



European Banking Industry Committee

European Banking Federation (EBF) • European Savings Banks Group (ESBG) • European Association of Cooperative Banks (EACB)
European Mortgage Federation (EMF) • European Federation of Building Societies (EFBS)
European Federation of Finance House Associations (Eurofinas)/European Federation of Leasing Company Associations (Leaseurope)
European Association of Public Banks (EAPB)

TO THE MEMBERS OF THE
EUROPEAN PARLIAMENT

Brussels 19 April 2004

Dear Member of the European Parliament,

In order to allow market participants to provide advice and ensure a representative and coordinated industry view on the key issues facing the industry, the European Banking Industry Committee (EBIC) has been established by the main banking industry federations: the European Banking Federation (FBE), the European Savings Banks Group (ESBG), the European Association of Cooperative Banks (EACB) the European Mortgage Federation (EMF), the European Federation of Building Societies (EFBS), the European Federation of Finance House Associations (Eurofinas) / the European Federation of Leasing Company Associations (Leaseurope) and the European Association of Public Banks (EAPB).

It is in this context we are writing to you to comment on the Consumer Credit Directive.

We feel that the Rapporteur's report is well researched and shows an understanding of the way that the market is organised. Whilst going in the right direction, however, we believe the text could be improved on a number of instances to secure the widest possible access to consumer credit to as many citizens as possible, coupled with clear and transparent information provision to ensure that consumers are fully aware of the commitment that they are entering into.

1. We feel that the amended text has correctly concentrated on credit for consumption by consumers by:

- Differentiating between consumer credit and mortgage credit by focusing the scope of the directive on consumer credit exclusively. The European Commission is presently undertaking a review of the mortgage market and it would be wrong to pre-empt their findings at this stage.
- Taking account of the specificities of overdrafts and advances on current accounts by appropriately applying certain elements of the Consumer Credit Directive to overdrafts and advances on current accounts rather than the full set of provisions. Overdrafts are long established and well understood products, valued for their simplicity and the partial application of the planned directive's provisions preserves this useful financial tool.
- Excluding straightforward leasing or hire agreements with an option to purchase.

That said, we feel that there are some areas where further work is required to meet the objectives of the directive;

- Credit intermediaries¹ should be regulated by one set of rules regardless of the nature of activity of intermediaries. Possible duplication should be avoided. We therefore would appeal to you not to give your support to amendment 203, which foresees a whole regulatory framework for credit intermediaries.
- Linked credit transactions² do require some further thought, given that the current too wide definition will entail the unintended consequence that most credit transactions would fall within this category. This would doubtless create a more risk-averse culture amongst lenders and by extension, decelerate credit provision and more particularly, cross border credit provision. To avoid these regrettable consequences the definition of linked credit transactions should be exclusively applied to the situations where the credit in question is made available under an exclusive agreement between the supplier and the lender.
- Early repayment should be possible in so far as the lender should not be disadvantaged and should be able to secure economic compensation for costs and/ or losses incurred³. Therefore we advocate not supporting amendment 202.

2. We agree that there should be a single, simple benchmark to assist comparison between products and clear information provision

- Establishing a single, narrow APRC in order to provide consumers with an adequate and transparent tool to fully compare prices removes any potential confusion between differing types of rate⁴.
- The provision of standard information under Article 4 further develops this theme. There is however an inherent danger in trying to load too much similar – but not identical – information into a standardised format (particularly in the context of a minimum harmonisation directive that aims to promote cross border activity) and we counsel strongly that standard information should be limited to the core features of the lending product on offer.
- Consumers should have a right to cancellation of an agreement, but a mandatory cooling off period restricts access to credit for those who might prefer an immediate delivery of goods or performance of services⁵. Amendment 164, adequately dealing with this problem is therefore worthy of your support.

Yours sincerely,



Ian Mullen
EBIC Chairman



Michaela Koller
EBIC Secretariat

¹ See Articles 28, 29.

² See the new definition - Article 2, P. a (new) – introduced in the text adopted by the Legal Affairs Committee in relation to Article 19.

³ See Article 16.

⁴ It is therefore suggested to delete Article 12 and replace it by Article 13.

⁵ See Article 11.

Annex 1

PRESS RELEASE

EBIC sheds light on consumer concerns

In response to concerns voiced in the form of a press release by the European Consumer's Association (BEUC) on the vote of the European Parliament Legal Affairs Committee this 16 March 2004, on the proposal for a Consumer Credit Directive, EBIC (The European Banking Industry Committee) seeks to shed some light and clarification on the five issues raised.

a) Equity Release Loans

BEUC seeks the inclusion of 'equity release loans' (loans granted to consumers and secured by real property) within the scope of the Directive.

Equity release loans are a well-known and widely used form of credit in some Member States. They are characterized by advantageous conditions that are granted in return for a solid guarantee used as security. In terms of the consumer ability to make informed choices, credit grantors assure the provision of appropriate information to consumers who request such credit based on national provisions. In addition, this level of information is reinforced in many Member States by the intervention of a notary or other public authorities in the constitution of the guarantee. Should legislation be considered necessary at European level to reinforce consumers' interests regarding equity release loans, EBIC advises that the Consumer Credit Directive would not be the appropriate legislative framework.

b) Credit cards and credit intermediaries:

BEUC claims that credit cards and credit intermediaries are excluded from the scope of the Directive.

Notwithstanding the peculiarities of credit card agreements, which in reality, mean that credit cards function more like payment facilities, the Legal Affairs Committee voted in favour of applying information obligations and advertising provisions to payment facilities.

c) Door-step selling of consumer credits:

BEUC rightly points out that the door-to-door promotion of credit would not be covered by the Directive.

EBIC however, would like to draw attention to the doorstep selling directive which already rules on door-to-door promotion of credit. It goes a long way into the detail of rights and obligations of consumers and sellers when negotiating and concluding agreements away from the business premises.

d) Right of withdrawal and early repayment:

BEUC claims that the Legal Affairs Committee voted to restrict the consumer's right to withdraw from an agreement or to pay loans off early.

Based on the text adopted by the Legal Affairs Committee, EBIC members understand that the existence of a right of withdrawal is ensured, even if it is reduced to 7 days instead of 14 days as originally proposed by the Commission. It is equally felt that the existence of a right to repay early is ensured.

It is equally felt that the existence of a right to repay early is ensured, allowing Member States to maintain or develop further the current terms and conditions, according to which the early repayment right should be exercised at a national level.

e) Linked credit agreements:

BEUC claims that by narrowing the definition of linked credit, the Legal Affairs Committee fails to take account of the economic realities in the credit market.

EBIC members would like to point out that while the current Consumer Credit Directive establishes a list of criteria to define linked contracts, the compromise reached by the Legal Affairs Committee does not define precisely the relationship between supplier of goods and creditor and therefore extends the scope of linked credit agreements.

**** ENDS****