

Credit agreements for consumers

2002/0222(COD) - 16/03/2004

The committee adopted the report by Joachim WUERMELING (PES, D) amending the proposal under the 1st reading of the codecision procedure. MEPs argued that a major aim of this directive should be to establish minimum EU-wide standards for consumer credit agreements and not just harmonisation, since the latter would lower the standard of consumer protection in many EU countries. They therefore said Member States should retain the right to grant their consumers even higher standards of protection. However, MEPs acknowledged that in some areas full harmonisation may be needed to ensure that consumers can compare offers and hence to boost an internal market in consumer credit. An example would be the rules on the annual percentage rate of charge laid down in the directive. The committee wished to exclude various types of loan from the directive, such as credit agreements of less than EUR 1,000 or more than EUR 50,000, further credit agreements secured either by a mortgage on immovable property, hiring and leasing agreements, private credit agreements, credit which an employer gives his employees as a subsidiary service and credit in the form of an advance on a current account or a debit account if the total amount must be paid back within three months or on demand. Another key point for MEPs was the need for standardised information about credit offers and credit agreements, to enable consumers to make comparisons more easily Europe-wide and choose the best product. The committee said this information should always include the annual percentage rate of charge, the agreed duration of the credit, the number and amount of monthly payments and the total cost of the credit. MEPs were also keen to ensure that both creditor and consumer should provide information prior to the signing of an agreement, so that the creditor can assess the consumer's creditworthiness on the basis of the information provided. Regarding cross-border credit, the committee said each Member State should grant access to databases to creditors from other Member States under the same conditions as for firms and individuals in its own country. The committee wanted to allow consumers less time to withdraw from a credit agreement without giving any reason, by shortening the period from fourteen to seven calendar days. As regards joint and several liability, MEPs demanded that, if the consumer had withdrawn his acceptance of an agreement for the supply of goods or services, he should no longer be bound by his acceptance of any consumer credit agreement linked thereto. The consumer should also be able to refuse to repay the credit if the goods were not delivered or the services not provided. In the case of consumer credit linked with another contract, the Member States remain free to maintain more far-reaching provisions, such as for example the principle of joint and several liability existing in the United Kingdom, to protect consumers.