

Credit agreements for consumers

2002/0222(COD) - 14/05/2014 - Follow-up document

The Commission has presented a report on the **implementation of Directive 2008/48/EC on credit agreements for consumers** the objective of which is to (i) offer a high degree of consumer protection and thus to boost consumer confidence, (ii) enable free movement of credit offers across borders and (iii) remedy distortions of competition arising from differences in national laws regarding consumer credit.

In its [resolution](#) of 20 November 2012, Parliament called on the Commission to present a report on the implementation of the Directive and to assess fully its impact in terms of consumer protection.

The Commission has accordingly adopted this report, based on the transposition check that is still on-going and on the evidence gathered by a **consumer credit market study**, as well as a study on **regulatory choices** of the Member States.

The main conclusions are as follows:

Impact on consumer credit markets: the implementation of the CCD has coincided with the **financial crisis**, which impacted the consumer credit market. Creditors are more cautious about lending and borrowers prefer to pay back their existing loans instead of contracting new ones. After 2007, consumers in several Member States reduced their reliance on credit, most notably in Ireland (-1.4 %), Spain (-1.3 %) and United Kingdom (-1.2 %). Germany and Slovakia are the only two Member States in which the reliance on consumer credit was higher after 2007 than before.

The reaction to those external circumstances has **limited the potential impact the CCD could have on cross-border lending**. According to the consumer survey, cross-border borrowing is **relatively infrequent among consumers**, yet significantly more common than previous studies have suggested (roughly 5 %). There is a **wide variation** in cross-border borrowing across Member States. Higher income earners are more likely to borrow from a lender from another Member State.

Among **possible obstacles** to cross-border credit provision and borrowing are liquidity, compliance in the instigation of legal actions if need arises, cost of funding differential between different countries, difficulty in recovering outstanding amounts through litigation, as well as cultural and linguistic barriers.

The **cost of consumer credit** varies markedly across countries. For example, APR ranges from 6 % or less in a number of euro area countries to up to 35 % in a number of Member States from Central Europe. However, the financial crisis has resulted in a sharp reduction of central banks' interest rates throughout the EU. Over the period 2003-2012 a **convergence of consumer interest rates** (net of central bank rates) among the EU countries appears to have taken place at a reasonable speed.

Impact of the Directive on consumer protection: the Commission recalls that some Member States implemented the CCD after the stipulated deadline, and some of them implemented it at the end of 2011. Therefore, **creditors and consumers had little time** to adapt their behaviour and to fully reap the benefits of the CCD. This explains why it has been difficult to identify the impact of the regulatory choices exercised by the Member States.

The mystery shopping exercise showed that **several provisions of the CCD are not being respected** by creditors. This applies to advertisements and pre-contractual information, and fulfilment of the obligation to inform consumers about their rights (particularly in respect of right of withdrawal from the contract within the first 14 days and early repayment).

The consumer survey showed that consumers encounter problems when exercising those rights. Consumers' financial awareness remains insufficient. In addition, they have limited knowledge of their rights and of the provisions contained in contracts. In that respect, it is important to ensure that credit providers **tailor their explanations to borrowers' needs or level of education**.

At this stage, there seems to be **no need to modify either the scope of the regulatory choices** or the thresholds and percentages applied in accordance with the CCD. However, in order to be effective, the guarantees laid down in the CCD require **proper enforcement**.

The Commission intends to continue monitoring the enforcement of the CCD in the Member States and assess their **supervisory practices** in 2014. Furthermore, building on the results of the evaluation of the information campaign on CCD carried out in some Member States and other evidence including on the behaviour of consumers, the Commission may consider further activities in the area of financial awareness.