

Consumer credits

2021/0171(COD) - 05/09/2022 - Committee report tabled for plenary, 1st reading/single reading

The Committee on the Internal Market and Consumer Protection adopted the report by Kateřina KONEČNÁ (GUE/NGL, CZ) on the proposal for a directive of the European Parliament and of the Council on consumer credits.

The committee recommended that the European Parliament's position adopted at first reading under the ordinary legislative procedure should amend the proposal as follows:

Subject matter

The directive should cover credit agreements of up to EUR 150 000, with the actual upper limit to be determined by the relevant national authorities based on the particular economic situation in a Member State.

The directive should not apply to: (i) **leasing agreements** where there is no obligation to purchase the object of the agreement; (ii) **deferred debit cards** provided by a credit institution with a maximum monthly amount allowed to be repaid within one month without interest provided that they are granted to consumers only after assessing their ability to repay and after ensuring that the consumer has received the required pre-contractual information.

For credit agreements where the total amount of credit is **less than EUR 200** or where the credit is granted without interest and without other charges or is to be repaid within three months and only incurs negligible charges, Member States should be able to exclude the application of certain provisions of the directive relating to information requirements and early repayment.

Consumer credit products that support the digital and green transition

Member States should encourage creditors or, where applicable, credit intermediaries or providers of crowdfunding credit services to develop and offer consumer credit products that support the digital and green transition.

By 12 months after the date of transposition, the Commission should submit a report to the European Parliament and to the Council to assess the types of measures, tools and initiatives taken by Member States.

Advertising

To reduce instances of mis-selling of consumer credit to consumers, credit advertising should contain, in all cases, a **clear and prominent warning** to make consumers aware that borrowing money costs money.

Advertising should not incite overindebted consumers to seek credit, specify that other credit agreements have little or no influence on the assessment of a credit application or suggest that success or social achievement can be acquired by obtaining credits.

Member States may prohibit advertising for consumer credit products which: (a) highlights the ease or speed with which credit can be obtained; (b) states that a promotion is conditional upon taking up credit; (c) offers 'grace periods' of more than three months for the repayment of credit instalments.

Clear information for the consumer

Basic information should be provided to consumers to enable them to compare different offers. This information should be given in a **clear, concise and visible way**. Standardised information should be provided upfront, visibly and in an attractive form. Consumers should be able to see all essential information at a glance, **even on a mobile phone screen**. They should also receive a reminder within one to seven days after the conclusion of the credit agreement that they have the right to withdraw from the credit agreement or the contract for the provision of participatory credit services.

Pre-contractual information

The pre-contractual information should contain a comprehensive **repayment schedule** containing all payments and repayments over the duration of the contract.

The pre-contractual information should provide the consumer with the following precontractual information **at the beginning of the Standard European Consumer Credit Information form, noticeably separated from the rest of the pre-contractual information provided on the same form**: (a) the borrowing rate, or all borrowing rates if different borrowing rates apply in different circumstances; in the case of

credits with a variable borrowing rate, a simulation of the impact on the cost of the credit of reasonable upward changes in the borrowing rate; (b) a warning and explanations regarding the consequences of missing or late payments including related costs; (c) information about the right of withdrawal and (d) information about early repayment.

Creditworthiness assessment

Members introduced **further requirements** to assess the creditworthiness of people taking out a loan before it is granted, including requiring information on a consumer's current obligations or cost of living expenses.

An amendment specifies that personal data revealing racial or ethnic origin, political opinions, religious or philosophical beliefs, or trade union membership, and the processing of genetic data, biometric data for the purpose of uniquely identifying a natural person, data concerning health or data concerning a natural person's sex life or sexual orientation and **data collected from social networks** should not be processed or used to perform.

In addition, Member States should: (i) ensure that the **right to be forgotten** is provided to all Union patients as from 10 years after the end of their treatment, and as from five years after the end of treatment for patients whose diagnosis was made before the age of 18; (ii) ensure

equal access to credit to all persons cured of relevant communicable and noncommunicable diseases.

The European Banking Authority (EBA) should develop **guidelines** detailing how creditors and providers of crowdfunding credit services are to perform the creditworthiness assessment and on product governance. Those guidelines should specify the type of data recommended to perform the creditworthiness assessment.

Debt collection

Members proposed changes to ease the burden on people who have difficulty repaying their loans. Member States should prohibit practices such as intimidating consumers, presenting false or misleading legal information and making excessive calls or sending excessive messages.

Penalties

Members proposed setting the maximum fine for large-scale EU-wide infringements at a level of at least **6%** (instead of 4%) of the annual turnover of the creditor, the credit intermediary or the provider of crowdfunding credit services in all Member States concerned.