

Credit agreements for consumers

2002/0222(COD) - 10/12/2007

The Committee on the Internal Market and Consumer Protection adopted the report by Kurt **LECHNER** (EPP-ED, DE) amending, under the 2nd reading of the codecision procedure, the Council's common position adopting a directive of the European Parliament and of the Council on credit agreements for consumers and repealing Council Directive 87/102/EEC.

The political groups reached agreement before the vote on 10 compromise amendments covering a certain number of issues. The committee tabled a number of amendments concerning the scope of the directive, advertising, pre-contractual and contractual information (in particular for overdraft facilities) and, in particular early repayment terms.

Scope: the new legislation will cover consumer loans between EUR 200 and EUR 50 000, the committee decided, as opposed to the Council's preferred upper limit of EUR 100 000. It will only cover credit contracts, not guarantors and other aspects of credit agreement law. The directive will apply only to loan contracts on which interest is paid, and not products such as deferred payment cards (charge cards), which do not impose interest, other than for non-compliance with their terms, and for which only fixed service fees that do not vary in relation to the amount spent on such cards are levied. For these credit agreements, Member States should be able to maintain or introduce separate national provisions.

Advertising: any advertising concerning credit agreements which indicates an interest rate or any figures relating to the cost of the credit to the consumer shall include standard information such as: a) the borrowing rate, fixed and/or variable, together with particulars of any charges included in the total cost of the credit to the consumer; b) if applicable, the total amount of credit; c) the annual percentage rate of charge; d) if applicable, the duration of the credit agreement; e) in the case of a credit in the form of deferred payment for a specific good or service, the cash price and the amount of any advance payment.

Pre-contractual information: the committee believes that the pre-contractual information requirements are too excessive and therefore it proposes to delete a number of them. MEPs specify that if the agreement has been concluded at the consumer's request using a means of distance communication, the creditor shall provide the consumer with the full pre-contractual information using the Standard European Consumer Credit Information form immediately after the conclusion of the credit agreement. Consumer protection requires that, where credit providers do not use the standard information sheets, all essential information is prominently displayed and not hidden by other non-essential information provided. Such information shall be provided on paper or on another durable medium and shall all be equally prominent.

Information to be specified in credit contracts: the contract should mention, at the request of the consumer, where capital amortisation of a credit agreement with a fixed duration is involved, a statement of account in the form of an amortisation table indicating the payments owing and the periods and conditions relating to the payment of such amounts. The table shall contain a breakdown of each repayment showing capital amortisation, the interest calculated on the basis of the borrowing rate and, where applicable, any additional costs.

Solvency of the consumer and database accessibility: the information provided by the lender must enable the borrower to take a responsible decision. The lender must also assess the solvency of the consumer before concluding a contract. An amendment states that if a credit application is granted on the basis of consultation of a database, the creditor shall inform the consumer upon request and without

charge of the result of such consultation and of the particulars of the database consulted. In both cases and when the assessment and decision is solely or predominantly automated the consumer shall be given upon request the opportunity to check and correct any false underlying data.

Contractual information (overdraft facilities): in the case of credit agreements in the form of overdraft facilities, the following shall be indicated in a clear, concise way: a) the type of credit; b) the identity and addresses of the contracting parties as well as, if applicable, the identity and address of the credit intermediary involved; c) the duration of the credit agreement; d) the credit limit and the conditions governing the drawdown; e) the borrowing rate, the conditions governing the application of the borrowing rate and, where available, any index or reference rate applicable to the initial borrowing rate, as well as the periods, conditions and procedure for changing the borrowing rate; if different borrowing rates apply in different circumstances, the above mentioned information on all the applicable rates; f) the annual percentage rate of charge and the total costs payable by the consumer; g) an indication that the consumer may be requested to repay the amount of credit in full on demand at any time; h) conditions governing the exercise of the right of withdrawal from the credit agreement; and i) information concerning the charges applicable from the time such credit agreements are concluded and, if applicable, the conditions under which those charges may be changed.

Right of cancellation: the Directive states that the consumer shall have a period of 14 calendar days in which to withdraw from the credit agreement without giving any reason. In the case of a linked credit agreement, this period may be reduced to a minimum of 3 calendar days at the request of the consumer, should the latter wish to take faster delivery of or benefit from the goods or services financed by a credit agreement. When delivery or the date on which performance starts occurs later than the end of the period agreed, the period shall end on the date of delivery of the goods or the date on which performance of the services starts, without being longer than 14 calendar days.

Early repayment: the committee states that a total suppression of measures relating to compensation payable for early repayment. The amended text states that the creditor may, in accordance with national law, be entitled to fair and objectively justified compensation for possible costs directly linked to early repayment of credit.