



Principles for the use of consumer behavioural insights

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The Dutch Authority for the Financial Markets

The AFM is committed to promoting fair and transparent financial markets.

As an independent market conduct authority, we contribute to a sustainable financial system and prosperity in the Netherlands.

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1. Introduction

The AFM has formulated principles for the use of consumer behavioural insights. With these principles, the AFM outlines a long-term vision of how financial firms would ideally conduct themselves with regard to the use of consumer behavioural insights.

In October 2016, the AFM published the report '[AFM & Consumer behaviour: an exploration](#)'. In this report, the AFM informed financial firms about the AFM's understanding of consumer behaviour and the implications of this for its supervision. In addition, this publication included an invitation to collaborate on the application of consumer behavioural insights in the financial sector. Since then, the AFM has conducted and [published](#) various studies – in some cases in collaboration with financial firms – and has expanded its insights. With the principles, the AFM takes a new step in embedding consumer behavioural insights in the financial sector.

Making well-considered decisions places high demands on our mental capacity. The source of this mental capacity is not infinite: our attention, calculation power, time, imagination and empathy, patience, motivation and self-control are limited. Our mind therefore simplifies many situations for us. This approach is efficient and effective in many situations, but it can also lead to unwise financial decisions. Financial firms can use behavioural insights to the benefit of consumers. Human behaviour is – to a certain extent – universal and predictable. We can say that there are 'human tendencies'. Financial firms can take these tendencies into account in the development of new products, the use of information and the design of the choice environment. By doing so, firms promote sensible financial decisions and contribute to the financial resilience of their (potential) customers.

The importance of applying behavioural insights has been widely emphasised for years. For example, in 2014 the government indicated its intention to encourage the application of behavioural insights in policy. This resulted in the foundation of the Behavioural Insights Network Netherlands ([BIN_NL](#)) in the same year. BIN_NL is a partnership for the application of behavioural knowledge in (central) government. BIN_NL stimulates and facilitates knowledge sharing, knowledge building and cooperation in the field of behaviour.

The caretaker Minister of Finance, Hoekstra, also sees the importance of using consumer behavioural insights. To encourage new initiatives that make consumer financial decisions easier, he created the collaborative Consumer Choices Action Plan in April 2019, in which some 40 parties from the financial sector, consumer organisations and knowledge institutes are now working together. In a [parliamentary letter](#) of 10 February 2021 about the Consumer Choices Action Plan, he wrote the following on this subject:

'I hope that these new initiatives will also lead to innovative ways that make sensible financial decisions easier for consumers. This will ensure that households are financially resilient, a key focus of my financial sector agenda. These new initiatives also demonstrate that parties in the financial sector consider it important, especially in these new circumstances, to help consumers by designing services and choice environments to encourage financially sensible behaviour.'

Initiatives such as BIN_NL, the Consumer Choices Action Plan and the publication of the principles for the use of consumer behavioural insights by the AFM are all calls on policymakers and

financial firms to use behavioural insights to promote sensible financial decisions among consumers and increase financial resilience.

It is important to note that the use of behavioural insights cannot always prevent consumers from ending up in situations where they are financially vulnerable. Vulnerability arises from factors such as insufficient income, a complex society and life events (such as divorce, illness and job loss), over which financial firms have no influence. In some cases, financial firms may be able to help consumers to cope with setbacks as well as possible given the circumstances. In addition, the use of consumer behavioural insights does not always ensure that consumers actually make sensible decisions. After all, people have the freedom to choose something other than what they are (implicitly) advised to do.

In other words, using consumer behavioural insights is not a silver bullet and not a panacea. Nonetheless, it is a powerful and cost-effective way to nudge consumers in the right direction. For this reason, the AFM considers it important that financial firms take account of established consumer behavioural insights.

2. Principles for using consumer behavioural insights

Ideally, financial firms would promote sensible financial decisions among consumers. To do this, it is important to first understand how people make decisions. Subsequently, once it has been established what a sensible financial decision is in the relevant context, consumers can be guided in the desired direction. Finally, it is important to measure whether these consumers are actually being guided in the intended direction.

The AFM is publishing its report 'Consumer behaviour: understanding, guiding and measuring' at the same time as the principles for the use of consumer behavioural insights. In this report we share – in line with the principles formulated – the behavioural insights that the AFM currently considers most relevant. The report offers financial firms guidance on how to put the principles into practice.

The principles below describe the process of using consumer behavioural insights and can be used in the design of the choice environment, products and information. The principles should be read in conjunction with one another. Independently, they can take on a different meaning. In addition, skipping a step often does not achieve the optimal result.

These principles describe the AFM's long-term vision with regard to the use of consumer behavioural insights by financial firms.

Principle 1: Keep up to date with the most relevant consumer behavioural insights

The AFM considers it important that financial firms have insight into consumer behaviour.

The field of behavioural sciences is of course constantly evolving. In order to have an up-to-date understanding of consumer behaviour, keep up with the latest insights from available (academic) literature.

Principle 2: Use these insights to promote sensible decisions among consumers

The AFM considers it important that financial firms use the insights they have gained into consumer behaviour to promote sensible financial decisions among consumers.

Financial firms themselves will have to determine what is considered to be a sensible financial decision in a particular situation. Consumer behavioural insights can be applied in the development of new products, the use of information and the design of the choice environment.

Principle 3: Measure the effect of using these insights

The AFM considers it important that financial firms measure the effect of the use of consumer behavioural insights.

By measuring this effect, financial firms can determine whether their efforts to promote sensible financial decisions among consumers are successful. It is important to test – in advance – whether the intervention will achieve the intended result. In some cases, an intervention may achieve exactly the opposite of what was intended.

3. Appendix: Principles as a policy statement of the AFM

3.1 What are principles?

Principles are a policy statement in which the AFM outlines a long-term vision of how (financial) firms would ideally conduct themselves with regard to a particular subject. Principles are formulated at a high level of abstraction. Principles do not prescribe *how* (financial) firms should apply them. Principles may underlie various legal standards. Principles are not enforceable. The purpose of principles is to increase the predictability and transparency of the AFM and to promote dialogue between the AFM and the sector on the subject in question. Principles originate on the initiative of the AFM, but are preferably established in consultation with the sector.

3.2 The AFM's use of principles

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| To whom principles apply | all financial firms or a selection thereof based on specific themes, services, etc. |
| The purpose of principles | to outline a direction; to be a futuristic outlook; to increase the predictability and transparency of the AFM; to promote dialogue between the AFM and the sector on the subject in question. |
| The substance of principles | outlines a long-term vision of the AFM on how financial firms would ideally conduct themselves with regard to a particular subject; formulated at a high level of abstraction; do not prescribe how financial firms should apply them; principles may underlie various legal standards. |
| Method of supervision | dialogue between the AFM and (financial) firms about the interpretation and application of principles; principles are not enforceable. |
| How principles are established | principles are preferably established in consultation with the sector; principles are aligned with stakeholders (such as other supervisors and the Ministry of Finance). |

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