

Credit agreements for consumers

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The Council proceeded to a policy debate on the draft Directive on the harmonisation of the laws, regulations and administrative provisions of the Member States concerning credit for consumers and took note of concluding comments by Commissioner Byrne on Member States' positions on this file. The Council expressed a generally favourable view on the proposal, as the existing Community legislation on consumer credit no longer reflects the current situation on the consumer credit market. It recognised that, following the development of new credit instruments and activities, a reform is important in terms of an effective consumer protection and functioning of the internal market. In order to establish guidance for future work on this file, the Member States clarified their positions on key issues such as: - the objective of a total harmonisation, as proposed by the Commission, in relation to provisions allowing a certain degree of flexibility for Member States; - the forms of credit falling within the scope of the Directive, notably as refers to mortgage credit; - conditions of coverage of creditors and credit intermediaries, such as registration requirements and possible controls. It is recalled that Directive 87/102/EEC concerning consumer credit, amended in 1990 and 1998, established the Community framework for consumer credit with a view to promoting the setting-up of a common market for credit and establishing minimum Community rules to protect consumers. In 1995 and 1996, the Commission presented reports on the operation of the 1987 and 1990 Directives. According notably to these reports, there are great differences between the laws of the various Member States in relation to credit for natural persons in general and consumer credit in particular. The result has been a distortion of competition between creditors in the internal market and restricted scope for consumers to obtain credit in other Member States.