

To

From

Didier Reynders
Directorate-General for Justice and Consumers,
European Commission,
1049 Brussels,
Belgium

ECDN
Co. NEPIM
Rue Neuve 119b,
Eupen, Wallonia, 4700,
Belgium

Date: 14th April 2020

Dear Mr. Reynders,

We write to you to address the looming growth of over-indebtedness of European households in the wake of the Covid-19 crisis. The members of our association, the European Consumer Debt Network (ECDN), fear that the number of consumers with serious financial problems and the number of consumers that default on their financial obligations, will more than double. We believe the European Commission can play a role in providing a strong legal framework to States so that the problem of over-indebtedness can also be dealt with from a wider European approach. And we would like to attend you to our efforts in creating a wider over-indebtedness coalition on a European level.

The members of the ECDN are providers of financial services in the social domain. As such our members provide budgeting services, financial coaching and debt relief to consumers in a majority of the EU's 27 States.

We know from our experiences of the financial crisis in 2008 that many households, including the households with a average or above average income, will no longer be able to service their financial obligations. Data from the Netherlands teaches us that during the 2008 crisis the number of households that actively sought support from the Dutch debt relief or-

ganizations more than doubled. The same experience is shared by colleague- organizations in other parts of the EU. We also saw an increase of more than 100% in the number of over-indebted households with unsupportable housing loans, which contributed to the collapse of the housing market. The Covid-19 crisis will in our view lead to a repetition of the 2008 scenario.

Already we can see clear indications that the financial position of households will come under severe pressure. The coming financial and economic crisis will affect a wide range of economic branches and consumers with different sources of income, from people in a full-time contract situation to the self-employed.

During the crisis of 2008 many of our member organizations were able to form coalitions with national creditor representatives. In many States the cooperation between debt relief organizations and creditors improved and helped to address the financial problems that households faced. However, we missed an adequate response on a European level. A lot was left to the initiative of (local) governments. This has led to an enormous difference in the kind of service delivery European citizens can expect from one locality to another and one member state to another. We feel that this disparity is harmful to adequate consumer protection.

Towards a European legal framework for debt relief

The members of the ECDN are organizations that through their work protect and promote consumer rights in their respective states. Our point view is that consumer rights include not only the immediate sphere of fair and transparent market practices. We also feel that consumers deserve and need national systems to restore their financial health when, because of reasons outside their direct control, they can no longer fulfil their financial obligations. In times of the Covid-19 crisis we consider this an integral part of consumer protection.

We believe in strong and independent national organizations that can provide quick and effective debt relief and budgeting services. Various countries in the EU have introduced out-of-court systems of amicable debt settlement. In such systems debt relief organizations help households with unsupportable debts to payback a percentage of their obligations and receive a clean slate in return from their creditors. Some national systems achieve a success rate of more than 90% in their amicable debt settlements. Such settlements are to be preferred to personal bankruptcy because they reduce costs for all parties involved: the debtors, the courts, the creditors, and the costs governments face in social expenditures. It is estimated that every Euro invested into such amicable debt settlements saves up to 2.2 Euro in costs for the social support systems. With proper cooperation between the creditors and debt relief organizations, unsupportable household debts can be resolved within a matter of days or weeks, whereas bankruptcy procedures- even though necessary- are often more elaborate.

We know of various good practices in Europe where it comes to amicable debt relief systems. Various states have systems that put emphasis on a different aspect of debt settlement. We value each system for its own strengths. Certainly, we feel that countries with few or no out-of-courts debt relief structures, could "shop" for those ingredients elsewhere in the EU that best fit their national legislation and traditions.

But for that to work, Europe also needs to take its responsibility and formulate into law:

- that financial restoration is a consumer right of households that default on financial obligations because of reasons outside their direct control.
- that each state in the EU is obliged to maintain a system of out-of-court debt settlements.
- that the out-of-court debt settlements are based on formalized cooperation between creditors' associations and debt relief organizations.

- that achieving a clean slate for the households that default on financial obligations is the declared goal of out-of-court debt settlements.
- that each country formulates deliverables for their national out-of-court debt settlement system, such as the time frame within which clean slates must be achieved.

Debt Strong European coalitions to address the financial consequences of the COVID-19 crisis

The letter we recently directed to the European creditor's associations aims to close the ranks in the relationship between creditors and the social support networks that the ECDN members provide. You will find the letter attached. We hope that you share our concern for the financial situation of European households and our belief that a strong European coalition of debt relief organizations and creditors can effectively stand against the financial consequences of the Covid-19 crisis.

We would be most obliged to you if you could help us in forwarding the attached letter to all members of the Financial sector be it banks and financial institutes, collection agencies and court bailiffs. Your support in this would add significant urgency to our own efforts. Please take into consideration that our letter currently has 22 co-signers from 14 countries across Europe, we could have had many more had it not been for a short deadline and the extreme circumstances caused by the COVID-19 pandemic that has hit Europe.

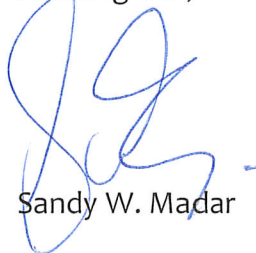
ECDN mobilizing its resources

The ECDN and its members understand the need to increase our own efforts and improve our own infrastructure to face up to the coming challenges. Currently we are in the process of creating a comprehensive overview of Member State organisations that provide relevant support for citizens at this time. That includes a better overview of our statistical body of knowledge. In the meantime however the members of the ECDN have a wide breath of

knowledge and experience and are ready to offer this so as to help those Member States' that have limited or no resources available for financial advice and debt relief to offer their own citizens.

We are mobilised and ready to move forward quickly. We very much welcome the opportunity at your convenience to exchange thoughts on how we can provide and support others to provide robust debt advice and debt relief in Europe for households who have come under financial pressure due to the Covid-19 crisis.

Kind regards,



Sandy W. Madar

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