



THE NEW CONSUMER CREDIT DIRECTIVE

Directive on credit agreements for consumers
repealing and replacing Directive 2008/48/EC

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ECDN - PEPPi project

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CONSUMER PROTECTION

REVISION OF THE CONSUMER CREDIT DIRECTIVE

Current EU rules on consumer credit

Cover many
consumer
credits

Ads and pre-
contractual
information

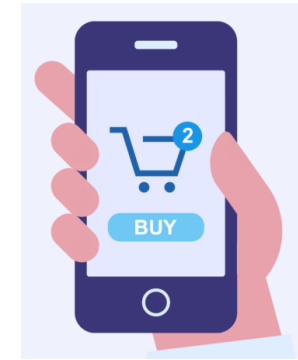
Creditworthiness
assessment

Right of
withdrawal

Early repayment

APR

Problems to address



**PAYDAY
LOANS**



DEBT HELP



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SCOPE

- **Enlarged to some credits** currently exempted i.e. free interest rate credits such as ‘Buy Now, Pay Later’, leasing agreements with an option to buy, all overdrafts
- **Lower threshold deleted** (below EUR 200)
- **Upper threshold** (above EUR 75 000) **adapted to inflation** (also in the future) up to EUR 100 000
- **“Lighter regime”** in terms of information in ads and at pre-contractual stage for some credits

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ADVERTISEMENT

- **Warning** to make consumers aware that borrowing costs money, e.g. ‘Caution! Borrowing money costs money’
- Information to be **easily legible or clearly audible**, and adapted to the medium used
- **Reduced amount of information** disclosed in representative examples via **advertisements not visually displayed**
- Possibility to **layer information** on digital tools, if justified
- **Prohibition of certain misleading ads**

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PRE- CONTRACTUAL INFORMATION

- Information to be **clear and comprehensible** and **prominently displayed**
- **Key information** on top of the Standard European Consumer Credit Information (SECCI) form
- Consumers get **pre-contractual information in good time before the contract signature**. Otherwise, they receive a reminder of the possibility to withdraw from the agreement.
- Provision of **adequate explanations**

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PRACTICES EXPLOITING CONSUMERS' SITUATION AND BEHAVIOUR

- **Transparency on personalised offers** based on automated processing
- **Conduct of business obligations** when providing credit to consumers & **knowledge and competence** requirements for staff (in line with MCD)
- Standards for **advisory services** (in line with MCD)
- **Ban on tying** consumer credits to other financial products e.g. insurances (in line with MCD)
- **Equal access for cancer survivors** to insurances bundled with consumer credit
- **Ban on pre-ticked boxes** (in line with CRD)
- **Ban on unsolicited credit granting**

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CREDITWORTHINESS ASSESSMENT (CWA)

- CWAs carried out based on **information on financial and economic circumstances** which is necessary and proportionate, in the interest of consumers to prevent over-indebtedness
- **No sensitive personal data** to be used for CWAs
- **Credit is made available** if the obligations resulting from the agreement are likely to be met (i.e. **positive outcome**)
- Right to obtain a **human intervention** when the CWA involves automated processing of personal data, including a clear and comprehensible explanation and the possibility to request a review of the decision

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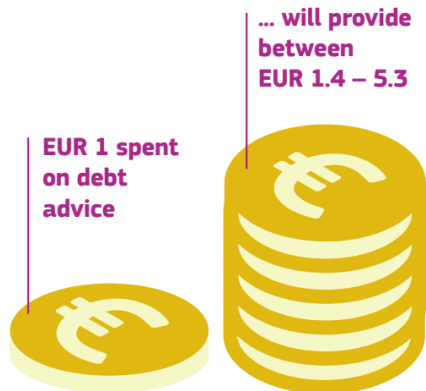
OVER- INDEBTEDNESS: PREVENTION AND REMEDY

- Member States to promote **financial education measures** (in line with MCD)
- Member States to require creditors to exercise **reasonable forbearance** before enforcement proceedings are initiated, where appropriate
- Member States to ensure that **debt advice services are made available** to consumers

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Article 36 : DEBT ADVISORY SERVICES

1. Member States shall ensure that *independent* debt advisory services are made available to consumers *who experience or might experience difficulties in meeting their financial commitments, with only limited charges payable for such services.*
2. *For the purpose of fulfilling the obligations laid down in paragraph 1, creditors shall have processes and policies in place for the early detection of consumers experiencing financial difficulties.*
3. *Member States shall ensure that creditors refer consumers who experience difficulties in meeting their financial commitments to debt advisory services easily accessible to the consumer.*
4. *The Commission shall, by ... [five years after the date of entry into force of this Directive], present a report providing an overview of the availability of debt advisory services across Member States and identifying best practices for the further development of such services. Member States shall, by ... [three years after the date of entry into force of this Directive], and every year thereafter, report to the Commission on available debt advisory services.*



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DEFINITION OF DEBT ADVISORY SERVICES (Art 3)

- (22) ‘debt advisory services’ means personalised assistance of a technical, legal or psychological nature provided by independent professional operators *which are not, in particular, creditors or credit intermediaries as defined in this Directive, or credit purchasers or credit servicers as defined in Article 3, points (6) and (8), of Directive (EU) 2021/2167 of the European Parliament and of the Council²⁷*, in favour of consumers who experience or might experience difficulties in meeting their financial commitments.

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ENFORCEMENT

- Member States to designate specific **competent authorities** to implement the Directive (in line with MCD)
- **Admission, registration and supervision of all credit providers**, with some exemptions from authorisation requirements for SMEs acting as credit intermediaries or granting credit in the form of deferred payments in an ancillary capacity.
- **Penalties**: Member States to impose fines for widespread infringements.

Next steps

Timeline



Next steps

Transposition

- 24 months from the date of entry into force of the Directive (i.e. OJ publication + 20 days)

Implementation

- 12 months after transposition

Review and monitoring

Thank you



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Annex

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(81) Consumers facing difficulties in meeting their financial commitments stand to benefit from specialised help on managing their debts. *Financial difficulties cover a wide variety of situations, for example among many others, having delayed the repayment of debt for more than 90 days.* The objective of debt advisory services is to help consumers facing financial difficulties and guide them to repay, as far as possible, their outstanding debts, while maintaining a decent level of life and preserving their dignity. That personalised and independent assistance *may include legal counselling, money and debt management as well as social and psychological assistance.* *The assistance should be* provided by professional operators which are not creditors, credit intermediaries, providers of crowdfunding credit services, *credit purchasers* or credit servicers, *and are independent from them.* Member States should ensure that debt advisory services provided by independent professional operators are made available, directly or indirectly *and with only limited charges*, to consumers. *Those charges should in principle only cover operating expenses and not place an unnecessary burden on the consumers who experience or might experience difficulties in meeting their financial commitments.* Where possible,

consumers facing difficulties in repaying their debts are referred to debt advisory services before the enforcement proceedings are initiated. *Debt advisory services should be easily accessible for consumers, taking into account for example consumers' place of residence and also their language.* Member States remain free to maintain or introduce specific requirements for *debt advisory* services. *Creditors have a role to play in preventing over-indebtedness through the early detection and support of consumers experiencing financial difficulties. For that reason, creditors should have processes and policies in place for the detection of such consumers to ensure they can effectively refer them to easily accessible debt advisory services.*