Information gathering for assisting the European Commission in complying with its obligations under Article 40 (“reporting”) of Regulation (EU) 2017/2394 on Consumer Protection Cooperation

Case study on consumer credit

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1. Introduction

Since the introduction of the Consumer Credit Directive (CCD) in 2008, the EU consumer credit market has grown quantitatively, but also witnessed the proliferation of new services and advertisement channels, as well as the emergence of new types of traders in the market segment. This was accompanied by a fast digitalisation of distribution channels and supply chains, with also established credit providers – notably banks – having rapidly adopted digital tools. The Covid-19 pandemic has further accelerated the digitalisation of the market with digital channels now dominating the provision and usage of consumer credits.

The new types of business models have emerged particularly in connection with a new class of digitally marketed low-value loans that often fall below the EUR 200 limit stipulated by the CCD. This rapidly growing subclass of consumer credits comprises Buy now, pay later schemes, peer-to-peer lending and payday loans. Despite being nominally low in value, these credit products that are currently not in the scope of regulation pose a high risk and can present a tremendous financial burden for the type of consumers who typically purchase such products. The growing volume of the online consumer credit market poses increasing challenges for consumer protection, as interactions between consumers and credit providers tend to be less personal, more superficial and generally of a lower duration than traditional over-the-counter sales channels.

This case study showcases that traders across the consumer credit market – and particularly those linked to new types of credit products and operating exclusively through digital retail channels – exhibit a high degree of sales malpractices, often failing to provide adequate pre-contractual information and conducting superficial creditworthiness assessments. Since 2014, the growth in the number of consumer complaints in financial services has outpaced the overall market growth of the consumer credit market considerably, i.e., the complaint-per-transaction ratio is likely to have increased. In light of the above, it is essential that the European consumer credit market is regulated in a manner that prevents irresponsible lending and hence reduces the risks of excessive debt levels and over-indebtedness.

2. Market trends and changes in consumer behaviour

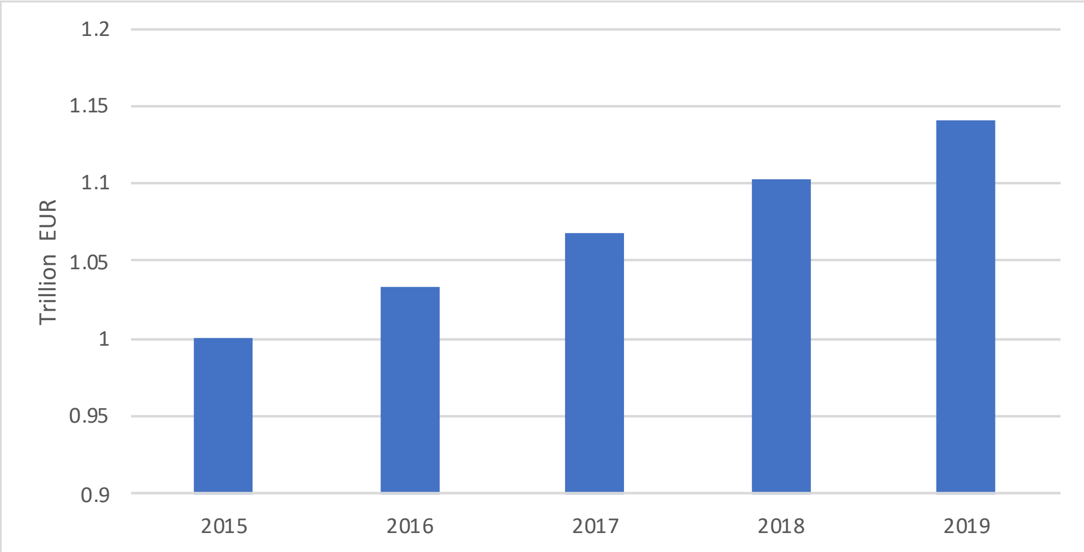
The European consumer credit market grew significantly over the past two decades, testifying to the rising importance of this financing instrument for European citizens. Between 2015 and 2019 alone, the EU consumer credit market has increased in volume by 14%.[1] A recent study puts growth rates even higher, estimating the year-on-year growth of the market to have averaged 4 per cent between 2014 and 2019.[2]

[1] EBA, 2021, Consumer Trends Report 2020/21, available at: https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Reports/2021/963816/EBA%20Consumer%20trend%20report.pdf

[2] Deloitte, 2019, The Future of Credit. A European perspective, available at: https://www2.deloitte.com/uk/en/pages/financial-services/articles/the-future-of-consumer-credit-in-europe.html

While only a proxy for the consumer credit market, in 2017 the outstanding amount of consumer credit in the EU-28 was around EUR 1,800 billion, with EU banks' exposure to consumer loans in September 2019 standing at EUR 1140 billion, compared to EUR 1000 billion in September 2015. Consumer credit growth has outpaced overall credit growth over the same period. In terms of market size, the biggest EU consumer credit markets are Germany, France, Italy, Spain and Poland. The upward trend in consumer credit sales has been driven also by the unprecedentedly low interest rates witnessed in Europe in the past decade.[3]

Figure 1: EU banks' exposure to consumer loans, 2015-2019 (in trillion EUR)[4]



Since the introduction of the Consumer Credit Directive (CCD) in 2008, the EU consumer credit market has undergone a significant transformation. The rapid digitalisation of the sector has contributed to new services, advertisement channels, and a proliferation of providers.[5] This was accompanied by a fast digitalisation of distribution channels and supply chains, with also established credit providers – notably banks – quickly adopting digital tools. The Covid-19 pandemic has further accelerated the digitalisation of the market with digital channels now dominating the provision and usage of consumer credits.[6]

The rapid digitalisation has led to a segmentation of the market: on the one hand, mainstream players have developed hybrid models that combine both online channels and conventional offline distribution channels, in which potential customers interact with staff of the finance institution in a local office. On the other hand, new – and often disruptive –

[3] Finance Watch, 2021, Consumer credit market malpractices uncovered, available at https://www.finance-watch.org/wp-content/uploads/2021/04/Consumer-credit-market-study-V13.pdf

[4] Author's calculations based on Finance Watch, 2021, Consumer credit market malpractices uncovered, available at https://www.finance-watch.org/wp-content/uploads/2021/04/Consumer-credit-market-study-V13.pdf

[5] ECRI, 2018. Consumer Credit, Digitalisation and Behavioural Economics: Are new protection rules needed?, available at: www.ecri.eu/sites/default/files/ecri_pb_no_9_sb_consumercredit_0.pdf

[6] EBA, 2021, Consumer Trends Report 2020/21, available at: https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Reports/2021/963816/EBA%20Consumer%20trend%20report.pdf

actors have emerged that deploy new credit scoring methods and embrace fully digitalised distribution models, such as Klarna, Tinka and Afterpay.[7]

While their strong physical presence and established mass-market customer relationships has protected banks against competition in this market segment, recent years have seen the emergence of big technology companies, large merchants but also smaller fintech players that aggressively entered the consumer credit market. Their emergence presents a serious competition to previous market leaders who lag behind in developing the sophisticated digital offerings deployed by competitors.[8] At the same time, the rise of this heterogenous set of market entrants creates new challenges and risks for consumers, who face a spawning plethora of consumer credit models whose benefits and drawbacks are difficult to compare – especially if adequate information is not provided to consumer prior to contract signature, as described in the next chapter.

Consumer demand mirrors the trend of digitalisation, with particularly millennials and Generation Z looking for "easy and fast" credit offerings. They are increasingly expecting to have smooth app-based interfaces that allow them to access a credit product within a few minutes.[9] Evidently, the expectation of ever-greater convenience is at odds with the regulatory fundamentals of the EU credit market, in particular regarding provision of pre-contractual information, advice and suitability of the consumer credit product offered as well as creditworthiness assessments.[10]

Despite the rising digital trend of the consumer credit market, the cross-border dimension of consumer credit sales has remained very low in the EU.[11] The European Commission study on the role of digitalisation and innovation in creating a single market for retail financial services and insurance shows that less than 1% of household loans granted in the euro area are sold on a cross-border basis. A key reason reported for this small scale of cross-border transactions is consumers' lack of trust in cross-border products.[12] However, BEUC also noted that many financial institutions outright refuse to provide consumer credits to EU citizens who are not resident in the country in which the trader is operating.[13] This reluctance of traders to serve non-resident clients adversely impacts especially cross-border commuters, who tend to spend a significant amount of time in the country in which they are not resident.[14]

The new types of business models arise in connection with a new class of low-value loans that often fall below the EUR 200 limit stipulated by the Consumer Credit Directive (CCD). A rapidly growing subclass of consumer credits are so called Buy now, pay later (BNPL) schemes. BNPL are credits provided in multiple, typically interest-free instalments over one to three months with payment terms under or equal to 90 days.[15] The core concept behind BNPL can be summarised as follows: At checkout, shoppers can choose to break up the cost of their purchase and pay overtime, rather than paying in full up-front. The BNPL

[7] ECRI, 2018. Consumer Credit, Digitalisation and Behavioural Economics: Are new protection rules needed?, available at: www.ecri.eu/sites/default/files/ecri_pb_no_9_sb_consumercredit_0.pdf

[8] Deloitte, 2019, The Future of Credit. A European perspective, available at: https://www2.deloitte.com/uk/en/pages/financial-services/articles/the-future-of-consumer-credit-in-europe.html

[9] Interview conducted with Finance Watch on 12/04/2022.

[10] Interview conducted with BEUC on 26/04/2022.

[11] Interview conducted with Financial Inclusion Europe on 05/05/2022.

[12] Finance Watch, 2021, Consumer credit market malpractices uncovered, available at https://www.finance-watch.org/wp-content/uploads/2021/04/Consumer-credit-market-study-V13.pdf

[13] Interview conducted with BEUC on 26/04/2022.

[14] CEZ, 2011, Does a European market for consumer credit exist? available at https://www.cec-zev.eu/fileadmin/Media/PDF/publications/Etudes-Rapports_FR/Etude_credit-consommation-europe.pdf

[15] Interview conducted with Finance Watch on 12/04/2022.

solution effectively functions as a short-term loan made at the point-of-sale.[16] Different from other credit products, which typically make money from interest and late fees paid by borrowers, BNPL firms tend to charge the retailer a commission for every purchase made using their service. BNPL hence offers a cheaper way to borrow than traditional credit cards for those who cannot repay within a single month.[17]

The BNPL market has grown rapidly in recent years, and is estimated to continue rapid growth in upcoming years.[18] A key actor in the BNPL market, Tinka, estimates that in the Netherlands, purchases via BNPL will grow at a compound annual growth rate (CAGR) of approximately 23.2% during 2021-2024 and are expected to reach approximately EUR 2.5 billion by 2024, up from EUR 1.4 billion in 2021.[19] In the UK, BNPL products are increasingly popular, with a third (33%) of UK consumers reporting having used them.[20]

This rapidly growing market requires urgent regulatory action, according both to traders and to consumer agencies, as the current lack of regulation of BNPL has exposed consumers, in particular economically disadvantaged households and individuals, to serious risks of over-crediting.[21, 22, 23] An interviewed trader noted, however, that in case the CCD would be extended to BNPL products, this would make cross-border transactions difficult to operationalise for traders, due to a reported lack of accessibility of EU-wide data required for creditworthiness assessments by consumers who wish to access products and services outside their country of residence. According to the trader, both the quality and the accessibility of data provided by credit reference agencies and public databases is often not sufficient to conduct appropriate credit checks on EU citizens looking to use services outside their home country. Accordingly, credit reference agencies and/or national debt registries are accessible and used in some, but not all, EU Member States.[24]

A crucial risk of BNPL is that dominant market players such as Klarna increasingly target new audiences, particularly younger consumers, compared to traditional consumer credit providers. Both the direct advertisement (for instance Klarna's and Tinka's TikTok advertisements) and the design used by the apps are clearly targeting young adults, according to BEUC. This is of high concern, as these products are advertised to provide a false sense of security and impression of increased purchasing power, to which young consumers are particularly susceptible.[25] BNPLs are often advertised as a zero-cost product. However, by being unregulated, they have many loopholes that are being exploited by credit suppliers and which pose serious risks to consumers, as described in the next chapter.[26]

The rise of BNPLs goes hand in hand with a change in consumer behaviour regarding the purpose of seeking a loan. While traditionally, consumers would take out loans to finance

[16] Tinka, 2022, Review of the EU Consumer Credit Directive. Tinka's position paper (not publically available).

[17] Which?, 2021, Under Pressure: Who uses BNPL?, available at https://www.which.co.uk/policy/money/7601/buynowpaylater

[18] Financial Conduct Authority, 2021, The Woolard Review: A Review of Change and Innovation in the Unsecured Credit Market,' available at https://www.fca.org.uk/publication/corporate/woolard-re- view-report.pdf

[19] Tinka, 2022, Review of the EU Consumer Credit Directive. Tinka's position paper (not publically available).

[20] Which?, 2021, Under Pressure: Who uses BNPL?, available at https://www.which.co.uk/policy/money/7601/buynowpaylater

[21] Interview conducted with Finance Watch on 12/04/2022.

[22] Interview conducted with BEUC on 26/04/2022.

[23] Tinka, 2022, Review of the EU Consumer Credit Directive. Tinka's position paper (not publically available).

[24] Interview conducted with Klarna on 17/05/2022.

[25] Interview conducted with BEUC on 26/04/2022.

[26] Finance Watch, 2022, Tackling causes of over-indebtedness in the EU consumer credit market, available at https://www.finance-watch.org/publication/over-indebtedness-eu-consumer-credit-market-ccd/

long-lasting goods such as furniture or a new car, consumers now increasingly use consumer credit products to finance fast-decaying goods, such as clothes or even food retail and fast food.[27] Further fuelling this demand is a proliferation of new providers who offer BNPL schemes for short term consumption goals, through which a consumer can for example pay for groceries in interest-free instalments.[28]

Indeed, some social groups are more likely to use BNPL than others. According to a seminal large-sample study conducted in the UK in 2021, people are more likely to have used BNPL if they take care of dependent children, experienced a life event in the last 12 months, or defaulted at least once on a household bill or repayment of another form of credit in the last 12 months. Inversely, consumers were found to be less likely to have used BNPL if they had retired, are older or have A-level qualifications or higher. In summary, BNPL users tend to be more likely to be financially overextended, not highly qualified, and exposed to serious life events in the past.

The UK study shows that BNPL users tend to exhibit different attitudes and behaviours to non-users. BNPL customers are more likely than non-users to consider themselves to lack time, be present oriented, be open to risk and trusting of financial services providers in general. They also rate their own confidence in their money management skills as lower than non-users.[29] This in turn may signify that BNPL users are overall less likely to gain an understanding of BNPL traders' terms and conditions or to fully grasp the potential risks of these products, and indeed more likely to trust marketing claims. The specific vulnerability of the user group of this consumer credit class further underlines the need to ensure that regulation of BNPL is crucial to ensure that this group is adequately protected from harm.

This rise in non-traditional consumer credit products contrasts with a temporary stagnation in the traditional bank-based consumer credit sector. Traditional players such as banks have not witnessed an increase in their consumer credit portfolio during the onset of the Covid-19 pandemic, with the German market even facing a retrenchment during the first months of the pandemic when consumers could instead rely on anti-cyclical ad-hoc grants and generous loans provided by the federal government.[30] This finding was corroborated by an interviewed BNPL trader, who noted that following the Covid-19 outbreak, there has been a steady reduction in credit card applications. The trader was optimistic that EU consumers would increasingly turn away from credit cards and choose "flexible and better value payment methods" such as BNPL.[31]

A second rapidly growing market segment is that of payday loans, which are provided largely by non-bank web-based entities.[32] A payday loan consists of a small loan, often for time frames of less than two weeks, against a post-dated pay cheque. The consumer writes the lender a check dated to a future payday for the initial amount of the loan plus interest. In exchange for the check, the consumer receives cash immediately. In order to receive a payday loan, consumers often are required to provide proof of employment.[33]

[27] Interview conducted with Financial Inclusion Europe on 05/05/2022.

[28] Interview conducted with BEUC on 26/04/2022.

[29] Which?, 2021, Under Pressure: Who uses BNPL?, available at https://www.which.co.uk/policy/money/7601/buynowpaylater

[30] Interview conducted with Bundesverband Deutscher Banken on 26/04/2022.

[31] Interview conducted with Klarna on 17/05/2022.

[32] Interview conducted with Finance Watch on 12/04/2022.

[33] Bouyon, S., and Oliinyk, I., 2019, Price rules in consumer credit. Should the EU act?, available at https://www.ceps.eu/wp-content/uploads/2019/03/ECRI%20RR%2022_Price%20rules%20in%20consumer%20credit-should%20the%20EU%20act.pdf

While small in absolute size – and often falling below the regulatory EUR 200 limit – this type of loan is often associated with usuriously high costs for consumers.[34] In the Netherlands, one study found that annual percentage rates of charge could go up to several hundred percent. In the UK, the study found the average amount borrowed to be low (between GBP 250 and GBP 300), but annual interest rates could go up to as much as 5,800%. Similarly, in Finland, consumers on average were faced with usuriously high annual interests of almost 1,000%.[35]

In addition to BNPL and payday loan providers, another new category of non-bank players have entered the market, so-called peer-to-peer lenders. These products are sold via peer-to-peer lending platforms that enable people to borrow loans directly from other private individuals online. Also referred to as P2P lending or crowdfunding, this type of lending is typically done through online platforms and provides a direct method for individuals or organisations to borrow and lend money without the requiring financial institutions as matchmakers or intermediaries.[36]

Although still comparatively small, the European peer-to-peer lending market is expected to grow rapidly in future years. All companies included in this case study use a web-based infrastructure to host their peer-to-peer marketplace and to connect borrowers and creditors.[37] As for BNPL, small-volume peer-to-peer lending is currently not regulated under the CCD, which poses risks for both borrowers and lenders.[38] Indeed, peer-to-peer lending provides individuals who might otherwise not pass a traditional financial institution’s creditworthiness check with the opportunity of acquiring money against conditions co-determined with the lender. Being entirely unregulated, this lack of safeguards poses serious risks to both borrowers and lenders.[39]

As reported by BEUC’s French member UFC-Que Choisir, in France high-cost consumer loans between EUR 200-600 are now being marketed by peer-to-peer lending platforms, hence effectively bypassing national legislation. According to the report, these companies have questionable marketing practices, do not properly assess the borrowers’ creditworthiness, and do not include an Annual Percentage Rate of Charge (APRC) in their loan offers.[40]

Finally, a growing number of consumers is interested in taking out ‘green loans’, i.e., loans dedicated to make sustainable investments such as a renewable heating appliance or an electrical car. According to BEUC, these loans are not yet readily available at scale, and the market is still in its infancy, but expected to grow quickly over the next years.[41]

It is important to note that the Covid-19 pandemic has led to a reduced purchasing power particularly of traditionally lower-income households. Those who have been the most vulnerable during the pandemic are now often facing the double crisis of rapidly rising

[34] Finance Watch, 2021, Consumer credit market malpractices uncovered, available at https://www.finance-watch.org/wp-content/uploads/2021/04/Consumer-credit-market-study-V13.pdf

[35] BEUC, 2019, Review Of The Consumer Credit Directive, available at https://www.beuc.eu/publications/beuc-x-2019-019_review_of_the_consumer_credit_directive.pdf

[36] Finance Watch, 2022, Tackling causes of over-indebtedness in the EU consumer credit market, available at https://www.finance-watch.org/publication/over-indebtedness-eu-consumer-credit-market-ccd/

[37] Interview conducted with BEUC on 26/04/2022.

[38] Interview conducted with Finance Watch on 12/04/2022.

[39] Finance Watch, 2022, Tackling causes of over-indebtedness in the EU consumer credit market, available at https://www.finance-watch.org/publication/over-indebtedness-eu-consumer-credit-market-ccd/

[40] BEUC, 2019, Review Of The Consumer Credit Directive, available at https://www.beuc.eu/publications/beuc-x-2019-019_review_of_the_consumer_credit_directive.pdf

[41] Interview conducted with BEUC on 26/04/2022.

energy prices due to the Russia-Ukraine war. In such a macroeconomic climate, many vulnerable households are incentivised to take out consumer loans, but face high risks of over-indebtedness particularly when exposed to consumer credit products that are currently unregulated, such as BNPL, peer-to-peer lending and payday loans.[42] Indeed BEUC notes that during crises such as Covid-19, "consumer protection is put on trial", as infringements happen at such a massive scale that regulators cannot cope with it.[43]

In summary, the rapidly growing market of low-value consumer credit products that currently fall outside of regulation, in combination with the evidence of widespread infringements of consumer rights in this market sub-segment, make it essential to improve EU regulation of this sector. Particularly in the consumer credit market, the impact of non-compliance for consumers is severe, with adverse effects ranging from over-indebtedness up to severe psychological distress and even risk of psychological and physical harm and homelessness.[44] Further illustrating this point, a recent health survey conducted in Sweden showed that over-indebted individuals suffer from reduced mental and physical health and exhibit a nine-fold incidence of specific medical diagnoses (e.g., clinical depression and heart attacks) compared to the general population.[45]

Despite being nominally low in value, these credit products that are currently not in the scope of regulation pose a high risk and can present a tremendous financial burden for the types of consumers who typically purchase such products. Bearing in mind that the size of a loan is always proportionate to a consumer's overall budget, these small-value loans are not low in value from the financial perspective of the consumers purchasing them. In addition, these products often incur usurious costs through high Annual Percentage Rates of Charge (APRC), high late payment fees and excessive default fees, posing serious risks of over- indebtedness and leading many consumers to take out multiple loans to settle their initial loan.[46, 47] In light of the above, it is essential that the European consumer credit market is regulated in a manner that prevents irresponsible lending and hence reduces the risks of excessive debt levels and over-indebtedness.

3. Challenges for consumers and consumer protection authorities

While consumer credit products can provide benefits to consumers and stimulate economic growth as long as they are regulated, sold responsibly and tailored to consumers' needs and financial situations and acumen, the mis-selling of consumer credits and exploitative selling practices can lead to over-indebtedness that brings tangible negative impacts for consumers, economies and societies at large.

[42] Interview conducted with Finance Watch on 12/04/2022.

[43] Interview conducted with BEUC on 26/04/2022.

[44] Ferreira, M. B., de Almeida, F., Soro, J. C., Herter, M. M., Pinto, D. C., & Silva, C. S., 2021, On the relation between over-indebtedness and well-being: an analysis of the mechanisms influencing health, sleep, life satisfaction, and emotional well-being. Frontiers in Psychology, availble at https://www.frontiersin.org/articles/10.3389/fpsyg.2021.591875/full

[45] Swedish Consumer Agency, 2014, Is debt relief rehabilitative?, available at https://www.finance-watch.org/wp-content/uploads/2018/12/Is-debt-relief-rehabilitative-R-Alstrom.pdf

[46] Interview conducted with BEUC on 26/04/2022.

[47] Finance Watch, 2022, Tackling causes of over-indebtedness in the EU consumer credit market, available at https://www.finance-watch.org/publication/over-indebtedness-eu-consumer-credit-market-ccd/

This case study identified consumer protection infringements that broadly fall into two categories: first, the growing class of consumer credit products that are currently not in the scope of EU regulation, including notably the Consumer Credit Directive (CCD). As highlighted by numerous studies recently conducted in different EU Member States, traders in this area tend to exhibit a high degree of sales malpractice when offering these types of loans, leading to high risks for consumers of excessive debt and over-indebtedness.[48] Second, also for consumer credit products that already fall under pertinent regulation, sales malpractices are rampant. Many credit providers in the market do not provide pre-contractual information about consumer credits before the conclusion of a credit contract and run inadequate and at times highly superficial creditworthiness assessments. A recent study indicated that in almost one third of cases in a large-sample mystery-shopping campaign, information about the borrower’s level of income and level of expenditures was not even asked as part of the creditworthiness assessment.[49]

While the first category of practices challenging consumer protection primarily relates to the realm of regulation, the second category of practices clearly persists due to shortcomings in the supervision and enforcement of existing consumer rights. Indeed, EU level consumer associations criticise a substantial lack of resources and expertise among competent authorities in the EU Member States when it comes to enforcing infringements in the consumer credit market. According to EU level consumer associations, challenges for consumers persist throughout the entire ‘supply chain’ of consumer credit products, from advertisement to the provision of pre-contractual information, advice and suitability of the consumer credit product offered and creditworthiness assessment practices up to repayment, right-of-withdrawal modalities and late fees management.[50, 51] Further illustrating the contemporary shortcomings of consumer protection mechanisms in this market segment is the fact that over two-thirds (68.6%) of EU consumers reported medium to high detriment when purchasing credit, according to the EU consumer scoreboard.[52]

A final introductory remark is that the cross-border dimension of consumer credit sales to date remains very low in the EU, with less than 1% of household loans granted in the euro area being sold on a cross-border basis. While nominally constituting a marginal cross-border market, the challenges faced by consumers in the consumer credit market nonetheless have clearly European dimension. Indeed, it is possible to define many archetypal infringements in the market segment as systematic, in as much as the same type of infringement (e.g., inadequate provision of pre-contractual information) is committed by several traders in the same economic sector.[53] The remaining parts of this section trace trends in consumer complaints and infringements from the pre-contractual stage, to the contract signature and up to the post-contractual stage, distilling the key challenges faced by consumers in each step.

At the beginning of the pre-contractual stage, advertisement of credit products is crucial in setting accurate expectations of consumers regarding expectable benefits and risks of individual products and services. Misleading or downright false information as well as aggressive marketing tactics can lead to and do lead to mis-selling and over-indebtedness.

[48] Finance Watch, 2022, Tackling causes of over-indebtedness in the EU consumer credit market, available at https://www.finance-watch.org/publication/over-indebtedness-eu-consumer-credit-market-ccd/

[49] Finance Watch, 2021, Consumer credit market malpractices uncovered, available at https://www.finance-watch.org/wp-content/uploads/2021/04/Consumer-credit-market-study-V13.pdf

[50] Interview conducted with BEUC on 26/04/2022.

[51] Interview conducted with Finance Watch on 12/04/2022.

[52] Finance Watch, 2021, Consumer credit market malpractices uncovered, available at https://www.finance-watch.org/wp-content/uploads/2021/04/Consumer-credit-market-study-V13.pdf

[53] Interview conducted with BEUC on 26/04/2022.

It is hence essential that advertising material provides consumers with comprehensive and accurate information about the key features of the credit product. Evidence produced by EU level consumer associations does however suggest widespread and serious advertising malpractices. A recent study showed that in almost 20% of examined cases across the EU, advertising materials were problematic. For instance, a credit provider operating in Romania advertised the fixed interest rate for a personal loan as starting at 8% but failed to inform consumers about the maximum level of the interest rate or the conditions to be fulfilled in order to benefit from this offer. After carrying out a mystery shopping exercise, it turned out that the real fixed interest rate was 10.75%. In another case, instead of immediately and prominently disclosing an Annual Percentage Rates of Charge (APRC), the advertising material provided an interest rate of 16.8%. Only later on in the advertisement, an APRC of 22.9% was presented. This practice is confusing for consumers as the interest rate shown is considerably lower than the APRC and most consumers do not understand the difference between these two cost figures. Moreover, it is misleading as most consumers will take note of the interest rate instead of the APRC as the interest rate is presented in a prominent way.[54] In 2021, consumer protection cooperation (CPC) authorities and the European Commission carried out a coordinated check of 118 websites advertising or directly offering consumer credit products online. 45% of the websites were flagged for further investigation as advertisements provided by traders were deemed to be in a possible breach of the Unfair Commercial Practices Directive.[55]

Turning towards ‘non-regulated’ products, advertisement practices are by no means less problematic.[56] BNPL products are generally marketed as a ‘cost-free’ alternative to consumer credit, which is highly misleading.[57] Late payment fees make up between 8% and 35% of BNPL companies’ revenues and as such can be seen as structural. Late payment fees tend to hit the economically least affluent consumers who could not afford to pay in the first place. At the same time the BNPL market remains outside of most regulation and late payments are aggressively followed up by market players. Some BNPL companies in the Netherlands charge as much as EUR 13,50 in late payment fees. For an average order amount of EUR 120-130 this is more than 10% in a three-month period or more than 40% interest when annualised. The same practices are being applied to smaller purchases. For a smaller EUR 20 purchase these late payment fees represent more than 50% of the initial order value – or more than 200% interest when annualised.[58] Similarly, there is evidence of widespread incidences of misleading online advertising on revolving credits – for instance the headline on a lender’s website advertising “limitless purchases”, while the maximum limit is in fact €3,000 for 24 months with automatic renewal. Finally, the advent of personally targeted advertisement – with messages tailored to the individual consumers’ socio-economic profile, enabled by data aggregators and analysis algorithms – further increase risks for vulnerable consumers by nudging them to borrow and spend beyond their financial capabilities. Malpractices in personalised advertising are likely to increase as it is becoming increasingly easier and more cost-effective for creditors to obtain information about consumers and their behaviours online.[59]

[54] Finance Watch, 2021, Consumer credit market malpractices uncovered, available at https://www.finance-watch.org/wp-content/uploads/2021/04/Consumer-credit-market-study-V13.pdf

[55] European Commission, 2021, 2021 - mini-sweep on consumer credit, available at https://ec.europa.eu/info/live-work-travel-eu/consumer-rights-and-complaints/enforcement-consumer-protection/sweeps_en#2021-mini-sweep-on-consumer-credit

[56] Interview conducted with BEUC on 26/04/2022.

[57] Interview conducted with Finance Watch on 12/04/2022.

[58] Tinka, 2022, Review of the EU Consumer Credit Directive. Tinka’s position paper (not publically available).

[59] Finance Watch, 2021, Consumer credit market malpractices uncovered, available at https://www.finance-watch.org/wp-content/uploads/2021/04/Consumer-credit-market-study-V13.pdf

The widespread occurrence of misleading advertisements clearly highlights the need to regulate advertising practices in the consumer credit market, including the need for more detailed rules on the format, content and presentation of the information in advertising to make sure that the information provided does not mislead and prevents omission and obfuscation. European consumer protection associations underline that regulators could improve consumer protection by making it mandatory to include in every advertisement a warning about the financial consequences of taking out a loan to incentivise potential clients’ reflection about the associated risks.[60, 61]

Following advertisement, the next substantial source of risks to consumers is linked to the provision of pre-contractual information. While the Standard European Consumer Credit Information is regulated and clearly defined in Article 5 of the CCD, mystery shopping exercises conducted in various EU Member States have revealed systematic shortcomings on the ground.[62, 63, 64, 65] In many cases, pre-contractual information is provided to the consumer after the signature of the credit contract, a practice that is reportedly increasing with the growing importance of online sales channels.[66, 67] In more than half of reported cases, pre-contractual information is provided only at the time of the signing of the contract, meaning that consumers effectively cannot compare consumer credit products before making a decision to take out a loan.[68]

Apart from the timing of the provision of pre-contractual information, the quality and scope of information provided is often insufficient. In an EU-wide meta-analysis, in almost half (45%) of the cases examined, pre-contractual information was not compliant with the CCD. Providers of these products offer poor pre-contractual information, in particular regarding costs and consequences in the case of default and/or late payments. In over two thirds of cases (71%), study participants reported that they had not received clear information about the financial implications of arrears or default, effectively preventing consumers from being able to make informed choices when purchasing these products. The seminal study suggests that the endemic incidence of this malpractice is owed to a lack of oversight and little resources at the disposal of competent authorities in the EU Member States.[69]

While still in its infancy, the growing peer-to-peer consumer credit market poses distinct challenges with regards to pre-contractual information, with reports suggesting that general information is poor in 70% of cases. Approximately half of consumers do not receive any explanation about costs and, as a consequence, are unable to make an informed decision

[60] Interview conducted with BEUC n 26/04/2022

[61] Interview conducted with Finance Watch on 12/04/2022

[62] European Banking Authority, 2021, Consumer Lending In The Eu Banking Sector March 2020 – Thematic Note , available at: https://www.eba.europa.eu/sites/default/documents/files/document_library/Risk%20Analysis%20and%20Data/Risk%20Assessment%20Reports/2020/Thematic%20notes/881264/Thematic%20note%20on%20Consumer%20Lending%20in%20the%20EU%20banking%20sector.pdf

[63] Finance Watch, 2021, Consumer credit market malpractices uncovered, available at https://www.finance-watch.org/wp-content/uploads/2021/04/Consumer-credit-market-study-V13.pdf

[64] EBA, 2021, EBA Consumer Treds Report 2020/21, available at: https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Reports/2021/963816/EBA%20Consumer%20trend%20report.pdf

[65] Finanzwende, 2019, Schlussbericht: Faire Kreditvergabe, available at https://www.finanzwende.de/fileadmin/user_upload/Kampagnen/Achtung_Kreditfalle/Faire_Kreditvergabe_Layout_final.pdf

[66] Interview conducted with BEUC on 26/04/2022

[67] BEUC, 2019, Review Of The Consumer Credit Directive, available at https://www.beuc.eu/publications/beuc-x-2019-019_review_of_the_consumer_credit_directive.pdf

[68] Finance Watch, 2021, Consumer credit market malpractices uncovered, available at https://www.finance-watch.org/wp-content/uploads/2021/04/Consumer-credit-market-study-V13.pdf

[69] Ibid.

when borrowing via P2P.[70] On the supply side, consumer lenders are often unaware of the risks of losing the amount borrowed in case of the borrower's or the platform's default.[71]

Perhaps the most impactful factor affecting consumer rights and overall consumer wellbeing is linked to the creditworthiness check, the very "cornerstone" of a fair, transparent, risk-free and individually tailored credit purchasing process.[72] In order to be able to assess whether a consumer credit can be granted and, if yes, which amount and on what terms, the credit provider is obliged to check the financial situation (including income, expenses as well as data on their ability to manage their budget, such as credit and debt instalments) of the borrower during a creditworthiness assessment.[73] With a view to assess the ability to repay a loan and prevent the risk of over-indebtedness, it is crucial that emerging negative trends in the income or expenditure of a potential customer are taken into account. Based on the assessment, the loan offer must be adjusted accordingly in terms of overall amount, instalments and other credit parameters. Most notably, it is key that the consumer can afford the monthly charges and that loans are not unnecessarily drawn out to drive up costs. Ultimately, the credit decision should be based exclusively on the financial possibilities of the borrower and should not depend on commissions and sales of unrelated products.[74]

A range of recent market assessments and mystery shopping exercises conducted in several large EU countries reveals a consistently negative picture of the state of creditworthiness assessments. In most cases, credit providers only collect a few basic data such as monthly salary and rent and otherwise rely on statistical values for the household analysis without clarifying the actual financial situation of the consumer by asking questions. Overall, assessments are very often incomplete and not suitable for preventing a loan default and the associated risk of over-indebtedness.

In almost one third (31%) of cases of a cross-country mystery shopping exercise, no information at all was elicited about the borrower's budget balance (level of income/level of expenditures), indicating a clear breach of the law. In approximately 40% of cases, providers asked for less than four data points, which is generally inadequate to make a full assessment of a household budget.[75] In a separate study conducted in Germany, obvious risks, such as a potentially costly need for care in the family or a broken car, which are emphatically brought up by the mystery shopper during the sales conversation, are noted with regret but ultimately do not play a role in the loan discussion itself, e.g., when analysing the budget or determining the amount of the loan.[76] The risk of running superficial creditworthiness assessments is underlined by yet a different study, which indicates that users of BNPLs are generally consumers who cannot borrow via regular channels and have no financial savings nor planning ability. Testifying to the inadequacy of creditworthiness

[70] Finance Watch, 2022, Tackling causes of over-indebtedness in the EU consumer credit market, available at https://www.finance-watch.org/publication/over-indebtedness-eu-consumer-credit-market-ccd/

[71] BEUC, 2019, Review Of The Consumer Credit Directive, available at https://www.beuc.eu/publications/beuc-x-2019-019_review_of_the_consumer_credit_directive.pdf

[72] Interview conducted with Finance Watch on 12/04/2022

[73] Finance Watch, 2022, Tackling causes of over-indebtedness in the EU consumer credit market, available at https://www.finance-watch.org/publication/over-indebtedness-eu-consumer-credit-market-ccd/

[74] Finanzwende, 2019, Schlussbericht: Faire Kreditvergabe, available at https://www.finanzwende.de/fileadmin/user_upload/Kampagnen/Achtung_Kreditfalle/Faire_Kreditvergabe_Layout_final.pdf

[75] Finance Watch, 2021, Consumer credit market malpractices uncovered, available at https://www.finance-watch.org/wp-content/uploads/2021/04/Consumer-credit-market-study-V13.pdf

[76] Finanzwende, 2019, Schlussbericht: Faire Kreditvergabe, available at https://www.finanzwende.de/fileadmin/user_upload/Kampagnen/Achtung_Kreditfalle/Faire_Kreditvergabe_Layout_final.pdf

checks is a recent study in the UK, which found that 41% of BNPL consumers struggle to meet their repayment.[77]

Evidence suggests that recent market entrants – such as fintechs and non-bank financial intermediaries – are significantly more likely to engage in irresponsible lending and inadequate creditworthiness assessment practices. While 73% of banks were found to run adequate assessments, less than half (43%) of non-bank providers were deemed to conduct adequate creditworthiness assessments. Indeed, the same study found that only 40% of non-bank providers comply with the CCD.[78] Interview findings suggest that this discrepancy is due to a permissive space created by "insufficient supervision" of non-traditional credit providers by national supervisory authorities. Authorities reportedly lack the standard operating procedures, capacity and staff competency to effectively supervise these new players.[79] One interviewee suggested that some national supervisory authorities may not even be aware that emerging hybrid market actors should be supervised under the CCD.[80] This suggests that clarifications and modifications of the regulation are crucial to make it salient that non-credit institutions are in the scope of pertinent regulation such as the CCD.

While the primary responsibility of running a robust creditworthiness assessment lies with the credit provider or the intermediary, it is important to note that the low quality of assessments is facilitated by a growing expectation of consumers to purchase credit products conveniently.[81] Consumers' expectations to have rapid online access to credit "in less than 5 minutes" makes it even more likely for providers to engage in questionable creditworthiness assessment practices under the guise of convenience.[82] Nonetheless, the robust evidence on malpractices provided by EU and national-level consumer associations suggests that the onus of regulatory, supervisory and enforcement actions should be focussing on credit providers to reign in the blatant non-compliance observed in creditworthiness assessment practices, particular on behalf of non-bank providers engaging primarily in online marketing and sales.

The rise of the online consumer credit market also goes hand in hand with risks related to sales malpractices. Sales malpractices can take various forms, from unsolicited selling, "bundling" of products for cross-sales up to nudging and the online check-out stage. For instance, a recent trend observed by BEUC is that on many online shops, once a consumer has used a BNPL service to make a purchase, BNPL is henceforth set as the "default option" for future purchases on the platform. This effectively means that the consumer might by entirely unaware of the fact that he/she is taking out a BNPL product when making a purchase, as a small pre-ticked box can easily be overlooked.[83]

A distinct problem is that of unsolicited bundling of products when taking out a consumer credit. A recent study conducted in Germany found that in many cases, residual debt insurance (also referred to as residual debt coverage) is sold under considerable pressure and sometimes even as a mandatory prerequisite for obtaining a consumer credit. Sales tactics include pushy addressing, unsolicited inclusion in the offers, reference to the interest

[77] Finance Watch, 2022, Tackling causes of over-indebtedness in the EU consumer credit market, available at https://www.finance-watch.org/publication/over-indebtedness-eu-consumer-credit-market-ccd/

[78] Finance Watch, 2021, Consumer credit market malpractices uncovered, available at https://www.finance-watch.org/wp-content/uploads/2021/04/Consumer-credit-market-study-V13.pdf

[79] Interview conducted with BEUC on 26/04/2022

[80] Interview conducted with Finance Watch on 12/04/2022

[81] Ibid.

[82] Interview conducted with BEUC on 26/04/2022.

[83] Interview conducted with BEUC on 26/04/2022.

rates that would otherwise increase significantly, and in some cases pressure to the point that loan approval is made contingent on the purchase of the additional products. Notably, residual debt insurance costs are often not displayed when presenting the effective interest rate, even if they were sold as a mandatory requirement for obtaining the loan.[84] While bundling of products is a ‘traditional’ problem of consumer credit malpractices, the practice is reportedly exacerbated by online credit providers, for instance by pre-defined opt-ins for auxiliary products without explicit consumer approval.[85]

Finally, a key challenge to consumer protection is linked to the right of withdrawal and limited access to justice mechanisms. According to the experience of all EU consumer associations interviewed for this case study, many consumers are simply not adequately informed that they have the right to withdraw from a consumer credit agreement within 14 days of signing. In addition to lack of awareness, there is serious challenge with the user-friendliness of complaint processes. While some EU Member States, such as Belgium and France, reportedly have relatively well-advertised access to justice mechanisms and provide effective awareness raising through consumer associations, other Member States, – particularly Central and Eastern European states and Ireland – were mentioned as countries in which access to justice is cumbersome and general consumer awareness of their rights very of withdrawal very low.[86, 87]

4. Compliance of traders

Robust quantitative data on compliance of traders and the situation of consumer protection in the consumer credit market is very limited. At EU level, the key source of data is the Consumer Markets Scoreboard, which does however not differentiate consumer credit from other credit products.[88] The EU Market Monitoring Survey provides important insights into consumer experience and perception of products related to “Loans, credit and credit cards”, but the data is not sufficiently granular to draw conclusions regarding concrete factors impacting consumer confidence (e.g. trader malpractices), nor does it capture disaggregated information on the consumer credit market.[89]

The European Central Bank does not collect data on non-banking consumer credit providers, and neither does the European Banking Authority.[90] In particular, there is a complete lack of longitudinal data that would allow monitoring of compliance trends and/or consumer complaints over time. Relevant information at EU level is largely limited to ad-hoc studies conducted by EU-level or national consumer associations. However, these studies only provide ‘snapshots’ on how the EU consumer credit market is functioning, and do not allow for a trend analysis of trader behaviour – or consumer protection issues more widely – over time.

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[84] Finanzwende, 2019, Schlussbericht: Faire Kreditvergabe, available at https://www.finanzwende.de/fileadmin/user_upload/Kampagnen/Achtung_Kreditfalle/Faire_Kreditvergabe_Layout_final.pdf

[85] Interview conducted with BEUC on 26/04/2022.

[86] Interview conducted with Financial Inclusion Europe on 05/05/2022.

[87] Interview conducted with Finance Watch on 12/04/2022

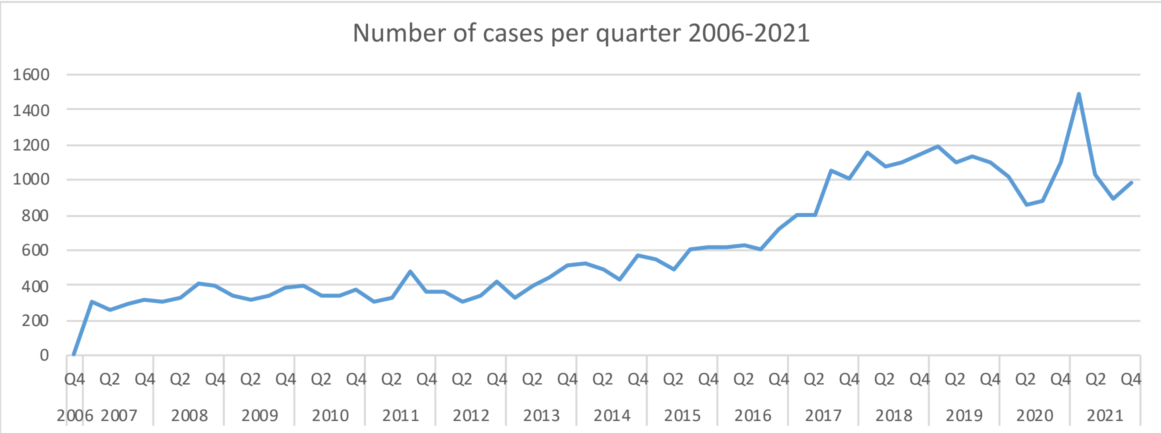
[88] DG Justice and Consumers, 2018, Consumer Markets Scoreboard 2018 Edition, available at https://ec.europa.eu/info/sites/default/files/consumer-markets-scoreboard-2018_en_0.pdf

[89] European Commission, 2020, Market Monitoring Survey Overview Report 2019/2020, available at https://ec.europa.eu/info/sites/default/files/mms-overview-report-19-20_en.pdf

[90] Interview conducted with BEUC on 26/04/2022.

Similarly, complaint data from ECC Net does provide information about cross-border consumer complaints since 2006, but only for the wider category of "financial services (excluding insurance)", not specifically on the consumer credit market. This is owed to the nature of the Classification of Individual Consumption by Purpose (COICOP) economic sector classification. It shows the number of complaints by nature of complaint, selling method and trader country. While the data only shows incidences of complaints, this may nonetheless serve as a proxy for how infringements and compliance of traders has developed over time. Figure 1 presents the number of cases per quarter registered by ECCs between Q4 2006 and Q4 2021.

Figure 2: Total number of cases per quarter registered in ECC Net between Q4 2006 and Q4 2021.[91]



While the per-quarter incidence of cases has increased significantly from an average of 292.5 cases in 2007 to an average of 1,099 cases in 2021, not all of this growth can be linearly attributed to an exacerbation in non-compliance. The increasing diversification and growing overall volume of the market size of financial services, along with an increasing consumer awareness of their rights (and hence opting to issue a complaint) are likely to contribute considerably to the dramatic growth in complaints over the past 15 years. In addition, due to the lack of granularity of the ECC Net classification it is not possible to determine whether the growth of complaints has been driven by market segments other than the consumer credit market.

Nonetheless, we can determine that the growth in complaint numbers in financial services outpaces the overall market growth of the consumer credit market considerably, i.e., the complaint-per-transaction ratio is likely to have increased. A recent study estimates that annual growth rates of the EU consumer credit market have averaged 4 per cent between 2014 and 2019.[92] In the same time period, the compound annual growth rate of complaints in the financial services segment as per ECC NET data was 17.4 per cent, more than 4 times higher.[93]

[91] Author's calculations based on ECC NET complaint dataset for financial services. Monthly data for the pre-2018 reporting period has been aggregated at quarterly levels to enable comparison with the post-2018 data ("New IT tool" data)

[92] Deloitte, 2019, The Future of Credit. A European perspective, available at: https://www2.deloitte.com/uk/en/pages/financial-services/articles/the-future-of-consumer-credit-in-europe.html

[93] Author's calculations based on ECC NET complaint dataset for financial services.

The application of the current CPC Regulation in January 2020 does not seem to have had a significant impact on the evolution in number of complaints. While average quarterly case numbers were slightly lower in 2020 (n=969) than in 2019 (n=1130), they rebounded to 1099 in 2021. While this indicates an overall slight reduction following January 2021, the number of available observations is too limited to infer an impact of the Regulation, especially since the outbreak of the Covid-19 pandemic has also greatly impacted the consumer credit market (see section 1).[94]

In early 2021, CPC authorities from 13 Member States and 2 EEA countries conducted a coordinated screening (mini sweep) of websites advertising and selling consumer credit products in order to monitor and prevent proliferation of unfair practices in the consumer credit sector. The goal of the mini sweep was to check the degree of traders' compliance with EU consumer rules on standard information in online advertising, including instances of misleading advertisement and exploitation of consumer vulnerabilities. During the sweep, 118 websites were assessed and in more than one-third of all cases, the websites were flagged for potential irregularities with EU consumer law.[95] While the impact of the CPC network's mini-sweep in early 2021 – and of the eventual subsequent enforcement actions by participating authorities – on trader compliance cannot be ascertained, it is noteworthy that reported complaint numbers fell significantly in Q2 and Q3 2021, before rebounding in the fourth quarter of 2021. It is hence possible that the mini-sweep and eventual follow-up actions by national authorities did enhance trader compliance at least temporarily.

When looking at the nature of complaints, no clear trend emerges over time. The most widespread infringements between 2006 and 2018 were misleading commercial practices, supplementary charges and rescission of contract, with all three categories evolving relatively harmoniously in line with the overall growth rate of complaints (with the exception of misleading commercial practices, which saw a spike of cases in 2017). Unfortunately, the methodological revision of the ECC Net database in 2018 makes it not possible to compare nature of complaint in the pre-2018 and the post-2018 period. For the post-2018 period, an interesting observation is that subscription traps were the most dominant form of complaint between Q2 2018 and Q4 2019, whilst after Q1 2020 the category "fraud/scam" was the most widespread issue of complaint. Two additional categories of complaint, "Unfair and aggressive commercial practices" and "Other termination of contract", started to emerge only after Q1 2020. However, due to the non-granular classification of COICOP, it is not possible to draw reliable correlations with the trends in the nature of complaints (let alone infringements and/or compliance) in the consumer credit market. Indeed, the trends observed for the categories used in the ECC Net data do not seem congruent with the predominant forms of infringement noted by consumer protection associations, which include insufficient creditworthiness assessments, aggressive unsolicited sales practices and misleading advertisements.[96, 97]

[94] Ibid.

[95] https://ec.europa.eu/info/live-work-travel-eu/consumer-rights-and-complaints/enforcement-consumer-protection/sweeps_en#2021-mini-sweep-on-consumer-credit

[96] Ibid.

[97] Interview conducted with Financial Inclusion Europe on 05/05/2022, Interview conducted with BEUC on 26/04/2022, Interview conducted with Finance Watch on 12/04/2022

The limited availability of data on compliance of traders has been criticised by all EU consumer associations interviewed for this case study. The absence of quantitative information and "proper statistics" [98] on consumer complaints, trader compliance and other proxies for the situation of consumer protection in the consumer credit market was noted by all respondents as a crucial reason for shortcomings in enforcement. Respondents underlined that national supervisory authorities often do not engage in more impactful enforcement because they lack information on the consumer credit market, in particular regarding the emerging strata of non-bank providers.[99, 100]

The information on compliance of traders over time provided in this section of the case study is hence primarily based on the limited data elicited by consumer associations, as well as qualitative information provided by interview respondents.

According to interview respondents, the growing volume of the online consumer credit market poses increasing challenges for consumer protection, as interactions between consumers and credit providers tend to be less personal, more superficial and generally of a lesser duration than traditional over-the-counter sales channels.[101] Already 7 years ago, 40% of EU consumers searched for personal loans online and purchased offline, while 20% both searched and purchased online.[102] Recent studies suggest that online providers are much less compliant with pertinent regulation than offline providers, and that creditworthiness assessments are generally poorer.[103] As the digital transformation is overhauling the EU consumer credit market, new supervisory and enforcement practices are likely to be required to combat malpractices that are specific to the online consumer credit market.

EU consumer associations stressed that a consumer credit database under the revised CCD is urgently required to assess how the market is functioning over time and to enable effective enforcement by national authorities. Key indicators should be developed and captured for both bank and non-bank providers of consumer credits, with suggested indicators including default rate per type of credit product (to detect the risks associated with certain credit products vis-à-vis another, e.g., BNPL vs. payday loans); by credit provider (to compare performance of credit providers and to identify responsible lenders); and by marketing channel (to detect if certain marketing and sales channels, such as app-based sales, are more prone to risk of defaulting than credit products purchased through face-to-face over-the-counter sales). Based on a set of concretely defined indicators that are captured over time, regulators could set targets based on an evidence-based baseline.[104]

[98] Interview conducted with Financial Inclusion Europe on 05/05/2022.

[99] Interview conducted with BEUC on 26/04/2022.

[100] Interview conducted with Finance Watch on 12/04/2022

[101] Interview conducted with Bundesverband Deutscher Banken on 26/04/2022.

[102] ECRI, 2018, Consumer Credit, Digitalisation and Behavioural Economics Are new protection rules needed?, available at www.ecri.eu/sites/default/files/ecri_pb_no_9_sb_consumercredit_0.pdf

[103] Finance Watch, 2021, Consumer credit market malpractices uncovered, available at https://www.finance-watch.org/wp-content/uploads/2021/04/Consumer-credit-market-study-V13.pdf

[104] Interview conducted with Financial Inclusion Europe on 05/05/2022.

5. Conclusion

As previously noted, less than 1% of household loans granted in the euro area are sold on a cross-border basis. While the rapidly growing consumer credit market requires urgent regulatory action, the very low incidence of cross-border services means that the CPC Regulation has an intrinsically limited applicability on this market segment. This is corroborated by the fact that with the exception of consumer protection associations, informants were generally not aware of the CPC Regulation, while commanding expert knowledge on the CCD.

The limited pertinence of the CPC Regulation for this market segment is unlikely to change in the medium term, both due to supply- and demand-side characteristics of the market. Informants suggested that consumers’ lack of trust in cross-border products and the reluctance of financial institutions to provide consumer credits to EU citizens who are not resident in their country of operation are expected to persist in the medium term. While nominally constituting a marginal cross-border market, it is however important to note that the challenges faced by European consumers in the consumer credit market nonetheless have a clearly European dimension. Many infringements in the market segment are systematic, with the same type of infringement being committed by different traders in different EU Member States.

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6.2. List of interviews

Type of organisation	Name of organisation	Interview date
EU level consumer association	BEUC	26/04/2022
EU level consumer association	Finance Watch	12/04/2022
EU level consumer association	Financial Inclusion Europe	05/05/2022
National competition authorities	Danish Financial Supervisory Authority	17/05/2022
Traders	Bundesverband Deutscher Banken	26/04/2022
Traders	Klarna	17/05/2022