



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 Austrian Presidency

Brussels, 9 January 2006

Consumer Credit Directive – Modified Proposal

Dear Sirs,

As the joint platform of the European banking associations, EBIC has engaged in an open and constructive dialogue with the European Commission on this file and we thus welcome many of the revisions that the Commission has made.

We are keen to ensure that the directive meets our two over-arching objectives; first, that it genuinely creates a legal framework for an internal market for consumer credit and second, that in creating this framework care is taken not to impinge on member states' domestic markets. Alongside, we would like to emphasise the importance of assuring the clarity of the final text and its consistency with the overall framework that the commission seeks to develop. As such, we would encourage you to take the opportunity, under your presidency, to give further considered thought to this file and ensure that it achieves these outcomes. We are presently considering the technical details in the proposal and will write to the Council Working group with our in-depth findings in the New Year.

From our perspective, and among those points which should be clarified and/or improved, the most important are:

- **Scope**

- The industry very much welcomes the revised ceiling of EUR 50.000. It reflects the reality of the consumer credit market more appropriately, bearing in mind that the average yearly amount of credit per EU inhabitant is less than 2.000 euros.

- Small amount credits should be fully excluded up to an amount of EUR 500. Even a 'lighter' information regime would render such credits too expensive or unprofitable to provide. This should not be underestimated with regard to its impact on access to micro credit;

- Overdrafts: to assure the possibility of offering this simple and low cost product, EBIC believes that an authentic and truly 'light' regime is required – or even that the overdrafts are left to member states' discretion;

- All home loans, even unsecured, as well as mortgage credit should be excluded from scope since they are different from consumer credit in that they are long term products with their own specificities.

- **Responsible Lending and Borrowing**

The industry believes that the requirements of the duty to assist should be further clarified. The current terms, would shift the balance of liabilities inappropriately and exclusively towards financiers. Further, banks cannot be obliged to describe “advantages and disadvantages” of their own products; what could be described are product features. Whether a product is more or less advantageous depends on the personal situation of an individual consumer as well as the economical context and therefore can only be judged by the consumers themselves.

- **Information Requirements**

- EBIC strongly opposes overloading consumers with excessive information, creating unnecessary burdens and costs, and has concerns with the risk of over-lapping application of existing Directives around advertising and information requirements.

- Ultimately, we also have issues with the concept of ‘total cost of credit’ which is then used as the basis to calculate the APRC. The definition of APRC needs to be a narrow one including exclusively those costs levied by the lender for the loan for his benefit in order to assure comparability. While we welcome the narrow approach of the APRC calculation in the revised text, we believe, that the total cost of credit should not be used as a basis for calculation, as this could be misleading. The total cost of credit should rather be seen as additional information on costs, which are not included in, but complement the APRC.

- **Right of Withdrawal**

A fourteen-day period of withdrawal would not be advantageous to consumers. Therefore, EBIC proposes that the withdrawal period be reduced to seven days. The consumer should be granted the right to ask for immediate delivery of the financed goods/services upon express request in writing, therefore waiving the right of withdrawal. Alternatively, the waiver could be coupled with a three-day reflection period with specific regard to credit at the point of sale.

- **Early Repayment**

A right to early repayment should only be allowed under narrowly defined circumstances, and provided that the borrower compensates the bank for all losses which have arisen from the prepayment.

- **Linked Credit Agreements**

The definition of “linked credit agreements” must be narrowed in order to ensure that those credit transactions which were not intended by the parties to be “linked” do not fall into the scope of that particular regime.

- **Full Harmonisation and Mutual Recognition**

EBIC would ask for further clarification on the harmonisation approach which seems to introduce a complex legal framework. (Art. 21).

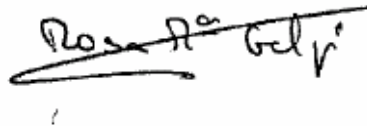
Finally - and as part of the Commission's recently published "Better regulation principles"¹, we feel strongly that an impact assessment should be undertaken to analyse the economic and legal consequences for the European Union, as research based on the previous version of the text demonstrated a potential negative impact of 0.2 per cent of GDP in one member state alone.

Meanwhile, we would welcome the opportunity to discuss any of the above with you.

Yours sincerely,



Hein Blocks
EBIC Chairman



Rosa Maria Gelpi
Chairwoman EBIC Working Group CCD

¹ As outlined in the EC Communication (COMM 2005 – 97 Final), dated 16th March 2005 on Better regulation for Growth and Jobs in the EU.