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### European Commission's 'non-performing loans' plans to leave consumers vulnerable to 'vulture funds'

The European Commission today unveiled an Action Plan to tackle 'non-performing loans' (NPLs) in the aftermath of the COVID-19 pandemic. NPLs - loans subject to late repayment or unlikely to be repaid - are expected to rise sharply once measures to support households and businesses put in place during the pandemic come to an end.

Today's Action Plan aims to address the likely accumulation of NPLs in the EU, including by calling on the European Parliament to quickly agree on proposed EU rules from 2018 to create a single secondary market for the sale of NPLs. Under such proposals, banks would be able to easily sell 'soured loans' to third party investors, including so-called 'vulture funds' that have a long history of unfair and aggressive debt collection practices toward distressed consumers.

While the Action Plan recognises the need to protect vulnerable borrowers - including by setting up an advisory panel of industry and consumer organisations - BEUC is concerned about EU plans to give debt collectors an EU-wide operating passport, but only to be supervised by their home country. Worse, there would be no sufficient EU-wide consumer protection standards for debt collectors, nor requirements for them to meet protection standards where consumers live, opening the door to abuse.

Banks should instead engage with distressed borrowers, by postponing or restructuring loan terms when loans go sour. Yet a [study published today](#) by our member UFC Que-Choisir shows that less than one-third of French NPLs are either postponed or restructured. It also finds that banks with the highest default rates are those that restructure the least and many of French banks' NPLs are very old.

**BEUC Director General Monique Goyens commented:** "Reducing the number of non-performing loans for the sake of financial stability should not come at consumers' expense. When many consumers across Europe are struggling to keep on top of their loan repayments due to the pandemic, allowing debt collectors to act EU-wide with minimal oversight will drive vulnerable consumers into the clutches of vulture funds.

"Our members have already heard shocking tales of what debt collectors are prepared to do to recover money from vulnerable consumers. During times like these, consumers deserve added protection, not to be thrown to the vultures. We need to see appropriate

safeguards added to EU legislation to ensure consumers are protected from harmful practices.”

### **BEUC recommendations:**

1. **CREDIT INVESTORS AND DEBT COLLECTORS** should not be given an EU passport if they are buying consumers’ non-performing loans
2. **CONSUMERS** should be given the possibility to buy their own debt before it is sold to third parties at discounted prices
3. **CREDIT INVESTORS AND DEBT COLLECTORS** should be strictly regulated to protect distressed borrowers from unfair treatment

### **Background:**

In March 2018, the European Commission developed a [legislative proposal](#) to spur the development of a secondary market for the sale of Non-Performing Loans in the EU. The aim is to help banks easily sell off these loans to third party investors and debt collectors anywhere in the EU. The draft Directive includes consumer loans (consumer credit and mortgages). BEUC believes this raises serious concerns about the protection of vulnerable borrowers.

BEUC has long held concerns about European Commission plans to establish a single secondary market for NPLs, which could leave consumers vulnerable to vulture funds. The unfair and aggressive practices of vulture funds and debt-collection companies are [widespread](#) in Europe. They often involve harassment such as multiple phone-calls including late in the evening, soliciting family members or falsely posing as court bailiffs.

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