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No home run for home loans

The European Parliament voted today to adopt first-time, Europe-wide laws protecting people taking home loans¹.

Positives include an obligation on lenders to hand consumers an information document (European Standardised Information Sheet) before they sign the credit contract. Such a standardised sheet containing key aspects of the credit agreement will enable borrowers to compare loans more easily and shop for better deals.

While imperfect, the law also establishes a general right to repay credit before initial due dates. This prevents consumers being locked in contracts which can run for 20 or 30 years.

Monique Goyens, Director General of BEUC, commented:

“When people’s homes are at stake they cannot afford to be sold a bad deal. Consumer protection in this crucial area will be strengthened. Having said that, large loopholes remain, which should compel EU governments to go beyond the baseline provisions.”

On lender obligations to assess the consumers’ repayment means, Monique Goyens said:

“Unemployment, sickness or steep rises in interest rates are the kinds of Damoclean swords making consumers default. It is crucial to help avoid this happening and protect vulnerable consumers from deep debt. A prohibition on lender loans to those likely to default can protect consumers from credits they cannot afford. Such a measure is long overdue as irresponsible lending was a major factor in the financial crisis.”

Other key aspects of the plans include:

- Positive: Property assessments must be carried out by a professional and independent evaluator.
- Positive: The possibility to convert foreign mortgage credit to an alternative currency (e.g. that of the consumer’s national currency or income).
- Negative: Access for creditors to credit registers based in other countries. Data exchange possibilities beyond standard negative data (e.g. a default record) risks creditors making wrong assumptions on a borrower’s creditworthiness.

ENDS

¹ The plenary vote will mark the European Parliament’s agreement to the deal reached with EU governments.