Consumer credits

2021/0171(COD) - 30/10/2023 - Final act

PURPOSE: to enhance the protection of European consumers applying for credit, taking into account market developments resulting from the digital transition and the objective of facilitating the cross-border provision of credit.

LEGISLATIVE ACT: Directive (EU) 2023/2225 of the European Parliament and of the Council on credit agreements for consumers and repealing Directive 2008/48/EC.

CONTENT: the 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 revised legislation repeals and replaces the existing 2008 directive on consumer credit agreements.

Scope of application

The Directive will apply to credit agreements. Its scope is extended to loans below EUR 200 and buy-now-pay-later products. The Directive will not apply to 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 or credit agreements involving a total amount of credit of more than EUR 100 000.

Member States may exempt from the credit agreements in the form of deferred debit cards provided by a credit or payment institution.

Credit information

The Directive ensures that credit information, such as the total cost of credit, is presented in a **clear and comprehensible manner** and is suitable for digital devices. All advertising and commercial communications relating to credit agreements must be **fair, clear and not misleading**. Member States will require that advertising concerning credit agreements include a clear and prominent warning to make consumers aware that borrowing costs money, using the wording ‘Caution! Borrowing money costs money’ or an equivalent wording.

Creditors must:

- ensure the **permanent availability**, on paper or on another durable medium chosen by the consumer, of clear and comprehensible general information on credit agreements;

- provide the consumer with clear and comprehensible **pre-contractual information** needed to compare different offers and make an informed decision. Pre-contractual information will be provided to the consumer in good time before he or she is bound by a credit agreement, including where means of distance communication are used;

- provide **adequate explanations** to the consumer on the proposed credit agreements and any ancillary services that make it possible for the consumer to assess whether the proposed credit agreements and ancillary services are adapted to the consumer’s needs and financial situation. Such explanations shall be provided free of charge.

Obligation to assess the creditworthiness of the consumer

The Directive requires lenders to assess whether consumers can repay their credit, so that they are **protected from over-indebtedness**.

The assessment of creditworthiness will be carried out on the basis of relevant and accurate information on the consumer's income and expenses and other financial and economic circumstances which is necessary and proportionate to the nature, duration, value and risks of the credit for the consumer. This information does not have to include the **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.

Whenever the creditworthiness assessment involves automated processing, the consumer should have the right to obtain **human intervention** on the part of the creditor.

Member States will also have to ensure that **independent debt advisory services** are available to consumers experiencing difficulties in meeting their financial commitments, and that only limited fees are payable for these services.

Right of withdrawal and right to be forgotten for cancer survivors

The Directive gives consumers the right to cancel a credit agreement within **14 days**. Member States must ensure that consumers have the right to **early repayment** at all times.

Moreover, 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.

ENTRY INTO FORCE: 20.11.2023.

TRANSPOSITION: 20.11.2025.

APPLICATION: from 20.11.2026.