Credit agreements for consumers

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The Council held a policy debate on a draft Directive regarding credit agreements for consumers, which amends Council Directive 93/13/EC.

The purpose of the Directive is twofold. On the one hand to guarantee consumers a high level of protection within the EU's internal market and on the other to simplify and clarify EU provisions by recasting three existing Directives on consumer credit into one.

In April 2004, the European Parliament concluded its first reading of the proposal. The Commission submitted its amended proposal in October 2005. The approach of the amended proposal is to apply harmonised provisions whilst offering the Member States flexibility on the implementation thereof, in recognition of divergent national markets and legislation.

The main provisions of the amended proposal formed the basis of discussion under the Austrian Presidency, who had prepared, prior to the meeting, a background paper in which all of the most important issues were highlighted. Debate focused on questions of harmonisation, early repayment and cross-border comparability of consumer credit agreements.

Concerning the matter of harmonisation, a large majority of the Member States supported the approach of "full harmonisation", as proposed by the Commission. Such an approach should, it was agreed, improve the functioning of the single market for consumer credit – on condition that any such harmonisation should not impair consumer protection. On the question of "mutual recognition", the Member States expressed some reservation given that such an approach could be disadvantageous to the consumer. The other, outstanding points, have been referred back to the working groups and Coreper.

The Commission re-stressed the need for a Directive based on harmonised provisions if the new Directive is to meet its twin objectives of a fully functioning single market coupled with consumer protection guarantees.