



The European Consumers' Organisation

COMMUNIQUE DE PRESSE
PRESS RELEASE

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Home loans: a high level of borrowers' protection to become reality at last?

Today's European Commission proposal on credit agreements for home loans finally addresses irresponsible practises which have harmed many European consumers.

One of the lessons of the financial crisis has been on inadequate protection of borrowers in many EU countries: unsuitable loans, misinformation, aggressive marketing, lack of information on risks linked to using foreign currency and superficial assessment of people's financial means have made many loans increasingly unaffordable, raised defaults of payments and seen an increase in foreclosures.

Monique Goyens, Director General of the European Consumers' Organisation, BEUC commented:

"Borrowing money to build or buy a home is the single most important financial decision in most people's lives, one which engages them for 20, 30 years or longer. Borrowers cannot afford to be sold a bad deal. With this long-awaited legislation borrowers from all over Europe might finally enjoy a higher protection standard and Member States will still be able to raise national standards even further."

"If legislators put consumers' interests first, fair lending practices will be the rule. The next step is to extend these rules to all types of consumer credits."

Encouraging proposals for safer borrowing ...

BEUC welcomes the Commission's proposal which addresses some key issues European consumers have been demanding for years:

- A 'European Standardised Information Sheet' containing the key price elements of a loan must be made available before signing the contract. This will significantly increase consumers' ability to compare different offers.
- The calculation of the Annual Percentage Rate of Charge (APRC)¹ will be harmonised and based on the total cost of the credit including e.g. the cost for opening or maintaining a bank account when such account is requested by the lender².
- Lenders will be required to assess the creditworthiness of potential borrowers to help prevent over-indebtedness.
- All European consumers will be given the possibility for early repayment of a loan thus allowing them to adapt to changes in their financial situation or to shop for a better deal.
- All credit intermediaries will be regulated and supervised. For example, they will have to be registered, fulfil certain professional requirements and to put in place professional insurance.

ENDS

¹ The Annual Percentage Rate of Charge represents the total amount of expenses for the loan, current or future, expressed as an annual percentage from the amount of the loan granted.

² In January 2011, our UK member Which? published a study which shows that certain lenders in the UK charge 29 different types of fees for a single mortgage credit.

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