

# CONSUMER CREDIT DIRECTIVE

## Key points for consumers

### Why it matters to consumers

In a modern society, it is difficult to imagine life without some form of credit. It helps consumers to finance their buying of a home, their children's education, a new car or other consumer goods. But if credit is misused, becomes unsustainable and causes over-indebtedness, the consequences for borrowers, lenders and the economy's stability can be huge.

BEUC [welcomes](#) many improvements to consumer protections granted in the initial Directive that it had advocated for in the Commission's ambitious proposal (see our position paper on the CCD revision [here](#)). This two-pager summarises BEUC's main recommendations on the Commission's proposed recast of the Consumer Credit Directive. The table assesses the proposals with the following symbols:



supports the Commission's proposal



support for idea but room for improvement



an important idea is missing in the proposal

#### COMMISSION PROPOSAL

#### BEUC STANCE



**AN EXTENDED SCOPE** now includes small loans below €200, crowdlending platforms and buy-now-pay-later schemes which significantly improves the protection for vulnerable consumers and in the digital sphere (Article 2).



BEUC supports the Commission's proposal but would like to clarify that future digital credit services should also be included in the scope, and that all leasing agreements should be covered.



**CAPS ON INTERESTS AND/OR THE TOTAL COST OF CREDIT** will limit the sometimes egregious costs of consumer loans and protect consumers from unaffordable loans (Article 31, new article on environmentally sustainable lending).



BEUC recommends a mandatory cap on the total cost of credit and an EU-wide calculation method to establish ceilings of the annual percentage rate of charge (APRC).



The Commission proposal lacks specific incentives for green loans. In Portugal, the central bank already applies a stricter interest rate cap for green loans. A stricter cap on green loans will help consumers to make sustainable purchases.



**CREDITWORTHINESS/SUITABILITY ASSESSMENT:** The proposal foresees a ban on lending to consumers if the assessment is negative, based on relevant and accurate information.

Where such assessments involve profiling or automated processing of personal data, consumers will have a right to demand human intervention and to contest the decision (Article 12 & 18).



Beyond the risk of non-repayment, responsible lenders need to assess the affordability of the credit from the consumer's perspective. Exceptions for granting credit in case of a negative assessment should be narrowed. In addition, it needs to be clarified which data can be used when assessing creditworthiness to set clear limits on the use of big data.



**PERSONALISED PRICING:** Consumers need to be informed when, on the basis of automated processing, including profiling, they are presented with personalised offers (Article 13 and 19).



Personalised offers shall not be based on personal data other than financially related data (e.g. no use of behavioural data). Databases should not contain additional data either.

## COMMISSION PROPOSAL

## BEUC STANCE



**BAN ON UNSOLICITED CREDIT SALES** is an important measure to shield households from financial distress and over-indebtedness (Article 17).



BEUC supports the proposal and recommends extending it to credit offers (e.g. non-requested credit cards sent to the consumer by post).



**STANDARDISED PRE-CONTRACTUAL INFORMATION & RULES ON ADVERTISING** aims at providing consumers with key information at one glance by creating a new overview form (SECCO) and in advertising (Article 8 and 10).



BEUC fears that an additional form will create information overload. Instead, key information should be provided on the first page of the Standard European Consumer Credit Information (SECCI). This information shall prominently warn consumers about the costs and risks of borrowing money.



Advertisements nudging consumers into over-indebtedness should be banned.



### CROSS-SELLING AND PRODUCT DESIGN:

A ban on tying practices, e.g., where lenders require consumers to take out a specific payment protection insurance policy to obtain a loan (Article 14 & 15, new article on product oversight & governance).



BEUC recommends a strict prohibition of tying practices without exceptions. Tying practices restrict consumer choice and competition and should be prohibited without restrictions.



The Commission proposal lacks rules on product oversight and governance which ensure that credit products are adapted to the target market.



**ADVICE AND SALES INCENTIVES:** The proposal regulates advisory services and introduces a conduct of business obligations (Article 16 & 32).



Consumers are often confused on where to find independent financial advice. A clearer differentiation between salespersons and advisors is needed. BEUC recommends prohibiting remuneration incentivising excessive risk.



### FAIR TREATMENT IN CASE OF PAYMENT DIFFICULTIES:

Lenders will be required to give reasonable 'forbearance' measures (e.g. loan extensions or payment deferrals) to consumers in financial difficulties, and countries must ensure that debt advisory services are made available to consumers (Article 21, 24, 25, 35 & 36, 39 new article on consumers experiencing financial difficulties).



Consumers should systematically receive information on independent debt advisory services. Creditors shall be obliged to detect financial difficulties early and exercise reasonable forbearance prior to entering judicial proceedings/ assigned to third parties.

To avoid abuse, fees and charges need to be capped. Creditors should not be able to transfer credit contracts which can no longer be enforced in courts or have no proven legal basis.



### SUPERVISION, ENFORCEMENT AND PENALTIES:

The proposal foresees penalties in the form of fees in case of non-compliance with the Directive (Article 44, new article on data collection).



In addition to penalties such as fees, consumers should be compensated for the damage caused by introducing effective and fair remedies.

BEUC recommends better data collection on default rates to monitor the quality of consumer credit products.