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Consumers to get much-needed extra protections when taking out a loan

Consumers will get much-needed extra protections for a wide range of credit products, according to a final agreement reached today by EU legislators on long overdue revision of the Consumer Credit Directive.

The deal means that consumers taking out small loans below €200, leasing agreements or 'Buy Now Pay Later' schemes will soon be protected by new rules including a strong creditworthiness assessment. This means a restriction on lending if the assessment is negative, to help prevent pushing vulnerable consumers into over-indebtedness. What's more, assessments must be made on financially relevant data and cannot include personally sensitive information, such as health data.

Consumers in financial difficulty will be able to postpone payments and can access debt advisory services. This will bring added assistance in future to consumers facing difficult personal financial situations or in times of economic uncertainty.

It is regrettable, however, that the rules lack ambition in limiting the sky-high costs of credit. EU Member States discarded the initial proposal for mandatory cost caps which the European Commission and Parliament put forward.

BEUC Director General Monique Goyens said: "This deal is good news for consumers, who will benefit from added protections when taking out credit, especially when it comes to credit products such as Buy Now Pay Later and other small loans. This will be all the more important for those in financial difficulty or in times of economic uncertainty, to avoid consumers having to turn to credit to cover their daily needs. This will help prevent consumers from falling into a spiral of financial problems".

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