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# Research on Improving Pathways for Financial Consumer Rights Protection in Inclusive Finance

Xinglian Li

School of Law, Anhui University of Finance and Economics, Bengbu, China

## Abstract

**As China's inclusive finance continues to develop, the protection of inclusive finance consumers' rights and interests has become an urgent issue requiring resolution. In China, the protection of inclusive financial consumers' rights faces challenges such as inadequate judicial adaptability, gaps in legal regulations, and limited regulatory effectiveness. It is necessary to distinguish between the similarities and differences between inclusive financial consumers and general financial consumers, based on an analysis of the differences between general consumers and financial consumers. By expanding rights protection channels, establishing algorithm review mechanisms, and implementing a cooling-off period for financial consumption, the rights of inclusive financial institutions can be optimized and safeguarded. This approach ultimately aims to achieve a dual improvement in the quality of inclusive financial development and the level of consumer rights protection.**

## Keywords

**Inclusive Finance; Rights Protection; Financial Regulation.**

## 1. Introduction

As the financial industry deepens its development, inclusive finance has increasingly integrated into people's daily lives. Serving as the core vehicle for promoting financial inclusion, inclusive finance plays an irreplaceable role in helping vulnerable groups-such as small and micro enterprises, farmers, and low-income urban residents-gain equal access to financial services. However, with the rapid expansion of inclusive finance operations, consumer rights protection issues have become increasingly prominent, emerging as a key bottleneck constraining its sustainable development. Currently, inclusive finance consumers face numerous challenges in information access, risk identification, and rights protection channels. Improving the consumer rights protection mechanism for inclusive finance has thus become a critical issue for its healthy and orderly development. Therefore, this study aims to systematically examine the differences between protecting the rights of inclusive finance consumers and those of general consumers, explore the rationale for differentiated protection for inclusive finance consumers, identify existing shortcomings in current consumer rights safeguards, and propose targeted improvement pathways across multiple dimensions. These include broadening rights protection channels, establishing algorithmic review mechanisms, and implementing financial cooling-off periods. This research aims to provide theoretical underpinnings and practical guidance for building a more equitable and rational inclusive finance ecosystem, thereby advancing the true realization of inclusive finance objectives and contributing to high-quality financial development and social equity.

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# 2. Differentiated Examination of Financial Consumer Rights Protection vs. General Consumer Rights Protection

## 2.1. Subject Differences

In China, financial consumers are generally defined as "natural persons who purchase or use financial products or services provided by banks or payment institutions" [1]. Broadly speaking, general consumers encompass financial consumers. However, in specific domains, the unique nature of financial consumption often results in significant differences between financial consumers and general consumers. In terms of transaction objects and rights protection demands, general consumers typically engage in transactions involving tangible goods and daily life services. These objects are often functionally simple and carry manageable risks, leading consumers to focus their rights protection demands primarily on foundational issues like product quality and food safety. In contrast, financial consumers primarily transact with financial products and services, encompassing diverse forms such as stocks, securities investments, bank wealth management products, and futures trading. These transaction objects are characterized by significantly more complex product structures, where generated returns are expected but uncertain and inherently risky. Consequently, consumers place greater emphasis on demands related to capital security and risk sharing[2]. Second, regarding cognitive capacity, general consumers can engage in daily transactions relying solely on everyday experience, without requiring advanced cognitive skills. Financial consumers, however, face financial products and services that often possess complex structures and risk characteristics. They need relatively high levels of risk awareness to identify underlying risks and must assess their own capabilities to match them with suitable financial products and services, thereby effectively reducing expected risk exposure. Finally, regarding liability, financial consumers and general consumers exhibit distinctly different boundaries of responsibility. Financial consumers should adhere to the principle of buyer beware regarding the gains and losses of financial products, bearing the risk of uncertain returns or principal loss due to market fluctuations, product risks, and other factors[3]. General consumers, however, bear no such liability and are not required to assume risks arising from defects in goods or services.

## 2.2. Differences in Protection Mechanisms

The transactional differences between financial consumers and general consumers dictate distinct focuses in their respective protection mechanisms. Financial consumers engage in transactions involving financial products, whose core characteristic is the coexistence of risk and return. Such risks are often concealed and contagious, capable of triggering cascading losses that significantly impact consumer rights and interests[4]. Therefore, to safeguard the legitimate rights and interests of financial consumers, laws often impose stricter requirements on financial institutions. As early as 2012, the China Securities Regulatory Commission's "Administrative Provisions on Securities Companies Selling Financial Products on Behalf of Others" established a basic framework where "buyer beware" and "seller's duty of care" coexist, requiring financial institutions to fulfill suitability obligations while investors bear their own investment risks. This principle was further clarified in the 2019 Supreme People's Court's "Minutes of the National Civil and Commercial Trial Work Conference" (hereinafter referred to as the "Minutes"), which explicitly defined the legal liability of financial institutions' "suitability obligations." It requires financial institutions to fully disclose risks when promoting high-risk financial products; otherwise, they bear liability for compensation. Accordingly, while financial consumers must adhere to the principle of buyer responsibility, this principle does not operate in isolation. It is predicated upon financial institutions' substantive fulfillment of their "seller responsibility" obligations. Financial institutions must assess consumers' risk tolerance and

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investment objectives to recommend suitable products, and ensure investors fully comprehend risks through documents like risk disclosure statements. Failure to do so subjects them to corresponding legal liability for losses incurred by financial consumers . In contrast, general consumers engage in immediate consumption transactions involving everyday goods or services. Such products typically carry lower risk levels with straightforward characteristics that consumers can readily perceive. Consequently, operators are not required to fulfill the risk disclosure obligations imposed on financial institutions. Instead, they bear unconditional liability for defects in the products themselves.

### 2.3. Differences in Interest Balancing

The difference in protection mechanisms between general consumers and financial consumers is fundamentally a difference in balancing interests. The general consumer protection mechanism achieves market efficiency by externalizing risk to sellers, while the financial consumer protection mechanism relies on a risk-sharing mechanism to maintain market vitality-this difference stems from the inherent disparities in risk structures, information environments, and other factors within the markets where these two types of consumers operate. In general consumer markets, risks are often intuitive and easily perceived by consumers, with relatively low information asymmetry. Regulation can externalize risks to operators through strict liability. In contrast, financial market risks exhibit long-term, contagious, and complex characteristics, accompanied by high information asymmetry. Relying solely on risk externalization risks triggering credit crunches due to risk aversion among financial institutions, thereby undermining market order[5]. From the perspective of financial market principles: On one hand, treating financial consumers as entirely vulnerable groups akin to general consumers and providing them with excessive protection would allow them to seek higher returns with lower risk in financial consumption-contrary to market logic. On the other hand, imposing overly stringent obligations on financial institutions not only dampens market vitality but also stifles financial market development[6]. In a highly regulated environment, institutions often adopt conservative strategies to avoid operational risks, reducing investment and experimentation in emerging businesses, technologies, and products. This long-term approach hinders the sustainable growth of financial markets. Furthermore, China's financial regulatory framework has long emphasized both macroprudential and micro-level supervision. However, constrained by the complexity of financial markets, the contagious nature of risks, and limited regulatory resources, macro-level financial regulations often dominate, and protections for specific financial consumer behaviors cannot be as comprehensive as those for general consumer activities. Therefore, based on this framework, a balance of interests should be struck between financial risk and financial security. This involves achieving an organic unity between the principle of buyer responsibility for financial consumers and seller responsibility for financial institutions, thereby revitalizing the dynamism of financial markets.

## 3. The Logical Approach to Differentiated Protection for Inclusive Financial Consumers

If with the dynamic evolution of financial markets and rising household incomes, an increasing number of social groups seek to participate in financial consumption. Financial services are no longer viewed as the exclusive domain of professionals. This widespread demand for financial consumption has given rise to an emerging financial model: inclusive finance. Inclusive finance refers to a financial system that effectively and comprehensively serves all social strata and groups. As an extension of financial inclusion theory, its founding purpose is to reduce financial exclusion[7], thereby meeting the financial consumption needs of diverse social groups. China has adopted an inclusive and affirmative stance toward inclusive finance, incorporating it into the 14th Five-Year Plan. The plan explicitly calls for "building an inclusive financial system

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commensurate with economic and social development," aiming to achieve basic coverage where every township has a financial institution, every village receives financial services, and every household holds a bank account. Services like mobile payments and digital credit have rapidly expanded.

It is evident that inclusive finance has developed rapidly in China. Its continuous expansion in coverage and ongoing innovation in service models have met the diverse needs of today's financial consumers. However, this seemingly "universal coverage" financial service system, while bringing convenience and opportunities, also presents corresponding risks to financial consumers. Compared to general financial consumers, inclusive finance consumers exhibit significant gaps in cognitive abilities and risk tolerance. The target groups of inclusive financial services are predominantly concentrated among farmers, low-income urban residents, impoverished populations, persons with disabilities, the elderly, and other special groups. These entities possess weak financial literacy, making it difficult for them to comprehend complex financial product structures and potential risks. This often leaves them in a passive position when making financial decisions. Additionally, these groups often have single, unstable income sources that are highly vulnerable to economic cycles and lack resilience. Compared to professional financial investors, they struggle to mitigate risks through diversification and lack the financial buffers to weather crises[8]. Furthermore, as digital inclusive finance advances, issues stemming from the data divide have become increasingly prominent. Due to insufficient digital literacy, the inclusive population is often trapped outside digital thresholds, unable to access corresponding digital services. Meanwhile, data deficiencies lead to algorithmic discrimination on platforms, diluting the financial rights these groups should enjoy. Therefore, unless the gap is swiftly bridged and these issues resolved, the inclusiveness of inclusive finance risks becoming mere rhetoric.

Given this, inclusive financial consumers warrant a certain level of protection. While they possess lower financial literacy and face unique financial risks, they fundamentally remain within the category of financial consumers. Thus, in the practice of protecting inclusive financial consumers, it is essential to clearly define their differentiated positioning relative to general consumers. While adhering to the fundamental protection pathways for financial consumers, a balanced approach must be taken that integrates the dual constraints of the "buyer beware" and "seller responsibility" principles. Financial institutions providing services to inclusive groups must fully fulfill their duty to disclose risks. By assessing the risk tolerance of these consumers, institutions should precisely match financial products that align with their risk-bearing capacity. Simultaneously, the intensity of protection must be prudently calibrated to avoid contradicting financial market principles and prevent excessive intervention from stifling the inherent vitality of financial markets. On the other hand, the unique characteristics of the financially underserved population highlight the limitations of traditional consumer protection approaches. Their asset structures and the digital divide make it difficult for them to directly leverage market mechanisms to safeguard their interests, while algorithmic discrimination may further amplify their structural disadvantages[9]. Relying solely on the buyer-beware and seller-responsibility principles would leave inclusive groups perpetually passive in financial markets, ultimately intensifying financial exclusion. Therefore, protecting inclusive financial consumers requires balancing risk control with safeguarding the vulnerable—avoiding both market disruption from excessive protection and structural disadvantage from laissez-faire neglect. You follow the “checklist” your paper will conform to the requirements of the publisher and facilitate a problem-free publication process.

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## 4. Deficiencies in Financial Consumer Rights Protection from an Inclusive Finance Perspective

Before determining how to improve the consumer protection mechanism for inclusive finance, it is essential to explore the current practical challenges in safeguarding consumers within this sector. Under the financial regulatory framework comprising the "two commissions, one bank, one bureau, and one association", China's consumer rights protection mechanisms for financial consumers are steadily maturing and becoming more comprehensive. However, as previously noted, the unique characteristics of inclusive finance consumers render traditional consumer protection approaches significantly limited when applied to this group. This limitation manifests in three key areas: inadequate judicial adaptability, gaps in legal regulation, and limited effectiveness of financial supervision.

### 4.1. Insufficient Judicial Adaptability

Although inclusive financial consumers fall within the broader category of financial consumers, granting them equal protection may seem appropriate at first glance. However, this overlooks the unique characteristics of inclusive financial consumers. Mechanically applying general financial consumer protection mechanisms risks overestimating their risk awareness capabilities, thereby undermining their safeguards. In judicial practice, when inclusive finance consumers sue financial institutions for failing to fulfill suitability obligations to protect their legitimate rights, their claims are often dismissed. For instance, in the case of Xu v. Company Financial Entrustment Management Contract Dispute, the court ruled that the defendant, as a distributor, had fulfilled its seller suitability obligations, ultimately dismissing all claims by plaintiff Xu. Similarly, in the case of Jiang v. China Life Insurance Co., Ltd. Jilin Central Branch regarding a life insurance contract dispute, the court held that the plaintiff could not reduce their own reasonable duty of care by expanding the defendant's suitability obligations, ultimately dismissing the plaintiff's claims. In such cases, courts typically adhere strictly to existing financial consumer protection mechanisms, often overlooking the structural vulnerabilities of inclusive finance consumers. On one hand, current protections primarily focus on formalistic reviews. For instance, in the case of Xu v. XX Company Shanghai Tongxin Road Sub-Branch Financial Entrusted Investment Contract Dispute, the court determined that the financial institution had fulfilled its suitability obligations by verifying the consumer's signatures on documents such as the "Confirmation Letter" and "Commitment Letter" provided by the institution. While this approach may suffice for financially savvy consumers, it fails to delve into critical issues like the substantive effectiveness of risk disclosures or whether inclusive finance consumers genuinely comprehend risks. On the other hand, courts often neglect the disadvantages of inclusive finance consumers in aspects like burden of proof allocation, fault determination, and compensation standards. This results in their legitimate rights and interests struggling to receive substantive judicial protection. Such disregard leaves financial consumers with limited avenues for redress.

### 4.2. Absence of Legal Regulation

The rapid development of digital inclusive finance currently faces significant challenges, primarily centered on algorithmic discrimination within digital inclusive finance platforms. This occurs when platforms rely on algorithmic models to conduct business operations, yet due to data collection biases or the input of discriminatory labels by the platform itself, they subject certain groups-such as low-income individuals, rural users, and the elderly-to unreasonable differential treatment. For instance, in the case of Li Xiaopeng v. China Guangfa Bank regarding credit card activation assistance, Li Xiaopeng, a visually impaired individual, was denied service at a Guangfa Bank branch when he attempted to activate his credit card because he could not copy the information into the "applicant confirmation field." He subsequently sued the bank, requesting court-ordered assistance with credit card activation, and his claim was upheld. Although this case does not fall under algorithmic discrimination within digital inclusive finance platforms, it serves as a telling example. Such consumer discrimination does not vanish with changes in financial platforms. Compared to this form of consumer discrimination, algorithmic discrimination within digital inclusive finance platforms is often more covert and complex. Even if platforms do not intentionally engage in discriminatory practices, the deep learning capabilities of algorithmic models render their data analysis, application, and transformation processes largely unpredictable to developers. Consequently, the nature of algorithmic discrimination becomes elusive, making it difficult to provide effective explanations to external parties. This ambiguity further undermines the protection of consumers' legitimate rights and interests[10]. Furthermore, existing legal protection mechanisms lack clear and actionable standards for regulating such complex and covert algorithmic discrimination. The deep integration of algorithmic bias with finance, technology, and other sectors also hinders regulators from employing traditional oversight methods, creating practical challenges like evidence acquisition difficulties during supervision. This regulatory vacuum risks substantially eroding the inclusive nature of financial inclusion under the guise of technological empowerment.

### 4.3. Limited Role of Financial Regulation

Although financial regulation serves as a core pillar of financial protection mechanisms, playing an irreplaceable role in maintaining market order and preventing systemic risks, its effectiveness in the inclusive finance sector remains limited. China's current financial regulatory legal framework clearly exhibits a scale-oriented approach, prioritizing larger financial institutions such as banks and securities firms while providing relatively weak coverage for smaller financial institutions. Furthermore, driven by the founding principles of inclusive finance, China encourages the development of inclusive financial institutions through measures like lowering entry barriers and providing fiscal subsidies. This has led to a surge in the number of such institutions. Faced with this vast array of players, financial regulators are constrained by their capacity to oversee every detail comprehensively, thereby limiting their effectiveness. Moreover, in cases involving the protection of inclusive finance consumers' rights-such as the aforementioned financial entrustment management contract dispute between Xu and a certain company, or the life insurance contract dispute between Jiang and the Jilin Central Branch of a certain Chinese joint-stock company-most disputes are individual conflicts between inclusive finance consumers and financial regulators. These cases typically do not require the initiation of financial supervision, but rather rely on inclusive finance consumers seeking judicial remedies independently and resolving issues through private law channels. At this point, the scope for financial regulatory intervention is significantly constrained, making it difficult to directly interfere in the resolution of specific disputes.

## 5. Optimal Pathways for Protecting the Rights and Interests of Inclusive Finance Consumers

The preceding discussion has revealed the current challenges in protecting the rights of inclusive finance consumers, including judicial mismatches, gaps in legal regulations, and limited regulatory effectiveness. These contradictions underscore the need to establish a new consumer protection mechanism for inclusive finance. To this end, the existing financial consumer protection mechanism should be comprehensively optimized and upgraded through three dimensions: expanding rights protection channels, establishing algorithm review mechanisms, and implementing a financial consumption cooling-off period. This will effectively safeguard the legitimate rights and interests of inclusive finance consumers and promote the healthy and sustainable development of the inclusive finance industry.

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## 5.1. Expanding Rights Protection Channels

To address the unique characteristics of inclusive finance consumers within the existing financial consumer protection framework: First, the broad scope of inclusive finance consumers encompasses diverse groups, making a one-size-fits-all approach impractical. On the other hand, amending legislation or correcting judicial practices often requires a lengthy period. Given the limited role of financial regulation, consumer rights remain inadequately protected during this interim. Therefore, it is preferable to first broaden the rights protection channels for inclusive finance consumers, enabling them to receive timely and effective safeguards before seeking judicial remedies. For inclusive finance consumers, who are predominantly low- to middle-income groups at the grassroots level, the cost of pursuing judicial remedies is relatively high. Consequently, establishing a pre-litigation dispute mediation platform is particularly crucial. Although some financial dispute mediation platforms currently exist, most are privately operated rather than government-led. Furthermore, their focus areas are broadly defined, with insufficient attention to inclusive finance, rendering them ill-suited to address the specific rights demands of inclusive finance consumers. Therefore, a unified collaborative financial dispute mediation platform should be established, integrating government departments such as the central bank, banking regulator, insurance regulator, and securities regulator along with their subordinate agencies. Based on this foundation, the platform should automatically match disputes with the corresponding regulatory authorities and specialized mediation resources according to dispute type, enabling cross-departmental and cross-sectoral collaboration. By establishing efficient information exchange channels and standardized dispute resolution mechanisms, all parties can communicate promptly and coordinate closely during mediation. This enables rapid responses to inclusive finance consumers' demands, ensuring fair, reasonable, and efficient dispute resolution while effectively safeguarding financial market stability and protecting consumers' legitimate rights and interests.

## 5.2. Establishing an Algorithm Review Mechanism

Algorithmic discrimination has long been a challenge in digital finance. Mitigating such discrimination in digital inclusive finance requires collaborative review by financial institutions and government. On one hand, financial institutions should establish their own algorithmic safety assessment and review mechanisms, conducting regular comprehensive evaluations and reviews of algorithms. Based on specific discrimination assessment criteria, they should determine whether algorithms exhibit unfair discrimination against specific groups. Upon identifying discriminatory algorithms, prompt rectification procedures must be initiated, requiring developers to adjust and optimize the algorithms. Additionally, developers should register with government authorities to facilitate accountability when algorithms harm inclusive finance consumers. This compels financial institutions to strengthen internal compliance reviews during algorithm development and application, consistently uphold principles of fairness, impartiality, and non-discrimination, and continuously refine algorithmic models. Second, the government should establish specialized algorithmic discrimination review departments, incorporating technical talent from diverse fields[11]. These departments should fully leverage advanced technological methods to conduct simulation testing, data comparisons, and risk assessments on algorithms, ensuring the objectivity and accuracy of review outcomes to achieve effective scrutiny of algorithmic models. Simultaneously, a robust accountability system should be established. Platforms found to employ discriminatory algorithms that harm the rights of inclusive finance consumers should face disciplinary actions against responsible personnel in accordance with the law. This institutional safeguard protects the legitimate rights of inclusive finance consumers and promotes the steady development of digital inclusive finance within a fair and equitable environment.

### 5.3. Implementing a Financial Consumer Cooling-Off Period

Finally, returning to the consumers of inclusive finance themselves, weak financial literacy is a prominent characteristic of this group. The complexity of financial products often means their understanding relies heavily on explanations from financial institution staff. Especially when enticed by promises of high returns, inclusive finance consumers frequently proceed without fully grasping the product details. Therefore, establishing a cooling-off period for financial consumption would be beneficial, allowing them to reconsider their decisions under certain conditions. During this cooling-off period, inclusive finance consumers may terminate contracts with financial institutions at any time, but must compensate the institution for any preparatory work undertaken to fulfill contractual obligations. This safeguards against abuse of this right. Concurrently, this cooling-off period should not be excessively long, as this would increase service costs for financial institutions, harm their legitimate interests, and potentially lead to abuse of power by consumers-such as arbitrary contract termination-which undermines financial market stability. Finally, if consumers fail to explicitly express their intent to terminate the contract within the cooling-off period, it shall be deemed that they wish to continue fulfilling the contract. Thereafter, consumers may not arbitrarily rescind the contract without justifiable grounds.

The establishment of a cooling-off period for financial consumers not only allows consumers to assess whether the risks associated with a financial service or product fall within their acceptable range during a designated timeframe, thereby further safeguarding their legitimate rights and interests, but also encourages financial institutions to fully fulfill their suitability obligations both before and after contract formation. Otherwise, consumers retain the right to reconsider during the cooling-off period, achieving a genuine integration of buyer responsibility and seller accountability.

## 6. Conclusion

Financial consumers differ significantly from ordinary consumers. This distinction necessitates that financial consumers should not receive the same level of excessive protection afforded to ordinary consumers. Consequently, protection mechanisms designed for ordinary financial consumers struggle to adequately meet the needs of inclusive financial consumers. It is imperative to comprehensively consider the unique characteristics of the inclusive financial consumer group and provide appropriate consideration in multiple aspects. Simultaneously, their status as financial consumers must be acknowledged, fundamentally adhering to the principles of buyer responsibility and seller accountability. However, the gap with ordinary financial consumers must be bridged by addressing the vulnerabilities of inclusive financial consumers. Future efforts should focus on building an inclusive financial protection system, including expanding rights protection channels, filling legal gaps, and refining the consumer rights framework. This will ultimately achieve dual improvements in the quality of inclusive financial development and the level of consumer rights protection.

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