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Consumers to get extra protection when taking out a loan

Consumers will get much-needed extra protection when taking out credit (as of 2025), with the European Parliament giving its final stamp of approval to the Consumer Credit Directive today.

This means consumers taking out loans below €200, leasing agreements or 'Buy Now Pay Later' schemes will be better protected. There will be a restriction on lending if the credit-worthiness assessment is negative, to prevent pushing vulnerable consumers into over-indebtedness. National governments will also have to introduce measures preventing excessive costs for credit, e.g., cost caps.

Consumers in financial difficulty will be able to postpone payments and access debt advisory services. This will give added assistance to consumers facing difficult personal financial situations, which is particularly the case during the current cost of living crisis.

BEUC Director General Monique Goyens said: "These new European credit rules are a much-needed step forward for consumers. Household budgets are under increasing pressure during the cost-of-living crisis. Consumer groups from across Europe are reporting that people are increasingly turning to services like 'Buy Now Pay Later' simply to keep up with their bills. These risky financial solutions can needlessly send consumers into a spiral of financial problems. The new rules will offer consumers crucial extra protection to help avoid this kind of situation in the future."

Next steps:

European countries now have two years to implement the Consumer Credit Directive into national law. They will have to decide how they limit the cost of credit, prohibit certain types of advertising, how to set up debt advisory services and implement the right to be forgotten for former cancer patients (to ensure they are not excluded from the credit system).