

# Credit agreements for consumers

2002/0222(COD) - 16/01/2008 - Text adopted by Parliament, 2nd reading

The European Parliament adopted a resolution based on the report drawn up by Kurt **LECHNER** (EPP-ED, DE) amending, under the 2nd reading of the co-decision procedure, the Council's common position on credit agreements for consumers and repealing Council Directive 87/102/EEC. The compromise amendments adopted in plenary had been previously negotiated with the Council. These amendments relate to 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 75 000. A new recital states that the Directive does not apply to certain types of credit agreements, such as deferred debit cards, under the terms of which the credit has to be repaid within three months and only insignificant charges are payable.

**Advertising:** standard information to be included in advertising must include the borrowing rate, fixed or variable or both, together with particulars of any charges included in the total cost of the credit to the consumer.

**Pre-contractual information:** Parliament has added to the list of information that must be supplied the following: if a credit agreement provides different ways of drawdown with different charges or borrowing rates and the creditor uses the assumption of Annex I Part II (b), he shall indicate that other drawdown mechanisms for this type of credit agreement may result in higher annual percentage rates of charge. In the case of certain credit agreements in the form of an overdraft facility the creditor must include information about the charges applicable from the time such agreements are concluded and, if applicable, the conditions under which those charges may be changed.

**Creditworthiness of the consumer:** Member States whose legislation requires creditors to assess the creditworthiness of consumers on the basis of a consultation of the relevant database may retain this requirement. The Article on database access is stated to be without prejudice to the application of Directive 95/46/EC on the protection of individuals with regard to the processing of personal data and on the free movement of such data.

**Information to be included in credit agreements:** where capital amortisation of a credit agreement with a fixed duration is involved, the credit agreement shall specify the right of the consumer to receive, on request and free of charge, at any time of the entire duration of the credit agreement a statement of account in the form of an amortisation table. The amortisation table shall indicate where applicable, that notary's fees will be payable.

**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 total amount of the credit 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, calculated at the time the credit agreement is concluded; all the assumptions used in order to calculate that rate as referred to in the text shall be mentioned; in the case of a credit agreement in the form of an overdraft facility, Member States

may decide that the annual percentage rate of charge need not be provided; 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.