equivalent to lifelong impairments and require special solutions with the input of those most familiar with the conditions. Simple technology solutions must be tailored to physical and cognitive capability and consider familiarity.

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41 Computer History Museum. (2020). “Networking and the Web.” Retrieved 9 December 2020 from <https://www.computerhistory.org/timeline/networking-the-web/>.

42 Belam, M. Timeline of United Kingdom internet usage. Medium. Retrieved 9 December 2020 from <https://medium.com/30-stories-of-United-Kingdom/timeline-of-United-Kingdom-internet-usage-93b705c78891>.

43 Tsai, H.S., Jiang, M., Alhabash, S., LaRose, R. Rifon, N.J., Cotten, S.J. (2016). Understanding online safety behaviors: A protection motivation theory perspective. *Computers & Security*. 59, 138-150. Retrieved 8 December 2020 from <https://DOI.org/10.1016/j.cose.2016.02.009>.

44 Sze Chong Lim, C. (2010), Designing inclusive ICT products for older users: taking into account the technology generation effect, *Journal of Engineering Design*, 21:2-3, 189-206, DOI: 10.1080/09544820903317001

45 Hawthorn, D. (November, 2003). How universal is good design for older users? Proceedings of the 2003 conferences on universal usability. pp.38–45. Retrieved 31 October 2020 from <https://DOI.org/10.1145/957205.957213>.

A lack of interest in using digitised methods to access financial services can be inspired by a number of reasons, though our study indicates lack of trust is an important factor. Respondents commonly indicated that older populations were often the targets of fraudulent activities or unfair banking practices due to their lack of financial literacy and digital skills. It was noted that account officers in eastern European countries such as Romania were known to have deliberately deceived older customers into using more expensive products in order to benefit from commissions. The digitalisation of such services, rather than eliminating risk, has served to increase existing mistrust and confusion surrounding their use.

While no convention specific to the rights of older people currently exists at the international or European level, the United Nations Convention on the Rights of Persons with Disabilities (CRPD), EU Charter of Fundamental Rights (Articles 21 and 26), Treaty on the Functioning of the European Union (Articles 10 and 19) as well as the non-discrimination principles of the EPSR form a rights-based approach toward eliminating barriers to social inclusion for older people with disabilities. Additionally, members of the OECD have committed to improving financial inclusion of ageing populations under the G20 FUnited Kingdomuoka Policy Priorities.<sup>46</sup> To realise the cooperation necessary of Member States towards enabling inclusive societal participation of those with disabilities, the 2010-2020 [European Disability Strategy](#) establishes a framework for raising awareness of disability rights, providing financial support, and data collection on the key targets of education, employment and poverty reduction. The [European Accessibility Act \(EAA\)](#) proposes harmonisation of principles for product and service accessibility across the European Union, including banking services, to be transposed and applied by Member States by 2025. The EAA, proposed in 2011 but not adopted until 2019, was long delayed due to deliberation between stakeholders. Business and industry groups argue the act demands too much of manufacturers in conforming to accessibility requirements. Disability advocates, on the other hand, support expanding the scope of the EAA and its evaluation mechanism to ensure the goals of the act and that of the CRDP are met. The extent to which the EAA will result in a more inclusive society for disabled persons and those impaired in old age remains to be seen.

While implementation of the legislative framework for disabled persons can enhance the social inclusion of Europe's ageing population, the technological needs of those with lifelong disabilities and those of older individuals are not equivalent. The Science and Technology Options Assessment (STOA) component of the European Parliamentary Research Services warns that a one-size-fits-all approach between lifelong disabilities and age-related impairments is inappropriate.<sup>47</sup> We agree with their recommendations to adapt the legal and economic environment to aid in the proliferation of assistive technologies and mainstreaming and evolution of the concept of disability. Assistive technologies will likely aid a significant segment of older Europeans and advance common national efforts to keep our ageing population at work. Older people and their unique circumstances, however, are deserving of legal support separate from disability rights.

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46 GPFI & OECD. (2019). G20 FUnited Kingdomuoka Policy Priorities on Ageing and Financial Inclusion - 8 Key Steps to Design a Better Future. Retrieved 16 March 2021 from <https://www.oecd.org/g20/summits/osaka/G20-FUnited Kingdomuoka-Policy-Priorities-on-Aging.pdf>.

47 EPRS STOA. (2018). PE 603.218 Assistive technologies for people with disabilities: Part IV: Legal and socio-ethical perspectives. DOI: 10.2861/90945.

The recently published European Commission Green Paper on Ageing acknowledges the distinct challenges older people face.<sup>48</sup> Highlighting the heightened need to meet increased risks of isolation, poverty and discrimination of the older people due to the Covid-19 pandemic, UN Secretary General, António Guterres, asks for creative solutions, solidarity and recognition of the dignity and equality of rights intrinsic to all regardless of their age.<sup>49</sup> A coalition of civil society organisations have, in collaboration with the UN General Assembly, established an Open-Ended Working Group on Ageing which has a mandate to draft legal elements to strengthen the rights of older people as a means of fostering inclusion, equity and sustainability.<sup>50, 51</sup>

### Age limits

Article 2 of the Treaty of the European Union (TEU) expresses non-discrimination as a founding principle of the European Union, while Article 10 of the Treaty on the Functioning of the European Union (TFEU) requires the Union to combat age-based discrimination. The EU Charter of Fundamental Rights – which builds upon the European Charter for Human Rights and universal human rights treaties – proclaims the right to equal treatment of individuals before the law in Article 20 which is distinguished from non-discrimination in Article 21. Furthermore, Article 25 “recognises and respects the rights of the elderly to lead a life of dignity and independence and to participate in social and cultural life.”<sup>52</sup> Additionally, Member States are compelled to establish equality bodies which are supported through the European Network of Equality Bodies (Equinet) for the purpose of assisting victims of discrimination. Equality bodies are not explicitly guided in their operation at EU level and at present operate only in the fields of gender, race and ethnic origin.<sup>53</sup> Age discrimination outside of employment, occupation and vocational training is not prohibited at EU level. The European Court of Human Rights has ruled against age discrimination, but only in cases where intersectional discrimination has occurred, and the multiple-grounds approach has been applied. It is worth noting that the phrase “intersectional discrimination” has not been used, though the phenomenon has been tacitly acknowledged.<sup>54</sup> Finally, the proposal for a Council Directive on implementing the principle of equal treatment between persons irrespective of religion or belief, disability, age or sexual orientation, also known as the Horizontal Directive, which would extend anti-discrimination prohibition to goods and services has been tabled since 2008.<sup>55</sup>

48 European Commission. (2021, January 27). Green Paper on Ageing: Fostering solidarity and responsibility between generations. Retrieved 28 January 2021 from [https://ec.europa.eu/info/sites/info/files/1\\_en\\_act\\_part1\\_v8\\_0.pdf](https://ec.europa.eu/info/sites/info/files/1_en_act_part1_v8_0.pdf).

49 Guterres, António. (2020, May 1). “Our response to Covid-19 must respect the rights and dignity of older people” [Speech]. Retrieved 16 March 2021 from <https://www.un.org/en/coronavirus/our-response-Covid-19-must-respect-rights-and-dignity-older-people>.

50 Coalition to Strengthen the Rights of Older People. (Strengthening Older People’s Rights: Towards a UN Convention. (2010). UNDESA. Retrieved from <https://social.un.org/ageing-working-group/documents/Coalition%20to%20Strengthen%20the%20Rights%20of%20Older%20People.pdf>.

51 GA A/Res/67/139. Resolution adopted by the General Assembly on 20 December 2012. UN GA, 67th Sess (13 February 2013).

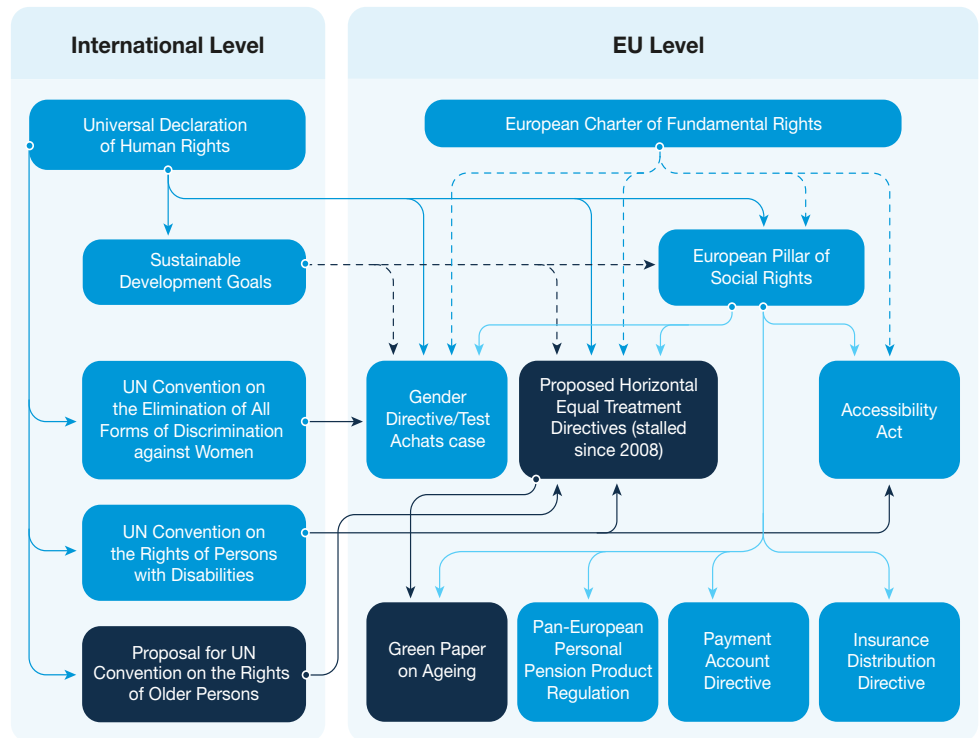
52 European Union. (2012). Charter of Fundamental Rights of the European Union. 2012/C 326/02. Official Journal of the European Union. [http://data.europa.eu/eli/treaty/char\\_2012/oj](http://data.europa.eu/eli/treaty/char_2012/oj).

53 European Union Agency for Fundamental Rights, European Court of Human Rights and Council of Europe. (2018). Handbook on European non-discrimination law, 2018 edition. Retrieved 11 December 2020 from [https://fra.europa.eu/sites/default/files/fra\\_uploads/fra-2018-handbook-non-discrimination-law-2018\\_en.pdf](https://fra.europa.eu/sites/default/files/fra_uploads/fra-2018-handbook-non-discrimination-law-2018_en.pdf).

54 ECHR, Carvalho Pinto de Sousa Morais v. Portugal, No. 17484/15, 25 July 2017.

55 Proposal for a Council Directive on implementing the principle of equal treatment between persons irrespective of religion or belief, disability, age or sexual orientation, COM/2008/0426 final. Commission of the European Communities. Retrieved 15 November 2020 from <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52008PC0426&from=EN>.

### Legislative framework



- In force
- Proposed, but not finalised

As evidenced further in this report, age discrimination of older people prevents their access to financial services and grounds for appeal. As mentioned in the previous section, due to the lack of a binding legal framework for the protection of human rights in old age the United Nations and old age advocacy groups are calling for the creation of a Convention on the Rights of Older Persons. The European Union has the opportunity to be a forerunner in the advancement of human rights, ensuring the implementation of equal opportunities as laid out in the EPSR through legally binding Directives specific to the social protection of older people. To aid in the proper development of Directives, it is imperative the European Union use its capabilities to collect data which accurately reflects the barriers posed against the fullest participation in society possibly available to its older members. Human dignity and the enjoyment of participation in society should not be withdrawn from people in their third age of life.

Curbing age-based discrimination of financial tools and services makes economic sense, both in terms of expanding the market for providers and financial security for an ageing society. The consequences of ageing cannot be assumed to affect all individuals equally and therefore should not be a valid reason for refusing service in many cases. Older people paying more for car or travel insurance despite evidence shared below that they cost insurance companies less than younger customers defies logic. A balance between sound business practices and the core purpose of financial tools – which must always be to improve the society in which they exist – must be struck.

# Necessary Products for Financial Inclusion

## Cash

“...the report of my death has been grossly exaggerated.”

Mark Twain, 1897<sup>56</sup> CASH, 2021

Reduced access to cash is a trending concern of interest which older people are particularly impacted by. They are not, however, alone in their vulnerability to changes in access to a means of payment which some would like to see fade into history. People of lower financial means, a lower level of education, those who live outside urban areas and especially those existing with a combination of such circumstances are also highly dependent on access to cash for social inclusion in Europe.<sup>57</sup> Indeed, 55% of respondents were aware of issues encountered by older people in accessing cash. Reductions in the number of ATMs or bank branches, especially in rural areas is a common issue in many Member States. In countries advancing towards a cash-free economy, the possibility to deposit, withdraw and pay with cash has been severely reduced. Of course, the issues encountered vary significantly between Member States. The legal tender of cash as a means for inclusion, protection of the individual right to privacy as well as a safeguard in times of crisis or disruption of electronic systems, however, is recognised by countries at polar opposite ends of the spectrum of cash prevalence.

The Nordic countries and the Baltic country of Estonia are commonly heralded as leading the charge toward a cash free society. Among the Nordic countries, use of cash remains highest in Finland accounting for 35% of point of sale (POS) transactions.<sup>58</sup> An anomaly among its neighbors, the pervasive use of cash in Finland is at least in part due to the early recognition by civil society of the exclusionary impact of decreased cash availability on the elderly and impaired. Since 2016 the number of ATMs has been increased annually by roughly 10% to a total of 1,751 during 2019 – equivalent to one ATM per every 2,552 adults.<sup>59</sup> While the 2019 Annual Report by the national monetary authority found that the majority of Fins are satisfied with ATM availability, issues with access to cash persist in rural areas where around 14% of the population reside.<sup>60</sup>

56 MARK TWAIN (Samuel L. Clemens). (1940). “The Report of My Death,” *Mark Twain in Eruption*, ed. Bernard De Voto, pp. 252–53. New York, Harper & Row.

57 Banco de Portugal. (2020). Avaliação da Cobertura da Rede de Caixas Automáticos e Balcões de Instituições Crédito. Retrieved 3 December 2020 from [https://www.bportugal.pt/sites/default/files/anexos/pdf-boletim/avaliacao\\_da\\_cobertura\\_da\\_rede\\_de\\_caixas\\_automaticos\\_e\\_balcoes\\_de\\_instituicoes\\_de\\_credito.pdf](https://www.bportugal.pt/sites/default/files/anexos/pdf-boletim/avaliacao_da_cobertura_da_rede_de_caixas_automaticos_e_balcoes_de_instituicoes_de_credito.pdf).

58 European Central Bank. (2020, December). Study on the payment attitudes of consumers in the euro area (SPACE). Annex B; 109, Retrieved 7 December 2020 from <https://www.ecb.europa.eu/pub/pdf/other/ecb.spacereport202012-bb2038bbb6.en.pdf>.

59 Finland Demographics: Population of Finland (2020). Worldometer. Retrieved 7 December 2020 from <https://www.worldometers.info/demographics/finland-demographics/#urb>.

60 Finland’s Bank (Suomen Pankki). (2020, March 20). Annual Report 2019: 3.3 Banknotes and cash supply. Retrieved 7 December 2020 from <https://annualreport.bankoffinland.fi/2019/annual-report/money-and-payments/banknotes-and-cash-supply/>.

Often accoladed as the global frontrunner in the cashless transition, cash use in Sweden accounts for an estimated 12.8% of transactions.<sup>61</sup> According to Riksbank, the Swedish central bank, the stark decrease in cash in the past decade is due to stringent tax evasion measures and a coin and banknote changeover which complicated the use of cash for individuals and businesses. Simultaneously, mobile payment service provider Swish was introduced, incorporating the use of the digital citizen identification solution, BankID. In contrast to other countries where a piecemeal landscape of mobile payment providers is utilised, the adoption of Swish was a concerted effort by all major banks.<sup>62</sup> While younger Swedes have been quick to embrace digital payments, about 20% of 18–24-year-olds feel negatively about the decline in cash usage. This feeling increases to 54% among 65–84-year-olds.<sup>63</sup>

The Swedish Parliamentary Committee on Finance proposed in September 2019 an updated act for the Riksbank which, in collaboration with other public actors, would take on increased responsibility for maintaining the availability of cash and the cash infrastructure throughout the country. At present the principle of freedom of contract allows businesses and banks alike to refuse to handle cash despite it being regarded as legal tender.<sup>64</sup> The Riksbank is well aware that older people, new arrivals to Sweden and those with certain impairments face difficulties in using digital payment services and are increasingly limited in their ability to receive personal assistance services in the public sphere. The recent shift toward maintaining the cash infrastructure is at least partially motivated by a perceived vulnerability of other payment systems and the necessity of continued ability to access cash during times of crisis or elevated preparedness. Within the context of the Covid-19 pandemic, the low relative risk of viral transmission via bank notes and the lack of universal access in digital payments – especially by the old and unbanked – bolsters the argument toward bolstering the role of cash.<sup>65</sup> The Swedish proposal to be enacted 1 January 2021 would require large banks to maintain a sufficient level of cash for withdrawals and deposits at least until the long-term perspective on the role of cash can be developed.<sup>66</sup>

Portugal is at the other end of the cash-use spectrum with high rates of use despite the growing prominence of card payments and a budding contactless payments market. Portugal is joined by Greece, Slovakia, Slovenia and Spain with their rapid rates of population ageing in comparison to other EU Member States.<sup>67</sup> Portugal's digital economy and society index (DESI) score

61 de Best, R. (2020, November 20) Level of cash use in Sweden 2000-2019. Statista. Retrieved 7 December 2020 from <https://www.statista.com/statistics/1095529/cash-use-in-sweden/>.

62 Armelius, H., Claussen, C.A. & Reslow, A. (2020, August). Sverige's Riksbank Working Paper Series 393. "Withering Cash: Is Sweden ahead of the curve or just special?" Sveriges Riksbank. Retrieved 7 December 2020 from <https://www.riksbank.se/globalassets/media/rapporter/working-papers/2019/no.-393-withering-cash-is-sweden-ahead-of-the-curve-or-just-special.pdf>.

63 Sveriges Riksbank. (2020, October 29). Payments in Sweden 2020. Retrieved 7 December 2020 from <https://www.riksbank.se/en-gb/payments--cash/payments-in-sweden/payments-in-sweden-2020/1.-the-payment-market-is-being-digitalised/cash-is-losing-ground/>.

64 Sveriges Riksbank. (2019, November 7). Payments in Sweden 2019. Retrieved 7 December 2020 from <https://www.riksbank.se/globalassets/media/rapporter/sa-betalas-svenskarna/2019/engelska/payments-in-sweden-2019.pdf>.

65 Auer, R., Cornelli, G. & Frost, J. (2020, April 3). Covid-19, cash, and the future of payments. BIS Bulletin. No 3. Retrieved 15 February 2021 from <https://www.bis.org/publ/bisbull03.pdf>.

66 SOU 2019:46. En ny riksbankslag. Retrieved 4 December 2020 from <https://www.regeringen.se/rattsliga-dokument/statens-offentliga-utredningar/2019/11/sou-201946/>.

67 OECD (2019), Pensions at a Glance 2019: OECD and G20 Indicators, OECD Publishing, Paris, Retrieved 15 October 2020 from <https://DOI.org/10.1787/b6d3dcfc-en>.

is close to the EU average,<sup>68</sup> though 22% of people have never used the internet.<sup>69</sup> A culture of use of cash for low-value payments is thriving, supported by low-cost barriers to use for merchants and a high availability of ATMs with free withdrawals within the national network.<sup>70</sup> The legislative barriers which protect users from bearing the costs associated with ATM use, bank mergers and increased competition with alternative payment types have driven a 40% reduction in banking branches in the past decade. As banks disincent people to use cash, small and medium-sized enterprises bear the cost for card and contact-free payment systems as well as the costs incurred per transaction. While ATM availability per capita has decreased, it is still among the highest in the European Union at 1.4 per 1,000 inhabitants. Distribution, however, especially in rural areas, makes access problematic. While 78% of the population is within less than one kilometer proximity to an ATM, inhabitants of rural civil parishes may have to travel as much as 17 kilometers for access. A Banco de Portugal study warns that without intervention, market forces will continue to strangle access to the cash network in a system which supposedly values payment type neutrality. Despite decreased profitability for Portuguese banks, the study found that the overall costs borne by society for using cash – including merchants, banks and users – are the least expensive for low-value payments.

### Recommendations regarding cash

Cash must be maintained as a viable method of payment. The European Central Bank, as evidenced by statements from its executive board, join us in arguing that digital payments are meant to complement cash, not replace it.<sup>71</sup> The Covid-19 crisis has highlighted the dependency of older people on cash as a method of payment. The current lack of EU-level harmonisation regarding the legality of refusing cash must be corrected. The current lack of ATMs and closure of bank branches in rural areas of most countries are a major issue of access for older Europeans who tend to prefer in-person transactions and the use of cash. The EU Accessibility Act must be enforced or revisited to ensure minimum standards to ATM access are based on population density and take into account the mobility barriers faced by older and disabled members of society living in rural areas. Additionally, minimum withdrawal amounts must be set low enough so that individuals with a low income are able to utilise ATMs when desired or necessary.

While it is not politically possible to mandate that banks or ATMs with low profit margins remain open in order to facilitate cash access, there are alternative methods to facilitating a functioning cash framework and the right to use cash. Promoting cash-back retail options, banking services in post offices and minimum ATM availability quotas in terms of geographical proximity financed through a payments levy can strengthen access. This is especially crucial in rural areas where internet access is poor or unavailable and people living there may not have the familiarity or skills to use online banking. Free access to ATMs within the customer's network as well as offering a limited number of free withdrawals from non-network ATMs can

68 DG for Communications Networks Content and Technology. (2020). DESI Composite Index. European Commission. Retrieved 11 January 2021 from <https://digital-agenda-data.eu/charts/desi-composite>.

69 European Commission. (2020). Digital Economy and Society Index (DESI) Use of internet services. Retrieved 10 November 2020 from [https://ec.europa.eu/newsroom/dae/document.cfm?doc\\_id=67075](https://ec.europa.eu/newsroom/dae/document.cfm?doc_id=67075).

70 Banco de Portugal. (2020). Avaliação da Cobertura da Rede de Caixas Automáticas e Balcões de Instituições Crédito. Retrieved 3 December 2020 from [https://www.bportugal.pt/sites/default/files/anexos/pdf-boletim/avaliacao\\_da\\_cobertura\\_da\\_rede\\_de\\_caixas\\_automaticos\\_e\\_balcoes\\_de\\_instituicoes\\_de\\_credito.pdf](https://www.bportugal.pt/sites/default/files/anexos/pdf-boletim/avaliacao_da_cobertura_da_rede_de_caixas_automaticos_e_balcoes_de_instituicoes_de_credito.pdf).

71 Panetta, F. (2020, October 12). A digital euro for the digital era: Introductory statement by Fabio Panetta, Member of the Executive Board of the ECB, at the ECON Committee of the European Parliament. (Speech). Text retrieved 7 January 2021 from [https://www.ecb.europa.eu/press/key/date/2020/html/ecb.sp201012\\_1~1d14637163.en.html](https://www.ecb.europa.eu/press/key/date/2020/html/ecb.sp201012_1~1d14637163.en.html).



facilitate use, especially benefiting low-income individuals or households. Lastly, we echo the BEUC recommendation that all physical shops be obligated to accept cash.<sup>72</sup>

## Payment account

Possession of a payment account has been identified as a key indicator of financial inclusion by the World Bank. According to the most recent survey conducted in 2017, 91% of EU-28 adults aged 15 or greater have a personal or shared payment account. Account ownership among EU Member States ranges from 58% in Romania to nearly 99.9% in Denmark.<sup>73</sup> Even in the best of cases – Denmark for example – the remaining 0.1% representing the unbanked population equates to nearly 5,000 individuals. For a country like Sweden where 0.3% of adults lacked a payment account in 2017 – or roughly 25,000 people – this is especially concerning due to the national transition to a cash free society. Without a bank account, individuals are unable to purchase goods and services in many cases or receive deposits, including pension disbursements. Lack of bank account access also limits access to other financial products, which may limit use of public transportation, the ability to legally drive a car or rent a home depending on the national context. More than 60% of our respondents were aware of issues older people faced in accessing a basic payment account.

Digitalisation was identified as the most significant barrier to older peoples' use of payment accounts. Practical skills in budget management are complicated by the transition from analog to digital technologies which does not take the reality of impairments, mobility issues or technology generations into account. The demanding nature of digital applications, for example in terms of accessibility for impaired users, was identified as the most profound barrier in terms of impact. At least 79% of respondents identified the following factors which coincide with digitalisation as important barriers: limited access to bank branches and staff, insufficiency in ATM availability, the demanding nature of digital applications or the online availability of products and services as well as extra fees for non-digital transactions. More than two thirds of respondents felt the insufficient access to terminals which allow for transfers or payments was at least somewhat important in creating a barrier to payment account use. Since 2014, the number of ATMs across the European Union have been decreasing at an accelerating rate.<sup>74</sup> In the words of two respondents, "maintaining old procedures provide the elderly with greater personal security," which is important because "older people have the right to live the same way younger people do." Not only do such barriers restrict personal autonomy, but many of our respondents noted the loss of face-to-face interaction with bank tellers contributed to increased feelings of social isolation. There is a "complete lack of understanding by banking institutions to the needs of older people," commented a respondent from Ireland.

### Payment Account recommendations

The offering of a basic payment account (BPA) with minimal or no fees has been one way for Member States to address the exclusionary factor of excessive fees attached to payment account use. In Portugal, the BPA allows free access to ATMs, home banking services, credit and

72 BEUC. (2019, September 25). Cash Versus Cashless: Consumers need a right to use cash. Retrieved 25 October 2020 from [https://www.beuc.eu/publications/beuc-x-2019-052\\_cash\\_versus\\_cashless.pdf](https://www.beuc.eu/publications/beuc-x-2019-052_cash_versus_cashless.pdf).

73 World Bank. 2018. The Little Data Book on Financial Inclusion 2018. World Bank, Washington, DC. © World Bank. <https://openknowledge.worldbank.org/handle/10986/29654> License: CC BY 3.0 IGO.

74 BEUC. (September 25, 2019). Cash Versus Cashless: Consumers need a right to use cash. Retrieved 25 October 2020 from [https://www.beuc.eu/publications/beuc-x-2019-052\\_cash\\_versus\\_cashless.pdf](https://www.beuc.eu/publications/beuc-x-2019-052_cash_versus_cashless.pdf).

credit transfers, though users are limited to possessing only that account. While the Payment Account Directive 2014/92/EU <sup>75</sup> (PAD) aims to guarantee all Europeans access to a BPA, a lack of information or readiness to share the existence of such a product appears to remain an issue. 84% of our respondents found that excessive fees attached to accounts were at least somewhat important in creating a barrier to payment account use. While many older consumers would be better off possessing a BPA, dissemination of information regarding the availability of such a product was reported to be low in countries like Ireland, Portugal and Romania.

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“Bank and post office branches are being closed in smaller communities, which means older people have limited access and have to travel to other municipalities or larger cities to get to a bank.” - Pensioner’s Association of Slovenia (ZDUS)

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To combat issues with access to a payment account, management of such accounts must be made available through payment terminals and post offices in the cases where a bank branch is not within close proximity. To ease the burden in accessing banking services through online platforms, a simplified app or webpage developed with the concept of technology generations in mind could be offered to customers who are unfamiliar or uncomfortable in navigating more complicated interfaces. Memory and mobility issues should be met with mindful, creative solutions by app and web page designers.

“With older people who have small pensions, over drafting is a common occurrence,” remarked a respondent from Slovenia. “To have an (account with) overdraft (facilities) consumers have to hire a non-basic account. Regular accounts are expensive with several fees associated, such as maintenance fees. When consumers use branches and perform non-digital transactions, the cost increases significantly,” added a respondent from Portugal. As extra fees related to account use and management are of concern, the promotion or advertisement of a free basic payment account with limited restrictions and useful features should be made readily available to customers. The Portuguese BPA option could be a model option once further improved by allowing customers to have additional accounts and offering overdraft facilities.

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<sup>75</sup> Directive 2014/92/EU of the European Parliament and of the Council of 23 July 2014 on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features. Retrieved from <http://data.europa.eu/eli/dir/2014/92/oj>.

## Savings

A previous study by Finance Watch found that 34% of Europeans lack adequate savings to cope with unforeseen events.<sup>76</sup> Currently, no equivalent to PAD exists to guide Member States on the propagation of savings accounts, though most often savings products are linked to a payment account.

In our perception survey 46% of respondents noted they were aware of issues related to savings account access. Issues such as low interest rates, limited access to bank branches and even a lack of online services when branch access was limited were mentioned. Though limited data was gathered on the issues older people face in accessing and using savings products in our current study, it is known that a lack of schemes targeting low-income customers exist to help generate savings in relation to the amount of products developed for wealthier people.<sup>77</sup> The interest rates on savings accounts in some countries, such as Belgium, have never been lower and the European appetite for making more risky investments remains subdued by the previous financial crisis.<sup>78</sup> This is also part of a broader economic issue of the current low interest rate environment. While public tax incentives are known as a savings generating mechanism, several of our respondents indicated that tax schemes for savings products remained unattractive and therefore ineffective. They are also not necessarily available for financially excluded people. A respondent from Lithuania noted the high taxes on life insurance products, which can act as a savings plan, were altogether too high. Another in Malta mentioned that tax relief schemes on occupational pensions in Malta were too low to attract interest in their use.

### Savings Account Recommendations

While the life-cycle theory referenced to by several European Commission publications predicts the reduction or consumption of savings in older age,<sup>79</sup> it is still important that older people and especially those living on a low income have the ability to easily access suitable savings products. Without a financial buffer against unexpected expenses, individuals may be pushed into high-cost-quickly credit schemes and veer toward over-indebtedness. Targeted informational campaigns regarding the benefits, risks and best practices for using savings accounts and alternative savings products, especially in areas where a culture of saving is not well-established, might improve use as several respondents noted a lack of knowledge was a barrier. As respondents also noted a lack of alternatives in more rural areas where banking branches were not easily accessible due to mobility issues, establishing or promoting post office savings products or designing transparent, user-friendly online products could improve access and use. Such products should be designed with low-income users in mind.

76 Jérusalmy, O., Fox, P., Hercelin, N. & Mao, L. (2020, July). Basic Financial Services: A European-wide study on financial services and products needed to tackle financial exclusion of citizens. Finance Watch. Retrieved September 3, 2020 from <https://www.finance-watch.org/wp-content/uploads/2020/07/basic-financial-services-report-fw-july-2020.pdf>.

77 Jérusalmy, O., Fox, P., Hercelin, N. & Mao, L. (2020, March). Financial exclusion: Making the invisible visible. Finance Watch. Retrieved 3 September 2020 from [https://www.finance-watch.org/wp-content/uploads/2020/03/FW-Report\\_Vulnerable\\_Groups\\_March2020.pdf](https://www.finance-watch.org/wp-content/uploads/2020/03/FW-Report_Vulnerable_Groups_March2020.pdf).

78 Bero, A. & Fily, A. (2019) Rapport Annuel Sur L'Inclusion Financière en Belgique 2019. Réseau Financité & Fédération Wallonie-Bruxelles. Retrieved 3 December 2020 from [https://www.financite.be/sites/default/files/references/files/rif\\_2019\\_-\\_pdf.pdf](https://www.financite.be/sites/default/files/references/files/rif_2019_-_pdf.pdf).

79 Rocher, S. Stierle, M.H. (2015, September). Household saving rates in the EU: Why do they differ so much? European Economy Discussion Paper 005. Publications Office of the European Union, Luxembourg. Retrieved 15 February 2021 from [https://ec.europa.eu/info/sites/info/files/dp005\\_en.pdf](https://ec.europa.eu/info/sites/info/files/dp005_en.pdf).

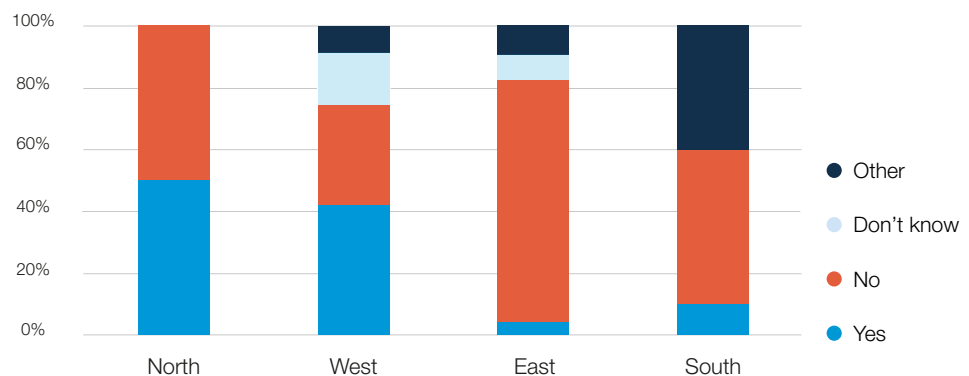
## Pensions

Pensions are arguably one of the most important aspects of financial well-being and inclusion for older Europeans. Our perception survey took an open-ended approach to inquiring about the adequacy of pension systems across the European Union. One multiple choice question was included on the adequacy of the public pension scheme. Three open response questions were also included allowing for respondents to discuss any issues related to the public, occupational and supplementary pension schemes in their national setting. As pension schemes are under the mandate of national authorities they vary significantly, and our collected responses reflected that variation. It is recognised that this categorisation of schemes does not translate equally across all Member States. Pillar one here refers to public pensions, pillar two to occupational pensions and pillar three to private supplemental pension and related life insurance products.

### Pillar 1: Public pensions

When asked if the public pension scheme was sufficient to live a dignified life, 18% of respondents said yes, 59% said no, 8% said they did not know and the remaining 14% selected the option 'other.' All of those who selected 'other' commented on the variation in public pension payments as a determination of adequacy. Variations determined the adequacy of pensions and were based on the pre-retirement earnings, calculation differences based on professional sector and the qualification for partial or full benefits.

#### Is the public pension scheme sufficient to live a dignified life?



Though not revealed in response to this survey question, the compound effect of gender-constructed realities throughout the lifecycle toward reduced pension adequacy and therefore the reduced de facto ability to access financial tools became a major topic of discussion in our workshops, with the difficulties faced by much older women today considered to be most severe. The gender pension gap dwarfs the 14.1% average gender pay gap<sup>80</sup> in the European Union, with women only receiving 70% of an equivalent pension to men on average due to accumulated earnings inequalities and imbalanced care duties.<sup>81</sup> Reformatting pension systems,

80 European Commission. (2021, March 4). Questions and Answers - Equal pay: Commission proposes measures on pay transparency to ensure equal pay for equal work. Retrieved 15 March 2021 from [https://ec.europa.eu/commission/presscorner/detail/en/qanda\\_21\\_961](https://ec.europa.eu/commission/presscorner/detail/en/qanda_21_961).

81 Eurostat. (2020, February 7). Closing the gender pension gap? European Commission. Retrieved 15 March 2021 from <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/DDN-20200207-1>.

such as by expanding care credits, must be complemented by social policies that may include equal pay and representation initiatives alongside affordable child and elder care services, in order to be effective.<sup>82</sup>

Many of the 59% of respondents who indicated that public pension schemes were not adequate to support a dignified life commented that pensions, at best, covered basic necessities only. Several who responded 'yes' to the initial public pension scheme adequacy question also commented. A respondent from Slovakia noted that at present few older Slovaks were at risk of poverty, but that in 20 years financial instability would create problems for pension adequacy. A respondent from Ireland included a budget compiled by a social justice organisation which claimed basic living costs were supported by public pension schemes.<sup>83</sup> Allocations for housing costs and other staple items, however, seemed modest and unlikely to be adequate across all contexts. In any case, we must hold ourselves to higher standards than to reduce societal inclusion to the mere possession of a list of basic material goods.

In many eastern Member States, where 78% of respondents indicated the public pension was not sufficient to live a dignified life, plans are far below average for the European Union. Even within a country, pension payments can falter far below the average income. At an average of €330 per month, Croatian pensions amount to only 37.4% of the average national net salary. This translates into 30.1% of Croatians above the age of 65 being at risk of poverty compared to 18.3% of the general population. The risk increases to 50.3% for single Croatians aged 65 or more. In Romania, the median pension – excluding government employees – is approximately €290 as compared with the minimum monthly consumption basket priced at €534 per person.

Perceptions of pension inadequacy were also high among respondents for southern Member States. Failure to adjust pensions to the cost of living are an issue in southern Member States such as Portugal and Greece. Austerity practices following the financial crisis in 2008-09 led to decreased pension payments for Greece. In a culture with a strong family system, wide-spread unemployment often meant older Greeks were forced to support their younger family members through their modest pensions and other provisions. Respondents in Malta were quick to point out the gender gap between pension earners, noting that the pension for females was small if not non-existent. Though gender norms across the European Union mean women are on average eight times as likely to be unemployed due to care activities, women in Malta are nearly 13 times as likely as their male counterparts to be unable to work in traditional employment due to the needs of dependents. The situation in Malta has improved drastically since the early 2000s when more than 80% of women were outside the paid workforce. However, in recent years the percentage of men and women restricted from the workforce due to caregiving duties has been growing, accounting for 37.7% of the total population in 2019.<sup>84</sup> Italian respondents praised their pension system for protecting its older citizens from the risk of poverty but identified a lack of home care and alternative methods for internet-based financial services as a major fault in the overall system as a means of inclusion.

82 OECD. (2020, March). Wide gap in pension benefits between men and women. Retrieved 15 March 2021 from <https://www.oecd.org/gender/data/wide-gap-in-pension-benefits-between-men-and-women.htm>.

83 Minimum Essential Budget Standards Research Center. (2020). MESL. Retrieved from [https://www.budgeting.ie/download/pdf/sw\\_pen\\_u-2020.pdf](https://www.budgeting.ie/download/pdf/sw_pen_u-2020.pdf).

84 Eurostat. January, 2020. Inactive population due to caring responsibilities by sex% of inactive population aged 20 to 64. Retrieved 29 October 2020 from [https://ec.europa.eu/eurostat/databrowser/view/sdg\\_05\\_40/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/sdg_05_40/default/table?lang=en).

## Pillar 2: Occupational pensions

Pillar 2 pension systems are also known as occupational pensions. They are privately funded by employers and or in combination with recipients through defined-contribution schemes, for example. While respondents in France, Italy, Romania, Bulgaria and Croatia were among those indicating they did not have any issues with their occupational pensions, many other respondents highlighted shortcomings. Respondents in Malta, Slovakia and Estonia indicated the occupational pension system was underdeveloped in their country, or completely absent as in the case of the Czech Republic. In Romania, the occupational pension scheme was newly introduced as of January 2020 and limited in availability. In addition to wide variations in availability of occupational pension schemes between Member States, respondents noted gaps in availability within Member States. Sectors with a higher proportion of female workers or those with low wages are often not included and minimum and maximum age limits to join an occupational scheme may prevent certain demographics from utilising occupational schemes. Respondents were also concerned about their occupational scheme's lack of response to inflation.

## Pillar 3: Supplemental pensions

Supplemental pension schemes are also known as Pillar 3 systems and include voluntary, privately funded accounts such as individual savings plans and insurance. Supplemental pension scheme issues encountered by respondents were wide ranging. Respondents from the Czech Republic, Estonia, Romania, Slovenia and Slovakia mentioned low use of supplemental pension schemes. This was either due to low awareness of the need to supplement a public pension, lack of funds to contribute to supplemental schemes or unattractive products. The expense of supplemental pension products was also indicated as a barrier by respondents speaking for pan-European organisations. There has, however, been an important development in the area of Pillar 3 products at European level. Recent legislation on a pan-European personal pension product (PEPP) included rules for a basic option product. It has presented an opportunity to open the debate on what a basic Pillar 3 pension product should look like and includes requirements to cap costs and offer this basic option by default, with other options only presented after assessment of a consumer's suitability and needs. The final legislation on the PEPP appears to still have issues and the basic PEPP may not yet be the true basic product that is safe, suitable and available to any citizen, but is an important step forward.

## Recommendations

Net replacement rates, or the individual net pension entitlement divided by net pre-retirement earnings are expected to fall in the coming decades.<sup>85</sup> With public pension accrual as it currently stands, future cohorts of retired Europeans will face greater risk of poverty, dependency and isolation. Those with lower wages will continue to find it difficult to supplement their public or occupational (if optional) pensions with supplemental products. This is all currently at risk of being exacerbated by the economic impact of the Covid-19 crisis. This means that it is more important than ever for EU Member States to shore up their Pillar 1 and 2 frameworks. Whilst this is happening and even if improvements to Pillar 1 and 2 pensions are made across the board, there is a place for a basic third-Pillar product. If the rules on the basic PEPP are amended and further scrutinised, then this could become a European gold standard for product access and safety.

85 OECD. (2019). Pensions at a Glance 2019: OECD and G20 Indicators, OECD Publishing, Paris, Retrieved 15 October 2020 from <https://doi.org/10.1787/b6d3dcfc-en>.

Extending the minimum retirement age has been a common national-level approach toward the goal of improving pension adequacy and sustainability. In line with Chapter II Principle 8 of the EPSR, workers or their representatives possess the right to be consulted and informed on changes made to pension schemes. It is from this perspective that we raise the stance of AGE Platform Europe: any changes to retirement age must be made in close collaboration with representatives of youth and older persons' organisations, must progress slowly over time so as to allow for workers to prepare, and must not advantage any gender or generation over another. For changes to retirement age to be effective, conditions which enable people to work as long as they desire must be cultivated. These include policies fostering life-long learning and job training/retraining, career management, and occupational health and safety. Additionally, policies developing access to adequate childcare and greater equality in the division of childcare and dependent family members care duties can improve the adequacy of pensions. All of these policy initiatives are supported by Chapter I of the EPSR which includes equal opportunities and access to the labour market via education, training, and life-long learning, gender equality and active support of employment.

Chapter II Principle 5 of the EPSR on fair working conditions sanctifies the access of older European workers to secure and adaptable workplaces. AGE Platform Europe's network has identified that the majority of adaptations on the basis of age occur on a voluntary basis and generally the initiatives lack policy support at Member State level. This is despite evidence that improvements made based on age-related considerations benefit all workers; adaptations for changes in hearing or vision improve communication standards and measures to prevent musculoskeletal disorders reduce the demanding physical nature of manual work. Overall, good working conditions can improve physical and psychological well-being in comparison to being out of work and contribute to a longer working life.<sup>86</sup> Health and safety legislation are as of yet underutilised as a component of addressing the need for extending the working lives of Europe's ageing population and creating more secure, adaptable workplaces.

## Insurance

Access to certain insurance products is often essential to being socially included. Without motor vehicle insurance people may not have access to employment or other services to meet their basic needs. Without home insurance, people will likely not be able to rent a place to live. Insurance aims to put a price on the risk that an activity or individual poses. There are, however, a number of issues over how this is done that can lead to discriminatory pricing and exclusion of individuals that should objectively be eligible for insurance cover.<sup>87</sup> There is also a broader issue over the mutualisation aspect of insurance provision. In order to provide coverage and an appropriate offer for all citizens the different levels of risk should be pooled together under this logic. Maximum and minimum price thresholds can then ensure availability of coverage for all.

Carve-outs in current anti-discrimination legislation for the use of certain identity characteristics for insurance have already successfully been challenged on gender discrimination grounds

86 Crawford, J.O., Davis, A., Cowie, H., Dixon, K. (2016). The ageing workforce: Implications for occupational safety and health. European Agency for Safety and Health at Work (EU-OSHA). Retrieved 14 January 2020 from <https://osha.europa.eu/en/publications/ageing-workforce-implications-occupational-safety-and-health-research-review-executive>.

87 Finance Watch. (2019). Insurance and discrimination: The importance of guaranteeing citizens full and equal access to the basic kinds of insurance. Retrieved February 10 2021 from [https://www.finance-watch.org/wp-content/uploads/2019/02/FWpolicybrief\\_insurance-discrimination-feb2019.pdf](https://www.finance-watch.org/wp-content/uploads/2019/02/FWpolicybrief_insurance-discrimination-feb2019.pdf).

through the landmark *Test Achats* case at the Court of Justice of the European Union.<sup>88</sup> The introduction of further equivalent anti-discrimination legislation covering age and disability has been systematically delayed by EU Member State governments. This means that the European Union does not currently enforce the UN CRPD and that potentially discriminative insurance pricing can continue to exclude older citizens and people with disabilities.

Our survey and follow-up workshops indicated that the demands and needs test guided by the Insurance Distribution Directive 2016/97/EU<sup>89</sup> is not sufficient to assign products appropriate to the needs of older people. Respondents also indicated that there was a lack of products available to older people as well as a number of predatory products on the market. Contracts are all too often regarded as complicated, with too many exceptions as a way for companies to avoid payouts. This mistrust was often perceived to lead older customers to avoid using products altogether.

Action therefore appears to be needed on several fronts. First and foremost, anti-discrimination legislation needs to be completed and introduced, ensuring that there are no carve-outs for financial services. Progress also needs to be made towards ensuring that basic option products, that are safe, suitable and available to all citizens are introduced. The upcoming review of the Insurance Distribution Directive can help to both increase levels of consumer protection and introduce obligations to offer basic option products as a default approach. Inspiration can be taken from the PEPP regulation to build on the 'basic PEPP' that has been introduced. The different kinds of insurance where a basic option is needed have been identified in our previous work on the topic.<sup>90</sup>

### Private health insurance

The necessity of private health insurance was commonly cited as being directly linked to the accessibility and coverage of public health insurance schemes. It is not necessarily considered an essential part of a set of basic products and services where public healthcare provision is adequate, though the need to use private health insurance to expand coverage in many countries is growing. For example, the high level of social security offered through free public healthcare in the Nordic countries limits the need for private health insurance plans. Respondents from Denmark and Finland did mention, however, the potential risk of older citizens being refused private health insurance and the need to expand age limits due to increases in longevity within the context of a growing privatised healthcare industry. Similar remarks were shared from Poland, where the respondent indicated that access to public healthcare only theoretically eliminated a need for private insurance. In reality, Polish public health services were identified as being more difficult for older people to access in a timely manner and the private insurance options underdeveloped and too expensive for most to access as an alternative or supplement to meet their care needs.

88 Case C-236/09 Association Belge des Consommateurs Test-Achats ASBL and Others v Conseil des ministres. (ECJ March 1, 2011), ECLI:EU:C:2011:100. Retrieved from: <https://eur-lex.europa.eu/legal-content/EN/TX-/?uri=CELEX%3A62009CJ0236>.

89 Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution. Retrieved from <http://data.europa.eu/eli/dir/2016/97/oj>.

90 Jérusalmy, O., Fox, P., Hercelin, N. & Mao, L. (2020, July). Basic Financial Services: A European-wide study on financial services and products needed to tackle financial exclusion of citizens. Finance Watch. Retrieved September 3, 2020 from <https://www.finance-watch.org/wp-content/uploads/2020/07/basic-financial-services-report-fw-july-2020.pdf>.



Nearly 60% of respondents to our initial survey were aware of access issues regarding private health insurance. This indicates that where health insurance is needed due to the national public healthcare context, there is an access issue for older people. Details on the nature of the barriers collected from the survey and workshops were limited, so this looks to be an area that requires further study. Given that healthcare costs can be extremely high – especially considering long term care needs – the stakes are also undoubtedly high where private health insurance is needed, but either limited or unavailable to all older citizens. It is easy to see how the event of a life accident or expense that savings and income cannot cover could quickly push people into financial difficulty.

Affordability and age limits are considerable barriers to private health insurance with dire consequences. Generally, private or voluntary health insurance coverage is linked to employment status, belonging to middle to high socioeconomic groups and higher education. Both in countries where the public healthcare services are limited and where private health insurance is used as a supplement to decrease waiting times or extend service coverage, private health insurance products are often beyond the financial means of those with low or moderate income. Private health insurance fees typically increase with age, compounding the effect of exclusion and further jeopardising the health needs of lower income individuals. “The main problem is that when a certain age is reached, the product cannot be contracted, and it is only maintained in previously contracted policies. As these policies cannot be changed, prices rise significantly every year and the client has no possibility of changing them,” commented one respondent from Spain. Providers are free to set age limits and reject applicants. While private insurers in some countries do not have official age limits for applicants, the majority of EU insurers do not accept new customers over the age of 60-75.<sup>91</sup>

### Home insurance

Use and features of home insurance products vary greatly within and between Member States. Svensk Försäkring, the Swedish insurance industry association, indicated nearly 97% of Swedes have home insurance policies. The remaining 3% of homeowners or renters who are uncovered is equivalent to nearly 400,000 individuals. Within Sweden, 98.5% of native-born Swedes have a home insurance policy, while only 89.2% born outside of Sweden were estimated to be covered.<sup>92</sup> While home insurance is not mandatory in states like Sweden and Germany where many are covered, a policy is a prerequisite to housing loans in Ireland and Norway. In several countries, such as the United Kingdom, France and Sweden, many home insurance packages include additional coverage such as personal liability or travel insurance. Despite regulation making home insurance mandatory, few households are covered in countries such as Romania where less than 19% of dwellings are protected. Romanian respondents to our survey indicated few older people, especially those living in rural settings, were policyholders.

Limited access to staff or the physical offices of home insurance providers and a lack of trust in the products offered were identified as important barriers by more than half of respondents in western, eastern and southern Member States. Loyalty penalties in the form of increased

91 Sagan, A. & Thomson, S. (2016). Voluntary health insurance in Europe: country experience. WHO and European Observatory on Health Systems and Policies. Retrieved 19 January 2021 from [https://www.euro.who.int/\\_\\_data/assets/pdf\\_file/0011/310799/Voluntary-health-insurance-Europe-country-experience.pdf](https://www.euro.who.int/__data/assets/pdf_file/0011/310799/Voluntary-health-insurance-Europe-country-experience.pdf).

92 Svensk Försäkring. (2019). Insurance in Sweden 2010-2019. Retrieved 23 December 2020 from <https://www.svenskforsakring.se/statistik/forsakringar-i-sverige/>.

premiums have been identified by a United Kingdom-based consumer advocacy group, warranting further investigation into similar practices across the European Union.<sup>93</sup> Improving the comparability of contracts, transparency of information and clauses included are necessary toward improving trust and use of home insurance products. For pensioners with a low income, cost of insurance may also be barring.

### Motor insurance

Motor insurance is a necessary product for financial and social inclusion. Under Article 3 of the EU Motor Insurance Directive 2009/103/EC, all vehicles are required to be insured in the Member State within which they are normally based.<sup>94</sup> According to our respondents age limits in accessing insurance policies and high premiums based on age are the most significant barriers to accessing motor insurance. While in many countries being over the age of 50 or retirement may present advantageous price options or discounts, this advantage may drop significantly as age increases. An insurance company survey conducted by Consumentenbond, the consumers association of the Netherlands, found that premiums increased sharply at the age of 75 and were as much as 173% higher for an 85 year old (in comparison to a 35 year old). This is despite evidence presented by the Dutch Association of Insurers that the average damage amount per claim for those 85+ was lower than any other risk group apart from drivers in the 75-84 range. Essentially, many customers who cost companies the least to insure are paying the most to receive coverage. It must be noted, however, that while the chance of damage is highest among those between 18 and 21, this likelihood is also relatively high above the age of 75. Chance of damage is lowest between ages 46 and 74.<sup>95</sup> “While telematics can benefit certain segments of older consumers (if they demonstrate good driving behaviour),” Consumentenbond also found “that some insurers are applying age limits to limit benefits of such contracts for the elderly.”<sup>96</sup>

Age limits were most commonly viewed as an impediment to those seeking a new policy, which translates into older people having a restricted selection when switching insurers or otherwise being compelled to stay with their current provider. Consumentenbond revealed that a third of companies in the Netherlands refused to accept new customers based on their age, some as young as 69. Loyal older customers, however, are also targeted with higher fees. One respondent shared the findings of the United Kingdom’s Financial Conduct Authority (FCA) 2020 insurance market study.<sup>97</sup> The FCA found that older consumers were more likely to be targets of “price walking,” within the home and motor insurance markets. Price walking is an unfair pricing model wherein long-term policyholders pay higher premiums than newer customers receiving the same amount of coverage based on the firm’s calculation that they are less likely to switch providers due to low market awareness. The practice of price walking led

93 Citizens Advice. (2017, November 24). The insurance loyalty penalty: unfair pricing in the home insurance market. Retrieved 16 February 2021 from <https://www.citizensadvice.org.United Kingdom/about-us/our-campaigns/all-our-current-campaigns/citizens-advice-super-complaint-on-the-loyalty-penalty/>.

94 Directive 2009/103/EC. OJ L 263, 7.10.2009, p. 11–31. European Parliament, Council of the European Union. Retrieved 11 December 2020 from <http://data.europa.eu/eli/dir/2009/103/oj>.

95 Feytens, M. (2020, June 29). Car insurance for seniors. Consumentenbond. <https://www.consumentenbond.nl/autoverzekering/senioren>.

96 Meijer, Rien. (2016, November). Goedkoop voor keurige rijders. Geldgids. Nr 7. Consumentenbond. <https://www.consumentenbond.nl/binaries/content/assets/cbhippowsite/gidsen/geldgids/2016/nummer-7---november/gg201611p20-rijstijlverzekeringen.pdf>.

97 Financial Conduct Authority. (2020, September). General insurance pricing practices. Market Study MS18/1.3. Retrieved 16 November 2020 from <https://www.fca.org.United Kingdom/publication/market-studies/ms18-1-3.pdf>.

6 million policyholders to overpay for their policy by £1.2 billion (£200 per person). Consumers generally assume, falsely, that price increases are the result of general market increases. The alternative to paying the increased premium is to frequently spend time searching for more competitive offers, though older consumers are less likely to be able to switch. In December 2020 the Central Bank of Ireland also published evidence of the disproportionate effect price walking has on older people in both the car and home insurance market, again raising the question of prevalence of the practice in other Member States.<sup>98</sup>

Other notable barriers beyond age limits identified by respondents include the limited access to physical offices and insurance staff and low trust. Digitalisation of products complicates access among older consumers as it limits personal contact and the ability to fully understand the products. Again, the risk of online scams and the vulnerability of older users was highlighted by respondents. The current demographic of older people, though highly diverse in their capabilities, are less likely to be able to obtain the best offers and make comparisons with online-only products.

### Personal / family liability insurance

Under the mandate of the Solvency II Directive, general liability insurance covers issues not related to motor vehicles, ships or aircraft.<sup>99</sup> The most common form is personal or family liability insurance which protects from costs incurred to third parties. Though this product was included in our survey, a low level of data was collected regarding issues of its use. Only 26% of respondents indicated they were aware of barriers in accessing or using such insurance. This is likely because this type of insurance is commonly included in home insurance policies or is not commonly used across all Member States.

It may have a role in some countries where the legal culture creates an increased chance of private individuals being drawn into legal proceedings. In these cases, personal or family liability insurance can cover potentially costly legal fees that could otherwise constitute a life accident and provoke debilitating financial difficulty.

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98 Central Bank of Ireland. (2020, December). Review of Differential Pricing in the Private Car and Home Insurance Markets, Interim Report. Retrieved 16 March 2021 from <https://www.centralbank.ie/docs/default-source/Regulation/industry-market-sectors/insurance-reinsurance/solvency-ii/communications/review-of-differential-pricing-in-the-private-car-and-home-insurance-markets.pdf>.

99 Directive 2009/138/EC on the taking-up and pursuit of the business of insurance and Reinsurance (Solvency II) (recast). OJ L 335 17.12.2009, p. 1. European Parliament and the Council. Retrieved 4 January 2020 from <http://data.europa.eu/eli/dir/2009/138/2019-01-13>.

## Supplementary Products for Financial Inclusion

### Travel insurance

Travel insurance was identified as being at least somewhat necessary to have access by 73% of respondents. The high support for access to this product is likely due to commonly faced obstruction to access. From our total pool of respondents, nearly half were aware of issues in accessing travel insurance. The major barrier was, again, age limits and increased costs due to age. The movement of services to digital platforms was also identified as an obstacle by the majority of respondents. The rationalisation of insurance companies is that an older person is inherently a higher risk for the company to insure. An EU level organisation noted that no account of health status is ever taken in travel insurance applications. A lack of trust toward online providers and concerns over ambiguous clauses in agreements also limit the use of this product. It was noted that the proliferation of travel insurance targeted toward older populations has increased in recent years, but that these barriers continued to limit their use. This was perceived as especially true for those over the age of 75 or with limited digital proficiency.

Wide variation in the use of travel insurance was indicated by respondents and our literature review. In Sweden, for example, respondents were unaware of any difficulties in protecting against unfortunate events during travel as insurance was bundled into their home-owners insurance packages. On the other side of the spectrum a respondent for Crederé, a Romanian consumer advocacy organisation, lamented that distrust in the security of online applications and for ambiguous clauses contained in agreements limited travel insurance use among older Romanians who were struggling “to learn and live in the digital era.” While a week-long holiday may be considered part of a normal life in Europe,<sup>100</sup> older Romanians who dare to take one – especially those over the age of 70 – are completely exposed to the financial repercussions of an unhappy event should they be so unlucky as to encounter one.

### Car rental insurance

While it is known that age discrimination is an issue for older people seeking to rent a car in some Member States and through certain rental companies, our survey sought to identify any issues older people might face in accessing rental insurance. Only 29% of respondents were aware of issues, concentrated mostly in Western Member States where 62% of respondents were aware of impediments to access car rental insurance. In terms of necessity, 40% of respondents indicated that not having access to car rental insurance caused problems for older people. Those over 75 were viewed as having more difficulty in accessing car rental insurance. Further specific insights into this area were not uncovered. It is affirmed, however, that older people should be entitled to the same access to financial tools as younger people so that a misfortunate event does not result in financial devastation.

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100 Madanipour A, Shucksmith M, & Talbot H. (2015). Concepts of poverty and social exclusion in Europe. *Local Economy*. 30(7):721-741. DOI:10.1177/0269094215601634.

## Consumer Credit

It is already known that vulnerable consumers are more likely to be subjected to predatory or unfair lending practices when seeking a personal loan, credit card, revolving credit or a payday loan. Ultimately, exposure to high-cost credit, complex contracts and conditions or other forms of exploitative lending increases the risk that these vulnerable consumers face. Findings from our survey indicate that older Europeans seeking credit may face higher costs and risks due to age or be prohibited from access entirely. More than 60% of respondents were aware of issues faced by older consumers attempting to access credit. Consumers over age 75 are perceived to have greater difficulty in access.

From our initial survey 73% of respondents indicated that older people's access to consumer credit was necessary to avoid social issues. Only 20%, however, indicated this use was absolutely necessary as compared to 54% considering access as somewhat necessary. There was a clear regional divide among the perceived necessity of consumer credit, with the majority of respondents for Western countries being more strongly in favor of access. Awareness of issues in accessing consumer credit was considerable in all regions, though once again the number of respondents reporting from the Nordic region was limited.

Age limits were unanimously identified as the most significant impediment to access with 84% and 88% categorizing this obstacle as very important and at least somewhat important, respectively, in creating an exclusionary effect. Though perhaps the most significant in effect, age limits are not the solitary obstacle for older people trying to access consumer credit. Limited access to brick-and-mortar services, demanding online applications, the requirement of costly outstanding balance insurance, requirement of a guarantor and prohibitory cost increases due to age were identified as important or very important barriers by over half of respondents. Interestingly a trend of credit being denied without the applicant being given a reason was also identified, warranting further investigation. Online applications are often automatically denied, possibly due to age. Digitalisation of applications was repeatedly mentioned as having an inhibiting effect on older would-be consumers, especially those over the age of 75. Respondents from Romania commonly referred to high commissions incentivizing creditors to direct customers to products unsuited to their circumstances, often with complicated contracts or abusive clauses. The interpretations by Member States of responsible lending in the Consumer Credit Directive 2008/48/EC and Mortgage Credit Directive 2014/17/EU were also mentioned to be a limiting factor for credit options for older Europeans.<sup>101,102</sup>

A respondent for BEUC brought to our attention that some Belgian credit institutions have recently increased their measures against the risk of offering revolving credit to older customers. Revolving credit is typically presented in the form of credit cards or home equity lines. Measures to limit the share of older customers include decreasing maximum lending ages – in some cases by as much as eight years – and applying higher interest rates to compensate for potential losses incurred in the event of the debtor's death. Many lenders categorise this insurance as “free” remission, whereby the debt is not transferred to the next of kin in the event of death.<sup>103</sup>

101 Directive 2008/48/EC. On credit agreements for consumers and repealing Council Directive 87/102/EEC. European Parliament, Council of the European Union. Retrieved 24 February 2021 from <http://data.europa.eu/eli/dir/2008/48/oj>.

102 Directive 2014/17/EU. On credit agreements for consumers relating to residential immovable property and amending Directives 2008/48/EC and 2013/36/EU and Regulation (EU) No 1093/2010. European Parliament, Council of the European Union. Retrieved 24 February 2021 from <http://data.europa.eu/eli/dir/2014/17/oj>.

103 Klinckenberg, J. (2018, June 19). Liever geen krediet aan ouderen. Consumentenbond. Retrieved 10 December 2020 from <https://www.consumentenbond.nl/hypotheek/liever-geen-krediet-aan-ouderen>.

Though increased cost of credit based on age itself was not highlighted by respondents as a major problem, the conditions associated with older age were. “In most cases, older consumer’s only income is the state pension, they are treated as high risk consumers and therefore the rates of credit are significantly higher compared to the working population with even the same financial situation,” remarked a respondent from Slovakia.

There is a demand for sensible credit products with favorable conditions which can help cover the cost of utilities, household goods, home renovation or lifestyle improvements. For example, “in winter periods older people need payday loans to ensure heating of their properties, but have limited access to them because of age restrictions,” commented a respondent for a Slovenian consumer organisation. Respondents to our survey highlighted credit unions as a favorable, appropriate entity for older consumers seeking credit, though the prevalence of credit unions differs between Member States. Intermediaries and microcredit organisations have risen to meet the demand for credit, at times offering more generous age limits and conditions. Workshop participants also highlighted that microfinance organisations are combating gender-based stereotypes and unequal access caused by lifelong earning disparities. Further investigation into the use and expansion of successful social microcredit projects into wider use could be a promising avenue to explore, in addition to amending the Consumer Credit Directive.<sup>104</sup>

## Mortgage Credit

Similarly to consumer credit, age limits were considered the most pressing barrier to mortgage credit in later phases of life across the European Union. “For example, a 60-year old [who is at least half a decade away from retirement] cannot get a 30-year mortgage credit. It has been discussed whether there is discrimination in higher costs because of age. This is, however, not directly proven in Denmark. At least yet,” a representative from the Danish Consumer Council commented. A respondent from Lithuania highlighted that compliance with the European Union responsible lending guidelines in the Mortgage Credit Directive 2014/17/EU barred those aged 50 and older from acquiring a mortgage loan as the full repayment must be completed by age 65 and the monthly payments are too high for most. This appears to be in contradiction with the intention of the Mortgage Credit Directive (MCD) which aimed to promote lending.<sup>105</sup> This sense of red tape effectively preventing acquisition of mortgage credit was echoed by respondents in eastern Member States such as Croatia, the Czech Republic and Romania.

Participants in our workshops highlighted that, in general, older women were less able to access mortgage credit based on the impact of lifelong gender constructs on income and assets. As women are more likely to receive lower wages for equivalent work, be employed in low-pay sectors, work-part time or provide career-interrupting, unpaid caring duties for children or other dependents they are by default less likely to have adequate income for mortgage qualification. This certainly continues to be true into old age, when single women are disproportionately poor in comparison to equivalently aged men or married couples.

104 Pieper, J. (2021, February 9). New data on consumer credit mis-selling, poor lending practices expose EU Consumer Credit Directive (CCD) shortfalls. Finance Watch. Retrieved from <https://www.finance-watch.org/press-release/new-data-on-consumer-credit-mis-selling-poor-lending-practices-expose-eu-consumer-credit-directive-shortfalls/>.

105 Jerusalmy, O., Fox, P., Hercelin, N. & Mao, L. (July, 2020). Basic Financial Services: A European-wide study on financial services and products needed to tackle financial exclusion of citizens. Finance Watch. Retrieved 3 September 2020 from <https://www.finance-watch.org/wp-content/uploads/2020/07/basic-financial-services-report-fw-july-2020.pdf>.

Though respondents in our study did not highlight the unique hurdles older people with a migrant background might face, our literary research finds that age limits to mortgage credits may have a greater impact on immigrants, especially those relocating later in life. Home ownership is a normal life aspiration for many and in many Member States, owning a home is cheaper than renting. Indeed, Eurostat statistics on housing indicate that persons living as tenants are more likely to be overburdened, or pay over 40% of the equivalised disposable income, as compared to persons living in owner-occupied dwellings with a mortgage.<sup>106</sup>

Respondents highlighted several barriers to in addition to age limits and gender or migrant status-based discrepancies in access. The requirement of a personal guarantee by lenders was also viewed as a barring imposition by 66% of respondents. Limited access to credit offices and staff members were also viewed as a significant barrier to access by nearly 70%. The transition of lenders to online facilities is barring to all who lack digital skills or internet access.

## Hire-purchase agreements

Hire-purchase agreements are a form of payment which allows consumers to use a good – perhaps a car, or a household appliance – while making payment installments. The consumer does not legally own the good until all payment installments have been made within the time constraints of the contract. Hire-purchase contracts are not considered credit agreements under EU law and therefore not covered by the Consumer Credit Directive (CCD).<sup>107</sup> When asked about the barriers older people faced in accessing hire-purchase agreements, more than 50% of survey respondents identified age limits as very important in limiting access. Personal guarantees and outstanding balance insurance required by the lender as well as higher costs due to age were also identified as being problematic. When asked specifically about car loan agreements, only 36% of respondents indicated that they were aware of issues older people faced in terms of access, without a variation in effect between the two referenced age groups. Disaggregated regionally, awareness peaked at 42% among respondents for southern Member States. In general, many respondents indicated that they were unaware of issues related to hire-purchase agreements or that little need for these products was expressed to senior and consumer advocacy groups. Due to the low level of data collected specifically on this product, further research in the area is advisable.

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106 Eurostat. (2020, September 10). Housing Statistics. Retrieved 17 December from [https://ec.europa.eu/eurostat/statistics-explained/index.php/Housing\\_statistics#Type\\_of\\_dwelling](https://ec.europa.eu/eurostat/statistics-explained/index.php/Housing_statistics#Type_of_dwelling)

107 Jérusalmy, O., Fox, P., Hercelin, N. & Mao, L. (2020, July). Basic Financial Services: A European-wide study on financial services and products needed to tackle financial exclusion of citizens. Finance Watch. Retrieved September 3, 2020 from <https://www.finance-watch.org/wp-content/uploads/2020/07/basic-financial-services-report-fw-july-2020.pdf>.

## Car loan

Awareness of issues in accessing car loans was similar across both age groups in the survey, with around 40% of respondents aware of barriers to access. A total of 54% of respondents indicated that access to car loans by older people is necessary to avoid social issues. Data also indicated that people above age 75 encounter more difficulties when attempting to access car loans. No specific comments were made on the types of barriers faced. This product requires further research to uncover the nature of any barriers and the extent to which older people are impacted across Member States.

Generally, vulnerable groups with low income, such as some pensioners, are less likely to be able to access credit agreements and car loans suitable to their socioeconomic status. For people living in rural areas or in an area with poor public transportation, a vehicle may be necessary to access goods, services and maintain a social life. Analysis of contemporary literature suggests that two methods can combat mobility issues: assistance in purchasing a vehicle, such as that made possible by car loans, or expansion and affordability of public transportation services.<sup>108</sup>

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108 McMahon, Dr. B. & McEvoy, O. Stories of Struggle: Experiences of Living Below the Minimum Essential Standard of Living. Vincentian Partnership for Social Justice. Retrieved 22 October 2020 from [https://www.budgeting.ie/download/pdf/stories\\_of\\_struggle\\_full\\_report.pdf](https://www.budgeting.ie/download/pdf/stories_of_struggle_full_report.pdf)



# Conclusion

The key barriers identified that prevent older EU citizens from being financially included are:

- age limits
- the impact of digitalisation
- low income

Product specific barriers and recommendations for their improvement include:

Financial Product	Barriers	Recommendations
Cash	Digitalisation, limited access to ATMs/branches, legality to refuse as a means of payment	Promote or develop cash-back retail options, post office banking services. Set minimum geographical ATM availability quotas. Free access within network and limited number of free withdrawals from non-network ATMs, assert obligation of acceptability as means of payment
Payment Account	Digitalisation (limited access to ATMs/branches, demanding digital applications, fees for non-digital transactions, services limited to online availability), insufficient access to transfer terminals	Targeted promotion/advertising of basic payment account, allow customers to possess more than one account with basic payment account, reduce fees related to regular accounts. Offer account management through public payment terminals, post offices. Offer simplified/easy access online via novice-user-friendly apps or webpages
Savings	Low interest rates, limited access to branches, lack of online services, lack of services appropriate for low-income individuals/households	Promote information on the benefits, risks, and best practices for savings accounts, establish or promote post office savings accounts, develop user-friendly online products. Develop products targeting low-income customers
Pensions	Insufficient for dignified living (closely tied to gender and occupational sector)	Collaborate closely with civil society/workers' unions in retirement age adjustments, in the development of a PEPP, lifelong learning/retraining programmes, and access to quality childcare. Promote gender equality in division of care duties, improve member state support of fair working condition policies, adjust pensions to the cost of living/inflation



**Applicable to all products:**

- Strengthen the rights of older people and legal ability to combat age discrimination
- Collaborate closely with consumer and seniors' organisations
- Support the creation of the UN Convention on the Rights of Older Persons, initially through improvements in data collection specific to older persons
- Revisit the Horizontal Directive
- Improve availability of quality financial and debt advice organisations
- Fully implement the UN Convention on the Rights of Persons with Disabilities (has been delayed for a decade)

<b>Private health insurance</b>	Affordability, age limits, link to employment status	<p><b>Applies to all insurance products:</b></p> <p>Amend the Insurance Distribution Directive to improve demands and needs test, increase consumer protection and create obligation to offer basic product options</p>
<b>Home insurance</b>	Affordability, complicated contracts, access to offices/staff	
<b>Motor insurance</b>	Affordability, age limits, limited access to staff/physical offices, lack of trust	
<b>Personal/family liability insurance</b>	Further research required	
<b>Travel insurance</b>	Limited access to staff/physical offices, lack of trust (online providers), increased premium based on age, age limits	
<b>Car rental insurance</b>	Limited access for those over 75	
<b>Consumer credit</b>	Age limits, limited access to staff/offices, complicated/abusive contracts	Implement recommended CCD amendments, explore opportunities for microcredit
<b>Mortgage credit</b>	Age limits, gender/migrant status linked limitations, requirement of guarantor, limited access to staff/offices	
<b>Hire-purchase agreements</b>	Further research required into barriers posed by age limits, increased cost due to age, requirement of personal guarantees, outstanding balance insurance costs	Consider if these agreements should be more strictly regulated under the CCD
<b>Car loan</b>	Further research required	Improved public transportation, vehicle purchase assistance programmes

Evidence has been gathered to demonstrate that these barriers are not justified. They can and should be removed through EU leadership to improve the rights of older people and targeted amendments to legislation as described in the table above. This would ensure that the principles of the European Pillar of Social Rights are properly implemented and have a measurable, positive impact on an ever-growing constituency of EU citizens, older people, as Europe journeys through the Covid-19 recovery and digital transition process. EU Member States must also move quickly to address the serious issue of implementing the UN CRPD and the UN Convention on the Rights of Older Persons when it is finalised. The precedent set so far, with the twelve-year delay in introducing the UN CRPD is extremely concerning, not least because it has not been justified. This will then provide the thread to link the EPSR, the European Commission Green Paper on Ageing and financial services regulation on a firm anti-discrimination mandate. Any financial inclusion strategy must include a roadmap of defined actions to achieve the objectives of equitable access and usage and bring quality benefits to the lives of all members of society.<sup>109</sup> The Green Paper on Ageing has provided the opportunity for civil society to weigh in on the roadmap forward and this collaboration with consumers rights and senior advocacy organisations must continue and expand more pointedly into the area of financial services and tools.

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<sup>109</sup> Pearce, D. & Ruiz Ortega, C. (2012, June). Financial Inclusion Strategies Reference Framework. World Bank. <http://documents1.worldbank.org/curated/en/801151468152092070/pdf/787610WPOP144500use0only0900A9RD899.pdf>



## About Finance Watch

Finance Watch is an independently funded public interest association dedicated to making finance work for the good of society. Its mission is to strengthen the voice of society in the reform of financial regulation by conducting advocacy and presenting public interest arguments to lawmakers and the public. Finance Watch's members include consumer groups, housing associations, trade unions, NGOs, financial experts, academics and other civil society groups that collectively represent a large number of European citizens. Finance Watch's founding principles state that finance is essential for society in bringing capital to productive use in a transparent and sustainable manner, but that the legitimate pursuit of private interests by the financial industry should not be conducted to the detriment of society. For further information, see [www.finance-watch.org](http://www.finance-watch.org)

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