

December 2023

European Consumer Debt Network: Conference Review Newsletter

ECDN MEMBERS MEETING & FINAL PEPPI EVENT - SUMMARY

30 November 2023 – ECDN Member's Meeting & PEPPI Workshop, 14-17.30h, Rue Washington
40, Brussels

&

1 December 2023 – PEPPI Final Conference, 9.30-17h, 36 Rue Froissart, Brussels

At the outset of the meeting on 30 November, Dieter Korczak, ECDN President reviewed the influence of the organisation and held an ECDN members' vote to consider the ratification of the membership of three organisations. These organisations were elected separately and unanimously by ECDN members who were present. For further information:

Movimento Consumatori / Italy www.movimentoconsumatori.it

Association for Consumer Financial Service Advice / Romania <https://consiliereconsumatori.ro/>

Padobran / Croatia www.padobran.hr

As they were present, Igor Škrgatić of Padobran, and Rodica Apan of the Association for Consumer Financial Service Advice, gave short statements outlining their gratitude and potential contribution to ECDN.

For the remainder of the time on 30/11, a world café workshop was held with four rotating stations. A lively discussion was held, and each station host provided a summary which was presented by Malwina Silva da Mota on 1 December.

Dieter Korczak opened the conference on 1 December and introduced the first speaker, Francesco Gaetano, Policy Officer at the European Commission. He outlined how, since 2007, the Commission has tried to contribute to this area through various research studies (DG Employment, Eurofound etc) and the PEPPI project is among a number of initiatives taken in favour of reducing over indebtedness. These studies highlighted the effectiveness of debt advice, and the 'Return on Investment' has also been demonstrated, and Mr Gaetano emphasized throughout the importance of maintaining the dignity and basic standards of living for individuals who were repaying debt. The Consumer Credit Directive (CCD), Article 36, will oblige member states to ensure debt advice availability for citizens, and this is a positive move not only for debtors, but also for creditors. On 25 January 2024, there will be a launch of a new study on over indebtedness, this will be an online launch and Mr Gaetano invited all present to attend.

Dieter Korczak provided an overview of the goals, challenges, and main results of PEPPI, against the backdrop of the Consumer Credit Directive. Although debt advice is recognized as one of the best solutions to over indebtedness, it has been, in general, underfunded and the number of services available thus far have been inadequate to service populations. Dr Korczak made the distinction

between debt advice and debt counselling, the latter being a more holistic approach which aligns more closely with the definition provided in the CCD Article 3 (22) and to provide a quality service there can be no conflict of interest – banks cannot provide the support as outlined in the CCD. There are different versions of who might provide debt counselling; charities, local councils, private consultants, lawyers, and this flexibility is a strength of the CCD. With regard to funding, the participation of private banking should be part of the solution. The main challenges to implementation are external factors such as local engagement, silo-thinking among ministries and national political contexts. Dr Korczak also highlighted a consistent theme throughout the day; the need for psychological support for clients.

The member states involved in PEPPI were also the states identified in an earlier Eurofound study as having weak to no debt advice services. However, some of these, such as Slovakia were already making significant progress. While PEPPI has been, from the organisers' perspective, a success, there remains a lot of work to do. However the PEPPI project provided the ability to lay the groundwork on which networks & capacity building can be shared on an ongoing basis. The goals of PEPPI were to:

- Provide a European online platform.
- Establish a European online academy.
- Develop nation consumer websites.
- Organise a national network for debt advice services.

In terms of the academy, the team are still exploring if it is possible to use the webinars as a method of delivering self-certification and certification by an approved body. Aside from the established platform and academy, there is now also a PEPPI YouTube channel, and social media outlets (LinkedIn and Facebook), there has been considerable media work, there are now national websites, and an ongoing network of national meetings within and across countries.

Luca Rizzitano of I Diritti del Debitore <https://www.idirittideldebitore.com/> provided an overview of the work of his organisation, in translation, The Debtor's Right, which provides valuable assistance to people experiencing over indebtedness in Italy through restructuring of significant amounts of debt. Since 2012, this has been the principal Italian organisation working at the coalface, with lawyers and crisis managers across the country providing consumer facing services. In sum, the agency works to restructure the debt working with the debtor to find answers to the problems and provides financial education, and in turn, this restructuring can receive approval of the courts. Following court approval, a process of rehabilitation occurs providing a fresh start. Mr Rizzitano is also the president of OCC in Palermo, this is a Crisis Cooperation Agency with a network throughout Italy. Mr Rizzitano discussed the journey to the situation of over indebtedness as not consciously subscribed, but rather as an unexpected event in people's lives, again highlighting the psychological problems as an underlying cause, e.g. gambling problems. These processes, as discussed and agreed with Mr Rizzitano's colleagues, must balance the debtors rights and creditors reasonable demands. Mr Rizzitano concluded with an invitation to hold future meetings in Sicily.

Ms Vinka Ilak provided a thorough overview of the work of her organisation, Fina, in Croatia. Ms Ilak began her career as an insolvency enforcement and debt repayment lawyer, and this led to her work with the state organisation, Fina. Fina has 180 branches and 2400 employees and is part of the state information infrastructure. Aside from physical offices, there are also platforms available for access to Fina services for dispersed populations. Fina operates business and public registers and digital identity services for the state, and most importantly for the current discussion, enforcement on bank accounts since 2011, maintaining the Croatian bank accounts register. This is a fully digital system that is secure and transparent. Tracking data in real time is the biggest advantage of this system. Through this system it is possible to track your debt, however thus far the system is focussed on cases where a problem has already occurred, but attention is now turning towards prevention, and identifying cases where risk is identified. Ms Ilak echoed previous speakers in recounting the

background issues leading to over indebtedness – psychological problems, sometimes addiction, and people are in denial about their situations and are frequently totally passive, often with no assets or income. Until very recently few people opted for bankruptcy proceedings, however a national reform programme in 2018, at a time when the number of citizens with blocked bank accounts was exceptionally high (325,000), was introduced. This package of laws improved enforcement proceedings and debt to the state can be discounted. Fina has had the advantage of cooperation with Padobran who are providing individual debt counselling services in Fina offices. Staff can refer citizens to Padobran within the same building, and financial information can be easily transferred with permission. Ongoing communication with Padobran ensures that Fina can be responsive to identified problems and innovate accordingly, often through communications, staff education, media work, in addition there is significant interagency cooperation between these organisations and ministries. Fina has also run a successful project with Padobran, 'Leap out of Debt', providing counselling measures.

The countries involved in PEPPi provided roll-up banners outlining their work and involvement in the project, and those present spoke briefly about each of these, while the countries that were not present provided short videos that are available to view on the PEPPi YouTube channel. [ecdN-peppi - YouTube](https://www.youtube.com/channel/UCdN-peppi)



Gianfranco Dote of Esdebitami www.esdebitami-retake.it provided an overview of services provided by his organisation. This thorough consideration outlined to listeners a concept that they may have been familiar with, but without previously being aware of how such a service might operate in detail. The main form of over indebtedness that Esdebitami is confronted with, is mortgage over indebtedness. In general, a bank's response to such debt is to bundle the non-performing loans and sell these to a new creditor. However, using a special purpose vehicle, Esdebitami operates 'SYHO', this Save your Home service acquires the mortgage debt with a discounted repayment to the bank, acquiring the property. This becomes a rent to buy contract with the former mortgage owner with the rent acting as a down payment on their buy-back option in the future while retaining possession of the home. The debtor can, in due course, buy back the property paying a price equal to the residual value of the original debt net of the down payments already paid. Mr Dote provided a very useful presentation that has been circulated to the attendees.

Gwen Harris, a member of the ECDN management board, provided an overview of the PEPPi knowledge platform and knowledge academy which rest on the ECDN website as a portal.

The purpose of the knowledge platform was to share expert knowledge between each other but also to provide open access to others who wish to develop debt advice services, there are learning opportunities for everyone – for example, website development is a topic in the platform. Ms Harris went through each of the tabs that are available on the platform, including the Money Matters ECDN publication, the library, toolbox, research, debt counselling, and financial education. Each of these provides information useful for both consumers and providers of services. Under the debt counselling tab there are member states flags so that consumers can find out what is available locally. Any assistance that attendees can provide to populate this is welcome.

The online academy provides access to webinars and coordinators meetings, overviews of legal frameworks for debt advice in different countries, funding models, and sustainability, among other topics. The training concept is to share knowledge, learning from each other, there are more than twenty hours of webinars with an average of 65 attendees from 13 countries in attendance at each.

It has been suggested that as these services develop, that channels must be identified through which people and organisations not previously reached can access this information rather than being a repository of information among ECDN members only.

Joeri Eijzenbach of NVVK in The Netherlands provided an excellent overview of services provided by his organisation, outlining the practicalities of providing a quality seal for services, and ensuring this is an ongoing process rather than a point in time (every three years) exercise. For the last 25 years, NVVK has been able to reschedule debt with resort to a court decision and in 2012 this process was combined with a quality seal due to new legislation, with organisations coming together in time to introduce broader reform. This holistic quality seal had a wider scope and was not just focussed on the debt rescheduling process, but the organisation more broadly. Organisations go through this process, moving away from a point in time mindset, to critically assess their own performance and internal processes, and organisations can be paired to learn from each other.

Malwina Silva da Mota of SKEF in Poland provided a summary of the world café meeting on 30 November. Four stations with the following numbered themes were established with a 30-minute rotation to each:

1. SWOT Analysis for the improvement of debt advisory services under the condition of the new CCD.
2. Possibilities of Financing of debt advisory services, e.g., by a 0,1% fee from credit institutions.
3. Lobbying – how to lobby and best strategies.
4. 'Election Touchstones' – European Elections 2024.

The SWOT analysis results demonstrated that attendees believe the onus on member states to transpose the CCD is an obvious strength, and that this will take time which will facilitate the space to get it done correctly. The advantages will be seen to member states in terms of debt prevention (including through pre-arrears interventions), more consumers returned to the economy, and social return on investment. For the industry, having a stronger legal basis and a bigger community of debt advisors is advantageous. However, the level of freedom and flexibility within the CCD can also be seen as a potential weakness. It raises questions over who in government is responsible, is there sufficient capacity to deliver these services and if not, who will decide what the entry criteria should be, and how will it be funded, will cost become a barrier, and without enforcement provisions, will it really deliver? In terms of opportunities, the lead-in time to transposition was again raised as an advantage for shaping the framework with lawmakers, and developing tools, platforms and capacity building with/for creditors, consumers and debt advisers. There would now also be opportunities to develop quality assurance and to comprehensively evaluate for social return on investment. The threats are that the transposition will be a tick-box exercise and open to political expediency, including not wanting to admit to a country's debt problems, not wanting to fund, misuse in political communication and without regulation it could fail.

In terms of financing services, funding sources were identified to include EU level co-funding models, national and local government, creditors, and from sources such as fines. From a broader perspective, there is also potential funding available via tangential sources such as financial education/literacy programmes, and via philanthropy. Attendees were in agreement that creditors should shoulder responsibility, but questions remained about the details – should it be a varying percentage, should it be the central bank or all banks, or indeed, all creditors.

In terms of lobbying, attendees quickly recognised that lobbying can mean different things in different countries and targets of lobbying may also vary. Lobbying can mean discussions with policy makers, as well as public communications with society/stakeholders. It can also mean networking and creating working relationships and groups to build capacity and strengthen the message.

Key messages were developed in the election touchstone group for the forthcoming European elections in 2024. Politicians should be asked:

- 1.To develop a national debt advisory strategy and national quality standards for debt services.
- 2.To introduce the 0.1% levy on banks/creditors to fund services.
- 3.Seizure should never result in debtors living below the poverty line.
- 4.That the principal loan should be repaid before the interest.
- 5.Consideration should be given to a solvency pass or financial status report.

The conference closed with gratitude expressed to all involved.

