

Contact: Andrew Canning: press@beuc.eu
Date: 12/07/2022
Reference: BEUC-PR-2022-033

European Parliament falls short in protecting consumers against risks of “free” credit

The European Parliament today agreed its position on the Consumer Credit Directive (CCD), a decision that will leave consumers unprotected in the face of credit offers from Big Tech companies and large retailers.

That is because Parliament’s IMCO Committee agreed to exempt leasing agreements and some interest-free credit products (e.g. Buy Now Pay Later) from the CCD, leaving consumers without protections such as cost caps or creditworthiness checks. These interest-free loans and leasing agreements are increasingly popular and are used to buy everything from smartphones to kitchens or cars but come with a similar risk of over-indebtedness as traditional consumer loans.¹ In times of economic crisis, some consumers are even using them to buy food or to simply make ends meet.

BEUC Director General Monique Goyens said: “With the exemption of leasing agreements and interest-free credit from the CCD, consumer over-indebtedness is one click away. These credit products are now offered almost everywhere, be it to buy a new smartphone or kitchen appliance, to higher-value ones like cars or simply to make ends meet in the face of rising food and energy prices. Exempting these products is opening the door to abuse by Big Tech and large retailers. Without a sound creditworthiness assessment, these credit products will lead consumers into overspending and with it a spiral of debt, serious financial constraints.”

Next steps

The Parliament’s IMCO Committee’s opinion is final on this topic as there will be no vote in a plenary session of Parliament. This will now go to ‘trilogue’ discussions between the EU Parliament and Council to find agreement.

Background

- BEUC’s [reaction to the Council position](#) on the CCD.
- BEUC’s [reaction to the Commission’s](#) CCD proposal.
- Factsheet on [Buy Now Pay Later](#).

ENDS

¹ Our German member vzbv recently [reported](#) that consumers often complain that interest-free credit contains hidden costs, for instance in bundled insurance or bank accounts. Our French member UFC Que Choisir [found](#) that leasing agreements come with egregious costs, sometimes doubling the price compared to a traditional consumer loan.