

16/07/2019

Libra: 10 questions from Euroconsumers to Mark Zuckerberg

With Libra being announced as a possible game changer in the world of payments, many questions arise and still remain unanswered. Questions about financial elements, governance, competition and... privacy. But the main question is whether Libra is really about creating value for consumers?

Or is it just the latest speculation of a market player that already has become dominant by misusing consumer data and now wants to use its platform to monetize its world dominance through an even more daring operation? Euroconsumers wants to still give Facebook the benefit of the doubt and asks to be reassured a.s.a.p. by solid evidence and all necessary guarantees that the Libra project is really aimed at benefiting consumers and therefore trustful innovation. If that should be the case, Euroconsumers is even ready to take place at the Libra Foundation to represent the leading role and interest of consumers.

#ConsumerPower

It hit the news all over the world: Facebook's ambitious plan to launch in the first half of 2020 a new digital currency called "Libra" (stored in a digital wallet "Calibra") is said to transform the way money moves around the world. The possibility of creating payments unification on a global scale and at potentially a much lower cost can sure sound revolutionary and attractive.

There's no doubt, in terms of marketing Libra had a good start. But when it comes to providing official solid information and technical details, not so much. Euroconsumers – a collaboration unit of consumer organizations in Belgium, Italy, Spain, Portugal and Brazil – welcomes innovative ideas like Libra that in theory could create opportunities for consumers. However, with 2020 less than a year away, lots of for consumers pressing questions are still pending:

1. **What are the costs involved in using Libra and how will the safety of the transactions be ensured?** Since the Libra currency will not be the euro, there will be transactions costs involved for consumers. How much is still unclear. Another important question relates to the safety of the transactions. To be able to access your bank account a strong authentication is required. Will this also be the case for Libra?
2. **What if I'm hacked?** Facebook says that in the event of a hacking or other kind of fraud, any loss suffered by consumers will be fully refunded by Calibra. But there is no information available about the conditions that would apply, and it remains uncertain whether the Calibra platform will even have the financial means to refund all aggrieved consumers.
3. **Is trading in Libra even legal?** National financial services and market authorities could consider trading in Libra using the Calibra platform illegal in certain instances. While it doesn't seem to be a problem in e.g. Portugal, in Belgium e.g. it is unlawful to offer to consumers the opportunity to invest in cryptocurrency investment products.
4. **How will FB protect consumers from possible criminal money laundering activities?** For the moment it remains unclear what standard of anti-fraud and anti-money laundering mechanisms Libra/Calibra will put in place. On the side of the consumers this is a clear concern

as consumers could be involved in or even dragged into criminal activities without them knowing.

5. **Are there any tax risks involved?** Computing the gain and/or losses of Libra transactions generated appears to be cumbersome. These difficulties risk to put consumers (unwillingly) at risk of committing (illegal) tax evasion or fraud.
6. **Will Libra comply with basic European consumer law?** As there is no information yet regarding Libra/Calibra's standard terms and conditions, we cannot verify today their compliance with all consumer protection law and regulation, such as the right for consumers to have access to the courts of their home jurisdictions.
7. **Are our authorities able to supervise Libra and guarantee consumers it's safe to use?** The first reactions from the political world and regulators fear the opposite. American Congress asked to put the project on hold, British regulators are still looking into the matter, and the Central European Bank admitted it has no clear rules in place for a Libra scenario.
8. **What about competition and consumer choice?** Facebook is already big and powerful, Libra will strengthen its global dominancy and market position even further. Though Calibra is said not to be "Facebook-app" exclusive, in practice it risks to favour FB products such as WhatsApp and Messenger. With reduced competition and less consumers' choice as a result.
9. **Dear Mark, can we trust you with our data?** Facebook states that it will not use the financial information contained on the Calibra digital wallet for ad targeting... unless the consumer gives its consent. Well, unfortunately we all know FB's track record when it comes to using consumer data, asking for consent and more generally respecting basic privacy law. Euroconsumers even has class actions pending in four countries against Facebook for the misuse of consumer data. More than 250.000 consumers already joined this common battle and are waiting for adequate compensation. #notyourpuppets #mydataismine.

In the case of Libra the stakes are very high. Since Facebook will have a large database of users that are known to use the Libra currency, it could be able to link Libra transactions to specific individuals. And who knows what FB will have in store next? They already mentioned to be interested in the business of consumer credits and filed a patent some time ago on how to use social interactions to evaluate credit worthiness.

10. **Where is this Libra company?** Recently the Italian newspaper Il Sole 24 Ore discovered that at 13 Quai de l'Île in Geneva, where the Libra Association that should finance and control the new Facebook project is supposed to be headquartered, is entirely occupied by a company offering co-working spaces?

It is more than clear there are still many questions that threaten the innovative potential of the Libra project. If Facebook really wants to make this work, it will need to get consumers on board and recognize their leading role. After all, it is their money and their data we are talking about. They should be in the center of it, they should be in charge and get a fair part of the value generated by Libra. Yet

no word about consumers' involvement in the whole Libra project. Lots of promises about dialogue with regulators and policy makers, but what about consumers and consumer organizations?

It's up to Facebook now to show its true colors. Is the Libra project really about creating value for consumers? Or is it just the latest speculation of a market player that already has become dominant by misusing consumer data and now wants to use its platform to monetize its world dominance through an even more daring operation? Euroconsumers wants to still give Facebook the benefit of the doubt and therefore asks to be reassured a.s.a.p. by solid evidence and all necessary guarantees that the Libra project is really aimed at benefiting consumers and therefore trustful innovation. If that should be the case Euroconsumers is even ready to take place at the Libra Foundation to represent the leading role and interest of consumers. Because that's where the place of consumers should be if the Libra project is really a trustworthy one. Because there is no real innovation if it doesn't benefit consumers. #ConsumerPower