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# European Consumer Debt Network Newsletter



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# THE CONSUMER CREDIT REVISION AND PEPPi



The European Commission's proposed revision to the Consumer Credit Directive (2008/48/EC) provides that information related to credits must be presented in a clear way, adapted to digital devices, and ensuring consumers understand the commitment they are making. Furthermore, the Directive will improve rules with which creditworthiness (i.e., whether a consumer will be able to repay the credit) is assessed with the intention of avoiding the occurrence of over-indebtedness.

For the first time, the revision will introduce the notion of debt advice, placing the obligation on Member States to offer debt advice services to provide all EU consumers with the option to be aided by an independent financial institution.

The Committee on the Internal Market and Consumer Protection (IMCO) (Plenary Sitting, 28/8/22) states that:

*The objective of debt advisory services is to help consumers facing financial problems and guide them to repay, as far as possible, their outstanding debts, while maintaining a decent level of life and preserving their dignity. This personalised and independent assistance provided by professional operators which are not creditors, credit intermediaries, providers of crowdfunding credit services or credit servicers, may include legal counselling, money and debt management as well as social and psychological assistance. Member States should ensure that debt advisory services provided by independent professional operators are made available, directly or indirectly, to consumers, and that where possible, consumers facing difficulties to repay their debts are referred to debt advisory services before that enforcement proceedings are initiated. Member States remain free to maintain or introduce specific requirements for such services.*

## THE CONSUMER CREDIT REVISION AND PEPPI

Whereas the Commission's proposal for a directive only mentioned the obligation to set up such services, the European Parliament, and more precisely the IMCO Committee, has provided significantly greater detail regarding debt advice services. IMCO's report specifies that these services must be offered free of charge to households in difficulty, and that the debt advice services must be independent of the creditor, i.e., not be in a position of conflict of interest. In addition, these services will be registered with the relevant authorities to ensure that the advice is provided by experienced staff with relevant competencies.

To ensure that all EU Members make debt advisory services available to the consumer, the Commission published a call for proposals; Provision of a European Platform for the Prevention of Over-Indebtedness by the Increase of Accessibility and the Improvement of Effectiveness of Debt Advice for Citizens (PEPPI). Those proposals relate to 13 countries<sup>[1]</sup> in which debt advice services are not available or remain in construction.

The PEPPI project aims:

- 1) to facilitate consumer access to debt-advice services in these 13 Member States
- 2) to increase the accessibility of debt advice services in these 13 countries, and
- 3) to improve the infrastructure for providing debt advice services through the creation or the strengthening of specific networks of experts, technicians, and debt advisors.

ECDN will complete this project in partnership with national coordinators in each of these 13 countries. Several international experts will be also involved in the development of application tools and modules for debt counselling.

Following the adoption of the IMCO Committee's report, the text followed a special procedure (Rule 71) which allows the Parliament (subject to a sufficiently strong consensus between the different groups) to enter directly into inter-institutional negotiations with the Council and the Commission (trialogue) on the basis of the report adopted in committee, without the report being subject to a prior vote in plenary.

According to the press release, solvency assessment was among the items discussed at the first trialogue (15 September). The next trialogues are likely to take place on 26 October and 1 December. If a compromise is found at the end of these trialogues, it will then have to be voted on by the Parliament and approved by the Council prior to final adoption.

ECDN will continue to monitor these developments.

[1] Spain (ES), Italy (IT), Malta (MT), Greece (GR), Cyprus (CY), Romania (RO), Hungary (HU), Bulgaria (BG), Croatia (HR), Slovenia (SI), Slovakia (SK), Lithuania (LT) and Latvia (LV)

# NATIONAL CONSUMER WEBSITES FOR OVERINDEBTED EUROPEAN CONSUMERS AND DEBT ADVISORS

Nowadays websites are not only used to achieve business goals; they are used as a source of helpful information aimed at a specific audience. Website content should help this audience better understand certain issues and topics, frequently containing expert knowledge explained clearly and providing online advice. Websites are developed to keep users coming back for more information and they can be made more captivating using dynamic content such as videos, podcasts, or slideshows. Support organisations understand websites are an effective way of supporting their mission and statutory goals, as well as providing a platform to bring together various stakeholders and sources of knowledge for further development, or to raise money for further activities.

## **Creating National Consumer Websites – PEPPI projects**

As outlined, the PEPPI project is underway and progressing quickly. Work has commenced on developing guidelines for the creation of national consumer websites together with national coordinators. During individual meetings with national coordinators, website content and technical requirements were discussed. In addition, these meetings also discussed; what kind of materials are expected, how to search for valuable materials, how to cooperate with other organizations dealing with consumer protection and over-indebtedness, and how to prepare websites adjusted to national needs of consumers. National coordinators were informed that one of the most crucial parts of the website is thorough information about legal regulations and bankruptcy/debt procedure for consumers.

## **Content of the Consumer Websites**

The websites will have both a national and a European focus on financial literacy targeted at increasing the financial capacity and resilience of consumers. They will be not only an entrance for the consumers to access remote debt-advice, but also used as a toolbox for debt advisers. In addition, consumers will have access to self-help tools including guidance on where to find help or where to complain as well as information on their rights and entitlements.

Consumer websites will promote sustainable and climate-conscious budgeting, taking tips like energy savings into account, which in the current economic context is very relevant. National websites will give citizens access to the relevant debt advice model available in their country, which will be regularly updated.

The websites will be promoted by the debt advice services via social media, local media, and national media in each country. The websites will also be promoted with other interested stakeholders so that they in turn can make their service users and consumers aware of the website.

## **Attention ECDN Members!**

In order for these websites to be a reliable and professional source of knowledge for European consumers, it would be useful to learn from similar organisations. Therefore, we are asking for your help in sharing with PEPPI participants any relevant materials: articles, tips, infographics, videos, or other tools relating to over-indebtedness and financial literacy that will help to inform and populate these websites. If you think that your material could help consumers and debt advisers in other European countries, are universal and attractive, or you have valuable tips for national coordinators please contact:

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## ECDN PRESIDENT HOLDS A JOINT PRESS CONFERENCE WITH THE SLOVAK MINISTER FOR LABOUR AND SOCIAL AFFAIRS



The PEPPI project, co-funded by the EU, is making great progress. As outlined above, one of the main goals is the establishment of debt advice services in 13 participating countries. Of these countries Slovakia is the most advanced. This is attributable to the commitment of the Slovak Ministry of Labour and Social Affairs, and also the financial support made available from the European Social and Regional Fund. Since Spring 2021, Slovakia has opened 42 state-run, free, debt counselling services throughout the country.

To mark the opening of four new debt counselling centres, the Slovak Minister of Labour and Social Affairs, Milan Krajniak, invited ECDN director, Dieter Korczak to speak at a press conference together. Dr Korczak presented the European and Slovak PEPPI project, noting the benefits of cooperation in debt counselling at national and transnational levels.

The Slovak national coordinator, Ladislav Suty, and the expert advisor to the project, Peter Daniel additionally arranged site visits to debt counselling centres in Bratislava and Trnava for Dr Korczak. In each centre, clients are helped and supported by an economist, a lawyer and a psychologist. At the press conference, Dr Korczak stated that *this comprehensive offer is an impressive unique selling point and exemplary in the EU.*

In addition, Dr Korczak was also given the opportunity to meet with stakeholders and representatives of the Slovak National Bank, the Slovak psychologists' association, debt collection companies and an NGO that helps over-indebted Roma for an exchange of ideas.

## ECDN UPDATES

### **ECDN welcomes a new Coordinator to the team**

From 1 September 2022, Noelle Cotter joins ECDN as a Coordinator. As recently outlined to members, Noelle has a background in social research and has experience in the area of over-indebtedness; in particular relating to energy poverty and mortgage arrears. It is expected that her experience in project management and administration will prove to be an asset to ECDN. Noelle will support the management committee, and be charged with internal and external communications. Noelle will act as the ECDN member liaison; please contact Noelle with any queries that you may have [secretary@ecdnet.eu].

### **ECDN new membership application**

ECDN is pleased to announce that the Institut für Finanzdienstleistungen (IFF) based in Hamburg Germany, requested membership and this has been approved by the management committee (10 June). ECDN would like to welcome the director, Dr Sally Peters and her team. For more information, see: <https://www.iff-hamburg.de/startseite/>

Schuldenberatung Schweiz / Dettas Conseils Suisse, the umbrella organisation for non-profit debt advice agencies in Switzerland has also applied for passive membership of ECDN. This request was approved by the management committee (14 October) and ECDN would like to welcome the managing director Pascal Pfister and his team. For more information, see: <https://schulden.ch/>

### **ECDN member publishes a new report**

ECDN member Professor Catarina Frade, together with her colleague Professor Annina H. Persson have recently published a report *Consumer as a Creditor in Corporate Restructuring and Insolvency* on behalf of CERIL (The Conference on European Restructuring and Insolvency Law).

The report finds that whereas increased consumers' protection has been a EU goal for decades, European insolvency legislation (regulations, directives) are less concerned with consumers; private citizens frequently are in the weaker position of an unsecured creditor. CERIL recommends a European discussion on the possible improvement of the position of consumers in restructuring and insolvency proceedings in three areas: the right of continued information, representation in proceedings, and the strengthening of financial claims.

### **Update on ECDN General Assembly, Spring 2023**

The ECDN Annual General Meeting (AGM) will be held in Spring 2023. ECDN is currently deciding on dates in March/April and members will be updated, and an agenda circulated, as soon as possible.