



The new proposal for a Directive on consumer credits repealing and replacing Directive 2008/48/EC

European Federation of Building Societies

7 October 2021

*JUST E1 Consumer Policy
European Commission*

The Consumer Credit Directive Review: Impact Assessment



The CCD Review process

✓ CCD Evaluation (2020)



External study
supporting the Review

Stakeholder consultation

- Feedback on Inception Impact Assessment
- Public consultation
- Workshops, interviews, surveys

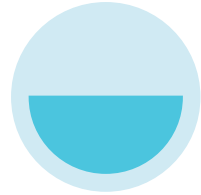
30 June 2021: Adoption of new proposal

✓ CCD Impact Assessment (2021)

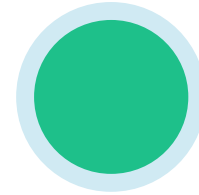
Impact Assessment – Problems & Objectives



PROBLEMS



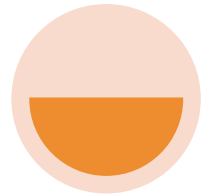
Consumers taking out loans face detriment that could be avoided



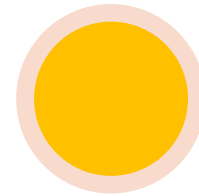
The competitiveness of the internal market is not fully achieved



OBJECTIVES



Reduce the detriment of consumers taking out loans in a changing market



Facilitate cross-border provision of consumer credit and competitiveness

The new proposal for a Directive on consumer credits



The proposal for a Directive on consumer credits



SCOPE

- **Enlarge the scope to some credits** currently exempted (free interest rate credits, all leasing agreements, all overdrafts)
- **Delete lower threshold** (below EUR 200) & **adapt the upper threshold** (above EUR 75 000) to **inflation** (also in the future) up to EUR 100 000
- Several articles also apply to **crowdfunding credit services providers facilitating the granting of credit between consumers** (i.e. not creditors nor credit intermediaries)

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INFORMATION DISCLOSURE

- Information should be **clearly legible** and **adapted to the medium**
- **Reduce amount of information** disclosed in representative examples via **advertisements not visually displayed**
- **‘Staged disclosure’ for pre-contractual information:** summary page on top of the Standard European Consumer Credit Information (SECCI) form i.e. a Standard European Consumer Credit Overview (SECCO)
- Consumers get **pre-contractual information at least one day before the contract signature**. Otherwise, they receive a reminder of the possibility to withdraw from the agreement.
- Provision of **adequate explanations** (in line with MCD)
- **Information** for consumers in case of **modification of the agreement** (in line with NPL trilogue)

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PRACTICES EXPLOITING CONSUMERS' SITUATION AND BEHAVIOUR

- **Clear identification of personalised offers on the basis of automated processing**
- **Conduct of business obligations** when providing credit to consumers (in line with MCD)
- **Knowledge and competence requirements for staff** (in line with MCD)
- Standards for **advisory services** (in line with MCD)
- **Ban on tying** consumer credits to other financial products e.g. insurances (in line with MCD)
- **Ban on pre-ticked boxes** (in line with CRD)
- **Caps on interest rates/APR/total cost**
- **Ban on unsolicited credit sales**

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CREDITWORTHINESS ASSESSMENT (CWA)

- Obligation for creditors to carry out CWAs based on **information on financial and economic circumstances** which is necessary and proportionate, in the interest of consumers to prevent over-indebtedness (in line with MCD)
- **Credit is made available**, in principle, if the obligations resulting from the agreement are likely to be met (i.e. **positive outcome**), **unless in specific and justified circumstances**
- Right of consumers to request and receive a **clear explanation of the creditworthiness assessment**

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CIRCUMSTANCES LEADING TO OVER- INDEBTEDNESS

- Member States to promote **financial education measures** (in line with MCD)
- Member States to require creditors to have policies and procedures to exercise **reasonable forbearance** before enforcement proceedings are initiated (in line with MCD and NPL trilogue)
- Member States to ensure that **debt advice services are made available** to consumers

The proposal for a Directive on consumer credits



ENFORCEMENT

- Member States to designate specific **competent authorities** to implement the Directive (in line with MCD)
- **4% rule set in the Omnibus Directive**: amount of maximum fines for widespread infringements being at least 4% of the trader's annual turnover in the Member States concerned (in line with UCPD UCTD as amended by the Omnibus Directive)

Thank you



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