

Consumer credits

2021/0171(COD) - 12/09/2023 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 608 votes to 8, with 15 abstentions, a legislative resolution on the proposal for a directive of the European Parliament and of the Council on consumer credits.

Parliament's position adopted at first reading following the ordinary legislative procedure amended the Commission proposal as follows:

Scope

This Directive lays down a common framework for harmonisation of certain aspects of the laws, regulations and administrative provisions of the Member States concerning credit agreements for consumers. The Directive applies to credit agreements. It does not however apply to the following:

- credit agreements the purpose of which is to acquire or retain property rights in land or in an existing or projected building, including premises used for trade, business or a profession;
- credit agreements involving a total amount of credit of **more than EUR 100 000**;
- hiring or leasing agreements where an obligation or an option to purchase the object of the agreement is not laid down either in the agreement itself or in any separate agreement;
- deferred payments whereby: (i) a supplier of goods or a provider of services, without a third party offering credit, gives the consumer time to pay for the goods or services supplied by that supplier or provider; (ii) the purchase price is to be paid free of interest and without any other charges and with only limited charges payable by the consumer for late payments imposed in accordance with national law; and (iii) the payment is to be entirely executed within 50 days of the delivery of the good or service.

Credits the purpose of which is the renovation of a residential immovable property involving a total amount above EUR 100 000, and which are not secured either by a mortgage, or by another comparable security commonly used in a Member State on immovable property or by a right related to immovable property should not be excluded from the scope of this Directive.

Advertising

In order to reduce instances of mis-selling of credit to consumers who are not able to afford it and to promote sustainable lending, advertising of credit agreements should contain, in all cases, a **clear and prominent warning** to make consumers aware that **borrowing money costs money**. To ensure a higher level of consumer protection, certain advertisements, such as those encouraging consumers to seek credit by suggesting that credit would improve their financial situation or specifying that registered credit in databases have little or no influence on the assessment of a credit application, should be prohibited. Member States should also be allowed to prohibit advertisements that they deem to be risky for consumers, such as those that highlight the ease or speed with which credit can be obtained

Member States should ensure that clear and comprehensible general information about credit agreements is made available to consumers by creditors or, where applicable, by credit intermediaries, at all times on paper or on another durable medium chosen by the consumer.

General information about credit agreements which is made available by creditors or, where applicable, by credit intermediaries at their premises shall be made available to consumers at least on paper.

Pre-contractual information

The pre-contractual information should be communicated by means of the '**Standard European Consumer Credit Information**' form set out in Annex I to the directive. To help consumers understand and compare the different offers, the main elements of the credit should be prominently displayed on the first page of this form, enabling consumers to grasp all the essential information at a glance, even on the screen of a mobile phone.

If all the main elements cannot be displayed prominently on one page, they should be displayed in the first part of the form on a maximum of two pages. In this case, the following information will be presented on the first page of the form:

- the identity of the creditor as well as, where applicable, of the credit intermediary involved;
- the total amount of credit;
- the duration of the credit agreement;
- the borrowing rate, or all borrowing rates if different borrowing rates apply in different circumstances;
- the annual percentage rate of charge and the total amount payable by the consumer;
- in the case of a credit in the form of deferred payment for specific goods or services and in the case of linked credit agreements, the specific goods or services and their cash price;
- the costs in the case of late payments.

Tying and bundling practices

Member States should allow bundling practices but should prohibit tying practices. Member States may allow creditors to require the consumer to hold a relevant insurance policy related to the credit agreement, taking into account proportionality considerations.

The amended text stipulated that Member States should require that personal data concerning **consumers' diagnoses of oncological diseases** are not used for the purpose of an insurance policy related to a credit agreement after a period of time determined by the Member States, not exceeding 15 years following the end of the consumers' medical treatment.

For consumers to have additional time to compare insurance offers related to credit agreements before purchasing an insurance policy, Member States should require that consumers are given **at least three days** to compare insurance offers related to credit agreements without such offers being changed, and consumers should be informed thereof. Consumers may conclude an insurance policy prior to the expiry of that three-day period if they explicitly so request.

Creditworthiness assessment

The creditworthiness assessment should be based on relevant and accurate information relating to the consumer's income and expenditure and other economic and financial criteria that are necessary and proportionate to the nature, duration and value of the credit and the risks it presents to the consumer. That

information may include evidence of income or other sources of repayment, information on financial assets and liabilities, or information on other financial commitments. That information should not include **special categories of data** referred to in the General Data Protection Regulation. **Social networks** are not considered an external source for the purposes of the Directive.

Debt advisory services

Member States should ensure that independent debt advisory services are made available to consumers who experience or might experience difficulties in meeting their financial commitments, with only limited charges payable for such services. This requires creditors to put in place processes and policies for the early detection of consumers experiencing financial difficulties.

Creditors should ensure that creditors refer consumers who experience difficulties in meeting their financial commitments to debt advisory services easily accessible to the consumer.