



## **WEBINAR 1**

# **Legal framework for debt advice in France**

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# History and evolution :

## Evolution of the French over indebtedness Procedure

### **31st December 1989 :**

Neiertz law : Introduction of an insolvency procedure for private individuals : implementation of debt rescheduling plans  
: sort of grace period

**23 January 1998 :** Introduction of the limited possibility for partial erasure of debts

**1st August 2003 :** Introduction of the personal recovery procedure (Procédure de rétablissement personnel) which provides that person in an irretrievably compromised situation can see all their debts erased

Maximum duration of rescheduling plan : 10 years

**1st November 2010 :** Over - transposition of the credit directive in French law

Maximum duration of rescheduling plan : 8 years

**17 March 2014 :** Maximum duration of rescheduling plan : 7 years

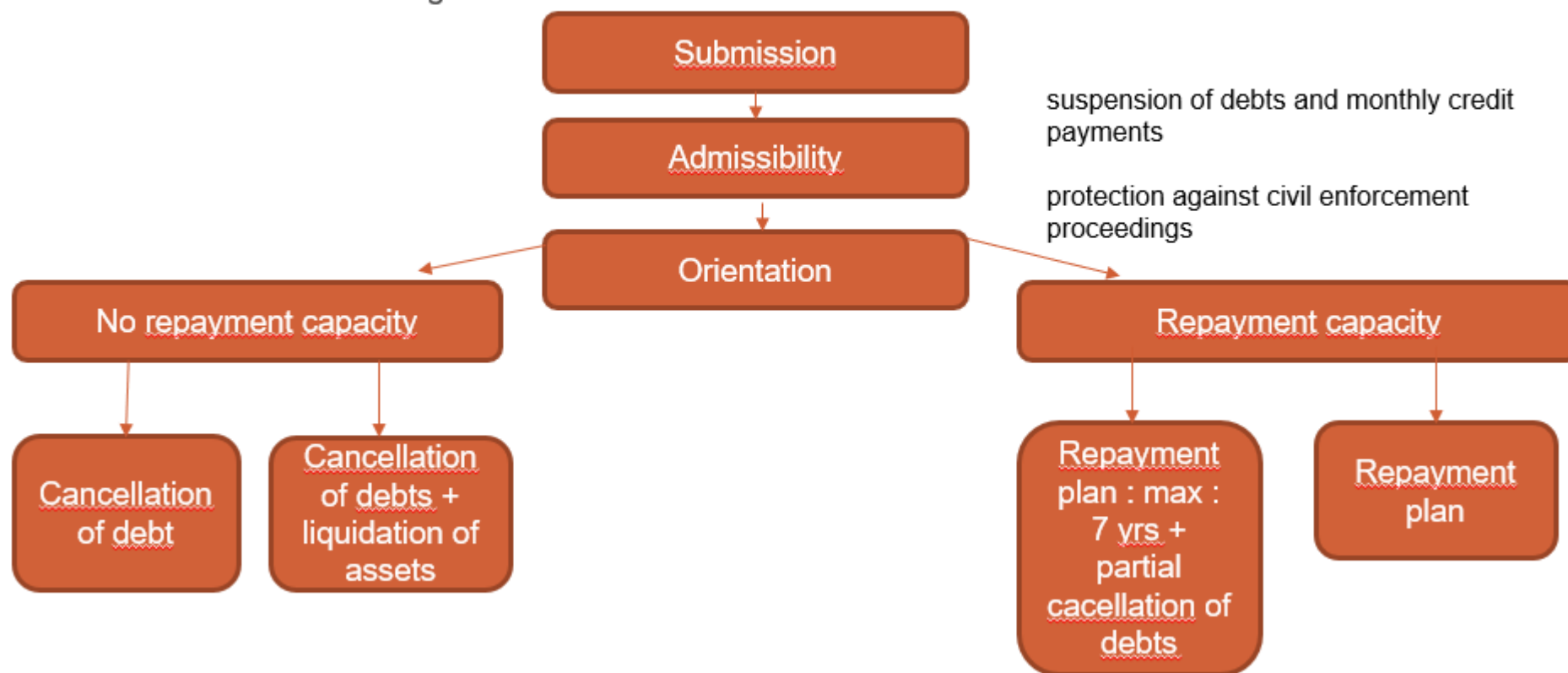


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# History and evolution :

## The French over indebtedness Procedure

→ Characterized by the manifest impossibility of meeting all of one's non-professional debts due and falling due.





# History and evolution :

## Financial inclusion legal frame in France

**1984** : creation of a right to have a bank account

**1998** : Determination of minimum service of a bank account : *EX : opening, maintaining and closing the account; - deposit and withdrawal of cash (in the bank); a systematically authorised payment card*

**2005**: Creation of the Social Cohesion Fund which facilitates access to credit for French people facing a situation of banking exclusion

**2013**: Law 2013-672 of 26 July 2013 on the separation and regulation of banking activities:

- distribution of an offer adapted to the needs of vulnerable customers (OCF)
- **signature by banks of a charter for banking inclusion and prevention of overindebtedness;**
- creation of a **banking inclusion observatory** under the aegis of the Banque de France : to collect information on access to and use of banking services from credit institutions and their practices in terms of banking inclusion; define, produce and analyze indicators of banking inclusion and evaluation of practices; publish an annual report on the implementation of its tasks.



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# THE CHARTER FOR BANKING INCLUSION AND PREVENTION OF OVERINDEBTEDNESS

## Art 8.

**Credit institutions, payment institutions, electronic money institutions and finance companies** undertake to offer their **customers whom they have detected as being in a situation of financial fragility** appropriate internal responses, and in particular to:

- offer, by any appropriate means, **a meeting with the customer concerned** in order to discuss his or her financial difficulties;

(...)

- if necessary, provide the customer with information on a third party that can help him or her, or even, with the customer's agreement, put him or her in touch with that third party.



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# THE CHARTER FOR BANKING INCLUSION AND PREVENTION OF OVERINDEBTEDNESS

To this end, credit institutions, payment institutions, electronic money institutions and finance companies shall organize themselves internally or, **where appropriate, enter into partnerships with third parties, in particular associations, in order to facilitate customer referral**, in agreement with the customer, when the financial difficulties cannot be dealt with solely within the framework of the credit institution, payment institution, electronic money institution or finance company concerned.



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# THE CHARTER FOR BANKING INCLUSION AND PREVENTION OF OVERINDEBTEDNESS

- Will to make the credits organism and Banks actor of the prevention of overindebtedness
  
- How those actors apply those obligations ?
  - By creating a third structure to help clients in financial distress (Ex : Parcours confiance, Point passerelle),
  - By working with a strictly independent structure which is specialized in debt advice (NGO) (Ex : CRESUS)



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# BUDGET ADVICE POINT (PCB)



→ Proposal in the framework of a report about the prevention of overindebtedness (2012)

→ Objectives :

📁 set up a single contact point on a given territory : neutral, well identified and free of charge to help households with their financial difficulties,

📁 Touch a public which is not poor and don't have access to the social worker (fragile middle class)

→ 2016-2019 : Experimentation in 4 regions without funding from the state

→ 2019 : Consecration of the label throughout France



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# BUDGET ADVICE POINT (PCB)

- Selection of the structure : Call for proposal destined to NGOs
  - Compliance with the specifications of the specification (missions, mandatory activities, special needs of the territory,
  
- Generalization over the territory in 3 steps :
  - 150 PCB in 2019
  - 250 PCB in 2020
  - 100 PCB in 2021 (was not planned in the primary dispositif)
  
- Funding : 15.000 € per year during 3 years
  
- Structure who granted the PCB label :
  - NGOs in the social field (CRESUS, Family organisations, consumer associations)



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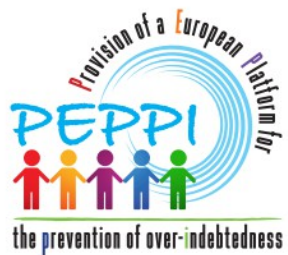
# BUDGET ADVICE POINT (PCB)

→ Commitment of the structure :

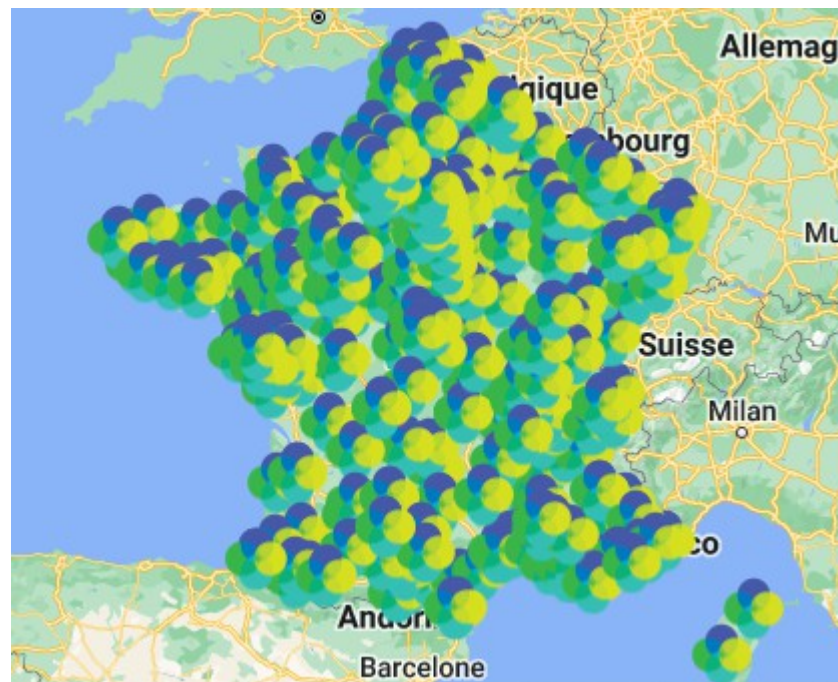
- Carrying out activities planned in the call for tender (see after),
- Having at least one employee (with some exceptions)
- Training their employees or volunteers with the support of the Banque de France
- Follow-up on households
- Organise collective information sessions



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# BUDGET ADVICE POINT (PCB)



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# BUDGET ADVICE POINT ACTIVITIES

→ Reception, information and orientation

❖ 1st meeting in face-to-face to :

- identify if the PCB is the right structure to help, if needed, guide the person to an other structure,
- Inform what the mission of the PCB are,
- Propose an appointment to make a diagnostic of the situation.

→ Financial analysis to guide to the appropriate support

→ Support in finding social aid



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# BUDGET ADVICE POINT ACTIVITIES

→ Budget support :

- Budgetary advices and recommendations
- Cost optimisation
- Monitoring

→ Support on the over-indebtedness procedure of Banque de France

- By helping the client to fill the file
- By explaining him the procedure and the step
- By budget support

→ Optionally, negotiate with local creditors



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# BUDGET ADVICE POINT

→ Way of transmission of the client to the PCB :

- Nothing is planned on the text (nationalwide : just a website)
- Communication with the public
- Establishment of partnerships with administrations, social workers...



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# BUDGET ADVICE POINT VULNERABILITIES

- Funding : the subvention is insufficient to pay a salary
- Lack of coordination by the french administration
- Lack of communication to the general public
- Heavy reporting which does not measure the impact of the action of the PCB
- No harmonized reporting tool
- Large diversity of actors and skills
- No detection of people as soon as they have first difficulties (no prevention)



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# EXPERIMENTATION OF A NEW LABEL : “BUDGET HELP”

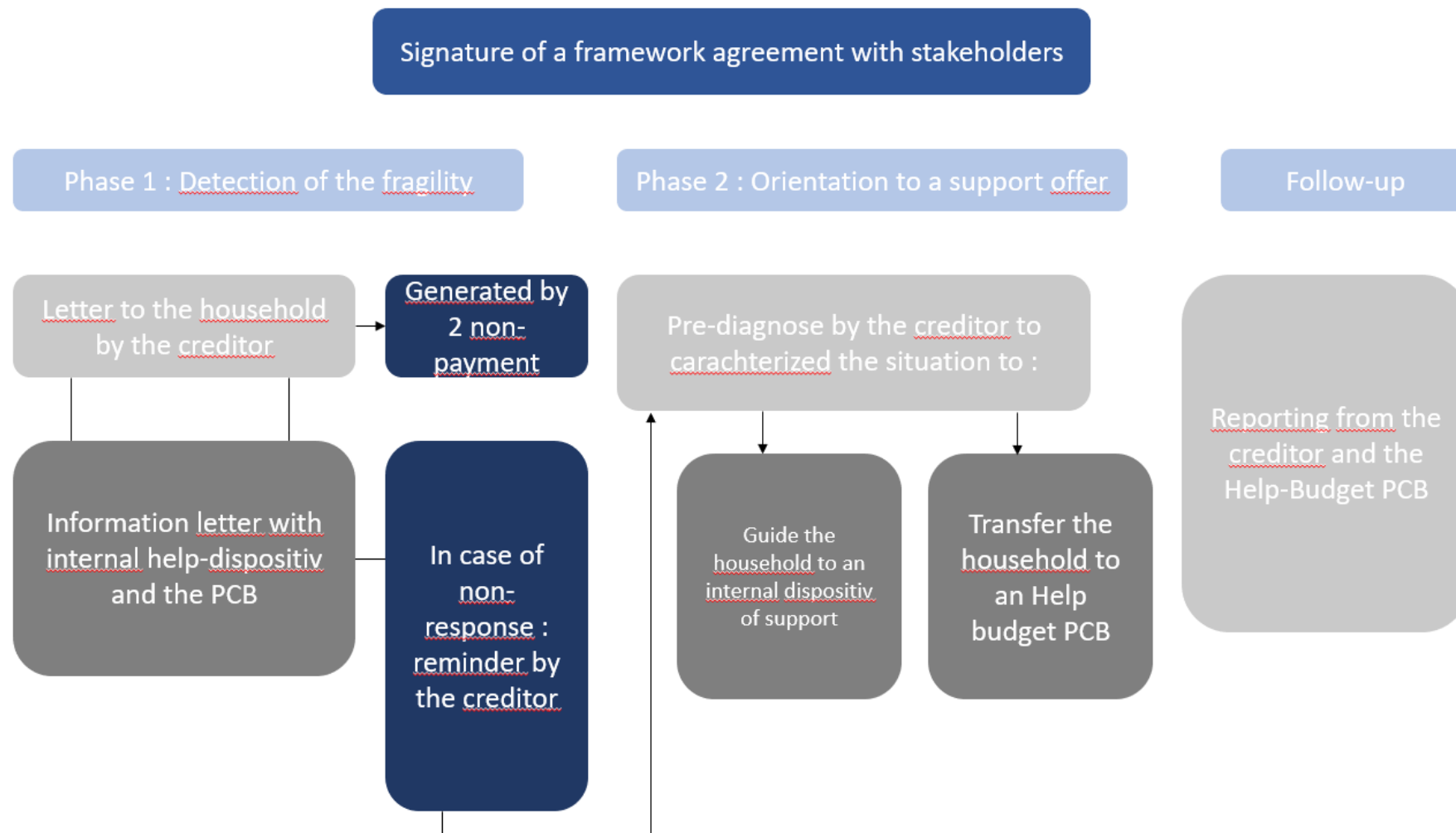
- A report about the prevention of overindebtedness in 2021 highlights that the PCB label doesn't organize link between different actors, in particular with the main creditors (Social landlords, energy suppliers, Banks) which could detect as soon as first difficulties appear.
- Experimentation since the 1.01.2023 of a new label « Budget help » :
  - Built with main energy suppliers, social landlords and PCB associations,
  - Provided an additional subsidy (30.000 € per year),
  - In 12 department which are the most touched by the precarity,
  - 80 PCB are labeled.



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# EXPERIMENTATION OF A NEW LABEL : “BUDGET HELP”





# EXPERIMENTATION OF A NEW LABEL : “BUDGET HELP”

→ Lack of coordination

- Nothing is planned when the beneficiary is transferred to two PCB from two different creditors,
- The dispositif planned to have just communication from the creditor to the household (risk of loss of contact).

→ Experimentation : lack of will to measure the impact of the dispositif

→ Funding seems disproportionate



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