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Consumer Protection in Cross-Border FinTech Transactions

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Consumer protection refers to the practice of safeguarding goods and services purchased by buyers so that unfair practices should not be encouraged in the marketplace. In the FinTech sector consumer protection indicates the establishment of laws and regulations with other measures for ensuring fairness along with responsible treatment of customers during financial transactions. Cross-border transactions help merchants connect multiple acquirers which helps in improving increasing break approval rates, decreasing interchange costs, and enhancing risk diversification. Cross-border payment indicates any type of transaction where the payer along with the payee is situated in different countries. The cross-border payments are anticipated to reach more than "$250 million" by the completion of 2027. Also, global corporations move approximately "$23.5 trillion" which is equal to 25% of global GDP. It has been observed that mobile wallets are seen to be "the fastest-growing payment method" in Southeast Asia where the number is anticipated to increase from 311 million to 440 million by 2025. On the other hand, the report of JP Morgan has shown that credit cards are a suitable payment method in North America which accounts for 47% of e-commerce transactions (JP Morgan, 2021). In Africa, M Pesa has been one of the most effective payment methods which serves nearly 48 million customers there. The platform makes its operations in countries such as "Afghanistan", "Egypt", "Lethozo", "Ghana", "the "Democratic Republic of Congo" and others. In Europe and the UK Klarna acts as the dominant service provider within the "Buy Now Pay Later" aspect. Afterpay is available in Australia and New Zealand (He, 2021). However, there are significant challenges in cross-border payments such as "higher costs", "slower processing of transactions" and "local payment regulations and compliance". In this context, it needs to be mentioned that for FinTech firms operating globally consumer protection is essential in cross-border transactions. During the time of performing transactions effective technologies such as Artificial Intelligence, Blockchain, and machine learning help FinTech firms to synchronise data of customers and store those in a systematic manner (Pant, 2020). AI-enabled technology helps FinTech firms assess the global digital market trends based on which they can serve their customers effectively. Moreover, it helps FinTech firms formulate strategic business decisions that significantly impact increasing profitability. FinTech throughout the globe have focused on leveraging technology for revolutionising cross-border systems by implementing low-cost solutions in the case of international payments (Barclay & Tagai, 2022). It has enabled FinTech firms to increase their global reach.

Customer Protection acts as a safeguard for customers to stop unfair practices in the international market (Atikah,2020). The customer protection law was implemented in 1986. Customer protection acts as a safety tool to encourage customers to report the quality and insufficiency of the FinTech tools. In the finance operation, customers do not have safe market power, to protect customer rights a strong law should be implemented to ensure the financial safety of the customers. Strong business conduct rules and regulations help FinTech companies to ensure customer rights. The operational reliability of the FinTech transaction depends on customer trust and customer confidence. Financial customer protection gives transparency and complete disclosure of the payments, fair business conduct, protection of customer data and maintaining customer privacy. The issue faced in Coss border FinTech transactions is the overseer of international payment. In 2017 World Bank published the principles that need to be followed to provide customer protection. The legal framework published by the World Bank is known as Good practices. These good practices framework monitor the risks involved in the supervision activities of the payment service providers.

In the age of digital transformation, the use of financial technologies (FinTech) has become common in daily life. As the FinTech technologies have evolved financial inclusion and democratised access to financial services have become common. FinTech technologies helped the financial sectors to develop user-friendly banking services, cost cost-effective translation technologies to the customers(Widijowati,2023). In order to protect customer rights many counties such as Europe, and Bahrain follow rule rule-based approach in the FinTech transaction. The rule-based approach helps to floor the financial guidelines to protect customers. The European Payment Service has implemented specific financial laws such as customer authentication, and data protection to secure the payment system across Europe and for global transactions. The Customer Protection Act of Bahrain (2012) helps to achieve transparent payments, confidentiality, and accurate pricing to secure customer rights. Another method to protect customer rights is the Principle-based approach. India, USA. The Reserve Bank of India has set up a self-regulatory council to improve customer protection, and security in translation in all digital payments (World Bank, 2021). Real-time payments in the USA manage the financial risks, and use of standard technology.

Payment transparency and disclosure act as a critical factor to protect customer rights. The pricing strategy of the newly launched product and services helps to achieve customer trust as a result customer reliability on the financial services will be increased which is beneficial for the FinTech service providers.

The terms and conditions of every FinTech service platform provide transparency to customers as a result customer trust will be enhanced which reduce the risks of the FinTech service platforms. As per the Good Practices guidelines of the World Bank, the FinTech applications should provide simple accessible financial information, and use easy language to understand the payment criteria (Arner, 2020).

The FinTech technologies do not mislead the customers with false information about the payment amount and remaining balance after the payment. The financial customer protection laws have set a pricing structure in every coss boundary payment so that no one can misuse the financial resources of the customers. In the USA the Electronic Fund Transfer Act has charged a nominal fee before electronic fund transfers.

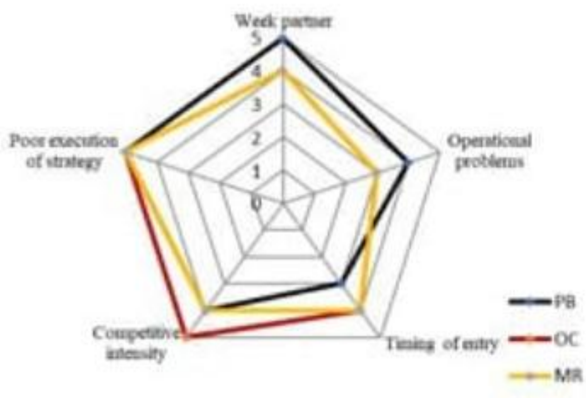
(Source- World Bank, 2021)

Figure 1: Good Practices Guidelines

The Customer Protection Act has reserved customer rights such as customers being protected from all hazardous products and services which are harmful to their lives, the products need to maintain standard quality so that the financial resources of the customers will not wasted (Howells,2020).

The issues faced in FinTech transactions are the transfer of personal data of the customers and, the protection of data privacy of the customers.

The risks faced in cross-border transactions of the FinTech transaction are commercial risks, risks of currency, and cross-cultural risks—commercial risks such as poor business strategies, and marketing tactics. The choice of wrong business partners, features of the payment platforms, and market entry timing may cause cross-border risks for the FinTech companies (Skadina, 2021).



(Source- Skadina, 2021)

Figure 2: Commercial Risks in FinTech

In order to currency risks such as exchange rate fluctuation cause international transactions. For international translation, the customers face difficulties in legal, and political conditions in foreign countries as a result rate of foreign transactions will be reduced. The cross-cultural risks such as differences in language, mindset, and lifestyle create difficulties in solving international business problems of the FinTech payment platforms. The profitability of the FinTech platforms is reducing as many competitors are rising day by day. The business operational problems faced by FinTech businesses are lack of adequate revenue, management of the international business chain, maintaining customer loyalty, and customer security issues. In order to track the payment details of the customer the FinTech companies need to develop a strong database base which is expensive as a result a huge loss is faced by the FinTech companies.

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