

Credit agreements: residential immovable property

2011/0062(COD) - 05/07/2011 - European Central Bank: opinion, guideline, report

OPINION OF THE EUROPEAN CENTRAL BANK on a proposal for a directive of the European Parliament and of the Council on credit agreements relating to residential property.

The ECB welcomes the proposed directive. From a financial stability perspective, the ECB supports the measures aimed at ensuring responsible borrowing and lending and restoring consumer confidence. It also supports the proposals related to the regulatory and, where applicable, supervisory framework that applies to non-credit institutions providing the credit agreements covered by the proposed directive and to credit intermediaries.

The ECB makes the following general observations.

Foreign currency lending: one of the issues identified by the European Commission in connection with irresponsible lending in Union mortgage markets concerns loans denominated in a foreign currency that consumers take out in that currency to take advantage of the interest rate offered, without having an adequate understanding of the currency risk involved.

In the above context, the ECB pointed out that the adoption of regulatory and supervisory policy measures can play an important role in mitigating the risks stemming from foreign currency lending. The ECB considers that the information provided should also include an explanation of the **potential risks for consumers** where the credit is denominated in a foreign currency.

Access to databases and public credit registers: under the proposed Directive, each Member State should ensure non-discriminatory access for all creditors to databases used in that Member State in order to assess the creditworthiness of consumers, and to monitor consumers' compliance with their credit obligations over the life of the credit agreement. Furthermore, under the proposed Directive, powers would be delegated to the Commission to define uniform registration criteria and data processing conditions to be applied to the databases, including the registration thresholds and agreed definitions for key terms used by such databases.

The ECB suggests, consistently with Directive 2008/48/EC, referring in the proposed directive to **'creditors from other Member States'**. Furthermore, the purpose of the proposed amendments is to clarify that: (a) a number of public credit registers are operated by central banks and other public authorities; and (b) the Commission would benefit from the expertise of the EBA, the ECB and relevant NCBs of the ESCB for the preparation of the draft delegated acts in this field.