Study on possible impacts of a revision of the CCD

Annexes to the Final report

Written by ICF Consulting Services Ltd

May 2021

EUROPEAN COMMISSION

Directorate-General for Justice and Consumers

Directorate E - Consumers

Unit E.1 – Consumer Policy

European Commission

B-1049 Brussels

EUROPEAN COMMISSION

Study on possible impacts of a revision of the CCD

Annexes to the Final report

Directorate-General for Justice and Consumers (DG JUST)

May 2021

LEGAL NOTICE

This document has been prepared for the European Commission however it reflects the views only of the authors, and the European Commission is not liable for any consequence stemming from the reuse of this publication. More information on the European Union is available on the Internet (http://www.europa.eu).

© European Union, 2021

The reuse policy of European Commission documents is implemented by the Commission Decision 2011/833/EU of 12 December 2011 on the reuse of Commission documents (OJ L 330, 14.12.2011, p. 39). Except otherwise noted, the reuse of this document is authorised under a Creative Commons Attribution 4.0 International (CC-BY 4.0) licence (https://creativecommons.org/licenses/by/4.0/). This means that reuse is allowed provided appropriate credit is given and any changes are indicated.

For any use or reproduction of elements that are not owned by the European Union, permission may need to be sought directly from the respective rightholders.

Table of Contents

Annex 1: Detailed methodological approach to the impact assessment 7

Task 1: Inception 7
Task 2: Problems, baseline and preliminary measures 7
Task 3: Stakeholder consultation 8
Task 4: Legal analysis 10
Task 5: Development of policy options 11
Task 6: Appraisal of policy options 12
Task 7: Reporting and validation 13

Annex 2: Overview of stakeholders consulted 14

A2.1. Interviews (Task 3.1) 14
A2.2. Surveys (Task 3.2) 14
A2.3. Details (per stakeholder group) 15
A2.4. Participants Validation workshop (n participants=64; n organisations=58) 17

Annex 3: List of documentation reviewed 20
Annex 4: Stakeholder consultation synopsis report 46

A4.1. Introduction and stakeholder consultation strategy 46
A4.2. Consultation activities and tools 46
A4.3. Evidence, sources and quality (per consultation activity) 49
A4.4. Main stakeholder feedback per consultation activity 50
A4.5. Main stakeholder feedback per theme 63

Annex 5: Recent evolution of the consumer credit market and baseline scenario 72

A5.1. Evolution of the consumer credit market over the recent years 72
A5.2. Possible changes on the consumer credit market going forward 96

Annex 6: Detailed problem definition 110

A6.1. Problem 1: Consumers who obtain certain types of credit falling outside the scope of the CCD, or from certain actors not explicitly covered are not guaranteed the level of protection afforded by the Directive 110
A6.2. Problem 2: Insufficient safeguards to ensure responsible lending (from the perspective of product design as well as marketing and selling practices) and the respect of consumers' rights (data protection and fundamental rights) 127
A6.3. Problem 3: The information provided to consumers at advertising and pre-contractual stage, and the way it is presented, is not effective in ensuring that consumers are aware about the key elements and risks of the credit product they obtain 144
A6.4. Problem 4: Low level of protection of consumers impacted by individual circumstances or economic disruptions affecting their financial situation and low systemic resilience to financial instability risk linked to exceptional and systemic crises 156
A6.5. Problem 5: Partial achievement of a level playing field for credit providers and limitations to cross-border credit, leading to reduced cross-border competition and choices for consumers 172

Annex 7: Results of the legal analysis 183

A7.1 EU-level legal analysis: assessment of the CCD coherence with other EU legal instruments 183
A7.2 Legal analysis at Member State level 209

Annex 8: Overview of measures identified and assessed in the study 236
Annex 9: Detailed description of the analytical methods used in preparing the impact assessment (e.g. cost-benefit analysis and multi-criteria analysis) 264

A9.1. Selection of relevant impacts 264
A9.2. Benefits 268
A9.3. Costs 280
A9.4 (Costs and benefits – assessment against the baseline) 287

Annex 10: Results of the quantification of measures 291

A10.1. Consumers affected in the status quo 291
A10.2. Overview of the costs and benefits of the measures 295

Annex 11: Assessment of the EU added value of the policy options 1

Policy option 0 – Status quo 1
Policy option 1 – Non-legislative action 1
Policy option 2 – Amendment of provisions already contained in the CCD (i.e. targeted amendment) 2
Policy option 3a – Extensive amendment of the CCD to include certain new provisions, in line with EU regulation 3
Policy option 3b – Extensive amendment of the CCD to include provisions not addressed by other EU regulation 3

Annex 1: Detailed methodological approach to the impact assessment

This Annex presents the detailed methodological approach of the study by following the progression of the study's tasks. The description summarises the work that was carried under each task and the changes that affected the initial methodological approach, where applicable. Key limitations experienced and the mitigation measures that were introduced to mitigate their impacts are described where relevant under each task.

Task 1: Inception

The beginning of this task was marked by the Kick-off meeting (**Task 1.1**) during which the initial methodological approach was presented. As part of Task 1, the stakeholder consultation strategy was further developed (**Task 1.2**) and the list of documentation for the desk review was refined (**Task 1.3**). The desk review task continued throughout the study as new documents were added along with the progress on subsequent tasks. A complete list of documentation that was reviewed throughout the study can be found in Annex 3.

Under **Task 1.4**, the study foresaw interviews with representatives from relevant services of the European Commission. The interviews were undertaken at the same time as the stakeholder consultation (Task 3). In total, four interviews were carried out:

- One interview with DG Financial Stability and Capital Markets (DG FISMA),
- One interview with DG Economic and Financial Affairs (DG ECFIN)
- Two interviews with the Joint Research Centre (JRC), one focusing on aspects related to over-indebtedness and the impact of the COVID-19 crisis, and a second one on aspects related to consumer behaviour.

In addition, several sessions were organised between the study team and representatives from DG Justice and Consumers throughout the study to gather views on some of the key elements of the study (e.g. problem statement, possible policy options, etc.).

Furthermore, during Task 1, the approach of the study was refined (Task 1.5) and the preliminary list of problems, intervention logic and policy objectives developed (Task 1.6). The criteria for the selection of the 10 Member States that formed the subject of country case studies were also refined and the selection of the following Member States was agreed: Austria, Belgium, Czechia, France, Italy, Estonia, the Netherlands, Poland, Sweden and Germany.

Task 2: Problems, baseline and preliminary measures

As part of **Task 2.1** (Identify problems for the EU to address), the study team further refined the preliminary list of problems identified at inception stage, based on evidence gathered through desk research and the evidence gathered as part of the Evaluation. A preliminary problem definition was presented in the Interim report.[1]

Task 2.2 (Baseline scenario) consisted in the formulation of the preliminary draft of the baseline scenario (i.e. the reference scenario involving no additional measures at EU level), based on evidence emerging from the desk research (Task 1.3) and the Evaluation of the CCD. The preliminary baseline scenario was also included in the Interim report and further refined throughout the study to incorporate additional data collected through desk research as well as other tasks, notably the interviews with EU institutions (Task 1.4) and the stakeholder consultation (Task 3). A detailed and final baseline scenario is presented in Annex 5.

[1] The problem statement was discussed with stakeholders during the participative workshop (Task 5.6) and refined throughout the study following an iterative process which culminated in the elaboration of its final version as part of Task 5.1 (Problem statement and policy objectives).

During **Task 2.3** (Identify preliminary list of policy measures), the study team drafted the list of possible policy measures that could be adopted under each of the three main policy scenarios developed in the study (non-regulatory action, restricted legislative action and extensive legislative action).

The resulting policy measures were further developed based on the feedback received from stakeholders (Tasks 3 and 5.6), the evidence gathered as part of Task 5.2 (Identification of best practices at national level and other possible measures) and national legal analysis (Task 4.2), and were presented in the Interim Report.

Annex 8 provides an overview of the measures identified and preliminarily assessed in the study.

Limitations

The main limitation that affected the implementation of this task was the limited availability of a timely and cross-country comparable quantitative data enabling the study team to support the arguments made in the baseline scenario and problem statement, and to effectively assess the scale of the key issues. Quantification posed also challenges when assessing the impact of the COVID-19 pandemic and the measures adopted by Member States due to the fact that the crisis is still ongoing and its evolution is inherently difficult to predict.

Mitigation measures

In order to mitigate the impact of some of these limitations, the study team followed up with some of the authors of the reviewed literature and providers of the data used to clarify some issues around already available data and/or to obtain additional data (e.g. email exchanges with ECRI or the JRC). To address the issue of reliability and comprehensiveness of evidence used to gauge the impact of the COVID-19 crisis, in some instance the study team used the 2008 financial crisis as a reference for possible trajectory of current crisis. In addition, it has made use of all preliminary evidence and studies available, including the public opinion of citizens and recent reports and data analysing the first observed effects of the crisis. More details on mitigation measures can be found in Annex 5.

Task 3: Stakeholder consultation

Under Task 3, key stakeholders were invited to participate in the study via interviews and online surveys targeting each stakeholder group.

Under **Task 3.1**, a total of 25 semi-structured interviews were carried out with EU-level and national stakeholders, allowing the study team to collect data on key aspects of the study (i.e. problems faced by stakeholder groups, the impact of policy measures going beyond the CCD adopted by Member States or the expected impact and effects of the policy measures under consideration).

At EU level, the targeted stakeholder interview population included consumer organisations, business associations, researchers and thematic experts. At national level, invitations were sent stakeholders in the ten Member Stated for a country case study representing the following groups: national business associations and national consumer organisations, creditors (including non-banks), credit intermediaries (including online platforms and peer-to-peer platforms), national authorities (i.e. consumer enforcement authorities, responsible ministries and the relevant national regulatory and supervisory authorities) and other business operators involved in the marketing and granting of consumer credit.

Originally, stakeholders participating via interviews would not be invited to complete the targeted surveys (Task 3.2). However, the approach changed at inception stage and the interviews were devised to follow up on the responses gathered through the surveys,

allowing for a more detailed discussion on some of the key aspects highlighted in the survey.

Other changes were also introduced, notably:

- the follow-up interviews were initially planned to be conducted throughout the summer and until the last week of August. However, due to the delay in launching the surveys and the summer period, they have been postponed and have been scheduled until mid-October;
- in an effort to reach the interview target for each stakeholder group, organisations from Members States that were not part of the initial selection were also invited to participate.[2]

Under **Task 3.2,** a total of four surveys and three additional questionnaires were carried out. The four surveys targeted stakeholders in all Member States part of the following groups: (i) EU-level and national business associations, (ii) EU-level and national consumer organisations, (iii) credit providers, credit intermediaries and other business operators involved in the marketing of consumer credit, and (iv) national authorities.

The surveys were launched on 28 July. The deadline was gradually extended until 14 September to allow more stakeholders to respond due to the holiday period. After the survey was closed, stakeholders were contacted again inviting them for a follow-up interview, including organisations that did not complete the survey.

In addition to the online surveys originally planned, three short questionnaires were developed targeting Alternative Dispute Resolution (ADR) bodies and members of the European Consumer Centres (ECC) and the Consumer Protection Centres (CPC) centres. The questionnaires aimed at collecting inputs and data allowing to understand the specific issues that consumers and credit providers face in the different Member States. They were distributed with the help of the European Commission and responses were gathered from mid-August until mid-September.

As requested by the European Commission, the study team has also analysed the answers pertaining to the CCD from the public consultation on the consumer agenda launched by the Commission, which ran from 30 June until 6 October.

All feedback received from stakeholders during Task 3 was analysed, triangulated and presented in the stakeholder consultation synthesis report in Annex 4 of this report. The synopsis report also considers the feedback provided by stakeholders on the Commission's Inception Impact Assessment as well as any other written feedback received by the Commission or the study team throughout the course of the study.

Annex 2 contains a more detailed overview of the number of responses per stakeholder group and Member State.

Limitations under Task 3

Even though the deadline of the survey was extended to boost response rates, numbers remained slightly lower than expected due to several causes such as the delay of the launch of the survey or unresponsiveness of stakeholders owing to the holiday period. Response rate among national consumer organisations remained particularly low which can be attributed to their often-limited resources and the fact that multiple stakeholder consultations have been running simultaneously. In addition, credit intermediaries remained unresponsive even after reaching out to the business associations representing them.

[3] The selected Member States are: Austria, Belgium, Czech Republic, Estonia, France, Germany, Italy, the Netherlands, Poland and Sweden.

Mitigation measures

In order to boost the response rate, four follow-up reminders were sent in total and both deadlines to complete the survey and conduct the interviews were extended. The fourth invitation for an interview was extended to all stakeholder, including to stakeholders that did not complete the survey or organisations outside the 10 selected Members States. The team tried to reach organisations either through already established contacts or by phone and, where possible, in national languages, including French and Italian, to encourage engagement of unresponsive organisations.

Task 4: Legal analysis

As part of Task 4, the implementation of the CCD was examined at both EU and national level in order to generate an overview of the existing legal framework, enforcement and case-law in the area of consumer credit.

The EU-level legal analysis (**Task 4.1**) examined the coherence of the CCD with other legal instruments regulating similar and/or related products and markets by building on the findings of the Evaluation of the CCD. Relevant EU-legislation was also assessed to ensure that the potential policy options are legally feasible and coherent with other existing measures at EU level. Several EU instruments were assessed against the CCD as part of this analysis and the scope of this task has been constantly extended as the study progressed. Furthermore, following the design of the preliminary list of policy options under Task 5 (Development of policy options), the study team also analysed the feasibility and coherence of each of the options.

Under **Task 4.2** (National-level legal analysis), national researchers were asked to analyse the legal framework that transposes and implements the CCD in their respective countries focusing on implementation challenges, elements falling outside the scope of CCD or national measures going beyond the CCD's provisions. National researchers in all 28 countries (27 countries and the UK) produced a legal factsheet. The study team then reviewed the Member State legal factsheets, analysed the information provided by national researchers and extracted key findings. A detailed description of the findings of the legal analysis can be found in Annex 7 to the report.

National researchers from the ten selected Member States were also asked to identify measures that have been found to be particularly effective and reflect on their impact, efficiency, and potential to be implemented in other Member States. This informed the identification of good practices carried out under Task 5.2.

Limitations under Task 4

The collection of information from national experts experienced several delays, especially given the holiday season over the summer. The delays in the submission of the Member State legal factsheet entailed starting the legal analysis without all the information from the 28 countries studied.

Mitigation measures

Analysis work was started even if some legal factsheets were not yet completed in their first iteration and a preliminary analysis was presented in the Interim Report. The analysis was later completed and corroborated with newly added information without entailing any methodological limitations.

Task 5: Development of policy options

Under **Task 5.1**, the problem definition and policy objectives developed during Task 2 were further refined and validated based on the evidence gathered through various tasks of the study. The revised and detailed problem definition is outlined in Annex 6 of the report.

In line with the final version of the problem statement, the general and specific objectives of an EU intervention were refined and included in Section 6 of this report.

During **Task 5.2** (Identification of best practices at national level and other promising measures)**,** the study team identified potential best practices among measures implemented by Member States going beyond the CCD, and potential best practices implemented by other countries. Preliminary findings were complemented with evidence emerging from the stakeholder consultations, national factsheets produced by national experts or the participative workshop. The good practices identified were incorporated in the list of measures preliminarily assessed as part of Task 5.4 to serve as basis for the development of the policy options.

Task 5.3 (Country-case studies) consisted in developing the country-case studies that focused on the selected 10 Member States[3] Each case study presents a picture of the consumer credit market in the analysed Member State and a more in-depth picture of the existing national measures along with an assessment of their efficiency and effectiveness. Additionally, the case studies analyse the potential impact of the policy options under consideration drawing, in part, from the additional information reported by the national researchers in the ten selected Member States.

The findings emerging from the case studies were used to inform the argumentation around the problems as well as the assessment of the policy measures and options.

Under **Task 5.4** (Outline possible policy options and select the most viable), the study team compiled an extensive list of measures that could potentially address the problems identified, drawing evidence from all previous tasks, including the desk research (Task 1.3), stakeholder consultations (Task 3), national legal analysis (Task 4.2), the identification of best practices (Task 5.2), the country case studies (Task 5.3) and the participatory workshop (Task 5.6). A preliminary assessment of the policy measures to select the most likely to be successful in addressing the issues. The assessment covered the technical and legal feasibility as well as the expected effectiveness, efficiency and EU added value and the impact on consumers and credit providers.

To support the assessment, the external national researchers that worked on the Member State legal factsheets were asked to rate and assess these measures as a form of triangulation of the evidence collected for these case studies by the ICF study team. Annex 8 presents an overview of the measures identified, each with a summary of the outcome of their preliminary assessment.

The non-regulatory and legislative measures more likely to succeed were selected and combined to conform the three policy options (two of them with two sub-options) considered for the study. These are presented in Section 7 of this report.

A preliminary assessment of the different policy options and sub-options was carried out to select the most viable ones, i.e. those more likely to address all the problems identified.

Task 5.5 (Develop selected policy options) developed the policy options deemed as most viable in Task 5.4 in order to produce a list of mutually exclusive policy options that were appraised as part of Task 6.

[3] The selected Member States are: Austria, Belgium, Czech Republic, Estonia, France, Germany, Italy, the Netherlands, Poland and Sweden.

The aim of **Task 5.6** was to gather inputs from key stakeholders and subject-matter experts in order to fine-tune the problems and objectives identified as part of Task 5.1 and discuss which policy options would be most viable. The online event held on 15 September gathered 54 participants (20 active participants and 34 observers) joined by 11 representatives of the Commission and 4 members of the study team. Following the meeting, ICF prepared a summary document of the outcomes of the workshop and shared it with the Commission. The feedback obtained through the participatory workshop was integrated in the synthesis report of the stakeholder consultation and supported the development of various subsequent tasks.

Limitations under Task 5

The availability of statistical information and other quantitative data was limited, in particular related to the costs and benefits stemming from the implementation of the measures that have been identified as best practices under Task 5.2. There was also very little available data on their impact, either because the measures did not benefit from a formal impact assessment or evaluation, or results were not public or, lastly, because some measures were implemented only recently.

Mitigation measures

The study team carried out additional research and contacted some of the key stakeholders able to provide further insights of the identified gaps, including subject-matter experts working in the field of consumer credit and consumer protection.

Task 6: Appraisal of policy options

Task 6.1 (Assess the feasibility and effectiveness of the options) will build on the preliminary analysis carried out to select the most viable options in Task 5.4. To assess the feasibility and expected effectiveness of the options, the study team will triangulate the relevant evidence from all previous tasks (e.g. desk research, stakeholder consultations, EU and national legal research, country case studies) as well as the expert opinion and feedback gathered through the participatory working session (Task 5.6). An assessment grid has been produced which summarises the result of the analysis.

During **Task 6.2** (Identify all potential impact of the policy options and select the significant ones), the assessment of the policy options will continue and the impact of each policy option on key aspects in the social, economic, environmental and fundamental rights spheres was mapped and preliminarily evaluated. This will provide the foundation for the subsequent cost-benefit analysis (Task 6.3) and facilitated the comparison of options (Task 6.4).

Under **Task 6.3** (Cost**-**benefit analysis), models for the analysis of the costs and benefits have been developed to assess the baseline scenario for both. Subsequently, incremental costs of each policy option across all three stakeholder groups (credit providers, consumers and national authorities), EU 27 Member States, and for the 2021-2030 time period were derived. For incremental benefits of each option, quantification was only partially possible due to, among others, the lack of available data, scope of the considered options & plethora of possible channels through which those would materialise, heterogeneity of the options. Overall, the approach for the estimation of costs and benefits is consistent with and builds largely on the method used as part of the CCD Evaluation (2019) ensuring consistency and continuity between both studies. The results of the cost-benefit analysis are presented in detail in Annex 10 of the Final report.

Under **Task 6.4**, the study team compared all possible policy options that have been developed during previous tasks following a multi-criteria analysis. The performance of each option against each criterion was established with the help of an outranking matrix following the BRG Tool #63. Policy options were then ranked and compared one against

each other, allowing for the identification of the preferred option. The detailed assessment of each policy option together with the developed scoring and comparisons made are included in Sections 8 and 9 of the Final report.

Task 6.5 set out the comparison of options in Section 9 by presenting a more detailed analysis of it (the impacts in terms of costs and benefits). Under this task, the study team also develop a monitoring plan that will facilitate the continuous assessment of the performance of the new framework resulting from the implementation of this policy option in line with the BRG Tool#41. A detailed presentation of the preferred option and monitoring plan will be presented in Section 10 of the Final report.

Limitations under Task 6

Limitations on the availability of statistical information and other quantitative data, that was necessary to model the costs and benefits of the assessed policy options. AAn absence of insufficient availability of quantitative data was also experienced in relation to the COVID-19 pandemic due to the fact that the crisis is still ongoing and its evolution is inherently difficult to gauge.

Mitigation measures

The study team addressed these limitations by carrying out additional research and reaching out to some of the key stakeholders able to provide more data on the identified gaps.

Task 7: Reporting and validation

Task 7.1 corresponded with the drafting and development of the Inception report. The Inception Report was submitted on 12 June and included a detailed blueprint of the study and preliminary findings from the inception task (Task 1).

Work under **Task 7.2** consisted in the preparation and drafting of the Interim report. The Interim Report was submitted on the 9 October and described the progress and next steps of each of the tasks as well as the preliminary findings emerging from the evidence collected by the time of its submission.

Task 7.3 corresponds with the preparation of the Draft final report which presented the complete set of findings, conclusions and recommendations of the study and analyses under all tasks. Its main purpose is to answer all the key questions that will guide the Commission's Impact Assessment. Work under this task will continue with addressing and incorporating the comments received from the Commission, after which the Final report will be prepared and submitted on 2 December.

Task 7.4 is comprised of a validation workshop whose findings will be incorporated in the Final Report. The event will take place in the form of a half-day online workshop on the 10 November and representatives from all stakeholder groups will be invited to participate. The aim of the workshop is to validate the key findings that emerged during the study, especially about the identification and selection of the policy options.

Limitations under Task 7

No major limitations were encountered during this task.

Mitigation measures

No relevant measures to report.

Annex 2: Overview of stakeholders consulted

A2.1. Interviews (Task 3.1)

Stakeholder category	Target	Completed	Countries
EU level			
EU level consumer organisations	5	3	
EU level business associations	2	2	
Researchers and thematic experts	3	1	
National level			
National consumer organisations	10	4	BE, NL, PL, PT
National business associations	10	9	AT, BE, DE, FR, IT, PL, SE
Creditors, including non-banks (5)	10	7	DE, DK, EU, LT, NL, PL, SE
Credit intermediaries, including online platforms and peer-to-peer platforms	5	-	-
Other business operators involved in the marketing and granting of consumer credit	5	2	EU, UK
National authorities (i.e. consumer enforcement authorities, responsible ministries and the relevant national regulatory and supervisory authorities)	15	5	BE, EE, IT, NL, PL
Total	65	25	

Note: Stakeholders were selected for follow-up interviews from the following EU MS: AT, BE, CZ, DE, EE, FR, IT, NL, PL, SE. The four scoping interviews envisaged are not included in the table as they are part of Task 1.3 (to date, one interview has been conducted (JRC); one is scheduled (DG FISMA) and two are yet to be scheduled).

A2.2. Surveys (Task 3.2)

Stakeholder group	Survey population targeted	Completed
National consumer organisations (& EU-level)	30	14
National business associations (& EU-level)	30	23
Credit providers	100	8
National authorities	108	32
Alternative Dispute Resolution Bodies	*(69)*	10
European Consumer Centres (ECC) network	*(30)*	6
Consumer Protection Cooperation (CPC) network	(28)	10
Total	268 (*367)*	78 *(97)*

Note: Stakeholders from the targeted survey population were not specified per EU MS.

A2.3. Details (per stakeholder group)

Business associations (n target=86; n reached=23)

Country	Name	Mode of consultation
EU	The Association of Consumer Credit Information Suppliers (ACCIS)	Survey & Interview
EU	Eurofinas	Survey & Interview
EU	European Federation of Insurance Intermediaries (BIPAR)	Survey
EU	The European Savings and Retail Banking Group (ESBG)	Survey
EU	The European Association of Cooperative Banks (EACB)	Survey
AT	Austrian Economic Chambers (WKO)	Interview
BE	Febelfin	Survey & Interview
BE	BZB-Fedafin	Survey
BE	Feprabel	Interview
CZ	Czech Leasing and Financial Association - CLFA	Survey
DE	Association of German Banks (DBD)	Survey & Interview
DE	National Association of German Cooperative Banks (BVR)	Survey
DK	Finance Denmark	Survey
ES	Asociacion Nacional de Establecimientos Financieros de Credito (ASNEF)	Survey
FR	Association Française des sociétés Financières (ASF)	Survey & Interview
FR	Association Française des Intermédiaires en Bancassurance - AFIB.completed survey for creditors/credit intermediaries on behalf of their members.	Interview
IT	Italian Banking Association	Survey & Interview
IT	Assofin - Italian Association of Consumer Credit and Mortgage Lending	Survey
MT	Malta Bankers' Asocaition	Survey
PL	Polish Association of Loan Institutions	Survey & Interview
PL	Vivus Finance	Survey
SE	Finansbolagens Förening	Survey & Interview
UK	Finance & Leasing Association (FLA)	Survey

Consumer organisations (n target=141; n reached=33)

Country	Name	Mode of consultation
EU	European Consumer Organisation (BEUC)	Survey & Interview
EU	Finance Watch	Survey & Interview
EU	Confederation of Family Organisations in the EU (COFACE)	Interview
AT	CPC Austria	Short questionnaire
BE	Observatoire du Crédit et de l'Endettement Centre	Survey & Interview
BE	CPC Belgium	Short questionnaire
BG	Bulgarian Retail Association	Survey
BG	ECC Bulgaria	Short questionnaire
CY	National Consumer organisation	Survey
CY	ECC Cyprus	Short questionnaire
CZ	Aisis	Survey
CZ	CPC Czech Republic	Short questionnaire
DE	ECC Germany	Short questionnaire
EE	CPC Estonia	Short questionnaire
EL	CPC Greece	Short questionnaire
ES	ASUFIN	Survey
FI	KULUTTAJALIITTO-KONSUMENTFÖRBUNDET RY (Consumer's Union of Finland)	Survey
IE	Consumer's association of Ireland (CAI)	Survey
IT	Centro Tutela Consumatori Utenti - Verbraucherzentrale Suedtirol	Survey
IT	U.Di.Con. A.P.S. - Unione per la Difesa dei Consumatori - National consumer organisation	Survey
LU	CEC Luxembourg (ECC)	Survey & Short questionnaire
LV	ECC Latvia	Short questionnaire
NL	NVVK	Interview
NO	CPC Norway	Short questionnaire
PL	SKEF	Interview
PT	DECO	Survey & Interview
SE	CPC Sweden	Short questionnaire
SK	CPC Slovakia	Short questionnaire
SL	Slovenia Zveza Potrošnikov Slovenije (ZPS)	Survey
SL	ECC Slovenia	Short questionnaire
SL	CPC Slovenia (1)	Short questionnaire

Country	Name	Mode of consultation
SL	CPC Slovenia (2)	Short questionnaire
UK	Money Advice Trust	Survey

Credit providers (n target=150; n reached=12)

Country	Name	Mode of consultation
Banks		
DE	Deutsche Kreditbank AG	Survey & Interview
NL	ING	Survey & Interview
RO	TelekomBanking	Survey
RO	OTP Bank Romania	Survey
RO	ING Bank Romania	Survey
UK	Unknown	Survey
Unknown	Commercial Bank	Survey
Non-banks		
EU	4Finane Group	Survey & Interview
DK	4finance Denmark	Interview
LT	4finance Lithuania	Interview
PL	4finance Poland	Interview
SE	4finance Sweden	Interview

Credit intermediaries (n target=47; n reached=0)

Country	Name	Mode of consultation
N/A	Feprabel (BE) was interviewed representing the views of financial intermediaries or providing contact details of members. See Table Business associations".	Interview
N/A	Association Française des Intermédiaires en Bancassurance – AFIB (FR).was interviewed representing credit providers and credit intermediaries on behalf of their members. See Table "Business associations".	Interview
N/A	WKO (AT) was interviewed representing the views of credit intermediaries. See Table "Business associations".	Interview

A2.4. Participants Validation workshop (n participants=64; n organisations=58)

Business associations (n organisations=21)

Country	Name	Number of participants
EU	Association of European Radios (AER)	1
EU	Association of Consumer Credit Information Suppliers (ACCIS)	1
EU	Eurofinas	1
EU	European Association of Cooperative Banks (EACB)	1
EU	European Banking Federation (EBF)	1
EU	European Savings Banks Group (ESBG)	1
EU	European Federation of Building Societies	1
EU	European Network of Credit Unions	1
EU	European Payments Institutions Federation (EPIF)	1
EU	European Retail Financial Forum	1
EU	FENCA (Federation of European National Collection Associations)	3
EU	Leaseurope	1
AT	Österreichische Sparkassenverband	1
CZ	APNU	1
DE	Deutscher Sparkassen- und Giroverband	1
DE	German Saving Bank Association	4
IE	Banking and Payments Federation Ireland	1
FR	Fédération Nationale du Crédit Agricole - FNCA	1
FR	BPCE sa	2
LV	Alternative Financial Services Association of Latvia, 4finance Group	1
LV	Finance Latvia Association	1

Consumer organisations (n organisations=5)

Country	Name	Number of participants
EU	European Consumer Organisation (BEUC)	1
EU	Finance Watch	2
EU	European Debt Network (ECDN)	1
EU	AGE Platform	1
LU	European Consumer Centre Luxembourg	1

European and national authorities (n organisations=15)

Country	Name	Number of participants
EU	European Commission	6
EU	EBA	1
BE	federal public service of Economy Belgium	1
BE	Ministry of Economy	1
BG	Ministry of Economy	1

Country	Name	Number of participants
CZ	Ministry of Finance	1
EE	Department of Consumer Environment	1
HR	Ministry of Finance	1
HU	Ministry of Finance (HU)	1
MT	Central Bank of Malta	1
MT	Ministry for Finance Malta	1
LT	Bank of Lithuania	2
PT	Consumer Directorate General	1
PT	Banco de Portugal	1
SI	Ministry of economic, development and technology	1

Credit providers (n organisations=4)

Country	Name	Number of participants
Banks		
BE	CaixaBank	1
NL	ING	2
FR	BPCE SA	2
Non-banks		
EU	4Finane Group	1

Other business operators / industry representatives (n organisations=9)

Country	Name	Number of participants
EU	FTI Consulting	1
EU	PayPal	1
ES	Experian	1
IT	CRIF	1
PL	DLK Legal	1
SE	Intrum	1
SE	Stenström Consulting	1
UK	Equifax	1
UK	Radio Centre	1

Annex 3: List of documentation reviewed

This annex provides an overview of the documentation reviewed. Table 1 lists the documentation reviewed as part of the Evaluation, which has also been used as part of this study, where relevant. The additional documentation identified and analysed as part of this study is included in Table 2.

Table 1. List of documents reviewed as part of the Evaluation

Author	Published	Title
Abdul Abiad, Giovanni Dell'Ariccia, and Bin Li	2011	What Have We Learned about Creditless Recoveries?
Altman Morris	2013	What Behavioural Economics Has to Say about Financial Literacy
Article 29 Working Party (ex Art. 29 WP)	2017	Guidelines on Data Protection Impact Assessment (DPIA) and determining whether processing is "likely to result in a high risk" for the purposes of Regulation 2016/679
Article 29 Working Party (ex Art. 29 WP)	2018	Guidelines on Automated individual decision-making and Profiling for the purposes of Regulation 2016/679
Article 29 Working Party (ex Art. 29 WP)	2018	Guidelines on transparency under Regulation 2016/679
Association of Consumer Credit Information Suppliers (ACCIS)	2017	Survey of Members. Analysis of Credit Reporting in Europe
Association of Consumer Credit Information Suppliers (ACCIS)	2018	Principles on Creditworthiness Assessments
Association of Consumer Credit Information Suppliers (ACCIS)	2018	Survey of Members. Analysis of Credit Reporting in Europe
Association of Consumer Credit Information Suppliers (ACCIS)	2018	Draft new Spanish Data Protection Law
Association of European Radios (AER)	2018	Feedback from the Association of European Radios (BE) on the European Commission's Evaluation Roadmap of the Consumer Credit Directive
Association of Sparda-Banks	2018	Feedback from the Association of Sparda-Banks on the European Commission's Evaluation Roadmap of the Consumer Credit Directive
Attaité, Monika	2015	Pay-day lenders: why can we consider them as being bad players on the credit market?
Authority for the Financial Markets [NL] (AFM)	2016	Caution! Borrowing money costs money: A study of the effectiveness of a warning in credit advertisements
Authority for the Financial Markets [NL] (AFM)	2016	Applying behavioural insights to promote better credit decisions. Impact of the choice architecture on decision-making
Autorité de régulation professionnelle de la publicité (ARPP)	2018	Feedback from the Autorité de régulation professionnelle de la publicité (ARPP) (FR) on the European Commission's Evaluation Roadmap of the Consumer Credit Directive

Author	Published	Title
Balluguera Gómez, C.	2016	Los intereses en el crédito al consumo tienen un límite máximo
BE - Financial Law Institute (FLI)	2019	Does credit intermediation facilitate the European internal market for mortgage credit?
BE - Financial Services and Markets Authority (FSMA)	2017	Study of payment protection insurance offered in conjunction with consumer loans
Behavioural Insights Team	2019	Best practice guide – Improving consumer understanding of contractual terms and privacy policies: evidence-based actions for businesses
BIS	2018	Les marchés du crédit fintech à travers le monde: taille, moteurs et enjeux de politique publique
Busch, C. and Mak, V.	2016	'Peer-to-peer lending in the European Union'
Caritas Europe	2019	The EU must prevent over-indebtedness - The review of the Consumer Credit Directive
Carter, S.P., Skiba, P.M	2012-2013	Pawnshops, Behavioural Economics and Self-Regulation
Centre for European Policy Studies (CEPS)	2016	Two Dimensions of Combating Over-Indebtedness Consumer protection and financial stability
Centre for European Policy Studies (CEPS)	2017	The future of retail financial services: What policy mix for a balanced digital transformation?
Centre for European Policy Studies (CEPS) and European Credit Research Institute (ECRI)	2015	Towards A Balanced Contribution of Household Credit to the Economy
CGAP (The Consultative Group to Assist the Poor)	2017	Crowdfunding and Financial Inclusion
Civic Consulting	2013	The Over-Indebtedness of European Households: Updated Mapping of The Situation, Nature and Causes, Effects and Initiatives for Alleviating Its Impact
Civic Consulting (for the European Commission)	2017	Study on Measuring Consumer Detriment in the European Union
Civic Consulting (for the European Commission)	2017	Study for the Fitness Check of EU Consumer and Marketing Law
Civic Consulting (for the European Commission)	2017	Operational guidance document on measuring personal consumer detriment
Civic Consulting of the Consumer Policy Evaluation Consortium (CPEC)	2008	Analysis of the Economic Impact of Directive 2002/65/EC
Competition & Markets Authority (CMA)	2015	Payday lending market investigation. Final Report
Council of the European Union	1986	Council Directive of 22 December 1986 for the approximation of the laws, regulations and administrative provisions of the Member States concerning consumer credit
Council of the European Union	2011	Directive on unfair terms in consumer contracts - Council Directive 93/13/EEC

Author	Published	Title
Crédit Agricole Consumer Finance	2015	Overview of the Consumer Credit Market in Europe in 2015
Crédit Agricole Consumer Finance	2018	Consumer credit in Europe in 2017
CrowdfundingHub	2016	Current State of Crowdfunding in Europe – An overview of the Crowdfunding Industry in more than 25 Countries: Trends, Volumes & Regulations
Danish Government	2020	Response by the Danish government to the roadmap for the review of the Consumer Credit Directive (2008/48EC)
Daxhammer, Rolf J and Hagenbuch, Raphael	2016	Financial Nudging – Verhaltenswissenschaftliche Ansätze für bessere Finanzentscheidungen, ESB Business School, Reutlingen University
DE - Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)	2017	Ergebnisbericht zur Marktuntersuchung Restschuldversicherungen
DE - Bundeskartellamt	2019	Sektoruntersuchung Vergleichsportale
DE - Centre Européen de la Consommation (Zentrum für uropäischen Verbraucherschutz e.V.)	2011	Ein europäischer Markt für Verbraucherkredite: existiert ein solcher wirklich?
DE - EOS Holding GmbH	2017	Mentalitätsvergleich: Vor allem Deutsche sind "Immobilienschuldner"
DE - Finance Watch Germany	2019	Faire Kreditvergabe
DE – SCHUFA. Kredit-Kompass	2017	Empirische Untersuchung der privaten Kreditaufnahme in Deutschland
DE – Spiegel online	2019	So schützen Sie sich vor den Tricks der Vergleichsportale
DE - Verbraucherzentrale	2017	Umfrage der Verbraucherzentrale Nordrhein-Westfalen zum Umgang mit der Kreditwürdigkeitsprüfung bei Aufnahme eines Verbraucherdarlehens
DE - Verbraucherzentrale	2018	Konsumentenkredite. Befragung über Krediteinstellungen und Krediterfahrungen.
DE - Verbraucherzentrale	2019	Accompanying document to the consultation of the Consumer Credit Directive II
DE - Verbraucherzentrale	2019	Verantwortliche Verbraucherkredite. Begleitendes Forderungspapier zur Konsultation der Verbraucherkreditrichtlinie II
Deloitte Monitor	2019	The Future of Credit - A European perspective
UK - Department for Business Innovation and Skills, HM Treasury (BIS)	2011	Consumer credit and personal insolvency review: summary of responses on consumer credit and formal response on personal insolvency
FR - Direction générale de la Concurrence, de la Consommation et de la	2018	Crédit à la consommation : loyauté de l'information précontractuelle

Author	Published	Title
Répression des frauds (DGCCRF)		
DK – Danish Competition and Consumer Authority	2018	Competitive markets and consumer welfare
EBA, EIOPA, and ESMA	2016	Joint Committee Discussion Paper on the Use of Big Data by Financial Institutions
ES - Asociacion de Usuarios de Bancos, Cajas y Seguros (ADICAE)	2013	Nivel de educacion financiera poblacion española
ES – Asociacion General de Consumidores (ASGECO)	2015	Analisis cualitativo prestamos rapidos de entitaded no financieras
ES – Asociacion General de Consumidores (ASGECO)	2015	Los problemas express que vienen con los créditos rápidos
ES - Banco de España	2008	Memoria del servicio de reclamaciones
ES – Banco de España - Eurosistema	2017	Memoria De Reclamaciones
ES – Banco de España - Eurosistema	2018	Memoria De Reclamaciones
ES – Banco de España - Eurosistema	2018	Encuesta sobre Préstamos Bancarios en España: abril de 2018
ES – Banco de España - Eurosistema	2019	Encuesta sobre Préstamos Bancarios en España: Julio de 2019
ES – Banco de España - Eurosistema	2019	Informe De Estabilidad Financiera
ES – Boletín Oficial Del Estado (BOE)	2015	Disposiciones generales jefatura del Estado - Ley 5/2015, de 27 de abril, de fomento de la financiación empresarial
ES - Consejo de Consumidores y Usuarios	2009	La situación de endeudamiento y sobreendeudamiento financiero de las familias en la actual situación de crisis económica y del crédito
ES - Organización de Consumidores y Usuarios (OCU)	2019	Los españoles pagan caro el crédito al consumo
ES - Organización de Consumidores y Usuarios (OCU)	2019	Crowdfunding: colaborando con micromecenazgo
ES - Organización de Consumidores y Usuarios (OCU)	2019	Deudas y morosos al mejor postor
ES - Organización de Consumidores y Usuarios (OCU)	2019	Minicréditos = maxiabusos
ES - Organización de Consumidores y Usuarios (OCU)	2019	Qué hacer si necesitas dinero
ES- El Confidencial	2018	Bancos españoles - El crédito al consumo es un 70% más caro en España que en Europa
ES- El Economistas	2019	Los préstamos al consumo son una herramienta clave para la economía

Author	Published	Title
ES- El Pais - Economia	2019	La usura de las tarjetas 'revolving' estalla en los tribunales
ES- Expansion	2018	Vuelve el préstamo irresponsable, pero ahora al consumo
ES- Observatorio Cetelem	2018	Ecommerce Report: La Revolucion de la tienda online
EUROFINAS	2018	Biannual Survey 2018
Eurofinas	2018	Feedback from Eurofinas (BE) on the European Commission's Evaluation Roadmap of the Consumer Credit Directive
Eurofinas	2018	Eurofinas response to the European Commission's public consultation on the Consumer Credit Directive
Eurofinas	2009	Eurofinas's Response to the European Commission's Consultation on Responsible Lending and Borrowing in The EU
Eurofinas	2015	Eurofinas Response to the European Banking Authority's Draft Guidelines on Creditworthiness Assessment Draft Guidelines on Arrears and Foreclosure
EUROFINAS	2012	Key Facts and Figures 2012
EUROFINAS	2013	Key Facts and Figures 2013
EUROFINAS	2014	Key Facts and Figures 2014
EUROFINAS	2015	Key Facts and Figures 2015
EUROFINAS	2017	Key Facts and Figures 2017
Eurofinas; Roland Berger	2019	European Consumer Finance Industry in the Midst of Decisive Changes According to Second Edition of Eurofinas and Roland Berger Joint Survey on 'Future of European Consumer Finance'
Eurofinas; Roland Berger	2018	A Eurofinas Roland Berger Joint Survey 2018 edition
Europe Economics	2013	A New Consumer Credit Regime: Benefits, Compliance Costs and Firm Behaviour
Europe Economics	2013	Study on Credit Intermediaries in the Internal Market
European Association of Co-operative Banks (EACB)	2013	EACB Comments on Preliminary Findings of The Civic Consulting Study on Over-Indebtedness (OI) Of European Households
European Banking Authority (EBA)	2016	2016 Consumer Trends Report
European Banking Authority (EBA)	2016	Discussion Paper on innovative uses of consumer data by financial institutions
European Banking Authority (EBA)	2017	2017 Consumer Trends Report
European Banking Authority (EBA)	2019	2018/2019 Consumer Trends Report
European Banking Authority (EBA)	2019	EBA consults on draft Guidelines on loan origination and monitoring

Author	Published	Title
European Banking Authority (EBA)	2019	Opinion of the European Banking Authority on disclosure to consumers of banking services through digital means under Directive 2002/65/EC
European Banking Federation (EBF)	2020	EBF's views on the evaluation of the Consumer Credit Directive
European Banking Federation (EBF)	2019	Structure and economic contribution of the banking sector
European Banking Federation (EBF)	2018	Feedback from the European Banking Federation (BE) on the European Commission's Evaluation Roadmap of the Consumer Credit Directive
European Banking Industry Committee (EBIC)	2010	EBIC Comments on The CCD Benchmark Study
European Central Bank (ECB)	2008	Monthly Bulletin January
European Central Bank (ECB)	2015	Opinion of the European Central Bank of 18 September 2015 on the conversion of Swiss franc loans (CON/2015/32)
European Central Bank (ECB)	2017	Recent Trends in Consumer Credit in the Euro Area (ECB Economic Bulletin, Issue 7 / 2017)
European Central Bank (ECB)	2017	The euro area bank lending survey - First quarter of 2017
European Central Bank (ECB)	2017	The euro area bank lending survey - Second quarter of 2017
European Central Bank (ECB)	2017	The euro area bank lending survey - Third quarter of 2017
European Central Bank (ECB)	2017	The euro area bank lending survey - Fourth quarter of 2017
European Central Bank (ECB)	2018	Cross-border banking in the EU since the crisis: what is driving the great retrenchment?
European Central Bank (ECB)	2019	The euro area bank lending survey - First quarter of 2019
European Central Bank (ECB)	2019	The euro area bank lending survey - Second quarter of 2019
European Central Bank (ECB)	2019	The euro area bank lending survey - Third quarter of 2019
European Central Bank (ECB)	2019	The euro area bank lending survey - Fourth quarter of 2019
European Central Bank (ECB)	2018	Private consumption and its drivers in the current economic expansion, Economic Bulletin Issue 5, 2018
European Central Bank (ECB)	2019	Financial Stability Review (FSR), November 2019
European Central Bank (ECB)	2019	Annual Report 2018
European Commission	2002	Proposal for a Directive of the European Parliament and of the Council on the harmonisation of the laws, regulations and administrative provisions of the Member States concerning credit for consumers (COM (2002) 443 final)

Author	Published	Title
European Commission	2004	Amended proposal for a Directive of the European Parliament on the harmonisation of the laws, regulations and administrative provisions of the Member States concerning credit for consumers repealing Directive 87/102/EC and modifying Directive 93/13/EC (COM (2004)747 final)
European Commission	2005	Amended proposal for a Directive of the European Parliament and of the Council on credit agreements for consumers amending Council Directive 93/13/EC (COM (2005) 483 final/2)
European Commission	2008	European Commission's Green Paper on retail financial services: better products, more choice, and greater opportunities for consumers and businesses (COM/2015/0630 final)
European Commission	2011	Commission Directive 2011/90/EU of 14 November 2011 amending Part II of Annex I to Directive 2008/48/EC of the European Parliament and of the Council providing additional assumptions for the calculation of the annual percentage rate of charge
European Commission	2019	Guidance on the interpretation and application of Council Directive 93/13/EEC of 5 April 1993 on unfair contract terms in consumer contracts
European Commission	2008	Consumer protection in the internal market, Special Eurobarometer 298
European Commission	2009	Report of the Expert Group on Credit Histories
European Commission	2010	Geographical and labour market mobility- Special Eurobarometer 337
European Commission	2010	Research note 4/2010 Over-indebtedness. New evidence from the EU-SILC special module
European Commission	2011	Special Eurobarometer 373
European Commission	2012	EU investigates consumer credit websites – a market underperforming for consumers
European Commission	2013	Study on the coverage, functioning and consumer use of comparison tools and third-party verification schemes for such tools
European Commission	2014	Report from The Commission on The Implementation of Directive 2008/48/EC on Credit Agreements for Consumers
European Commission	2015	Green Paper on retail financial services Better products, more choice, and greater opportunities for consumers and businesses
European Commission	2016	Financial Products and Services – Special Eurobarometer 446
European Commission	2016	Study on the role of digitalisation and innovation in creating a true single market for retail financial services and insurance
European Commission	2016	Study on consumers' attitudes towards Terms and Conditions (T&Cs)
European Commission	-	Consumer Credit Rights Campaign: Campaign Results and Evaluation

Author	Published	Title
European Commission	2017	Revised rules for payment services in the EU. Summary of: Directive (EU) 2015/2366 on EU-wide payment services
European Commission	2017	Consumer conditions scoreboard: consumers at home in the single market
European Commission	2017	Identifying market and regulatory obstacles to cross-border development of crowdfunding in the EU
European Commission	2018	Mapping of national approaches in relation to creditworthiness assessment under Directive 2008/48/EC on credit agreements for consumers
European Commission	2018	Commission proposal for a regulation on European crowdfunding services providers
European Commission	2019	Behavioural study on the digitalisation of the marketing and distance selling of retail financial services
European Commission – DG Justice and Consumers	2019	Consumer conditions scoreboard: consumers at home in the single market - 2019 edition
European Commission – DG Justice and Consumers	2018	Consumer Markets Scoreboard: making markets work for consumers - 2018 edition
European Commission – DG Justice and Consumers	2016	Consumer Markets Scoreboard - Making Markets Work for Consumers
European Credit Research Institute (ECRI)	2016	The Business Models and Economics of Peer-to-Peer Lending
European Credit Research Institute (ECRI)	2013	Household Debt and the European Crisis
European Credit Research Institute (ECRI)	2016	The Trend Reversal of the Private Credit Market in the EU - Key Findings of the ECRI Statistical Package 2016
European Credit Research Institute (ECRI)	2017	Consumer Credit, Digitalisation and Behavioural Economics. Are new protection rules needed?
European Credit Research Institute (ECRI)	2018	Consumer credit, digitalisation and behavioural economics: Are new protection rules needed?
European Credit Research Institute (ECRI)	2018	Lending to European Households and Nonfinancial Corporations: Growth and Trends in 2017 - Key Findings from the ECRI Statistical Package 2018
European Credit Research Institute (ECRI)	2019	ECRI Statistical Package 2019
European Credit Research Institute (ECRI)	2019	Price rules in consumer credit: should the EU act?
European Data Protection Board	2019	New Rules for Credit Reporting Systems in the Digital Economy
European Data Protection Board	2019	The Romanian Supervisory Authority fines Raiffeisen Bank S.A. and Vreau Credit S.R.L. [for unauthorized access to the personal data processed through the computer application used by Raiffeisen Bank S.A. in the crediting activity]
European Data Protection Board	2019	The Data Protection Ombudsman ordered Svea Ekonomi to correct its practices in the processing of

Author	Published	Title
		personal data related to the assessment of creditworthiness
European Economic and Social Committee (EESC)	2019	INT/884 Consumer Credit Directive (evaluation)
European Federation of Insurance Intermediaries (BIPAR)	2018	Feedback from BIPAR (BE) on the European Commission's Evaluation Roadmap of the Consumer Credit Directive
European Financial Services Round Table	2004	Consumer Protection and Consumer Choice - Consumer protection and the Single Market A fresh approach to breaking the deadlock
European Microfinance Network	2020	Consumer credit agreements - review of EU rules. Feedback from: European Microfinance Network
European Network of Credit Unions	2020	Consumer credit agreements - review of EU rules. Feedback from: European Network of Credit Unions
European Parliament	2003	Draft report on the proposal for a European Parliament and Council directive on the harmonisation of the laws, regulations and administrative provisions of the Member States concerning credit for consumers (COM (2002) 443 – C5-0420/2002 – 2002/0222 (COD))
European Parliament	2004	Second report on the proposal for a European Parliament and Council directive on the harmonisation of the laws, regulations and administrative provisions of the Member States concerning credit for consumers (COM (2002) 0443 – C5-0420/2002 – 2002/0222(COD))
European Parliament	2012	Implementation of the Consumer Credit Directive
European Parliament	2012	Misleading Packaging Practices
European Parliament	2014	Consumer Protection Aspects of Financial Services
European Parliament	2014	Gold-plating' in the EAFRD to what extent do national rules unnecessarily add to complexity and, as a result, increase the risk of errors?
European Parliament	2018	Consumer Credit: Mis-selling of Financial Products
European Parliament	2019	A governance framework for algorithmic accountability and transparency
European Parliament/Council	2018	Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on representative actions for the protection of the collective interests of consumers, and repealing Directive 2009/22/EC
European Parliament/Council	2019	Directive (EU) 2019/2161 of the European Parliament and of the Council of 27 November 2019 amending Council Directive 93/13/EEC and Directives 98/6/EC, 2005/29/EC and 2011/83/EU of the European Parliament and of the Council as regards the better enforcement and modernisation of Union consumer protection rules (Text with EEA relevance)
European Parliament/Council	2019	Directive (EU) 2019/770 of the European Parliament and of the Council of 20 May 2019 on certain aspects concerning contracts for the supply of digital

Author	Published	Title
		content and digital services (Text with EEA relevance.)
European Parliament/Council	1998	Directive 98/7/EC of the European Parliament and of the Council of 16 February 1998 amending Directive 87/102/EEC for the approximation of the laws, regulations and administrative provisions of the Member States concerning consumer credit
European Parliament/Council	2000	Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market ('Directive on electronic commerce')
European Parliament/Council	2002	Directive 2002/65/EC of the European Parliament and of the Council of 23 September 2002 concerning the distance marketing of consumer financial services and amending Council Directive 90/619/EEC and Directives 97/7/EC and 98/27/EC
European Parliament/Council	2002	Directive 2002/58/EC of the European Parliament and of the Council of 12 July 2002 concerning the processing of personal data and the protection of privacy in the electronic communications sector (Directive on privacy and electronic communications)
European Parliament/Council	2003	Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market ('Directive on electronic commerce')
European Parliament/Council	2005	Directive 2005/29/EC of the European Parliament and of the Council of 11 May 2005 ('Unfair Commercial Practices Directive').
European Parliament/Council	2008	Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC
European Parliament/Council	2014	Directive 2014/17/EU of the European Parliament and of the Council of 4 February 2014 on credit agreements for consumers relating to residential immovable property and amending Directives 2008/48/EC and 2013/36/EU and Regulation (EU) No 1093/2010
European Parliament/Council	2014	Regulation (EU) No 910/2014 of the European Parliament and of the Council of 23 July 2014 on electronic identification and trust services for electronic transactions in the internal market and repealing Directive 1999/93/EC.
European Parliament/Council	2015	Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC (Text with EEA relevance)
European Parliament/Council	2015	Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention

Author	Published	Title
		of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC (Text with EEA relevance)
European Parliament/Council	2015	Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC (Text with EEA relevance)
European Parliament/Council	2016	Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation).
European Parliament/Council	2016	Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution (recast)Text with EEA relevance
European Parliament/Council	2016	Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (Text with EEA relevance)
European Parliament/Council	2017	Proposal for a Regulation of the European Parliament and of the Council concerning the respect for private life and the protection of personal data in electronic communications and repealing Directive 2002/58/EC (Regulation on Privacy and Electronic Communications) (COM(2017) 10 final).
European Parliament/Council	2018	Regulation (EU) 2018/302 of The European Parliament and of the Council of 28 February 2018 on addressing unjustified geo-blocking and other forms of discrimination based on customers' nationality, place of residence or place of establishment within the internal market and amending Regulations (EC) No 2006/2004 and (EU) 2017/2394 and Directive 2009/22/EC
European Retail Financial Forum (ERFF)	2018	Consumer Credit and Creditworthiness Assessments
EXPERIAN	2017	The Future of Credit Information
EY	2017	EY FinTech Adoption Index 2017 - The rapid emergence of FinTech
Finance Watch	2017	Consumer Protection Must Come before Financial Innovation
Finance Watch	2019	What makes credit so risky? A consumer perspective

Author	Published	Title
Finance Watch	2018	Feedback from Finance Watch (BE) on the European Commission's Evaluation Roadmap of the Consumer Credit Directive
Finance Watch	2019	Feedback from Finance Watch (BE) on the European Commission's Evaluation Roadmap of the Consumer Credit Directive
Finance Watch Germany	2019	Rating Faire Kreditvergabe
Financial Conduct Authority (FCA)	2014	The FCA's regulatory approach to crowdfunding over the internet, and the promotion of non-readily realisable securities by other media Feedback to CP13/13 and final rules
Financial Conduct Authority (FCA)	2018	High-Cost Credit Review: Overdrafts consultation paper and policy statement
Financial Services User Group (FSUG)	2019	What makes credit so risky? A consumer perspective
Financial Services User Group (FSUG)	2016	Assessment of current and future impact of Big Data on Financial Services
Financial Services User Group (FSUG)	2019	Opinion on responsible consumer credit lending. Opinion and recommendations for the review of the Consumer Credit Directive
Financial Services User Group (FSUG)	2019	FSUG Recommendations to the Commission 2019 - 2024
FR - Autorité de contrôle prudentiel et de résolution (ACPR)	2019	Financement participatif
FR – Banque de France	2016	Financial Stability Review. Financial Stability in the Digital Era
FR - Economie	2016	Rapport Annuel 2016 (Direction Générale De L'inspection Économique)
FR - Economie	2017	Rapport Annuel 2017 (Direction Générale De L'inspection Économique)
FR - Economie	2018	Crédit à la consommation : loyauté de l'information précontractuelle
FR – Eurogroup Consulting	2018	Etude Crédit Consommation France
FR – IFOP	2016	Perception des mentions légales à la radio
FR - Ministère de l'économie et des finances - République française	2011	Note d'information n°2011-73
FR – Que choisir	2008	Directive crédit à la consommation
FR – Que choisir	2011	Crédit conso. Nouvelle protection en demi-teinte
FR – Que choisir	2015	Crédit à la consommation (infographie)
FR – Que choisir	2019	Plafonnement des sanctions en cas d'erreur ou de défaut de TAEG
FR - UFC-Que Choisir, Service des études	2019	Loa/Lld: Une Degradation Massive Des Droits Des Emprunteurs
FR - UFC-Que Choisir, Service des études	2018	Financement participatif. Face aux dérives persistantes, une regulation s'impose!

Author	Published	Title
FR - UFC-Que Choisir, Service des études	2019	Leasing, a Massive Degradation of Borrowers Rights
FR - UFC-Que Choisir, Service des études	2019	Overdraft Facility: Excessively Expensive Credits
FR - UFC-Que Choisir, Service des études	2019	Le decouvert bancarie: les exces, la norme. Des Crédits Excessivement Chers
FR- Economie (France)	2015	Le crédit à la consommation
G20-OECD Task Force on Financial Consumer Protection	2019	Effective Approaches for Financial Consumer Protection in the Digital Age
G20-OECD Task Force on Financial Consumer Protection	2019	OECD Recommendation on Consumer Protection in the field of Consumer Credit
G20-OECD Task Force on Financial Consumer Protection	2018	Financial Consumer Protection Approaches in the Digital Age - G20/OECD Policy Guidance
DE - German Banking Industry Committee (GBIC)	2018	Feedback from the German Banking Industry Committee (GBIC) (DE) on the European Commission's Evaluation Roadmap of the Consumer Credit Directive
DE - German Coalition against Usury	2019	Evaluation of Directive 2008/48/EU with regard to the spread of Usurious Credit in Europe
DE - German Federal Financial Supervisory Authority (BaFin)	2017	Ergebnisbericht zur Marktuntersuchung Restschuldversicherungen (Report on the market investigation of residual debt insurance)
Global Partnership for Financial Inclusion (GPFI)	2018	Use of Alternative Data to Enhance Credit Reporting to Enable Access to Digital Financial Services by Individuals and SMEs operating in the Informal Economy: Guidance Note.
GlobeNewsWire	2018	Financial Crisis - 10 years later. Consumer Credit Market on an upward curve
UK - House of Lords, EU Committee	2006	Consumer Credit in the European Union: Harmonisation and Consumer Protection (36th Report of Session 2005–06)
Inbar Mizrahi-Borohovich, David Levi-Faur	2020	Varieties of consumer credit data regimes: A regulatory governance approach
ING	2019	View on Consumer Lending trends in Europe
ING	2018	Saving comfort – a path to happiness
Institut für Finanzdienstleistungen; Zentrum für Europäische Wirtschaftsforschung2010	2013	Study on interest rate restrictions in the EU Final Report
International Consumer Protection Network (Icpen)	2019	Unfair contract terms and misleading trading practices in financial services
International Financial Consumer Protection Organisation (FinCoNet)	2017	Report on the Digitalisation of Short-term, High-Cost Consumer Credit

Author	Published	Title
International Financial Consumer Protection Organisation (FinCoNet)	2019	Report on the Digitalisation of Short-term, High-Cost Consumer Credit: Guidance to Supervisors
International Financial Consumer Protection Organisation (FinCoNet)	2018	FinCoNet Annual Report 2018
International Monetary Fund	2017	Credit Growth and Economic Recovery in Europe after the Global Financial Crisis
International Monetary Fund	2015	IMF Survey: Central, Eastern and South-eastern Europe: Mind the Credit Gap
Intrum	2018	European Consumer Payment Report 2018
Irby, L.	2019	Things you should know about credit bureaus [https://www.thebalance.com/credit-bureau-facts-960693]
IT – Banca d'Italia	-	Bank of Italy Guides – Consumer credit made easy
IT – Crowd-funding	-	Normativa dell'equity-based crowdfunding in Italia
IT - Opinioni. Credito al Consumo	2010	Trasparenza (e non) nella nuova direttiva sul credito al consume alla vigilia delrecepimento
IT - ResearchGate	2008	La direttiva sul credito ai consumatori: alcune implicazioni giuridiche ed economiche
IT - Università degli Studi di Ferrara	2013	Il collegamento negoziale nel credito al consumo alla luce della direttiva 2008/48/CE
IT – Garante per la Protezione dei Dati Personali	2019	Codice di condotta per i sistemi informativi gestiti da soggetti privati in tema di crediti al consumo, affidabilità e puntualità nei pagamenti
Joasia Luzak and Mia Junuzović	2019	Blurred Lines: Between Formal and Substantive Transparency in Consumer Credit Contracts
Jørgensen Tanja	2018	Peer-to-Peer Lending – A New Digital Intermediary. New Legal Challenges
Junuzovic Mia	2018	Transparency of (pre-)contractual Information in consumer credit agreements: Is consistency the missing key?
Kahneman, Daniel	2011	Thinking, Fast and Slow. New York: Farrar, Straus and Giroux, 2011
Karen Rowlingson, Lindsey Appleyard And Jodi Gardner. Cambrige University Press.	2016	Payday lending in the UK: the regul(aris)ation of a necessary evil?
Kösters, W. Et Al. (For Intereconomics)	2004	An Economic Analysis of the EU Commission's Proposal for a New Consumer Credit Directive
La Banque au service de la societe	-	Quel rôle le secteur financier joue-t-il dans l'économie?
Latvian Ministry of Economics	2018	The Saeima passes new provisions for issuing non-bank loans or so-called "quick loans"
Leaseurope	2018	Biannual Survey 2018
Lefevre, A. and M. Chapman	2017	Behavioural economics and financial consumer protection, OECD Working Papers on Finance, Insurance and Private Pensions

Author	Published	Title
London Economics	2013	Study on The Functioning of the Consumer Credit Market in the EU
London Economics	2014	Study on The Functioning of the Consumer Credit Market in the EU
London Economics Europe, VVA Consulting, Ipsos NV, ConPolicy and Time.lex	2019	Behavioural study on the digitalisation of the marketing and distance selling of retail financial services
London Economics, VVA Consulting and Ipsos	2016	Consumer Vulnerability across Key Markets in the European Union
Marte Eidsand Kjorven (European Business Law Review)	2020	Who pays when things go wrong? Online Financial Fraud and Consumer Protection in Scandinavia and Europe
Martin Bijsterbosch; Tatjana Dahlhaus	2011	Determinants of Credit-Less Recoveries
Mary Faherty, Olive McCarthy and Noreen Byrne Centre for Co-operative Studies, University College Cork on behalf of the Social Finance Foundation	2017	Interest Rate Restrictions on Credit for Low-income Borrowers
Multi-stakeholder expert group to support the application of Regulation (EU) 2016/679 (E03537)	2019	Contribution from the Multistakeholder Expert Group to the stock-taking exercise of June 2019 on one year of GDPR application
New Statesman	2014	The History of Payday Loans
NL - Nationaal Instituut voor Budgetvoorlichting (NIBUD)	2018	Een persoonlijke lening: keuze en ervaingen van consumenten
NL - Autoriteit Financiële Markten (AFM)	2014	Markt voor flitskrediet verder opgedroogd [https://www.afm.nl/nl-nl/nieuws/2014/feb/markt-flitskrediet]
NL - Netherlands Authority for the Financial Markets (AFM)	2018	Klantbelang Dashboard 2018: Kredietaanbieders kunnen meer doen om problematische last te voorkomen
NL - Netherlands Authority for the Financial Markets (AFM)	2018	AFM beboet Novum Bank voor aanbieden flitskrediet zonder vergunning [https://www.afm.nl/nl-nl/nieuws/2018/dec/boete-novum-bank)
NL – Pricewise	2019	Nederlanders betalen flinke rentes over hun leningen [https://www.pricewise.nl/blog/onderzoek-rentepercentages-afbetalen-leningen/]
NL - Vereniging van Financieringsondernemingen (VFN)	2018	Past Gedragscode aan ter bevordering verantwoorde kredietverlening
Nuno Crato; Paolo Parulo	2019	Data-Driven Policy Impact Evaluation - How access to microdata is tranforming policy design

Author	Published	Title
OECD/G20	2018	INFE Policy Guidance Digitalisation and Financial Literacy
Office of Fair Trading (OFT)	2013	Payday Lending – Compliance Review Final Report
Olha O. Cherednychenko, Jesse M. Meindertsma in Journal of Consumer Policy	2019	Irresponsible Lending in the Post-Crisis Era: Is the EU Consumer Credit Directive Fit for Its Purpose?
Organisation for Economic Co-operation and Development (OECD)	2010	Facilitating access to finance – Discussion paper on Credit Guarantee Schemes
Organisation for Economic Co-operation and Development (OECD)	2019	Short-term consumer credit: provision, regulatory coverage and policy responses
Oxera	2007	What Is the Impact of the Proposed Consumer Credit Directive?
Panoptykon Foundation	2019	The right to explanation of creditworthiness assessment – first such law in Europe
Physica – Verlag, Daniela Vandone	2009	Consumer Credit in Europe, Risks and Opportunities of a Dynamic Industry
PwC	2016	How FinTech is shaping Financial Services
PwC	2017	Global FinTech Report 2017
Radiocentre	2016	Financial terms and conditions and consumer protection
Ray Barrell, Abdulkader Nahhas	2019	The role of lender country factors in cross border bank lending
Reifner, U. et al. (for BEUC)	2011	Financial Supervision in the EU, A Consumer Perspective
Representation in United Kingdom (EC)	2017	Comparison websites often mislead on flight and hotel prices, reveals EU screening
Anderloni L, Vandoni D	2010	The Profitability of the consumer Credit industry: Evidence from Europe
Škalamera-Alilović D, Dimitrić M	2017	(Ir)responsible leading and personal indebtedness: consumer credit marketing
Seizov O., Wulf A. J. and Luzak J.	2017	The Transparent Trap: A Multidisciplinary Perspective on the Design of Transparent Online Disclosures in the EU
Service Public Wallonie	2019	Le devoir d'information en crédit à la consommation
The European Consumer Organisation (BEUC)	2011	Protecting Consumer Interests in the Retail Financial Services Area: Need for Independent and Efficient National Supervisors Everywhere in the EU
The European Consumer Organisation (BEUC)	2016	BEUC Response to the Commission's Call for Evidence
The European Consumer Organisation (BEUC)	2017	The Never-Ending European Credit Data Mess

Author	Published	Title
The European Consumer Organisation (BEUC)	2019	Access to consumers' data in the digital economy
The European Consumer Organisation (BEUC)	2019	Review of the Consumer Credit Directive – BEUC Position
The Money Charity	2017	The Money Statistics, May 2017
The World Bank Group	2018	The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution
The World Bank Group	2019	Disruptive Technologies in the Credit Information Sharing Industry: Developments and Implications
TransUnion	2018	FinTechs Continue to Drive Personal Loan Growth
UK – Citizens advise	2017	Credit card companies pushing credit on millions of people who can't pay
UK - Consumer Credit Association (CCA)	2017	Response to the European Commission's Green Paper on Retail Financial Services (COM (2015) 630 final)
UK - Department for Business Innovation & Skills (BIS)	2010	Guidance on the Regulations Implementing the Consumer Credit Directive Updated for EU Commission Directive 2011/90/EU (Effective 1 January 2013)
UK - Department for Business Innovation & Skills (BIS)	2011	A New Approach to Financial Regulation: Summary of Responses to Consultation on Reforming the Consumer Credit Regime
UK - Department for Business Innovation & Skills (BIS)	2011	Consumer Credit and Personal Insolvency Review: Formal Response on Consumer Credit
UK - Department for Business Innovation & Skills (BIS)	2011	Consumer Credit and Personal Insolvency Review: Summary of Responses on Consumer Credit and Formal Response on Personal Insolvency
UK - Financial Conduct Authority (FCA)	2014	Consumer Credit and Consumers in Vulnerable Circumstances
UK - Financial Conduct Authority (FCA)	2017	From advert to action: behavioural insights into the advertising of financial products
UK - Financial Conduct Authority (FCA)	2018	Assessing creditworthiness in consumer credit – Feedback on CP17/27 and final rules and guidance (Policy Statement)
UK - Financial Conduct Authority (FCA)	2018	The financial lives of consumers across the UK
UK - Financial Conduct Authority (FCA)	2019	Credit Information Market Study
UK - Oswald Stoll. Business and Technology Blog	2019	Big and Small Differences in Payday Loans In Europe
UK – Shawbrook Bank	2018	Are consumers being misled by Representative APRs? Research into the UK personal loans market and lenders' use of Representative APR in advertising
Uuriintuya Batsaikhan and Maria Demertzis	2018	Financial literacy and inclusive growth in the European Union

Author	Published	Title
DE - Verbraucherzentrale Bundesverband (vzbv)	2018	Feedback from Verbraucherzentrale Bundesverband (vzbv) (DE) on the European Commission's Evaluation Roadmap of the Consumer Credit Directive
DE - Verbraucherzentrale NRW	2017	Umfrage der Verbraucherzentrale Nordrhein-Westfalen zum Umgang mit der Kreditwürdigkeitsprüfung bei Aufnahme eines Verbraucherdarlehens (Survey of the consumer advice center North Rhine-Westphalia for dealing with the creditworthiness check when taking out a consumer loan)
UK- Which?	2019	Cheap 'teaser' loan rates costing borrowers £194m
UK- Which?	2019	Borrowers face early-repayment charges on half of all personal loans [https://www.which.co.uk/news/2019/02/borrowers-face-early-repayment-charges-on-half-of-all-personal-loans/ - Which?]
World Bank Group	2011	General Principles for Credit Reporting
Zentrum für europäischen Verbraucherschutz (ZEV)	2011	Ein Europaeischer Markt Fuer Verbraucherkredite: Existiert Ein Solcher Wirklich? Betrachtungen Im Deutsch-Franzoeschien Kontext

Table 2. Additional documentation reviewed during desk research (per key topic)

Author	Published	Title
Impact of COVID-19		
A&L Goodbody	2020	"We're from the regulator and we're here to help": bank regulatory responses to the COVID-19 crisis
BRUEGEL DATASETS	2020	The fiscal response to the economic fallout from the coronavirus
Bruegel (Maria Demertzis, Marta Domínguez-Jiménez and Annamaria Lusardi)	2020	The financial fragility of European households in the time of COVID-19
CGAP (The Consultative Group to Assist the Poor)	2020	COVID-19: How Does Microfinance Weather the Coming Storm?
Chandana Asif, Klaus Dallerup, Stephanie Hauser, Alia Parpia, and Zubin Taraporevala (McKinsey)	2020	Reshaping retail banking for the next normal
Debt Camel	2020	COVID-19 – credit score protection, but will it be harder to get credit?
Dominic O'Neill for Euromoney	2020	Coronavirus: European Banks step up push for regulatory forbearance
Eurofound	2020	COVID-19: Policy responses across Europe
European Systemic Risk Board	2020	Policy measures in response to the COVID-19 pandemic
European Banking Authority	2020	Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis

Author	Published	Title
European Banking Authority	2020	EBA Report on the Implementation of selected COVID-19 Policies
European Banking Authority	2020	Impact of COVID 19 on EU banking sector
European Banking Authority	2020	Consumer lending in the EU banking sector
European Banking Authority	2020	The EU banking sector: first insights into the COVID-19 impacts - Thematic Note
European Banking Authority	2019	Opinion on disclosure to consumers buying financial services through digital channels
European Banking Authority	2020	COVID-19 banking measures and recommendations towards a sustainable recovery - based on BSG (Banking Stakeholder Group) Contribution for FISMA Meeting 28 May 2020
European Commission	2020	CPC Common Position COVID19
European Commission	2020	Coordinated economic response to the COVID-19 Outbreak
European Commission	2020	Stakeholder dialogue outcome - Best practices in relation to relief measures offered to consumers and businesses in the context of the COVID-19 crisis-Brussels, 14 July 2020
European Commission Communication	2020	Coronavirus response: Banking Package to facilitate bank lending- Supporting households and businesses in the EU
European Investment Bank	2020	Does This Change Everything? Private credit and coronavirus
European Parliament	2020	Uncertainty/EU/Hope Public opinion in times of COVID-19 Report
European Parliament	2020	Public opinion monitoring in the time of COVID-19
European Parliament (news)	2020	COVID-19: watch out for online scams and unfair practices
European Union	2020	Coordinated economic response to the COVID-19 Outbreak
Finance Watch	2020	Coronavirus: a dangerous wave of personal over-indebtedness is on its way: here is how to avoid it.
Finance Watch	2020	Health crisis: Credit is not the solution to the financial problems of precarious European households
Financial Conduct Authority (UK)	2020	Coronavirus: information for consumers on personal loans, credit cards, overdrafts, motor finance and other forms of credit
Financial Times	2020	Soaring saving rates pose policy dilemma for world's central bankers
Fintech	2020	The impact of COVID-19 on the personal loan market
Institute for fiscal studies	2020	Despite short-term relief, households could face debt problems as a result of the coronavirus (COVID-19) pandemic

Author	Published	Title
International Monetary Fund	2019	World Economic Outlook, April 2020: The Great Lockdown
Moody's Analytics	2020	Forecasting the Impact of the COVID-19 Recession on Consumer Credit Losses
Morgan Stanley	2020	The Coronavirus Recession: Sharper But Shorter
OECD	2019	Financial consumer protection responses to COVID-19 Support for financial consumers
OECD	2020	Financial Consumer Protection responses to the COVID-19 crisis
S&P Global	2020	Credit Conditions Europe: Curve Flattens, Recovery Unlocks
S&P Global	2020	Coronavirus loan moratoriums could be bank misconduct 'hotspot,' EBA warns
Shearman & Sterling lawyers	2020	Coronavirus implications in loan documents
Squire – Patton Boggs	2020	COVID-19 Government Measures in Real Estate Europe
The Economist	2020	What will happen to the Global Economy?
The European Consumer Organisation	2020	COVID-19 – implications for consumers and BEUC recommendations for policy responses
The Financial Inclusion Centre	2020	Dealing with the immediate and long-term financial impacts of Covid19
The New York Times	2020	Virus Revives Italy's Age-Old Shadow Safety Net: The Pawnshop
World Bank Blogs	2020	Protecting financial consumers during the COVID-19 crisis
Green loans		
Crédit Agricole	2020	Crédit Agricole launches "green" loans
Deutsche Bank	2020	Deutsche Bank is the leading green consumer finance operator in Italy
Energy Cities	2017	The Brussels Green Loan Scheme
Energy Efficiency Data Protocol and Portal	2018	Energy Efficiency Reporting Criteria Market Mapping
Energy Efficiency Mortgages Action Plan	2019	Creating an energy efficient mortgage for Europe: The supporting role of the green building sector
Energy Efficiency Mortgages Action Plan	2019	Technical report on the complete design of the energy efficiency mortgage
Energy Efficiency Mortgages Action Plan	2019	Roadmap for market implementation of the energy efficient mortgage
Energy Efficiency Mortgages Action Plan	2018	Consumer Research Insights
Euractiv	2018	More banks join EU-backed pilot scheme for green mortgages
European Banking Federation	2019	Encouraging and rewarding sustainability, Accelerating sustainable finance in the banking sector

Author	Published	Title
European Banking Federation	2017	Toward a green finance framework
European Commission	2020	The European Green Deal - roadmap and key actions
European Commission	2020	A new vision for Europe's capital market: Final report on the High-level forum on the capital markets Union
European Commission	2017	Defining "green" in the context of green finance
Financial Conduct Authority (UK)	2018	Climate Change and Green Finance – Discussion paper
Linklaters	2019	The rise of green loans and sustainability linked lending
Loan Market Association	2020	Green Loan Principles - Supporting environmentally sustainable economic activity
UN Environment Programme	2007	Green Financial Products & Services: Current State of Play and Future Opportunities
Victor de Serière	2020	Idealism or realistic approaches? Regulatory possibilities to require financial institutions to more substantially contribute to achieving climate goals? An overview
Over-indebtedness		
Eurofound	2020	Addressing household over-indebtedness
Eurofound	2020	Europe's pre-existing household debt condition likely to be exacerbated by virus crisis
European Automobile Manufacturers Association	2020	EU car sales forecast 2020: Record drop of 25% expected this year, says ACEA
European Central Bank	2020	Indebtedness and spending: what happens when the music stops?
European Commission	2013	The over-indebtedness of European households: Updated mapping of the situation, nature and causes, effects and initiatives for alleviating its impact (Country reports)
European Commission	2013	The over-indebtedness of European households: Updated mapping of the situation, nature and causes, effects and initiatives for alleviating its impact (Synthesis of findings)
European Financial Inclusion Network	2016	Unfair Lending Practices and Toxic Loans
Eurostat	2015	Quality of life Facts and views (Statistical Book)
Eurostat News	2020	One in three people unable to face unexpected financial expenses (EU SILC survey)
Finance Watch	2020	Debt data collection: Is the human dignity of individual debtors at risk?
Konsumentverket (Swedish Consumer Agency)	2014	Is debt relief rehabilitative? An evaluation of debt relieved persons' health, life quality and personal finances three years after conducted debt relief
Kruis, G. , Jungmann, N., and Blommesteijn, M.	2011	Social Economic Benefit of Volunteer Projects Within Debt Aid, Social Force and Regioplan
Margareta Dackehag; Lina Maria Ellegard; Ulf-G Gerdtham; Therese	2016	Day-to-Day Living Expenses and Mental Health

Author	Published	Title
Nilsson (University of Lund)		
OECD	2019	Data on Household Debt
OECD	2020	Financial Consumer Protection and Ageing Populations
Sharon Collard	2013	Working together: Understanding motivations and barriers to engagement in the consumer debt marketplace
Social Europe	2010	Research note 4/2010 Over-indebtedness New evidence from the EU-SILC special module
The Guardian	2017	UK credit and debit card spending growing at fastest rate since 2008
The Guardian	2020	UK consumers repay record £7.4bn of debt in COVID-19 lockdown
Use of algorithms		
Aziz, S. and M. Dowling	2018	AI and Machine Learning for Risk Management
Brookings Institution	2020	The European Commission considers new regulations and enforcement for "high-risk" AI
Bruckner, Matthew A.,	2018	The Promise and Perils of Algorithmic Lenders' Use of Big Data
Buchanan, Bonnie (The Alan Turing Institute)	2019	Artificial Intelligence in Finance
Datenethikkommission (Germany)	2019	Opinion of the Data Ethics Commission
Erik Kamenjasevic (KU Leuven Centre for IT and IP law blog)	2017	Profiling in the financial sector
European Banking Authority	2020	Report on Big Data and Advanced Analytics
European Commission	2020	On Artificial Intelligence - A European approach to excellence and trust
European Commission	2020	White Paper on Artificial Intelligence. A European approach to excellence and trust
European Commission	2019	An overview of Consumer Credit Scoring: Opportunities and Challenges
Financial Conduct Authority (UK)	2020	Credit Information Market Study – Terms of Reference
Frederik Zuiderveen Borgesius (Council of Europe study)	2018	Discrimination, artificial intelligence, and algorithmic decision-making
Institute of International Finance	2019	Machine Learning Recommendations for Policymakers
Institute of International Finance	2019	Machine Learning in Credit Risk
Karen Croxson, Philippe Bracke, Carsten Jung (FCA UK)	2019	Explaining why computer says 'no'

Author	Published	Title
Kamenjasevic	2017	Profiling in the financial sector under the GDPR
Leonardo Gambacorta, Yiping Huang, Han Qiu and Jingyi Wang	2019	How do machine learning and non-traditional data affect credit scoring? New evidence from a Chinese fintech firm (BIS Working Paper no. 834)
Maria Fernandez Vidal, Jacobo Menajovsky	2019	Algorithm Bias in Credit Scoring: What's Inside the Black Box?
Mikella Hurley, Julius Adebayo	2016	Credit Scoring in the Era of Big Data
N Aggarwal, H Eidenmüller, L Enriques, J Payne, K van Zwieten	2020	Machine Learning, Big Data and the Regulation of Consumer Credit Markets: The Case of Algorithmic Credit Scoring
Public Goods	2019	Financial consumer protection and the European Social Model
Record Evolution	2020	Credit Default Risk Prediction
The Danish Competition and Consumer Authority	2018	Consumers benefit from a standardised front page to loan offers
The European Consumer Organisation (BEUC)	2019	AI rights for consumers
Use of social media		
Beibei Niu, Jinzheng Ren and Xiaotao Li	2019	Credit Scoring Using Machine Learning by Combing Social Network Information: Evidence from Peer-to-Peer Lending
Credit score	2019	Can Social Scoring Really Affect Credit Applications?
European Credit Research Institute (ECRI) and University of Edinburgh	2019	Data sharing in credit markets: Does comprehensiveness matter?
Experian	2018	Making the invisible visible - Exploring the power of new data sources
Fin Extra	2019	Lenders: What's the deal with data?
Henry, N. and Morris, J	2018	Scaling Up Affordable Lending: Inclusive Credit Scoring
Nikita Aggarwal	2019	Big Data and the Obsolescence of Consumer Credit Reports
Nizan Geslevich Packin	2019	Social Credit: Much More Than Your Traditional Financial Credit Score Data
Ntwiga and Weke	2016	Consumer lending using social media data
Techcrunch	2019	Europe should ban AI for mass surveillance and social credit scoring
Yildirim, Van del Bulte, Dellarocas	2014	Credit Scoring with Social Network Data
Feedback on the Inception Impact Assessment		
4Finance Group	2020	Consumer credit agreements – review of EU rules. Feedback from: 4Finance Group
AER - Association of European Radios	2020	Consumer credit agreements - review of EU rules. Feedback from: AER - Association of European Radios

Author	Published	Title
Altroconsumo	2020	Consumer credit agreements - review of EU rules. Feedback from: Altroconsumo Associazione indipendente di consumatori
American Express	2020	Consumer credit agreements - review of EU rules. Feedback from: American Express
Association of Consumer Credit Information Suppliers	2020	Consumer credit agreements - review of EU rules. Feedback from: Association of Consumer Credit Information Suppliers
Association of Credit Card Issuers in Europe (ACCIE)	2020	Consumer credit agreements - review of EU rules. Feedback from: Association of Credit Card Issuers in Europe (ACCIE)
Asociación Usuarios Financieros (ASUFIN)	2020	Consumer credit agreements - review of EU rules. Feedback from: ASUFIN
BEUC, European Consumer Organisation	2020	Consumer credit agreements - review of EU rules. Feedback from: BEUC, European Consumer Organisation
COFACE-Families Europe	2020	Consumer credit agreements - review of EU rules. Feedback from: COFACE-Families Europe
Consumer Rights Protection Centre of Latvia	2020	Consumer credit agreements - review of EU rules. Feedback from: Consumer Rights Protection Centre of Latvia
European Association of Co-operative Banks (EACB)	2020	Consumer credit agreements - review of EU rules. Feedback from: European Association of Co-operative Banks (EACB)
European Cancer Patient Coalition	2020	Consumer credit agreements - review of EU rules. Feedback from: European Cancer Patient Coalition
European Consumer Centre of Latvia	2020	Consumer credit agreements - review of EU rules. Feedback from: European Consumer Centre of Latvia
European Network of Credit Unions (Belgium)	2020	Consumer credit agreements - review of EU rules. Feedback from: European Network of Credit Unions (Belgium)
European Microfinance Network	2020	Consumer credit agreements - review of EU rules. Feedback from: European Microfinance Network
European Savings and Retail Banking Group (Belgium)	2020	Consumer credit agreements - review of EU rules. Feedback from: European Savings and Retail Banking Group
Finance Watch	2020	Consumer credit agreements - review of EU rules. Feedback from: Finance Watch
UK - General Council of the Bar in England and Wales, Brussels Office	2020	Consumer credit agreements - review of EU rules. Feedback from: General Council of the Bar in England and Wales, Brussels Office
DE - German Banking Industry Committee	2020	Consumer credit agreements - review of EU rules. Feedback from: German Banking Industry Committee
L'allocation de soutien familial (Asf)	2020	Consumer credit agreements - review of EU rules. Feedback from: L'allocation de soutien familial (Asf)
ES - Spanish Banking Association (AEB)	2020	Consumer credit agreements - review of EU rules. Feedback from: Spanish Banking Association AEB
Sudirección General de Arbitraje y Derechos del Consumidor DG	2020	Consumer credit agreements - review of EU rules. Feedback from: Sudirección General de Arbitraje y

Author	Published	Title
Consumo. Ministerio de Consumo. España		Derechos del Consumidor DG Consumo. Ministerio de Consumo. España
LU - Union Luxembourgeoise des Consommateurs	2020	Consumer credit agreements - review of EU rules. Feedback from: Union Luxembourgeoise des Consommateurs
Other relevant documents		
AFM - The Dutch Authority for the Financial Markets	2019	A closer look at consumer borrowing. An analysis of decision-making behaviour and potential interventions in the consumer credit market
Allen & Overy	2020	New 2019 of the Court of Justice of the European Union on the expression of the annual percentage rate of charge in consumer credit agreements (Case C 290/19)
Association Française des Sociétés Financières A.S.F	2020	L'activité des adhérents de l'ASF en 2019
Association Française des Sociétés Financières A.S.F	2020	Credit a la consommation - Statistique mensuelle d'activite - Juillet 2020
CGAP (The Consultative Group to Assist the Poor)	2020	Digital Banks: How can they deepen financial inclusion?
Challenges.fr	2017	Le leasing, le produit financier qui relance les ventes d'auto
European Banking Authority	2020	Guidelines on loan origination and monitoring
European Banking Authority	2020	Consultation regarding Guidelines on loan origination and monitoring
European Banking Authority (EBA)	2020	EBA Report on Financial Education 2019/2020
European Banking Authority (EBA)	2020	EBA Financial Education Repository - Financial education initiatives by the National Supervisory Authorities 2019/2020
European Banking Authority (EBA)	2020	Consumer Lending in the EU Banking Sector – March 2020 Thematic Note
European Central Bank (ECB)	2020	Évaluation d'ensemble de la structure et de l'intégration financières
European Central Bank (ECB)	2020	The euro area bank lending survey – Second quarter of 2020
European Central Bank (ECB)	2020	Economic Bulletin Issue 5/2020
European Central Bank (ECB)	2020	Households and non-financial corporations in the euro area: third quarter of 2019 (Press release)
European Central Bank (ECB)	2020	Household wealth and consumption in the euro area, ECB Economic Bulletin, Issue 1/2020
European Commission	2020	A European strategy for data
European Commission	2020	Consumer Protection Cooperation Network
European Commission	2020	European Economic Forecast Spring 2020 - Institutional Paper 12
European Commission	2020	Summer Economic Forecast

Author	Published	Title
European Commission	2020	Evaluation of the Consumer Credit Directive (Directive 2008/48/EC)
Federico Ferretti, Beatrice Bertarini	2020	Consumer Credit Advertising in the United Kingdom and Italy: The Shortcomings of the Consumer Credit Directive and Scope for Review (European Business Law Review)
FI - Finansinspektionen	2020	FI Analysis 22: Fewer high-cost short-term credits after new rules
FI - Finansinspektionen	2020	Swedish Consumer Credit
FI - Finansinspektionen	2020	Credit checks must be improved
FI – Office of the data protection ombudsman	2019	The Data Protection Ombudsman ordered Svea Ekonomi to correct its practices in the processing of personal data
Finance Watch	2020	Basic Financial Services. A European wide study on financial services and products.
FIN-NET	2020	FIN-NET activity report 2018
Jastra Ilic for finanso.se	2020	European Business P2P Lending Industry to Reach $6.5bn Value This Year
Organisation for Economic Co-operation and Development (OECD)	2020	Advancing the Digital Financial Inclusion of Youth
Organisation for Economic Co-operation and Development (OECD)	2020	OECD Business and Finance Outlook 2020
Public Goods	2019	Financial consumer protection and the European Social Model
Report Linker	2020	Global Peer-to-peer Lending Industry
Scott Whitaker and Struan McOmish	2020	New Zealand: Changes to consumer credit legislation - further information
Statista dossier	2019	Banking sector and credit lines in France
Statista dossier	2019	European banking: structure and development
Statista dossier	2018	Household finance in Belgium
Statista dossier	2020	Fintech report
Statista dossier	2020	Alternative lending report

Annex 4: Stakeholder consultation synopsis report

A4.1. Introduction and stakeholder consultation strategy

The stakeholder consultation collected information and feedback on various aspects of the CCD and the consumer credit market from a wide range of key stakeholders representing consumers, industry, national authorities, researchers and other relevant interest groups. It included four online surveys and three short questionnaires, semi-structured interviews, the analysis of the responses to the questions related to the CCD in a Commission-run public consultation on the Consumer Agenda and two workshops organised by ICF at different stages of the study, for which the first covered the problem definition and the second aimed to validate the policy options. It also included the analysis of the feedback to the Commission's Inception Impact Assessment (IAA) as well as of ad-hoc contributions from stakeholders provided through other channels than the consultation tools.

The aim of the stakeholder consultation was to gather feedback and information (qualitative and quantitative) from key stakeholders to support the definition of the key trends in the consumer credit market and problems faced by stakeholders related to the CCD. It also informed the development and selection of the policy options, with key stakeholders at EU and national level providing feedback on the impact of policy measures adopted by Member States and the preliminary policy options and measures developed.

A4.2. Consultation activities and tools

The consultation strategy was underpinned by a number of key activities using multiple tools to target a wide range of stakeholders through different channels and gather insights from as many relevant stakeholders as possible.

The **surveys and interviews** aimed at gathering views from the various key stakeholder groups. The four online surveys ran between end of July and mid-September. They targeted EU and national level representatives of consumer organisations, credit providers / intermediaries / other businesses involved in the marketing of consumer credit, business associations and national authorities. They sought to obtain data, supporting information and views on the recent and expected trends in the field of consumer credit, key problems faced by the various stakeholders, potential solutions to the problems and the expected impact of preliminary policy options and measures (including costs and benefits).

In addition to the online surveys, three questionnaires were developed targeting Alternative Dispute Resolution (ADR) bodies and members of the European Consumer Centres (ECC) and the Consumer Protection Centres (CPC) centres. The questionnaires focused on key issues faced by consumers and credit providers and the enforcement of CCD obligations. Feedback from ADR bodies was collected between mid-August and mid-September. ECC and CPC survey were distributed by the Commission in mid-August.

Finally, a validation survey was also developed targeting a specific group of stakeholders to gain feedback on the designed policy options. The validation survey ran from 11 November until 18 November. In total, 76 stakeholders were invited to complete the survey. In addition to attendees and registered participants to the validation workshop (49 stakeholders), which is discussed below in more detail, willing stakeholders who completed the survey in August or participated in an interview (27 stakeholders) were also invited to contribute to the validation survey.

Table 3 shows the number of stakeholders contacted to complete the survey and the result of that contact. In total, 396 stakeholders were invited to participate in the surveys. The overall response rate was 26% (103/396). It also includes the targeted population for the validation survey and the result of that contact.

Table 3. Summary of surveys and short questionnaires (planned and conducted)

Stakeholder group	Survey population target	Completed	Response rate	Follow-up completed
National consumer organisations (& EU-level)	30	14	46%	3
National business associations (& EU-level)	30	23	77%	9
Credit providers / intermediaries	100	8	8%	1
National authorities	108	32	30%	6
EU authorities	-	-	-	0
Other business operators	-	-	-	1
Alternative Dispute Resolution Bodies	69	10	14%	0
European Consumer Centres (ECC) network	30	6	20%	-
Consumer Protection Cooperation (CPC) network	29	10	34%	-
Total	***396***	**103**	**26%**	**20**

To support the development of the country case studies, stakeholders from the ten selected Member States who completed the survey were invited to discuss their answers more in detail during semi-structured interviews. Interviews were also set up with a small number of representatives of EU-level business associations, consumer organisations and researchers and thematic experts. In an effort to reach the interview target for each stakeholder group, organisations from Members States that were not part of the initial selection were also invited to participate.[4] The interviews were carried out between end of August and mid-October. Table 4 shows the targeted stakeholder interview population and the final number of completed interviews (35).

Table 4. Summary interviews (planned and completed)

Stakeholder group	Target	Completed (countries)
EU level consumer organisations	5	3 (EU)
EU level business associations	2	2 (EU)
Researchers and thematic experts	3	1 (EU)
National consumer organisations	10	4 (BE, NL, PL, PT)
National business associations	10	7 (AT, BE, DE, FR, IT, PL, SE)
Creditors, including non-banks	10	7 (DE, DK, EU, LT, NL, SE)
Credit intermediaries, including online platforms and peer-to-peer platforms	5	-
Other business operators involved in the marketing and granting of consumer credit	5	2 (EU, UK)
EU institutions	3	4
National authorities (i.e. consumer enforcement authorities, responsible ministries and the relevant national regulatory and supervisory authorities)	15	5 (BE, EE, IT, NL, PL)
Total	**68**	**35**

[4] Denmark, Portugal and Lithuania.

The study also analysed the responses to the questions relating to the CCD included in a **public consultation on the Consumer Agenda**, ran by the Commission from June until October 2020. The consultation received a total of 393 responses from (EU and non-EU) citizens, business associations, business organisations (i.e. companies), public authorities, consumer organisations, NGOs, academic and research institutions, and 'other'. Table 5 presents the profile of respondents answering to the public consultation, and the number of responses received from each group.

Table 5. Profile of respondents to the public consultation on the Consumer Agenda

Stakeholder group	Number of responses
Business associations	118
Citizens	79 (76 EU; 3 non-EU)
Companies / business organisations	70
Public authorities	45
Non-gouvernemental organisations (NGO)	35
Consumer organisations	24
Other	13
Academic / research institution	9
Total	**393**

Note: No responses were received from trade unions and environmental organisations.

Stakeholder feedback on the **Inception Impact Assessment** was gathered by the Commission between June and September 2020, following the Commission Proposal to review the CCD as part of the REFIT Annex of the Commission Work Programme 2020 (see Inception Impact Assessment). A total of 25 contributions were received, analysed and incorporated in the study findings. The input covered the assessment of the expected economic, environmental and social impacts of a potential EU action to revise the Consumer Credit Directive.

A **participatory workshop** was organised by ICF in September 2020. It gathered a total of 54 participants (20 active participants and 34 observers), mostly from EU-level organisations representing the interests of credit providers and intermediaries, consumers and other relevant businesses, but also a subject-matter expert. In addition, 11 representatives of the Commission joined and 4 members of the study team. The workshop covered the key issues affecting consumers and credit providers (and other business operators involved in the marketing and provision of consumer credit), structured around five main problems, each of them broken down in sub-problems. The workshop also gauged stakeholders' preference in terms of policy solutions, ranging from non-regulatory measures to measures going beyond legislation.

A **validation workshop** was organised by ICF in November 2020. Invitations were extended to the participants of the first workshop, completed by more national level organisations. It gathered participants from 58 organisations (21 active participants and 37 observers), mostly from EU-level organisations representing the interests of credit providers and intermediaries, consumers and other relevant businesses. The Commission was represented by 7 participants (2 active and 5 observers) and 4 members of the study team were also present. This second workshop built on the findings of the participatory workshop and gathered feedback on the policy options designed to address the problems that were refined based on feedback from the participatory workshop. The workshop offered participants a chance to discuss the various policy options, covering aspects such as their expected effectiveness and efficiency in addressing the problems identified and the impacts that they are likely to have on key stakeholders. In particular, discussions addressed positive and negative

aspects in terms of feasibility, effectiveness and EU added value of the policy options, as well as the benefits and risks or costs on both consumers and industry. Other impacts were also addressed. A voting session was held at the end of the workshop. A presentation at the FSUG was held on 19 November 2020, enabling members to provide feedback on the Options. Specific views were shared following the meeting (in writing).

Ad-hoc contributions were received from the European Commission or directly from stakeholders. In addition, a few stakeholders provided their responses to the survey through email or shared their answers to the interview questions in writing. These contributions were not treated differently but analysed accordingly.

A4.3. Evidence, sources and quality (per consultation activity)

The implementation of the stakeholder consultation encountered various challenges, some of which affected most consultation activities. The first obstacle observed relates to the impact of the COVID-19 pandemic. The uncertainty of the period generated new concerns and a shift of priorities for stakeholders. The low level of participation registered can also be attributed to multiple stakeholder consultations running simultaneously and the often-limited resources to address these queries. The high level of responsiveness of industry representatives in the public consultation compared to a low participation in surveys and interviews may suggest that they considered their contribution to the public consultation sufficient.

The timing of the consultation also constituted an obstacle as it coincided with the summer period, when many stakeholders take their annual leave. Stakeholder fatigue may have also contributed to the low response rate. Most stakeholders had been already contacted last year to participate in the Evaluation of the CCD and some of them argued they had no additional time nor views to share in such a short period of time.

Below is a summary of the key limitations affecting the quality of the evidence collected through each of the stakeholder consultation activities.

Online surveys and short questionnaires: the low response rate is the main limitation affecting the surveys. In spite of the efforts to boost the response rate (e.g. extension of the deadline to submit responses, additional reminders via email and phone, contact with alternative stakeholders), the number of responses received did not achieve the target initially established. Some stakeholder groups (e.g.) were particularly underrepresented. Therefore, results obtained are not representative and cannot be extrapolated to the overall stakeholder group. This also had an impact on the ability of the study to collect comparable, quantitative data from all Member States, negatively impacting the development of the baseline and the problem statement.

With regard to the **follow-up survey** considering the small window of opportunity for stakeholders to provide feedback (one week), a relatively high level of responses was received. Input was received from all groups, including industry representatives, national authorities, other business operators and consumer organisations. Although consumer associations were slightly underrepresented, additional written feedback was submitted by one of the organisations, providing very detailed feedback that was carefully considered.

Interviews: the number of interviews conducted with certain stakeholder groups did not reach the target initially planned either. This is particularly the case for credit intermediaries, with whom no interviews were conducted. Several efforts were made to increase the number of interviews, including sending additional reminders (in national languages were possible), extending the deadline and reaching out to national business associations representing this type of stakeholder, with limited success. As a result, detailed information from a variety of stakeholders from each of the ten selected Member States could not be collected, hindering the implementation of the country case studies.

Public consultation: a higher level of responsiveness was observed in the public consultation, when compared to surveys and interviews. A high number of responses was received especially from business associations and credit providers, which helped balance the views gathered via surveys and interviews. In addition, the public consultation also collected the views from additional stakeholder groups such as citizens, NGOs and academic and research institutions.

Feedback on the Inception Impact Assessment: feedback was provided by a wide range of stakeholders across different Member States, including EU level and national business associations and consumer organisations, as well as credit providers and national authorities. However, the numbers of contributions received from national authorities and credit providers was rather limited.[5] No feedback was gathered from credit intermediaries or researchers. Overall, feedback provided was of high quality providing views on the main trends and challenges in the market, the scope, the information requirements, the credit worthiness assessment and the potential impacts of the COVID-19 pandemic. A few stakeholders attached their position paper to their feedback to elaborate on their comments or mainly repeating the main comments. A limitation to the feedback on the IIA was that it did not contain information on the potential impacts of possible measures.

Participatory workshop: a high level of stakeholders participated in the workshop representing all stakeholder groups at EU and national level. Business associations were slightly overrepresented compared to consumer organisations. Considering the objective of the workshop and the focus of the study, mainly EU level associations were invited to the workshop. This was to ensure that the views from all Members States, channelled through an overarching EU organisation, would be provided. Participants were very vocal during the workshop and were able to provide feedback on the main problems stakeholders are facing as well as on the different policy options.

Validation workshop: this workshop also gathered a large group of key stakeholders, although a large majority of participants represented the industry, while only a few consumer organisations attended. To ensure a balanced discussion, an attempt was made to attract more national level organisations, considering their capacity to assess the policy options and the respective impacts at national level, which may significantly differ across EU member states based on the socio economic reality. The breakout groups were devised in a way that led to a balanced representation of profiles, and consumer organisations were also prompted to take an active role during the discussions. The overrepresentation of industry was also taken into account during the analysis and triangulation of the results. Overall, participants were very vocal. They provided a few general comments on the current situation and the problems identified affecting the consumer credit market at the beginning of the workshop. Specific input was provided on the assessment of the policy options in two breakout sessions that facilitated the discussion and encouraged an active exchange of views among participants. Observers had a chance to actively contribute to the discussion through a voting session at the end of the workshop indicating their preference with regard to the four policy scenarios (excluding the baseline). A digital white board was used to facilitate the discussion. Some difficulties were experienced during the voting sessions due to participants' lack of experience with the application. Therefore, the votes were considered as an indication, rather than conclusive evidence. Overall, comments of stakeholders were in line with the feedback received during the first workshop and validate the findings on the study.

A4.4. Main stakeholder feedback per consultation activity

Interviews

[5] 3 national authorities and 2 credit providers.

The analysis of the interview responses shows that all groups of stakeholders have similar views on the **market trends in the field of consumer credit** during 2015 – 2020. Among all stakeholder groups interviewed, the digitalisation of the market was highlighted as the key trend. Other recurring trends mentioned by stakeholders refer to the low level of cross-border provision of consumer credit (i.e. consumer credit in the national market is still mostly provided by national banks, and the demand and supply for cross-border credit remains low) and the emergence of new types of credit and players.

The general opinion of all participants is that there are **other market trends** that follow technological advances, such as new types of credit providers and the way consumers search for and access credit. Industry representatives and consumer organisations agree that the CCD did not anticipate the technological disruption. The majority of consumer organisations highlight the negative impact on consumer protection resulting from, for example, unregulated new entities[6] and the overload of information[7]. Industry representatives also acknowledge the negative impact on consumer protection, but highlight the challenges related to the required information that needs to be provided, which imposes unnecessary costs and fails to protect the consumer.[8] All industry representatives involved in advertising and marketing of credit called for a revision of Article 4 of the CCD, minimising the amount of information that needs to be provided in advertisement, especially on radio.[9] This was also flagged by other stakeholders, including a few business associations.[10]

Stakeholders generally believe that it is too early to predict the impact of the COVID-19 pandemic and subsequent economic downturn.[11] Nonetheless, most national authorities and consumer organisations interviewed expect it to lead to a reduction on the demand of consumer credit, an opinion which is shared only by a minority of industry representatives.[12] A few national authorities noted a decrease in credit supply due to imposed national measures in response to the pandemic, such as decreased interest rates.[13] Reflecting on the impact on over-indebtedness, a majority of consumer organisations also noted an increase of over-indebtedness among consumers as a result of the pandemic.[14]

Regarding the **cross-border provision of credit**, a great majority of consumer organisations support a fully harmonised framework at EU level to ensure a level-playing field for credit providers and intermediaries and ensure the same level of protection of all EU citizens.[15] Harmonisation would be beneficial with regard to credit worthiness assessments, regulations regarding access to databases and information requirements to avoid legal uncertainty. This opinion is shared by a majority of national authorities

[6] Interviews of consumer organisations (4 out of 7: BE, EU, PT,).

[7] Interviews of consumer organisations (5 out of 7: BE, EU, NL, PT).

[8] Interviews of credit providers (2 contributions out of 6: DE, NL); Interviews of business associations (10 out of 11 contributions: BE, DE, EU, FR, IT, PL, SE)

[9] Interviews of other business representatives (2 out of 2: EU, UK).

[10] Interviews of business associations (2 out of 11: BE, NL)

[11] Interviews of business associations (9 out of 11: AT, BE, DE, EU, NL, PL, SE); Interviews of consumer organisations (3 out of 7: BE, EU, PT); Interviews of national authorities (5 out of 5: BE, EE, IT, NL, PL); interviews with credit providers (4 out of 6: BE, DE, PL, NL); Interviews with other business operators (2 out of 2: EU, UK); Interview with researcher

[12] Interviews of business associations (5 out of 11: AT, BE, EU, SE); Interviews with national authorities (5 out of 5: BE, EE, IT, NL, PL); Interviews with consumer organisations (4 out of 7: BE, EU, PT)

[13] Interview of national authorities (1 out of 5 interviews: PL)

[14] Interviews of consumer organisations (5 out of 7: EU, BE, PT)

[15] Interview of consumer organisations (6 out 7: EU, NL, PL, PT)

and national industry representatives,[16] although a few of national industry representatives disagreed and do not see the need to revise the CCD.[17] When asked about the **reasons explaining the small share of the cross-border market for consumer credit**, all stakeholder groups highlight language or cultural factors as the main barriers preventing consumers to access credit cross-border. A majority of national consumer organisations put forward the low demand of cross-border credit from the consumer side.[18] Industry representatives argue that supply is low due to the difficulty of credit providers to assess the creditworthiness of consumers resident in another country, the lack of specific skills and incentives to operate cross-border due to a low demand and the legal complexity inducing high costs (i.e. need legal experts). A majority of national authorities recognises the need to **harmonise the rules to conduct a credit worthiness assessment** and define clear guidelines in order to support the development of the cross-border market and tackle over-indebtedness.[19] This was echoed by a majority of consumer organisations.[20] However, national authorities also caution for over prescriptive rules which impose costs on credit providers and might lead to consumer discrimination.

Online surveys (consumer organisations, credit providers, business associations, national authorities, and ADR bodies)

The digitalisation of the consumer credit market[21] and the prevalence of national credit providers in the national market are the **main market trends** observed in the past years across all stakeholder groups .[22] A majority of industry representatives and public authorities also indicated that consumer credit in the national market is mostly provided by banks, as opposed to other non-bank credit providers.[23] While the emergence/growth of new credit providers was highlighted by many industry representatives, national authorities and consumer organisations.[24]

On **future market trends expected for 2025-2030**, respondents mainly indicated a continuation of the main trends observed in the past few years. Overall, all respondents commonly considered that technological advances will further change the way in which consumers search for and access consumer credit.[25] The emergence or growth of new types of credit providers/ intermediaries is expected by the majority of public authorities and consumer organisations, contrasting with the industry's view.[26]

[16] Interviews of business associations (7 out of 11: BE, DE, EU, FR PL); Interviews of credit providers (3 out of 6: DE, DK, NL); Interviews of industry representatives (10 out of 17); Interviews of national authorities (3 out of 5: BE, EE, IT).

[17] Interviews of business associations (3 out of 11: AT, FR)

[18] Interviews of consumer organisations (3 out of 4 interviews with national consumer organisations: BE, NL, PT)

[19] Interview of national authorities (3 out of 4 interviews: BE, NL, PL)

[20] Interview of consumer organisations (5 out of 7 interviews: EU, BE, PT)

[21] Surveys (21 out of 24 business associations; 28 out of 36 national authorities; 9 out of 13 consumer organisations; 4 out of 6 credit providers)

[22] Surveys (20 out of 22 business associations; 25 out of 37 national authorities; 9 out of 13 consumer organisations; 6 out of 7 credit providers)

[23] Surveys (17 out of 22 business associations; 22 out of 37 national authorities; 6 out of 13 consumer organisations; 0 credit providers)

[24] Surveys (13 out of 23 business associations; 18 out of 36 national authorities; 7 out of 13 consumer organisations; 2 out of 5 credit providers)

[25] Surveys (15 out of 23 business associations; 27 out of 32 national authorities; 10 out of 13 consumer organisations; 3 out of 6 credit providers)

[26] Surveys (27 out of 32 national authorities; 12 out of 13 consumer organisations; 2 out of 23 business associations; 3 out of 6 credit providers)

There is a high level of consensus among stakeholders that the **demand for cross-border consumer credit has not increased in their country since 2015**.[27] When it comes to the main reasons explaining the overall low demand from consumers in cross-border credit, all stakeholders suggested that consumers in their country prefer to purchase credit domestically[28] and that language and cultural barriers play an important role.[29]

Consumer satisfaction with the national offer was generally seen as a reason explaining the low level of cross-border demand, according to industry representatives and public authorities.[30] While stakeholders also argued that consumers' lack of knowledge of the legal framework or a lack of confidence in redress mechanisms in other countries is an important obstacle in the cross-border provision of consumer credit.[31]

A majority of stakeholders reported that their country has **adopted rules at national level on not harmonised aspects by the CCD.**[32] The most common measures were interest rate or APR caps[33], the extension of the scope to other types of credit[34], and stricter rules concerning the process to perform CWAs[35] or the data to be used for the CWA.[36]

On **problems faced by credit providers**, industry representatives agree that the requirements of information to be provided both at the advertising[37] and at pre-contractual stage[38] are the most challenging aspects. In addition, different regulatory approaches adopted by countries seem to undermine the level-playing field amongst credit providers in the view of industry representatives and national authorities.[39]

[27] Surveys (15 out of 21 business associations, with 6 of them indicating "I do not know"; 15 out of 37 national authorities, with 17 of them selecting "I do not know"; 5 out of 13 consumer organisations, with 7 of them selecting "I do not know"; 4 out of 6 credit providers)

[28] Surveys (An obstacle for 20 out of 22 business associations; an obstacle for 33 out of 35 national authorities; an obstacle for 8 out of 13 consumer organisations; an obstacle for 6 out of 6 credit providers)

[29] Surveys (An obstacle for 19 out of 22 business associations; an obstacle for 30 out of 33 national authorities; an obstacle for 10 out of 13 consumer organisations; an obstacle for 6 out of 6 credit providers)

[30] Surveys (An obstacle for 17 out of 19 business associations; an obstacle for 30 out of 34 national authorities; an obstacle for 4 out of 13 consumer organisations; an obstacle for 4 out of 4 credit providers)

[31] Surveys (An obstacle for 15 out of 21 business associations; an obstacle for 31 out of 35 national authorities; an obstacle for 10 out of 13 consumer organisations; an obstacle for 4 out of 4 credit providers)

[32] Surveys (19 out of 23 business associations; 29 out of 35 national authorities; 6 out of 13 consumer organisations; 4 out of 6 credit providers)

[33] Surveys (12 out of 23 business associations; 14 out of 35 national authorities; 6 out of 13 consumer organisations; 1 out of 6 credit providers)

[34] Surveys (11 out of 23 business associations; 13 out of 35 national authorities; 2 out of 13 consumer organisations; 3 out of 6 credit providers)

[35] Surveys (8 out of 23 business associations; 17 out of 35 national authorities; 3 out of 13 consumer organisations; 3 out of 6 credit providers)

[36] Surveys (6 out of 23 business associations; 17 out of 35 national authorities; 3 out of 13 consumer organisations; 2 out of 6 credit providers)

[37] Surveys (a problem for 20 out of 23 business associations; a problem for 13 out of 31 national authorities; a problem for 4 out of 6 credit providers)

[38] Surveys (a problem for 17 out of 21 business associations; a problem for 11 out of 30 national authorities; a problem for 3 out of 6 credit providers)

[39] Surveys (a problem for 16 out of 21 business associations; a problem for 20 out of 28 national authorities; a problem for 5 out of 6 credit providers)

When it comes **to problems faced by consumers**, stakeholders generally argued that vulnerable consumers do not have the tools that would allow them to improve their financial situation[40] and that that the information provided to consumers in advertising does not allow consumers to properly read and process the key information[41]. While problems with the provision of information at pre-contractual stage are indicated by national authorities and consumer organisations.[42]

Opinions are divided about the **best way to address the problems** encountered in the market of consumer credit. Some stakeholders suggested the adoption of both non-regulatory and legislative measures at national level.[43] Other stakeholders supported the adoption of legislative measures at EU level, especially credit providers and national authorities.[44]

On the **impact of different policy options on consumers,** a possible amendment of the CCD to simplify the rules on pre-contractual information)[45] and legislative measures on debt advice services[46] are believed to be the most beneficial for consumers, according to consumer organisations and national authorities. Respondents further elaborating their answer indicated that information requirements imposed by the CCD should be revised to ensure a balance between ensuring that consumers have all information and that they are able to understand all information provided, avoiding information overload. It is suggested by national authorities and consumer organisations that there is potential for very positive impact for consumers if the effectiveness of the disclosure of information is improved – while also considering the digital environment.

When assessing the **impact of potential policy options on credit providers**, the simplification of rules on pre-contractual information[47] and the non-regulatory measures to promote responsible lending[48] are believed to be the preferred policy options for credit providers in view of national authorities and industry representatives as credit providers would eventually benefit from lower default rates.

Stakeholders tend to agree that legislative measures on debt advice services[49] and amending the CCD to establish the obligation to provide debt assistance for over-indebted or otherwise vulnerable consumers[50] would positively affect **the level of over-indebtedness**.

Overall, stakeholders reported that **the overall level of compliance among credit providers and intermediaries** would remain the same irrespective of the policy option chosen. However, an important number of stakeholders pointed to an increased level of compliance among credit providers in their Member State following the implementation

[40] Surveys (a problem for 23 out of 30 national authorities; 12 out of 13 consumer organisations, 2 out of 2 ADR bodies)

[41] Surveys (a problem for 22 out of 34 national authorities; 8 out of 13 consumer organisations, 2 out of 3 ADR bodies)

[42] Surveys (a problem for 22 out of 31 national authorities; 10 out of 13 consumer organisations)

[43] Surveys (9 out of 25 business associations; 15 out of 33 national authorities; 8 out of 13 consumer organisations)

[44] Surveys. 8 out of 25 business associations; 23 out of 33 national authorities; 8 out of 13 consumer organisations; 4 out of 7 credit providers.

[45] Surveys. 27 out of 29 national authorities; 12 out of 12 consumer organisations

[46] Surveys. 29 out of 31 national authorities; 12 out of 12 consumer organisations

[47] Surveys (25 out of 28 national authorities; 16 out of 23 business associations)

[48] Surveys (17 out of 28 national authorities; 13 out of 19 business associations)

[49] Surveys (29 out of 30 national authorities; 13 out of 13 consumer organisations)

[50] Surveys (27 out of 30 national authorities; 13 out of 13 consumer organisations)

of a simplification of rules on pre-contractual information[51] and the adoption of measures related to the content and access to credit databases[52].

Additional questionnaires (CPC and ECC networks, ADR bodies)

The **analysis of the ECC survey** reveals that the main issues that consumers face when trying to access/obtain consumer credit cross-border relate to i) geographical restrictions imposed by credit providers[53]; ii) lack of awareness about the possibility to obtain credit in other Member States[54]; iii) fear of fraud or crimes[55]; iv) lack of sufficient (online) information about credits in other Member States.[56] Most stakeholders indicated that these issues are the result of the functioning of the market.[57] Moreover, a group of stakeholders also identified the regulatory framework as a cause of the above-mentioned issues.[58] Another group believed that these issues are also the result of external factors, namely the lack of knowledge, awareness and confidence of consumers in cross-border financial service providers.[59]

Responses to the **CPC survey** show that the overall level of compliance with the CCD is considered to be high by a majority of respondents.[60] Half of all stakeholders indicated that the level of compliance with other national rules is high.[61] A large majority of stakeholders argued that there are several areas and/or specific obligation which are problematic in terms of compliance.[62] A majority of stakeholders pointed to other issues strictly related to advertising, pre-contractual information, creditworthiness assessment and cross-selling. Some respondents reported that many credit providers and intermediaries do not comply with advertising requirements given the lack of information, the provision of misleading information, the absence of representative examples or misleading examples.[63] As regards pre-contractual information, a few indicated that the SECCI form is problematic[64]. A larger group found the creditworthiness assessment problematic as well.[65] They highlighted the insufficient control over the information provided by the consumers, the increasing autonomation of the decision, the limited number of questions for a throughout creditworthiness assessment and the fact that a credit is often nevertheless granted despite the debt to income ratio is negative

The overall view of respondents is that the three main issues brought up in enforcement decisions against national entities involve the information included in advertising[66], the

[51] Surveys (18 out of 21 national authorities; 5 out of 16 business associations)

[52] Surveys (14 out of 21 national authorities; 5 out of 15 business associations)

[53] ECC (4 out of 6 respondents – CY, DE, SI, LU)

[54] ECC (4 out of 6 respondents – CY, DE, LU, LV)

[55] ECC (4 out of 6 respondents – BG, DE, LV, SI)

[56] ECC (4 out of 6 respondents – DE, SI, LU, LV)

[57] ECC (5 out of 6 respondents - BG, CY, DE, LU, SI)

[58] ECC (2 out of 6 respondents – DE, SI)

[59] ECC (2 out of 6 respondents – LU, SI)

[60] CPC (6 out of 10 respondents - AT, EE, SE, SI, SI, SK)

[61] CPC (5 out of 10 respondents - AT, EE, SE, SI, SK)

[62] CPC (9 out of 10 respondents - AT, BE, CZ, EE, EL, SE, SI, SK, NO)

[63] CPC (4 out of 10 respondents - BE, EE, NO, SE)

[64] CPC (2 out of 10 respondents - BE, NO)

[65] CPC (3 out of 10 respondents - BE, NO, SE)

[66] CPC (6 out of 10 respondents - AT, BE, EE, EL, NO, SE)

creditworthiness assessment[67] and the calculation of the annual percentage rate of charge.[68]

ADR bodies participating in the survey did not refer to cross-border cases, but only to national ones. Most ADR bodies indicated that common issues on the provision of consumer credit found in their country relate to i) consumers' inability to pay back[69]; ii) the provision of information to consumers at pre-contractual stage[70]; iii) right of withdrawal[71]; iv) right of early repayment.[72]

Feedback on the Inception Impact Assessment (IIA)

Stakeholders' feedback on the IIA also pointed to the **digitalisation of the market** as the main trend. According to the contributions received, the **overload of information** available to consumers due to technological advances and the requirements for providing pre-contractual information for credit providers has led to a decreased level of consumer protection. Other market trends mentioned by respondents included: i) the emergence of new types of credit products and credit providers not covered by the CCD, ii) the availability of big data, including from alternative sources and iii) changing consumer behaviour in the way consumers search for and access credit.

Generally, respondents across all stakeholder groups and EU Member States agree that **information** provided to consumers in the advertisement stage and at pre-contractual level needs to be reduced, simplified and reflect the growing use of digital devices as it fails to achieve its objective to protect the consumer.

As opposed to other stakeholder groups, a majority of industry representatives expressed views against or not in favour of more prescriptive rules defining the **credit worthiness assessment**.[73] Further standardisation of the assessment would increase credit provider detriment and consumer discrimination according to the respondents. A few industry representatives expressed their appreciation for stricter measures and an EU framework to support credit-worthiness assessments and increase efficiency and effectiveness. Reference was made to the guidelines of the European Banking Authority to inspire new measures. In general, consumer organisations and national authorities are in favour to put in place specified criteria. Almost half of consumer[74] organisation explicitly argued in favour of specific criteria and the inclusion of additional measures, such as sanctions for creditors not adhering to the rules and specific consequences for negative credit worthiness assessment outcomes.

A majority of national authorities and a few consumer organisations advocated for the adoption of policy measures to anticipate **unforeseen market disruptions**, such as those caused by the COVID-19 pandemic.[75] Half of the industry representatives argued, however, that self-regulatory mechanisms are more effective than prescriptive regulations trying to account for exceptional circumstances.[76]

While all national authorities and a great majority of consumer organisations expressed appreciation of the idea of extending the scope of the CCD to include harmful credit

[67] CPC (4 out of 10 respondents - BE, CZ, SE, SK)

[68] CPC (3 out of 10 respondents - AT, SE, SK)

[69] Surveys (4 out of 4 ADR bodies)

[70] Surveys (2 out of 4 ADR bodies)

[71] Surveys (2 out of 4 ADR bodies)

[72] Surveys (2 out of 4 ADR bodies)

[73] Feedback on the IIA from industry representatives (8 out of 14 contributions)

[74] Feedback on the IIA from consumer organisations (4 out of 9 contributions)

[75] Feedback on the IIA from national authorities (2 out 3 contributions); Feedback on the IIA from consumer organisations (2 out 9 contributions).

[76] Feedback on the IIA from industry representatives (7 out 14 contributions)

products and new credit providers, industry representatives' opinion diverged.[77] Half of them agree to revise the scope and include either all types of credit or credit providers,[78] while a minority are not in favour to extend the scope.[79] Generally, they call for proportionality and to consider the cost-benefits of such measures.

Participative workshop

Discussions on the **key problems** in the field of consumer credit revealed that most participants agree that the scope of the CCD appears to be insufficient in addressing all risks identified. Some stakeholders also expressed concerns about the potential detrimental effects of the COVID-19 crisis[80] and about the increasing risks of cross-selling practices observed[81]. Stakeholders that commented on the cross-border market for consumer credit agree that there are still several barriers that need to be tackled such as fragmented legislation, access to databases or a low level of demand.[82]

In terms of **possible policy solutions**, the majority of stakeholders who intervened indicated that they welcome a higher level of harmonisation in the way CWAs are conducted and stronger safeguards to ensure responsible lending across EU.[83] On the contrary, some representatives of the industry warned about the risk of over-regulation.[84] Several stakeholders raised concerns about the risk of creating an information overload for consumers if new information requirements are to be implemented.[85] Finally, a great majority of stakeholders have expressed their preference for targeted legislative action,[86] among which many have indicated a mix of different forms of Extensive legislation action[87].

Validation workshop

Discussions on **the policy options** and their expected effectiveness and efficiency in addressing the problems identified and the impacts revealed that in general **business associations and credit providers** are in favour of either **maintaining the status quo** (policy option 0) or **non-regulatory action** (policy option 1) as it offers stability to the sector, which has already greatly been affected by the impacts of COVID-19, and was considered to effectively address the problems identified without imposing high costs on the industry.[88] To the contrary, **consumer organisations**[89] expressed to be in favour of **extensive amendment** to include provisions not addressed by EU regulation

[77] Feedback on the IIA from national authorities (3 out 3 contributions); Feedback on the IIA from consumer organisations (8 out 9 contributions).

[78] Feedback on the IIA from industry representatives (7 out 14 contributions with 2 out 7 only wanting to extend the scope to include new credit providers)

[79] Feedback on the IIA from industry representatives (5 out 14 contributions)

[80] Feedback from the workshop (1 out of 2 credit providers: NL; 2 out of 15 business associations; 1 out of 4 consumer organisations)

[81] Feedback from the workshop (1 out of 4 consumer organisations)

[82] Feedback from the workshop (1 out of 2 credit providers: NL; 4 out of 15 business associations; 1 out of 4 consumer organisations)

[83] Feedback received during the workshop (4 out of 15 business associations: EU, LV; 2 out of 4 consumer organisations: EU; 1 expert)

[84] Feedback from the workshop (2 out of 15 business associations: EU; 1 out of 2 credit providers: NL)

[85] Feedback from the workshop (1 out of 2 credit providers: NL; 4 out of 15 business associations: LV, EU)

[86] Feedback from the workshop (3 out of 15 business associations: EU)

[87] Feedback from the workshop (3 out of 4 consumer organisations: EU)

[88] Feedback from the workshop (5 out of 10 business associations: EU; 2 out of 3 credit providers: EU, NL)

[89] Feedback from the workshop (3 out of 3 active consumer organisations)

(policy option 3b) and even suggested to go beyond the proposed measures. Non-binding measures would not ensure a high level of consumer protection or effectively address the over-indebtedness and detrimental lending practices. EU and national authorities acknowledged the arguments and concerns of both stakeholder groups. A few industry representatives also referred to the recently published European Banking Authority (EBA) Guidelines that have introduced new measures and will already impose costs on the industry. [90] Stakeholder groups seemed to find a **common ground** in policy option 2 consisting of an **amendment of provisions that are already contained in the CCD**. Interestingly, consumer organisations preferred the measures under policy option 2 to the measures proposed under policy option 3a. Consumer organisations cautioned for the absence of measures on **information requirements**, such as simplification and reduction of information, which are crucial to address the problems identified.[91] This was echoed by the industry.[92]

In terms of **feasibility**, for obvious reasons, non-regulatory measures would be easily implemented (policy option 1), while extensive amendment to include provisions not addressed by EU regulation would most likely receive resistance from the industry because of the additional costs imposed (policy option 3b). Extensive amendment of the CCD to include new provisions, in line with EU regulation (policy option 3a) would potentially encounter burdens in terms of feasibility risking an overlap with data protection regulation across member states. [93]

In terms of **effectiveness**, stakeholders agreed that non-regulatory action will not achieve further harmonisation regarding, for example, the right of early repayment and withdrawal or the credit worthiness assessment.[94] Including certain obligations on the information to consider during the credit worthiness assessments was not considered to be effectiveness in tackling consumer detriment and over-indebtedness.

Regarding **EU added value**, stakeholders agreed extensive amendment of the CCD (policy option 3a and 3b) would contribute to the creation of a level-playing field for the industry[95] and ensure same level of protection for consumers across the EU[96]. A level-playing field would help reduce legal uncertainty and boost the development of a cross-border market offering benefits for bot h consumers and the industry. [97]

In terms of **impacts on consumers and credit providers**, discussions confirmed that the more extensive the revision of the CCD, the more costs will be imposed on the industry, except with regard to amendments related to information requirements, which would lead to cost reduction.[98] Extensive revision was considered to have a beneficial impact on consumers as expressed by the majority of consumer organisations. [99]

[90] Feedback from the workshop (1 out of 3 creditors: EU; 3 out of 10 business associations: EU).

[91] Feedback from the workshop (1 out of 3 consumer organisations: EU; supported by 13 voters)

[92] Feedback from the workshop (3 out of 10 business associations: EU; 2 out of 3 credit providers: EU; 1 out of 3 other business operators: EU; supported by 13 voters)

[93] Feedback from the workshop (1 out of 3 creditors: EU; supported by 4 voters).

[94] Feedback from the workshop (2 out of 3 consumer organisations: EU; 4 out of 10 business associations; 2 out 3 credit providers).

[95] Feedback from the workshop (3 out of 3 credit providers: EU, NL; 4 out of 10 business associations; supported by 5 voters)

[96] Feedback from the workshop (2 out of 3 credit providers: Eu; 1 out of 3 consumer organisations: EU; 2 out of 10 business associations; supported by 5 voters)

[97] Feedback from the workshop (3 out of 10 business associations: EU; supported by 4 voters)

[98] Feedback from the workshop (5 out of 10 business associations: EU; 3 out of 3 credit providers: EU; 1 out of 3 other business operators: EU; supported by 13 voters)

[99] Feedback from the workshop (2 out of 3 consumer organisations: EU; 2 out of 3 credit providers: EU; 4 out of 10 business associations: EU)

However, this does apply to the credit worthiness assessment. While consumer organisations argue in favour of stricter criteria, they also recognise the potential negative impacts on both consumers, such as consumer discrimination, and the industry, such as high administrative burdens. [100]***Follow-up survey***

Results of the follow-up survey revealed **diverging views on preferred policy options**[101] between consumer organisations and business associations and credit providers. While consumer associations are in favour of extensive revision of the CCD (policy options 3a & b)[102], the industry prefers non-regulatory action (policy option 1)[103]. However, stakeholders agreed on the need for amendment of the information-related requirements (policy option 2).[104] Stakeholders who provided answers to the open-ended questions indicated that amendment would be favourable to simplify and reduce the amount of information that needs to be provided at pre-contractual stage, as well as with regard to the provision of information in the marketing of credit. Multiple stakeholders, including national authorities[105] and business associations[106] acknowledged the limitations related to policy option 1 in achieving regulatory harmonisation across EU member states. They appreciate the comprehensiveness of extensive revision of the CCD ensuring a high level of consumer protection (policy option 3a & b),[107] while recognising the need to leave enough space for the implementation at national level.[108] Nevertheless, the industry argues in favour of proportionality and the need to select relevant measures to adequately tackle the problems identified.

In terms of **feasibility**, national authorities[109] and consumer organisations [110] cautioned limitations related to policy option 1 in achieving regulatory harmonisation across EU member states. This could create legal uncertainty and curb the development of a cross-border credit market. A minority of business associations echoed the concern and highlighted the risk of unequal access to databases across member states resulting from regulatory fragmentation.[111] The majority of business associations, as well as credit

[100] Feedback from the workshop (2 out of 3 consumer organisations: EU; 3 out of 10 business associations: EU; 2 out of 3 credit providers: EU; supported by 10 voters).

[101] Stakeholder groups were asked to indicate preferred policy option(s) by ranking them from 1 to 5, considering the costs and benefits of each option

[102] Results from the follow-up survey from consumer associations (N=3) (14 out of 15 points for policy option 3b; 9 out of 15 points for policy option 3a); Additional feedback provided by consumer organisation (1 out of 1)

[103] Results from the follow-up survey from the industry, including business associations (N=9), credit providers (N=1) and other business operators (N=1) (41 points out of 55 points)

[104] Result from the follow-up survey from national authorities (N=6) (1 out of 1 contributions to open-ended questions); Results from the follow-up survey from business associations (5 out of 6 contributions to open-ended questions); Results from the follow-up survey from other business operators (N=1) (1 out of 1 contributions to open-ended questions); Additional feedback provided by consumer organisations (1 out of 1)

[105] Result from the follow-up survey from national authorities (N=6) (1 out of 1 contributions to open-ended questions)

[106] Result from the follow-up survey from business associations (N=9) (3 out of 3 contributions to open-ended questions)

[107] Results from the follow-up survey from national authorities (N=6) (24 out of 30 points for policy option 3b; 22 out of 30 points for policy option 3a & 2)

[108] Results from the follow-up survey from national authorities (N=6) (2 out of 4 contributions to open-ended questions).

[109] Result from the follow-up survey from national authorities (N=6) (1 out of 1 contributions to open-ended questions)

[110] Result from the follow-up survey from business associations (N=9) (3 out of 3 contributions to open-ended questions)

[111] Results from the follow-up survey from business associations (N=9) (2 out of 2)

providers, highlighted feasibility issues with extensive review of the CCD (policy option 3a & b).[112] A few stakeholders cautioned for aligning provisions in the CCD with the MCD without thorough analysis, proposed in policy option 3a.[113] Finally, the industry also expressed resistance regarding the provision in policy option 3b to introduce APR caps.[114]

In terms of **effectiveness**, non-binding measures would fail to achieve regulatory harmonisation across member states, according to all stakeholders who provided feedback.[115] This would result in legal uncertainty regarding the credit worthiness assessment, the issuance of credit and responsible lending. As opposed to consumer organisations,[116] business associations consider policy option 2 to be effective in tackling the problems identified in particular with regard to creating a level-playing field for the industry and ensuring consumer protection.[117] Consumer organisations and national authorities indicate that policy option 3b would be most effective to ensure sufficient level of consumer protection,[118] including vulnerable consumers who are more likely targeted by harmful products[119].

In terms of potential **impacts on consumers**, analysis of the survey revealed positive to very positive impacts on consumers for policy options 3a and b, according to national authorities and consumer organisations. [120] In addition, maintaining the status quo would have no impact or negative impact on consumers.[121] The results also show that the majority of national authorities indicates the positive impact of extensive revision on the industry.[122] This is strongly contrasts with views of the industry. Business associations and credit providers highlight the negative impacts of extensive revision of the CCD imposing additional costs **on the industry**.[123] Only the provision to reduce the amount of required information in advertisement and marketing was considered to have a positive impact on the industry.[124]

[112] Results from the follow-up survey from business associations (N=9) (5 out of 9); Results from the follow-up survey from credit providers (N=1) (1 out of 1)

[113] Results from the follow-up survey from business associations (N=9) (1 out of 3 contributions to the open-ended questions)

[114] Results from the follow-up survey from business associations (N=9) (3 out of 4 contributions to the open-ended questions)

[115] Results from the follow-up survey from business associations (N=9) (2 out of 3 contributions to the open-ended questions); Results from the follow-up survey from national authorities (N=6) (1 out of 2 contributions to open-ended questions); Additional feedback provided by consumer organisations (1 out of 1)

[116] Additional feedback provided by consumer organisations (1 out of 1)

[117] Results from the follow-up survey from business associations (N=9) (2 out of 4 contributions to the open-ended questions); Additional feedback received from business associations (2 out of 2)

[118] Results from the follow-up survey from national authorities (N=6) (4 out of 6); Results from the follow-up survey from consumer organisations (N=3) (3 out of 3)

[119] Additional feedback received from consumer organisations (1 out of 1)

[120] Results from the follow-up survey from national authorities (N=6) (3 out of 6 very positive 3 out of 6 positive); Results from the follow-up survey from consumer organisations (N=3) (3 out of 3 very positive)

[121] Results from the follow-up survey from national authorities (N=6) (4 out of 6 positive & 1 out of 6 very positive);

[122] Results from the follow-up survey from national authorities (N=6) (3 out of 6 very positive 3 out of 6 positive);

[123] Results from the follow-up survey from business associations (N=9) (7 out of 9); Results from the follow-up survey from credit providers (N=1) (1 out of 1)

[124] Results from the follow-up survey from other business operators (N=1) (1 out of 1);

The answers to the CCD-related questions from the public consultation on consumer agenda (including the documents submitted by stakeholders, where relevant)

The OPC questionnaire focused on the exploration of possible solutions to different issues identified. Responses to the OPC showed that most stakeholder groups agree on the **extension of the scope of the CCD**, particularly to cover loans obtained via peer-to-peer lending[125] and credits below EUR 200.[126] Although this contrasts with the view of business associations, indicating that no scope extension is needed[127]. In this regard, it was suggested that the extension of the scope of the CCD i) should be left to Member States considering differences in national markets; ii) and that better application of the existing rules would be more proportionate to the actual risk. While consumer organisations and citizens also argued to include all currently exempted credits.[128]

The **provision of information at pre-contractual stage** is expected to be improved by simplifying information and focusing only on key features of the offer[129] and by adopting a standardised format (SECCI)[130]. The use of comparison tables is also commonly suggested, especially amongst consumer organisations and academic institutions. Views across stakeholder groups differ when it comes to the moment to provide pre-contractual information. While industry representatives prefer right before signing the contract, the rest stakeholder groups argued that pre-contractual information should be provided with a longer notice.

On the **provision of information at the advertising stage**, consumer organisations, national authorities and citizens supported the introduction of warning messages[131] and that the information should be given particular prominence.[132] While the reduction of

[125] OPC. 16% of business associations; 35% of companies; 59% of consumer organisations; 17% of citizens; 36% of NGOs; 13% of academic and research institutions.

[126] OPC. 10% of business associations; 24% of companies; 50% of consumer organisations; 56% of national authorities; 18% of citizens; 32% of NGOs

[127] OPC. 43% of business associations; 21% of companies; 2% of citizens; 13% of academic and research institutions.

[128] OPC. 8% of business associations; 50% of consumer organisations; 9% of national authorities; 32% of citizens; 23% of NGOs; 13% of academic and research institutions.

[129] OPC. 76% of business associations; 81% of companies; 28% of consumer organisations; 70% of national authorities; 48% of citizens; 53% of NGOs; 71% of academic and research institutions.

[130] OPC. 39% of business associations; 38% of companies; 78% of consumer organisations; 64% of national authorities; 65% of citizens; 58% of NGOs; 43% of academic and research institutions.

[131] OPC. Introduction of warning messages on print media supported by 26% of business associations; 27% of companies; 76% of consumer organisations; 53% of national authorities; 59% of citizens; 79% of NGOs; 89% of academic and research institutions. Introduction of warning messages online argued by 30% of business associations; 22% of companies; 88% of consumer organisations; 61% of national authorities; 63% of citizens; 79% of NGOs; 71% of academic and research institutions. Introduction of warning messages on radio claimed by 6% of business associations; 23% of companies; 93% of consumer organisations; 54% of national authorities; 48% of citizens; 79% of NGOs; 71% of academic and research institutions. Introduction of warning messages on TV suggested by 19% of business associations; 15% of companies; 87% of consumer organisations; 55% of national authorities; 48% of citizens; 80% of NGOs; 86% of academic and research institutions.

[132] OPC. Provision of particular prominence to the information given on print media supported by 13% of business associations; 23% of companies; 88% of consumer organisations; 77% of national authorities; 64% of citizens; 64% of NGOs; 43% of academic and research institutions. Provision of particular prominence to the information given online argued by 18% of business associations; 22% of companies; 76% of consumer organisations; 81% of national authorities; 68% of citizens; 57% of NGOs; 43% of academic and research institutions. Provision of particular prominence to the information given on radio claimed by 6% of business associations; 9% of companies; 64% of consumer organisations; 43% of national authorities; 69% of citizens; 21% of NGOs; 29% of academic and research institutions. Provision of particular prominence to the

information provided in all communication channels was mostly suggested by business associations and companies.[133]

Respondents generally indicated that **rules on responsible lending** could be further improved by i) prohibiting the provision of credit in case of negative creditworthiness assessment[134]; ii) introducing caps on interest rates[135]; iii) preventing online credit purchasing without enough time for reflection[136]; iv) introducing binding principles[137]; v) and by banning unsolicited credit offers.[138] However, a significant group of business associations and companies argued that no further measures are needed.[139] It is observed that while industry representatives call for non-standardisation and higher flexibility, authorities and consumer organisations support further harmonisation of rules.

Views on the need of additional **EU rules on access to credit databases** are divided between stakeholder groups. On the one hand, business associations and companies commonly agreed that EU rules should not be changed neither for CWA nor for credit databases as the current principles-based approach provides a sound basis for responsible lending.[140] On the other hand, the other stakeholder groups generally indicated that EU law should provide for common standards both on data/methodology for CWA[141] and categories of data collected for CWA purposes.[142]

On standards and methodology that should be used, respondents further suggested i) a common European database[143]; ii) a minimum (mandatory) set of information to

information given on TV suggested by 16% of business associations; 80% of companies; 87% of consumer organisations; 66% of national authorities; 74% of citizens; 53% of NGOs; 29% of academic and research institutions.

[133] OPC. Reduction of the information given on print media supported by 77% of business associations; 65% of companies; 12% of consumer organisations; 27% of national authorities; 30% of citizens; 50% of NGOs; 43% of academic and research institutions. Reduction of the information given online argued by 79% of business associations; 74% of companies; 12% of consumer organisations; 26% of national authorities; 26% of citizens; 50% of NGOs; 57% of academic and research institutions. Reduction of the information given on radio claimed by 79% of business associations; 77% of companies; 7% of consumer organisations; 54% of national authorities; 33% of citizens; 64% of NGOs; 57% of academic and research institutions. Reduction of the information given on TV suggested by 81% of business associations; 85% of companies; 7% of consumer organisations; 45% of national authorities; 30% of citizens; 60% of NGOs; 57% of academic and research institutions.

[134] OPC. 10% of business associations; 19% of companies; 33% of consumer organisations; 42% of national authorities; 11% of citizens; 15% of NGOs; 14% of academic and research institutions.

[135] OPC. 2% of business associations; 13% of companies; 67% of consumer organisations; 19% of national authorities; 52% of citizens; 10% of NGOs; 57% of academic and research institutions.

[136] OPC. 20% of business associations; 13% of companies; 17% of consumer organisations; 26% of national authorities; 50% of citizens; 20% of NGOs; 57% of academic and research institutions.

[137] OPC. 7% of business associations; 10% of companies; 72% of consumer organisations; 32% of national authorities; 32% of citizens; 22% of NGOs; 14% of academic and research institutions.

[138] OPC. 10% of business associations; 16% of companies; 22% of consumer organisations; 26% of national authorities; 31% of citizens; 50% of NGOs; 71% of academic and research institutions.

[139] OPC. 44% of business associations; 31% of companies; 2% of citizens; 10% of NGOs; 14% of academic and research institutions.

[140] OPC. 48% of business associations; 39% of companies; 23% national authorities; 10% of citizens; 10% of NGOs; 29% of academic and research institutions.

[141] OPC. 18% of business associations; 32% of companies; 83% consumer organisations; 45% national authorities; 52% of citizens; 48% of NGOs; 43% of academic and research institutions.

[142] OPC. 15% of business associations; 26% of companies; 67% consumer organisations; 42% national authorities; 39% of citizens; 43% of NGOs; 14% of academic and research institutions.

[143] OPC. 2 business associations.

determine CWA for all credit products[144]; iii) limitation of the use of data to avoid intrusive assessment (e.g. social media and online shopping data)[145]. As to categories of data that should be used, stakeholders generally referred to negative[146], positive[147], and historic credit data[148]. In addition, they indicated to study best national practices.[149]

Two groups of stakeholders can be distinguished when it comes to their opinion on possible measures to safeguard the interests of both lenders and borrowers in **situations of exceptional economic disruption** (e.g. COVID-19 pandemic). Some industry representatives commonly believed that no action at EU level is needed[150] and/or that flexibility embedded in the prudential framework for banks could be used to facilitate lending.[151] It was reported by a group of industry representatives that extra measures are not necessary, given national responses and the Commission's Best Practices, which captures the measures adopted to protect consumers. While the rest generally supported i) the implementation of specific rules allowing Member States to enact payment moratoria measures;[152] ii) the adoption by Member States of measures encouraging creditors to exercise reasonable forbearance when a borrower is in financial difficulty;[153] iii) new measures to strengthen services to support over-indebted consumers.[154]

A4.5. Main stakeholder feedback per theme

Recent and expected trends in the field of consumer credit

The most prominent market trends observed among all stakeholder groups in the past few years relates to the **technological developments** impacting the consumer credit market and shifting consumer behaviour.[155] The digitalisation of the consumer credit market has also led to consequences such as: i) increased use of digital channels when purchasing credit[156]; ii) use of comparison sites[157]; iii) wider choice and lower prices to consumers[158]; iv) and adaptation of traditional banks to the changing environment by

[144] OPC. 1 consumer organisation.

[145] OPC. 1 consumer organisation; 1 NGO.

[146] OPC. 2 business associations; 2 companies; 3 public authorities.

[147] OPC. 1 business association; 1 company; 2 public authorities.

[148] OPC. 1 business association; 1 company; 2 public authorities.

[149] OPC. 4 consumer organisations.

[150] OPC. 44% of business associations; 39% of companies; 17% of national authorities; 2% of citizens; 5% of NGOs; 14% of academic and research institutions.

[151] OPC. 26% of business associations; 33% of companies; 6% of consumer organisations; 17% of national authorities; 19% of citizens; 5% of NGOs; 29% of academic and research institutions.

[152] OPC. 15% of business associations; 21% of companies; 78% of consumer organisations; 27% of national authorities; 45% of citizens; 45% of NGOs; 14% of academic and research institutions.

[153] OPC. 13% of business associations; 21% of companies; 56% of consumer organisations; 47% of national authorities; 47% of citizens; 30% of NGOs; 71% of academic and research institutions.

[154] OPC. 8% of business associations; 15% of companies; 50% of consumer organisations; 23% of national authorities; 26% of citizens; 50% of NGOs; 29% of academic and research institutions.

[155] Feedback on IIA (5 business associations, 1 credit provider; 1 national authority). Interviews (7 business associations – AT, DE, EU, FR, IT, PL, SE; 5 consumer organisations – BE, EU, EU, NL, PL; 1 credit provider – NL; 3 industry representatives – EU, EU, UK; 3 national authorities – BE, EE, NL). Surveys (21 out of 24 business associations; 28 out of 36 national authorities; 9 out of 13 consumer organisations; 4 out of 6 credit providers).

[156] Interviews (4 business associations – AT, EU, FR, PL; 2 consumer organisations – NL, PL; 1 credit provider – NL; 2 industry representatives – EU, UK). Surveys (6 responses).

[157] Interviews (1 business association – DE). Surveys (3 responses)

[158] Interviews (1 business association – PL; 1 consumer organisation – BE; 1 industry representative – EU). Surveys (2 responses)

incorporating digital solutions[159]; v) information overload leading to a decreased level of consumer protection.[160]

Stakeholders also referred to the **provision of consumer credit in the national market by national companies**[161] and the **emergence of new credit providers** as important market trends in the past few years.[162] The latter is thought to be related to the digitalisation of the sector, as digital innovation has led to the emergence of new types of credit and credit providers, such as non-banks.

Developments linked to the impact of digitalisation on the credit market are also expected to be among the key trends in the field of consumer credit in the near future (until 2025 – 2030). Examples are the impact of big data,[163], the growth of FinTech's and big market players (e.g. Amazon and Facebook) providing credit.[164] The COVID-19 is also expected to contribute to the digitalisation phenomenon, as it has boosted consumer's habit to obtain credit online.[165]

Further insights on the impact of the COVID-19 were provided, with some stakeholders referring to **an increased level of consumer over-indebtedness as a result of the COVID-19 pandemic**, particularly consumer organisations.[166]

Stakeholders have also noted a slight increase in the demand of green loans, especially among young people, [167] and many expect further evolution following national government stimulus and/or obligations at EU level.[168] Some participants argued that initiatives promoted by their national governments have incentivised the demand for green loans (e.g. Sweden, Italy, Belgium) positively impacting consumers and credit providers. However, it is indicated that the EU must ensure there is a framework in place for green loans as now they are too reliant on national interpretation.

[159] Interviews (3 business associations – AT, FR, PL; 1 credit provider – NL). Surveys (2 responses)

[160] Feedback on IIA (7 business associations, 1 national authority). Interviews (4 business associations – AT, DE, FR, IT; 1 national authority – BE).

[161] Interviews (1 business association – PL). Surveys (20 out of 22 business associations; 25 out of 37 national authorities; 9 out of 13 consumer organisations; 6 out of 7 credit providers)

[162]Feedback on IIA (4 business associations, 2 consumer organisations, 1 credit provider; 2 national authorities). Interviews (5 business associations – AT, DE, EU, EU, SE; 2 consumers organisations – EU, EU; 1 credit provider – NL; 2 industry representatives – EU, FR; 2 national authorities – EE, NL) Surveys (13 out of 23 business associations; 18 out of 36 national authorities; 7 out of 13 consumer organisations; 2 out of 5 credit providers)

[163] Interviews (2 business associations – EU, FR; 3 consumer organisations – EU, EU, NL; 1 credit provider – NL; 1 industry representative – FR; 1 national authority – EE). Surveys (3 responses)

[164] Interviews (5 business associations – EU, EU, FR, PL, SE; 2 consumer organisations – EU, BE; 2 credit providers – DE, NL; 3 national authorities – EU, NL, PL). Surveys (27 out of 32 national authorities; 12 out of 13 consumer organisations; 2 out of 23 business associations; 3 out of 6 credit providers)

[165] Interviews (4 business associations – BE, EU, PL, SE; 1 consumer organisation – BE; 1 industry representative – UK; 1 national authority - EE). Surveys (15 out of 23 business associations; 27 out of 32 national authorities; 10 out of 13 consumer organisations; 3 out of 6 credit providers)

[166] Interviews (2 consumer organisations – NL, BE; 2 credit providers – DE, NL; 2 national authorities – NL, PL). Surveys (10 out of 13 consumer organisations; 7 out of 24 business associations; 13 out of 36 national authorities; 3 out of 6 credit providers)

[167] Interviews (4 business associations – EU, FR, IT, SE; 2 consumer organisations – BE, PT; 1 credit provider – NL; 1 national authority - BE). Surveys (6 out of 6 credit providers; 5 out of 22 business associations; 3 out of 36 national authorities; 1 out of 13 consumer organisations)

[168] Interviews (9 business associations – AT, BE, DE, EU, EU, FR, IT, PL, SE; 2 consumer organisations – EU, PT; 1 credit provider – NL; 1 industry representative – EU; 2 national authorities – BE, NL)

There is a high level of consensus among stakeholders that the **demand for cross-border consumer credit has remained low and steady** since 2015 and that there are no signs that cross-border credit will increase in the next few years.[169] According to all stakeholder groups, the overall low cross-border demand is due to language and cultural barriers[170] as well as consumers preferring to purchase credit in their national market.[171] Different regulations in Member States as well as the lack of harmonisation of the CWA process are also thought to be important contributing factors.[172]

Key problems faced by the various stakeholder groups

Overall, stakeholders point to three key problems that credit providers and consumers facing today, namely: i) the overload of information provided to consumers in advertisement and at the precontractual stage, ii) the regulatory fragmentation and iii) the emergence of new types of credit products and credit providers not regulated by the CCD.

Stakeholders tend to agree that the **information requirement provisions** hinder the CCD from achieving its objective to protect consumers and strengthen responsible lending practices. The overload of information, not adapted to the digital reality, is one of the key challenges both consumers, credit providers and other business operators are facing.[173] Stakeholders argue that the consumer only needs to receive key, simplified information. The APR was specifically mentioned as problematic due to its complexity,[174] including by credit providers, who believe that it who believe that it should be harmonised and simplified to provide relevant information for the consumer.[175] Among the examples of the information that is key for consumers were provided by a few business associations and included total cost of the loan and consequences of default payment.[176] Industry representatives emphasised that the implementation costs of such new measures will be outweighed by the eventual financial and social benefits.[177]

Regulatory fragmentation among Member States about the access to databases and the credit worthiness assessment was highlighted as a key issue by all stakeholder groups. Stakeholders tend to agree that the fragmentation negatively impacts both

[169] Interviews (2 business associations – BE, PL; 2 consumer organisations – EU, PT; 1 industry representative – FR; 2 national authorities – NL, PL). Surveys (15 out of 21 business associations, with 6 of them indicating "I do not know"; 15 out of 37 national authorities, with 17 of them selecting "I do not know"; 5 out of 13 consumer organisations, with 7 of them selecting "I do not know"; 4 out of 6 credit providers)

[170] Interviews (1 business association – BE, 1 consumer organisation – BE). Surveys (An obstacle for 19 out of 22 business associations; an obstacle for 30 out of 33 national authorities; an obstacle for 10 out of 13 consumer organisations; an obstacle for 6 out of 6 credit providers)

[171] Interviews (1 consumer organisation – BE). Surveys (An obstacle for 20 out of 22 business associations; an obstacle for 33 out of 35 national authorities; an obstacle for 8 out of 13 consumer organisations; an obstacle for 6 out of 6 credit providers)

[172] Feedback on the IIA (3 business associations). Interviews (2 consumer organisations – EU, BE; 1 credit provider – NL; 1 industry representative – FR)

[173] Interviews of consumer organisations (5 out of 7: BE, EU, NL, PT). Interviews of credit providers (2 contributions out of 6: DE, NL); Interviews of business associations (10 out of 11 contributions: BE, DE, EU, FR, IT, PL, SE); Interviews with business associations OPC. 39% of business associations; 38% of companies; 78% of consumer organisations; 64% of national authorities; 65% of citizens; 58% of NGOs; 43% of academic and research institutions.

[174] Feedback from the workshop (1 out of 15 business associations: LV); Interviews with business associations (2 out of 11 contributions: BE, PL)

[175] Interviews with credit providers (3 out of 6 interviews: EU, DK, PL)

[176] Interviews with business associations (2 out of 9 interviews: BE, FR)

[177] Interviews of credit providers (DE, NL); Interviews of business associations (10 out of 11 contributions: BE, DE, EU, FR, IT, PL, SE)

consumers and the development of a cross border credit market. Consumer organisations mainly raised the need to adopt more prescriptive measures, which was echoed by national authorities, to protect consumers against over-indebtedness. In addition, the emergence of big data and the use of alternative sources to conduct the credit worthiness assessment create unfair competition between credit providers and increases the risk of irresponsible lending practices. Even though the majority of national authorities supported the harmonisation of guidelines and a refinement of criteria to conduct the creditworthiness assessment,[178] too prescriptive rules could also have a negative impact.[179] Potential negative impacts included increased consumer discrimination, which could push consumer into detrimental practices, such as accessing credit through non-regulated credit providers or the black market,[180] as well as negative effects on credit providers due to high costs imposed by extensive CWA processes.[181]

Unregulated credit products and new credit providers constitute another main challenge for consumers and credit providers. Certain types of consumer credit products commonly used by consumers and which are potentially harmful are either explicitly excluded from the scope of application of the Consumer Credit Directive – due to their nature or their amount – or not unquestionably covered the CCD. In addition, technological advances have allowed for new types of credit providers and intermediaries to emerge. Stakeholders agree that the scope of the CCD appears to be insufficient to ensure fair competition and a high level of consumer protection. In addition, a few business association[182] acknowledge that this also leads to increased levels of default payments and over-indebtedness negatively affecting credit providers. Nevertheless, stakeholders' views diverged regarding the key problems related to the need to broaden the scope of the CCD. Industry representatives appreciate the inclusion of all types of credit providers but are not necessarily in favour to extend the scope of the CCD to include credit below EUR 200 and above EUR 75,000.[183] In some members states micro-credits, i.e. below EUR 200, are not common and are therefore not considered to be harmful. Extending the scope would therefore only impose additional costs on credit providers and intermediaries. Some stakeholders flagged the negative impacts it has had on their national industry and explicitly expressed to be against the inclusion of this type of credit.[184] A few industry representatives warned that the cost will eventually be borne by consumers.[185] Consumer organisations, on the other hand, argue that including all types of credit would benefit consumers and decrease the risk of over indebtedness.[186] National authorities seem to agree with consumer organisations on this point.[187]

Potential solutions to the problems

When asked what the best way would be to address the problems encountered in their country, the most common solution proposed by stakeholders across all groups is the

[178] Interviews with national authorities (3 out of 4 contributions: BE, NL, PL); Online surveys (16 out 24 national authorities)

[179] Interviews with national authorities (3 out of 5 contributions: IT, NL, PL)

[180] Interviews with national authorities (1 out of 5 contributions: PL)

[181] Interviews with national authorities (1 out of 5 contributions: NL)

[182] Interviews with business associations (1 out 9 contributions: EU)

[183] Interviews with business associations (4 out of 9 contributions: AT, BE, DE, FR); Interviews with credit providers (2 out 6 interviews: DE, NL)

[184] Interviews with business associations (1 out 9 contributions: BE); Interviews with credit providers (1 out of 6: NL). Feedback from business associations on the IIA (5 out of 12 contributions)

[185] Interviews with business associations (1 out 9 contributions: FR)

[186] Feedback from consumer organisations on the IIA (5 out of 9 contributions)

[187] Feedback from consumer organisations on the IIA (3 out of 3 contributions); Online surveys. 18 out of 28 national authorities

adoption of both non-regulatory and legislative measures at national level.[188] This is very closely followed by stakeholders supporting the **adoption of legislative measures at EU level**, especially credit providers and national authorities.[189] Some respondents also think that consumers and credit providers could benefit from harmonised rules at EU level in the following areas: i) rules on advertising; ii) rules on the types of fata used for CWA and by credit bureaus; iii) format of the contract; iv)the upper threshold for the applicable scope; v) template for the right of withdrawal.

The **adoption of non-regulatory measures at EU level** seems to be a less popular option among stakeholders.[190] Participants supporting further EU action argue that it would prevent local divergence and fragmentation; ensure a true level playing field throughout Europe and between Member States; and it would also help create an internal market for consumer lending.[191] Only a small minority of stakeholders believe that issues faced by credit providers and consumers do not require further action[192].

Business associations and national authorities supporting the adoption of **non-regulatory measures at EU level** argue that these measures should cover information to be provided in advertising and CWA process.[193] Green loans, access to databases and type of data used for CWA were considered as areas to cover by non-regulatory measures in view of business associations.[194] While national authorities pointed to information to be provided at pre-contractual stage and clarifications on the scope of the application of the CCD and key definitions.[195]

When it comes to key aspects put forward for a revision of the CCD, stakeholders pointed to the **extension of the scope of the CCD**. A common concern for all stakeholders relates to creditors falling outside the scope of the CCD, mainly non-bank lenders.[196] Stakeholders also indicated the need to adjust the CCD and include credits below EUR 200 and new types of credits currently exempted in order to prevent over-indebtedness[197]. It should be noted that a significant number of business associations and other business operators consider that the scope of the CCD should not be extended[198] and that this decision should be left to Member States, who would consider the specificities of their national market.

[188] Surveys (9 out of 25 business associations; 15 out of 33 national authorities; 8 out of 13 consumer organisations); Feedback from the validation workshop (5 out of 10 business associations: EU; 2 out of 3 credit providers: EU, NL)

[189] Surveys. 8 out of 25 business associations; 23 out of 33 national authorities; 8 out of 13 consumer organisations; 4 out of 7 credit providers.

[190] Surveys (8 out of 25 business associations; 4 out of 33 national authorities)

[191] ; Feedback from the validation workshop (3 out of 3 active consumer organisations); Result from the follow-up survey from national authorities (N=6) (1 out of 1 contributions to open-ended questions); Result from the follow-up survey from business associations (N=9) (3 out of 3 contributions to open-ended questions)

[192] Surveys (3 out of 25 business associations; 1 out of 33 national authorities)

[193] Surveys (4 out of 8 business associations; 2 out of 3 national authorities)

[194] Surveys (5 out of 8 business associations indicated green loans; 4 out of 8 business associations indicated access to databases and type of data used for CWA)

[195] Surveys (2 out of 3 national authorities)

[196] Interviews (1 industry representative – EU). Workshop (1 participant). OPC. 16% of business associations; 35% of companies; 59% of consumer organisations; 17% of citizens; 36% of NGOs; 13% of academic and research institutions.

[197] Interviews (2 business associations – BE, EU; 1 consumer organisation – EU; 3 industry representatives – EU, EU, BE). OPC. 10% of business associations; 24% of companies; 50% of consumer organisations; 56% of national authorities; 18% of citizens; 32% of NGOs

[198] Interviews (1 business association – AT). OPC. 43% of business associations; 21% of companies; 2% of citizens; 13% of academic and research institutions; Results from the follow-

All stakeholder groups call for a simplification and reduction of the amount of **information provided at precontractual stage.**[199] Similarly, the adoption of standardised formats and the use of comparison tables are also presented as a good option, especially amongst consumer organisations.[200] In addition, stakeholders agreed that there is a need to adapt the mode of provision of information to the digital reality.[201]

On rules on **responsible lending**, views are divided between stakeholders supporting a higher level of harmonisation in the CWA process[202] and stakeholders – mainly industry representatives – not in favour of further standardisation.[203] Common standards both on data/methodology for CWA and categories of data collected for CWA purposes are supported by most stakeholder groups[204], with the exception of industry representatives who argued that no additional EU rules in these aspects are needed. Further harmonisation and improvement of current rules are commonly suggested by introducing caps on interest rates and binding principles. The industry argued against the introduction of APR caps to increase consumer protection doubting the effectiveness of such measures.[205] In addition, the prevention of online credit purchasing without enough time for reflection and the prohibition of credit in case of negative CWA are also other measures proposed to ensure responsible lending and prevent over-indebtedness. Better alignment of the CCD with the MCD regarding obligations such as responsible lending and information to consider during CWAs, was not welcomed by business associations without thorough analysis and further clarifications.[206] To the contrary, consumer organisations supported the provision.[207]

The opinion of stakeholders on the adoption of **measures to anticipate situations of exceptional economic disruption**, such as that caused by the COVID-19 pandemic, differs. National authorities and consumer organisations tend to claim for anticipative

up survey from business associations (4 out of 6 contributions to the open-ended questions); Results from the follow-up survey from other business operators (N=2) (1 out of 1 contributions to the open-ended questions)

[199] Interviews (5 business associations – DE, FR, IT, PL, SE; 1 consumer organisation – NL; 2 credit providers – DE, NL; 3 industry representatives – EU, EU, UK; 1 national authority – EE). OPC. 76% of business associations; 81% of companies; 28% of consumer organisations; 70% of national authorities; 48% of citizens; 53% of NGOs; 71% of academic and research institutions. Feedback from the validation workshop (1 out of 3 consumer organisations: EU; supported by 13 voters); Feedback from the validation workshop (3 out of 10 business associations: EU; 2 out of 3 credit providers: EU; 1 out of 3 other business operators: EU; supported by 13 voters

[200] Interviews (1 credit provider – NL) OPC. 39% of business associations; 38% of companies; 78% of consumer organisations; 64% of national authorities; 65% of citizens; 58% of NGOs; 43% of academic and research institutions.

[201] Interviews (2 business associations – FR, IT; 1 credit provider – NL)

[202] Interviews (3 business associations – AT, EU, SE; 4 consumer organisations – EU, EU, BE, PT; 1 credit provider – NL; 4 national authorities – BE, EE, NL, PL). Workshop (3 participants). OPC. 7% of business associations; 10% of companies; 72% of consumer organisations; 32% of national authorities; 32% of citizens; 22% of NGOs; 14% of academic and research institutions.

[203] Interviews (2 business associations – FR, IT). Workshop (2 participants). Feedback on the IIA from industry representatives (8 out 14 contributions). OPC. 44% of business associations; 31% of companies; 2% of citizens; 10% of NGOs; 14% of academic and research institutions.

[204] Interviews (4 business associations – AT, DE, EU, SE; 1 consumer organisation – BE; 1 credit provider – NL; 2 industry representatives – EU, BE; 2 national authorities – EE, PL)

[205] Results from the follow-up survey from business associations (N=9) (3 out of 4 contributions to the open-ended questions)

[206] Results from the follow-up survey from business associations (N=9) (1 out of 3 contributions to the open-ended questions)

[207] Feedback received during validation workshop (1 out of 3 consumer organisations; supported by 5 voters)

measures such as the implementation of payment moratoria measures[208] or the introduction of measures encouraging creditors to exercise reasonable forbearance.[209] While industry representatives generally indicated that extra measures at EU level are not necessary given national responses and that self-regulatory mechanisms prove to be more effective than prescriptive regulations trying to anticipate unexpected circumstances.[210]

Impact of policy options/measures

Stakeholders tend to emphasise the various positive impacts of a revision of the CCD with the objective to increase harmonisation at EU level, ensuring a level-playing field for credit providers and intermediaries and a high-level of consumer protection at national and EU level. In particular, stakeholders suggest that streamlining the guidelines and specifying the provisions related to the credit worthiness assessment would positively impact i) the level of consumer protection, ii) responsible lending practices and iii) the development of the cross border market.

Even though stakeholders agree on the need to harmonise the **creditworthiness assessment process** at EU level,[211] views differed as to the preferred measures and the foreseen impact. Industry representatives argue that a revision should follow proportionality principles as too prescriptive measures would impose costs on credit providers.[212] They also warned of a potential increase of consumer discrimination. This concern was echoed by national authorities.[213] Consumer organisations tend to focus on ensuring the same rights and level of protection in accessing credit for all EU citizens. While consumer organisations argue in favour of stricter criteria for the CWA, they also recognise the potential negative impacts on both consumers and the industry. [214] Too strict criteria could result in consumer discrimination due to negative CWA outcomes and affect consumer product choice because of increased costs and administrative burdens borne by the industry. A few stakeholders doubted about the feasibility of imposing EU legal obligations to include positive data in credit databases, as they see a potential conflict with national law.[215] On the other hand, a minority of business associations are in favour of including positive data and testified of the positive impacts

[208] Interviews (2 consumer organisations – EU, PT). OPC. 15% of business associations; 21% of companies; 78% of consumer organisations; 27% of national authorities; 45% of citizens; 45% of NGOs; 14% of academic and research institutions.

[209] Interviews (1 consumer organisation – PT). Feedback on the IIA from national authorities (2 out 3 contributions); Feedback on the IIA from consumer organisations (2 out 9 contributions). OPC. 13% of business associations; 21% of companies; 56% of consumer organisations; 47% of national authorities; 47% of citizens; 30% of NGOs; 71% of academic and research institutions.

[210] Interviews (2 business associations – DE, EU). Feedback on the IIA from industry representatives (7 out 14 contributions). OPC. 44% of business associations; 39% of companies; 17% of national authorities; 2% of citizens; 5% of NGOs; 14% of academic and research institutions.

[211] Interviews with national authorities (4 out of 5 contributions: BE, IT, NL, PL); Interviews with business associations (8 out of 11 contributions: BE, DE, EU, FR, SE); Interviews with consumer organisations (4 out of 7: EU, PL); Online surveys (16 out 24 national authorities); Feedback received during the workshop (1 out of 2 credit providers; 4 out of 15 business associations: EU, LV; 2 out of 4 consumer organisations: EU)

[212] Interviews with business associations (8 out of 11 contributions: BE, DE, EU, FR, SE); Feedback on the IIA from industry representatives (8 out 14 contributions); Feedback received during the workshop (2 out of 15 business associations: EU)

[213] Interviews with national authorities (3 out of 5 contributions: IT, NL, PL)

[214] Feedback from the workshop (2 out of 3 consumer organisations: EU; 3 out of 10 business associations: EU; 2 out of 3 credit providers: EU; supported by 10 voters).

[215] Interviews with business associations (1 out of 11 contributions: FR); interviews with consumer organisations (1 out of 7: BE)

it has had in their respective Member State.[216] A minority of consumer organisations warned about GDPR issues and argued for a strong regulatory framework to ensure data protection and transparency.[217]

The simplification of rules **on pre-contractual information**, supported by a wide variety of stakeholders across EU Members States, would have a positive impact on both credit providers,[218] consumers,[219] and other industry representatives involved in the advertisement and marketing of credit[220]. Reducing the amount of required information at a precontractual stage would reduce costs currently borne by credit providers.[221] Industry representatives emphasised that the implementation costs of such new measures will be proportionate in light of the eventual financial and social benefits.[222] They do not foresee any challenges or barriers regarding implementation from an industry perspective. Consumer organisations and national authorities echoed these views and highlighted the potential for very positive impact for consumers if the effectiveness of the disclosure of information is improved, while also considering the digital environment.[223]

Stakeholders have diverging views on the impacts of **lowering the threshold of the CCD** to include credits below EUR 200. Consumer organisations, national authorities and researchers highlight the positive impacts this measure would have on the level of consumers protection and over indebtedness.[224] A few national authorities and consumer organisations also flagged the feasibility of the measure because a broader scope is already being implemented in some member states.[225] A few business associations echoed the arguments of consumer organisations and national authorities.[226] Nevertheless, a minority of industry representatives believe that an extension of the scope would negatively impact credit providers and intermediaries, as

[216] Interviews with business associations (4 out of 11 contributions: BE, DE, EU)

[217] interviews with consumer organisations (3 out of 7: BE, EU, PL); Feedback received during the workshop (2 out of 4 consumer organisations); Feedback received during the validation workshop (1out of 3 active consumer organisations)

[218] Online surveys (25 out of 28 national authorities; 16 out of 23 business associations); Feedback received during the workshop (1 out of 2 credit providers: NL; 4 out of 15 business associations: LV, EU)

[219] Online surveys (27 out of 29 national authorities; 12 out of 12 consumer organisations)

[220] Interviews of other business operators (2 out of 2: EU, UK)

[221] Results from the follow-up survey from business associations (5 out of 6 contributions to open-ended questions); Results from the follow-up survey from other business operators (N=1) (1 out of 1 contribution to open-ended questions);

[222] Interviews of credit providers (DE, NL); Interviews of business associations (10 out of 11 contributions: BE, DE, EU, FR, IT, PL, SE)

[223] Surveys. 27 out of 29 national authorities; 12 out of 12 consumer organisations; Result from the follow-up survey from national authorities (N=6) (1 out of 1 contributions to open-ended questions); Additional feedback provided by consumer organisations (1 out of 1)

[224] Feedback from consumer organisations on the IIA (5 out of 9 contributions); Feedback from the workshop (1 out of 4 consumer organisations: EU); Interview with researcher; Additional feedback received to the follow-up survey from consumer organisations (1 out of 3); Feedback received during the validation workshop (1 out of 3 consumer organisations)

[225] Feedback received during the workshop from consumer organisations (1 out of 1); Result from the follow-up survey from national authorities (N=6) (1 out of 2 contributions to the open-ended questions); Additional feedback received to the follow-up survey from consumer organisations (1 out of 1)

[226] Results from the follow-up survey from business associations (2 out of 6 contributions to open-ended questions);

seems to be the case in some Member States.[227] Furthermore, according to a few industry representatives it might also negatively impact consumers as they will eventually bear the costs.[228] The majority of business associations argued in favour of extending the scope of the CCD to include all credit providers rather than products.[229]

Consumer organisations and national authorities would also strongly support policy measures on **advisory services and debt advice services** as this would generate high positive impact on the level of over-indebtedness.[230] This was confirmed by researchers and experts. Business associations also appreciate the positive impacts of debt advice services on consumers and praise the benefits of the measure in relation to costs, which compares to other binding measures that impose high costs and are not effective in addressing over-indebtedness, such as APR caps.[231]

[227] Interviews with business associations (1 out 9 contributions: BE); Interviews with credit providers (1 out of 6: NL). Feedback from business associations on the IIA (5 out of 12 contributions)

[228] Interviews with business associations (1 out 9 contributions: FR)

[229] Results from the follow-up survey from business associations (N=9) (3 out of 5 contributions to the open-ended questions)

[230] Surveys (29 out of 30 national authorities; 13 out of 13 consumer organisations); Interviews with consumer organisations (4 out of 7: BE, EU, NL, PL). Feedback received during the workshop from consumer organisations (1 out of 3); Results from the follow-up survey from consumer organisations (N=3) (1 out of 1 contributions to the open-ended questions); Additional feedback received to the follow-up survey from consumer organisations (1 out of1)

[231] Results from the follow-up survey from business associations (N=9) (3 out of 5 contributions to the open-ended questions)

Annex 5: Recent evolution of the consumer credit market and baseline scenario

This section starts with the presentation of the general trends on the EU consumer credit market over the recent years including changes in value of outstanding consumer credit in the EU, level of households indebtedness, cost of consumer credit and some shifts in the landscape of lenders. It then describes the key characteristics and prevalence of specific type of consumer credit products that are available in the EU and therefore are focus of this study namely, personal loans, credit cards and other type of revolving credit, overdraft facilities, student loans and auto financing.

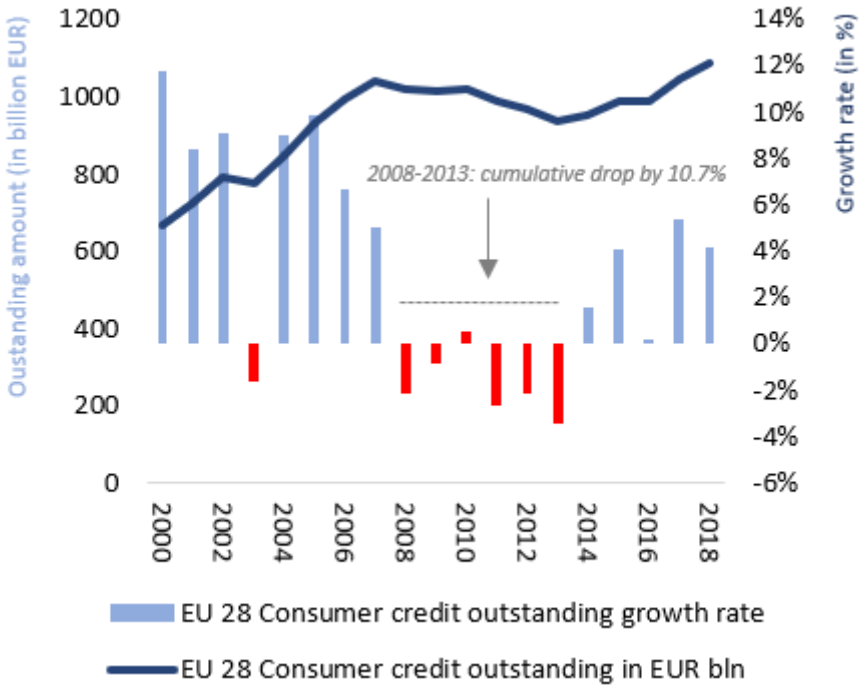
Lastly, Section A5.2 presents some forward-looking analysis of the potential implications of COVID-19 and digitalisation for the consumer credit market in the EU over the period 2020-2030. Both also inform the formulation of the baseline scenario.

A5.1. Evolution of the consumer credit market over the recent years

A5.1.1. Outstanding household debt and consumer credit specifically

According to ECRI data, the value of **outstanding consumer credit**[232] in the EU-28 contracted in the aftermath of the Global Financial Crisis (GFC) with a cumulative drop of 10.7 per cent between 2008 and 2013 (Figure 1). However, once the EU economies embarked on a firm recovery path, it kept rising steadily since 2014 with an average annual growth rate of 3.1% between 2014-2018. By the end of 2018, the outstanding value of consumer credit including loans for purchase of durable goods, car loans, credit cards and overdraft facility, but excluding mortgages, reached EUR 1.14 trillion[233].

Figure 1. Consumer credit outstanding, in EUR billion, EU-28



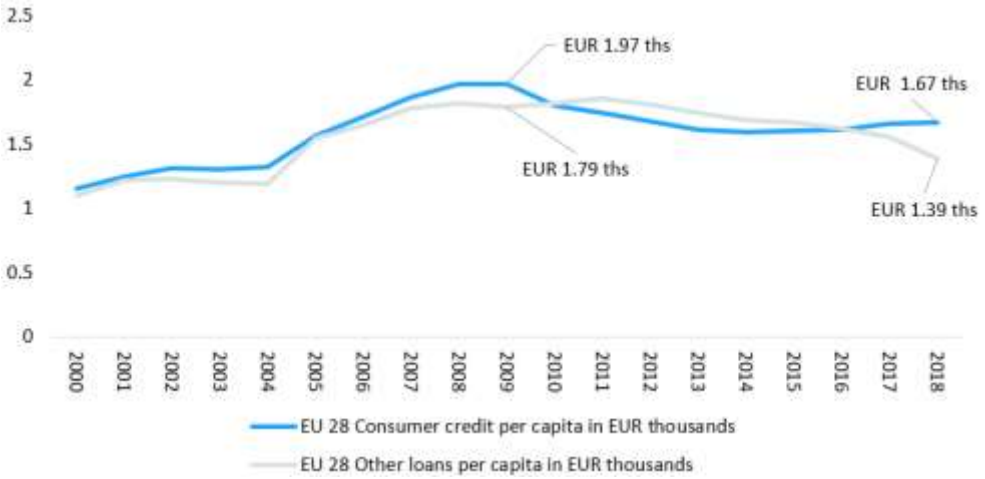
Source: ICF, based on data from ECRI

[232] Excluding mortgages but including loans for purchase of durable goods, car loans, credit cards and overdraft facility.

[233] European Credit Research Institute, 2019, Statistical Package 2019.

In **per capita terms**, ECRI data[234] shows that the EU 28 average value of consumer credit (excluding mortgage loans) stood at EUR 1,670 in 2018 (Figure 2).

Figure 2. Consumer credit per capita, EUR thousands, EU-28



Source: ICF, based on data from ECRI

According to the European Banking Authority data, while the outstanding value of consumer credit by banks stood at EUR 1.14 trillion in September 2019, this represented only 14.7% of the total outstanding debt of the EU households that reached EUR 7.78 trillion in the same year. Mortgage loans accounted for the bulk of the remaining value of the outstanding debt of the EU households[235].

In terms of the **number of approved individual loan agreements**, 2018 figures from Eurofinas[236], the association representing specialised consumer credit providers in Europe, revealed that 73% of new credit agreements approved by their members[237] were allocated to consumer credit, comprising also personal consumption and vehicle loans, while only 17% of all credit agreements corresponded to mortgage credit. The fact that the number of consumer credit agreements far outweighs the number of mortgage loan agreements is rather unsurprising given the typically far greater size of a mortgage loan agreements vis-à-vis consumer credit.

Across EU Member States, the outstanding value of consumer credit and its share in total household debt (including mortgages) varies significantly. Data from the European Banking Authority (EBA) reveals that 75% of the total outstanding households' debt (including mortgages) in the EU was concentrated in just three countries: France (EUR 333 billion), Spain (EUR 260 billion) and the UK (EUR 219 billion). Germany (EUR 86 billion) and Italy (EUR 65 billion) also stand out from the most of other Member States in terms of the value of household outstanding debt that exceeded EUR 50 billion. Yet, the share of consumer credit specifically (excluding mortgages) with respect to total lending was generally higher among Central Eastern European (CEE) countries, particularly in Hungary (20%), Bulgaria (17%), Romania (16%) and Slovenia (15%) (Figure 3).[238]

[234] Ibidem.

[235] Mortgage lending, on the other hand, amounted to €EU 5.29 trillion (68% of household lending).

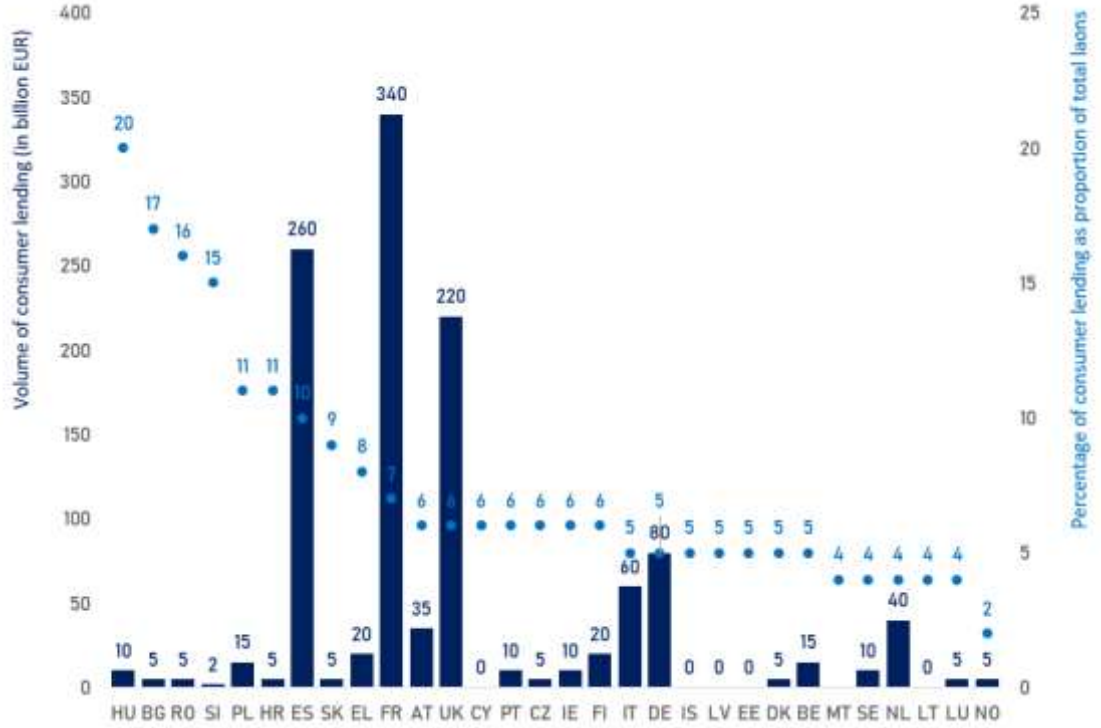
[236] Eurofinas, Credit facts and figures.

[237] Eurofinas members represent approximately 45% of the European consumer credit market expressed in terms of outstanding loans for the countries covered by the Federation's 2018 Annual Statistical Enquiry.

[238] European Banking Authority, 2020, Thematic note on consumer lending.

Until 2020, consumer credit lending from banks was growing in most EU countries, thanks to GDP growth and decreasing unemployment driving the demand side, and low interest rates and a search for increased margins[239] by banks driving the supply side. According to the same EBA data, **the growth in consumer credit lending[240]** between September 2015 and September 2019 was mostly driven by CEE countries, and to lesser extent by selected eurozone countries such as Belgium, Spain, France and Italy. (Figure 4).

Figure 3. Value of outstanding consumer lending (in EUR billion) and consumer lending as a proportion of total lending (in %), as of 2019.

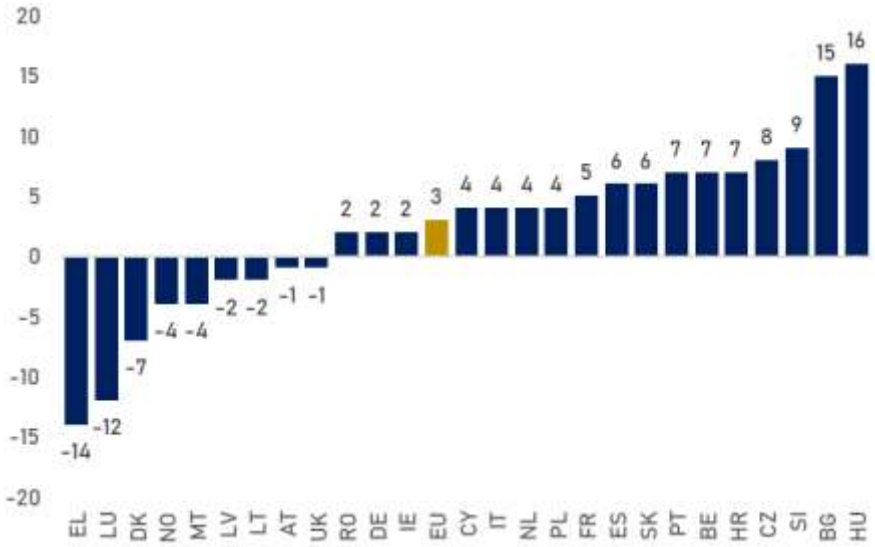


Source: ICF, based on data from EBA Thematic note on consumer lending (2020) - Supervisory data

[239] "A bank that allocates a relatively high proportion of its portfolio to consumer lending usually has a relatively high net interest margin", ibid.

[240] Defined as "loans extended to individuals for personal use in the consumption of goods and services (e.g. vehicles and electronics), typically through credit cards", ibid.

Figure 4. Annualised growth rates of consumer lending by country, September 2015-2019, (In percentage).

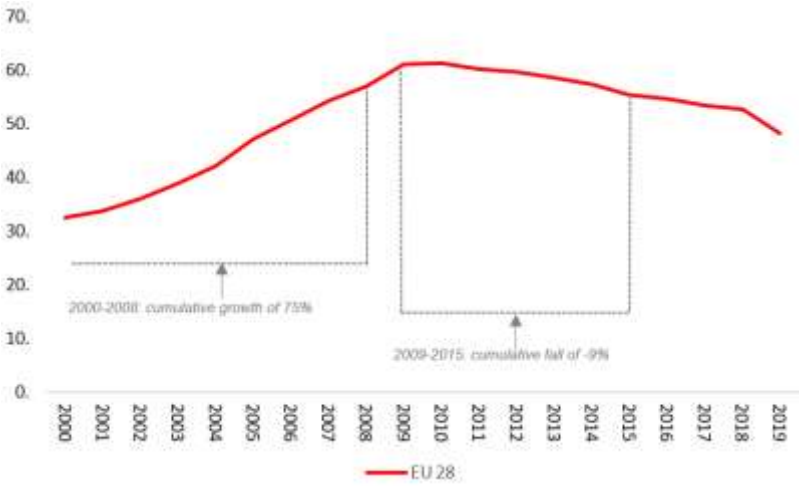


Source: ICF, based on data from EBA, Thematic note on consumer lending (2020) - Supervisory data
NB: Finland and Sweden have been excluded due to significant changes in the sample.

A5.1.2. Evolution of household indebtedness

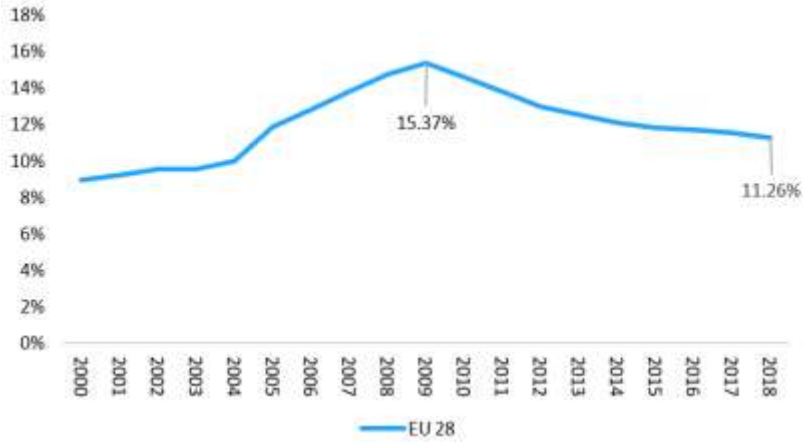
The level of **household debt as a share of GDP** (EU 28) continued to decline in relative terms since the GFC from 61% in 2009 to 52.6 % in 2018 (Figure 5). In terms of the trajectory of **household debt as a share of final consumption expenditure**, a similar trend was observed with household debt as share of the final consumption expenditure declining from 15.4% in 2009 to 11.3% in 2018 (Figure 6).

Figure 5. Household debt as % of GDP, EU-28



Source: ICF, based on data from ECRI

Figure 6. Consumer credit as % of final consumption expenditure of households, EU-28



Source: ICF, based on data from ECRI

Part of the explanation for this trend is a 'consumption smoothing' of households reducing their debt exposure and increasing the reliance on their savings in the initial recovery phase following the GFC (similar trend is observed during COVID-19 pandemic[241]), as well as GDP growth rate across the EU exceeding the growth rate in debt consumption (in particular from 2015 onwards when EU economies grew relatively fast).

While no comprehensive data from the EU is still available at the moment, the most recent data from the US market on the **impact of COVID-19 on consumers' indebtedness** following first months of pandemic shows similar pattern to the one in the aftermath of GFC. Once the COVID-19 crisis hit, consumers have started adjusting their consumption by postponing discretionary spending such as cars and appliances[242] and reducing also the number of credit transactions, and on average, the level of indebtedness has shown some signs of decline[243]. And yet, there has been also a substantial heterogeneity across borrowers. In particular, reductions in both balances and transactions were driven by creditworthy borrowers, whereas outstanding monthly balances even increased for the riskiest borrowers in affected counties[244]. Generally, it is plausible that while average HHs indebtedness will fall, for some segments of consumers, in particular low-income one disproportionately affected by COVID-19 (e.g. unemployment in tourism and hospitality sector), level of indebtedness may increase. In the US, the delinquency rates across most products between March and June decreased, though many consumers benefited from different form of consumer assistance over that period as well. Something that is not warranted later on as public support schemes will be gradually rolled back[245].

Generally, HHs indebtedness that can also proxy the level of demand for debt appears to be significantly higher in countries with more developed financial markets[246]. This is

[241] For instance, with COVID-19 measures restricting movement and leaving shops and restaurants closed, people's ability to spend was limited over the second quarter. In the UK, the household saving ratio – the average percentage of disposable income that is saved – increased to a record 29.1% by end of September 2020, up from 9.6% in the previous three months. See FT, September 30, 2020. BoE economist warns against pessimism after record drop in GDP. Available at: https://www.ft.com/content/fed4fe06-8c6a-4272-b0b3-a0759805eb64

[242] McKinsey, June 2020, European Consumer finance: moving to next normal.

[243] Experian, 2020, COVID-19 impact: changes to consumer debt and credit.

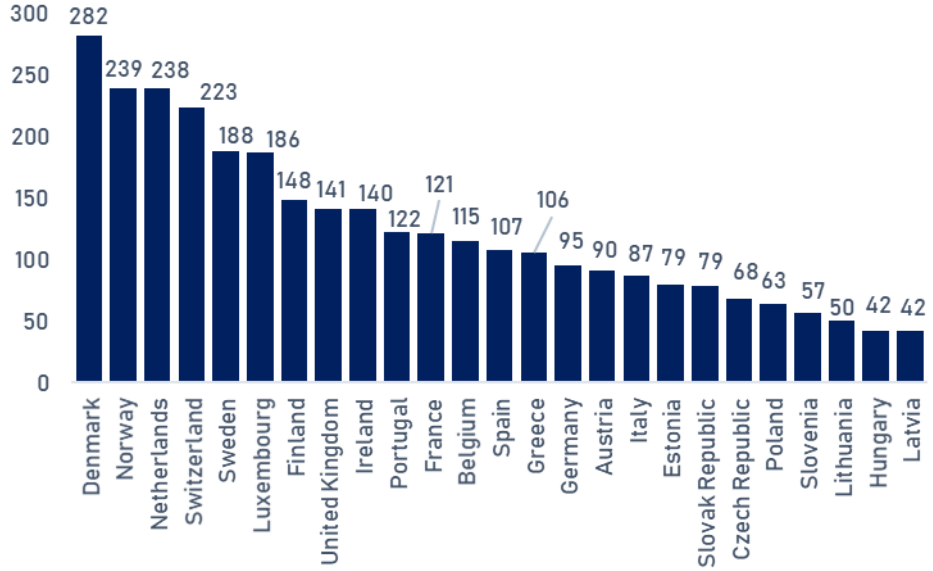
[244] Vox, August 2020, The COVID-19 shock and consumer credit.

[245] Consumer Financial Protection Bureau, August 2020. The Early Effects of the COVID-19 Pandemic on Consumer Credit.

[246] Finance Watch, 2020,Basic Financial Services. A European wide study on financial services and products.

illustrated in Figure 7, which shows that household debt (including mortgages) relative to disposable income is greater in countries such as Denmark, Norway and Netherlands (with rates around 250%) than in new EU Member States such as Lithuania or Latvia (with rates close to 50%). This is explained by, among other factors, greater sophistication of the local financial markets and far higher prevalence of mortgage products in Western Europe compared to the CEE Region.

Figure 7. : Total household debt of net disposable income in 2019, in %



Source: ICF, based on data from OECD, 2019

With regard to **over-indebtedness**[247], a recent report published by Eurofound sheds some light on the percentage of people aged 18 or more at risk of over-indebtedness (Figure 8).[248] To do this, the report used data from the European Quality of Life Survey (EQLS) on the number of people with arrears as well as those with difficulties making ends[249]. The survey found that as of 2016, people in Southern and Central European

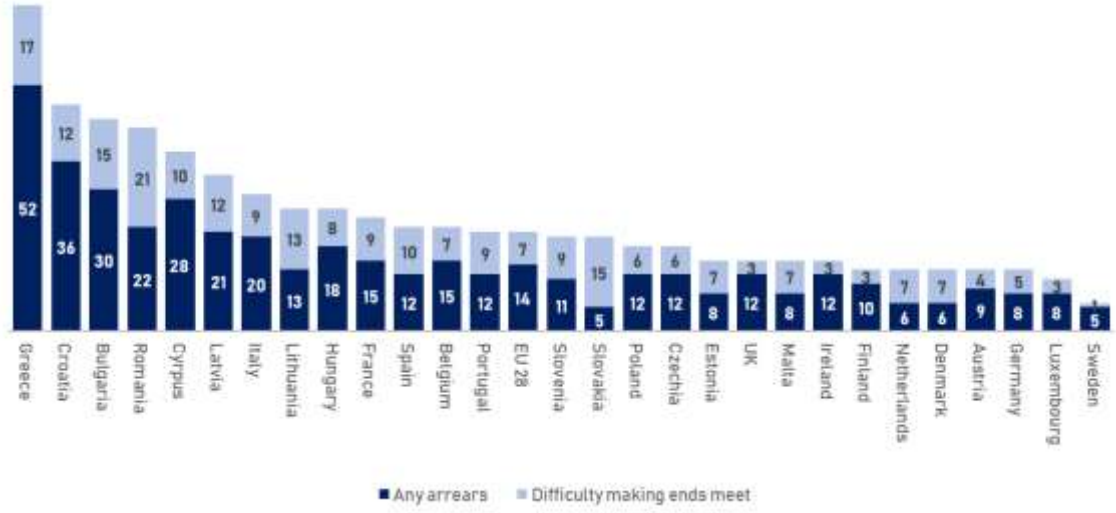
[247] Over-indebtedness relates to situation when a HH is unable to meet the debt repayment obligations but also other payments such as rent, utility bills, healthcare or insurance bills or taxes and/or fines. In this context, over-indebtedness does not mean an occasionally missed payment but rather more structural payment problems e.g. several months of missed debt repayment obligations. Note that some differences in interpretation of the concept across the Member States exist.

[248] Eurofound, 2020, Addressing household debt.

[249] Arrears could apply to rent or mortgage payments, consumer credit, loans from family or friends, or utility or telephone bills. Figure based on responses to questions 88 and 93 from EQLS 2016. Q88: 'A household may have different sources of income and more than one household member may contribute to it. Thinking of your household's total monthly income: is your household able to make ends meet…?' Answer categories are: 1. Very easily; 2. Easily; 3. Fairly easily; 4. With some difficulty; 5. With difficulty; 6. With great difficulty. Only people who respond 'with difficulty' or 'with great difficulty' are considered at risk of over-indebtedness. Q93: 'Has your household been in arrears at any time during the past 12 months, that is, unable to pay as scheduled any of the following? a. Rent or mortgage payments for accommodation; b. Utility bills, such as electricity, water, gas; c. Payments related to consumer loans, including credit card overdrafts (to buy electrical appliances, a car, furniture, etc.); d. Telephone, mobile or internet connection bills; e. Payments related to informal loans from friends or relatives not living in your household'. Answer categories are: Yes, No, (Don't know), (Refusal). 'Refusal' and 'no answer' are excluded as invalid answers, thus excluding an observation if the answer falls in one of these two categories for at least one of the type of arrears. Arguably, people with arrears problems are

countries are more at risk of over-indebtedness. For example, in Greece and Romania 17% and 21% of people respectively claimed to experience difficulties to make ends meet, as opposed to only 1% of people in Sweden. The over-indebtedness may be also proxied by the debt-income ratio[250] of households that provides information on the extent to which a household can service its debt on the basis of its income-generating capability. In principle, the higher the ratio, the higher the vulnerability of a given households, though for some Member States mortgages (linked to a property, and hence an asset) will stand for a bulk of outstanding debt. According to the latest available ECB data from 2017[251], the median debt-income ratio in the Euro-area in 2017 stood at 70.3% (compared to 72.8% in 2014) (Figure 9) with relatively highest ratio among the wealthiest and the poorest households. Age wise the households in Eurozone in the age bracket 35-44 had the highest debt-income ratio (144.6 compared to for instance 78.9 and 54.1 for the age brackets 45-54 and 55-64 respectively).

Figure 8. Proportion (In percentage) of people aged at 18+ at risk of over-indebtedness: arrears or difficulties making ends meet, 2016, EU-28



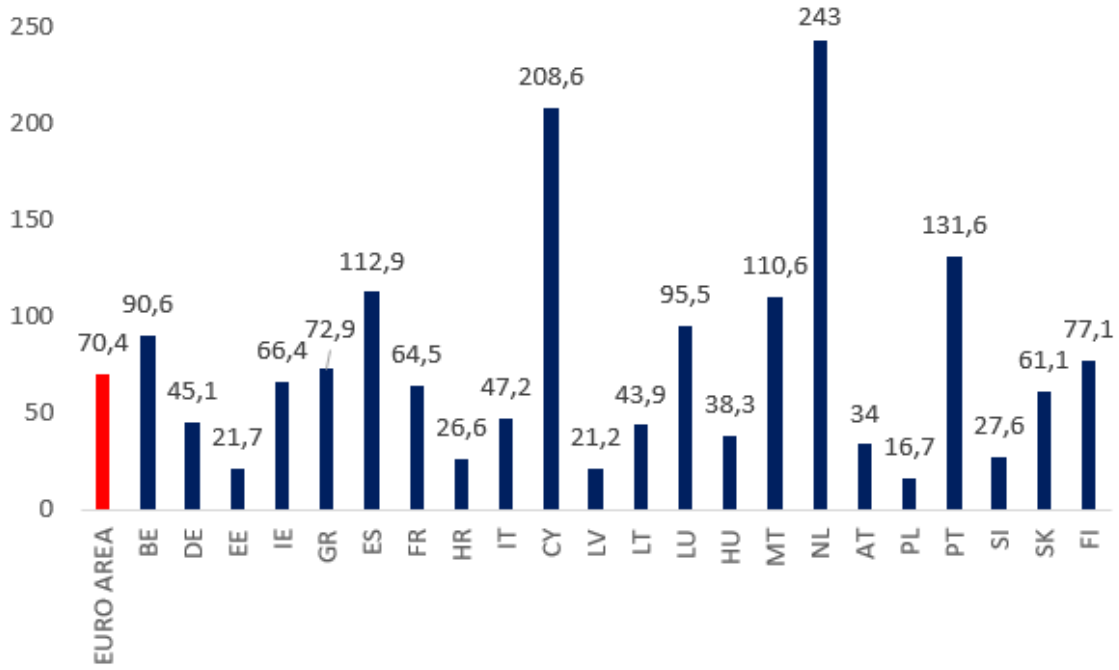
Source: Eurofound - European Quality of Life Survey (EQLS) 2016.

more likely to fall in these categories. If people in these categories are all included as having arrears, the proportion at the EU level rises from 14% to 21%.

[250] Calculated as the ratio between total liabilities and household annual gross income for indebted households

[251] ECB, March 2020. The Household Finance and Consumption Survey: Results from 2017 wave. Available at: https://www.ecb.europa.eu/home/pdf/research/hfcn/HFCS_Statistical_Tables_Wave_2017.pdf?906e702b7b7dd3eb0f28ab558247efc5

Figure 9. Median debt to income ratio – breakdowns, (in percentage)



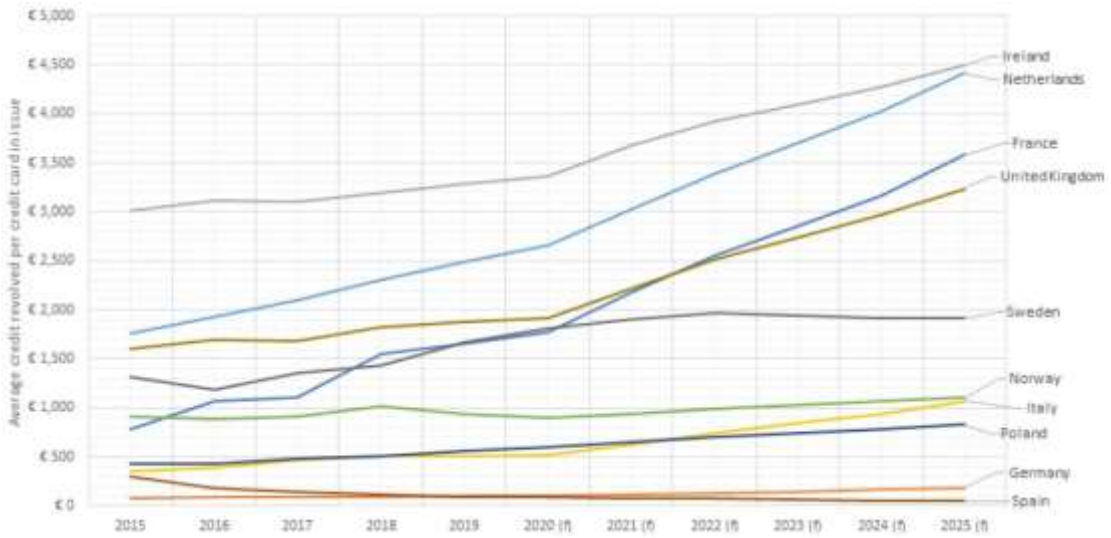
Source: ICF, based on data from ECB, March 2020. The Household Finance and Consumption Survey: Results from 2017 wave.

Some recent research suggests that credit cards may be one of the products where repayment rate will be most severely hit by the **impact of the pandemic**. The recent study[252] of the European Dunn & Company (EDC) used a modelling approach[253] to gauge the impact that lockdowns, furlough schemes and rising unemployment had on the average values revolved on credit cards across the major European markets. Figure 10 illustrates the results of this modelling and impact on ten selected EU markets with the average amount on credit card not paid at the end of the statement period. As for different consumer segments, high heterogeneity across the countries can be also observed with consumers from Ireland and the Netherlands experiencing substantially more issues with repayment than those in other countries like Spain and Germany.

[252] EDC, 2020. Are we heading for the new consumer debt crisis following the COVID-19 pandemic?

[253] EDC has modelled the impact that lockdowns, furlough schemes and rising unemployment had on the average values revolved on credit cards across the major European markets. using the adjusted GDP forecasts from the European Commission, and categorised them into 'high impact markets' (comprising of Italy, Spain, UK and France), 'medium impact markets' (comprising of Ireland, the Netherlands and Germany) and 'low impact markets' (comprising of Sweden, Norway and Poland). Each category has a different 'COVID factor' assigned, which was used to forecast the increase in the value of credit revolved.

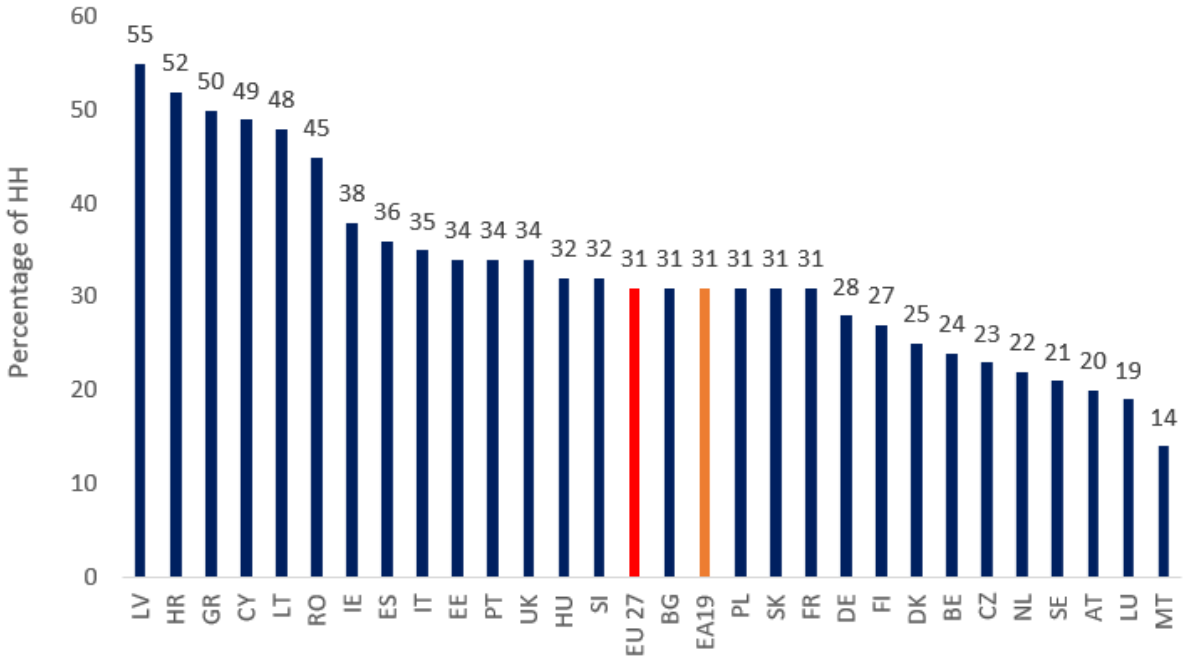
Figure 10. Amount of revolving credit not paid at the end of statement period, in EUR



Source: EDC, 2020.

In the same vein, a Bruegel study on the financial fragility of European households in the time of COVID-19[254] found that on in three EU households is unable to meet unexpected expense[255] during regular times, let alone pandemic. Yet, the financial fragility of households varies across the Member States (Figure 11).

Figure 11. Household inability to meet an unexpected required expense, all households, percentage shares, 2018



Source: ICF, based on data from Eurostat, EU-SILC.
Notes: EU27 displays the average of all EU member states after January 2020 (those exhibited except the UK). EA19 is the euro-are average.

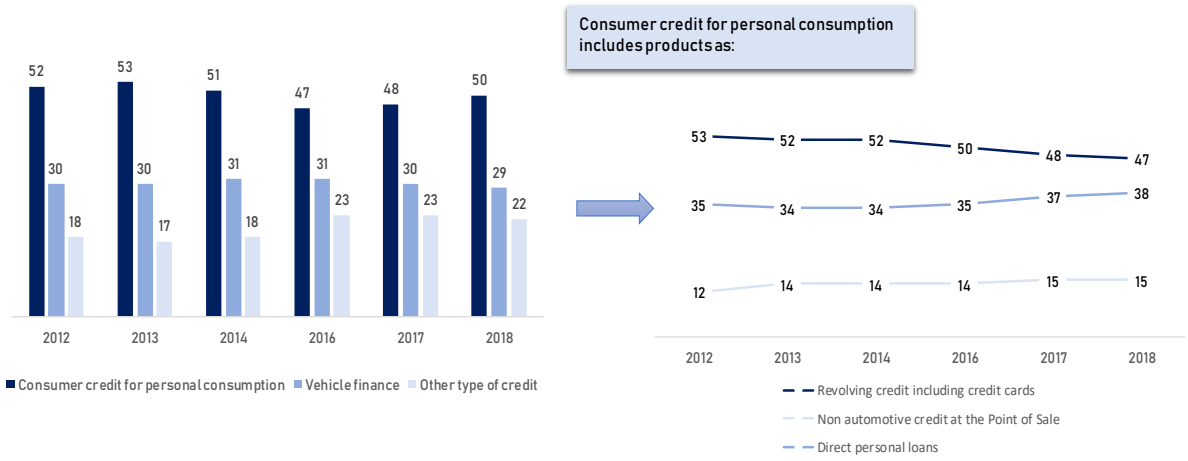
[254] Bruegel, July 2020. The financial fragility of European households in the time of COVID-19.

[255] Examples of unexpected financial expenses include surgery, a funeral, major home repairs and replacement of durables such as a washing machine or car

A5.1.3. Evolution and share of the different types of consumer credit

Since the GFC, three types of consumer credit namely, credit cards, non-automotive credit at Point of Sale (PoS) and personal loans, have seen some material evolution. Figure 12 presents the percentage of granted consumer loan agreements (excluding mortgages) provided by Eurofinas members between 2012 and 2018 and disaggregated by specific product and (chart on the left) along with the weight of the three specific products within consumer credit category (right axis). It shows that credit cards and other revolving credit accounted for roughly 50% of the total consumer credit agreements granted during those years, albeit their share was declining over that period. The second most common product was personal loans, which oscillated between 34% and 38% of all agreements granted in 2012 and 2018 respectively. Non-automotive credit sold at the PoS was the least common product, representing approximately 15% of the total share of approved consumer loan agreements in 2018.

Figure 12. Percentage of newly granted loans by sectors and for consumer credit products by Eurofinas members between, 2012-2018.



Source: Eurofinas facts and figures from 2012 to 2018. Note that 2015 data is missing. NB: Eurofinas members do not account for the entire consumer credit market as they represent 17 Member Associations covering 17 countries (BE, CZ, DK, FI, FR, DE, IT, NL, NO, PL, PT, ES, SE, TR, UK) and LT and Morocco as correspondent members [256]. Also, note that consumer credit for personal consumption (right axis) include leasing agreements (under non-automotive credit at PoS)

The available data on the **share of households using a particular product** falling under the category of consumer credit (excluding mortgages) is somehow fragmented. One of the available sources of a comparable data are the special Eurobarometer surveys focusing on the use of selected financial products. Figure 13 and Figure 14 below show the results of the latest edition 446, which suggest that in 2016, an estimated 43% of EU-28[257] households held a **credit card** while the share of households with at least one **personal loan** stood at 11%.

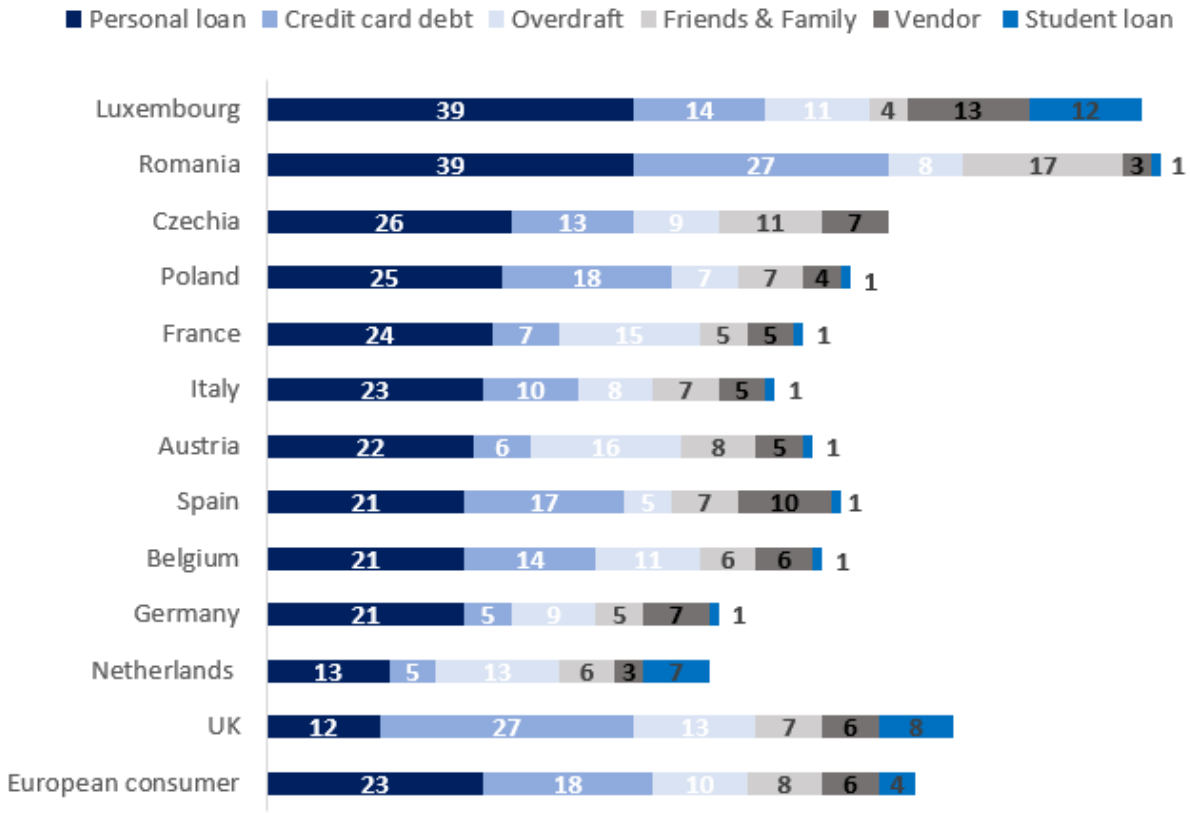
Yet, these figures are somehow in contrast with the results of a 2018 survey conducted by ING in a selection of 12 EU Member States (and other third countries). As illustrated in Figure 13, personal loans were the most common product of consumer credit used

[256] Eurofinas membership.

[257] Note that Croatia did not yet feature as part of Eurobarometer research even though the country joined the EU in 2013.

by an average of 23% of the EU households with credit cards being the second most common product (18%).

Figure 13. Types of consumer credit products held by households (in percentage of households)



Source: ING International survey February 2018 "Saving comfort – a path to happiness. Examining money choices in Europe, USA and Australia" – extracted from the report Finance Watch "Is the human dignity of individual debtors at risk?", 2020.

Overall, it should be noted that consistent EU-wide data on the prevalence of specific types of consumer credit, including **overdrafts facilities, revolving credit, credit cards, student loans** and **car loans** is scarce. Nonetheless, the following section attempts to provide some insights into the importance of each of the products and their recent evolution.

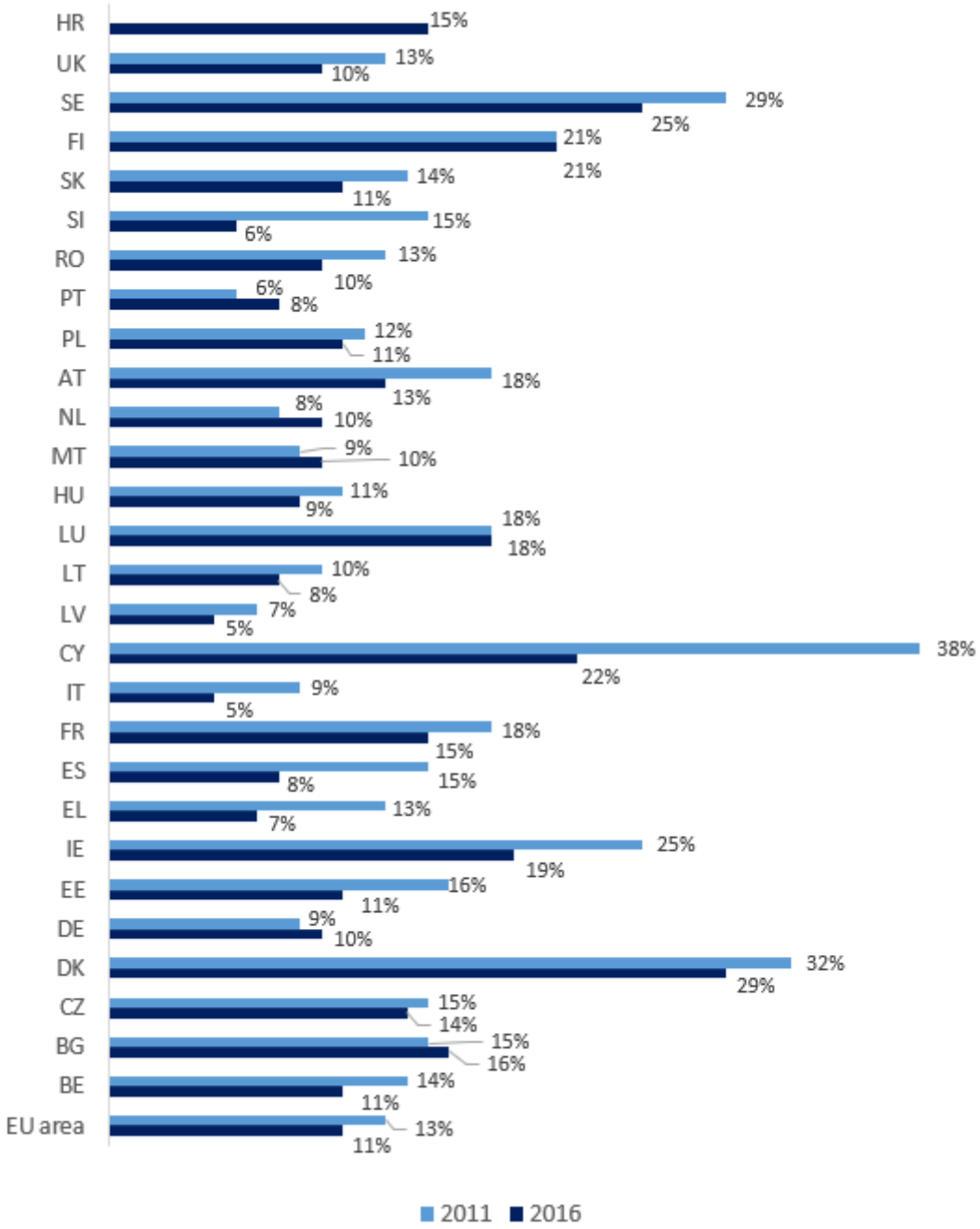
Credit for consumption (or personal loans)

Direct personal loans accounted for 38% of newly granted credit agreements by Eurofinas members in 2018, an increase of 3 percentage points compared to 2012 (Figure 12 above). This upward trend is also to some extent reflected in the share of EU citizens with a personal loan, as reported by the Eurobarometer survey, which in 2016 was estimated at 11%, down from 13% in 2011, albeit up from 7% in 2005 (Figure 14). Taking a crude assumption that 2016's share has remained unchanged, and using the EU-28 population data, this would mean that in 2019 there was an estimated 45,95 million citizens with at least one personal loan,[258] with the total number of 55,15 million personal loans in the EU.[259]

[258] Based on the EU population older than 18 years (417.8 million for the EU 28 in 2019), and on the assumption that the share of EU citizens with a personal loan is still unchanged at 11%.

[259] Based on an estimate of an average of 1.2 loans per EU citizen who has a loan.

Figure 14. Estimated share of EU citizens with personal loan in 2011 and 2016 (in percentage)



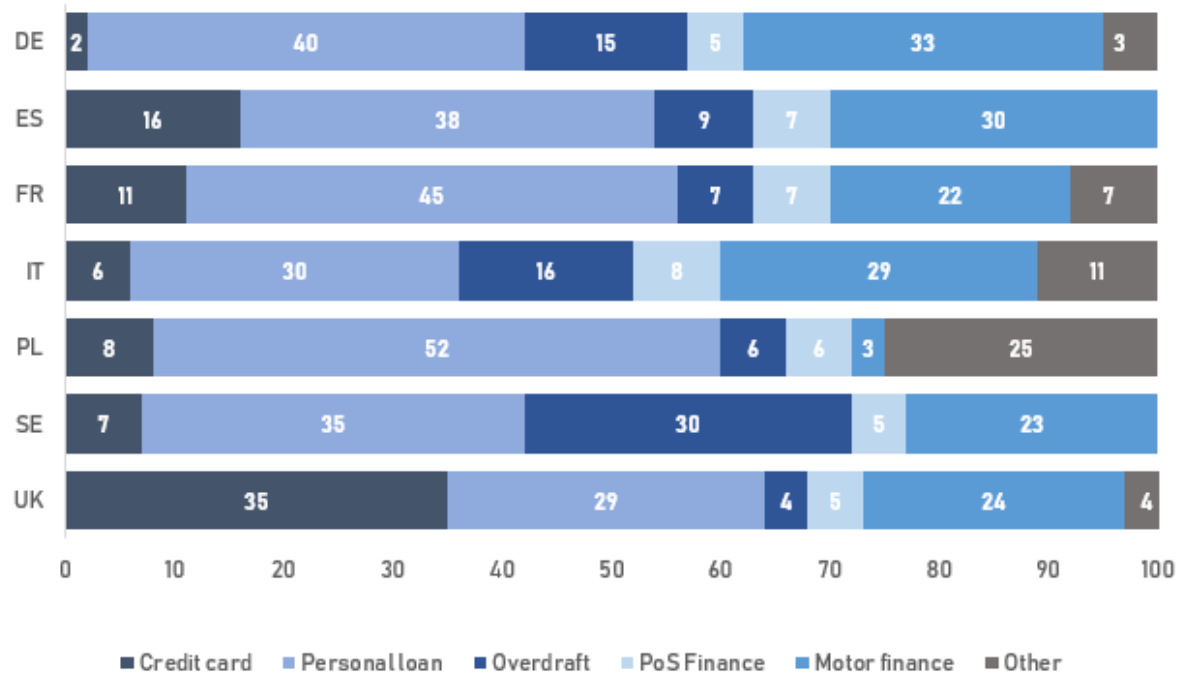
Source: Special Eurobarometer 373 and 446.
Note: Euro area data: EU-27 in 2011 and EU-28 in2016.

The importance of personal loans in the consumer credit product mix held by consumers varies across the EU Member States. A recent (2019) report prepared by Deloitte compiled the data, as of 2018, on the **share of various consumer credit products in the total outstanding of consumer credit (excluding mortgages)** held by an average consumer in selection of European countries, including France, Germany, Italy, Poland, Spain, Sweden and the UK (Figure 15).[260] The results show that personal loan is the most important consumer credit product used in all of these analysed countries,

[260] Deloitte, 2019, The future of credit: a European perspective.

except the UK. Its share ranged from 29% of the total outstanding debt portfolio held be an average consumer in the UK, to 52% in Poland.[261]

Figure 15. Product mix by geographic balance growth, 2018 (GDP 2017)



Source: Deloitte, based on compilation of data from central bank statistics and company reports

The same Deloitte report also suggests that the average outstanding value of the personal loan per capita in the largest EU markets varied from EUR 1,319, EUR 1,192, EUR 1,044 and EUR 1,032 in Sweden, France, Germany respectively, and the UK to EUR 582 in Italy. Given generally lower indebtedness level in the CEE Region countries, the outstanding values of personal loan per capita are plausibly considerably lower in that region than in the largest European markets in Western and Northern Europe, though differences in income levels between regions should be borne in mind.

In line with the historical trends, it can be expected that the outbreak of the COVID 19 pandemic will temporarily decrease the uptake of personal loans and the average outstanding value per capita, though this may not be true for specific consumer segments (e.g. low-income category). For instance, some initial data shows that in March and April 2020 European consumer finance entities saw decline in lending to between 40 and 70% on the y-o-y basis. Decline was more pronounced for credit cards and unsecured loans than point of sale financing[262].

Personal loan category comprises various type of sub-products including also so-called short-term high cost (STHC) credit of which one example are payday loans. Payday loans are short-term credit agreements where a borrower is expected to repay the loan's principal from the next week/ month salary. Payday loans warrant particular attention as part of this study due to the risk of relatively higher detriment that these products may imply given, among other factors: typically high interest rates and additional fees

[261] Personal loans represented 29% of the consumer credit product mix in the UK, 30% in Italy, 35% in Sweden, 38% in Spain, 40% in Germany, 45% in France and 52% in Poland.

[262] McKinsey, June 2020, European consumer finance: moving to 'next normal'.

attached to such credit, complex credit terms and conditions[263], specific segment of more vulnerable consumers[264] who tend to resort to lenders offering payday loans and sometimes inappropriate CWA favouring fast disbursement over the thorough check. A survey from the European Commission has reported that 60% of payday lending websites emphasize the speed and simplicity over price.[265] As noted in the CCD Evaluation, the risky nature of these products can be also reflected by the fact that payday lenders can still generate high revenues, despite comparatively high default rates.[266]

Payday loans have existed since the 1990s and for almost two decades, they were mostly restricted to the Nordic European countries and the US.[267] Since 2008, payday loans have become more common in the EU and are now available in many Member States,[268] although to varying degrees. Digitalisation seems to have contributed to this expansion as it has allowed automated processes enabling consumers to access credit online, often within a few minutes from the first click on the application. A recent EC study found that 74% of the operators offering STHC credit in the EU were new operators, as opposed to 26% offered by traditional credit providers.[269]

Payday loans are particularly common in Lithuania and the UK, where 37% of low-income households have resorted to this type of credit,[270] have been growing fast in countries like Sweden, Poland and Czech Republic, while the national market for payday loans in Germany is limited due to the wide availability of overdraft facilities.[271]

Some countries have taken actions (such as interest rate caps and/or required licensing for lenders) to regulate this type of products, which has impacted the evolution in the future of this product within the EU market. An example is the Netherlands which enforced new rules (requiring payday companies to apply for a license and a cost cap of 10% of the total loan) that have led to the number of payday loans falling from 89,000 in 2011 to 1,480 in 2013, reducing consequently the number of payday companies from 21 to 6.[272] Similarly, Belgium has virtually eliminated payday loans by extending the scope of the CCD to loans below EUR 200, as well as Denmark, which has enforced the new consumer code and has placed restrictions on showing payday loan ads in specific cases (such as next to gambling ads). The near disappearance of the payday loan

[263] Finance Watch, June 2019, The EU should tackle exploitative consumer loan head on.

[264] Generally vulnerable or already indebted consumers who would not have access to more favourable credit channelled through the more traditional credit providers.

[265] London Economics Europe, VVA Consulting, Ipsos NV, ConPolicy and Time.lex, 2019, Annexes-Behavioural study on the digitalisation of the marketing and distance selling of retail financial services.

[266] The Evaluation referred to anecdotal evidence presented in a 2015 study [Attaité, M., 2015] which pointed out that the biggest payday lender in the UK had a loss rate (denoting what part of revenues is taken by the losses) of 41% and default rate of 9%, with the company attaining a 27% profit margin, as opposed to 16%, 2% and 35% respectively for the average of credit unions.

[267] Evaluation of the CCD; Oswald Stoll [UK], 2019, Big And Small Differences In Payday Loans In Europe; New Statesman, 2014, The History of Payday Loans.

[268] 16 EU Member States were captured in a recent OECD report examining the provision of STHC credit in a selection of countries, of which 10 reported the presence of this type of credit product (AT, CZ, DE, DK, EE, LV, NL, RO, SK, UK), while six did not (EL, ES, FR, PT, SE, SI); OECD, 2019.

[269] London Economics Europe, VVA Consulting, Ipsos NV, ConPolicy and Time.lex, 2019, Annexes-Behavioural study on the digitalisation of the marketing and distance selling of retail financial services.

[270] London Economics Europe, VVA Consulting, Ipsos NV, ConPolicy and Time.lex2019, Annexes-Behavioural study on the digitalisation of the marketing and distance selling of retail financial services.

[271] Finance Watch, 2019, The EU should tackle exploitative consumer loan head on.

[272] Autoriteit Financiële Markten [NL], 2014, Markt voor flitskrediet verder opgedroogd.

market in Belgium is due to the combination of extending consumer credit legislation to loans under EUR 200 in combination with an interest rate cap, making them no longer commercially viable.

Among the different restrictions on payday loans, setting price caps are one of the most widely used measures adopted by Member States. Based on the experience of several Member States as well as states in the US that have passed laws capping the price of loans (i.e. APR/interest/costs caps), a 2015 study analysing the industry of payday loans concluded that setting sufficiently low caps (the study sets the limit at 36%) seemed to be an effective measure to limit or eliminate payday loans. It noted that Member States where the APR cap was lower than 36% (e.g. Belgium, France, Italy, Germany) did not experience the presence of payday loans. In contrast, the industry was growing in other Member States that had either set significantly higher caps (e.g. Lithuania, Poland) or did not exist at all (e.g. Sweden, Spain).[273]

However, the reduction in payday loans does not eliminate the potential demand for such credit, but only supply. The consequences of a drop in supply could push consumers to other forms of credit even less regulated.

Among the different restrictions on payday loans, setting price caps are one of the most widely used measures adopted by Member States. Based on the experience of a several Member States as well as states in the US that have passed laws capping the price of loans (i.e. APR/interest/costs caps), a 2015 study analysing the industry of payday loans concluded that setting sufficiently low caps (the study sets the limit at 36%) seemed to be an effective measure to limit or eliminate payday loans. It noted that Member States where the APR cap was lower than 36% (e.g. Belgium, France, Italy, Germany) did not experience the presence of payday loans. In contrast, the industry was growing in other Member States that had either set significantly higher caps (e.g. Lithuania, Poland) or did not exist at all (e.g. Sweden, Spain).[274]

Consequently, the measures taken by governments in Europe and more recently in the US,[275] have constrained the development of this specific product, considered sometimes as too risky for certain consumers.

Credit cards

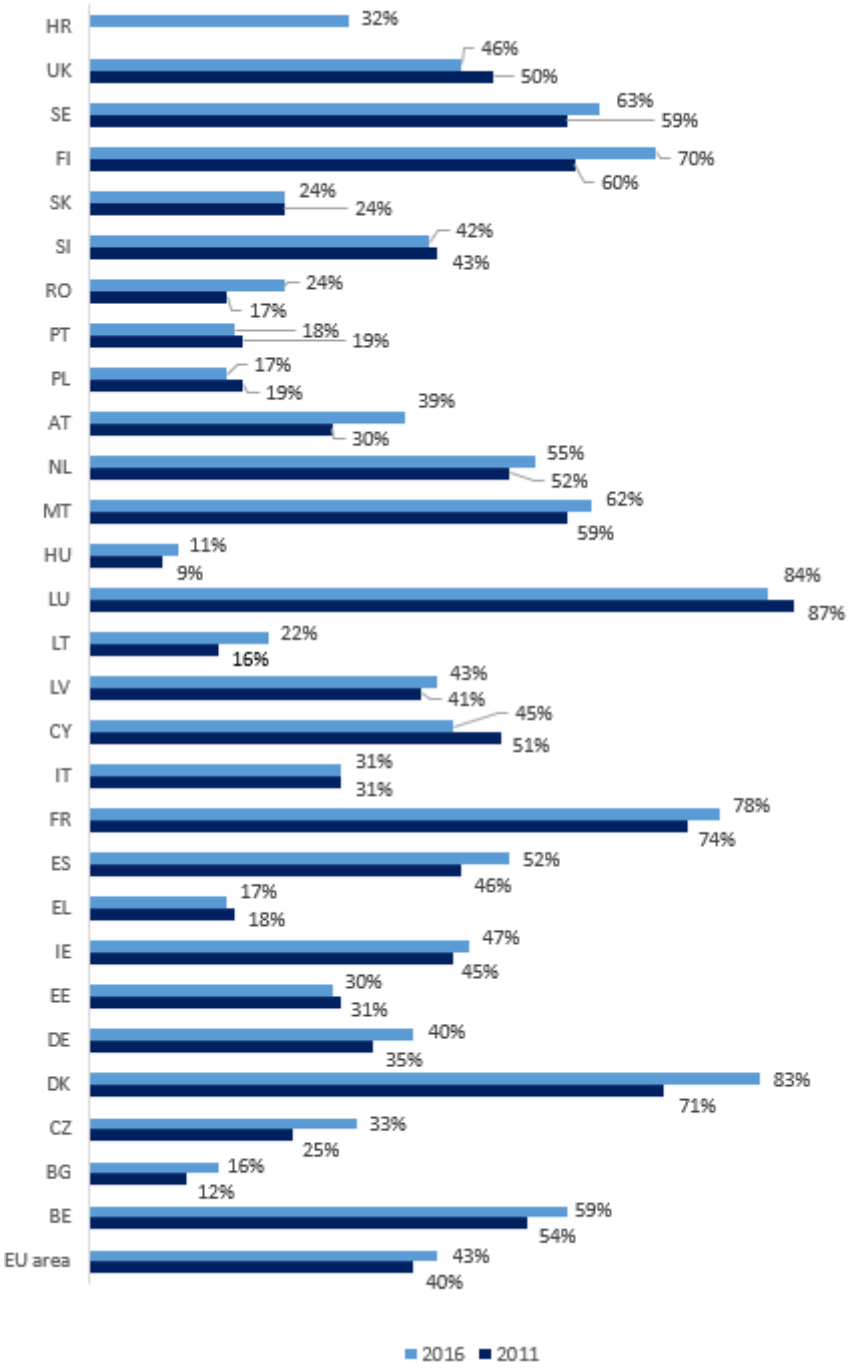
The use of credit cards in the EU has accelerated since 2005. Eurobarometer survey results from 2006, 2011 and 2016 point to a steady increase in the number of EU citizens who declared having a credit card, from 40% in 2011 and 43% in 2016 (Figure 16).

[273] Attaité, M., 2015, Pay-day lenders: why can we consider them as being bad players on the credit market?

[274] Attaité, M., 2015, Pay-day lenders: why can we consider them as being bad players on the credit market?

[275] NCLS [US], Payday Lending Legislation 2020, "The state of Virginia, [...] caps the interest and fees that may be charged under a short-term loan at an annual rate of 36%, plus a maintenance fee".

Figure 16. Estimated share of EU citizens with a credit card in 2011 and 2016, (in percentage).



Source: ICF, based on Special Eurobarometer 446 and 373.
Note: Euro area data: EU-27 in 2011 and EU-28 in2016.

For individual EU Member States, large variations with respect to card usage exist: as of 2017, the number of cards per inhabitant ranged from 0.8 to 3.9, the number of payments made per year per inhabitant ranged from 26 to 329, while the corresponding transaction values ranged between EUR 1,800 and more than EUR 17,000 per year and inhabitant.[276]

[276] ECB, September 2018, Fifth report on card fraud.

Furthermore, among the various types of credit cards, a recent report published by Finance Watch[277] examined the frequency with which different types of credit cards are used. The report distinguished between credit cards with a "next month full debit" option – in which the debit is paid back the next month in full – and those with a "monthly partial repayment" option – allowing a consumer to make partial payments every month. The survey results indicated that both products have been widely used although to various degrees across different Member States.

At the EU Member State level, the share of citizens of 15 years and older with at least one credit card varied widely, ranging from approximately 80% in Luxembourg, Denmark and France to below 20% in Hungary, Bulgaria, Poland and Portugal (Figure 16). Furthermore, the Deloitte report on the future of credit[278], revealed that only in the UK credit cards was the most widely used consumer credit product accounting for 35% of the consumer credit product mix. Among the six remaining Member States covered by the report, credit cards were generally the third most commonly used product after personal loans and auto loans, with shares ranging from 16% in Spain and 11% France to only 2% in Germany.

Already cited data from Eurofinas (Figure 12) shows that the weight that credit cards and other revolving credit have in the total number of credit agreements signed by their members decreased from 52% in 2016 to 47% in 2018, a decrease of 5 percentage points. This trend, coupled with the simultaneous increase in the number of personal loans and non-automotive credit at points of sale (PoS) shows some change in consumption pattern of credit in favour of the latter two, though it is not hard to gauge whether this may continue.

The relative decline in the use of credit cards in the EU vis-à-vis other products (as a share in the product mix) was also recently noted in the financial press.[279] The number of credit cards declined across Europe, with a fall of 3.5 million units in 2019, after a sharp rise following the 2008 financial crisis. Some experts claim that while a credit card will remain an important product, also given the fact that it combines both a credit and a payment facility, it may evolve and become more tailored to a customer's specific needs, an offshoot of, among other factors, the competition with the P2P payments or/and digital wallets.[280]

Overdrafts and revolving credit other than credit cards

Revolving credit account (excluding credit cards), sets of credit limit, that borrower can either repay at the end of each billing cycle or "revolve" the balance by making a minimum payment each month. In addition, borrowers must pay a certain amount of fees. Revolving credit can be a personal line of credit in an account, from which the borrower can draw money up to the credit limit. This type of product offers great flexibility for consumers but could entail high cost for the borrower due to the evolving interest rate and the fees associated.

Based on a prior agreement, overdraft facilities allow a customer to get automatically a short-term credit extending customer's ability to pay using the current balance in the customer's current account. Usually, overdrafts entail high cost if they are not repaid within a certain period. If the period exceeds a month, the credit is then covered by the CCD. There is limited EU-wide data on **revolving credits (other than credit cards) and overdraft facilities**. Concerning overdraft facilities, the ING survey conducted in 12 Member States[281] found that overdraft facility was the third most prevalent type of

[277] Finance Watch survey, 2020, Basic financial services report.

[278] Deloitte, 2019, The Future of Credit: A European perspective.

[279] Realwire, 2020, European card growth slows to 2.7% as digital payments start to bite.

[280] Deloitte, 2019, The future of credit: a European perspective.

[281] ING International survey February 2018 "Saving comfort – a path to happiness. Examining money choices in Europe, USA and Australia" – extracted from the report Finance Watch "Is the

consumer credit product used in these EU countries (an average of 10% of respondents declared using this type of product).

Although also limited, some national data is also available for certain countries. For instance, data from the UK showed that 19 million people had an arranged overdraft in 2017, while 17 million used an unarranged overdraft facility.[282] In France, there were approximately 30 million users of overdraft facilities, with 60% of French people overrunning their overdraft authorisation in 2019.[283] It should be noted, however, that some proportion of consumers in each country may still not actively use an overdraft facility, despite having it available.

In terms of the outstanding value of overdraft facility per capita, already cited data from the Deloitte report[284] reveals that as of 2018, overdraft facility made up 30% of a consumer outstanding debt in Sweden, followed by 16% in Italy and Germany while in most of the other countries this share was typically below 10%. In EUR terms, the value outstanding overdraft facility ranged EUR 1,131 in Sweden to EUR 144 in the UK.

As regards to other revolving credit, a London Economics study published in 2014 that included a consumer survey found that revolving credit (excluding credit cards) constituted approximately 3.1% of outstanding value of loans in the EU[285]. In spite of this low share, revolving credit appears to be one of the main sources of concern for consumer organisations[286].

Student loans

Finally, the recent study from ING (2018)[287] revealed that student loans made up an important share (18%) of debt portfolio of HHs in the EU market. However, although student loans are widely used in countries like Luxembourg (12%), in the UK (8%) and the Netherlands (7%), in other Member States including CEE region this type of credit represents a small fraction of households debt portfolio. This difference can be explained by, among other factors, the specific funding structure educational institutions in the continental Europe where most of the universities are financed directly by public funds (through taxes) which entails small/ no charge fees for students.

Auto loans

According to the Eurofinas's data[288], the share of auto loans for personal use(that includes leasing agreements) in all new loan agreements remained stable over the period 2012-18, with 23% of all approved loans agreements granted for the purchase of a vehicle. Similar trend in data – albeit with variations across countries – were reported by Deloitte.[289] The data compiled from the Member States covered by the study

human dignity of individual debtors at risk?", 2020. The 12 European countries are: UK, NL, DE, SP, BE, AT, IT, FR, PL, CZ, RO, LU.

[282] ICF, 2020, Evaluation of the CCD; FCA, 2018, The financial lives of consumers across the UK.

[283] ICF, 2020, Evaluation of the CCD; Que Choisir [FR], 2019, Overdraft Facility: Excessively Expensive Credits

[284] Deloitte, 2019,The future of credit: a European perspective, 2019

[285] London Economics, 2014, Study on The Functioning of the Consumer Credit Market in the EU.

[286] ICF, 2020, Evaluation of the CCD; BEUC, 2019, Review of the Consumer Credit Directive – BEUC Position; El Pais [ES], 2019, La usura de las tarjetas 'revolving' estalla en los tribunales; Speaker representing a consumer organisation at the CCD event.

[287] ING International survey February 2018 "Saving comfort – a path to happiness. Examining money choices in Europe, USA and Australia" – extracted from the report Finance Watch "Is the human dignity of individual debtors at risk?", 2020. The 12 European countries are : UK, NL, DE, SP, BE, AT, IT, FR, PL, CZ, RO, LU.

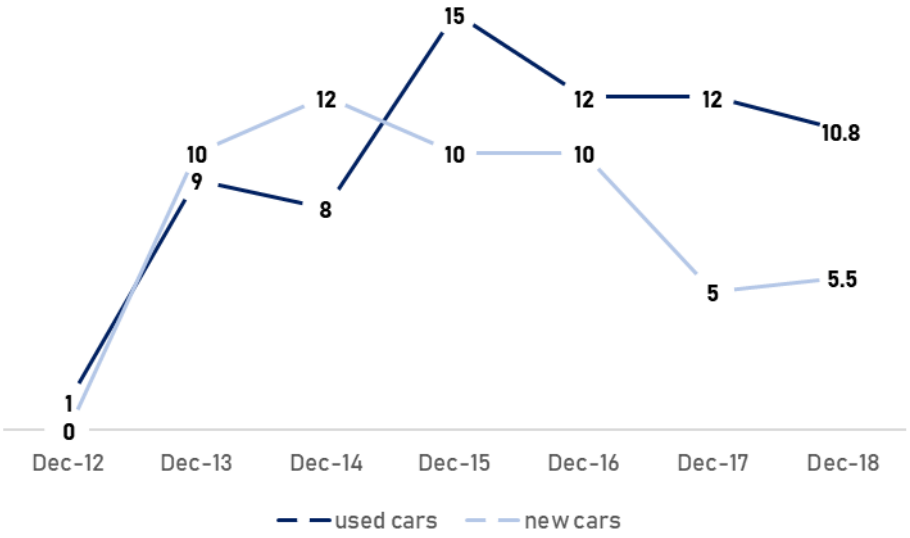
[288] Eurofinas, Credit Facts and Figures. Available at: http://www.eurofinas.org/index.php?page=key-facts-figures

[289] Deloitte, 2019,The future of credit: a European perspective.

revealed that auto finance was widely used consumer credit product. The share of consumer credit in the product mix[290] allocated to the purchase of cars in 2018 represented 22% in France and 33% in Germany.

Figures collected from Eurofinas members also suggest that the car lending market has performed well in the recent years, showing rather healthy growth rates since 2012 (Figure 17). In 2018 (latest available data), sales in the used and new cars segments increased by 10.8% and 5.5% respectively.

Figure 17. Consumer car finance (new lending) for used and new cars – annual growth rate in % (end of the year)



Source: ICF, based on Eurofinas 2018, Facts and Figures.
NB: Figures are adjusted to exclude the impact of exchange rate fluctuations.

The fast expansion of this segment of consumer credit was also noted by the ECB in 2017.[291] In a note analysing the trends in the consumer credit market, the ECB stated that recent developments in the consumer credit market were strongly driven by the purchase of new cars.

Although the available data does not allow to gauge the way how the market will evolve over the next decade, it is expected that the COVID-19 pandemic will have a significant impact on the sector. European Automobile Manufacturers Association expect a record 25% fall in sales in 2020.[292]

Leasing agreements

Leasing is an alternative way of financing whereby a customer (the 'Lessee') purchases an asset from the seller (the "Lessor') in return for a contractually agreed series of payments which usually include an element of interest. The lessor maintains ownership of the asset while the lessee enjoys the use of the asset for the duration of the lease agreement, usually accompanied by an option to buy the asset at the end of the contract[293].

[290] Credit cards, personal loans, overfat facilities, PoS finance, motor finance and others. See p.15 of Deloitte, 2019, The future of credit: a European perspective.

[291] ECB, 2017, Recent trends in consumer credit in the euro area available.

[292] European Automobile Manufacturers Association, 2020, EU car sales forecast 2020: record drop of 25% expected this year, says ACEA.

[293] Deloitte, 2017. Banking and Financial Services – Finance Leasing.

Currently, only those leading agreements that oblige the consumer to acquire the good upon expiration of the contract are covered by the CCD, as per Article 2(2)(d).

Leasing agreements in a consumer market often span between 2 and 5 years. The have been used for a wide range of products with cars and home-appliances being particularly common products. In consumer's goods market, they are commonly provided directly by the distributor of a good rather than by bank or other financial intermediary.

Leasing agreements have seen rapid growth in the EU in recent years. This is partly on the back of the growing popularity of leasing agreements used in the automotive sector[294] and this trend is expected to continue with vehicle leasing market projected to grow at CAGR 3% (or by circa EUR 50 billion) between 2020-2024, despite the impact of the pandemic[295]. In some Member States, the leasing market has grown particularly fast in the last decade. For instance, between 2008 and 2019, France saw the number of leasing transactions increasing by 256%[296] and in 2016 the value of approved leasing agreements for purchase of cars reached EUR 500 million and surpassed the value of classic car loans.[297] In addition, while between July 2019 and July 2020 the value of classic auto-loans in France increased by 2% on the y-o-y basis, the value of leasing agreements for cars over the same period rose by 25%.[298]

Even in cases where a leasing agreement envisages a purchase of an asset, Finance Watch estimates that hire-purchase currently represents around 12 per cent of the total credit provided to households, although it accounts for more than double of this percentage in New Member States.[299]

Green loans

Green loans were initially introduced as a government initiative that meant to encourage individuals to make more energy-saving improvements of their homes. They can be used for home renovation, insulation work, to purchase and install solar panels or installation of heat pumps, or for roofing costs[300].

While the definitions of green loan may still vary, one commonly accepted is that green loan is lending which is subject to certain environmental criteria[301]. More specifically, a consumer's eligibility for green loans is usually tied to the compliance with detailed technical eligibility criteria[302] including minimum targets in energy savings achieved as a result of improvement works on a property.

The underlying principle behind green loans is that their repayment is facilitated by the savings in energy bills generated thanks to the improvement in a property energy efficiency parameter that was in turn financed (partly or in full) by the green loan. Typically, green loans can be either a stand-alone product or built in the mortgage product.

The global lending volume in green loans has been rising rapidly. Only between 2014 and 2018 it increased more than threefold from EUR 13.5 billion in 2014 to EUR 48

[294] ICF, 2019. CCD Evaluation.

[295] Research and Markets, May 2020. Vehicle Leasing Market in Europe.

[296] Que Choisir [FR], 2019, Leasing, a Massive Degradation of Borrowers Rights.

[297] Challenges, 2017. Le leasing, le produit financier qui relance les ventes d'auto.

[298] Association Française des Société Financières, July 2020. Légère hausse de l'activité en juillet (+1.8%), mais d'importantes disparités sectorielles.

[299] This could be both linked to different levels of household indebtedness, to the size of the mortgage credit market (see housing loans section), as well as credit culture differences between older and newer EU Member States.

[300] Financer.com, 2020. Green Loan Options.

[301] See for instance Green Loan Principles published by Loan Market Association

[302] European Commission, 2017. Defining 'green' in the context of green finance.

billion four years later[303], though some of it corresponds to the corporate rather than consumer lending. In Europe, the green loan market as of mid-2018, and as estimated by Thomson Reuters, hovered around EUR 19 billion[304].

However, the demand for green loans is not geographically homogenous and variations between different Member States exist. There is no comprehensive data on the outstanding value of green loans held by consumers, but Germany, France, Italy and Scandinavia are among the largest markets in the EU. Cultural and social habits may explain this variation, though some governments have also been also more pro-active than others in promoting green loans[305]. More generally though, it is expected that consumer's demand for green loans in the EU will see a rapid rise, irrespective of the temporary impact of COVID-19 pandemic. On the supply side, there has been a steady rise in number of retail banks across the EU offering green loans to consumers[306], a trend that is expected to continue, also given a booming value of available public funding directed towards green investment in the coming years.

In spite of rapid growth of the market, green loans still account for only a fraction of the outstanding debt of HHs at the moment. There is no available data on the average value of a green loan but those will be typically higher than consumption credit and, in some cases, may exceed EUR 75,000.

In terms of the costs of green loans, it is not unusual that under certain conditions governments may offer some advantages such as a reduction of interest (interest subsidy), and/or a tax cut on interest paid by the borrower[307]. Maturities of such loans will be also relatively long. The structure of this product may also differ. Some green loans may require full repayment from the energy savings taking place, in other cases green loans may provide an incentive in a form of preferential tax treatment of an investment.

In its recent opinion on the European Green Deal and green loans specifically, BEUC argued that: '…Annual Percentage Rate (APR) for green loans should be much lower than for regular loans. These products should be conditional on achieving energy performance and comply with responsible lending principles, i.e. no aggressive marketing of loans to consumers and loan underwriting standards based on the strict assessment of the borrower's creditworthiness'.*[308]*

Consumer credit at value below EUR 200

Given that the study team is still waiting for the crucial data on the consumer loans at below EUR 200 requested from ECB, this section will be completed for the Final Report.

Some conclusions can however be drawn from the feedback gathered from stakeholders and the national research carried to inform this study. The evidence gathered suggests that credit below the minimum threshold of the Directive is uncommon in many Member States, but not in others. Among the stakeholders answering to the survey, around a half of respondents across all stakeholder groups agreed with this statement,[309] while only stakeholders from nine countries disagreed (i.e. Bulgaria, Czech Republic, Cyprus, Finland, Poland, Portugal, Sweden and the UK). The low number of such contracts in some Member States is corroborated by national data provided by Belgium, which shows

[303] LBBW, 2020. Shades of green.

[304] Allen & Overy, June 2018. Sustainable lending: a new shade of green.

[305] Eurofinas, 2020. Green credit.

[306] See for instance, DB, February 2020. Deutsche Bank is the leading green consumer finance operator in Italy.

[307] Ibidem

[308] BEUC, March 2020. Consumers at the centre of the drive to sustainability.

[309] Survey for business associations (10 out of 21 respondents), consumer organisations (6 out 13 respondents), national authorities (13 out of 37 respondents).

that the number of agreements for consumer credit below EUR 213,19 is the lowest, by far, among all categories (187 contracts concluded in the second semester of 2019, while the average for all categories exceeds 28,000 agreements).[310] The low number of small loans in Belgium is attributed to the establishment of a lower cap for monthly fees that can be charged (from EUR 50 to EUR 4.85), which seems to have had a negative impact on credit providers offering payday loans. Similarly, financial authorities in Sweden and Netherlands has decided to set up interest rate caps and obliged foreign credit providers to comply with it, while in France and Italy, usury laws have prevented the development of this market segment.

Views on recent trends of this type of credit differed slightly across stakeholder groups, but suggested that overall, their evolution in the last years has been relatively limited, and that no increase is expected to be an important marking the evolution of the consumer credit in the coming years.[311]

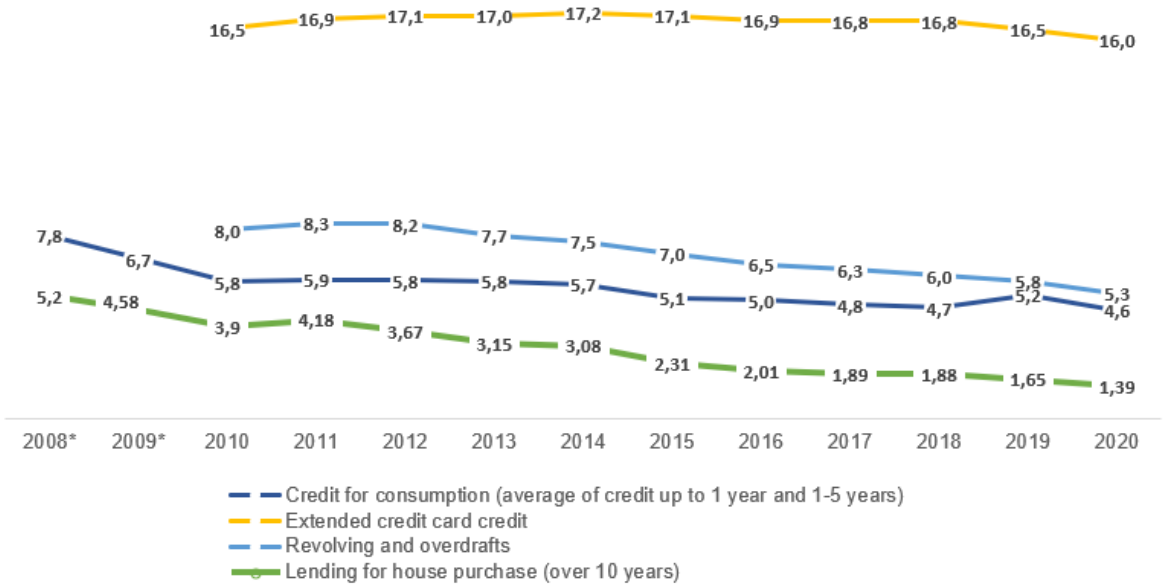
A5.1.4. Evolution of interest rates on consumer credit

Interest rates on consumption loans and revolving credit and overdrafts have gradually dropped since aftermath of the crisis (though, not immediately) across the whole Eurozone with interests rates on credit for consumption and revolving credit oscillating around 5% in 2020, down from 7.8% in 2008 and 8% in 2010, respectively (Figure 18). This has been driven by, among other factors, an improvement in the macroeconomic environment in the Eurozone that translated also into reduction in unemployment rates (and improvement in consumer credit profiles), as well as improvement in the liquidity conditions on the markets that were propped by the ECB Quantitative Easing operations which in turn pushed the interest rates down. Likewise, consumers in non-eurozone EU Member States have also enjoyed a steady fall in interest rates on consumer credit products over the recent years, albeit the average cost of consumption loan or credit card in Poland or Romania still exceeds the interest rates on comparable products in most of the Eurozone countries. Note that as oppose to credit for consumption and revolving credit and overdraft categories, interest rates on credit cards fell only to a very limited extent.

[310] Statbel, Nombre de contrats conclus T4 2019. Available at: https://statbel.fgov.be/fr/themes/entreprises/credit-la-consommation#panel-12

[311] Survey question: "Increase in consumer credit not covered by the current CCD (e.g. short-term high-cost credit below €200, zero interest rate loans)" : Credit providers (0 out of 14), Business Associations (2 out of 21), Consumer organisation (5 out of 12) and National authorities (12 out of 37).

Figure 18. Interest rates for consumption and revolving credit, Eurozone

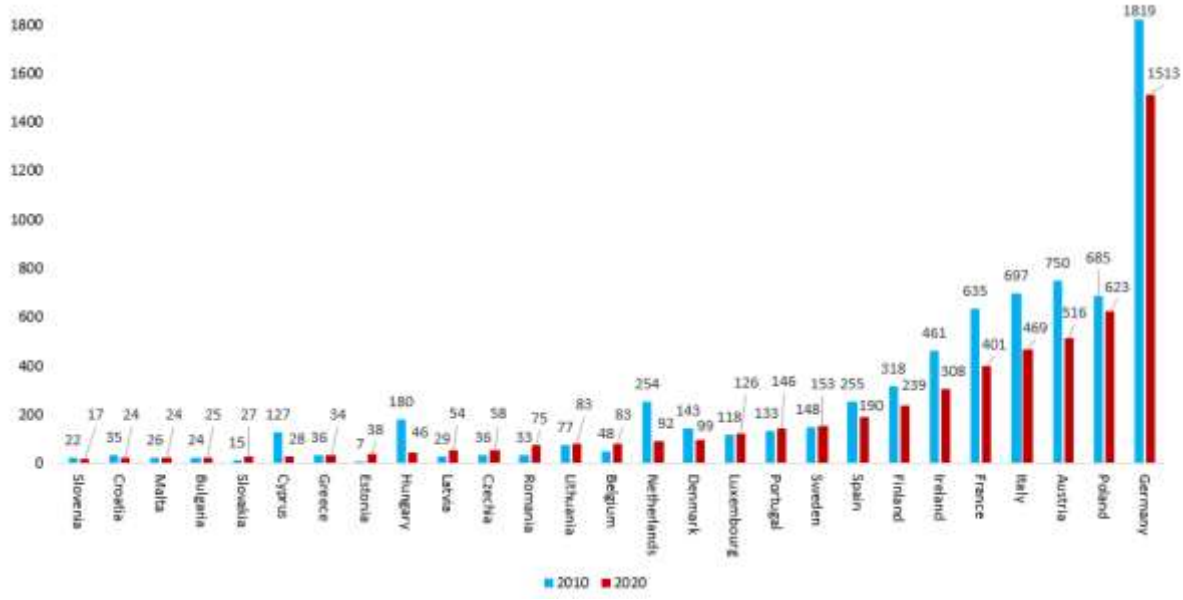


Source: ICF, based on ECB data [MIR.M.U2.B.A25.I.R.A.2250.EUR.O;MIR.M.U2.B.A2Z1.A.R.A.2250.EUR.N].
*Note: *data on revolving credit and overdrafts not available for 2008-2010. Value for every year: end of the month of June.*

A5.1.5. Share of banks and non-banks in consumer debt

Following the GFC, the banking sectors in the EU saw a wave of unprecedented restructurings involving also some recapitalisations and resolutions (e.g. particularly large in Greece, Spain, Ireland and Cyprus), gradual clean-up of the balance sheets and followed by increase in capital buffers driven also by higher capital requirements. As a result, number of Credit Institutions (CIs) in the EU-27 shrank from 7,111 to 5,490 (or by 23%), according to the ECB data. Most of the CIs are conventional retail banks, though in some countries like Austria, Germany and Poland, there is also considerable number of smaller cooperative and saving banks (Figure 19).

Figure 19. Number of credit Institutions in the EU, 2010-2020



Source: ICF, based on data from ECB Statistical Data Warehouse

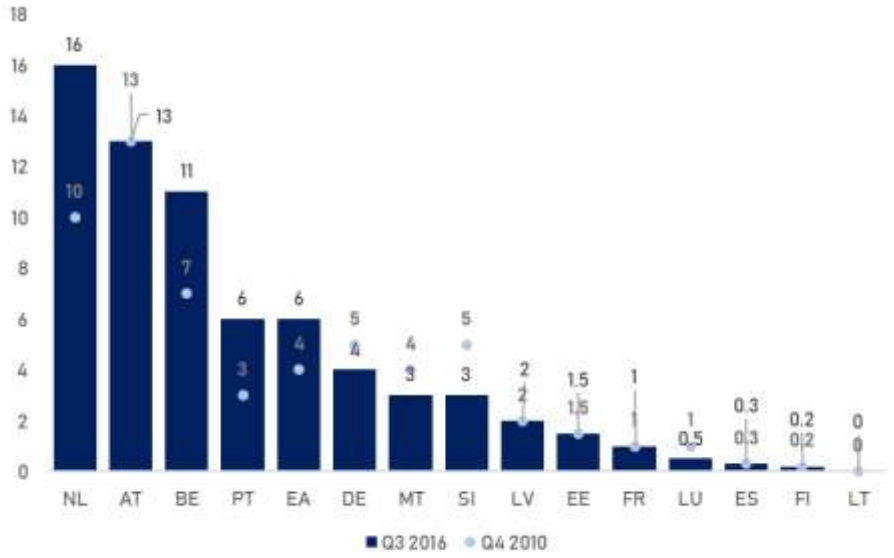
The category of non-bank lenders includes a rage of entities from P2P lenders through national lending companies to small high street lending focusing on a particular type of consumers or regions. By definition, and unlike banks, they are not allowed to take private deposits and then pass some of those funds on to market in the form of consumer credit. They are also smaller than banks. The non-bank lenders can be subject to different regulations[312] than banks and due to their way of operating can be more flexible in their approach to lending including tailoring their loan products to suite customer preferences. Yet, their business models are also typically more vulnerable to cyclical changes in the economy (including COVID-19 induced shock increasing consumer defaults) than banks.

The survey conducted among national authorities, allowed us to collect evidences on the share of non-banks credit institutions in several members states. The data gathered highlighted the consumer credit market is mainly driven by banks. However, consumer lending is provided extensively also by non-banking financial companies, with Peer-to-Peer lending (P2PL) expected to increase considerably in the near future (see below). In Spain, the share of banks amounts 75% while non-banks credit providers represent only 25%, as well in Slovakia where the banks made up 85% of the market and the non-banks 15%, and Romania, which has a credit market owned 88% by banks and 12% by non-banks providers. It is worth nothing that according to a Lithuanian authority, the share of non-banks in the country is around the same as the share of banks. Latvia stands out, with a volume of new loans to consumers higher in the non-banking sector than in the traditional banking one.

In addition, according to the ECB, the share non-bank lending to households in the euro area grew from 4.2% in 2010 to 5.4% in 2016, though with wide differences among countries remaining in place (Figure 20). While these figures suggest that the lending market still remains dominated by banks, it is important to note that they also include mortgages. Therefore, the share of non-bank consumer lending should be expected to be higher, especially as it has seen a dynamic growth over the recent years. Products on offer at non-bank lenders can be different, though there is no hard data available. Interviews carried out for this study show that non-bank lenders are more likely to service consumers that cannot be serviced by regular banks or are not commercially interesting for banks due to the products consumers might be after. It showed that non-bank lenders had slimmer operating margins and did offer credit products with reduced margins. In some countries these included short-term high-cost credit, which was not necessarily due to the lending practices themselves but rather because regular banks did not offer the same variety of such products. However, national legislation through interest rate caps meant a reduction of such loans in countries like Finland, Slovakia and Lithuania, making it difficult to operate for non-bank lenders.

[312] For instance, in some Member States (e.g. Poland) non-bank lenders need to meet certain minimum requirements (e.g. minimum company's capital) in order to register its operations with national supervisory authorities. Yet, those are far less demanding then requirements stemming from a banking license in the EU.

Figure 20. Share of non-banks in domestic long-term household lending (including mortgages) in selected euro areas countries (In percentage).



Source: ICF, based on data from ECB Quarterly sector accounts 2010-2016
Notes: Non-bank lending refers to total economy lending minus loans from Monetary Financial Institutions and Other Financial Intermediaries (except investment funds). In the case of Austria, the high share of non-bank lending refers to the state and not to insurance companies.

A5.2. Possible changes on the consumer credit market going forward

This section outlines two specific factors that will shape the consumer credit market over the next years namely, impacts of COVID-19 and changes brought by the process of digitalisation in the financial sector. Both affect, inter alia, the baseline scenario used for the estimation of costs and benefits stemming any prospect CCD revisions.

A5.2.1. Impact of COVID-19

Ramifications of COVID-19 for the EU economies and consumer credit markets more specifically are inherently difficult to gauge. This is not only because the data on the type and magnitude of this shock is still not comprehensive, but also because the crisis is dynamic and its duration and level of impact hinges on a number of critical assumptions including evolution of infection rates, the toolbox of policy responses that will be deployed by the EU itself and its Member States specifically or possible economic distortion of the level playing field of the Single Market, to mention only a few.

So far among sectors of the economy that have been affected most during the initial stage of COVID-19 crisis have been those that rely most on the human interaction such as tourism, transport, retail and hospitality. The fall in consumer confidence and consumption during the peak of the lockdown in most of the EU in March, April and May bounced back to some degree since then but some lower spending will continue even after lockdowns are relaxed e.g. due to consumer caution and structural changes in consumption patterns[313]. The true economic impact of COVID-19 will take time to emerge. For instance, bankruptcy numbers may start to rise only later with considerable implications for banks' balance sheets, albeit in general European banks are way better prepared than during the past crisis - so far capital buffers have been sizable[314] and

[313] IMF, April 2020, WEO projections.

[314] CET 1 ratio at almost 15% in December 2019 cf 9% in December 2009 according to the latest EBA stress-tests from Spring 2020

liquidity remains ample[315] - and therefore implications for the supply of consumer credit may be less severe[316]. For the past few months, EU economies were also supported up by an unprecedent level of economic support packages. In the EU five largest economies, one in five employees has been on public temporary unemployment schemes where the state pays some share of wages[317]. It is only when this support is gradually withdrawn the wider cost of COVID-19 will appear. The initial data shows that low-paid workers rather than 'white-collar' jobs (who can work from home) have been particularly affected. Redundancies figures start to confirm that and signs of increasing challenges in repaying the credit may appear in this subset of consumer's segment first[318]. The longer it will take to wait for a vaccine or effective treatment, the more pronounced the effect on the economy and hence consumer credit will be.

One way of approaching the issue of potential impact of COVID-19 on the demand and supply of consumer credit is to look at relevant theory and economic and financial literature focusing on the conventional response of consumer credit markets to economic shocks such as recession, for instance in relation to Global and Financial Crisis (GFC),[319] as well as some relevant data analysis drawing on key lessons from the past financial crisis in terms of impacts and trends that shaped consumer credit markets. Besides, already available 'early' data on the impact of COVID-19 on the real economy and credit markets specifically, also provides some useful insights for the development of the baseline scenario.

Economic and financial literature on impact of recession on consumer credit markets

In terms of economic and financial literature focusing on the conventional response of consumer credit markets to major past economic shocks, including the recent GFC, there are some general emerging findings.

Generally, economic theory suggests that negative shocks to the economy may follow different patterns (albeit of course there would be considerable variations depending on the nature of the shock). Firstly, a fall in aggregate demand leads to a fall in profits of firms which then translates into an increase in number of firms struggling to repay their loans (e.g. business NPLs go up). Firms respond with the cuts of their headcounts that subsequently results in a rise in unemployment. This in turn translates into a rise in number of consumers who also struggle to meet their debt repayment obligations in a timely manner, or pay their debt all together (e.g. consumer's credit NPLs goes up). Consequently, the quality of loans' portfolio of lenders deteriorates. Banks may also respond by tightening of conditions of consumer credit[320] and increasing the interest rates to price in the elevated level of risk – a response that eventually leads to reduction in supply and demand for consumer credit.

Numerous studies have documented that recoveries after financial crises – particularly after credit fuelled booms and busts – are often weak and sluggish as they give rise to creditless recoveries. Economic theory has long recognised that recoveries from financial boom-bust episodes are weaker and take longer than other recoveries as borrowers and lenders' over-leveraged balance sheets need time to adjust.[321]. For instance, Abiad,

[315] LCR at 150% in December 2019.

[316] S&P, June 2020, Credit Conditions in Europe: Curve flattens, recovery unlocks.

[317] Economist, July 15, 2020, What will happen to the Global Economy.

[318] Finance Watch, April 2020, Coronavirus: a dangerous wave of personal over-indebtedness is on its way: here is how to avoid it.

[319] It should be noted that at this point in time, the COVID-19 crisis is very different to GFC, notably in relation to the pre-existing situation the circumstances leading to them as well as on the distribution of the impact among population groups (Interview with EU-level representative).

[320] Such as maximum loan size available, maturity or collateral requirements.

[321] IMF, 2017, Credit Growth and Economic Recovery in Europe after the Global Financial Crisis.

Dell'Ariccia, and Li (2011)[322] found that about one in five recoveries over the period 1964–2007 were creditless and weaker than normal recoveries. Dahlhaus (2011)[323] also found that the incidence of creditless recoveries doubles after a banking or currency crisis, and that these recoveries are weaker when major balance sheet readjustment is needed after a shock. In this respect, the difference between GFC and the current COVID-19 induced crisis is clear, suggesting potentially quicker recovery following the latter.

Furthermore, Everaert et al. (2015) analysed demand and supply of credit in selected Central, Eastern, and South-eastern European (CESEE) countries before and after the GFC. They found that the importance of demand and supply factors vary widely between countries. IMF (2015B)[324] notes that recoveries in many CESEE countries were held back by weak corporate and household balance sheets. Gaspar et al. (2016)[325] argued that a successful restart of credit flows calls for a concerted policy package that relieves the binding constraints on credit extension, often in a complementary manner.

The IMF research on the post GFC recoveries in Europe revealed that a 10 percent increase in bank credit to the private sector is associated with a rise of 0.6–1 percent in real GDP growth and 2–2.5 percent in real private investment growth[326].

In terms of demand for specific consumer credit products following a crisis, the data from the US consumer credit market from the midst of the 2008 crisis and ten years later shows relatively few changes. Credit cards remain the most ubiquitous credit vehicle, and while originations were noticeably lower soon after the GFC, they have recovered in recent years to 2008-levels as lenders have provided more access to credit. Furthermore, mortgage origination dropped dramatically during the last decade, whereas both auto loans and unsecured personal loans have grown significantly[327]. Also, delinquency rates increased swiftly during the first 2 years of the crisis, though at various rates across the products. As of end-2008, the highest delinquency rate was seen for unsecured personal loans (4.54 per cent) and mortgages (3.87 per cent), while those for credit cards (2.71 per cent) and auto-loans (1.26 per cent) were lower[328].

The current crisis is fundamentally different from the GFC since it did not originate in the financial sector. In the first months, the financial system was able to absorb part of the shock coming from the real sector. Banks did not reduce the availability of loans for companies and households, whose access to credit was eased by public measures as state guarantees or moratoria. However, the drop in consumption mechanically reduced demand for consumer lending. As long as banks are not affected by contagion from the real sector, the credit offer should not be substantially reduced.

Generally, consumer lending is procyclical and is highly positively correlated with households' disposable income. The literature also shows that the higher the level of households indebtedness on the onset of the crisis the higher is the credit constraint following it.[329]

Data on the impact of 2008 GFC on the consumer credit market

[322] Abiad, Dell/Ariccia and Li, 2011, What have we learnt about creditless recoveries.

[323] Dalhaus, 2011, Determinants of creditless recoveries.

[324] IMF, 2015, Mind the credit gap.

[325] Gaspar et al, 2016. Macro-economic management when policy space is constrained.

[326] IMF, 2017. Credit Growth and Economic Recovery in Europe after the Global Financial Crisis

[327] GlobeNewsWire, 2018, Financial Crisis- 10 years later. Consumer Credit Marketon an upward curve.

[328] GlobeNewsWire, 2018, Financial Crisis- 10 years later. Consumer Credit Marketon an upward curve.

[329] ECB, June 2020, Indebtedness and spending: what happens when the music stops?

In terms of the evolution of the consumer credit market following the previous GFC, the trends discussed under the above section on the evolution of the consumer credit show that it is likely that a number of key parameters such as volume of outstanding consumer credit, share of consumer credit as percentage of private consumption and households indebtedness level will follow a downward trend as a result of the COVID-19 induced shock. The crucial question is how pronounced the decline will be and how long will it last (see discussion below).

Most recent data on the impact of COVID-19 on the consumer credit market

The most recent data on the impact of COVID-19 provides a handful of key indicators that have broken some ground in offering insights into the magnitude of the shock.

For instance, the most recent ECB Bank Lending Survey (BLS) published in July 2020[330] indicates that crediting standards for consumer credit tightened already in Q1 2020 and deteriorated further in Q2 2020, mainly on account of precautionary savings[331] and low spending possibilities during the strict lockdown period and worsening economic outlook affecting, among other elements, consumer confidence, borrowers' creditworthiness hit by uncertainty in employment situation. In Q2 2020, net 26 per cent banks[332] in the Eurozone reported tightening of credit standards while net 76 per cent observed fall in consumer credit demand (see Figure 21). The rejection rate for consumer credit also increased by 15 per cent in Q2 2020. Going forward, banks expect a continued net tightening of credit standards and a rebound in household loan demand in the third quarter of 2020.

Figure 21. Net percentages of banks reporting a tightening of credit standards or an increase in loan demand, 2020.

	Enterprises						House purchase						Consumer credit					
	Credit standards			Demand			Credit standards			Demand			Credit standards			Demand		
Country	Q1 20	Q2 20	Avg.	Q1 20	Q2 20	Avg.	Q1 20	Q2 20	Avg.	Q1 20	Q2 20	Avg	Q1 20	Q2 20	Avg.	Q1 20	Q2 20	Avg.
Euro area	4	1	8	26	62	-1	9	22	5	12	-61	5	10	26	4	-4	-76	2
Germany	13	9	4	40	58	5	3	21	2	24	-29	9	10	20	0	24	-43	10
Spain	10	-40	9	-20	80	-5	0	33	14	-44	-100	-9	30	90	7	-50	-100	-7
France	0	-12	6	35	97	-8	37	10	2	38	-91	9	0	6	-1	11	-91	1
Italy	10	-30	13	0	90	4	0	0	1	-30	-70	14	-10	0	6	-50	-90	13

Source: ECB BLS, Q2 2020

By end-March, delinquencies had not yet increased and very few loans were placed in the potentially vulnerable category. All Member States had then triggered measures protecting households' revenues such as short time working schemes and some Member States have included households in the scope of debt moratoria. Yet, most banks already set aside sizable provisions in the first quarter, anticipating a reduction in customer

[330] ECB, June 2020, Q2 Bank Lending Survey.

[331] European households have been saving up since the corona virus pandemic hit the economy. Yet, it is not fully clear whether the money represents pent-up consumer demand that is itching to be spent as lockdowns are lifted, known as involuntary savings, or a safety net put aside by households to insure against uncertain times ahead, referred to as precautionary savings. See for instance, Financial Times, 5 July, 2020. Soaring saving rates pose policy dilemma for world's bankers.

[332] Relates to 'net percentage' – net difference between banks that reported tightening and easing of credit standards

repayment capacity, but the wide variability in the size of upticks in provisioning suggests that there is more to come[333].

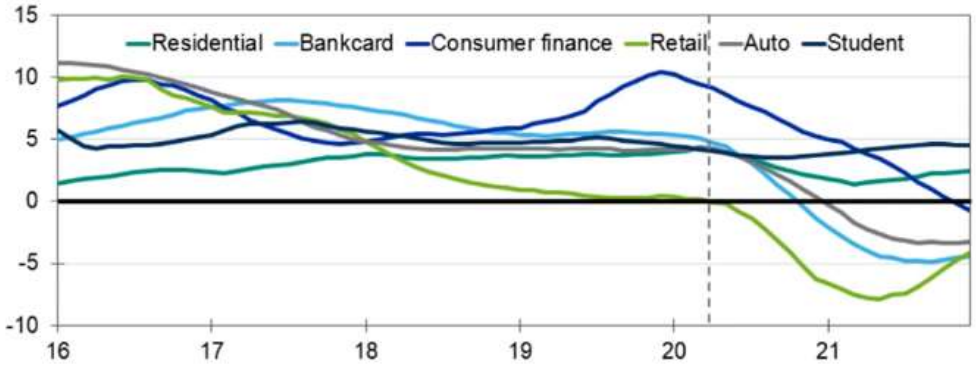
More generally, there has been consensus that the maximum impact of the pandemic on economic activity would fall in the second quarter of 2020 with subsequent quarters showing some signs of recovery[334]. The impact on delinquencies, and therefore on the capacity of banks to provide new loans, could be protracted if moratoria and guarantees were extended in the first months 2021.

Impact of COVID-19 on the type of consumer credit products offered or purchased

The recent McKinsey report estimates that the demand for consumer credit in 2020 in Europe may fall by circa 22% due to increase in discretionary savings, and tighter consumer credit standards and subdued demand of households due to lock-downs and consumption smoothing.[335]

There is limited disaggregated data on how the demand for specific types of consumer credit products may react as a result of the crisis caused by COVID-19, though some recent data from the US shows that demand for credit cards (traditionally the most volatile part of consumer debt[336]) and consumer loans have been most severely hit so far (Figure 22).

Figure 22. Household demand for consumer credit products, US market



Source: CreditForecast.com, Moody's Analytics

Generally though, what will matter most for the developments on the consumer credit markets in the longer term corresponding to the time-frame used for the baseline scenario (2020-2030), is the type of economic rebound following the shock induced by COVID-19, including GDP growth rates of the EU economies, that in turn affect the indicators such as unemployment rate, level of indebtedness of the EU households and supply and demand for consumer credit. Here, the current literature points to several type possible recoveries (Figure 23). In brief, the weaker the contraction in output and faster and more robust recovery is, the more contained the impact of COVID-19 would be ('V-shaped recovery'). Conversely, deep recession and prolonged recovery spread over longer period of time ('L-shape recovery') would be more detrimental for the consumer credit markets.

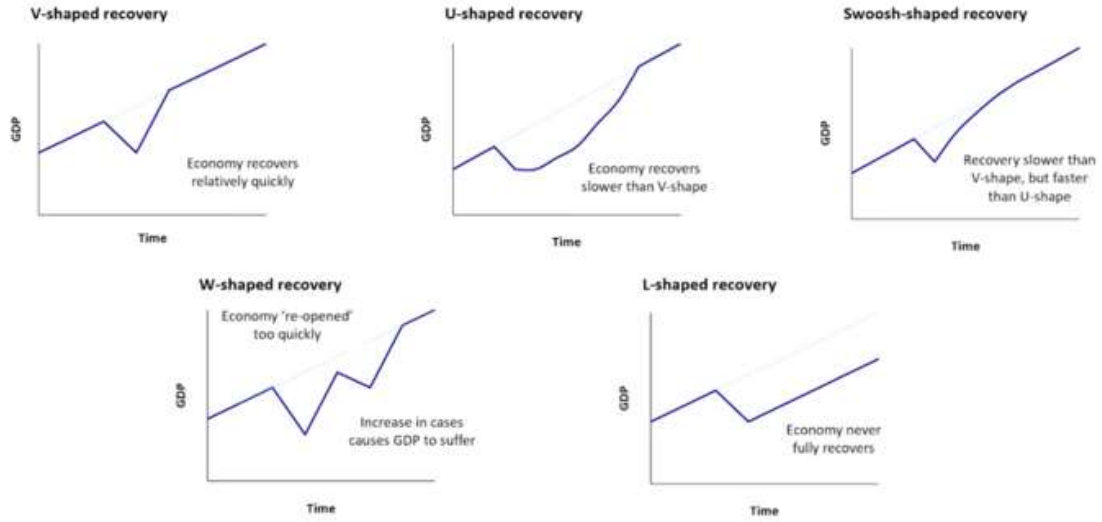
[333] S&P, June 2020, Credit Conditions in Europe: Curve flattens, recovery unlocks.

[334] ECB, August 2020, The macro-economic impact of the pandemic and the policy response.

[335] McKinsey, June 15. European Consumer Finance: Moving to next normal.

[336] Olivier Wyman, June 2020, Consumer Credit in the time of COVID-19.

Figure 23. Potential patterns for Economic recover



Source: Oliver Wyman, (Stress) Testing for Resilience, June 2020.

The most recent European Commission (EC) Economic Forecast[337] and the IMF WEO forecast[338] provide some insight on the type of recovery currently expected. According to the EC Summer Economic Forecast (baseline scenario), the EU economy will shrink by 8.3 per cent of GDP in 2020 but should then bounce back quite fast in the following year with GDP growth rate in 2021 reaching 5.8 per cent. The respective figures for the Eurozone are -8.7 per cent and 6.1 per cent in 2020 and 2021 respectively. This projection is based on the assumption of the 'lockdown' (strict containment and social distancing measures) across the EU oscillating around 8 weeks, some demand shortfalls still continuing in 2021 and additional deterioration outside of the EU due to the differentiated geographical spread of the pandemic and its impact on the international trade but it does not factor in the major second wave of infections (under baseline scenario)[339]. The latest IMF forecast from June 2020 projects the contraction of output for the Eurozone by -10.2 per cent in 2020 and then fairly swift recovery by 6 per cent in 2021 (also under baseline scenario). Recent S&P forecast indicates that Germany and the Netherlands are currently expected to recover to 2019 GDP levels by early 2022 while Italy would regain that threshold by late 2020[340]. The most recent Morgan Stanley forecast also points to sharp but rather short recession[341]. The recent ECB forecast for the Eurozone suggests that its economy will recover to the pre-pandemic level by Q4 2022[342]. Therefore, all those projections foresee 'a swoosh-shaped recovery', a faster path compared to the long and relatively slow one of a 'U-shape' that followed the previous GFC, although all have also number of risks that may affect negatively the actual outcomes and should be taken with caution[343].

[337] European Commission, July 2020, Summer Economic Forecast.

[338] IMF, July 2020, World Economic Outlook.

[339] European Commission, Spring 2020, European Economic Forecast. See Box 1.1 The impact and recovery from COVID-19: a model based scenario analysis.

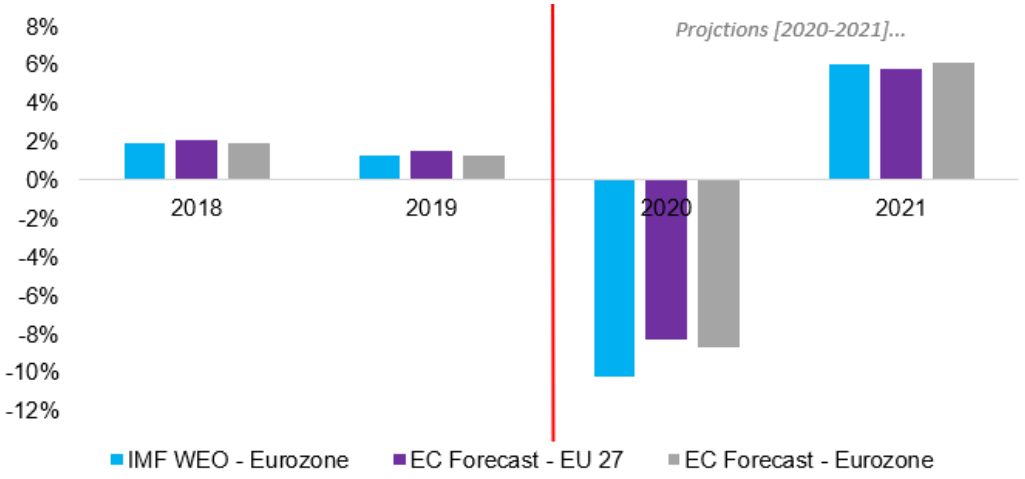
[340] S&P, June 2020, Credit Conditions in Europe: Curve flattens, recovery unlocks.

[341] Morgan Stanley, May 2020, The Coronavirus Recession: Sharper but Shorter.

[342] ECB, August 2020, The macro-economic impact of the pandemic and the policy response.

[343] See range of adverse scenarios for the EC and IMF projections.

Figure 24. Forecasted GDP growth rates by the EC and IMF



Source: IMF and EC

Overall, according to the recent EC European Economic Forecast from Spring 2020, the annual growth rate of credit to households in Eurozone in the 2020 will be -1.5 per cent, while it will stagnate at the EU-27 level. Growth in supply of credit to households would resume in 2021.[344]

A5.2.2. Impact of digitalisation

Until now, personal loans were mainly provided by traditional operators such as banks using traditional methods to grant credit, including a meeting – either face-to-face or online - between the consumer and the credit provider. However, the digitalisation has had a significant impact on the consumer credit market, notably through the introduction of new operators with more innovative business models to compete against traditional credit providers, and through the digitalisation of business processes including expanding consumers' access to credit.

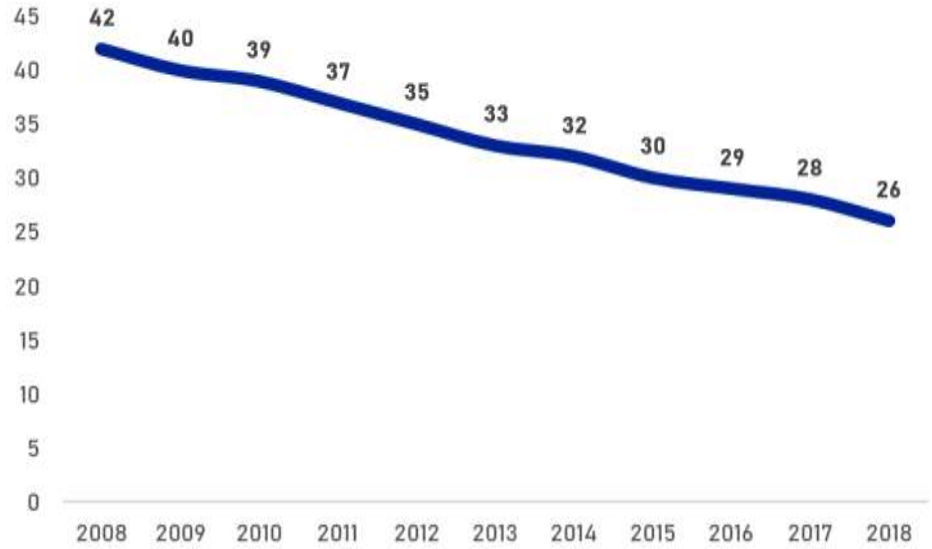
Impact of digitalisation on the market players

According to a recent study examining the digitalisation of the marketing and distance selling of retail financial services,[345] the market for personal loans is still led by traditional operators. The study, which mapped 200 European providers of financial services and products found that 71% of those offering personal loans were traditional operators (e.g. banks), while 29% were new operators (e.g. FinTech companies, P2P lending platforms). There are signs, however, that digitalisation is already changing the landscape in the consumer credit market considerably. For instance, data from the World Bank and the European Central Bank point to a downsizing of banks in the euro area in the last decade, both in terms of number of branches and number of employees. Since 2008, the number of banks' branches per 100,000 adults in the EU-28 has seen a steady downward trend, from 42 in 2008 to 26 in 2018 (a decrease of 38%) (Figure 25). Similarly, between 2009 and 2018, the number of employees was also reduced, this time by 14% (Figure 26). Only part of it can be attributed to the major restraining that took place after GFC.

[344] European Commission, April 2020, Spring Economic Forecast.

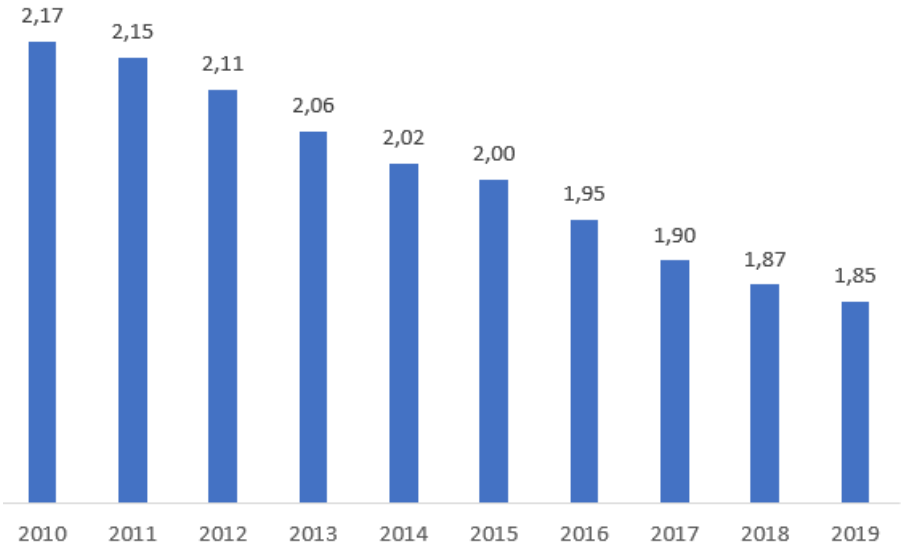
[345] ICF, 2020, Evaluation of the CCD; LE Europe, VVA Europe, Ipsos NV, ConPolicy and Time.lex, 2019, Annexes-Behavioural study on the digitalisation of the marketing and distance selling of retail financial services.

Figure 25. Commercial bank branches (per 100,000 adults) in the EU-28



Source: ICF, World Development Indicators database, 2019

Figure 26. Number of employees in the credit institutions in the Euro area between 2008-2018, in millions



Source: ICF, ECB-SDW

The impact of digitalisation is also evidenced by the development of the financial technology (fintech) consumer credit market. Fintech companies are not new, but they have expanded significantly in the last decade and are expected to develop further in the future. Although there are no consolidated data at the EU-level, it is estimated that in 2019 the value of Fintech transactions – of which credit still represents only a minor

share[346] - amounted to EUR 682 billion, with a forecasted growth rate of 13.3% by 2022.[347]

In this regard, the CCD Evaluation found that while these types of companies have not had a significant impact on the performance of traditional credit providers, they have already shaped the consumer credit market in many ways, with the introduction of Peer-to-Peer lending (P2PL) platforms being one of the most prominent developments. These online platforms, which can be considered as credit intermediaries, seek to match individual borrowers with individual lenders, often tapping onto the segment of consumer that have been underserved by banks. Some of the most successful in Europe are Zopa and RateSetter in the UK, Auxmoney in Germany and Bondora in Estonia.

Relevant in this regard is lending0based crowdfunding, which EBA defines as 'Open calls to the wider public by fund seekers through a third party, typically an on-line platform, to raise funds for a project or for personal purposes, in the form of a loan agreement, with a promise to repay with (or in certain cases without) interest. The fund raisers may include individuals, start-up companies or existing SMEs that are seeking an alternative means of funding, rather than the traditional credit market.'[348]

Although the current total is unknown, the size of the sector is not insignificant, with P2PL comprising more than 50% of the alternative financing market[349] itself and valued at EUR 7.7 billion in 2016 (up from EUR 1.1 billion in 2013). Another report showed that In 2015 peer-to peer consumer lending had a market share of 36% in 2015, worth EUR 366 million.[350]

In addition, in 2017, the total value of P2PL market in Europe was EUR 3.8 billion,[351] and expected to expand in the future, thanks to the ever-growing digitalisation of the sector. Thus, consumer P2PL accounts for 33% of the alternative financing market and operate in many Member States[352], albeit with marked differences between the countries. The biggest alternative financing markets are in the UK (EUR 2 billion), France (EUR 444 million), Germany (EUR 322 million)[353] and the Netherlands (EUR 194 million), with others (Finland, Spain, Italy) experiencing significant booms.[354]

Indeed, their current cumulative market share remains limited,[355] as reflected in the findings of the CCD Evaluation, with only 2% of consumers consulted declaring that they had taken their loan through a platform of private individuals.[356] A survey conducted by

[346] According to the EY FinTech Adoption Index 2017, the main product from Fintech companies and used by consumers are payments (50% against 18% in 2015) while loans represent only 10% of their transactions (against 6% in 2015).

[347] ICF, 2020, Evaluation of the CCD; LE Europe, VVA Europe, Ipsos NV, ConPolicy and Time.lex, 2019, Behavioural study on the digitalisation of the marketing and distance selling of retail financial services.

[348] EBA, Opinion on lending-based crowdfunding, EBA/Op/2015/03, 26 February 2015.

[349] Alternative financing market is defined as "any investment other than a stock, bond, or cash".

[350] See: https://ec.europa.eu/info/sites/info/files/180308-proposal-crowdfunding-impact-assessment_en.pdf

[351] ICF, 2020, Evaluation of the CCD; LE Europe, VVA Europe, Ipsos NV, ConPolicy and Time.lex, 2019, Behavioural study on the digitalisation of the marketing and distance selling of retail financial services.

[352] In 2019, the EESC carried out a survey of consumer credit, with half of the respondents confirming that these instruments are used in their Member State (EESC, 2019. Evaluation of the CCD).

[353] Note that these figures include also micro/small enterprise lending, not only consumer credit.

[354] ICF, Evaluation of the CCD, 2020; Jørgensen, T., 2018, Peer-to-Peer Lending – A New Digital Intermediary. New Legal Challenges

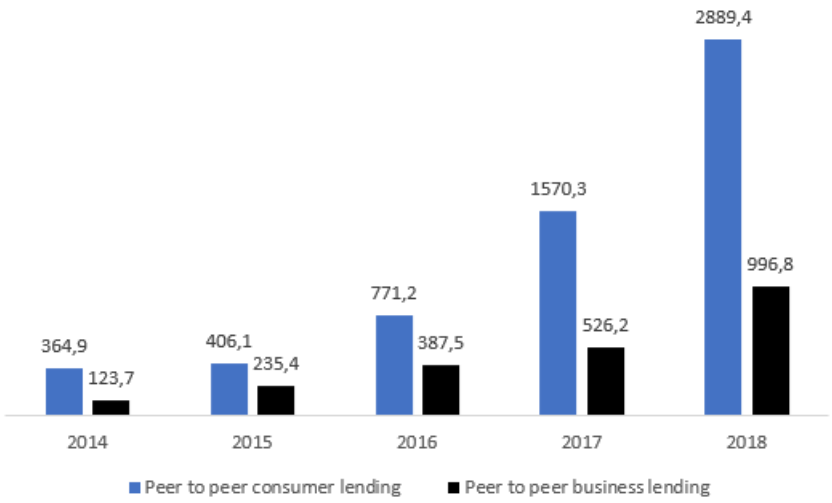
[355] The Evaluation of the CCD found that only 2%.

[356] ICF, 2020, Evaluation of the CCD.

the European Commission in 2017[357], also suggests that consumers seem to hold somehow less trust in these platforms than traditional credit providers such as banks. The survey revealed that peer-to-peer consumer complaints linked to peer-to-peer platforms concerned mainly a lack of awareness about the authorisation or registration status of the providers and whether they are obliged to provide the same level of protection as traditional credit providers. Consumers also seemed to worry about transparency of fees and costs and the assessment of borrowers' creditworthiness.

However, the total amount and number of loans approved via these platforms has been growing at a steady pace and is expected to grow further in the coming years. Recent data shows that the value of peer-to-peer consumer lending transactions in Europe (excluding the UK) has increased sharply between 2014 and 2018 reaching EUR 4.2 billion (Figure 27).

Figure 27. Peer-to-peer consumer and business lending transaction value in Europe (excluding the UK) from 2014 to 2018, in USD million



Source: ICF, based on Statista data 2014-2018

A recent report estimated the global peer-to-peer market to be at USD 120 billion in 2020 (around 4 million EUR in 2017 for the EU market), with a forecasted value of USD 1.4 trillion by 2027 (estimation revised)[358]. The same report also estimated that the consumer credit market will reach USD 218 billion by 2027, with a projected 42.2% compound annual growth rate (CAGR). From a European market perspective, the website Finanso.se[359] claimed that the P2P lending sector is expected to increase by 12.2% in 2020 to reach around USD 6.5 billion in terms of transaction value and then double to reach USD 7.1 billion in 2023. Although, these estimations have not taken into account the COVID 19 impact, it is safe to assume that this segment of consumer credit market will be impacted e.g. due to rise in default rates.

The growth that the fintech sector is expected to have in the coming years is also reflected in the opinion of traditional lenders (including banks) consulted in the 2017 PwC global fintech survey, which showed that 89% of respondents considered their businesses at risk of losing revenue in favour of fintech companies.[360]

[357] European Commission, 2017, Exploratory study of consumer issues in online peer-to-peer platform markets .

[358] Report Linker, 2020, Global Peer-to-peer Lending Industry.

[359] Finanse.se, 2020, "European Business P2P Lending Industry to Reach $ 6.5bn Value This Year".

[360] PWC, 2017, "Redrawing the lines: FinTech's growing influence on Financial Services".

The role of fintech companies in the consumer credit market goes beyond the provision of credit. In many cases, rather than competing with traditional credit providers, fintech companies are providing services to them allowing them to take advantage of technological advances. Examples of this are companies like Kreditech or CreamFinance, which use alternative data analytics to segment and score consumers, targeting those with thin credit files. Recent surveys showed that partnering up with fintechs is increasingly common among traditional credit providers such as banks. In the 2017 PwC survey, the share of respondents who believed that this practice is becoming more common ranged from 36% in Denmark to 70% in Germany, and at least two thirds of EU respondents stated that this type of partnerships would be more common in the three years to come. Similarly, in a recent EY survey, 50.9% of European banks indicated they had chosen to cooperate with fintech companies to drive innovation in their businesses,[361] a trend confirmed by a report published in 2018 by the European Credit Research Institute (ECRI).[362] This may suggest that traditional lenders like banks may in fact benefit from the fast growth of fintech, rather than loss rapidly significant share of the market.

Impact of digitalisation on ease of access to consumer credit and creditworthiness assessment

Digitalisation has also impacted the way that consumers access credit and the business processes employed by credit providers (both traditional and new) to engage with their customers. This is particularly relevant with regards the use of online communication channels by consumers and credit providers and the growing use of big data and artificial intelligence by credit providers to accelerate and facilitate certain processes e.g. creditworthiness assessment.

Concerning the use of online methods, a survey carried out by Roland Berger and the European Federation of Finance House Associations (Eurofinas)[363] in 2019 found that a majority of respondents (80%) believed that the digital transformation of the European consumer finance market would be the most important technological trend in the future and that the use of online services will be the trend that will affect consumer behaviour the most (72%). Indeed, various studies[364] have confirmed that the use of online sales channels has been on the rise, also among traditional credit providers. Although disaggregated data on the trends in the use of these channels by credit providers specifically is not available, trends in the wider financial services market are useful to understand the recent evolution. For instance, online banking penetration in the EU rose steadily between 2008 and 2017 (Figure 28).

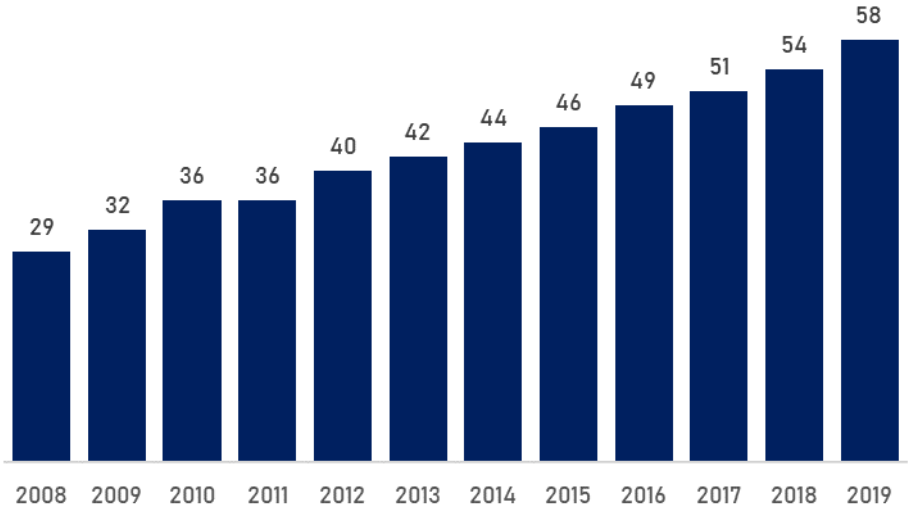
[361] ICF, 2020, Evaluation of the CCD; London Economics Europe, VVA Consulting, Ipsos NV, ConPolicy and Time.lex, 2019. EY survey (2017). Unleashing the potential of FinTech in banking.

[362] ECRI, 2018, Consumer Credit, Digitalisation and Behavioural Economics: Are new protection rules needed?

[363] Eurofinas and Roland Berger, 2018,Future of European Consumer Finance Survey, 2018. NB: Executives from 92 companies in 13 European countries, spanning various business models from bank subsidiaries to niche players, were surveyed

[364] ICF, 2020,Evaluation of the CCD; LE Europe, VVA Europe, Ipsos NV, ConPolicy and Time.lex, 2019, Behavioural study on the digitalisation of the marketing and distance selling of retail financial services.

Figure 28. Online banking penetration in the EU, 2007-2019, (in %).



Source: ICF, based on EUROSTAT, Individuals using the internet for internet banking, % of individuals aged from 16 to 74.
NB: Within the last 3 months before the survey. internet banking includes electronic transactions with a bank for payment etc. or for looking up account information.

This trend is confirmed by the recent EC study that estimated that for overall sales channels used in financial services, 70% of providers used both online and offline channels, 26% online (desktop, mobile) and only 4% online only via desktop.[365]

As regards the use of big data and automated decision-making tools, digitalisation is quickly improving the process of collecting and analysis of consumer's information. Using big data to carry out CWAs is common among certain non-traditional operators such as P2PL platforms,[366] but this practice is not restricted to new operators. Banks are using the services of firms such as FriendlyScore, CrediSafe or Big Data Scoring in an attempt to improve the quality and acceptance rates through alternative data analysis.[367] Moreover, the EBA report on big data and advanced analytics, which relied on results from the risk assessment questionnaire 2019,[368] shows that 34% of respondents declared using or launched big data for risk scoring (Figure 29).

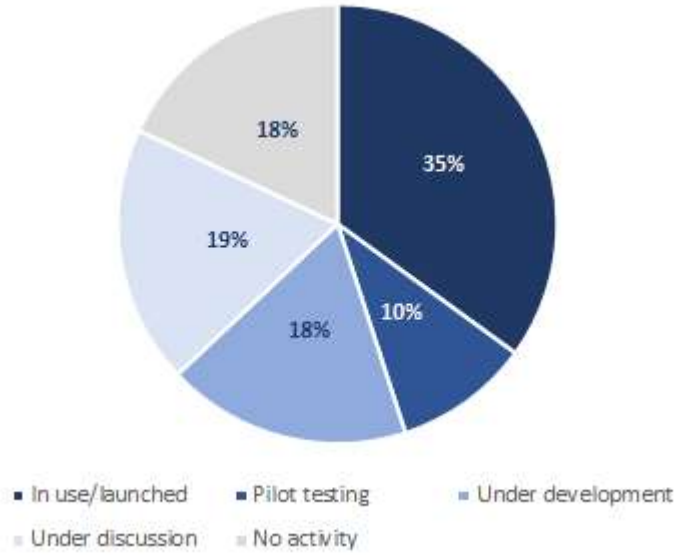
[365] ICF, 2020,Evaluation of the CCD; LE Europe, VVA Europe, Ipsos NV, ConPolicy and Time.lex, 2019, Annexes -Behavioural study on the digitalisation of the marketing and distance selling of retail financial services.

[366] ICF, 2020, Evaluation of the CCD; EBA, EIOPA, and ESMA, 2016.

[367] ICF, 2020,Evaluation of the CCD; BEUC, 2017,The Never-Ending European Credit Data Mess.

[368] EBA, 2020, Big data and advanced analytics

Figure 29. Current use of big data analytics for risk scoring in 2019 (EU), in %



Source: ICF, based on EBA risk assessment questionnaire (spring 2019)
Note: For the 2019 edition, 62 banks and 18 market analysts have responded to the uestionnaire.

The outbreak of the COVID 19 pandemic accelerates the digital transformation of the market

The outbreak of the pandemic has heavily impacted the sector of consumer credit. 2019 Roland Berger survey[369] shows that credit providers declared (at 95%) expecting a growth in volumes of 5%, while financial margins will decline or at best remain stable. However, recent surveys show new trends in the market, like the recent McKinsey's modelling of COVID-19's impact survey[370], the retail banking in Western Europe will face revenues drop from 16 to 44 percent. Indeed, households may re-evaluate their willingness to take financial risk leading to a decrease of the demand for consumer credit. On the other hand, lenders' risk appetites and effort to reduce costs may be observed among some main lenders.

However, the lockdown and then the social distancing measures have provided further incentives to advance the digitalisation in the sector. Remote operating models and infrastructure modernisation will thus accelerate the digitalisation of the market. The McKinsey's survey pointed out that consumers' banking preferences are rapidly evolving toward a greater use of digital tools. For example, in Italy, Spain, and the US, 15 to 20% of customers surveyed expect to increase their use of digital channels, even after the pandemic is over, and 65 to 85% of respondents in Western countries have preference for handling everyday transactions digitally. Consequently, McKinsey's predicts, this trend will be translated into 25 percent reduction of branches in the retail banking while call-centres will experience a string growth. In that context, the EBA warned recently, however, that banks renewed efforts to ramp up digitalization and shift to cashless transactions during pandemic could also create new conduct risks[371].

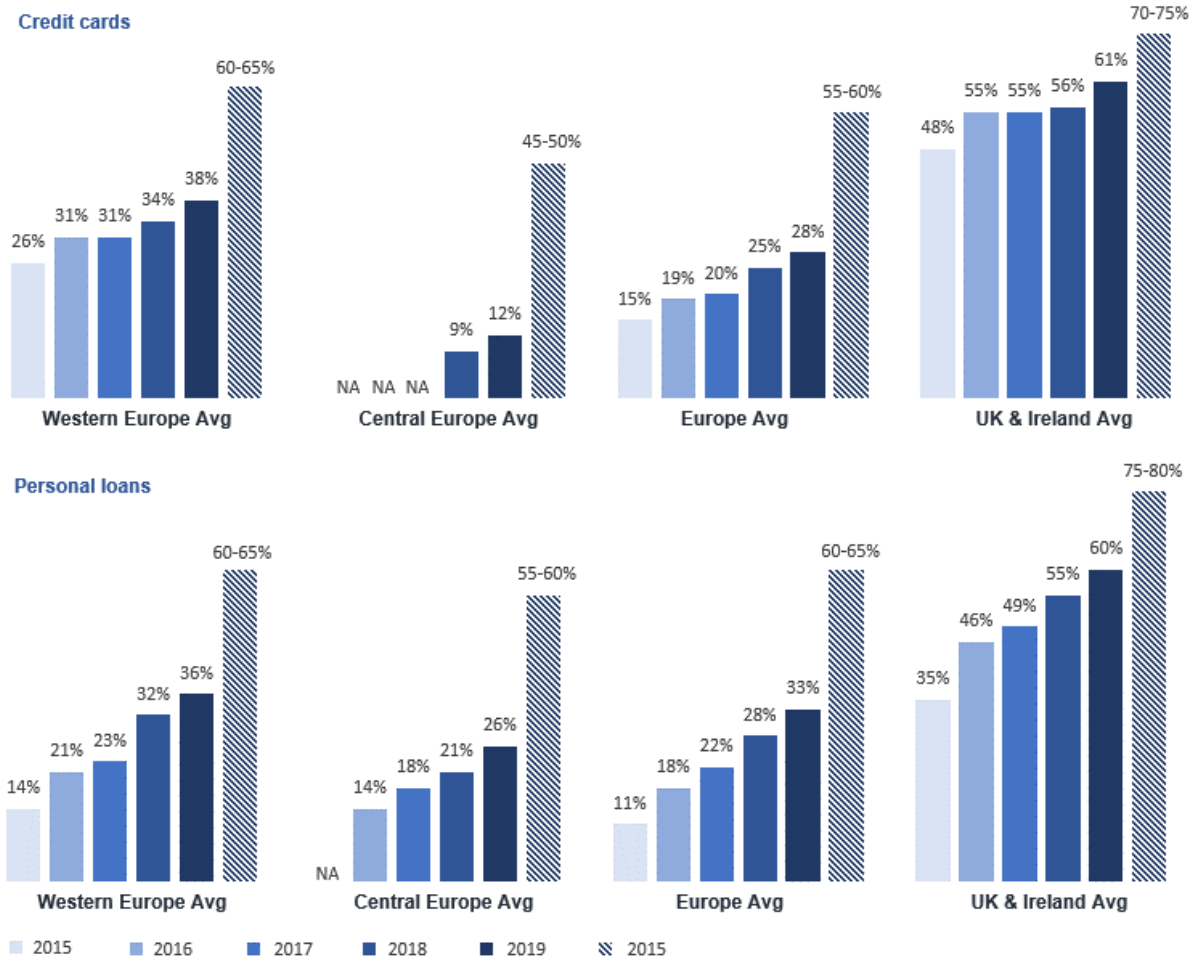
[369] Roland Berger, 2019, article on the survey "Consumer credit: Europe's consumer finance players see growth potential – and risks".

[370] Mc Kinsey, 2020, Reshaping retail banking for the next normal.

[371] S&P Global, September 2020. Coronavirus loan moratoriums could be bank misconduct 'hotspot', EBA warns.

At the product level, the recent McKinsey report foresees migration to digital and remote channels to pick up momentum not only in markets where digital penetration still has plenty of room to grow (e.g. Southern Europe, Germany) but also in those that are more digitally mature (e.g. Sweden). For financial services providers, efficient and smooth digital distribution engine may become an element in the battle to retail and gain market share. For example, McKinsey expects the digital channel to grow as the conduit for the sale of credit cards and personal loans by between 9 and almost 40 percentage points in 2020 compared to 2019, depending on the region (Figure 30)[372].

Figure 30. Digital sales penetration, 2015-2020



Source: ICF, based on data from Finalta by McKinsey

[372] McKinsey, June 2020, European consumer finance: Moving to 'next normal'.

Annex 6: Detailed problem definition

A6.1. Problem 1: Consumers who obtain certain types of credit falling outside the scope of the CCD, or from certain actors not explicitly covered are not guaranteed the level of protection afforded by the Directive

A6.1.1 What is the problem and why is it a problem?

Since the Consumer Credit Directive (CCD) was adopted in 2008, the market for consumer credit has evolved in a way that has limited the ability of the CCD to be fully effective due to its current scope of application. The availability of and demand for certain credit products have expanded in the last decade. Some of these products, such as payday loans or revolving credit, are potentially harmful for consumers, especially as they tend to be used by more vulnerable consumers who do not have access to more traditional forms of credit. Considering these developments, the scope of application (as a combination of the scope, thresholds and definitions) of the CCD is seen as not adequate to effectively achieve its objectives.[373]

The scope of application of the Consumer Credit Directive is defined in Article 2, complemented by the definitions included in Article 3. The Consumer Credit Directive applies to credit agreements, except for those included in the list of exemptions of Article 2(2). Along with setting a minimum (EUR 200) and a maximum (EUR 75,000) threshold[374] for the application of the Directive, Article 2(2) explicitly excludes certain types of credit products, such as:

- credit secured by a mortgage or another comparable security commonly used and those used to acquire or retain property rights in land;
- leasing agreements not imposing an obligation to purchase the object;
- credit agreements in the form of an overdraft facility, where the credit must be repaid within one month;
- credit agreements where the credit is granted free of interest and without any other charges and credit agreements that are to be repaid within three months and have minor costs; and
- agreements with pawnbrokers.

The ambiguity of some of the provisions or definitions included in Article 3 has also resulted in a certain level of uncertainty as to whether other types of widely used consumer credit products are covered by the Directive.

As a result, certain types of consumer credit products commonly used by consumers and which are potentially harmful are either explicitly excluded from the scope of application of the Consumer Credit Directive – due to their nature or their amount – or not unquestionably covered by it. If sold at a distance, these products would be covered by the Distance Marketing of Financial Services Directive, which obliges providers to disclose a certain amount of information to consumers before the contract is concluded, and introduces a 14-day right of withdrawal. However, it does not include provisions to ensure responsible lending or a right to early repayment. Consumers who purchase these products – which are often potentially detrimental – both online and offline are therefore not being ensured the level of protection guaranteed by the CCD for other products.

[373] ICF, 2020, Evaluation of the CCD.

[374] The maximum threshold was modified with the entry into force of the Mortgage Credit Directive (Directive 2014/17/EU), and now loans for renovation works are also covered under the CCD.

Furthermore, the CCD draws an artificial distinction between credit based on the amount borrowed, thereby not considering the risks linked to some widely common types of high-cost, small credits such as payday loans, credit cards and revolving credit.[375]

This problem primarily impacts consumers, but it also affects credit providers and may potentially lead to increased levels of default payments and over-indebtedness. The main consequences for consumers and credit providers are:

- consumers may be harmed when obtaining certain types of consumer loans that are explicitly exempted from the scope of application of the CCD;
- consumers may be harmed when obtaining consumer loans for amounts lower than EUR 200;
- consumers may be harmed when obtaining certain types of credit which are not explicitly covered by the CCD;
- credit providers may incur in financial risks and losses as consumers who are sold unsuitable products are not able to meet their obligations.

A6.1.2. Problem 1.1: Due to the expansion of credit products that are explicitly excluded from the scope of application of the CCD or not always covered by it, some consumers purchasing consumer credit are not protected by the CCD

Currently, many consumers in the EU are taking up consumer loans that are excluded or not always covered by the CCD, such as short-term high-cost (STHC) credit (which is often for loans below EUR 200), revolving credit and credit cards, leasing and pawnbroking agreements, zero-interest loans. Some of these products have expanded considerably in many Member States in the last decade, both in terms of offer and demand (e.g. STHC credit, credit cards), while others were already widely used at the time that the CCD was adopted. As a result, many consumers obtaining these products in the EU are not being guaranteed the level of protection afforded by the Directive for other products. This is especially problematic in light of the many risks that some of them entail as it may result in over-indebtedness and consumer detriment.

Some of the exemptions foreseen in the CCD appear as particularly problematic. The evidence gathered for this study seems to confirm these findings. Among the credit agreements explicitly excluded from the CCD, certain products are particularly risky: zero-interest loans, leasing agreements that do not impose an obligation to purchase the good, and agreements with pawnshops.[376] In addition, other credit products that are potentially very detrimental for consumers are also often excluded as they are often concluded for amounts of less than EUR 200 (i.e. the minimum threshold of the CCD), namely short-term high-cost credit, credit cards, and revolving credit. This section discusses these products, reflecting on their risks and use across the EU.

Credit products explicitly excluded as per Article 2 of the CCD

Zero-interest loans are credit agreements (with an interest rate of 0%) generally used to finance the purchase of certain products, such as electronic devices like computers,

[375] ICF, 2019, Evaluation of the CCD. The Evaluation concluded that the minimum threshold of EUR 200 was especially problematic. In relation to credit above EUR 75,000, it concluded that although there is a gap in legislation (as only loans for the purposes of renovating an immovable property are covered by the MCD) consumer loans for amounts above EUR 75,000 are less common (in total numbers, not total value). This may explain why stakeholders view the upper threshold as less problematic.

[376] The stakeholder consultation carried out as part of the Evaluation revealed that some stakeholders across all stakeholder groups believed that the scope of the CCD should be broadened to cover these product types to improve the effectiveness and the relevance of the Directive.

smartphones, etc. They are often concluded between the consumer and the retailer selling the good, with the latter acting either as credit providers or credit intermediaries.

Credit agreements where the credit is granted free of interest and without any other charges (zero-interest loans) are exempted from the scope of application of the CCD under Article 2(2)(f),[377] but they can be risky for consumers. This type of credit may seem as advantageous for consumers as they appear as having low or no costs linked to them. However, what consumers frequently ignore is that the underlying business model for offering such loans is based on high fees for late or missed payments (penalty interest, legal fees, reminder costs etc.), which may ultimately lead to (greater) consumer detriment.[378]

Zero-interest loans are very commonly offered by retailers in the form of Point of Sale (PoS) financing, whereby merchants offer a loan to consumers to finance the purchase of a good (e.g. furniture, white goods, electronics). In this case, the profit generated is mostly linked to the fees charged by the credit provider to the merchant, rather than late fees.[379] For instance, findings from research carried out recently by ING in Spain show that much of the income generated by PoS financing comes from merchant fees, which range from 5% to 9% and represent approximately 60-70% of the total revenue of credit providers offering PoS financing. Late fees, on the other hand, make up approximately 20% of the revenue of credit providers offering PoS financing and their importance has been decreasing in the last five years.[380]

The risks of loans at the point of sale lies in the fact that consumers are often poorly informed about the conditions of the credit, which are also often very strict, and that they promote quick decisions. For instance, a court in the Netherlands reviewed the practices used by retailers to offer PoS financing and concluded that offering a loan to a consumer who already has the product in his hand is not a fair commercial practice.[381]

It is not known what is the exact extent to which zero-interest loans are used across the EU, but Eurofinas data on the weight that non-automotive loans at PoS in relation to new credit agreements signed by their members can be used as a proxy. The latest data suggests that PoS financing has become relatively common in the last decade and that in 2018, 15% of the newly granted consumer credit by its members was non-automotive credit offered at the PoS, an increase of 3 percentage points since 2012 (see Figure 12 in the detailed baseline, Annex 5). Feedback from stakeholders consulted for this study seems to confirm this slight increase, suggesting that zero-interest rate loans have also grown in the last years in countries like Belgium, although not significantly.[382]

[377] Art. 2(2)(f) CCD excludes *"credit agreements where the credit is granted free of interest and without any other charges (…)"*. The CJEU may consider fees for late or missed payments to be charges within the meaning of this provision; however, the Court has not yet ruled on this, leading to potentially different interpretations.

[378] ICF, 2020, Evaluation of the CCD; House of Lords, 2006, Consumer Credit in the European Union: Harmonisation and Consumer Protection (36th Report of Session 2005–06); EBA, 2019, 2018/2019 Consumer Trends Report.

[379] Merchants usually pay providers of zero-interest rate loans fees for the use of the products (similarly to the fees paid to credit card companies), which may be a flat fee or a percentage of the purchase amount (i.e. merchant margin). According to information on PoS lending provided by ING, these fees usually range from 5% to 9% (ING, 2020, Presentation on Point of Sale Lending).

[380] ING, 2020, Presentation on Point of Sale Lending.

[381] Interview with consumers organisations (1).

[382] Survey for national authorities (1 out of 8 respondents who indicated that credit not covered by the CCD had increased in the last years, of a total of 37 respondents).

Consumer detriment linked to zero-interest loans: scale of the issue

It is estimated that around 7.2 million of consumers have zero-interest loans.[383]

The popularity of these products was also noted in the Evaluation, which found that their importance is growing in many Member States. An indication of concern at national level around this kind of credit agreements is the decision of certain Member States (e.g. Germany) to apply some CCD provisions such as the right of withdrawal to all consumer credit, regardless of whether an interest rate is charged.[384]

Concerning **leasing agreements**, only those that oblige the consumer to acquire the object of the agreement upon expiration of the contract are covered by the CCD, as per Article 2(2)(d). In practice, this means that most leasing agreements fall outside the scope of application of the CCD.

The risk of leasing agreements – mostly offered by specialised companies - lies in the absence of information-related obligations found in the CCD, and consumers entering into this type of agreements may not be adequately informed about the conditions. This has been raised, for instance, by a consumer organisation in France arguing that consumers seeking to enter into a leasing agreement often lack sufficient information to make an informed decision.[385]

It is difficult to assess the extent of the problems faced by consumers entering in leasing agreements, as there is limited EU-level data allowing to assess their importance across the region. Based on data from the Crédit Agricole Consumer Finance (CACF) Group, the Evaluation noted that part of the growth of the consumer credit market between 2014 and 2015 was caused by a boost in the number of leasing agreements concluded in the EU, especially in the automotive sector.[386] The Evaluation also reported an increase in the number of leasing contracts in some Member States, particularly France (where the number of leasing transactions had increased by 256% between 2008 and 2019)[387] and in Austria.[388] In both countries, leasing agreements play an important role in vehicle financing.[389] In the case of France, the sharp increase reflects the increasing share of vehicle purchase operations that are financed through leasing agreements (long-term rental and leases with purchase option), from approximately 15% in 2008 to 56% in 2017.[390]

Concerning hire-purchase, a very common type of leasing agreement which envisages but does not require the purchase of the good at the end of the agreement, Finance Watch estimates that it currently represents around 12 per cent of the total credit provided to households, although it accounts for more than double of this percentage in

[383] Based on Eurofinas data (2019) showing 12% of consumers taking consumer credit at PoS. Extrapolated to the EU-27 based on the number of consumers with a credit agreement.

[384] ICF, 2020, Evaluation of the CCD (Legal analysis); Finance Watch, 2018 and 2019, Feedback from Finance Watch (BE) on the European Commission's Evaluation Roadmap of the Consumer Credit Directive.

[385] ICF, 2020, Evaluation of the CCD; EUROFINAS, 2017, Key Facts and Figures 2017.

[386] ICF, 2020, Evaluation of the CCD; Crédit Agricole Consumer Finance, 2015, Overview of the Consumer Credit Market in Europe in 2015.

[387] ICF, 2020, Evaluation of the CCD; UFC-Que Choisir, Service des études, 2019, Leasing, a Massive Degradation of Borrowers Rights.

[388] ICF, 2020, Evaluation of the CCD (Stakeholder consultation).

[389] Austrian Federal Chamber of Labour (AK EUROPA), 2019, Position paper on the Public Consultation to evaluate the Consumer Credit Directive; UFC-Que Choisir, Service des études, 2019, Leasing, a Massive Degradation of Borrowers Rights.

[390] UFC-Que Choisir, Service des études, 2019, Leasing, a Massive Degradation of Borrowers Rights.

New Member States.[391] Feedback from national authorities consulted for this study indicates that hire-purchase has grown in the last years in some Member States like Lithuania, Belgium and the Netherlands.[392] In other countries, like Ireland, it represented the largest amount of personal financing by value in 2019, at approximately EUR 3.1 billion.[393]

High-purchase agreements often imply comparatively high interest rates and seem to entail problems for consumers. One consumer organisation in France, for instance, noted that consumers often lack sufficient information to make an informed decision given patchy and unstandardised pre-contractual information provided to consumers[394] and opaque fees structure[395]. In addition, hire-purchase agreements allowing instalment payments may tempt consumers to buy goods that are beyond their means.

Consumer detriment linked to leasing agreements: scale of the issue

It is estimated that between 7 million and 8.2 million consumers have leasing agreements and are thus affected by it not falling under the CCD.[396]

Another very common type of credit to which consumers resort is the one provided by **pawnbrokers**, or businesses (pawnshops) that offer secured loans using personal property as collateral. If the borrower does not repay within the established period (which is usually 30-90 days), the collateral is forfeited.[397] Pawnbroking is possibly the oldest form of credit, with origins that date back to ancient Greece, but they are still widely used across the EU, especially by vulnerable consumers who cannot resort to more formal sources of credit, such as banks.[398]

Pawnshop agreements are not intrinsically detrimental for consumers. In fact, this type of agreements ensure quick access to credit to individuals who may not be creditworthy. However, the high cost[399] and the business practices that some pawnbrokers use entail important risks, especially for vulnerable consumers which cannot get a loan from traditional lenders and turn to such high cost lending. Consumers are often unaware of the high interest rates attached to these contracts (even if this is included in the contract[400]) and they do not always receive the 'surplus' money that they are owed in cases where the pawnbroker sells the collateral for a price above the redemption

[391] This could be both linked to different levels of household indebtedness, to the size of the mortgage credit market (see housing loans section), as well as credit culture differences between older and newer EU Member States.

[392] Survey for national authorities (3 out of 8 respondents who indicated that credit not covered by the CCD had increased in the last years, of a total of 37 respondents).

[393] Survey for national authorities (1 out of 8 respondents who indicated that credit not covered by the CCD had increased in the last years, of a total of 37 respondents).

[394] Que Choisir [FR], 2019, Leasing, a Massive Degradation of Borrowers Rights.

[395] Citizens Information, 2020. Higher purchase agreements.

[396] The 12% share of leasing agreements out of total credit for households are assumed to correspond also to the total number of consumers with a loan. The maximum figure has been based on data from Eurofinas on the share of new car loans (44%) of the total number of car loans (which is 33% of total consumer credit).

[397] Carter, S.P., Skiba, P.M., 2012-2013, Pawnshops, Behavioural Economics and Self-Regulation.

[398] CIVIC Consulting, 2013, The over-indebtedness of European households: Updated mapping of the situation, nature and causes, effects and initiatives for alleviating its impact.

[399] According to the UK Financial Conduct Authority, the average APR for pawnbroker agreements in the UK between 2008 and 2018 was 120%.

[400] CIVIC Consulting, 2013, The over-indebtedness of European households: Updated mapping of the situation, nature and causes, effects and initiatives for alleviating its impact.

value.[401] A supervision of the sector carried out by the UK Financial Conduct Authority in 2018 also revealed that customers are not always clearly informed about the specific conditions applicable to their specific loan.[402] The agreements are often advertised through aggressive marketing.[403]

The evidence on the availability and use of these agreements identified is not sufficient to assess the extent of consumer detriment linked to pawnshop agreements. According to the review conducted by the UK Financial Conduct Authority, an estimated 350,000 customers enter in pawnbroking agreements in the UK every year, based on the figures provided by the firms answering to their survey (which represent 70% of the total). Other countries have seen an increase in the activity of pawnshops in recent years, especially in the aftermath of the two main economic crises of the last decade (the financial crisis in 2008 and the current economic shock resulting from the COVID-19 crisis). In a report published in 2013, it was reported that the number of pawnshops in Greece had increased in the previous years, many of them illegally.[404] More recently, a New York Times article noted that pawnbroking businesses had increased their activity by 20-30% following the lockdown as many individuals had experienced or anticipated a decrease in their income.[405]

The importance of pawnshop agreements in certain EU countries is also deduced from the actions taken by several Member States to address the risks associated with them. As reported in the Evaluation, Belgium extended the scope of application of some provisions of the CCD to cover pawnshop agreements.[406] In Hungary, the national research carried for this study reveals that numerous decisions to protect consumers entering pawnshop agreements have been adopted by the National Bank.[407]

Consumer detriment linked to pawnshops

It is estimated about 3.1 million consumers might currently have pawnshop agreements not falling under the CCD.[408]

Other types of credit which are often excluded due to their amount

There are three other types of potentially problematic credit products that are often – although not always – excluded from the scope of the CCD: short-term high-cost credit (including payday loans), revolving credit and credit cards. These products are not included in the list of exemptions of Article 2(2) but are usually excluded as they are often concluded for amounts of less than EUR 200.

[401] UK Financial Conduct Authority, 2018, Pawnbroking sector review.

[402] UK Financial Conduct Authority, 2018, Pawnbroking sector review.

[403] CIVIC Consulting, 2013, The over-indebtedness of European households: Updated mapping of the situation, nature and causes, effects and initiatives for alleviating its impact.

[404] CIVIC Consulting, 2013, The over-indebtedness of European households: Updated mapping of the situation, nature and causes, effects and initiatives for alleviating its impact.

[405] The New York Times (July 6,2020), Virus Revives Italy's Age-Old Shadow Safety Net: The Pawnshop.

[406] ICF, 2020, Evaluation of the CCD.

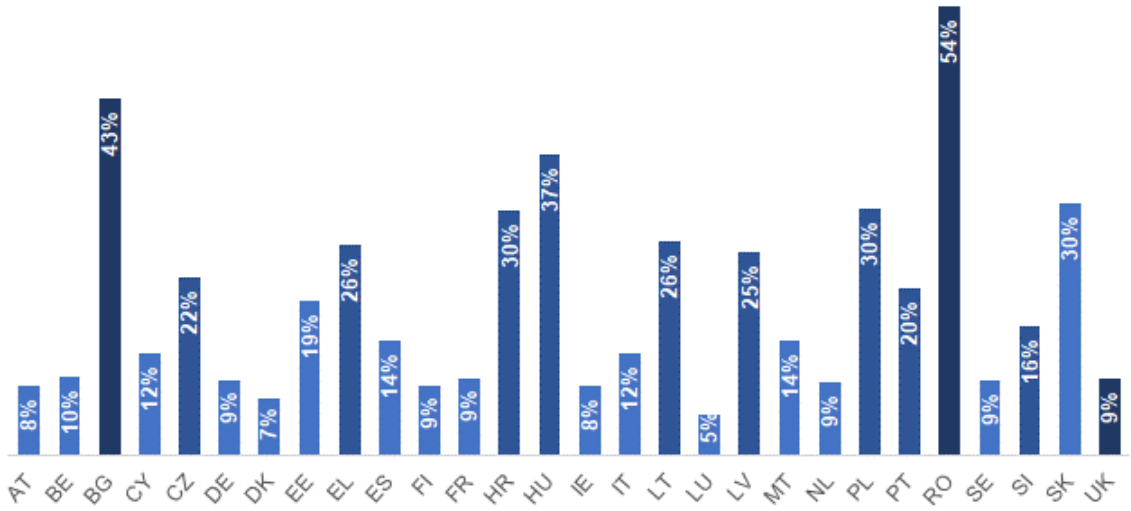
[407] These decisions specify that when providing pawn loan services the financial service provider shall respect the rules applicable to the calculation of the APR and to the upper limit of the APR and rules on advertising (if indicating, beside the APR, also the commercial interest rate or any other value to be paid by the consumer, these shall be demonstrated in its commercial communication also by means of representative examples.)

[408] Based on the 0.7% of UK citizens that have such an agreement. Extrapolated for the EU-27 based on the number of consumers with a credit agreement. Note: limited data, speculative figure.

There is no publicly available information about credits above the **maximum threshold** of 75,000 EUR, but it is considered that they are less risky for consumers, since the consumers which are taking them out are less likely to be at risk of poverty. Moreover, unsecured credit agreements whose purpose is the renovation of a residential immovable property are covered since 2016 by the obligations enshrined in the Mortgage Credit Directive.

One of the main concerns raised about the **minimum threshold** relates to the fact that it does not account for the differences in the average income across the EU.[409] As further detailed in the Evaluation, in some Member States such with lower wages, EUR 200 represents an important share of the monthly income (see Figure 31).[410] In these countries, these loans may appear as especially appealing, but they also entail heightened risks.

Figure 31. Proportion that EUR 200 represents according to average monthly salary (2019)*



Source: ICF, based on Eurostat data on mean income [ILC_DI03]

**Data from 2018 used for BE, FR, IE, IT, LU, SK, UK.*

The evidence emerging from this study reveals that loans below EUR 200 are relatively uncommon in many Member States, but not in all of them. According to industry representatives (credit providers and business associations), consumer organisations and national authorities consulted, loans below EUR 200 are not common in many countries, with approximately half of respondents to the surveys indicating that they were uncommon, while a smaller group indicated the opposite.[411][412] This seems to partly

[409] ICF, 2020, Evaluation of the CCD. As pointed out by the European Economic and Social Committee, EUR 200 corresponds to approximately 50% of the average monthly wage and 75% of the average monthly pension in some European countries.

[410] European Economic and Social Committee, 2019, Information report on the Consumer Credit Directive (evaluation)

[411] In view of stakeholders consulted, consumer loans below EUR 200 are uncommon in Belgium, Germany, Hungary, Latvia, Luxembourg, Malta, Slovakia and Spain; while common in Bulgaria, Finland, Slovenia and Sweden. Different views are perceived when it comes to the presence of consumer loans below EUR 200 in Czech Republic, Cyprus, France, Poland, Portugal, Romania and United Kingdom.

[412] Half of industry representatives answering to the online surveys indicated that they were uncommon in their countries (14 out of 28 respondents to the surveys for credit providers and

confirm the anecdotal evidence found through the review of documentation, which shows that loans below EUR 200 are common in Sweden, where in 2018 more than half of consumer loans were below SEK 2,000 (approximately EUR 195).[413] Some consumer organisations pointed out that the obstacles imposed by national rules in some Member States (e.g. extension of the national rules transposing the CCD to all credit regardless of the amount, establishment of rate caps) may explain why they are not frequently used in some countries.

However, at the same time, data from a non-bank lender shows that loans of under EUR 200 amounted to 34% of total loans, though given the small size the share out of the loan volume is likely very small. There is no data from banks on the share of EUR 200 loans but it is estimated to be significantly lower as they are not as commercially interesting for banks.

There is less consensus concerning the recent and the expected evolution of these loans. Most industry representatives indicated that these loans had not increased in the last years and cannot be expected to grow in the next decade[414] , though this does not appear from the data from the non-banking lender operating in 12 MS, which shows that these loans are an important segment of the market. However, the opinion among consumer organisations was divided, although leaning towards the opinion that it had increased and that it can be expected to grow in the near future.[415]

Despite the different views on the evolution of small credit, there seems to be a relatively widespread notion that the minimum threshold of the CCD should be lowered or eliminated. This was noted by the Evaluation and the feedback received by the European Economic and Social Committee (EESC) to inform the assessment of the CCD. In the survey circulated by the EESC, consumer organisations and trade unions appeared to be in favour of revising the scope of the Directive to include loans for amounts below EUR 200, while employer representatives appeared to be in favour of keeping the scope of the Directive unchanged.

Stakeholders consulted for this study and as part of the public consultation on the Commission's Consumer Agenda, also reflected on the need of extending the scope of the CCD. Overall, only 14% believe there is no need to extend the scope of the Directive, and 21% believes the scope of the Directive should be extended to all currently exempted credits. As regards the extension of the scope of application to loans for amounts below EUR 200 there seems to be a perceived need among national authorities and consumer organisations that these loans should be covered by the CCD and that this will have a positive impact, especially on consumers. Industry representatives, on the other hand, seem to be less optimistic about the potential effects of this measure.

for business associations, as opposed to 8 respondents who indicated that they are common). Similar percentages were reached in the survey for consumer organisations (6 out of 13 responses).

[413] Finansinspektionen, 2019, Svenska konsumtionslån.

[414] It is worth noting that most industry representatives which participated in the stakeholder exercise were or represented bank consumer credit providers, which do not usually provide loans below EUR 200. Although they were enquired about general trends in the consumer credit market (i.e. not only related to their business activities), their knowledge of market developments with regard to loans EUR 200 may be limited compared to non-bank lenders.

[415] Survey for business associations (18 out of 21 respondents to the survey for business associations do not think that they have emerged or grown in the last years - as opposed to 2 respondents who think they have); 1 out of 23 respondents indicated that credit below EUR 200 can be expected to grow between 2020 and 2030); Survey for credit providers (1 out of 5 respondents indicated that these loans can be expected to grow in the next decade); Survey for consumer organisations (7 out of 13 respondents indicated that it had grown - as opposed to 4 respondents who did not agree; 7 out of 12 think that they will increase in the coming decade).

In particular, a majority of national authorities and half of consumer organisations responding to the public consultation indicated that the scope of the CCD should be extended to cover credits below EUR 200, while only a minority of business associations and credit providers agreed. Non-governmental organisations and citizens were also more reluctant to the idea of lowering the minimum threshold of the CCD.[416] Along the same lines, two consumer organisations who took part in the participative workshop called for a broadening of the scope of the CCD to avoid as many exemptions as possible.

Regarding the impact of a possible extension of the scope, consumers are seen as the main group more likely to benefit from this measure,[417] while the opinions on the impact on credit providers is less conclusive.[418] Industry representatives were also less convinced that this measure would positively affect the level of over-indebtedness.[419]

The other main concern linked to loans below EUR 200 is that they are usually provided in the form of high-cost credit (i.e. loans with high interest rates), notably short-term high-cost (STHC) credit, but also credit cards and revolving credit. On top of being intrinsically detrimental for consumers due to their high cost, these products entail other important risks, which are discussed below.

Consumer detriment linked to loans below EUR 200 and over EUR 75,000

It is estimated that around 6.5 million consumers are affected by having loans of under EUR 200.[420]

There is no data on loans over EUR 75,000. It is expected the number of loans is negligible as there would be strong impetus for consumers to take up loans of such a size (and rather multiple smaller ones), apart from being relatively uncommon in view of the average loan size. Its share in the total number of loans and total volume is therefore expected to be very low.

Short-term high-cost (STHC) credit is a type of high-cost credit (instalment credit usually unsecured) that is usually taken for small amounts of money and which must be repaid within a short period. Payday loans are the most common type of STHC credit; they are a relatively small, high-cost instalment loan that must be repaid a short term, generally by the next payday. Similarly, SMS loans are a common type of STHC credit in certain countries, although their use has drastically decreased in the last decade. When properly used, STHC may be beneficial for consumers as it allows them to access emergency finance in an easy and quick manner. However, these loans entail several risks which are especially problematic given that they are more likely to be used by

[416] OPC (56% of national authorities, 50% of consumer organisations, 32% of NGOs, 24% of credit providers, 17% of citizens, 10% of business associations).

[417] Most consumer organisations indicated that consumers would benefit from this (11 out of 12 respondents), and a majority of national authorities agreed (21 out of 30 respondents), with the remaining respondents indicating that such a measure would have no impact. The lack of impact is sometimes attributed to the fact that these loans are uncommonly used in some Member States.

[418] More business associations answering the survey believed that the measure would have a negative impact on creditors (6 out of 19 respondents) than those who think it would affect them positively (4 out of 19 respondents). The trend is reverted in the case of national authorities, with 10 out of 28 respondents indicating it would have a positive impact, as opposed to 7 out of 28 respondents who oppose this hypothesis.

[419] Survey for credit providers (4 out of 5 respondents); Survey for business associations (3 out of 17 respondents); Survey for consumer organisations (9 out of 12 respondents).

[420] Based on figures from non-bank lenders, showing 34% of loans being under EUR 200. It is estimated the figure for banks is much lower (not commercially interesting) and assumed to be one third of this figure. This has been multiplied by the total number of consumers with a loan in the EU.

vulnerable consumers. For instance, national research carried out for this study shows that vulnerable groups of consumers are found to be twice as likely to use high-cost credit as other adults.[421]

The first of the risks associated with STHC credit and payday loans is shared with other types of high-cost credit available in the market, such as credit cards or revolving credit. These are costly products when compared with the other alternatives available in the market. The high cost is linked to, on the one hand, the high interest rates applied to these products, which themselves represent a risk for consumers as they can become unable of repaying their debt if they run into financial difficulties, pushing them to roll over their credit, a very common feature of payday loans.[422] Furthermore, if the consumer is delayed or cannot comply with their obligation to repay, the credit becomes increasingly expensive and the consumer may be forced to take out more credit in order to cover the initial debt.[423]

Other risks relate to the practices of certain providers of high-cost credit, especially when they entail small amounts of money (e.g. payday loans, SMS loans and credit cards), such as poor creditworthiness assessments and the provision of unsuitable products. According to Cherednychenko et al, two factors have facilitated these detrimental practices, namely the information asymmetry between credit providers and consumers and a widespread exploitation of consumer behavioural biases, failures of the market that the current regulatory framework has not managed to addressed.[424] These widespread practices have also been highlighted in other studies which refer to a lack of transparency and insufficient disclosure of information to the consumer and the fact that their accessibility and the way that they are advertised favour impulsive behaviour from consumers.[425]

These risks are even more significant when these kinds of loans are taken out by vulnerable consumers, which is generally the case since they have limited access to other credit alternatives. Along with those consumers who, appealed by the ease with which they can access credit, tend to resort to this type of loans, payday loans are very often used by consumers who are in financial distress and who need to top up their income to pay for everyday expenses. Evidence of this has been collected in the UK by the Financial Services Authority, which observed that vulnerable consumers are more likely to be extended credits with higher interest rates. This is not only attributed to the impact that the higher risk factors have on the cost of the products, but also because they are marketed to target this population group.[426]

Payday loans have existed since the 1990s but in the last decades they have become more common in the EU and are now available in many Member States.[427] Digitalisation

[421] Legal analysis.

[422] Based on data from the UK Competition and Markets Authority, Cherednychenko et al indicated that around three quarters of consumers of payday loans take out more than one loan in a year, being the average number six.

[423] Cherednychenko, O., Meindertsma, J., 2018, Irresponsible Lending in the Post-Crisis Era: Is the EU Consumer Credit Directive Fit for its Purpose?

[424] ibid.

[425] ICF, 2020, Evaluation of the CCD; European Parliament, 2018, Consumer Credit: Mis-selling of Financial Products; European Banking Authority (EBA), 2019, 2018/2019 Consumer Trends Report; Financial Services User Group (FSUG), 2019, Opinion on responsible consumer credit lending. Opinion and recommendations for the review of the Consumer Credit Directive; International Financial Consumer Protection Organisation (FinCoNet), 2017, Report on the Digitalisation of Short-term, High-Cost Consumer Credit.

[426] Interview with consumer organisations (1).

[427] As noted in the Evaluation, 16 EU Member States were captured in a recent OECD report examining the provision of STHC credit in a selection of countries, of which 10 reported the

seems to have contributed to this expansion as it has allowed for faster automated processes that enable consumers to access credit remotely. Indeed, a recent study found that 74% of the operators offering STHC credit in the EU are new operators, whereas only 26% are offered by traditional credit providers.[428] The importance of the online market for credit was also highlighted by Cherednychenko et al, who referred to figures reported by the Competition and Markets Authority revealing that between 2012 and 2013, 83% of payday loans obtained in the UK were taken out online (as opposed to 29% that were taken out on the high street) and that the average amount of the money borrowed online was comparatively higher (GBP 290 as compared to GBP 180).[429]

The use of SMS loans also varies across countries. During the first decade of the 2000s, SMS loans were notoriously popular in Northern and Baltic Europe (like Sweden, Denmark, Norway or Estonia). In other countries, their popularity started to increase by the end of the decade and beginning of the 2010s. For instance, in the UK their use increased six-fold between 2009 and 2011. Even in Belgium, where interest rates applied, foreign SMS loan providers were entering the market in 2013.[430] Since then, legislation on usury laws, obligatory time delays and stricter creditworthiness requirements has resulted in the disappearance of this product in Northern Europe.[431]

To determine the scale of the problem in terms of consumers potentially affected by the non-inclusion of short-term high-cost credit below EUR 200 in the scope of the CCD, several aspects need to be considered. These are: the extent to which short-term high-cost credit is used, and the percentage of these loans that fall below the EUR 200 threshold.

The availability and use of payday loans varies considerably across the EU. They are not widely available in all Member States, but they are especially widespread in certain countries. This is reflected in several studies as well as the feedback received from stakeholders to inform this study. For instance, in a survey launched by Finance Watch,[432] respondents from 14 Member States indicated that this product was rarely or never used in their country[433] as opposed to respondents from only 7 Member States[434] and the UK, which reported that it has "average use" in their country. Moreover, only respondents from the UK marked the option "generalised used". Payday loans are particularly common in Lithuania and the UK, where – according to a study published in 2019 - 37% of low-income households resorted to this type of credit.[435]

presence of this type of credit product (AT, CZ, DE, DK, EE, LV, NL, RO, SK, UK), while six did not (EL, ES, FR, PT, SE, SI); OECD, 2019.

[428] LE Europe, VVA Europe, Ipsos NV, ConPolicy and Time.lex, 2019, Behavioural study on the digitalisation of the marketing and distance selling of retail financial services.

[429] Cherednychenko, O., Meindertsma, J., 2018, Irresponsible Lending in the Post-Crisis Era: Is the EU Consumer Credit Directive Fit for its Purpose?

[430] CIVIC Consulting, 2013, The over-indebtedness of European households: Updated mapping of the situation, nature and causes, effects and initiatives for alleviating its impact.

[431] Home Business, 2020, "In Scandinavia – SMS loans are now history". Available at: https://homebusinessmag.com/money/personal-finance/scandinavia-sms-loans-now-history/

[432] Finance Watch, 2020, Basic Financial Services – A European-wide study on financial services and products needed to tackle financial exclusion of citizens.

[433] Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Latvia, Lithuania, Portugal, Romania, Slovakia, Sweden and the Netherlands.

[434] Bulgaria, Croatia, Czech Republic, Denmark, Ireland, Romania, Sweden.

[435] LE Europe, VVA Europe, Ipsos NV, ConPolicy and Time.lex, 2019, Behavioural study on the digitalisation of the marketing and distance selling of retail financial services.

In contrast, they are not a popular product in other countries, for instance in Germany (due to the wide availability of overdraft facilities)[436] or Austria.[437] Some countries have further seen a reduction of such loans in the last years. An example is Ireland, where they decreased from 360,000 in 2013 to 300,000 in 2019, according to data from the Central Bank.[438] Other countries like the Netherlands and Belgium have also seen a reduction, attributed in this case to regulatory actions adopted in the last years. For instance, in the Netherlands, new rules (requiring payday companies to apply for a license and a cost cap of 10% of the total loan) adopted by the market authority, combined with strengthened enforcement efforts, has resulted in a considerable reduction of such loans (from 89,000 in 2011 to 1,480 in 2013).[439] In Belgium, caps on the APR and the monthly fees that can be charged (EUR 4.84) have led to a situation in which the offer of payday loans is very limited or non-existent.[440]

Determining the exact share of short-term high-cost credit that falls below the minimum threshold of EUR 200 is not possible due to a lack of comparable EU-level data. Anecdotal evidence reveals however that this also varies throughout the EU. For instance, in 2011 the average amount borrowed in the Netherlands was EUR 200, while in the UK it was GBP 265-270 in 2013.[441] More recent data show that in that Ireland, the average amount is well above the minimum threshold of the CCD, amounting to EUR 445 in 2017.[442]

Consumer detriment linked to STHC: scale of the issue

As mentioned above, payday loans are mostly used by vulnerable consumers who have no (quick) alternative to obtain less detrimental credit. While payday loans are also common among vulnerable consumers above the poverty line, in the absence of comparable data allowing to estimate the number of consumers affected by the use of short-term high-cost credit which not covered by the CCD, the proportion of Europeans at risk of poverty can be used as a proxy.

This study estimates STHC affecting around 20 million consumers, or 4.4% of the EU population.[443]

Eurostat figures from 2018 reveal that 21.8% of citizens were at risk of poverty and social exclusion, meaning that at least 111.7 million citizens[444] were potentially at risk of taking out loans not protected under the CCD due to their amount.

Credit cards are a type of high-cost credit with very extended use across the EU. A credit card is a type of non-instalment credit product which allows the consumer to use a credit reserve within an agreed limit and time period. There are several types of credit card agreements; some may establish that the consumer needs to pay the full amount

[436] ICF, 2020, Evaluation of the CCD; Finance Watch, 2018 and 2019, Feedback from Finance Watch (BE) on the European Commission's Evaluation Roadmap of the Consumer Credit Directive.

[437] Interviews with business associations (1).

[438] Survey for national authorities (1)

[439] ICF, 2020, Evaluation of the CCD.

[440] Survey for national authorities; Interviews with consumer organisations (1); Interviews with business associations (1).

[441] Cherednychenko, O., Meindertsma, J., 2018, Irresponsible Lending in the Post-Crisis Era: Is the EU Consumer Credit Directive Fit for its Purpose?

[442] Ireland's Central Bank, 2018, Moneylending – Review of the Consumer Protection Code for Licensed Moneylenders; Survey for national authorities.

[443] Extrapolated from UK figures, showing this to be 4.4% of the UK population.

[444] The estimation is made on the basis of Eurostat population statistics for 2018 (Total EU population, 2018) [demo_pjan]

the next month ("next month full debt" option), those allowing the debtor to make partial payments every month ("monthly partial repayment" option) and even credit cards that allow the consumer to pay the full amount upon expiration of the contract.

Credit cards are one of the most widely used consumer credit products, and its market has accelerated since 2005, although there are signs pointing to a decline in the last years, with some countries reporting a significant drop in demand in the second quarter of 2020 as a result of the COVID-19 pandemic.[445] The latest Eurobarometer special survey on financial products suggested that in 2016, credit cards were the most common consumer credit product among EU citizens, with 43% of respondents stating that they were holders of a credit card (followed by 11% of EU citizens who claimed having a personal loan). Compared to previous editions of the same survey, this number has increased steadily from 2005 (34%) and 2011 (40%) (see baseline scenario in Annex 5 for more details).

At Member State level, the rate of use of credit cards among citizens varied widely as reported in the last Eurobarometer survey. The results ranged from approximately 80% of citizens in Luxembourg, Denmark and France to approximately 15% in Hungary and Bulgaria (see baseline scenario in Annex 5 for more details).[446]

More recent data on the share of consumer credit products both in terms of number of agreements signed recently and consumer use could suggest a slight shift away from credit cards and towards personal loans, although this cannot be ascertained due to the limited scope of the data.[447] Nonetheless, even considering that the share of consumers using credit cards is slightly lower than the one reported in the 2016 Eurobarometer survey (e.g. 40%), it would still imply that at least 167 million consumers in the EU are credit card owners.[448]

Credit cards may result in consumer detriment for various reasons. On the one hand, these products – like revolving credit - are generally valued by consumers because of their flexibility, which allows them to defer payments and spread large expenses over several months. However, as pointed out in the Evaluation, this flexibility can easily play to the disadvantage of consumers, who have continued access to credit so long as they make minimal payments on their debt, due to certain behavioural biases observed on consumers, notably:

- optimism bias, whereby individuals overestimate their ability to maintain a zero balance),
- short sightedness of the consequences of credit, whereby consumer prioritise the short-term benefits of a credit transaction over its detrimental future impact on personal finances; and
- cumulative cost neglect, whereby[449] consumers dismiss the cumulative effect of a large number of small credit options).

Consequently, consumers may end up making minimum repayments enough to only cover the interest and fees, leading to a persistent debt that is highly profitable for credit

[445] For example, Ireland and Romania reported a drop in demand during the second quarter of 2020, recovering since then in Ireland (Survey for national authorities).

[446] Although the Eurobarometer is the main source of EU-level comparative data on use of credit cards, the results should be read carefully as in some countries, the distinction between debit and credit cards is not always made by citizens in some countries (e.g. France) (Interview with EU-level representative).

[447] Eurofinas, Facts and figures 2012 – 2018; Finance Watch, 2020, Is the human dignity of individual debtors at risk?; ING, 2018, Saving comfort – a path to happiness. Available at: https://docplayer.net/173106715-Savings-comfort-a-path-to-happiness.html

[448] Based on Eurostat population statistics for 2019 (Total population over 18, 2019) [demo_pjan]

[449] ICF, 2020, Evaluation of the CCD; BEUC, 2019.

providers.[450] An example of this can be found in the UK, where the Financial Conduct Authority reported in 2016 that the main provider of credit cards issued in the EU reported that in 2014, 6.6% of their cardholders (approximately 2.1 million) were in persistent debt, with an additional 1.6 million cardholders making only minimum payments on their credit debt card while incurring in interest charges, of which 0.75 million had been doing it for three consecutive years.[451]

The other main risk associated with credit cards is their high cost. As explained above, credit cards are one of the main types of commonly used high-cost credit, together with payday loans and revolving credit. This was highlighted in the Evaluation, which reported that the EU-level average of interest rates applied to credit cards amounted to 16.7% in February 2018.[452] The Evaluation and the legal analysis carried out for this study also point out the differences between the interest rates applicable to personal loans and to credit cards in some EU Member States, such as in Italy (24.1% for credit cards compared to 16.5% for personal loans) and Spain, where rulings by the Supreme Court denote the differences between the average interest applicable to consumer credit (approximately 8%) and to revolving credit and credit cards (around 20%).[453]

Other types of **revolving credit** warrant attention. Revolving credit is a wide term which encompasses any credit that is automatically renewed as debts are paid off, including credit cards. The risks of revolving credit are largely the same as the ones presented for credit cards and payday loans, notably the potential harm that can stem from the flexibility of these contracts, the frequency with which these credit amount to less than EUR 200 and their high cost (see baseline scenario in Annex 5 for data on the interest rates applicable to revolving credit in the last years).

There is limited EU-wide data on the use of revolving credit (excluding credit cards), making it difficult to ascertain the scale of the problem, although available evidence suggests that its importance is decreasing. A London Economics study published in 2014 estimated that approximately 3.1% of loans in the EU were revolving credit.[454] In 2015, this type of credit was reported to have decreased significantly compared to the previous year across the EU,[455] though more pronounced in some Member States, e.g. in France as a consequence of the *Lagarde* law.[456] In spite of this, the Evaluation argued that revolving credit remains one of the main sources of concern for consumer organisations in the consumer credit market.[457]

Although the CCD does not currently provide protection to consumers against interest rates, some of the main risks linked the potentially detrimental credit products highlighted in this section relate to aspects regulated by the CCD (e.g. information-related obligations). Therefore, by excluding these products from the scope of

[450] ICF, 2020, Evaluation of the CCD; European Parliament, 2018, Consumer Credit: Mis-selling of Financial Products; The European Consumer Organisation (BEUC), 2019, Review of the Consumer Credit Directive – BEUC Position.

[451] Cherednychenko, O., Meindertsma, J., 2018, Irresponsible Lending in the Post-Crisis Era: Is the EU Consumer Credit Directive Fit for its Purpose?

[452] ICF, 2020, Evaluation of the CCD; European Parliament, 2018, Consumer Credit: Mis-selling of Financial Products.

[453] El Pais - Economia[ES], 2019, La usura de las tarjetas 'revolving' estalla en los tribunales; Legal analysis.

[454] London Economics, 2014, Study on The Functioning of the Consumer Credit Market in the EU.

[455] Crédit Agricole Consumer Finance, 2015, Overview of the Consumer Credit Market in Europe in 2015.

[456] Loi no 2010-737 du 1er juillet 2010 portant réforme du crédit à la consommation.

[457] ICF, 2020, Evaluation of the CCD; The European Consumer Organisation (BEUC), 2019, Review of the Consumer Credit Directive – BEUC Position; El Pais - Economia [ES], 2019, La usura de las tarjetas 'revolving' estalla en los tribunales; Speaker representing a consumer organisation at the CCD event.

application of the CCD – either explicitly or implicitly – consumers purchasing them are not granted the same level of protection as those who opt for consumer loans falling within its scope of application.

Consumer detriment linked to revolving credit: scale of the issue

The study estimates 24 million EU consumers affected, based on the share of consumers experiencing problems with their credit line.[458]

A6.1.3. Problem 1.2: Consumers obtaining certain types of credit may not be protected by the CCD due to the uncertainty as to whether certain types of consumer credit products are covered by it

Consumers are also resorting to other types of credit that are neither explicitly excluded nor included in the scope of application of the CCD. As a result of this, there is certain uncertainty about the protection that the Directive guarantees for these consumers. Loans obtained through peer-to-peer lending (P2PL) platforms are the most notorious example. The Evaluation noted that these loans have expanded considerably since the adoption of the CCD and are expected to continue growing in the coming years, and yet there seems to be a lot of uncertainty as to whether they fall under the scope of the Directive, potentially leaving consumers unprotected in many Member States. Overdraft facilities are another example of loans widely used and whose regime under the CCD may result in consumers being harmed.

One of the key developments that have affected the consumer credit market in the last decade is the digitalisation of the sector, which has also allowed for the expansion of consumer credit provided online, including through peer-to-peer lending (P2PL) platforms. As further explained in the baseline scenario, this type of platform already existed in 2008 (the first P2PL platform emerged in 2005), but they have grown significantly over the last decade and is expected to grow further. P2PL platforms operate in many Member States,[459] although they represent only a small proportion of the market for consumer credit in the EU. In 2017, the total amount of P2PL in Europe was EUR 3,816 million.[460] However, this is an increasingly used product and it is expected that these practices will develop, thanks to the ever-growing digitalisation of the sector.

The expansion of P2PL has not been fully captured by the CCD. P2PL is not included in the list of exemptions in Article 2(2), but the evidence gathered for this study as well as the Evaluation found that there is great uncertainty, both in the literature and among stakeholders consulted, as to whether these new market players are covered by the Directive. In fact, the uncertainty surrounding the coverage of P2PL emerged as one of the main issues raised by stakeholders during the Evaluation in relation to the relevance of the Directive, claiming that it is not equipped to deal with current and future trends linked to the digitalisation of the sector.[461]

[458] The share of consumers experiencing such problems is 12%, this has been applied against the number of citizens with a credit card.

[459] In 2019, the EESC carried out a survey of consumer credit, with half of the respondents confirming that these instruments are used in their Member State (EESC, 2019. Evaluation of the CCD).

[460] London Economics Europe, VVA Consulting, Ipsos NV, ConPolicy and Time.lex, 2019, Behavioural study on the digitalisation of the marketing and distance selling of retail financial services.

[461] ICF, 2020, Evaluation of the CCD.

Depending on their business model and the role they play in the transaction, P2PL may act as credit provider or as credit intermediary. Some platforms provide funds to borrowers, acting as creditors. This is the case of platforms operating under the *balance sheet model*, whereby the platform provides the loan directly to a consumer, assuming the credit risk in a similar way as traditional credit providers.[462] Others act as credit intermediaries, concluding agreements on behalf of the credit provider.[463]

For instance, platforms which operate following the standard business model (i.e. *client-segregated account model*) act as intermediaries, with little interference in the set-up of the loan. Their role is merely to match investors with borrowers and to manage the client account (for which they charge an administrative fee), which is separated from the balance sheet of the platform. P2PL platforms operating under the *notary model* (i.e. whereby the platform matches lenders and borrowers, but the loan itself is managed by a commercial bank) also act as intermediaries. To conclude, some platforms fulfil a different role in the transaction, for example by simply presenting offers, assisting consumers or acting as guarantors. This is the case of platforms which operator following the *guaranteed return model* feature the platform acting as a guarantor.[464]

The uncertainty about their coverage lies in the fact that the definitions of creditor and credit provider included in Art. 3 CCD require that the activity be done as part of the creditor or credit intermediary's trade, business or profession.[465] This would not be an impediment to consider platforms acting as credit intermediaries, but it is not so clear when they act as guarantors. Moreover, even when the platform falls in the scope of the CCD because it acts as an intermediary, the question of whether private individuals acting as lenders can be considered as credit providers (and therefore be bound by obligations such as carrying out a CWA) would remain.

P2PL may seem appealing for consumers due to the convenience and efficiency of the operations, especially given the increasing value that consumers are giving to faster turnarounds and less burdensome processes when contracting a loan. Moreover, it can provide an opportunity to access credit for consumers who would otherwise be excluded from the traditional credit market. While convenient, these features may also involve important risks which may affect not only consumers, but also lenders and platforms. On the one hand, the faster processes may be at odds with the need to maintain a high level of consumer protection, especially as consumers' behavioural biases may be subject to exploitation by such business models. On the other hand, lenders and platforms may be exposed to more risks than other credit providers due to the lack of proper CWA processes.

The penetration of fintech companies (among which P2PL platforms) is not homogenous across the EU. The UK is by far the largest market in Europe, although it is rapidly growing elsewhere in the region. In 2014, the alternative financing market (which include P2P) in the EU accounted for EUR 2.9 billion, of which only EUR 620 million belonged to Member States other than the UK.[466] Since then, the sector has been

[462] P22MarketData, 2020, P2P Lending Explained: Business Models, Definitions and Statistics.

[463] European Commission, Impact Assessment for a proposal for a Regulation on European Crowdfunding Service Providers (ECSP) for businesses.

[464] Commissione Nazionale per le Società e la Borsa, 2019, Marketplace lending - Verso nuove forme di intermediazione finanziaria?

[465] An example of this uncertainty is the request for a preliminary ruling that a Finnish court submitted in relation to the interpretation to the application of 'creditor' to P2PL platforms (C-311/15).

[466]The Business Models and Economics of Peer-to-Peer Lending, ECRI, 2016. Available at: http://www.ecri.eu/publications/research-reports/business-models-and-economics-peer-peer-lending

growing markedly in the region, with an average annual growth rate of 69% between 2013 and 2018. Data from the University of Cambridge reveals that, even excluding the UK, the volume of alternative funded increased twofold between 2017 and 2018 (from USD 3.8 billion to USD 7.7 billion), suggesting that the sector is rapidly growing in the region.[467] More recently, the 2017 EY FinTech Adoption Index showed that the UK was still the country with the highest percentage of FinTech users with 42%, but that it was closely followed by Spain (37%) and Germany (35%) (see baseline scenario in Annex 5 for further details).

While there are no comprehensive data on the scale of the problems faced by individuals obtaining credit through P2PL platforms, evidence from several Member States confirm that consumers are reporting issues. In a study carried out in 2016, the Financial Ombudsperson Service in the UK found that consumer complaints about these platforms had risen significantly, with some consumers reporting having been unaware of the fact they were borrowing through a P2PL platform or being unsure about possible recourse in case of problems. Austria (2009) and Denmark (2014) have each sanctioned a P2PL platform for failure to follow the rules in place.[468]

In 2016, a study showed that seven EU Member States[469] had introduced bespoke regulatory frameworks for crowdfunding activities and several other countries were expected to also introduce such regimes in the following years. Among the measures introduced by national regimes were information and risk-warning requirements imposed on platforms, limits on maximum investable amounts. [470]

Certain ambiguity also surrounds **overdraft facilities** allow consumers to run up a deficit up to a certain limit at a set interest rate. They can be authorised (i.e. acting as pre-approved credit) or unauthorised (i.e. those that are not agreed upon in advance and usually entail very high interest rates and fees). As indicated in the Evaluation, the framework for overdrafts created by the CCD is relatively complex. Overdraft facilities that need to be repaid within one month are exempted (Article 2(2)(e)), and those that have to be paid on demand or within three months are only subject to certain provisions (Article 2(3)). Furthermore, unauthorised overdrafts are only subject to a 'light regime' under Article 18 (i.e. overrunning), which imposes certain information duties in cases where a current account allows the consumer to overrun. As a result, some countries (e.g. France) have noted that credit providers are encouraging consumers to turn to types of products that are slightly less controlled.[471] Even in the cases where they fall within the scope of application of the CCD, they may still be excluded due to their amount.

One of the main advantages of overdraft facilities is that they constitute a useful tool to cover small and sudden financing needs. However, like credit cards and revolving credit, they are a very expensive credit product compared to instalment consumer credit, and in some cases even compared to payday loans, especially unauthorised overdrafts.[472] In addition, consumers risk misunderstanding the conditions applicable to the overdraft facilities in terms of costs, limits, etc.

There are limited EU-wide data on the use overdrafts to estimate the exact scale of the problem, but data from the UK showed that 19 million people an arranged overdraft in

[467] University of Cambridge, 2020, Report on crowdfunding by the Cambridge Centre for Alternative Finance.

[468] ICF, 2020, Evaluation of the CCD.

[469] Austria, Spain, France, United Kingdom, Italy, Germany and Portugal.

[470] European Commission, 2016, Crowdfunding in the EU Capital Markets Union

[471] ICF, 2020, Evaluation of the CCD; UFC-Que Choisir, Service des études [FR], 2019, Overdraft Facility: Excessively Expensive Credits.

[472] ICF, 2020, Evaluation of the CCD; The European Consumer Organisation (BEUC), 2019, Review of the Consumer Credit Directive – BEUC Position.

2017, while 17 million use an unarranged overdraft facility.[473] In France, approximately 30 million users of overdraft facilities, with 60% of French people overrunning their overdraft authorisation in 2019.[474] Finally, the Deloitte report[475], revealed that in 2018, overdraft made up 30% of credit consumer products portfolio in Sweden, followed by Italy and Germany (16% in both countries) and only 4% for UK.

Consumer detriment linked to overdrafts: scale of the issue

This study estimates overdrafts affects between 21 and 46 million consumers.[476]

A6.2. Problem 2: Insufficient safeguards to ensure responsible lending (from the perspective of product design as well as marketing and selling practices) and the respect of consumers' rights (data protection and fundamental rights)

A6.2.1. What is the problem and why is it a problem?

Responsible lending requires credit providers to act not only in their own interests, but also considering the borrowers' interests and needs. Responsible lending should dictate the behaviour of lenders during the pre-contractual and contractual stage, but also the design and overall marketing of the product until the end of the contract.[477]

There is no fixed definition of responsible lending, though the 2002 initial CCD proposal did refer to responsible lending as creditors exercising 'caution' or acting as 'good creditors' based on legislation in a few Member States at that time (2002).[478]

The research carried out by the Evaluation revealed that certain credit providers are using practices which go against the idea of responsible lending. This is especially the case in certain segments of the consumer credit market with credit providers whose business model relies heavily on rolling over or refinancing loans operate.[479] These providers make great profits from these practices, meaning that there are no incentives for them to avoid selling inherently harmful or unsuitable credit as they can obtain profit even if the borrower is at high risk of suffering detriment or defaulting the payment.[480] Some of the most problematic practices identified are: designing credit products with very high interest rates, cross-selling, poorly performed creditworthiness assessments (CWAs) or granting credit even when the CWA indicates that the borrower will not be

[473] ICF, 2020, Evaluation of the CCD; The European Consumer Organisation (BEUC), 2019, Review of the Consumer Credit Directive – BEUC Position.

[474] ICF, 2020, Evaluation of the CCD; UFC-Que Choisir, Service des études [FR], 2019, Overdraft Facility: Excessively Expensive Credits.

[475] Deloitte, 2019, The future of credit, a European perspective. Available at : https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/financial-services/deloitte-uk-mastercard-the-future-of-credit-a-european-perspective-2019-report-digital-updated.pdf

[476] Based on figures from UK, NL and FR ranging from share of persons (37%) with an arranged overdraft (UK) to share of persons (80%) indicating in a survey they have an overdraft facility (NL). Based on the number of consumers with a credit agreement.

[477] Financial Services User Group, 2019, Opinion on responsible consumer credit lending.Opinion and recommendations for the review of the Consumer Credit Directive.

[478] Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the harmonisation of the laws, regulations and administrative provisions of the Member States concerning credit for consumershttps://ec.europa.eu/transparency/regdoc/rep/1/2002/EN/1-2002-443-EN-F1-1.Pdf

[479] European Parliament, 2018, Consumer Credit: Mis-selling of Financial Products.

[480] Cherednychenko, O., Meindertsma, J., 2018, Irresponsible Lending in the Post-Crisis Era: Is the EU Consumer Credit Directive Fit for its Purpose?

able to repay easily or has a negative outcome, selling unsolicited credit and not providing advise to consumers on the product that is most suitable for them.

As part of its objective to improve consumer protection, the CCD explicitly refers to the need to avoid irresponsible lending and over-indebtedness (Recital 26). This notion is also reflected in some of the provisions of the Directive, namely those relating to the CWA and the provision of adequate and comprehensive information to consumers. However, as pointed out in the Evaluation, the tools contained in EU-level legislation (including the CCD) to ensure and promote responsible lending among providers of consumer credit are not sufficiently developed to effectively achieve this objective. Some of the key limitations are:

- As opposed to the Mortgage Credit Directive and earlier versions of the proposal for a CCD, the final version of the CCD did not establish a general obligation to lend responsibly. This decision has wide-ranging consequences, with the most important being the fact that the European Banking Authority[481] has no competence to establish guidelines in this respect.
- Neither the CCD nor any other piece of EU-level legislation addresses certain aspects of the design and marketing of consumer credit products that are relevant to ensure responsible lending (e.g. establishing limits to the interest rates and fees that credit providers can charge, forbidding or limiting cross-selling practices, provision of advice on suitable credit).
- One of the key tools of the CCD to ensure responsible lending is the obligation to assess consumers' creditworthiness before granting a credit. However, the provision laying down this obligation is too underdeveloped to achieve its objective. It merely instructs credit providers to conduct a CWA on the basis of "sufficient information", not providing any guidelines on what should be considered sufficient or what the consequences of a negative CWA should be.[482] The vagueness of the provision has led to a variety of approaches in Member States[483] and also to compliance issues, with many credit providers (especially in certain segments of the consumer credit market) carrying out CWAs that are considered insufficient.
- The CCD does not include sufficient safeguards to ensure the respect of certain consumers' rights either, notably data protection or fundamental rights. The use of alternative sources of information and automated decision-making is growing among credit providers (new entrants as well as traditional market players) and with it, the risk that the inadequate or non-compliant (from the perspective of data protection rights) may lead to consumer detriment. Although the general data protection regulatory framework is applicable to consumer credit providers, the CCD is not equipped to address these practices, which could potentially lead to discrimination of certain population groups and other related problems.

Overall, the approach of the CCD to responsible lending places a great share of the burden of responsible lending / borrowing onto the consumer as it assumes that consumers will borrow responsibly when provided with adequate information. In an attempt to transfer part of this burden onto credit providers, other similar EU legislative instruments and national rules included additional obligations for providers of loans. At

[481] The ESAs regulation brings the CCD under the scope of action of the EBA since 1 January 2020.

[482] More specific obligations have been adopted by Member States. The majority of them (BE, BG, DE, ES, HU, IT, LV, LT, MT, PT, SI, SK, SE, UK) have laid down further provisions about the CWA and access to databases, further defining how the CWA is to be conducted and imposing other obligations on creditors.

[483] Certain Member States have gone beyond the requirements laid down in Article 8 of the Consumer Credit Directive with a view to specifying in their national law certain aspects of the creditworthiness assessment, see European Commission, "Mapping of national approaches in relation to creditworthiness assessment under Directive 2008/48/EC on credit agreements for consumers", 2018.

EU-level, the Mortgage Credit Directive has established an obligation on providers of mortgages to inform consumers about the suitability of products. It also laid down more detailed obligations regarding CWAs. At national level, several Member States have introduced conduct of business rules which govern the design, manufacturing, and sale of credit products, with interest rate caps being the most common tool.[484]

Consumers are the stakeholder group most affected by this problem as potential victims of irresponsible lending practices. However, credit providers and enforcement authorities are also indirectly affected, also as a result of the potentially increased levels of default payments and over-indebtedness that can result from the selling of unsuitable products to consumers. Some of the main consequences of these problems are:

- Consumers are not provided with personalised advice on the suitability and the risks of the credit agreements they purchase.
- Consumers are granted or led to obtain credit for which they are not suitable or eligible or which is inherently harmful, leading to consumer detriment and, potentially, over-indebtedness.
- Consumers risk being discriminated against when accessing credit due to the use of alternative sources of information or decision-making tools.
- Certain information and tools used by credit providers to assess consumers' creditworthiness may result in breaches to personal data protection rules.
- Enforcement authorities may be more burdened as a result of consumers being more exposed to irresponsible lending practices which may lead to more consumer complaints and lower levels of compliance among credit providers.
- Credit providers may face additional risks and costs linked to enforcement cases brought against them regarding their obligation to assess consumers' creditworthiness or the data used to perform the assessment
- Credit providers may incur in financial risks and losses as consumers who are sold unsuitable products are not able to meet their obligations

A6.2.2. Problem 2.1: EU-level regulation does not address certain aspects of responsible lending as regards consumer credit

One of the shortcomings of the CCD concerns the limited coverage of responsible lending, as identified in the Evaluation and corroborated in this study. Earlier versions of the document, particularly the 2002 proposal, introduced specific obligations to ensure responsible lending which covered the design (i.e. avoiding unreasonable credit contracts) and the marketing (i.e. responsibility of credit providers to assess and advise on the risks of default) of consumer credit products. However, the lengthy negotiations during the legislative process resulted in these provisions being left out in the final version of the Directive.

Regarding the **design of products**, the current EU-level regulatory framework for consumer credit does not impose any conditions regulating this aspect. As further explained in Problem 1.1, one of the main risks associated to some of the credit products considered problematic and being used by many consumers (especially vulnerable consumers) is their high interests, especially in some Member States and for certain credit products. Data from the ECB allows to compare the average interest rates applied by financial institutions in the Eurozone to consumption credit, extended credit card credit (i.e. the balance of the credit card that was not paid when it was first possible) and revolving credit and overdrafts (see Figure 18 of the baseline in Annex 5). The data shows that credit cards are, by far, the most expensive product of the three, with

[484] Interest rate caps were introduced in at least 23 Member States (BE, BG, CY, CZ, DE, DK, EE, EL, ES, FI, HR, HU, FR, IE, IT, LT, MT, NL, PL, PT, SE, SI, SK). Austria, Latvia, Luxembourg, Romania and Sweden have interest rate caps that apply to defaults loans only, rather than the interest rates themselves.

interest rates applied to extended credit card credit surpassing 16% every year, as compared to approximately 5% applied to credit for consumption.

The average rate applicable to revolving credit and overdrafts has gradually decreased since 2012 and is now closer to that of instalment credit for consumption. However it still remained approximately 1 percentage point above the rates applicable to credit for consumption until 2020 (see baseline scenario in Annex 5 for further details). While on average revolving credit is only slightly more expensive that consumption credit (which could be expected), it is a problem in some Member States where the differences are greater. For instance, in Spain the average interest rate applied to revolving credit is 13 percentage points above that of instalment consumer credit.[485] In other countries such as in France, the difference between the interest rates applied instalment consumer credit and revolving credit provided by banks is not significant, but when the revolving credit is provided by non-bank credit providers, the difference reaches approximately 10 percentage points.[486]

To tackle this issue, most Member States have adopted rules on the design of products, with the most popular being the introduction of **interest rate caps** in up to 23 Member States.[487] The main typologies are a variable cap on the total cost of credit, fixed interest rate caps, and adjusted interest rate caps (monthly or quarterly).

Most of them did so after the adoption of the CCD, between 2009 and 2019, although in some cases they pre-date the Directive, going as far as 1935. The measure, which has been evaluated on several occasions, is generally seen as an effective tool to ensure a high-level of consumer protection.[488] In some countries (e.g. Belgium, Slovakia), the establishment of interest rate caps has resulted in the disappearance of some market players, a development that - some consumer organisations argue - plays in favour of consumers.[489]

The national research carried out for this study suggest that despite the positive impact that rate caps have had in some Member States,[490] high interest rates are still a source of concern in some countries. An example is Bulgaria and Malta, where excessive interests, penalties and fees are one of the main reasons for consumer complaints. In other countries, such as Slovakia, issues of compliance have been identified, with credit providers exceeding the APR ceiling.[491]

The need to introduce measures to prevent excessive costs of credit (i.e. interest rate caps) was also raised by a majority of consumer organisations and citizens who contributed to the recent public consultation on the Consumer Agenda. In contrast, only a minority of national authorities, companies, NGOs and business associations participating in the consultation shared this opinion.[492]

[485] Banco de España, 2020, Tipos de interés aplicados por las IFM a residentes en la UEM. Available at: https://www.bde.es/webbde/es/estadis/infoest/a1904.pdf

[486] Banque de France, 2020, Crédits à la consommation (2020T2). Available at: https://www.banque-france.fr/statistiques/credit/credit/credits-la-consommation

[487] BE, BG, CY, CZ, DE, DK, EE, EL, ES, FI, HR, HU, FR, IE, IT, LT, MT, NL, PL, PT, SE, SI, SK.

[488] ICF, 2020, Evaluation of the CCD (Legal analysis); International Financial Consumer Protection Organisation (FinCoNet), 2017, Report on the Digitalisation of Short-term, High-Cost Consumer Credit.

[489] Interview with consumer organisations (1).

[490] For instance, in Spain the interest rate caps have facilitated the enforcement of APR rules, and the Netherlands has been able to tackle the issue of predatory conditions on payday loans imposed by foreign creditors by imposing the national rate caps also to creditors from other Member States.

[491] Legal analysis (National).

[492] Public consultation on the Consumer Agenda (67% of consumer organisations, 52% of citizens, 19% of national authorities, 13% companies, 10% NGOs, 2% business associations).

Other provisions have been adopted at national level that seek to prevent the selling of credit products that are intrinsically harmful for consumers. For instance, some Member States have banned certain products or imposed obligations that reduce the incentives to provide them (a license in the Netherlands), effectively pushing them out of the market (e.g. payday loans in Belgium or the Netherlands).[493] Similarly, Latvia, Lithuania and the UK have adopted provisions that aim at banning credit **rollovers** or making them less frequent.[494]

The risks attached to credit products that rely on rolling over – such as payday loans or credit cards - is explained above (see Problem 1.1). In short, while rolling over gives consumers certain flexibility it increases the cost of the credit, making it a very profitable practice for credit providers.[495] Evidence of this was provided in 2013 by the UK's Office of Fair Trading, which found that 28% of the loans were rolled over or refinanced at least once, and that around half of lenders' revenues were linked to rollover practices, with 19% of these revenues coming from a 5% of loans which were rolled over four or more times.[496]

Considering that the rollover feature is very common among credit that is generally accessed mostly by vulnerable consumers (e.g. payday loans) or consumers who are already indebted or at risk of over-indebtedness, this practice is very risky as it can push the consumer into a spiral of debt and worsen their financial situation, resulting in significant consumer detriment.

Consumer detriment linked to roll-over credit: scale of the issue

This study estimates roll-over credit to be up to 20 million consumers.[497]

Another practice that raises concerns among stakeholders is **cross-selling**. Cross-selling entails selling an additional product together with the loan, either presenting it as a mandatory element (i.e. product tying), as part of a same 'package' (i.e. product bundling) or as an optional element. The most common types of product sold with consumer credit (including STHC) are insurance policies, typically insurances that seek to cover potential situations in which the consumer can no longer meet their financial obligations, e.g. life insurance and payment protection insurance (PPI), but also other products such as car insurance.

Cross-selling is a highly profitable practice for credit providers, who usually have agreements with insurance companies and receive commissions when they sell these products.[498] In the UK and Germany, for instance, the commissions paid to credit providers for the sale of PPI policies usually amounted to 50% or more (even reaching 80% in the UK) of the insurance premium. Similarly, a study from the Belgian Financial Services and Markets Authority showed that between 2011 and 2015, insurers paid out a claim in only 0.24% of all contracts (significantly low when compared to other

[493] Interviews with national authorities.

[494] ICF, 2020, Evaluation of the CCD; International Financial Consumer Protection Organisation (FinCoNet), 2017, Report on the Digitalisation of Short-term, High-Cost Consumer Credit.

[495] European Parliament, 2018, Consumer Credit: Mis-selling of Financial Products.

[496] Financial Services Users Group (FSUG), 2019, Opinion on responsible consumer credit lending - Opinion and recommendations for the review of the Consumer Credit Directive.

[497] The figure has been assumed to be the same for STHC as it typically falls within this category.

[498] ICF, 2020, Evaluation of the CCD; European Parliament, 2018, Consumer Credit: Mis-selling of Financial Products; International Financial Consumer Protection Organisation (FinCoNet), 2017, Report on the Digitalisation of Short-term, High-Cost Consumer Credit; Finance Watch, 2018 and 2019, Feedback from Finance Watch (BE) on the European Commission's Evaluation Roadmap of the Consumer Credit Directive .

insurance products).[499] The total collection of PPI in Belgium reached EUR 65 million, of which 12% was used for paying claims, with over 50% going towards commissions, charges and fees.

Cherednychenko et al argue that cross-selling is a result of the same market failures that have fostered the provision of high-cost credit, i.e. information asymmetry between lenders and borrowers and the exploitation of consumer behavioural biases. Indeed, the Evaluation also found that one of the reasons why cross-selling is regarded as a significant issue in the consumer credit sector is precisely because credit providers tend to rely on aggressive marketing practices to mis-sell these products to consumers who do not need it and who, very often, may not be aware that they are purchasing them.[500]

Among the products that are usually tied to consumer credit, the issues linked to the sale of PPI are the most discussed in literature. PPI is sold as an insurance policy enabling consumers to insure the repayments of loans under certain circumstances (i.e. death, extended illness or other circumstances preventing them from meeting their obligations). The main issues identified with the way that PPI is sold to consumers who purchase consumer credit are:

- Although they are optional products, consumers are led to believe that they are part of a package together with the credit or mandatory products, or that not purchasing them may result in the credit being rejected. The Evaluation of the CCD confirmed that these practices were carried out by credit providers in several Member States, with credit providers hiding the optional nature of the product unless specifically asked or pre-ticking the insurance option in the contract.[501]
- Many consumers are sold unsuitable insurance policies or are not adequately informed about the specific conditions of the contract, with many of them being misled into believing that job losses are covered when this is rarely the case. In fact, some of the largest cross-selling scandals relate to PPI such as the ones in the UK (2008), Ireland (2012) and Spain,[502] and it also raised concerns among national authorities in Belgium.[503] The case in the UK was especially notorious. In 2008 it was found that one in three PPI consumers in the UK had been sold unsuitable insurance policies.[504] This led the UK Financial Conduct Authority to strengthen their efforts in tackling the mis-selling of financial products, increasing fines and informing consumers about the possibility to make complaints regarding mis-sold PPI.[505] This was reflected in the share of consumer claims that concerned mis-selling practices (including PPI), which increased from 25% in 2010 to 59% in 2014.
- Insurance premiums are not usually reflected in the calculation of the APR because they are not mandatory products. In the view of some consumer organisations consulted for the Evaluation and for this study, this is an important issue as although this practice is in line with the CCD, it is misleading for

[499] BE-Financial Services and Markets Authority (FSMA), 2017, Study of payment protection insurance offered in conjunction with consumer loans.

[500] ICF, 2020, Evaluation of the CCD; EBA, 2016, 2016 Consumer Trends Report; EBA, 2017, 2017 Consumer Trends Report; EBA, 2019, 2018/2019 Consumer Trends Report.

[501] BEUC, 2019, Review of the Consumer Credit Directive – BEUC Position; ICF, 2020, Evaluation of the CCD (Mystery shopping).

[502] Financial Services User Group (FSUG), 2019, Opinion on responsible consumer credit lending. Opinion and recommendations for the review of the Consumer Credit Directive.

[503] Interviews with national authorities (1).

[504] European Parliament, 2018, Consumer Credit: Mis-selling of Financial Products.; Finance Watch, 2018 and 2019, , Feedback from Finance Watch (BE) on the European Commission's Evaluation Roadmap of the Consumer Credit Directive .

[505] UK Financial Ombudsman Service, Complaints we deal with – PPI. Available at: https://www.financial-ombudsman.org.uk/businesses/complaints-deal/ppi Accessed 01.09.2020.

consumers because the fees linked to the PPI policy may increase the cost of the credit significantly. For instance, a consumer organisation for Poland consulted for this study explained that in some cases, the insurance payment equals the amount borrowed.[506]

Certain groups of vulnerable consumers may be especially harmed by the sale of PPI. For instance, higher prices generally apply to individuals who suffer or have suffered from pre-existing health conditions (e.g. cancer), even when they have fully recovered from the disease.

The CCD deals with cross-selling only to a certain extent, as it only establishes that if a product is sold as mandatory together with the credit, its cost must also be taken into consideration in the calculation of the APR. It thus leaves Member States the freedom to regulate these issues as they see fit.[507] During the Evaluation, the approach of the CCD to cross-selling was identified by stakeholders as one of the main shortcomings of the Directive as far as responsible lending rules concern, particularly in the view of consumer organisations but also among industry representatives[508]

Although most Member States have not taken any action to tackle cross-selling, some have adopted specific measures to limit this practice or mitigate their impact on consumer welfare.[509] Examples of this are the specific pre-contractual information obligations in place in Germany and France concerning cross-selling, which seek to ensure that a clear explanation is provided to consumers. Other examples identified during the Evaluation are the obligation in the UK to wait for seven days after the credit agreement has been signed to sell PPI,[510] or the ban of tying products in the UK.[511] National research carried out in Italy for this study has also revealed recent efforts to address the use of cross-selling practices. In February 2020, the Italian competition authority fined several banks for breaching the prohibition to use aggressive commercial practices in connection to the way in which they were offering insurance products when selling loans. Furthermore, in March 2020, the Bank of Italy and the Institute for the Supervision of Insurance adopted a joint communication setting out some guidelines on the sale of tied products addressed to banks, financial intermediaries and insurance companies.[512]

Against this background, the European Supervisory Authorities have also raised concerns over cross-selling practices in the financial sector, calling upon the Commission to ensure a more consistent approach across the three financial sectors (i.e. banking, insurance and investment sectors), noting that these practices have caused significant detriment to consumers.[513] Despite this, cross-selling did not emerge as one of the most pressing issues that stakeholders think should be tackled at EU-level. Only a minority of respondents to the public consultation on the Consumer Agenda indicated that the

[506] Interviews with consumer organisations (1).

[507] ICF, 2020, Evaluation of the CCD; European Parliament, 2018, Consumer Credit: Mis-selling of Financial Products.

[508] Consumer organisations considered the profitability of the sale of PPI problematic, and several business representatives argued for the harmonisation of cross-selling rules at EU level, with one business association even calling for a ban on cross-selling.

[509] ICF, 2020, Evaluation of the CCD; International Financial Consumer Protection Organisation (FinCoNet), 2017, Report on the Digitalisation of Short-term, High-Cost Consumer Credit; BEUC, 2019.

[510] BEUC, 2019, Review of the Consumer Credit Directive – BEUC Position.

[511] International Financial Consumer Protection Organisation (FinCoNet), 2017, Report on the Digitalisation of Short-term, High-Cost Consumer Credit.

[512] Legal analysis (IT).

[513] Joint Committee (JC) of the European Supervisory Authorities (ESAs), 2016, Letter to the Commissioner for Financial Stability, Financial Services and Capital Markets Union on the cross-selling of financial products.

CCD should ban product-tying practices. This was the case across all stakeholder groups, although to varying degrees.[514]

Evidence collected for this study suggests that cross-selling is seen as very problematic in some Member States. National research carried out in Italy revealed that this is considered to be one of the major causes of consumer detriment in the European consumer credit market.[515] Similarly, the Belgian CPC member indicated that cross-selling is one of the main problems faced by consumers, according to its CPC member.[516] According to this CPC member, cross-selling is problematic for various reasons: creditors sell outstanding balance insurance, the insurance premium is almost always included in the loan amount and consumers pay interest on it, and creditors offer only one type of outstanding balance insurance covering different types of risks whereas the consumer does not always ask for it.

Cross-selling practices: scale of the issue: scale of the issue

This study estimates that cross-selling affects up to 24 million consumers annually.[517]

Linked to cross-selling, the use of **pre-ticked boxes** also promotes irresponsible lending and entails risks for consumers. This practice can be misleading (and therefore prohibited by the Unfair Commercial Practices Directive), as pre-ticked boxes influence the price of the product displayed, making it more difficult for consumers to understand the actual price of the good or service they wish to purchase. They may also trick consumers into unknowingly buying products they do not wish to buy. For these reasons, the Consumer Rights Directive has established a ban on these practices. While the risks are indeed potentially very detrimental for consumers, it appears that this practice is not widely extended among providers of financial services (including credit), even if the Consumer Rights Directive does not apply to these services. Indeed, a recent study analysing the marketing and distance selling of financial services that this practice does not seem to be widely spread in the financial sector, with only a few examples identified.[518]

The issue of **unsolicited credit** has also been subject to criticism by organisations protecting the interests of consumers in the EU. Selling unsolicited credit is not prohibited by the CCD. While the ban on inertia selling (i.e. aggressive commercial practices demanding immediate or deferred payment for or the return or safekeeping of products supplied by the trader, but not solicited by the consumer) included in Article 9 of the EU Directive regulating distance marketing of consumer financial services (Directive 2002/65/EC), as amended by Directive 2005/29/EC, applies to consumer credit, it only does so when this is sold remotely. Although some countries have either banned or heavily regulated these practices,[519] offering unsolicited credit is still a common practice in many Member States.[520] This is especially in relation to credit cards, with providers of financial services sending credit cards to consumers who have not requested them or increasing the limit of the card without it being explicitly requested

[514] Public consultation on the Consumer Agenda (39% of consumer organisations, 21% of citizens, 19% of national authorities, 17% of business associations, 5% of NGOs).

[515] Legal research

[516] CPC questionnaire (1 out of 10 respondents; BE).

[517] The estimation is based on 42% of respondents to the consumer survey who indicated this been asked them in writing or orally when purchasing a loan.

[518] European Commission, 2019, Behavioural study on the digitalisation of the marketing and distance selling of retail financial services

[519] For instance, unsolicited credit offers are banned in Ireland and the UK, and strictly regulated in Belgium and France (BEUC, 2019, Review of the Consumer Credit Directive).

[520] For example, in Slovakia, Slovenia (as well as in the UK) (BEUC, 2019, Review of the Consumer Credit Directive).

by the consumer.[521] Offering unsolicited PoS lending is also a common practice in many Member States, where merchants offer zero-interest financing to consumers purchasing goods. As explained above, this practice has been found to unfair by a Dutch court which examined the practices used by retailers to offer PoS financing.[522]

The risks are that consumers can be easily nudged to borrow more and spend beyond their financial capability, potentially resulting in over-indebtedness.

Based on the feedback from stakeholders participating in the public consultation on the Consumer Agenda, it appears that introducing measures to protect consumers from unsolicited credit (i.e. a ban on unsolicited credit or other measures such as introducing a reminder of the existing right of withdrawal) is supported by many citizens, NGOs, public authorities and consumer organisations. However, a lower share of industry representatives consider that these measures would not be a priority.[523]

Unsolicited credit: scale of the issue

The evidence collected to inform the Evaluation and this study has not produced hard data allowing to verify the extent to which these practices are being used and are affecting consumers. This study estimates that the number of consumers with a credit card who experience problems amounts to 24 million every year.[524] This is a rough indication of the upper range of consumers that have an issue such as this. The actual number of consumers having issues with unsolicited credit will be lower.

To conclude, the Directive does not impose an obligation upon credit providers to provide **advise on suitable credit products** to consumers. As part of the pre-contractual information duties of credit providers, Article 5(6) establishes the obligation to provide 'adequate explanations'. The term used is vague and the obligation very limited as it does not oblige credit providers to provide information and advise consumers on key aspects, such as the suitability of the product or the impact on their financial situation and the risks and consequences of default payments. Advisory services are not required by the Mortgage Credit Directive (MCD), but Article 22 does lay down certain standards for these services, including the obligation to recommend a suitable credit agreement. In combination with the obligation to ensure that staff members have an appropriate knowledge and competence in relation to the manufacturing, offering and granting of credit agreements (Article 9 MCD), this obligation seeks to ensure that consumers are properly informed not only on the credit in which they are interested, but also on other more suitable options.

Some Member States have gone beyond the CCD and adopted more interventionist rules. In addition to the few countries that have further elaborated on what 'adequate explanations' or established further requirements are,[525] at least two countries (Germany and Portugal) have regulated, to some extent, the provision of advisory services by credit providers. In the case of Germany, there is an obligation to give notice

[521] Financial Services User Group, 2019, Responsible consumer credit lending - FSUG opinion and recommendations for the review of the Consumer Credit Directive.

[522] Interview with consumers organisations (1).

[523] Public consultation on the Consumer Agenda (50% of NGOs, 31% of citizens, 26% of national authorities, 22% of consumer organisations, 16% of companies, 10% of business associations agree with a ban on unsolicited credit and 18% of citizens, 13% of national authorities, 6% of consumer organisations, 6% of companies, 5% of NGOs, 2% of business associations agree with introducing further measures such as introducing a reminder of the existing right of withdrawal).

[524] Estimations based on the number of consumers with a credit card in 2018 (44%), of which 12% experiencing problems.

[525] Belgium has clarified what the term means; Italy has established that they must be provided free of charge; Lithuania imposes the obligation to clearly indicate the costs associated to ancillary services.

of alternative design options, and Portugal has established the terms in which assistance to consumers must be provided. In Belgium, the rules on advisory services on suitable products were reported to be a cornerstone of the framework applicable to the pre-contractual phase. However, one stakeholder also raised concerns regarding the use that many credit providers are using of chat-boxes and bots to provide these services (as opposed to staff members), which seems to be confusing for consumers.[526]

In the view of consumer organisations consulted for this study, the lack of personalised advise to consumers who wish to obtain a credit emerged as the second most problematic issue that consumers are currently facing. [527] The issue, one respondent explained, is especially relevant in the segment of high-cost credit. The responses from consumers to the public consultation which informed the Evaluation seems to confirm that only a small part of consumers receive advise on the most suitable credit, as only 32% of consumers participating in it reported that the credit provider had advised them on the most suitable product. An additional 19% indicated that they had been presented other suitable offers but without any explanation, while 31% had only been presented one type of credit (the remaining respondents did not know).

Lack of personalised advise on suitable credit: scale of the issue

Assuming that the results from the public consultation which informed the Evaluation of the CCD can be extrapolated to the entire group of consumers in the EU (i.e. using Eurostat data on EU population over 18), in 2019 only 18.6 million consumers were properly informed about the suitability of the product, or 32% of those got a loan, while 39 million were not advised properly. Considering the results of the consumer survey carried out for the Evaluation, where 31% of respondents indicated that they did not compare offers before concluding a credit agreement, it can be estimated that at least 18 million consumers who got a loan did not consider other, perhaps more suitable, credit products.

The lack of advisory services for consumers gains more relevance considering that the performance of staff members of most financial services companies tends to be assessed based on their sales (i.e. they receive remunerations for their sales and need to hit sales target). This system leads to a potential conflict of interests, as what is best for consumers may not be what is best for the company.[528] Therefore, any action taken on this front should consider the review of these business practices.

A6.2.3. Problem 2.2: Some credit providers are not conducting proper creditworthiness assessments, resulting in consumers being sold unsuitable credit, especially in certain segments of the market

Evidence shows that while most credit providers subject to CCD rules are conducting creditworthiness assessments before granting credit to consumers, these checks are often poorly performed and are not effectively ensuring that consumers are granted credit that is suitable for them. This is particularly common among certain types of credit providers whose business model relies heavily on ensuring quick access to credit and rollovers, such as payday loans. The Evaluation found that the CCD provision establishing the obligation to perform a CWA is too limited, and some of its terms too vague, to be effective in ensuring that consumers are only sold suitable credit.

The obligation to assess consumers' creditworthiness before the conclusion of the credit agreement is laid down in Article 8(1) of the CCD, which requires Member States to

[526] Interviews with consumer organisations (1); Interview with national authorities (1).

[527] Survey for consumer organisations (11 out of 13 respondents).

[528] BEUC, 2019, Review of the Consumer Credit Directive – BEUC position.

ensure that creditor providers carry out these checks based on sufficient information. Creditworthiness assessments are indeed one of the key tools foreseen by the Directive to ensure responsible lending. However, the provision that was retained in the final version of the Directive is too underdeveloped to effectively ensure that consumers are only granted credit that is suitable for them.

The Evaluation of the CCD confirmed that a majority of stakeholders do not consider Article 8(1) to be sufficiently effective to protect consumers, with two-thirds of stakeholders consulted and 47% of stakeholders who responded to the 2019 survey of the European Economic and Social Committee claiming that it is **insufficient to prevent situations of over-indebtedness**.

Three main issues have been identified regarding the CCD provision on CWA. The first is the failure to establish the consequences of a negative CWA. Although this shortcoming can be – and has been - partially mitigated through interpretations of Article 8(1) by the Court of Justice of the European Union (CJEU), there are limitations as to how far the Court can go in this respect. On the other hand, the CCD does not specify whether the CWA should be creditor-focused (i.e. which analyses whether the consumer can repay the debt) or borrower-focused (i.e. which considers whether this can be done without incurring substantial financial harm and whether the product is suitable for them). The very existence of this dichotomy, Cherednychenko et al argue, is a sign that although it is in the interest of credit providers to minimise credit risk, this may not always entail the provision of credit that is in the best interests of the consumer.[529] Linked to this, the third issue concerns the vagueness of the provision in relation to the information that should be assessed ('sufficient information').

To mitigate some of the risks linked to the succinct CWA provision in the CCD, some Member States have adopted regulatory or non-regulatory measures to establish further requirements regarding the information and documents that must be assessed, including in some cases the obligation to consult national databases. Such measures have been adopted by 16 Member States, with three main approaches: i) leaving the choice of the exact information to be assessed to the discretion of creditors;[530] ii) leaving the choice of the exact information to the discretion of creditors but with some minimum information either suggested or required;[531] and iii) specifying the information to be used,[532] potentially including a formula or threshold.[533] Three Member States, among which the Netherlands and Belgium, have gone beyond and have prohibited granting a loan if the outcome of the CWA is negative.[534]

The evidence gathered in this study seems to confirm that the creditworthiness assessments carried out by credit providers are still a source of concern in several Member States. The national legal analysis and the feedback from Consumer Protection Centres and other key stakeholders consulted for this study reveals that CWAs are one of the key elements of the CCD that are more problematic, with important issues raised by stakeholders in Belgium, Czech Republic, Estonia, Ireland, Latvia, Lithuania, the Netherlands, Poland, Portugal, Slovakia, Slovenia and Sweden.[535] In four of them (Czech

[529] Cherednychenko, O., Meindertsma, J., 2018, Irresponsible Lending in the Post-Crisis Era: Is the EU Consumer Credit Directive Fit for its Purpose?

[530] AT, CZ, DE, DK, MT.

[531] EL, FR, IE, IT, LU, UK.

[532] CY, EE, FI, HR, IS, PL, SE, SI.

[533] BE, HU, LT, LV, NL, PT, RO, SK.

[534] Legal analysis (National); Interviews with consumer organisations (1).

[535] In the CPC questionnaire, 5 out of 10 respondents indicated that CWAs were one of the areas most problematic in terms of compliance (BE, CZ, SE, SI and NO). Similarly, CWAs were the second most common issue raised in consumer complaints, with 4 out of 10 respondents indicating this (CZ, EE, SE, SI). The four Member States who reported this as one of the main issues also reported several enforcement decisions relating to CWAs. National researchers from

Republic, Estonia, Sweden and Slovenia), inadequate or insufficient CWAs were the second most common issue raised in consumer complaints, as reported by CPC authorities consulted for this study.

Notwithstanding the issues identified by CPC authorities and national researchers, industry representatives, consumer organisations and national authorities participating in this study did not refer to CWAs as one of the most common problems that consumers or credit providers are facing in the field of consumer credit. Regarding the sale of unsuitable credit, an issue closely linked to CWAs, the opinions differed among stakeholder groups. A majority of national authorities indicated that this is one of the key problems affecting consumers or credit providers (particularly the former),[536] a statement with which approximately half of consumer organisations agreed. [537] From the perspective of credit providers, the losses linked to default payments from consumers who had been sold unsuitable credits was seen as a key problem by approximately half of national authorities, and only a small group of industry representatives.[538]

The feedback gathered for the Evaluation revealed that appetite to adopt more detailed CWA rules at EU level varied depending on the stakeholder group consulted. On the one hand, industry representatives believed that CWA rules were strongly linked to the specific conditions present in Member States and that they fall in the realm of lenders' expertise.[539] In contrast, consumer organisations generally believed that further EU-level harmonisation in this area would be beneficial, an argument that is also echoed in several studies analysing irresponsible lending practices in the EU.[540]

More recently, stakeholders responding to the public consultation on the Consumer Agenda also reflected on the need to take EU-level action in respect to CWA rules. Although neither of the two alternatives presented (i.e. prohibiting the granting of credit if the outcome of the CWA is negative, and harmonising CWA rules across Member States) was selected by a majority of respondents in any stakeholder group, the prohibition to grant credit following a negative CWA was the most popular among the two. The difference is particularly notorious among national authorities, who expressed a clear priority for the ban over further harmonisation of processes.[541] In contrast, consumer organisations favoured, by far, the harmonisation of rules over the ban. Although this was not specified in their answers, a potential explanation for this may be linked to a potential negative impact on consumers, particularly low-scoring consumers, whose access to credit would be limited if such a ban were imposed.[542]

eight Member States (CZ, IE, LT, LV, NL, PT, SE, SK) and the UK also reported recent enforcement decisions concerning the obligation to assess consumers' creditworthiness (Legal analysis (National)). Issues were also raised by interviewees in three Member States (BE, EE, PL) (Interviews with consumer organisations (1); Interviews with national authorities (2)).

[537] Survey for consumer organisations (6 out of 13 respondents).

[537] Survey for consumer organisations (6 out of 13 respondents).

[538] Survey for national authorities (15 out of 31 respondents); Survey for credit providers (4 out of 5 respondents); Survey for business associations (3 out of 21 respondents).

[539] ICF, 2020, Evaluation of the CCD.

[540] ICF, 2020, Evaluation of the CCD.

[541] Further harmonisation of CWA processes across Member States was selected by 29% of national authorities, 25% of NGOs, 16% of companies, 13% of citizens, 12% of business associations and 6% of consumer organisations. Establishing the prohibition to grant credit following a negative CWA outcome was selected by 42% of national authorities, 33% of consumer organisations, 25% of NGOs, 19% of companies, 11% of citizens and 10% of business associations.

[542] This was raised by a business association participating in the participative workshop organised in the framework of this study.

Poor creditworthiness assessments are particularly common in certain segments of the consumer credit market, with payday loans and loans provided via P2PL platforms being the most problematic products.[543] A 2012 study conducted by the Office of Fair Trading found that the majority of lenders across the entire payday lending sector did not conduct adequate affordability assessments, i.e. they did not properly assess the borrower's ability to repay a specific loan.[544] In the Netherlands, the Financial Market Authority has highlighted payday loan creditors operating without a licence or failing to conduct CWAs.[545]

Regardless of how far Member States have gone when establishing specific obligations or guidelines to conduct CWA, **compliance issues with CWA obligations** have also been identified in several Member States. As reported in the Evaluation, a majority of creditors comply with the obligation to carry out CWAs, but the extent to which the checks are sufficient could not be confirmed. While the results of the public consultation and the consumer survey suggested that CWAs were carried out in a great majority of cases (68% of responses to the public consultation and 79% of responses to the consumer survey), stakeholders interviewed and evidence gathered through desk research suggested that the checks are not always sufficient to comply with the regulatory obligations.[546]

Further evidence on issues relating to compliance with CWA rules emerges from the national research carried out for this study. In four Member States, some of the key enforcement decisions reported for this study concerned the lack of compliance with CWA (national or EU) rules. In the UK and Portugal, the recent enforcement decisions reported (one in the UK and six in Portugal) concerned the failure to implement processes to ensure that a creditworthiness assessment is done, leading to arbitrary decisions. In the Czech Republic, the enforcement case reported concerned a decision from the Czech Financial Arbitrator that only checking the consumer's income – without comparing it with the current expenses and existing debts – is not sufficient to assess an individual's creditworthiness. The two enforcement decisions reported for Ireland concerned the credit provider's failure to provide the consumer with information (on a durable medium) on why the credit was rejected and a violation of other national rules. Concerns about credit being granted in Poland to consumers by simply showing their ID were also expressed by stakeholders consulted for this study.[547]

Issues linked to the CWA: Scale of the issue: This study estimates that non-verification of CWA affects between 5.8 and 20 million consumers a year.[548]

[543] ICF, 2020, Evaluation of the CCD; Cherednychenko, O., Meindertsma, J., 2018, Irresponsible Lending in the Post-Crisis Era: Is the EU Consumer Credit Directive Fit for its Purpose?

[544] Office of Fair Trading (OFT), 2013, Payday Lending – Compliance Review Final Report; European Parliament, 2018, Consumer Credit: Mis-selling of Financial Products.

[545] See AFM (Netherlands Authority for the Financial Markets), 2018, AFM beboet Novum Bank voor aanbieden flitskrediet zonder vergunning for example: [https://www.afm.nl/nl-nl/nieuws/2018/dec/boete-novum-bank]

[546] ICF, 2020, Evaluation of the CCD; Office of Fair Trading (OFT), 2013, Payday Lending – Compliance Review Final Report; European Commission, 2014, Report from The Commission on The Implementation of Directive 2008/48/EC on Credit Agreements for Consumers. More specifically, the Evaluation referred to a 2012 study conducted in the UK which found that high street lenders checked payslips and bank statements primarily to verify the identity of the client rather than to check repayment ability (OFT, 2013) and a 2014 study conducted by the European Commission which concluded that consumer creditworthiness is not always assessed in sufficient detail (European Commission, 2014a)

[547] Interviews with consumer organisations (1).

[548] Based on 10% of consumers in the CCD Evaluation who indicated that their ability to pay was not verified. Figure applied to estimated number of consumers with a personal loan and consumers with a credit card.

A6.2.4. Problem 2.3: The growing use of alternative sources of information and automated decision-making entails risks for consumers that are not addressed by the CCD

Traditionally, credit providers would assess an individual's creditworthiness using credit scoring models that extract conclusions from previous patterns in past credit performance and financial account transaction data. This is no longer always the case. With the digitalisation of the market, credit providers – both within and outside of the EU - are increasingly making use of automated decision-making tools and alternative sources of data – including big data - to assess consumers' creditworthiness. These practices entail several risks, including data protection-related issues and risk of discrimination of consumers, which the CCD is not equipped to tackle.

Automated credit scoring tools use machine learning methods to predict whether an individual is likely to be able to repay their debts in the future. The most common machine learning methods used for credit scoring are regression models, decision trees and statistical analysis that use limited amounts of structured data. However, credit providers are increasingly using a wide array of additional sources of data – both structured and unstructured[549] – including social media and phone data, but also other types of personal information.[550] Additionally, credit bureaus are increasingly compiling data from private firms for commercial purposes that are not directly relevant for CWAs.[551] This is generating larger amounts of data and forcing credit providers to use more sophisticated algorithms.[552] Furthermore, lack of transparency on credit rating models is an issue given the growth in digital lenders.

These practices are more common among newer lenders such as fintech companies and P2PL platforms, but they are not limited to this sphere.[553] Traditional credit providers are also moving towards using big data and more advanced algorithmic models – in many cases by using the services of other firms such as FriendlyScore, CrediSafe or Big Data Scoring - in an attempt to improve the quality and acceptance rates through alternative data analysis.[554] A recent EBA report on big data and advanced analytics revealed that the use of big data and advanced analytics in the area of risk mitigation seems to be increasing, with 35% of respondents to the survey on which the study is based who declared using or launched big data for risk scoring (Figure 32).[555]

[549] Structured data is data that is clearly defined data (following a standard form) which fits easily into a tabular form and can be interpreted by computers (e.g. Excel file), while unstructured data is anything that does not fit into a structured form. It can be easily understood by humans (e.g. videos, conversations) but which requires transformation before it can be processed by a computer,

[550] These may include, among others, SMS logs, the frequency of charging their phones, spelling mistakes made in text messages, etc (Langenbucher, K. 2019, Algorithmic credit scoring).

[551] ICF, 2020, Evaluation of the CCD.

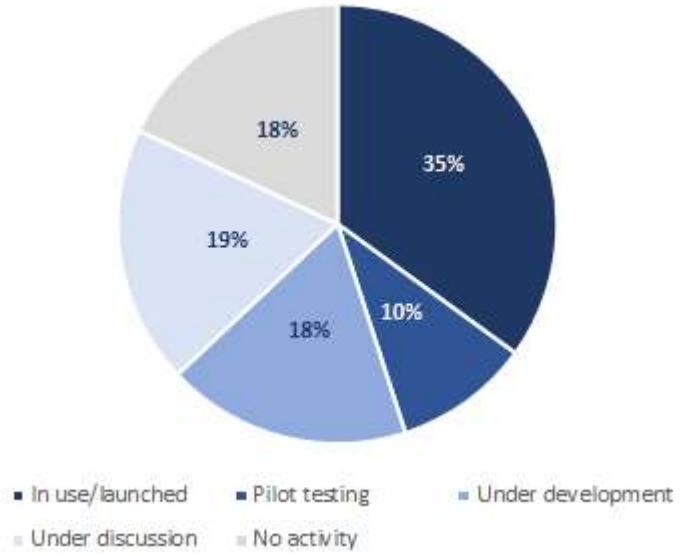
[552] Bruckner, Matthew A., 2018, The Promise and Perils of Algorithmic Lenders' Use of Big Data.

[553] ICF, 2020, Evaluation of the CCD; EBA, EIOPA, and ESMA, 2016, Joint Committee Discussion Paper on the Use of Big Data by Financial Institutions.

[554] ICF, 2020, Evaluation of the CCD; BEUC, 2017, The Never-Ending European Credit Data Mess.

[555] EBA, 2020, Report on big data and advanced analytics.

Figure 32. Current use of big data analytics for risk scoring in 2019 (EU), in %



Source: EBA risk assessment questionnaire (spring 2019). The results are based on responses from a sample of 62 banks (including relatively small banks) and 18 market analysts.

The EU regulatory framework applicable to consumer credit does not prohibit automated decision-making (including profiling), but it does set certain limitations, especially when the decisions affect individuals.[556] The General Data Protection Regulation (GDPR) prohibits automated decision-making without human intervention that has a legal effect or significantly affects a data subject (Art. 22(2)), although the question of what should be interpreted as "significantly" is not defined by law. Recital 72 of the GDPR also requires controllers to respect the provisions that apply generally to the processing of personal data when carrying out profiling.[557] To clarify the provisions of the GDPR that apply to automated decision-making and profiling, the Data Protection Working Party (29WP) published guidelines on Automated individual decision-making and profiling for the purposes of the GDPR in 2017.[558]

The growing use of automated credit scoring and alternative sources of information[559] can potentially result in advantages for lenders and consumers. From the perspective of credit providers, the additional information and the more advanced algorithms facilitate a multi-dimensional assessment of the customer, potentially allowing them to improve margins without taking additional risks.[560]

[556] The Consumer Rights Directive establishes that consumers should be informed if prices presented to them are personalised on the basis of automated decision-making tools and profiling of consumer behaviour, but the Directive is not applied to financial services (and therefore, consumer credit).

[557] Erik Kamenjasevic, 2017, Profiling in the financial sector under the GDPR.

[558] Article 29 Data Protection Working Party, 2018, Guidelines on Automated individual decision-making and Profiling for the purposes of Regulation 2016/679, Available at: https://ec.europa.eu/newsroom/article29/item-detail.cfm?item_id=612053

[559] BEUC, 2017, The Never-Ending European Credit Data Mess.

[560] A report from the Bank for international settlements on the impact of non-traditional data on credit scoring (case study on a Chinese firm tech) claimed that the model based on machine learning and non-traditional data is better able to predict losses and defaults than traditional models in the presence of a negative shock to the aggregate credit supply (Available at:

In turn, consumers with thin credit files could have access to financial products, thus increasing the inclusion of new types of customers.[561] The use of other types of information about consumers can lower the costs for businesses and expand their market (reaching more consumers) by reducing information asymmetries (getting sufficient data on all consumers).[562]

On the flip side, these innovative practices also carry certain risks. From the perspective of **data protection** laws, the need to process personal data in a fair and transparent way (as per Art. 5(1) GDPR) warrants special attention. As mentioned above, CWA methodologies have evolved rapidly, with innovative practices focusing on unstructured data, based on data scrubbing, social media and machine learning.[563] The opacity and complexity of some of these automated decision-making models can potentially lead to breaches of data protection requirements, as they make it difficult to understand the role of the various data points and to verify whether has effectively inadvertently led to unlawful discrimination.[564] Other considerations must also be taken into account, notably the need to ensure that the use of alternative data will preserve the accuracy, quality and completeness of credit reporting data,[565] and that the principles of data minimisation and proportionality are respected. According to these principles, a distinction between types of alternative data should be drawn, distinguishing between those data points that do not relate to the individual's credit history but which may nonetheless be useful to determine their ability to repay a debt – whose use would be permitted – and data which is irrelevant for CWAs such as social media data - whose use would not be allowed.

Other than data protection issues, the use of automated decision-making tools and big data can lead to **discrimination** and unjustified exclusion, especially for vulnerable consumers. This can be because these methods use more advanced data for credit scoring, which are not always reflecting their capacity to repay. Automated decision-making process can also be unintentionally discriminatory for various reasons: because the system is trained on data that is biased (i.e. the system will learn to reproduce the discriminatory pattern), the data which is fed into it is skewed, or the elements that the system is asked to focus on is biased.[566]

Even in cases where the data and criteria on which the system functions are relevant and objective, they can be used as proxies that would lead to indirect discrimination against a certain group of people. An example of this, Barocas and Selbst argue, is the use of postal code information to predict the risk of individuals to default on their loans.[567] Postal code information is a neutral and relevant criterion which, in principle, should not lead to discrimination. However, in many cities – especially in the US –

https://www.bis.org/publ/work834.pdf); Aggarwal, 2019, Machine Learning, Big Data and the Regulation of Consumer Credit Markets: The Case of Algorithmic Credit Scoring.

[561] Nikita Aggarwal, 2019, Machine Learning, Big Data and the Regulation of Consumer Credit Markets: The Case of Algorithmic Credit Scoring.

[562] Deloitte, 2019, The future of credit, a European perspective, . Available at : https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/financial-services/deloitte-uk-mastercard-the-future-of-credit-a-european-perspective-2019-report-digital-updated.pdf

[563] European Commission, 2016, Study on the role of digitalisation and innovation in creating a true single market for retail financial services and insurance, p. 128.

[564] Nikita Aggarwal et al., 2020, Machine Learning, Big Data and the Regulation of Consumer Credit Markets: The Case of Algorithmic Credit Scoring.

[565] Global Partnership for Financial Inclusion (GPFI), 2018, Use of Alternative Data to Enhance Credit Reporting to Enable Access to Digital Financial Services by Individuals and SMEs operating in the Informal Economy: Guidance Note.

[566] Frederik Zuiderveen Borgesius (Council of Europe Study), 2018, Discrimination, artificial intelligence, and algorithmic decision-making.

[567] Ibid,

postcodes may have some correlation to racial origin, and in this case, a decision taken based on seemingly neutral information could harm a specific group of people. To avoid this unintended discrimination, the use of postal code information for credit scoring has been banned in the US. However, similar cases may arise in other countries or with other data points used as proxies,[568] such as repayment history, educational history, professional data, personal property ownership information, etc.[569]

Automatic credit scoring could also result in **consumer detriment** if it is used by credit providers to further exploit cognitive and behavioural consumer biases, for example, by targeting or profiling groups of consumers with less favourable credit conditions when the system predicts that they are in a vulnerable situation.[570]

A report in 2017 from the European Consumer Organisation (BEUC),[571] discussed the use of non-traditional data, claiming that such practises generate consumer detriment beyond privacy and data protection rights. Extensive processing of personal data (social media, utility bills, etc.) has some limitations and could potentially lead to errors in the interpretation of data. In addition, it could also raise questions around the relationship between the data and pricing practices by liaising higher prices to higher perceived risks of consumers, unable to repay on time.

The specific scale of this problem remains unclear as the evidence available does not shed light on the extent to which these practices have a negative effect on consumers, credit providers or national authorities. According to the results of the public consultation that ensued the European Commission's AI Whitepaper, a significant majority of the participants expressed concerns regarding the use of AI that may lead to discriminatory outcomes (87% of respondents find these concerns important or very important for future regulatory options) as well as concerns over AI's possible lack of accuracy (70%).[572]

Consumer organisations and national authorities responding to the surveys conducted in the framework of this study expressed slightly more relevant views. Their responses would suggest that the risk of discrimination to which consumers may be subject due to the use of alternative data to conduct CWAs is not one of the key issues faced by consumers. In both cases, this was one of the issues less commonly reported, with only a small number of consumer organisations and less than half of national authorities who see it as a key issue.[573] Several stakeholders pointed out that the risk will probably increase in the future.[574] Therefore – a consumer organisation argued - a potential revision of the CCD would have to consider these future developments.[575]

[568] Maria Fernandez Vidal, Jacobo Menajovsky, 2019, Credit Scoring in the Era of Big Data.

[569] Matthew A. Bruckner,2018,The Promise and Perils of Algorithmic Lenders' Use of Big Data.

[570] N. Aggarwal,2019,Machine Learning, Big Data and the Regulation of Consumer Credit Markets: The Case of Algorithmic Credit Scoring.

[571] The European Consumer Organisation (BEUC), 2017, The never ending European credit data mess. Available at : https://www.beuc.eu/publications/beuc-x-2017-111_the-never-ending-european-credit-data-mess.pdf

[572] European Commission, 2020, Summary Report on the open public consultation on the White Paper on Artificial Intelligence.Available at: https://ec.europa.eu/digital-single-market/en/news/white-paper-artificial-intelligence-public-consultation-towards-european-approach-excellence

[573] Survey for national authorities (11 out 28 respondents); Survey for consumer organisations (4 out of 13 respondents).

[574] Survey for national authorities (2 responses); Interviews with consumer organisations (1); Interviews with credit providers (1).

[575] Interviews with consumer organisations (1); Feedback provided by consumer organisations participating in the FSUG meeting on 19 November.

A6.3. Problem 3: The information provided to consumers at advertising and pre-contractual stage, and the way it is presented, is not effective in ensuring that consumers are aware about the key elements and risks of the credit product they obtain

A6.3.1. What is the problem and why is it a problem?

One of the key elements of the CCD is the provision of – a minimum amount of – information to consumers in advertising (Art. 4) and at pre-contractual stage (Art.5 and 6). Article 5 further specifies that the pre-contractual information must be presented in good time, before signing the contract, by means of a standard form (SECCI).

These articles aim at ensuring that consumers are aware of the key elements and risks of the credit product that they are purchasing. However, as noted in the Evaluation, the amount of information required and the complexity of some of the elements or explanations that must be provided does not allow consumers to properly process and remember the information for making an informed decision. Particularly problematic is the provision of information through certain communication channels (e.g. radio, mobile phones) and/or when consumers are not given enough time to make a decision.

There are two key problems. On the one hand, the approach to consumer protection adopted by the CCD is anchored in an information paradigm, which assumes that as long as consumers receive full and transparent information, they will make good decisions. Several studies claim that this paradigm is inappropriate as it does not consider the current behavioural patterns and cognitive biases of consumers, especially in the digital context.[576] Evidence shows that consumers do not tend to read or properly process lengthy and complex information and that even when they understand the risks of their decisions, they do not necessarily make rational choices.

On the other hand, the vagueness of some of the terms used in the CCD has enabled credit providers to circumvent, to a certain extent, the rules and to further exploit consumer behavioural and cognitive biases even when they are compliant with their legal obligations.

Consumers are the main stakeholder group affected by this problem, but these issues also have an indirect impact on credit providers and enforcement authorities. Similarly, the level of over-indebtedness and default payments may also increase as a result of unsuitable products being sold to consumers. The main consequences of this problem across the three key stakeholder groups are:

- consumers struggle to retain/understand the information provided in advertisement and at pre-contractual stage due to the length and the language used (jargon) of the complexity of the information presented;
- consumers do not have sufficient time to read and understand the information they are provided with before signing the contract and compare offers;
- consumers do not necessarily make the decisions in their best interest even when provided with the right information in a timely manner;
- credit providers face excessive burdens by information-related obligations that do not necessarily benefit consumers;
- credit providers may incur financial risks and losses as consumers who are sold unsuitable products are not able to meet their obligations;
- the burden on enforcement authorities may increase as a result of consumers being exposed to practices that may lead to more consumer complaints.

[576] ICF, 2020, Evaluation of the CCD (Interviews); The European Consumer Organisation (BEUC), 2017, The Never-Ending European Credit Data Mess; European Parliament, 2018, Consumer Credit: Mis-selling of Financial Products.

A6.3.2. Problem 3.1: The information provided to consumers prior to the signature of the contract does not allow them to properly read and process the key information and make good purchase decisions

Behavioural studies have shown that consumers often do not read and properly process information that is lengthy and complex, and that this is certainly the case when they make financial decisions. Digitalisation and the use of smartphones and tables have further contributed to this type of behaviour because it has led consumers to overlook or skip key information about the credit offer/agreement. Behavioural economic insights also show that even when presented with adequate information that they can easily understand, consumers do not always make rational choices that are in their best interests. The approach adopted by the CCD with respect to the information-related requirements is not adapted to these observed behavioural patterns, as it relies heavily on the information paradigm, which assumes that so long as consumers are presented with full and transparent information, they will make good decisions.

Articles 4 and 5 define the elements of the consumer credit agreement about which consumers must be informed. At advertising stage, consumers must be provided – by means of a representative example - with information on the borrowing rate, total amount of credit, APR, cash price, number of advance payments for credit in the form of a deferred payment, duration of the agreement, total amount payable and instalment amounts. At pre-contractual stage, credit providers are required to present consumers, at a minimum, with the information contained in the standard form (SECCI), consisting of 19 elements of the terms and conditions of the credit contract. In addition, Article 5(6) also sets the obligation on credit providers to provide consumers with adequate explanations to allow them to determine if the credit is adapted to their needs and the financial situation.

Ensuring that consumers are given complete and adequate information about the conditions of the credit they are purchasing constitutes, without a doubt, one of the pillars on which any consumer protection system is based. That consumers benefit when they are provided with information also emerges from the recently adopted European Accessibility Act (Directive 2019/882).[577] The Directive primarily aims to facilitate cross-border trade by harmonising the rules concerning accessibility requirements for certain products, including those covered by the CCD (Article 1 of the European Accessibility Act), but it will seeks to benefit consumers with disabilities and elderly people, who will encounter fewer barriers when accessing these products, making them more accessible.

Securing access to information is however not enough to ensure consumer protection. The Evaluation concluded that the inadequacy of the information-related requirements of the CCD (especially in relation to advertising) had limited its relevance and effectiveness in protecting consumers. More specifically, the Evaluation found that although Articles 4 and 5 have had a relative positive impact on consumers, especially as it has ensured a relative standardisation of the pre-contractual information provided through the adoption of the SECCI. However, the effectiveness of these articles in protecting consumers was not evident among stakeholders, whose opinions on this aspect was split.

In the area of **advertising** (Article 4), the feedback gathered for the Evaluation pointed to a clear distinction between consumer organisations and national authorities (who generally considered the provision to be effective) and industry representatives (who tended to be more critical).[578] For instance, in the public consultation carried out in the

[577] Directive (EU) 2019/882 of the European Parliament and of the Council of 17 April 2019 on the accessibility requirements for products and services.

[578] ICF, 2020, Evaluation of the CCD (Stakeholder consultation).

framework of the Evaluation, 53% of respondents (mainly consumer organisations and authorities) believed that Article 4 was effective, as opposed to 42% (mainly business representatives) who considered it ineffective. The survey carried out by the European Economic and Social Committee (EESC) for its information report on the CCD evaluation obtained similar results, 40% of respondents considered that the standard information requirements should be presented differently to be more effective while 53% believed that they were sufficiently clear.[579]

On pre-**contractual information** (Article 5), the Evaluation concluded that the SECCI allows consumers to receive information in a standardised manner, facilitating the comparison of offers. However, the technicality of the pre-contractual information provided requires certain level of legal and financial knowledge that consumers frequently do not generally, limiting the effectiveness of the provision in protecting consumers.[580]

The feedback gathered in the framework of this study confirms that for most industry representatives, the rules on advertising and pre-contractual information are too burdensome and not necessarily beneficial for consumers. National authorities, on the other hand, are slightly less critical of the burden that the rules places on credit providers, but neither national authorities nor consumer organisations seem to be convinced of the adequacy of the information-related requirements of the CCD, possibly denoting a slight change with respect to the feedback provided for the Evaluation.

From the perspective of credit providers, most industry representatives answering to the surveys (i.e. creditors and credit intermediaries, and business associations) indicated that the advertising and at pre-contractual information requirements are two of the main issues they face, explaining that they are unnecessarily burdensome or not necessarily fit for purpose.[581] Several stakeholders further pointed to the need to adapt the information requirements to certain media such as the radio for advertisements,[582] or digital means (e.g. not necessarily changing the content but the way it is provided to adapt it to consumers' needs).[583] National authorities were less critical with the information requirements, as only a minority of respondents indicated that the burden linked to these rules is one of the main problems faced by credit providers.[584]

Both advertising and pre-contractual rules were put forward by industry representatives as two of the areas that should be prioritised to be addressed by EU-level measures. Particular interest was shown for advertising rules, which was among the top one or two areas to be prioritised by regulatory or non-regulatory measures,[585] with pre-contractual

[579] European Economic and Social Committee, 2019, Information report – Consumer Credit Directive (evaluation). The survey was answered by 30 organisations representing businesses (9), consumers (9), trade unions (2), local, national and regional authorities (9) and legal practitioners (1).

[580] ICF, 2020, Evaluation of the CCD (Interviews and surveys with consumer organisations and creditors associations).

[581] Survey for credit providers (5 out of 6 respondents in relation to advertising and 6 out of 6 respondents in relation to pre-contractual information); Survey for business associations (20 out of 23 respondents in relation to advertising and 17 out of 21 respondents in relation to pre-contractual information).

[582] Survey for business associations (3 respondents); Interviews with other industry operators (1).

[583] Survey for creditors (1 respondent in relation to pre-contractual information); Survey for business associations (1 respondent in relation to advertising, 1 respondent in relation to pre-contractual information); Interviews with business associations (3).

[584] Survey for national authorities (13 out of 31 respondents in relation to advertising and 11 out of 30 respondents in relation to pre-contractual information).

[585] Survey for creditors (2 out of 7 respondents, among the areas most commonly selected); Survey for business associations (4 out of 8 respondents for non-regulatory measures and 3 out

rules being less prominent.[586] According to a large majority of industry representatives, rules to simplify pre-contractual rules would have a positive impact on creditors[587] as well as on the overall level of over-indebtedness in their country.[588] This opinion was echoed by three representatives from the industry attending the participatory workshop organised in September 2020, who also voiced their concerns in respect to the rules on advertising and pre-contractual information, calling for a simplification of the rules.

From the perspective of consumers, the feedback gathered reveals slightly more pessimistic views compared to the opinions expressed during the Evaluation, as a majority of consumer organisations and national authorities answering to the survey indicated that the pre-contractual information provided to consumers (i.e. the amount, type, language used and timing at which it is provided) and in advertising does not allow consumers to properly read and process the information.[589] Also a majority of consumer organisations agreed that even when consumers are provided with the right information at the right time, they do not necessarily make good decisions.[590] In the case of national authorities, this emerged as the main problem listed by a great majority of respondents.[591]

Pre-contractual information also emerged as one of the top two areas to be prioritised by EU-level action in the view of consumer organisations, while advertising was a bit further down the list as it was the fifth most commonly selected areas to prioritise.[592] Similarly almost all consumer organisations responding to the survey agreed that a simplification of pre-contractual rules would have a positive impact on consumers and on the level of over-indebtedness.[593]

Stakeholders' feedback on the Inception Impact Assessment also points to the overload of information and the need to adapt the requirements to the digital platforms as one of the key issues. The results of the public consultation on the Consumer Agenda provide further insight on the approaches preferred by stakeholders, highlighting again the differences in opinions between stakeholder groups.

On advertising requirements, the results of the public consultation reveal that:

- the reduction of the amount of information provided was the preferred option for business associations and companies, but the least favoured option by national authorities, consumer organisations and citizens. This potential reduction seems to be particularly relevant for certain channels (TV and radio), the two channels

of 3 respondents for regulatory measures); Interviews with business associations (3); Interviews with credit providers (2); Interviews with other industry representatives (1).

[586] Survey for creditors (1 out of 8 respondents); Survey for business associations (2 out of 8 respondents for non-regulatory measures and 2 out of 3 respondents for regulatory measures); Interviews with business associations (3); Interviews with credit providers (2).

[587] Survey for creditors (5 out of 6 respondents); Survey for business associations (16 out of 20 respondents).

[588] Survey for credit providers (5 out of 5 respondents); Survey for business associations (14 out of 18 respondents).

[589] Survey for consumer organisations (10 out of 13 respondents in relation to pre-contractual information and 8 out of 13 respondents in relation to advertising); Survey for national authorities (22 out of 33 respondents in relation to pre-contractual information and 22 out of 34 in relation to advertising); Interviews with consumer organisations (1).

[590] Survey for consumer organisations (9 out of 13 respondents).

[591] Survey for national authorities (29 out of 35 respondents).

[592] Survey for consumer organisations (6 out of 7 respondents in relation to pre-contractual information and 5 out of 7 in relation to advertising).

[593] Survey for consumer organisations (12 out of 12 respondents in relation to the impact on consumers and 11 out of 12 respondents in relation to the impact on over-indebtedness).

most selected by industry representatives, national authorities and citizens (as opposed to consumer associations);[594]

- making certain key information particularly prominent (e.g. engaging, salient and upfront display) was the option most welcomed by national authorities and citizens, but the least preferred option for business associations and companies;[595]
- displaying warning messages on the implications of the credit decision was only the preferred option for consumer organisations and NGOs.[596]

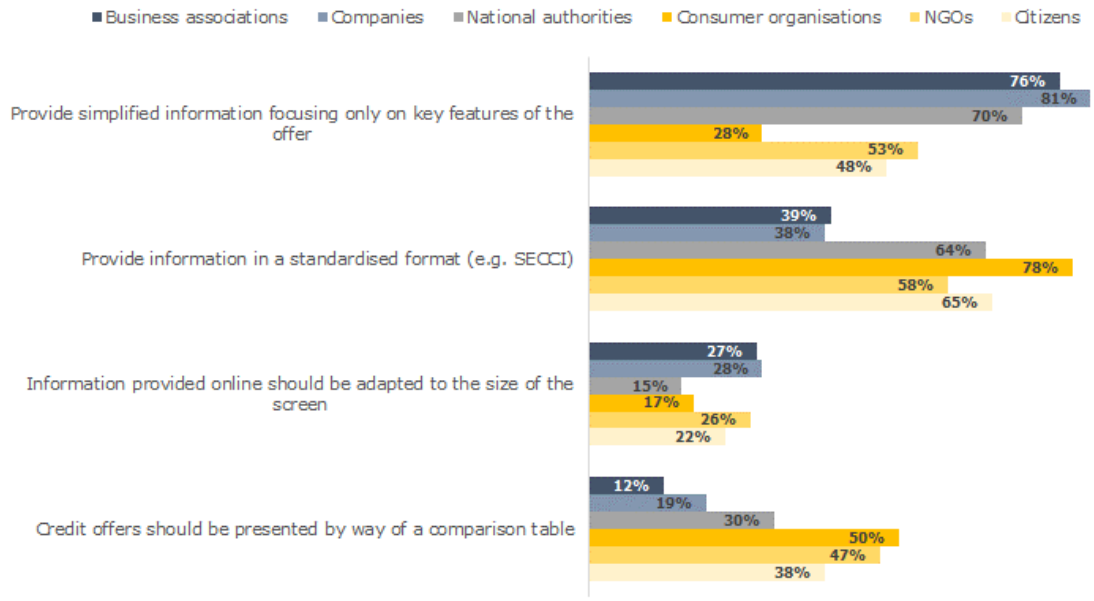
In terms of pre-contractual information, the results show a clear preference from business associations and companies for reduced information which focuses only on key features of the offer, a popular approach also among national authorities. Consumer organisations, NGOs and citizens, in contrast, were more inclined to indicate that pre-contractual information should be provided in a standardised format such as the current SECCI (Figure 33 below).

[594] Public consultation on the Consumer Agenda (81% of business associations for TV, 79% for online channels and radio, 77% for print media; 85% of companies for TV, 77% for radio, 74% for online channels, 65% for print media; 12% of consumer organisations for print media and online channels, 7% for radio and TV; 54% of national authorities for radio, 45% for TV, 27% for print media, 26% for online channels; 33% of citizens for radio, 30% for TV and print media, 26% for online channels; 64% of NGOs for radio, 60% for TV, 50% for print media and online channels).

[595] Public consultation on the Consumer Agenda (18% of business associations for online channels, 16% for TV, 13% for print media, 6% for radio; 23% of companies for print media, 22% for online channels, 10% for TV, 9% for radio; 88% of consumer organisations for print media, 80% for TV, 76% for online channels, 64% for radio; 81% of national authorities for online channels, 77% for print media, 66% for TV, 43% for radio; 74% of citizens for TV, 69% for radio, 68% for online channels, 64% for print media; 64% of NGOs for print media, 57% for online channels, 53% for TV, 21% for radio).

[596] Public consultation on the Consumer Agenda (30% of business associations for online channels, 26% for print media, 19% for TV, 6% for radio; 27% of companies for print media, 23% for radio, 22% for online channels, 15% for TV; 93% of consumer organisations for radio, 88% for online channels, 87% for TV, 76% for print media; 61% of national authorities for online channels, 55% for TV, 54% for radio, 53% for print media; 63% of citizens for online channels, 59% for print media, 48% for radio and TV; 80% of NGOs for TV, 79% for print media, online channels and radio).

Figure 33. Stakeholder opinion on how pre-contractual information should be provided to consumers prior to the signature of the contract



Source: ICF, based on the responses to the public consultation on the Consumer Agenda

Evidence of the limited ability of consumers to properly understand and process the information given to them prior to the signature of the agreement was presented in a study carried out by a Spanish consumer organisation, in which consumers rated the understandability of the information presented in the SECCI at 2.91 out of 10, with 73% of respondents reporting that they signed contracts that they did not fully understand.[597] This can bring about negative effects in inappropriate choices or irresponsible credit agreements, which, in turn, increases the risk of over-indebtedness.[598]

As further explained under Problem 4.1, when compared to other regions, the EU ranks very high in terms of level of financial literacy, reaching 50% in 2014 (with important variations among countries). Despite ranking comparatively high, this figure means that at least half of the EU population (i.e. 209 million potential consumers,[599] assuming that the rate remains unchanged) lack the financial knowledge to really understand the information disclosed before the signature of the contract.

Several studies have highlighted the low level of financial literacy among a big group of consumers, pointing out that this is not restricted to vulnerable groups but is a widespread problem which affects even consumers with higher education.[600] A study carried out in Spain found that half of consumers considered themselves to have little or no financial literacy, and that the majority (85%) would like to improve their literacy to avoid abuse and to feel more confident.[601] Similarly, 40% of the consumers surveyed as part of the Evaluation indicated that they do not understand the Annual Percentage Rate of Charge (APR) – one of the key elements that are presented in advertisement –

[597] Asociación de Usuarios de Bancos, Cajas y Seguros (ADICAE) [ES], 2013, Nivel de educación financiera población española.

[598] EBA, 2019.

[599] This estimation is based on Eurostat data for 2019 on population over 18 [demo_pjan].

[600] Luzak J. and Junuzović M., 2019, Blurred Lines: Between Formal and Substantive Transparency in Consumer Credit Contracts; London Economics, 2013, Study on The Functioning of the Consumer Credit Market in the EU.

[601] Asociacion de Usuarios de Bancos, Cajas y Seguros (ADICAE) [ES], 2013, Nivel de educacion financiera poblacion española.

or how to use it, a figure that reached 60% in a 2014 study carried out by London Economics.[602]

Another issue raised by stakeholders is the amount of information required by Articles 4 and 5, which in the view of some stakeholders (mostly industry representatives) could lead to information overload and costly advertisements not benefiting consumers. Consumer behavioural insights show that consumers do not tend to read and properly process large amounts of information.[603] For instance, in a recent article published in the Journal of Insurance, Financial Markets and Consumer protection, Dziedzic argues that overabundance of information tends to result in consumers using mental shortcuts to facilitate the decision-making process, making them more prone to interpret information in biased ways due to psychological biases.[604] The same concerns were raised by the European Banking Federation in a position paper presenting their views on the Evaluation of the CCD, claiming that the requirements of the Directive often result in information-overloaded consumers who may overlook essential aspects due to "decision fatigue and ambiguity aversion".[605] In this regard, the Behavioural Insights Team of the Department of Industry in the UK published a best practice guide for improving consumer understanding of contractual terms and privacy policy which included displaying key terms as FAQs, providing information in short chunks and telling consumers how long it will take to read a policy.[606]

These issues are amplified when the information is provided through certain communication channels. Stakeholders consulted for the Evaluation pointed out that providing detailed information in advertisements on certain mediums such as the radio, TV or billboard signs, is counterproductive because consumers do not have the time to process the information. This was discussed in a report prepared by the Association of European Radios, which revealed that "only 3 to 4% of radio listeners recall the total amount payable immediately after hearing a radio advertisement with a consumer credit offer". However, "when presented with a shorter focused alternative to the current requirement for standard information the recall rate improved dramatically".[607]

A recent behavioural experiment conducted by the Danish Competition and Consumer Authority (DCCA) seems to confirm this theory.[608] The experiment focused on information disclosed on TV and sought to compare how simplified disclosure of information (intervention) and the standard disclosure (control) influenced consumers' ability to understand, recall, evaluate and decide on personal loans and credit purchases. The results of the experiment prove that disclosing simplified information significantly enhances consumers' ability to remember financial information, although the ability to recall the information also depends on the ad run time. Simplified disclosure also facilitates the decision-making process, reducing the time and effort

[602] ICF, 2020, Evaluation of the CCD (consumer survey); London Economics, 2014, Study on The Functioning of the Consumer Credit Market in the EU.

[603] The Dutch Authority for the Financial Markets (AFM),2019,A closer look at consumer borrowing An analysis of decision-making behaviour and potential interventions in the consumer credit market.

[604] Dziedzic, M., 2018, Regulatory reforms to deal with information overload in financial services: insights from behavioural economics. Journal of Insurance, Financial Markets and Consumer Protection No. 28 (2/2018): 3-11.

[605] European Banking Federation, 2020, EBF's views on the evaluation of the Consumer Credit Directive.

[606] Behavioural Insights Team, 2019, Best practice guide – Improving consumer understanding of contractual terms and privacy policies: evidence-based actions for businesses.

[607] Association of European Radios (AER), 2018, Feedback from the Association of European Radios (BE) on the European Commission's Evaluation Roadmap of the Consumer Credit Directive.

[608] The experiment took place in a controlled laboratory setting with 100 respondents. The results were complemented with a survey covering 3,500 consumers.

needed to find the best choice.[609] Following this experiment, the Danish Competition and Consumer Authority issued a recommendation for creditors selling mortgages to provide consumers with a front page – two pages long - which summarises key information, on top of the standardised pre-contractual information form (ESIS). According to the same authority, the cover page has proved to be effective in ensuring that consumers retain key aspects of their credit.[610]

Several studies delve into the impact of digitalisation on how consumers process information. The Evaluation of the CCD argued that the information requirements of the CCD are not adapted to the digital environment as consumers. Evidence shows that when presented with lengthy information (e.g. SECCI), users tend to quickly scroll through the documents, skipping relevant information, thus defeating the purpose of Article 5.[611]

In 2017, the European Commission addressed the criticism expressed by a small number of business associations on the REFIT platform on Article 4 of the CCD. The contributions raised the same issues highlighted above about the excessive – and not always necessary – burden that the rules on advertising pose on credit providers. The Commission, echoing the considerations of the REFIT Platform Stakeholder and Government groups, argued that the Impact Assessment carried out prior to the adoption of the Mortgage Credit Directive (which has very similar requirements) confirmed that in 2014, there were still numerous cases of unclear advertisements and that consumers supported the provision of standardised information. It was also argued that ensuring that all relevant and key information is provided to the consumer is essential to ensure consumer protection, and that the standards should not be lowered because consumers do not read or listen to certain information. To conclude, it was pointed out that credit providers and intermediaries can avoid providing lengthy information in advertisements simply by not including any information on interest rates or costs.[612]

The evidence collected for the Evaluation and for this study seems to suggest that the adequacy of these provisions to ensure consumer awareness is now more widely questioned across all stakeholder groups than it was in 2014, although industry representatives remain the most critical.

Even when consumers are presented with adequate information that they can easily understand, behavioural economics insights have disproved the rational choice theory (i.e. whereby individuals make rational choices that are in their best interests).[613] Several factors, including cognitive biases, lead consumers to make decisions without necessarily undergoing a fully rational decision-making process, being strongly influenced by the specific context and psychological factors.[614] In a 2019 study, the

[609] Danish Competition and Consumer Authority, 2020, Consumers benefit from simplified mandatory information in consumer credit advertisements.

[610] Danish Competition and Consumer Authority, 2018, Consumers benefit from a standardised front page to loan offers.

[611] ICF, 2020, Evaluation of the CCD; European Commission, 2019, Behavioural study on the digitalisation of the marketing and distance selling of retail financial services.

[612] European Commission, 2017, REFIT Platform Opinion on the submissions by 5 organisations on the Consumer Credit Directive (2008/48/EC).

[613] Lunn, P., McGowan F., Howard, N., 2018, Do some financial product features negatively affect consumer decisions? A review of evidence.

[614] ICF, 2020, Evaluation of the CCD; Centre for European Policy Studies, 2017, The future of retail financial services: What policy mix for a balanced digital transformation?; European Commission, 2019, Behavioural study on the digitalisation of the marketing and distance selling of retail financial services

Dutch Financial Markets Authority (AFM) listed some of the cognitive biases that are key to understand why consumers make irrational decisions when purchasing credit:[615]

- present bias: prioritising the short-term rewards of credit and overlooking the long-term consequences;
- scarcity: individuals who are facing financial problems often need to focus on finding short-term solutions, regardless of what the long-term consequences are;
- status quo bias: also known as consumer inertia, which means that consumers tend to stay with their current credit provider even when they are aware that they can transfer the credit to another provider who offers better conditions;
- mental accounting: it refers to the tendency of consumers to keep separate budgets for different areas (e.g. to pay the bills, to pay rent, etc.), which sometimes leads them to take out credit even when they could have used their savings;
- self-control: this encompasses various aspects such as impulsiveness, self-restraint, determination, will power and consciousness. It determines the degree to which the individual can resist external temptations, with low self-control being one of the factors that can predict whether a person will have financial problems;
- self-efficacy (belief in one's own abilities, or procrastination): people with lower self-efficacy are more likely to put off difficult tasks, which renders them more prone to end up in a vicious circle when they face debt-related problems.

Inadequacy of information-related requirements: scale of the issue

The complexity and inadequacy of the information provided to ensure consumer awareness is estimated to affect 11 and 37 million consumers every year[616]). Up to 2.9 and 9.8 million consumers are thought to be affected by the complexity of the SECCI every year([617]. In addition, a lack of understanding of the APR could affect 18 and 61 million consumers every year (based on the number of consumers consulted who in spite of having obtained consumer credit, claimed that they did not know what the APR rate is).[618]

A6.3.3. Problem 3.2: Taking advantage of the vagueness of some of the CCD information-related provisions, some credit providers are exploiting consumer behavioural biases and circumventing the rules

Another shortcoming identified in the Evaluation refers to the vagueness of some of the aspects contained in Articles 4 and 5, which has allowed credit providers to employ advertising and marketing techniques that further exploit consumer behavioural patterns and cognitive biases and to circumvent, to some extent, their obligations.

Article 4(1) establishes that advertisements must show, in a clear, concise and prominent way, by means of a representative example, the different elements that relate to the credit offer. It does not establish, however, how the information should be provided, making it an ambiguous obligation.[619] To remedy this, some Member States

[615] The Dutch Authority for the Financial Markets (AFM), 2019, A closer look at consumer borrowing – An analysis of decision-making behaviour and potential interventions in the consumer credit market.

[616] Based on share of consumers with a credit agreement and credit card respectively marking understanding as complicated or very complicated in ICF survey from the CCD Evaluation (19%).

[617] Based on share of consumers with a credit agreement and credit card respectively finding SECCI unhelpful (4%) or very unhelpful (1%) based on ICF survey from the CCD Evaluation.

[618] Consumers with a credit agreement and credit card respectively, based on ICF survey from the CCD Evaluation, extrapolated for the EU-27.

[619] ICF, 2020, Evaluation of the CCD.

(BE, BG, FR, LU, PT) have introduced stricter rules on how the information should be presented, such as on the type and size of the font to be used in the advertisement or where certain information should displayed. Nonetheless, advertising remains a source of concern for enforcement authorities in some Member States. An example emerging from the legal analysis carried out for this study concerns Belgium, where the Directorate General for Economic Inspection (DGEI) found that in 2018, only 54% of advertisements it studied were compliant with the legal information requirements, already an improvement when compared to 2016 and 2015, when respectively 38% and 44% of the advertisements involving consumer credit were compliant.

Consumer organisations consulted for the Evaluation also raised issues with the way that information is displayed in advertisements, which generally seek to exploit consumer cognitive biases. Some of the examples identified were: presenting key information in a non-prominent way (e.g. using small fonts, including it in footnotes) or presenting misleading information on the interest rates (e.g. unrealistic interest rates or presenting them as if they were the APR).

The evidence collected for this study confirms that lack of compliance with advertising rules remain at the top of the list for enforcement authorities and consumer organisations. The feedback gathered from members of the CPC network and national authorities reveal that the provision of information in advertising is the main issue, with CPCs in six Member States and Norway indicating this as a problem.[620] Advertising was also one of the three main issues subject to enforcement decisions[621] as well as consumer complaints[622] in most of those countries. CPC members referred to the provision of misleading information or the absence of representative examples.

Enforcement issues relating to advertising were also some of the most commonly reported by national researchers. In as many as 11 Member States, enforcement decisions were recently taken (between 2016 and 2019) against unlawful practices in this area.[623] A majority of them found that credit providers had failed to provide some of the required information[624] such as the representative example.[625] In others, the information included was deemed misleading[626] (Bulgaria) or non-compliant with fair practices requirements.[627]

Article 4 does not address other practices that are often employed by credit providers to exploit consumer behaviour. The study prepared by the Dutch AFM provided a few examples of the ways in which the environment in which information is presented to consumers affects consumers' decision:[628]

- salience: advertisements of consumer credit generally use images that attract the attention of consumers, which may keep them from reading the key information that is very often presented in a less prominent way;
- framing: credit providers tend to use terms that evoke a positive image of credit (e.g. instead of using "debt" they would use "balance"), also emphasising their

[620] CPC questionnaire (7 out of 10 respondents; AT, BE, EE, EL, SE, SI and NO); Interviews with national authorities (1).

[621] CPC questionnaire (6 out of 10 respondents; AT, BE, EE, EL, SE and NO)

[622] CPC questionnaire (7 out of 10 respondents; AT, CZ, EE, EL, SE, SI and NO)

[623] Legal analysis (BE, BG, CY, EL, HU, LT, LV, PT, RO, SE and UK)

[624] BE, EL, HU, LV, PT, RO.

[625] PT, RO.

[626] BG.

[627] CY, LT.

[628] The Dutch Authority for the Financial Markets (AFM), , _2019, _A closer look at consumer borrowing – An analysis of decision-making behaviour and potential interventions in the consumer credit market.

immediate benefits in detriment of their long-term consequences (thus exploiting consumers' present bias);
- defaults: credit is often presented to consumers as the default option (e.g. when purchasing a mobile phone), a practice that exploits the status quo bias (i.e. consumers tend to be sensitive to options that are presented as the default option);
- anchoring: many websites announcing consumer credit include a "calculator" allowing the consumer to indicate how much they wish to borrow and in how much time they would like to repay, indicating the costs. These tools are generally presented with an initial amount which has been proved to act as anchor or reference. For instance, it has been noted that the minimum amount to be repaid each month usually acts as a reference for consumers, who tend to adjust their payments to the minimum amount.

Indeed, OECD research shows that behavioural economic studies and research have been used by financial institutions to exploit consumer biases.[629] The Evaluation highlighted three common practices used by credit providers that seek to exploit consumer behaviour and cognitive biases, potentially leading to irresponsible lending:

- baiting rates: advertising very low or 0% interest rates is misleading as these favourable conditions are often only applicable to a very limited group of consumers (those with excellent credit profiles). Evidence collected for the Evaluation revealed that this practice was sometimes used by credit providers to attract consumers;
- time-limited offers: introducing time limits for consumers to consider information and/or make decisions is more likely to result in instinctive or heuristic judgements. Behavioural research shows that time pressure makes people more likely to rely on their emotions when making decisions. Combining time-limited offers with complex information may lead consumers to take hasty decisions without fully considering the key information.[630] This practice is particularly risky as it has been found to often target vulnerable consumers;[631]
- Teaser rates: teaser rates are baiting rates that are offered for a limited period. They have the potential to be very harmful for consumers as they take advantage of consumers' present bias and over-confidence, but the limited data available does not allow to assess the extent of their use.

No evidence of such practices being used by credit providers was found during the mystery shopping exercise carried out as part of the Evaluation. However, some stakeholders consulted referred to these practices as being a source of concern in their Member States. The issue of misleading advertising was also noted by some consumers consulted for the Evaluation, resulting in an estimation of 8-11 million consumers affected by this problem.[632]

On Article 5, the term "in good time" has also allowed for questionable practices that seek to take advantage of consumer behaviour and cognitive biases. The rationale behind the introduction of this phrase is to reinforce the principle of responsible lending by ensuring that consumers are given enough time to compare several credit options and make a well-informed decision. Several Member States have decided to clarify what

[629] Lefevre, A. ICF, 2020, Evaluation of the CCD; Lefevre, A. and M. Chapman, 2017, Behavioural economics and financial consumer protection – OECD Working Papers on Finance, Insurance and Private Pensions; OECD Working Papers on Finance, Insurance and Private Pensions.

[630] ICF, 2020, Evaluation of the CCD, UK FCA (Financial Conduct Authority), 2017, From advert to action: behavioural insights into the advertising of financial products.

[631] ES – Asociación General de Consumidores (ASGECO), 2015, Análisis cualitativo prestamos rápidos de entidades no financieras.

[632] Estimations based on the share of respondents to the consumer survey that answered that the advertising did not match the loan offer (weighted and unweighted share of 14% and 18%).

'in good time' means. Some countries, like Romania, have established a minimum standard waiting period of 15 days (which can be shortened with the agreement of the consumer), while others like the UK or Poland have simply provided more specific guidance.

Despite the rules adopted at national level, non-compliance with pre-contractual information requirements is still an issue.[633] In fact, this is the obligation that has triggered most of the CCD-related case-law in Member States. Some of the key issues are: credit providers failing to provide consumers with the SECCI; consumers not being informed how the APR was calculated, consumers not being informed of their right to withdraw from the contract,[634] and reluctance by some credit providers to provide individualised pre-contractual information.[635]

The national research carried out for this study confirms that that pre-contractual information-related issues remain a concern at least in some Member States. Eight Member States and the UK have recently taken enforcement decisions relating to this obligation.[636] The main issue seems to be the provision of partial or misleading information.[637] In Belgium, a mystery shopping exercise carried out in 2016 reported that the SECCI was only provided in a limited number of cases. Other examples are the non-provision of timely pre-contractual information in Bulgaria or the failure to inform consumers on the credit's APR in Slovakia. The issues highlighted paragraph are breaches of CCD obligations, but they are also an example of cases where credit providers take advantage of the vagueness of some terms of the CCD.

Compliance issues with the provision of pre-contractual information were also predominantly reported by national authorities and some consumer organisations consulted for this study. They were the third most common problem emerging from the feedback from CPC members, with some of them specifying that the SECCI is problematic.[638] They were also specifically mentioned by a consumer organisation and national authorities from one Member States interviewed.[639]

Research reveals that some consumers have/take insufficient time to fully read and understand the terms and conditions of the contract.[640] The public consultation launched to inform the Evaluation showed that 44% of individual respondents did not consider they had sufficient time to read and fully understand pre-contractual information .[641] Indeed, most credit agreements are ready to be signed just a few days after the consumer has requested the loan.[642] Most creditors, for both online or in-person credit applications, provide the pre-contractual information and the SECCI just before or at the same time as the draft contract, with 40% of respondents to the consumer survey indicating that they received it on the day they signed the contract.[643]

[633] ICF, 2020, Evaluation of the CCD.

[634] ICF, 2020, Evaluation of the CCD (consumer survey); London Economics, 2014, Study on The Functioning of the Consumer Credit Market in the EU; London Economics, 2013, Study on The Functioning of the Consumer Credit Market in the EU; European Banking Authority (EBA), 2019, 2018/2019 Consumer Trends Report.

[635] ICF, 2020, Evaluation of the CCD; Survey of consumer organisation COFACE.

[636] Legal analysis (BE, BG, CY, HU, IE, LT, RO, SE and UK).

[637] BG, CY, HU, IE, RO, SE, SK and UK.

[638] CPC questionnaire (3 out of 10 respondents; BE, SI and NO). Belgium and Norway referred to issues with the SECCI.

[639] Interviews with consumer organisations (1); Interviews with national authorities (1).

[640] ICF, 2020, Evaluation of the CCD (Consumer survey; OPC; Interviews).

[641] ICF, 2020, Evaluation of the CCD (OPC).

[642] ICF, 2020, Evaluation of the CCD (Mystery shopping).

[643] ICF, 2020, Evaluation of the CCD (Consumer survey and OPC).

A study carried out by the European Commission indicated that a speedy decision from the consumers often lead them to take a loan that is not adequate to their situation. It is important to note however, that the speed of this process is, in part, due to consumers' expectation of quick credit. A study carried out by NIBUD in the Netherlands showed that consumers look first at the speed of credit delivery, even before the interest rate.[644] Only a small number of consumers actually compare alternative offers, putting them at risk of taking credit that does not fully meet their needs.[645]

Compliance-related issues with information-related requirements

This study estimates the consumer detriment associated with some of the practices linked to the provision of pre-contractual information. More specifically, the failure to provide the SECCI is thought to affect up to 10 and 35 million consumers every year,[646] while issues related to APR-related information are estimated to affect up to 5.8 and 20 million consumers who are not informed about the value of the APR[647] and up to 5.2 and 18 million consumers who were not informed about the APR altogether.[648] To conclude, the amount of consumers not being informed about their right of withdrawal and of early repayment is estimated at 16-23 million and 8-11 million, respectively.[649]

In addition, the issue of misleading advertising was estimated to affect 8-10 million consumers affected by this problem.[650]

A6.4. Problem 4: Low level of protection of consumers impacted by individual circumstances or economic disruptions affecting their financial situation and low systemic resilience to financial instability risk linked to exceptional and systemic crises

A6.4.1. What is the problem and why is it a problem?

Often, over-indebtedness is a result of unforeseen changes to the financial situation of an individual, as opposed to irresponsible borrowing decisions. As explained above, however, indebted consumers can enter into a spiral of accumulating further debts by having to obtain another loan to repay their debts, very often highly risky credit which is quicker and easier to access than more traditional forms of credit. At societal level this not only affects the individual, but also credit providers and the financial stability of the system.

Protection against over-indebtedness therefore centres around prevention, as well as supporting already indebted consumers. The CCD does not cover any of the key aspects

[644] NIBUD, 2018, Een persoonlijke lening: keuze en ervaingen van consumenten.

[645] ICF, 2020, Evaluation of the CCD (Interviews of consumer organisations); European Commission, 2019, Behavioural study on the digitalisation of the marketing and distance selling of retail financial services; European Credit Research Institute (ECRI), 2018, Consumer credit, digitalisation and behavioural economics: Are new protection rules needed?.

[646] Based on 18% of consumers in the CCD Evaluation reporting not having been provided with SECCI, applied for consumers with a personal loan and credit card respectively.

[647] Estimation based on the answers to the consumer survey, where 10% of respondents declared not having been informed about this aspect. Applied to consumers with a personal loan and with a credit card.

[648] Consumers with a credit agreement and credit card respectively, based on ICF survey from the CCD Evaluation, extrapolated for the EU-27.

[649] Estimations based on the answers to the consumer survey, where 28% and 12%/15% of respondents reported not being aware of their right to withdrawal and to early repayment, respectively.

[650] Estimations based on the share of respondents to the consumer survey that answered that the advertising did not match the loan offer (weighted and unweighted share of 14% and 18%).

that may help consumers improve their situation (e.g. financial literacy, debt advice, forbearance measures or potential relief measures for consumers). The limitations of the Directive to help consumers in this area have been evident during the years following the 2008 financial crisis and the current economic crisis that has ensued the COVID-19 pandemic. In both cases, most Member States adopted or are adopting measures to alleviate the impact that the crisis has on the financial stability of households and the system as a whole, but in the absence of EU-level requirements, the measures have differed widely from one country to another.

Consumers are the main stakeholder group impacted by this problem. However, this can also affect credit providers, enforcement authorities and society as a whole, and potentially lead to higher levels of over-indebtedness. Some of the key consequences are:

- consumers, particularly vulnerable consumers, do not have the tools (e.g. financial assistance) that would allow them to improve their financial situation and pay off outstanding credit;
- consumers could see their ability to repay outstanding credit impact by the economic impact of certain individual situations or economic disruptions;
- certain individual situations or economic disruptions and their ensuing economic impacts could lead to more short-term-high-cost loans or overdraft facilities being provided to consumers in financial difficulties, increasing the value of consumer credit not covered by the CCD;
- new credit products could become more prevalent or existing credit products more sold to consumers by specifically targeting consumers in financial difficulties;
- credit providers can run additional financial risks with more overly indebted consumers not able to meet their obligations, negatively impacting their business model and the wider sector;
- enforcement authorities could be impacted by an increase of consumer complaints and lower levels of compliance among credit providers that would result from the use of irresponsible lending practices targeting consumers in vulnerable situations.

A6.4.2. Problem 4.1: Consumers who are over-indebted or at risk of over indebtedness are not sufficiently protected across the EU

Over-indebted consumers and those at risk of over-indebtedness have rather distinct needs for support. Very often, consumers who are struggling financially to repay their debts obtain other loans or refinance their current loans to avoid late payment fees. By doing this, they may enter in a spiral of debt from which it is difficult to escape, especially as many of the products to which they have access tend to be particularly detrimental for consumers. Several tools may help consumers avoid these situations and ensure that over-indebted consumers are effectively protected, but none of them is foreseen in the CCD, resulting in very different levels of consumer protection across the EU.

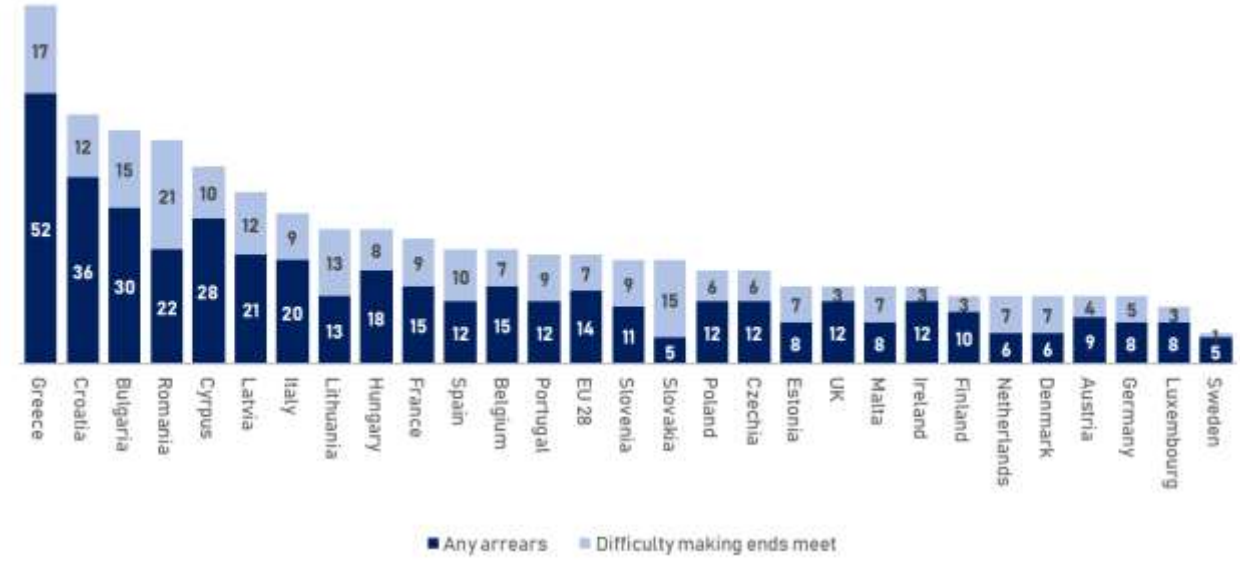
Although there is not an agreed definition of the term 'over-indebtedness', it usually refers to a situation in which a household is not able to meet their economic and financial obligations over a sustained period of time.[651] Several indicators of **over-indebtedness** are used. The most restrictive one is the proportion of households in arrears, an indicator which does not account for the fact that over-indebtedness is not a binary situation but rather a spectrum with various degrees of over-indebtedness. Other broader indicators are therefore used to capture households in less serious situations,

[651] Centre for European Policy Studies (CEPS), 2016, Two dimensions of combating over-indebtedness – Consumer protection and financial stability.

including those at risk of over-indebtedness. For instance, the proportion of households reporting difficulties to make ends meet has been often used in literature. Similarly, missed utility payments are also considered an early sign of debt problems.

Using data from the European Quality of Life Survey (EQLS) on the first two indicators (i.e. number of people in arrears and those with difficulties making ends meet[652]), a recent report published by Eurofound estimated the percentage of people aged 18 or more at risk of over-indebtedness.[653] The survey found that Southern and Central European countries are more at risk of over-indebtedness. For example, in Greece 17% of people claimed finding difficulties to making ends meet, 21% in Romania; as opposed to only 1% people in Sweden.

Figure 34. Proportion (in percentage) of people aged at 18+ at risk of over-indebtedness: arrears or difficulties making ends meet, 2016, EU-28.



Source: ICF elaboration, based on Eurofound data (European Quality of Life Survey (EQLS) 2016).

More recent data from the EU-SILC survey (2018) shows that on average, more than 30% of EU households were unable to meet an unexpected expense. Differences across countries are also spotted in relation to this indicator. Newer EU Member States and

[652] Arrears could apply to rent or mortgage payments, consumer credit, loans from family or friends, or utility or telephone bills. Figure based on responses to questions 88 and 93 from EQLS 2016. Q88: 'A household may have different sources of income and more than one household member may contribute to it. Thinking of your household's total monthly income: is your household able to make ends meet…?' Answer categories are: 1. Very easily; 2. Easily; 3. Fairly easily; 4. With some difficulty; 5. With difficulty; 6. With great difficulty. Only people who respond 'with difficulty' or 'with great difficulty' are considered at risk of over-indebtedness. Q93: 'Has your household been in arrears at any time during the past 12 months, that is, unable to pay as scheduled any of the following? a. Rent or mortgage payments for accommodation; b. Utility bills, such as electricity, water, gas; c. Payments related to consumer loans, including credit card overdrafts (to buy electrical appliances, a car, furniture, etc.); d. Telephone, mobile or internet connection bills; e. Payments related to informal loans from friends or relatives not living in your household'. Answer categories are: Yes, No, (Don't know), (Refusal). 'Refusal' and 'no answer' are excluded as invalid answers, thus excluding an observation if the answer falls in one of these two categories for at least one of the type of arrears. Arguably, people with arrears problems are more likely to fall in these categories. If people in these categories are all included as having arrears, the proportion at the EU level rises from 14% to 21%.

[653] Eurofound, 2020, Addressing household over-indebtedness.

some of those severely hit by previous financial crises reached levels nearing 50%, with Latvia and Croatia above this figure, followed by Greece, Cyprus, Lithuania and Romania). There are also differences between northern and southern Member States, although not very significant (e.g. approximately 35% of households in Spain and Italy are fragile, compared to 28% in Germany). Both the EQLS and the EU-SILC survey – and other available data assessing the financial fragility or risk of over-indebtedness of households – were carried out well before the COVID-19 pandemic, meaning that they may be outdated and not reflect the current situation (see the baseline in Annex and Problem 4.2 for further details on the estimated impact of COVID-19 on the financial situation of households).

Over-indebtedness impacts the living conditions of households, and even take a toll on the mental health of individuals.[654] High levels of over indebtedness also affect credit providers, who may be at risk of insolvency due to missed payments, and may increase the risks of financial stability. Addressing over-indebtedness therefore requires a twofold approach: on the one hand, to reduce the average level of over-indebtedness and on the other, to protect consumers against the risks of becoming over-indebtedness and provide special support to those who are already over-indebtedness or at risk.[655]

Along with irresponsible practices from credit providers (discussed above) over-indebtedness often arises from **unexpected changes in the household's financial situation**. Several studies and surveys have found that over-indebtedness tends to originate from a combination of circumstances. Unemployment or deteriorating employment conditions tend to be amongst the most common reasons why individuals cannot meet their financial obligations. For instance, in a survey conducted in 2014, the Bank of France found that this was the basis for over-indebtedness in 23% of cases, while in Austria it accounted for 43% of the cases.[656] This is followed by regular budgetary problems, which were reported to be the primary cause of over-indebtedness in 21% of the cases in Austria and 17% of cases in France. Non-temporary budgetary problems may be linked to a wide array of circumstances, including poor financial and budget management skills.

The evidence collected for this study suggests that the impact of unexpected circumstances faced by individuals (and which may thwart their ability to meet their financial obligations) is an important problem highlighted by consumer representatives and national authorities. In the view of most consumer and majority of national authorities answering to the surveys conducted for this study, this is one of the key problems that consumers are facing nowadays.[657] Both groups also believe that the lack of tools available to consumers to help them improve their financial situation is one of the key problems faced by consumers.[658] In fact, this was the issue most commonly reported by consumer organisations.

The extent to which this is an issue for credit providers is less clear. According to almost half of national authorities and only a minority of industry representatives (i.e. credit providers and business associations), the losses that credit providers sustain due to

[654] Finance Watch,2019, What makes credit so risky? A consumer perspective.

[655] Bruegel, 2020, The financial fragility of European households in the time of COVID-10.

[656] Centre for European Policy Studies (CEPS), 2016, Two dimensions of combating over-indebtedness – Consumer protection and financial stability.

[657] Survey for consumer organisations (11 out of 13 respondents); Survey for national authorities (20 out of 31 respondents).

[658] Survey for consumer organisations (12 out of 13 respondents); Survey for national authorities (23 out of 30 respondents).

default payments linked to unexpected circumstances are one of the problems that credit providers face nowadays.[659]

On **financial literacy**[660] and financial education, the level of financial literacy is closely linked to the borrowing and saving behaviour of households, and more broadly on wealth inequality and social exclusion.[661] A recent report published by Bruegel argued that higher levels of literacy resulted in better awareness when making this type of decisions, with individuals with lower levels of financial literacy tending to borrow at higher rates.[662] In fact - the same report concluded - debt-related problems are more often linked to a lack of financial literacy than a lack of income. Similarly, a high level of literacy is often associated with more diverse asset portfolios, better allocation of lifetime resources and increased planning and savings.

On a global scale, the level of financial literacy in the EU as a region is one of the highest ones. In 2014, it scored 50 out of 100, third after the category 'other non-EU advanced countries (which excludes the US)' (58 out of 100) and the US (57 out of 100).[663] However, there are important variations among countries, ranging from 70% in northern countries such as Denmark and Sweden, and 26% in Portugal or 22% in Romania (0).

[659] Survey for national authorities (15 out of 31 respondents); Survey for credit providers (6 out of 6 respondents); Survey for business associations (7 out of 21 respondents).

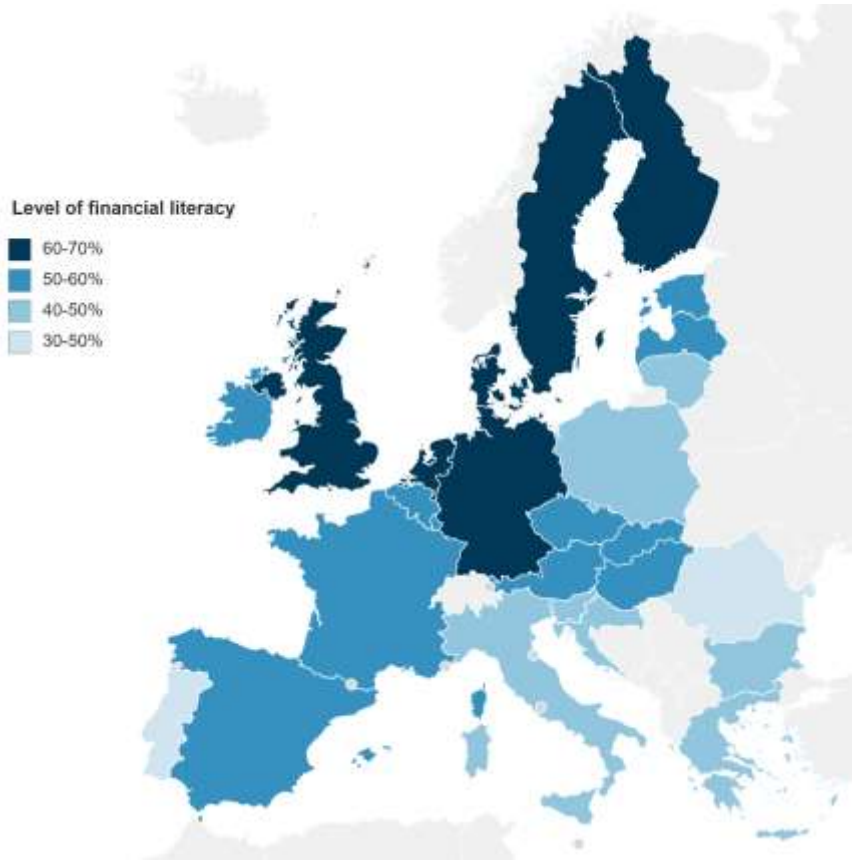
[660] At the most basic level, financial literacy is a person's competency for managing money, but in the last decades numerous definitions have been proposed, most of them referring to one of the following elements: knowledge of financial concepts, ability to communicate about financial concepts, aptitude in managing personal finances, skill in making appropriate financial decisions, and confidence in planning effectively for future needs (Remund, D.L, 2010, Financial Literacy Explicated: The Case for a Clearer Definition in an Increasingly Complex Economy).

[661] Declan French and Donal McKillop, 2016, Financial literacy and over-indebtedness in low-income households
; Uuriintuya Batsaikhan and Maria Demertzis, 2018, Financial literacy and inclusive growth in the European Union.

[662] Uuriintuya Batsaikhan and Maria Demertzis, 2018, Financial literacy and inclusive growth in the European Union.

[663] This is based on Standard & Poor's global survey of financial literacy, which establishes the following geographical categories: EU, Non-EU advanced economies (excluding the US), US, China, Asia (excluding China), Africa, Commonwealth of Independent States (CIS), and Latin America & Caribbean (Bruegel, 2018, Financial literacy and inclusive growth in the European Union).

Figure 35. Financial literacy in the EU (2014)



Source: ICF elaboration, based on Bruegel and Standard & Poor's Global FinLit Survey data.

Within each country, financial literacy tends to be lower among lower income groups, women and less educated respondents. Across age groups, financial literacy seems to be lower among individuals below 25 years and above 70 years, and higher as it approaches the age group 55-65, when it peaks.

The effectiveness of financial education programmes to prevent household over-indebtedness is however not clear. A business association consulted for this study specifically referred to evidence from a study conducted by a university in Belgium proving the importance of financial education from a young age is important to avoid over-indebtedness.[664] However, Eurofound recently argued that the available evidence on this is mixed and that these programmes are unlikely to change the handling of debt, tending to be more effective among higher income groups.[665] In this context, other tools that aim at supporting consumers who are already struggling to meet their financial obligations, such as the provision of debt advice services and forbearance measures, become essential.

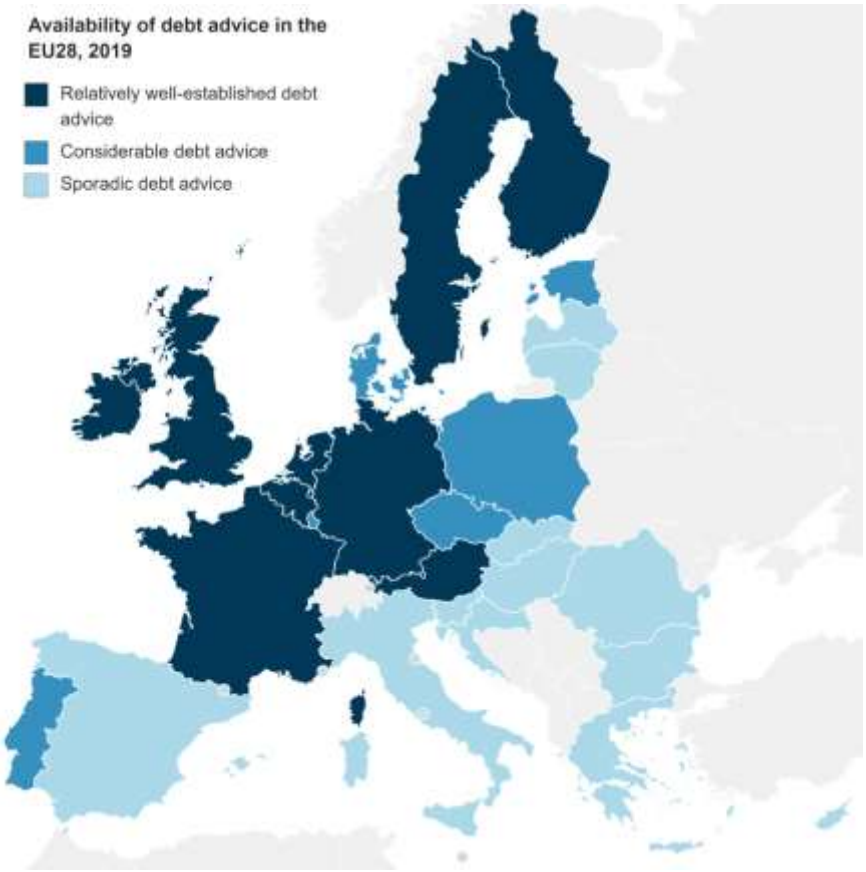
Independent debt advice services (i.e. professionals who provide information and advice to debtors, not funded by creditors) play a key role in protecting consumers and help them combat over-indebtedness. In the EU, these services exist in many countries, although their availability and use vary across Member States. Following the 2008 financial crisis, many countries strengthened their institutional responses to over-indebtedness and made debt advice more widely available and accessible. However, to this day only nine countries have well-established services, in contrast with 14 Member

[664] Interviews with business associations (1)

[665] Eurofound,2020,Addressing household over-indebtedness.

States where these services are only sporadically used, generally limited to services provided by some local, relatively small-scale NGOs and private lawyers or consultants which provide debt advice. Among these countries, some (Bulgaria, Croatia, Cyprus, Malta) offer almost no support.

Figure 36. Availability of debt advice in the EU28 (2019)



Source: ICF elaboration, based on Eurofound (2020), Addressing household over-indebtedness – compiled by Eurofound from the contribution to the Network of Eurofound Correspondents, Eurofound's own investigation and feedback by experts

The type of organisations providing debt advice as well as the specific support provided also differs across Member States. Broadly speaking, providers of debt advice are generally: consumer organisations, local authorities, national consumer debt advice organisations, charities, social security or unemployment insurance organisations, employers, and private consultants and lawyers. Some of the most common types of services include budget overview, economic crisis intervention, budget planning and psychosocial counselling, and legal advice. The specific type of support provided by a given organisation generally depends on the context of the country and the services already offered by other organisations active in the field (e.g. there tends to be a division of labour).[666]

An analysis of the funding sources of these organisations and services paints a very varied picture. In some countries, it is mostly funded with public money (e.g. tax revenues) – generally when the provider is a public authority or body or an NGO receiving public funding - whereas in others, the funding is largely private (e.g. membership fees and even funding by creditors). It should be noted that this last group

[666] Eurofound, 2020, Addressing household over-indebtedness.

does not constitute independent debt advisors, but rather services by lenders themselves (as offering such advice can ultimately be in their own interest).

Regardless of their characteristics, the Eurofound report concluded that, even in countries where these services are widely available, effective access is often limited by several barriers. In some cases, the barriers stem from the entitlement criteria established (i.e. the services are accessible only for a specific population group) or may not be able to offer useful advice to certain groups like self-employed. One of the most important barriers identified relates to a lack of capacity, which affects organisations in all countries (even in those where there is "considerable debt services") and which can usually result in long waiting times and lower quality of services, ultimately limiting their effectiveness. Other barriers relate to the need to pay a fee to use these services - a common requirement among private entities - a lack of awareness about the possibility to access these services due to insufficient dissemination of the information, or even social stigma.

Data on the use of these services is scattered, limited, and difficult to compare. National-level statistics are not collected, and therefore, the analysis relies on information provided by specific debt advice service providers. Figures from organisations in eight Member States presented in the Eurofound report suggest that the share of the population effectively making use of these services varies considerably across Member States. Poland – where the availability was rated as "considerable" – presented the smallest percentage, with only 0.5 individuals per 10,000 adult population accessing these services. This was closely followed by Hungary – where these services are offered sporadically – with a rate of 0.9 per 10,000 adult population. At the other side of the spectrum, Germany reported figures that suggested that 82.5 individuals per 10,000 adult population had been advised (Table 6). However, these figures should be read carefully as the differences in the number of entities reporting and the indicators used limits the comparability of the data.

Table 6. Use of debt advice services in the EU

Country and service provider	Per 10,000 adult population	Indicator
Austria – ASB Schuldner-beratungen	26.7	Number of debtors helped
Czechia – Poradna	9.2	Number of contacts / phone calls / meetings
Estonia – E-töötukassa	14.5	Persons who received debt advice
Germany – Municipal, private, welfare and consumer organisation offices providing debt counselling services	82.5	Estimate of persons advised
Hungary – Hitel-S (Credit-able) Programme	0.9	Number of debtors helped
Ireland – MABS	48.1	New users only
Luxembourg – SICS	5.6	First-time contacts (phone, in writing, face to face)
Poland	0.5	Number of users receiving advice regarding over-indebtedness

Source: Eurofound, based on data provided by organisations listed, and for Germany by Destatis (2019); 2018 population (18+) data from Eurostat [demo_pjan].

The differences in availability, accessibility and quality of the services provided suggests that in the absence of EU-level legislation governing the provision of these services (e.g. establishing minimum requirements), indebted and over-indebted consumers enjoy

different levels of protection depending on their location, with consumers in certain Member States having virtually no access to debt advice services. The differences may also have farther reaching consequences, as when one compares the availability of debt advice services (Figure 36) and the percentage of population at the risk of over-indebtedness (Figure 34), there seems to be certain correlation between the countries that ranked worse in terms of over-indebtedness and those in which debt advice services are provided sporadically (among the 11 worst-ranked countries, 10 are providing sporadic services), and vice-versa (among the 11 best-ranked countries, 7 have relatively well-established services).

Lack of debt advice services: scale of the issue

Albeit limited, the information presented above can be used to calculate a rough estimate of consumers who are benefiting from debt advice services across the EU. Considering the group to which each of the countries in Table 6 belong in terms of availability of debt advice services (Figure 36), an average of use can be estimated (per 10,000 adult population, 52.3 individuals make use of debt advice services in countries with a relatively well-established system, 7.45 in countries with considerable availability, and 0.9 in countries with sporadic debt advice services). When applied to the population over 18 of the countries in each group, it is estimated that 1.2 million out of 458 million consumers are benefitting from these services.

This is particularly problematic in light of the current reality in many EU countries, where the measures implemented to face the COVID-19 pandemic will put many families at risk of over-indebtedness (see Problem 4.2). In this context, Eurofound argues that although some of the debt relief and other measures adopted by Member States can help consumers navigate the sudden financial strains, this is an issue that should be looked in a more structured way in the long term, with special regard for the self-employed.[667]

Forbearance measures are also a widely used tool to support over-indebted consumers, especially during periods of crisis.[668] As indicated in the following table, forbearance measures can take many different forms and may be implemented over different timescales. Recent Guidelines from EBA on non-legislative and legislative payment moratoria highlight that forbearance is defined as a concession from the creditor on capital or interest payments for a borrower facing difficulties to repay or is likely to face difficulties to repay.[669] A moratorium is a blanket suspension of such payment through a mandated measure, and such a general moratorium cannot be considered a forbearance measure according to these EBA guidelines.

Table 7. List of most common forbearance measures

Timeframe	Measure	Description
Short-term measures	Interest only	During a defined short-term period, only interest is paid on credit facilities and no principal repayment is made. The principal amount thus remains unchanged and the

[667] Eurofound, 2020, Europe's pre-existing household debt condition likely to be exacerbated by virus crisis.

[668] BBVA Research, 2017, Transition to IFRS 9 – Impact on forbearance practices: are there some risks?

[669] EBA, 2020, Final report Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis: https://eba.europa.eu/sites/default/documents/files/document_library/Publications/Guidelines/2020/GL%20amending%20EBA-GL-2020-02%20on%20payment%20moratoria/960349/Final%20report%20on%20EBA-GL-2020-02%20Guidelines%20on%20payment%20moratoria%20-%20consolidated%20version.pdf

		terms for the repayment structure are reassessed at the end of the interest-only period, subject to the assessed repayment ability.
	Reduced payments	Decrease of the amount of repayment instalments over a defined short-term period in order to accommodate the borrower's affected cash flow situation and then continue with the repayments on the basis of projected repayment ability. The interest remains to be paid in full.
	Grace period/payment moratorium	An agreement allowing the borrower a defined delay in fulfilling the repayment obligations, usually with regard to the principal and interest.
	Arrears/interest capitalisation	Forbearance of arrears and/or accrued interest arrears by the addition of those unpaid amounts to the outstanding principal balance for repayment under a sustainable rescheduled programme.
Longer-term measures	Interest rate reduction	Permanent (or temporary) reduction of interest rate (fixed or variable) to a fair and sustainable rate.
	Extension of maturity/term	Extension of the maturity of the loan (i.e. of the last contractual loan instalment date), which allows a reduction in instalment amounts by spreading the repayments over a longer period.
	Additional security	When additional liens on unencumbered assets are obtained as additional security from the borrower in order to compensate for the higher risk exposure and as part of the restructuring process.
	Sale by agreement/assisted sale	When the bank and the borrower agree to voluntarily dispose of the secured asset(s) to partially or fully repay the debt.
	Rescheduled payments	The existing contractual repayment schedule is adjusted to a new sustainable repayment programme based on a realistic, current and forecasted assessment of the borrower's cash flows.
	Conversion of currency	When the currency of the debt is aligned to the currency of the cash flows.
	Other alteration of contract conditions/covenants	When the bank discharges the borrower of covenants or conditions included in a loan agreement not yet listed above.
	New credit facilities	Providing new financing arrangements in order to support the recovery of a distressed borrower

	Debt consolidation	Entails the combination of multiple exposures into a single loan or a limited number of loans.
	Partial or total debt forgiveness	This corresponds to the bank forfeiting the right to legally recover part or the whole of the amount of debt outstanding by the borrower.

EBA (2017): Guidance to banks on non-performing loans, available at: https://www.bankingsupervision.europa.eu/ecb/pub/pdf/guidance_on_npl.en.pdf

The CCD does not address the adoption of forbearance measures by credit providers. The MCD, in contrast, establishes the obligation upon Member States to encourage creditors to exercise "reasonable forbearance" before any foreclosure proceedings are initiated (Art. 28). The MCD's requirements on foreclosure are not particularly specific and leave much scope for Member States to implement the provisions according to their national preferences. Accordingly, evidence from literature review and consultation conducted in the context of the 2020 Evaluation of the MCD suggests that there is uncertainty (both for regulators and for industry) regarding what constitutes "reasonable forbearance" in the field of mortgages. The effectiveness of Article 28 of the MCD in terms of reducing the risk of foreclosure was examined in the Evaluation of the MCD, with inconclusive results. While there are indications that the MCD has contributed to a reduction of over-indebtedness and the level of mortgage Non-Performing Loans (NPL), the Evaluation was not able to establish a strong link between these developments and Article 28.

The lack of evidence on the impact of forbearance measures does not allow to estimate the detriment that their non-inclusion in the CCD has caused on consumers. However, recent feedback provided by stakeholders consulted on aspects related to the CCD as part of the public consultation on the consumer agenda indicates that consumer organisations, national authorities and citizens believe that this type of measures would be beneficial for consumers, especially during times of exceptional and systemic economic disruptions (further details are included under Problem 4.2).

A6.4.3. Problem 4.2: Insufficient protection of indebted consumers against exceptional and systemic crises across the EU, potentially leading to financial instability due to high levels of over-indebtedness

Even when consumers make financially responsible decisions, they may face difficulties to fulfil their financial commitments as a result of their financial situation worsening due to personal or systemic disruptions. In fact, over-indebtedness is more often than not driven by exogenous causes such as macro-economic factors and personal circumstances, as opposed to endogenous causes (i.e. wrong economic behaviours and poor financial choices). The CCD does not include any provisions seeking to alleviate the negative impact on consumers and to help them navigate these situations. As a result, Member States have adopted different approaches – with different levels of protection of consumers across the EU – during economic crises. The lack of such provisions also limits the resilience of the financial system to exceptional and systemic crises as high levels of over-indebtedness may trigger or aggravate their economic impact.

Macro-economic crises can – and often – impact directly the financial stability of households. They can do so from two fronts. On the one hand, it may result in changes in the consumer credit market which affect the availability of credit for consumers. This may, in turn, benefit or harm households; for instance, an increased availability of credit may allow them to manage fluctuations in income. On the other hand, other macro-economic ramifications can lead to situations which affect the income at the disposal of households (e.g. job losses or worsened employment conditions).

The 2008 financial crisis is a notable example of this. Data from the EU-SILC on financial difficulties shows that in the run-up to the 2008 financial crisis – when the level of outstanding credit was increasing sharply and the unemployment rate decreasing – the proportion of people in arrears in payment of housing costs, loan charges and utility bills decreased in all EU countries but Spain.[670] In spite of this, the proportion of individuals reporting difficulties making ends meet did not follow the same trend as it increased in all countries except Poland and Bulgaria. This dichotomy is proof of the complexity of how the availability of credit interacts with the financial difficulties experienced by households. While an increased availability of credit may ultimately benefit households, the relationship is likely to be affected by other factors.

Irrespective of this complexity, the results of the EQLS surveys from 2007 and 2011 suggest that the widespread retrenchment in credit that followed the 2008 crisis, in combination with the job losses and the economic downturn, unequivocally resulted in increased financial difficulties faced by European households. Difficulties making ends meet were reported by 45% of survey respondents in 2011, a significant increase from the 13% who reported in 2007. In those countries that were most hit by the crisis, the rates increased sharply as well, for example in Spain (from 10% in 2007 to over 50% in 2011), Italy (from 13% in 2007 to over 40% in 2011) and Greece (from 32% in 2007 to almost 90% in 2011, becoming the country with the highest rate). Similarly, the proportion of respondents in arrears in the previous 12 months also increased, although to a lesser extent. The data included in the 2008 edition of the survey is more limited than the one in 2011 because the latter looked not only at arrears in utility bills, but also at arrears in relation to consumer loans (10%), informal loans (8%) and mortgage/rent payments (11%). However, a comparison between the data found in both surveys reveal that the proportion of respondents in arrears in utility bills also increased – albeit to a lesser extent – from 13% in 2008 to 15% in 2011.

Since then, and until the COVID-19 crisis, the consumer credit market showed signs of recovery. The latest edition of the EQLS (2016) suggests that the financial situation of households also improved at EU level, with the proportion of people in arrears decreasing in relation to consumer loans (from 10% in 2011 to 5% in 2016) as well as informal loans (from 8% in 2011 to 5% in 2016). Arrears for rent or mortgage payments decreased during this period, reaching pre-crisis levels. Similarly, the total percentage of households reported difficulties decreased to 39% (as compared to 45% in 2011).

The recovery observed in the previous years has been thwarted by the economic crisis caused by the recent COVID-19 pandemic. Many families have seen their income significantly reduce or disappear altogether. This was reflected in the responses gathered by the European Parliament between April and May 2020 as part of the public opinion poll on the COVID-19 crisis, where 58% of respondents claimed to have experienced financial difficulties since the start of the pandemic such as loss of income, partial unemployment and the need to use personal savings sooner than planned (see baseline scenario in Annex 5 for further details). This figure, if applied to the total EU population over 18, would mean that 242 million citizens have suffered financially by the pandemic.

The evidence collected for this study suggests that while it is too early to anticipate the exact consequences of the COVID-19 crisis,[671] it can be expected that it will have an impact on the financial situation of households. The effects of the COVID-19 emerged as one of the main problems that consumers are facing, according to almost all consumer organisations and national authorities who participated in the surveys

[670] Social Europe, 2010, Research note 4/2010 – Over-indebtedness – New evidence from the EU-SILC special module.

[671] Interviews with business associations (5); Interviews with national authorities (1); Interviews with EU institutions (2).

informing this study.[672] One stakeholder further pointed out that this is in spite of the measures adopted by Member States (e.g. debt moratoria), and that longer-term measures may be needed in the future (e.g. longer-term loan restructuring). Although probably to a lesser extent, the crisis will also have negative consequences on credit providers, according to a majority of respondents representing the industry and national authorities.[673]

What appears to be clear is that this crisis is not affecting all population groups equally, even more so than previous major economic crises. Several factors play a role in the vulnerability of households against the measures taken to address the COVID-19 emergency. The first is the amount of savings, i.e. the vulnerability of households increases as the amount of savings decreases. Considering this, a recent study published by the Joint Research Centre found that in all Member States, a majority of households have only liquid savings worth EUR 1,000 or less. The situation is particularly dire in some countries (Croatia, Cyprus, Hungary and Slovenia, but also Latvia, Poland, Slovakia and Italy), where the proportion of households with no savings or who are indebted is particularly high. When expressed in number of monthly incomes saved, the differences across countries and regions are also quite wide. With the exception of a few countries, it seems that central EU Member States (e.g. the Netherlands, Austria, Belgium, Luxembourg) are generally among the best placed, while households in newer Member States like Cyprus, Croatia, Latvia, Hungary or Slovenia generally only have a financial buffer that would cover less than a month's income (see baseline scenario in Annex 5 for further details).

Other factors also result in vulnerable groups being more affected by economic crises. This was evidenced during the 2008 shock and is also the case of the more recent COVID-19 crisis. Vulnerable groups, often already in a precarious situation before the crisis, are usually the ones that are most impacted. For instance, the great financial crisis hit especially hard the younger population (especially in some countries with the youth unemployment rate increased sharply) and lower income households. In some countries such as in Spain, migrants in particular felt the consequences as they accounted for 40% of house purchases in the previous years.[674] With respect to the COVID-19 crisis, disaggregated data from the JRC report show that the younger population is in a more vulnerable position than people above 55 years old. Indeed, data from the OECD indicates that even before the COVID-19 crisis, young people were 2.5 times more likely to be unemployed than those aged 25-64 and that they had less disposable income.[675] Similarly, people employed in certain economic sectors (accommodation and food service sector, followed by construction) had, on average, fewer savings, a situation that raises concerns given that accommodation and food service activities are among those most negatively impacted by the containment measures (see baseline scenario in Annex 5 for further details). Given the precarious employment situation, these consumers may see the need to obtain credit to cover their regular expenses, pushing them to obtain higher cost credit because they do not have access to less detrimental products.[676]

Despite the overall consensus that major economic crises like the ongoing one affect consumers (especially vulnerable consumers), opinions on the impact that the COVID-

[672] Survey for consumer organisations (10 out of 13 respondents); Survey for national authorities (28 out of 32 respondents).

[673] Survey for credit providers (5 out of 5 respondents); Survey for business associations (11 out of 19 respondents); Survey for national authorities (19 out of 27 respondents).

[674] Social Europe, 2010, Research note 4/2010 – Over-indebtedness – New evidence from the EU-SILC special module.

[675] OECD, 2020, Advancing the Digital Financial Inclusion of Youth.

[676] Social Europe, 2010, Research note 4/2010 Over-indebtedness – New evidence from the EU-SILC special module.

19 crisis will have on the consumer credit market and the overall level of over-indebtedness seem to differ across stakeholder groups. Among industry representatives, half of respondents are of the opinion that it will result in a decline in the demand on consumer credit. Only a minority believe that it will lead to higher levels of over-indebtedness.[677] Consumer organisations, on the other hand, seem to be convinced about the negative effect of the crisis in the level of over-indebtedness but do not think that it will reduce the demand for consumer credit.[678]

National authorities are relatively divided, although leaning towards considering that it will affect neither the demand of consumer credit nor the overall level of over-indebtedness.[679] However, all respondents with access to recent data pointed to a decrease in consumer demand in their country.[680] With regard to over-indebtedness, the experience of Member States seems to differ, with some (e.g. Lithuania) indicating that the level of over-indebtedness has increased since the spring, while the available data in other countries (e.g. Belgium, Romania) points to a decrease in the level of defaults compared to pre-COVID-19 times. These observations should be treated with caution, as measures like payment moratoria that many Member States have put in place may have temporarily distorted the effect on the indicators generally used to measure over-indebtedness (e.g. default payments).[681]

Amid the COVID-19 crisis, Member States have adopted a series of relief measures that seek to alleviate the financial burden of citizens and households, such as debt moratoria or tax relief measures.[682] In the early months of the COVID-19 pandemic, the European Commission brought together stakeholders (including both industry actors and consumer representatives) to discuss best practices in relation to relief measures offered to consumers and businesses by banks, non-bank lenders and insurers in the context of the COVID-19 crisis.[683] In this dialogue, it was agreed that bank and non-bank lenders should be encouraged to offer borrowers who find themselves facing financial difficulty as a result of the pandemic the possibility to defer payments for a period of time (i.e. payment moratoria) and that this payment deferral should apply to both mortgage and consumer credit. It was also agreed that banks and non-bank lenders should be encouraged to refer particularly vulnerable borrowers to debt counselling agencies, with the view to preventing payment defaults.

In April 2020, the EBA published detailed guidance on the criteria to be fulfilled by legislative and non-legislative moratoria in light of the pandemic.[684] These guidelines came into force on 2 April 2020 and applied to moratoria announced and applied before

[677] Survey for business associations (11 out of 22 respondents in relation to the demand of consumer credit and 7 out of 22 respondents in relation to the level of over-indebtedness); Survey for credit providers (3 out of 6 respondents in relation to both aspects).

[678] Survey for consumer organisations (2 out of 3 respondents in relation to the demand of consumer credit and 10 out of 13 respondents in relation to the level of over-indebtedness).

[679] Survey for national authorities (17 out of 37 respondents in relation to the demand for consumer credit and 13 out of 36 respondents in relation to the level of over-indebtedness).

[680] Data supporting these claims were provided by national authorities from Belgium, Germany, Ireland, Poland and Romania.

[681] Interviews with EU institutions (1).

[682] Eurofound, 2020, Labour market change – COVID-19: Policy responses across Europe

[683] European Commission (2020): Stakeholder dialogue outcomes, Best practices in relation to relief measures offered to consumers and businesses in the context of the COVID-19 crisis, Brussels, 14 July 2020, available at: https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200714-best-practices-mitigate-impact-pandemic_en.pdf

[684] EBA (2020): EBA publishes Guidelines on treatment of public and private moratoria in light of COVID-19 measures, available at: https://eba.europa.eu/eba-publishes-guidelines-treatment-public-and-private-moratoria-light-COVID-19-measures

30 September 2020. On 21 September 2020, the EBA announced the phasing out of these Guidelines, noting that:[685]

"The payment moratoria have been an effective tool to address short-term liquidity challenges caused by the COVID-19 pandemic. According to the notification on general payment moratoria received by the EBA, the vast majority of EU banks participated in such schemes. Moreover, depending on the duration of the payment extensions, which in Europe has been on average between 6 and 12 months, payment moratoria will continue producing their effects for a while."

Hogan Lovells has documented in detail the national payment moratoria measures adopted in several EU countries (Belgium, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, Netherlands, Poland, Portugal, Spain and the UK) as at 7 August 2020. [686] For brevity, we will not repeat these fully in this report, but they include as examples:

- In Germany: Consumers were able to pause their loan instalments if making such repayments would have jeopardised their cost of living. The exemption was subject to the payment difficulties resulting from the COVID-19 pandemic and the payment obligations resulting from loan agreements that were entered into before 8 March 2020. The payment holidays ended on 30 June 2020 and the Federal government did not opt to extend the measures beyond 30 September 2020.
- In Ireland: No legislative measures have been imposed by the Irish government. As of March 2020, five Irish retail banks had agreed to adhere to a voluntary scheme to provide flexible arrangements, including three-month payment breaks, to personal and business customers affected by COVID-19. A further announcement was made in April 2020 extending the payment breaks from three to six months. Eight non-bank lenders and credit servicing firms had also supported the measures developed by the retail banks and introduced similar payment breaks.
- In Italy: ASSOFIN (the Consumer Credit and Real Estate Association) proposed moratoria to its members in April 2020, which envisaged a payment moratorium scheme providing for the suspension of payments in favour of consumers and families in respect of existing consumer loans.
- In Luxembourg: On 8 April 2020, a draft bill was published providing for temporary payment holidays on consumer loans. Pursuant to the draft bill, certain conditions must be fulfilled for the payment holiday to be granted, including that the payment difficulties have resulted from the COVID-19 pandemic.
- In the Netherlands: Several banks announced relief measures for payments on consumer credit if the debtor is financially affected as a result of the COVID-19 pandemic. The relief measures include the possibility of postponing payments for up to 3 months, but the criteria applicable for such relief measures differ per bank.
- In Poland: The government implemented a regulation under which consumers can suspend payment of a loan for up to 3 months, without having to pay interest

[685] EBA (2020): EBA phases out its Guidelines on legislative and non-legislative loan repayments moratoria, Press Release, 21 September 2020, available at: https://eba.europa.eu/regulation-and-policy/credit-risk/guidelines-legislative-and-non-legislative-moratoria-loan-repayments-applied-light-COVID-19-crisis

[686] Hogan Lovells (2020): COVID-19, Summary of national payment moratoria measures in Europe, August 2020, available at: https://www.engage.hoganlovells.com/knowledgeservices/attachment_dw.action?attkey=FRbANEucS95NMLRN47z%2BeeOgEFCt8EGQJsWJiCH2WAUfXUFhmInsHsjm%2F7s2SVJv&nav=FRbANEucS95NMLRN47z%2BeeOgEFCt8EGQbuwypnpZjc4%3D&attdocparam=pB7HEsg%2FZ312Bk8OIuOIH1c%2BY4beLEAefyRKhoRbyLA%3D&fromContentView=1

or other payments. The new regulation applies to those who lost their jobs or income after 13 March 2020. The suspension is provided automatically upon delivery of the appropriate request to the lender. The borrower can decide whether to suspend repayment for one, two or three months. If the borrower has several loans of the same type with a given lender, the borrower is only entitled to take a credit holiday for only one of the loans.

- In Portugal: New law was implemented to extend contractually agreed payments of capital, rent, interest, commissions and other charges. In April 2020, some banks jointly announced payment holiday measures for residential loans and unsecured credit arrangements. The general principle is to provide the borrower with a grace period for capital/principal repayments on loans which are otherwise performing. The grace period will be 6 months in case of mortgage loans (until 30 September 2020) and 12 months for other consumer credit arrangements.
- In Spain: New law was implemented to provide protection for debtors (including consumers) in a "vulnerable situation" allowing them to temporarily suspend their payment obligations with respect to both mortgages and loans or credit facilities not secured by a mortgage. Such moratoria will be granted for 3 months. Complementary measures have also been adopted for borrowers who are not in a vulnerable situation.
- In the UK: Government announcements, regulatory guidance and industry initiatives collectively result in payment holidays being made available for residential mortgage customers and also greater flexibility being provided for consumers with persistent credit card debt. However, these measures are not currently provided for in UK legislation.

The impact of such measures cannot yet be ascertained due to various reasons. Firstly, the pandemic is still ongoing and so its duration and the related scale of economic consequences currently remain unknown. Secondly, and related to this first point, some of these measures may have postponed but not avoided the negative consequences of the economic shock. It is too early to determine the effectiveness of these measures in part due to lack of available data.

Regardless of the impact of the measures, the lack of an EU-level common approach has resulted in different levels of protection across the EU. Moreover, as recently noted by Finance Watch, the measures have tended to favour only certain groups, or have provided only limited support to ensure the continued provision of essential services. Finance Watch thus argues that any measure adopted should protect all consumers, especially those in a vulnerable position, in order to avoid that household consumption is not built on credit.

On this topic, the public consultation on the Consumer Agenda asked stakeholders to reflect on the need to adopt EU level action to safeguard the interests of lenders and borrowers in situations of exceptional and systemic economic disruptions. The answers reveal that a majority of industry representatives and most stakeholders representing consumer organisations, national authorities, citizens and NGOs believe that the EU-level action is needed.[687] Their responses suggest that overall:

- consumer organisations, national authorities and citizens would favour the adoption by Member States of measures to encourage creditors to exercise reasonable forbearance when a borrower is experiencing or is likely to experience

[687] Public consultation on the Consumer Agenda (61% of companies, 56% of business associations, 100% of consumer organisations, 98% of citizens, 95% of NGOs and 83% of national authorities).

financial difficulties,[688] and the adoption of rules allowing Member States to enact payment moratoria measures (while establishing a minimum level of consumer protection for those cases);[689]

- industry representatives, in contrast, would rather use the adoption of measures aiming to use the flexibility embedded in the prudential framework for banks to facilitate lending to support consumers and business in the crisis period, although this was followed by the payment moratoria and forbearance measures.[690]
- the introduction of new obligations for Member States to strengthen services to support over-indebted consumers (e.g. through debt advice) was the preferred option for NGOs;[691]
- the introduction of new obligations for creditors to provide education and awareness on debt management for consumers in financial difficulties was the least popular option, especially among industry representatives, consumer organisations and national authorities.[692]

The impact of exceptional and systemic crises: scale of the issue

Limited data available to assess this, though this study estimates that 17.5 million consumers would be affected by forbearance measures (meaning they are currently at risk).[693]

A6.5. Problem 5: Partial achievement of a level playing field for credit providers and limitations to cross-border credit, leading to reduced cross-border competition and choices for consumers

A6.5.1. What is the problem and why is it a problem?

One of the key objectives of the CCD is to facilitate the emergence of a well-functioning internal market. Achieving a higher degree of legal harmonisation across the EU on certain key elements of consumer credit was at the centre of this objective (Recital 7). A better functioning internal market would have a positive effect on both credit providers and consumers. From the perspective of credit providers, a higher degree of harmonisation would level the playing field for credit providers regardless of where they are located and would also facilitate the provision of credit to consumers in other Member States, allowing them to broaden the group of consumers they could access, potentially benefitting from economies of scale. From the perspective of consumers, an effective internal market would increase their choices and enable them to shop around for the offer that best suits them.

A little over a decade after the adoption of the CCD, the Evaluation concluded that this objective had been partially achieved. It was argued that the Directive had enabled the development of a specific legal framework and improved, to certain extent, the legal clarity and the degree of harmonisation across the EU, but that its limited scope of

[688] Public consultation on the Consumer Agenda (56% of consumer organisations, 47% of national authorities and citizens, 30% of NGOs, 21% of companies, 13% of business associations).

[689] Public consultation on the Consumer Agenda (78% of consumer organisations, 45% of citizens and NGOs, 27% of national authorities, 21% of companies, 15% of business associations).

[690] Public consultation on the Consumer Agenda (33% of companies, 26% of business associations, 19% of citizens, 17% of national authorities, 6% of consumer organisations, 5% of NGOs).

[691] Public consultation on the Consumer Agenda (50% of NGOs and consumer organisations, 26% of citizens, 23% of national authorities, 15% of companies, 8% of business associations).

[692] Public consultation on the Consumer Agenda (24% of citizens, 15% of NGOs, 8% of business association, 7% of national authorities, 3% of companies, 0% of consumer organisations).

[693] This is based on 30% of households with difficulties to make ends meet (EU-SILC 2018). Based on the total number of consumers with credit agreements.

application, the room for interpretation left by certain provisions and the lack of coverage of certain aspects that play a key role in the development of an internal market, had prevented it from fully achieving its objective. Admittedly, the lack of a cross-border market for consumer credit is not a direct consequence of the CCD, as pointed out in the Evaluation. The limited levels of cross-border supply and demand in the consumer credit market are the result of a combination of numerous factors, of which legal fragmentation of consumer credit rules is only a small part. Other external barriers, including natural barriers like consumers' home bias, carry more weight in these developments, or lack thereof.

The first shortcoming identified is the limited scope of application of the CCD (see Section 1), which does not cover – or does not explicitly cover – certain types of consumer credit available on the market, some of which have expanded significantly since the entry into force of the CCD. This has resulted in a situation in which providers of consumer credit operating in the same market are bound by different rules, creating an uneven playing field.

Secondly, the vagueness or complexity of some of the provisions and terms of the CCD has led Member States to interpret and implement it in different ways, preventing it from achieving its full potential as far as legal harmonisation concerns.

Thirdly, certain aspects that are key to the well-functioning of an internal market have not been harmonised by the CCD. A key example of this are the difficulties that credit providers face when they try to assess a non-resident consumer's creditworthiness due to the obstacles in accessing foreign credit databases, an aspect not covered by the Directive.

Considering the specific problems faced by consumers and credit providers in their country, Member States have often adopted additional or more detailed national measures. For instance, all Member States except Cyprus and Greece have extended the scope of the CCD to also cover other types of consumer credit, and many have established interest rate or fee caps (see Problem 2.1) or adopted further or more detailed information-related requirements (see Problem 3.2). This has resulted in legal fragmentation across the EU, which has proved to be one of the obstacles - together with other regulatory and natural barriers - hindering the development of the cross-border market for consumer credit.

The main stakeholder groups impacted by this problem are credit providers and consumers, but enforcement authorities are also affected by it:

- consumers enjoy different levels of protection across the EU, potentially limiting their confidence to obtain credit cross-border and to have access to innovative products at better prices;
- consumers cannot benefit in practice from the development of an internal market, limiting their ability to access more advantageous or innovative products in other countries;
- the ability of consumers to effectively access consumer credit in other Member States may be restricted due to the difficulties that foreign credit providers have to assess their creditworthiness;
- consumers may face difficulties, including increased costs, to enforce their rights in cross-border cases;
- there is a lack of legal clarity about the application of some of the EU-level rights of consumers;
- credit providers are subject to different rules depending on the types of loans they provide, leading to additional burden (and costs) of compliance and operations;
- credit providers are affected by the absence of a level-playing field as it is not clear whether the same rules apply to different types of credit providers active in the same market;

- due to the lack of harmonisation of the rules applicable to consumer credit not covered by the CCD, credit providers who wish to operate in other EU Member States are subject to different regulatory approaches, which entails risks and additional burdens (costs), also potentially limiting their interest in providing credit cross-border;
- credit providers who wish to access other EU markets face difficulties in accessing information from consumers resident in other Member States that would allow them to assess their creditworthiness, limiting their interest in providing credit cross-border;
- credit providers cannot benefit from the economic advantages that an effective and well-functioning internal market in the field of consumer credit would entail;
- there is a lack of clarity as to what obligations credit providers are bound entail specifically;
- enforcement authorities are affected by the restricted scope of application of the CCD because it renders enforcement complicated as it leads to legal fragmentation, with different rules applying to different loans and credit providers;
- some of the CCD provisions or terms are difficult to interpret, rendering enforcement complicated (i.e. it is difficult to identify infringements of certain obligations);
- some provisions of the CCD are difficult to apply in practice by enforcement authorities;
- enforcement authorities may face additional burden due to cases of national consumers being exposed to prohibited products and practices of foreign business operators.

A6.5.2. Sub-problem 5.1: Partial achievement of a level playing field for credit providers

The Evaluation found that, overall, the CCD has managed to create a level playing field by establishing a harmonised regulatory framework. Certain key elements of the Directive were highlighted as particularly effective in this area because they introduced common obligations for all credit providers covered by the Directive, notably information-related requirements, or the calculation of the APR.[694] Several shortcomings, however, were deemed to have limited the extent to which this objective has been achieved, notably the scope of application of the Directive and the differences in the way that Member States have interpreted and transposed the CCD.

Differences in the approach that Member States have taken to regulate other aspects that are relevant for the provision of consumer credit which are either not harmonised or not clearly established in the CCD have further increased the legal fragmentation across the EU, creating a more **uneven level playing field at EU level**. The Evaluation demonstrated that all Member States except Cyprus and Greece have gone beyond the requirements of the CCD and implemented additional measures at national level, almost exclusively focused on raising consumer protection standards. An example of this is the variety of approaches that Member States have taken to regulate aspects concerning the provision of information in advertising or at pre-contractual stage or the assessment of consumers' creditworthiness (discussed under Problems 2.2 and 3.1), which have resulted in different conditions for the provision of credit depending on the Member State in which they are operating.

The inputs from stakeholders consulted for this study reveal that in the view of national authorities, the lack of a level-playing field is one of the main issues that credit providers

[694] ICF, 2020, Evaluation of the CCD.

are currently facing.[695] Credit providers also deem it to be a problem, although to a lesser extent than other issues reported.[696]

The feedback on the Commission's Inception Impact Assessment also shows that creditors and business associations believe that the fragmentation of the regulatory framework has had a negative effect on the internal market.

Legal fragmentation can affect credit providers in various ways. The lack of legal clarity linked to it may be an obstacle for credit providers as they may be subject to different obligations depending on the specific credit product or the amount of the loan they are providing. Furthermore, the distortion of competition may have a negative impact on the revenues of credit providers who are bound by stricter rules.

The lack of harmonisation also prevents credit providers from selling credit in other Member States and benefitting from the increased potential clientele and economies of scale. Indeed, the risks linked to differences in the regulatory framework emerged as one of the key issues faced by credit providers who wish to target consumers in other countries, as reported by industry representatives and national authorities consulted for this study and for the Evaluation. The role of legal fragmentation in the level of cross-border consumer credit is further discussed in the following section (Problem 5.2).

The scope of application of the CCD is restricted compared to the consumer products available, (potentially) excluding several types of consumer credit that are commonly used by consumers. This is especially the case for certain products that have recently emerged or expanded significantly since 2008, some of which are potentially risky for consumers, e.g. loans obtained via P2PL platforms.

The consequence of this is that different regulatory frameworks apply to credit providers. This issue has been discussed in several studies[697] and was also raised by stakeholders consulted during the Evaluation. Among the issues raised by respondents to the public consultation carried out in the context of the Evaluation, the need to cover loans of less than EUR 200 as well as credit providers and intermediaries who are currently operating in the consumer credit market (e.g. P2PL platforms and overdraft facilities) was highlighted. Several industry representatives also referred to the need to move away from the silo-type approach that differentiates between banks and non-banks to ensure that the same rules apply to all lenders. Indeed, the evidence collected for the Evaluation suggests that some of the compliance issues identified tended to be more common among providers of credit that are not clearly – or not always – bound by CCD rules. For instance, as explained under Problem 2.2, providers of payday loans or other forms of short-term high-cost credit tend to perform less thorough CWAs than traditional credit providers.

As Member States are free to regulate credit agreements not covered by the CCD, they have opted to adapt their regulatory framework to the most pressing issues observed in the national market. The fact that all Member States but two have decided to extend the scope of the national legislation transposing the CCD to other types of credit is an indication that the scope of application of the CCD may be too restricted. Table 8 shows the credit products covered by the national transposition rules:

[695] Survey for national authorities (20 out of 28 respondents).

[696] Survey for credit providers (5 out of 6 respondents); Survey for business associations (15 out of 21 respondents); Interviews with business associations (1); Interviews with credit providers (1).

[697] ICF, 2020, Evaluation of the CCD; European Credit Research Institute (ECRI), 2018, Consumer credit, digitalisation and behavioural economics: Are new protection rules needed?; European Economic and Social Committee (EESC), 2019, INT/884 Consumer Credit Directive (evaluation).

Table 8. Extension of the scope of the CCD rules to other types of credit

Credit product	Member States in which the CCD rules apply
Below EUR 200	BE*, BG*, CZ, DK, EE, FI, HU, IT, LV, PT*, SK*
Above EUR 75,000	AT, DE, DK, CZ, EE, ES*, FI, FR, HU, PT, RO
Leasing agreements	AT, EE*, HU, IT, FI, FR*, PT, UK
All overdraft facilities	AT, BE*, FI, PT, FR*
Revolving credit	FI, NL, FR*, IT
Mortgages	BG, CZ*, HR, HU, RO, SI, SK*
Zero-interest rate	BE*, UK*
Agreements with pawnshops	BE*, FR*

** Only some provisions apply*

Source: ICF, 2020, Evaluation of the CCD

The exact impact that this problem has on credit providers is difficult to establish with the evidence available, although some of the data collected sheds some light on the issue. For example, a recent study examining the digitalisation of the marketing and distance selling of retail financial services revealed that 71% of the 200 European providers of financial services mapped were traditional operators, as opposed to 29% new operators. Although these figures relate to the wider sector of financial services, the significance of this data lies in the fact that P2PL and other fintechs providing consumer credit fall in the second category (new operators) which, considering the current discussions as to whether they fall under the scope of the CCD, are more likely to be exonerated from its rules. As further explained in Problem 1.2, the current EU-level market share of P2PL is still relatively small but it has grown significantly in the last years and is expected to continue developing in the coming decade. Therefore, it can be assumed that if these market operators are not subject to the same rules as other providers of consumer credit, their ability to disrupt the market will grow.

Looking ahead, the scale of this problem will vary on the developments of the market (also influenced by the measures that Member States may potentially adopt to restrict this segment of the market).

The lack of a level playing field for credit providers across the EU: scale of the problem

A6.5.3. Sub-problem 5.2: Limited levels of cross-border credit, leading to reduced cross-border competition and choices for consumers

The Evaluation confirmed that consumer credit is predominantly provided at national level and that the level of cross-border consumer credit has not increased since the adoption of the CCD, at around 0.9% of all outstanding credit in the Eurozone. Indeed, several studies published in the last years reveal that cross-border lending by monetary financial institutions in the segment of household retail loans represents less than 1% in most Member States and is generally restricted to border areas.[698] The limited

[698] ICF, 2020, Evaluation of the CCD; London Economics, 2013, Study on the Functioning of the Consumer Credit Market in the EU; European Commission, 2014, Report from The Commission on The Implementation of Directive 2008/48/EC on Credit Agreements for Consumers; European

development of the internal market for consumer credit also affects consumers by not enabling them to have access to a wider offer and potentially credit products that may be better suited for them.

The figures on cross-border consumer credit seem to indicate that the CCD has had little noticeable impact on cross-border competition and access to credit, an opinion that was shared by most stakeholders consulted.[699] Despite significant improvements brought by the CCD, the cross-border market for consumer credit remains underdeveloped. ECB data on outstanding positions of domestic and cross-border loans to households (which include consumer loans and housing loans) provided by Monetary Financial Institutions (MFI) show that these represented less than 1% of total household loans for the period 2008-2019, with figures from 2015-2019 ranging between 0.8% and 0.9%. Moreover, in 2015 the European Commission[700] revealed that fewer than 3% of European consumers purchased banking products such as credit cards, current accounts and mortgages from another Member State and 5% purchased their loans from abroad.

These figures do not consider the increasing role of fintech companies as providers of consumer credit may have on the level of cross-border operations. Contrary to traditional providers of credit, these companies tend to target consumers in various Member States, so their contribution to the development of a cross-border market could be potentially significant. Due to the limited availability of data on the share of the market that fintechs represent, it is difficult to estimate the impact on the level of cross-border access to credit. A comparison of trends in public opinion on financial services in 2011 and 2016 does not reveal significant changes in the number of consumers that concluded cross-border credit agreements. Nevertheless, a potential expansion of this type of credit could be expected to contribute to creating a cross-border market for lending or entry into the market of new providers that more easily operate in different Member States and/or cross-border.[701]

Regardless of the potential increase in cross-border operations led by these new companies, the inputs received by stakeholders consulted for the Evaluation and for this study confirm that overall, the cross-border market for consumer credit is still underdeveloped. The Evaluation of the CCD found that cross-border operations represent 5% or less of credit agreements concluded of the credit providers consulted.[702] This is in line with the responses to input provided by stakeholders participating in this study. In their responses to the surveys, a majority of industry representatives, consumer organisations and national authorities indicated that in their country, consumer credit is mostly provided by companies domiciled in the country (although in some cases they are subsidiaries of foreign companies).[703]

Commission, 2016, Study on the role of digitalisation and innovation in creating a true single market for retail financial services and insurance; European Credit Research Institute (ECRI), 2018, Consumer credit, digitalisation and behavioural economics; Are new protection rules needed?; European Banking Industry Committee (EBIC), 2010, EBIC Comments on The CCD Benchmark Study.

[699] ICF, 2020, Evaluation of the CCD.

[700] European Commission, Key facts on consumer Finance. Available at: https://www.eesc.europa.eu/sites/default/files/resources/docs/key-facts-on-cross-border-consumer-finance-in-europe.pdf

[701] ICF, 2020, Evaluation of the CCD.

[702] ICF, 2020, Evaluation of the CCD.

[703] Survey for business associations (17 out of 22 respondents); Survey for credit providers (6 out of 7 respondents); Survey for consumer organisations (8 out of 13 respondents); Survey for national authorities (25 out of 37 respondents)

The demand for cross-border consumer credit remains low as well.[704] Traditionally, the groups that are more likely to purchase cross-border credit are cross-border workers and expats, although a third group has now emerged, mostly consumers with limited access to traditional forms of credit who turn to companies with innovative credit techniques.[705] The feedback from consumers gathered for the Evaluation found, however, that almost a third of consumers do look for loans in other Member States (29% did), although ultimately very few of them actually go so far as concluding one. The gap between these groups was partially attributed to the obstacles that consumers face when trying to obtain credit cross-border. This was confirmed by the mystery shopping exercise conducted as part of the Evaluation, but also by the feedback received from stakeholders to inform this study.

The Evaluation identified a wide array of factors acting as barriers to the provision of, and access to, cross-border credit. The main categories identified were:

- lack of awareness among consumers about the possibility to obtain credit cross-border, resulting in a lack of demand for cross-border credit;
- legal fragmentation in respect to elements directly linked to consumer credit (including those that are not directly covered by the CCD) and wider aspects that are relevant for the provision of consumer credit (e.g. redress mechanisms, insolvency rules, anti-money laundering, etc.). Legal fragmentation acts as an obstacle for both the demand for and the offer of cross-border credit, as it requires consumers and credit providers to become familiar with different regulatory frameworks;
- operational barriers, such as the difficulties for credit providers to access credit information on foreign consumers and the geographical restrictions imposed by credit providers which prevent consumers from other Member States to effectively access credit cross-border;
- natural obstacles, such as language and cultural barriers, which limit both the demand for and the offer of cross-border credit;
- preference for the national market as consumer are generally satisfied with the national offer or prefer to purchase national products, resulting in a lack of incentives for credit providers to target consumers in other Member States.

The first of these obstacles is a **lack of awareness of the possibility and interest to access consumer cross-border**. Credit providers rarely target consumers in other Member States, so consumers are not often aware of the possibility to obtain credit elsewhere (58% of respondents of the consumer survey in the Evaluation were not aware of this possibility). The results from the stakeholder consultation confirm this observation. Most consumer organisations answering to the survey indicated that consumers' lack of awareness that they can obtain credit in other Member States is one of the obstacles keeping them from doing so.[706]

Industry representatives agree that the low demand for cross-border credit can be explained by a lack of awareness,[707] combined with consumers' home bias[708] or

[704] ICF, 2020, Evaluation of the CCD (consumer survey, OPC); European Commission, 2016, Financial Products and Services – Special Eurobarometer 466..

[705] ICF, 2020, Evaluation of the CCD; European Commission, 2016, Study on the role of digitalisation and innovation in creating a true single market for retail financial services and insurance.

[706] Survey for consumer organisations (10 out of 13 respondents).

[707] Survey for credit providers (6 out of 6 respondents); Survey for business associations (18 out of 22 respondents).

[708] Survey for business associations (20 out of 22 respondents).

satisfaction[709] with the national offer. Irrespective of the reason behind it, the demand is too low to constitute an incentive for credit providers.

Secondly, consumers and credit providers usually **lack knowledge and / or confidence in the regulatory framework** in other Member States, especially given the different levels of protection that consumers enjoy across the EU. From the perspective of consumers, the Evaluation concluded this is one of the most common barriers (23% of respondents to the consumer survey indicated that they had not looked for credit in other Member States because they were unsure of their rights). This is indeed one of the key obstacles highlighted by a majority of consumer organisations surveyed as well as some business associations interviewed for this study.[710]

Already in 2015 the Commission argued that it is often difficult for consumers to find adequate redress mechanisms in cross-border situations, despite the existence of an EU-level network dedicated to help consumers solve cross-border disputes out of court. The latest statistics on the number of cases dealt with by the network date back to 2018. They show that in 2018, the number of cross-border cases relating to banking activities accounted for around half (52%) of the total number of cases and that, although the annual figures increased from 2012 onwards, the evolution did not follow a consistent trend. In fact, the weight that banking-related cross-border cases had in relation to the total number of cases was generally higher in the years prior to 2012.

Table 9. Number of cross-border cases handled by FIN-NET members between 2009-18

Year	Total number of cross-border cases handled by FIN-NET	Cross-border cases in the banking sector	
		Value	Share*
2018	2,649	1,384	52%
2017	N/A	N/A	N/A
2016	2,571	1,202	47%
2015	4,195	1,300	31%
2014	3,514	1,276	36%
2013	2,931	1,216	41%
2012	2,727	1,325	49%
2011	1,854	992	54%
2010	1,794	1,123	63%
2009	1,542	884	57%

** The remaining cases concern issues related to the following sectors: insurance, investments, and other.*

Source: FIN-NET, Activity report, FIN-NET, 2018.

Differences in the regulatory framework also act as barriers for credit providers. A majority of industry representatives consulted for this study explained that one of the obstacles explaining that credit providers do not offer credit cross-border is that it requires a level of knowledge of the legal framework that they usually lack.[711] Similarly,

[709] Survey for business associations (17 out of 19 respondents).

[710] Survey for consumer organisations (8 out of 13 respondents); Interviews with business associations (3).

[711] Survey for business associations (15 out of 21 respondents).

the risks involved in doing so are considered an obstacle for almost half of industry representatives participating in the survey.[712]

The third barrier concerns **geographical restrictions** imposed by credit providers. Traditional credit providers tend to limit access to their products to domestic consumers. This was raised by consumers and consumer organisations consulted for the Evaluation, and corroborated by its mystery shopping exercise, as every attempt to carry out a cross-border operation was ended by the failure of the mystery shopper to provide a domestic address, telephone number or national tax declaration.[713] In the digital realm, geo-blocking techniques are used by credit providers to re-route consumers or prevent the conclusion of a transaction, effectively denying access to credit for cross-border consumers.[714] Very often, this is due to the difficulties they encounter in assessing the creditworthiness of foreign consumers due to obstacles in cross-border exchanges of consumer data, including to access databases in other Member States.

Evidence gathered for the Evaluation confirmed that this issue, which had been raised by the European Commission in 2015, still holds true. Although a few Member States reported different requirements to access credit databases for credit providers and intermediaries located in other Member States, the principle of reciprocity on which access to credit databases is based, proved to be an obstacle for effective access.

The feedback received from stakeholders to inform this study seems to corroborate this finding to a certain extent. Geographical restrictions were identified as one of the key obstacles preventing consumer organisations from accessing consumer credit cross-border only by a minority of consumer organisations.[715] However, industry representatives did point to the difficulties of assessing the creditworthiness of consumers residing in another countries as one of the obstacles limiting the offer.[716] Similarly, several interviewees also referred to the obstacles that credit providers face to access credit databases in other Member States.[717]

The principle of reciprocity as an obstacle hindering cross-border access to credit

The reciprocity principle on the basis of which many credit registers operate requires credit providers to supply the same type of data that they wish to access through the credit database.[718] For credit providers who wish to access databases in other Member States, this means that they would need to feed data into every database (both public and private) that they may eventually need to consult.[719] Further complications emerge from the differences in the content of credit databases across

[712] Survey for business associations (18 out of 27 respondents).

[713] The study team tried to obtain cross-border credit in five Member States (BE, DE, ES, IE, NL), with no success.

[714] ICF, 2020, Evaluation of the CCD; European Commission, 2008, Green Paper on retail financial services: better products, more choice, and greater opportunities for consumers and business (COM (2015) 0603 final); European Credit Research Institute (ECRI), 2018, Consumer credit, digitalisation and behavioural economics: Are new protection rules needed?.

[715] Survey for consumer organisations (6 out of 13 respondents); Interviews with consumer organisations (1).

[716] Survey for business associations (15 out of 22 respondents), credit providers (2 out of 2 respondents).

[717] Interviews with business associations (2), consumer organisations (1), national authorities (1).

[718] ICF, 2020, Evaluation of the CCD; European Commission, 2009, Report of the Expert Group on Credit Histories.

[719] ICF, 2020, Evaluation of the CCD; The European Consumer Organisation (BEUC), 2017, The Never-Ending European Credit Data Mess.

the EU and the lack of a common terminology such as for the definition of 'default'. The main distinction on the content is drawn between credit registers that include negative data (e.g. in France) and those that also include positive data as well (e.g. ongoing financial commitments). Within this, the information collected can vary significantly. The data points present in almost all credit registers are: mortgages, personal loans and credit and store card. Beyond this, databases can include information on: credit lines on a current account, student loans, leasing, point of sale credit, payday loans/SMS loans, energy bills, water bills, internet services, satellite/cable TV services, telecommunication services (fixed line and mobile), home rent, health insurance, other insurances, etc.[720] In this sense, around 10% of the Member State authorities consulted for the Evaluation argued for harmonisation of their content.

With the support of ACCIS, private credit databases have tried to develop bilateral reciprocity agreements to facilitate cross-border data access to credit databases, but this is still a restricted practice.

Although exact figures on cross-border access to credit databases are not available, information collected by the Association of Consumer Credit Information Supplier (ACCIS) suggests that approximately a third of its members (i.e. 32 credit bureaus from 23 European countries) share data with their counterparts in other Member States and that 16% do so with other financial institutions from other Member States.[721] In terms of actual cross-border requests, the numbers seem to be much lower. In the framework of the recent evaluation of the CCD, members from eight Member States provided data on the share of data requests that were cross border. These ranged from ranged from 0.0004% to 16%, with percentages of 1.1% or lower in seven out of the eight Member States.

In four out of eight countries, the share of cross-border requests increased, while in two it remained the same and in one it declined. The Evaluation argued that these figures were not conclusive as they could mean either that a stronger growth in cross-border access requests than in national requests or better capture of cross-border data.

Lastly, **language and cultural barriers** were often referenced to explain why consumers and credit providers tend to favour the national market. For instance, 14% of the respondents to the consumer survey in informing the Evaluation referred to the lack of language skills as the reason why they do not look for or request credit from credit providers in other Member States. In the framework of this study, language and cultural barriers were found to be one of the obstacles for consumers and credit providers wishing to carry out cross-border operations, according to a majority of consumer organisations and industry representatives.[722]

While not all the barriers mentioned are linked to the implementation of the CCD, the insufficient harmonisation and uneven interpretation of consumer credit rules, coupled with a failure to harmonise some key aspects affecting the provision of consumer credit, have a direct effect on the ability of consumers to access consumer credit cross-border. On the one hand, because they contribute to the lack of knowledge of and confidence in other Member States' legal framework; and on the other, because they discourage credit providers from offering credit residing in other Member States. The ultimate result

[720] Association of Consumer Credit Information Suppliers (ACCIS) , Facts and Figures, available at: https://accis.eu/facts-and-figures/.

[721] Association of Consumer Credit Information Suppliers (ACCIS), Facts and Figures, available at: https://accis.eu/facts-and-figures/.

[722] Survey for consumer organisations (8 out of 13 respondents), business associations (19 out of 22 respondents); Interviews with business associations (5), consumer organisations (5).

of this is that consumers cannot effectively benefit from the advantages of the internal market, namely increased choices and potentially better conditions.

Effects of the limited cross-border market for consumer credit on consumers and credit providers: scale of the issue

Although it is difficult to estimate the extent to which consumers would make effective use of the internal market, the percentage of consumers who initially look for offers in other Member States could benefit from the wider offer. Considering the results of the consumer survey conducted in 2019 and the adult EU population at the time, this would amount to 121.2 million consumers who are potentially missing out on the opportunity to obtain better products.

Annex 7: Results of the legal analysis

This annex presents the key findings emerging from the EU-level and the national legal analysis carried out for this study (Task 4). The EU-level legal analysis explores the coherence of the CCD with other EU legal instruments, while the national analysis extracts key findings on the enforcement of the CCD in the Member States, based on the research carried out by national researchers in 27 Member States and the UK.

A7.1 EU-level legal analysis: assessment of the CCD coherence with other EU legal instruments

A7.1.1 The CCD and the Mortgage Credit Directive (MCD)

While differing in scope,[723] the CCD and Directive 2014/17/EU (MCD)[724] both aim to provide a harmonised framework for certain aspects of credit agreements, most of which are covered in both pieces of legislation, while ensuring in the meantime, a higher level of consumer protection. The narrative below describes how both Directives regulate the main provisions, and Table 10 and Table 11 provides a comparative overview of existing differences and overlaps in scope and application, suggesting possible revisions.

Definitions and scope

Article 3 CCD and Article 4 MCD generally provide similar and coherent **definitions**[725]. Nevertheless, when defining the ***Annual percentage rate of charge*** *(APR),* the MCD also specifies the costs that need to be included and the present value of all future or existing commitments.

Interestingly, the CCD and the MCD face some similar challenges in terms of definitions and scope. For example, information from the supporting study to the Evaluation of the Mortgage Credit Directive[726] indicates for example that it is currently unclear whether peer-to-peer lending and crowdfunding platforms should be considered as 'credit intermediaries'. Due to their relatively recent apparition, these platforms are regulated differently across jurisdictions. In some Member States, such platforms are considered credit intermediaries and are required to register as such[727]; but this is not the case in all EU Member States. In Denmark, however, the national legislator explicitly imposes consumer credit related obligations on private lenders. The discussion around this culminated in Case C-311/15, TrustBuddy AB, where the Finnish Supreme Court brought the issue before the CJEU. The financial supervisory authority in Finland had earlier ruled it a banking activity, and thus likely a creditor. TrustBuddy, however, went bankrupted and no judgment followed.

A similar situation arises for **comparison websites**. For example, if the website is merely advertising on behalf of one or more creditors, it may not constitute a credit intermediary within the remit of the MCD; however, if it carries out a more active role towards the conclusion of the credit agreement then it may be considered an intermediary.

Pre-contractual information

[723] Article 1 of the MCD establishes that it covers credit agreements that are secured by a mortgage or another comparable security used on residential immovable property and those whose purpose is to acquire or retain property rights in land or in an existing project building (explicitly excluded from the CCD as per Article 2(a) and (b)).

[724] Directive 2014/17/EU

[725] Of the following terms: Consumer; Creditor; Total amount payable by the consumer; Borrowing rate; Durable medium.

[726] Undertaken by Risk & Policy Analysts

[727] This is the case in Italy since 2012, in the UK and France since 2014, in Spain and Germany since 2015 and in Belgium since 2016.

Both directives, specifically in Article 5 CCD and Article 14 MCD, provide similar provisions in terms of **pre-contractual information** that must be disclosed by credit providers. However, the **MCD** lays down **more specific information duties for credit intermediaries**, who are obliged to disclose at least the general information contained in Article 15. In cases of agreements concluded using a means of distance communication which does not enable the information to be provided following the standard conditions, the CCD (Article 5.3) allows for the provision of the pre-contractual information immediately after the contract. Conversely, the MCD does not contain any provision regarding this possibility.

Both CCD and MCD establish, respectively in Article 5(6) and Article 16 MCD, the obligation for credit providers and credit intermediaries to provide **adequate explanations** to consumers to allow the consumer to assess whether the proposed credit agreements and ancillary services are adapted to his/her needs and financial situation. The **MCD** further **specifies** the **minimum explanations to be provided**. It also establishes the obligation for credit providers to inform the consumer if advisory services can be provided and lays down certain standards for such services, including the obligation to recommend a suitable credit agreement (Article 22 MCD).

Two elements appear to be treated differently by the two instruments: the reflection period and right of withdrawal, and creditworthiness assessments.

Right of withdrawal

Article 14(6)(2) MCD requires the Member States to provide consumers with sufficient time (at least 7 days) to compare offers, assess their implications and make an informed decision. The Directive leaves Member States the discretion to decide whether this should take the form of a reflection period before the conclusion of the credit agreement, a **right of withdrawal** after the conclusion of the credit agreement, or a combination of the two. Furthermore, the Member States can also opt to provide that consumers cannot accept the offer for a period not exceeding the first 10 days of the reflection period (Article 14(6)(4)). In contrast, under the CCD (Article 14), the right of withdrawal is mandatory and must be 14 days. Moreover, while not expressly foreseeing a reflection period, CCD specifies, in Recital 35, that the right of withdrawal should be granted without prejudice of any reflection if it exists in Member States' national law.

Creditworthiness assessment

Both Directives establish, in Article 8 CCD and Article 18 MCD, an obligation for credit providers to conduct, before concluding a credit agreement, a **Creditworthiness assessment (CWA)** based on sufficient information. The two instruments are coherent insofar as they foresee an obligation for the creditor to inform the consumer of the decision of rejecting the credit application. Moreover, CCD and MCD both specify that any rejection based on a previous database consultation needs to be communicated to the consumer, including the result of such consultation and of the specificities of the database consulted. Moreover, both Directives must comply with the standards of the GDPR (see Table 10 for more details).

The MCD goes beyond and further specifies the **type of information** to be considered (Article 20) as well as the **obligation for credit providers to reject** the credit application where the **outcome of the CWA is negative** (Article 18). The MCD also requires that the request for information aimed at assessing the creditworthiness of the consumer shall be proportionate and limited to what is necessary to conduct a proper creditworthiness assessment.

Furthermore, whereas the CCD does not specify which kind of creditworthiness test is foreseen, the MCD introduced **a borrower-focused test**, as defined by the European

Banking Authority.[728] Hence, under the CCD, the tests adopted by Member States differ across the EU. By contrast, the MCD is more focused on the borrower's ability to repay the credit. More specifically, Article 18(3) of the MCD states that the CWA assessment "shall not rely predominantly on the value of the residential immovable property exceeding the amount of the credit or the assumption that the residential immovable property will increase in value, unless the purpose of the credit agreement is to construct or renovate the residential immovable property".

Finally, concerning database access, both Directives foresee the same standard of protection. Both instruments provide that Member States shall ensure access to the national databases for credit providers from other Member States, that the conditions of access to credit databases shall be non-discriminatory and that such provisions must be aligned with the GDPR (Article 9 CCD and Article 21 MCD).

Further analysis of the interplay between CWA, database access and data retention with regard to the GDPR is provided in Section A7.1.2 below.

Safeguards to ensure responsible lending and protection against over-indebtedness

In Recital 26 of its preamble, the CCD calls upon Member States to take appropriate measures to promote responsible lending, such as the provision of information to or education for consumers. However, its approach to ensure that creditors lend responsibly, and that consumers borrow responsibly is very limited. By comparison, the MCD provides higher standards to ensure responsible lending.

Neither the CCD nor the MCD address aspects related to the irresponsible design of credit products (e.g. such as excessively high interest rates and unlimited rollover). Member States have introduced stricter measures imposing caps on prices and interest rates or rollover restrictions (e.g. France, Romania), but the Directives do not regulate these practices nor do they introduce provisions aimed at preventing the development of financial products which might affect consumer's financial health.

Nonetheless, the **MCD provides a higher level of consumer protection** against irresponsible lending and over-indebtedness. While the CCD does not establish an obligation upon credit providers, intermediaries, and other operators to act in a way that promotes responsible lending, the MCD specifies that "when manufacturing credit products […] the creditor, credit intermediary or appointment representative [must] act honestly, fairly, transparently and professionally, taking account of the rights and interests of the consumers" (Article 7(1)).

Moreover, the approach of the CCD to ensuring responsible lending and avoiding over-indebtedness is primarily based on the provision of information to consumers and the obligation to conduct a CWA, measures which aim at ensuring that consumers are not granted unsuitable credit. The MCD, in contrast, further articulates the obligation contained in Article 7(1) by regulating aspects that concern the design and manufacturing of products, such as: sales incentives and remuneration policies, product-tying practices, and knowledge and competence requirements for staff members, as well as the obligation only to make the credit available when the result of the CWA is positive. It also includes provisions that provide a comparatively higher level of protection of consumers against the risks of over-indebtedness, covering elements

[728] O. O. Cherednychenko and J. M. Meindertsma, Irresponsible Lending in the Post-Crisis Era: is the EU Consumer Credit Directive Fit for Its Purpose?, 2019, https://link.springer.com/article/10.1007/s10603-019-09421-4 : European Banking Authority, Final Report – Guidelines on creditworthiness assessment, 2015, https://eba.europa.eu/sites/default/documents/files/documents/10180/1092161/f4812d37-06c4-42e4-a9e7-e3cf18501093/EBA-GL-2015-11%20Guidelines%20on%20creditworthiness%20assessment.pdf?retry=1

like the provision of advisory services, financial education to consumers and forbearance measures. These provisions are further explained below.

The greater level of protection afforded to consumers foreseen by the MCD can be explained by the difference in the extent of the risks incurred in each situation. Risks of over-indebtedness are not the same in the case of a loan of 250 euros as in the case of a mortgage worth several hundred thousand euros. However, a greater alignment could improve the implementation of both Directives by fostering legal clarity for Member States and credit providers and ensuring a consistent approach in protecting consumers against over-indebtedness.

Sales incentives

The CCD and the MCD have different standard of consumer protection in terms of **sales incentives and sales targets**. Literature review shows that the way sales commissions and targets are conceived may create systematic incentives for financial product sellers and intermediaries to focus on their own financial interests rather than the interest of the consumers.[729] Nonetheless, the CCD does not cover at all the remuneration scheme of credit providers, financial and non-financial intermediaries.

By contrast, the MCD is more comprehensive as it establishes that the remuneration of the staff involved in selling financial products must not be contingent on the number or proportion of credit application accepted (Article 7(3)(b) MCD). Furthermore, where creditors, credit intermediaries or appointed representative provide advisory services, the remuneration of the staff involved cannot prejudice their ability to act in the consumer's best interest and cannot be contingent on sales target (Article 7(4) MCD).

In addition, the MCD provides that Member States may ban commissions paid by the creditor to credit intermediary (Article 4).

Product tying practices

The MCD provides a higher level of consumer protection as it introduces rules aimed at restricting certain **cross-selling practices,** considered one of the major causes of consumer detriment. More specifically, this Directive prohibits most product tying practices, understood as "the offering or the selling of a credit agreement in a package with other distinct financial products or services where the credit agreement is not made available to the consumer separately" (Article 4(26)). There are some exceptions. For example, Article 12(4) of the MCD accepts that Member States may allow creditors to require the consumer to hold a relevant insurance policy related to the credit agreement (e.g. to cover property damage or default risks). The consumer (or a family member or close relation of the consumer) may also be required to open a current or savings account from which to make repayments or to provide additional security for the creditor in the event of default (Article 12(2)(1)).

By contrast, the CCD only provides that where it is compulsory to purchase an insurance policy in order to obtain the credit, this cost should be calculated in the APR (Article 19 and Annex II, par. 3). Hence, the CCD does not impose restrictions to these practices. However, several cross-selling practices have been subject to case-laws and enforcement decisions in many Member States. For Instance, in February 2020, the Italian Competition Authority fined some Italian banks for breaching the prohibition on aggressive commercial practice about their way of offering credit together with ancillary services, such as various insurance products and banking accounts.

Knowledge and competence of staff

[729] O. O. Cherednychenko and J. M. Meindertsma, Irresponsible Lending in the Post-Crisis Era: is the EU Consumer Credit Directive Fit for Its Purpose?, 2019, https://link.springer.com/article/10.1007/s10603-019-09421-4

Article 9 MCD requires that staff working for creditors, credit intermediaries and appointed representatives **have the knowledge and the competence for manufacturing, offering and granting credit agreements**, as well as carrying out credit intermediation activities.

Advisory services

Article 22 MCD establishes that Member States must ensure that the creditor, credit intermediaries and appointed representatives explicitly inform the consumer whether **advisory services** are being or can be provided. The same article also establishes requirements to the provision of such services.

Financial education

The MCD introduces additional rules on financial education of consumers, knowledge and competence requirement for staff, foreclosure practices and advisory services. More specifically, in terms of **financial education of consumers**, the MCD requires Member States to "promote measures that support the education of consumers in relation to responsible borrowing and debt management" (Article 6(1)).

Forbearance measures

The MCD also requires Member States to adopt measures "to encourage creditors to **exercise reasonable forbearance before foreclosure** proceedings are initiated" (Article 28).

Table 10. Comparative overview of divergent provisions contained in both CCD and MCD

Provisions	CCD	MCD	Suggested definition and/or suggestions for amendments
Scope	*Article 2(1)* This Directive applies to credit agreements. 12 exceptions explicitly formalised in Art. 2(2)a.-l. (*e.g.* credit agreements covering the granting of credit secured by real estate, credit agreements involving a total amount of credit less than EUR 200 or more than EUR 75,000, etc.).	*Article 3(1)* This Directive applies to: credit agreements which are secured either by a mortgage or by another comparable security commonly used in a Member State on residential immovable property or secured by a right related to residential immovable property; and credit agreements the purpose of which is to acquire or retain property rights in land or in an existing or projected building.	*"This Directive applies to credit agreements."* i.e. Recital 10 CCD ([…]this Directive should be without prejudice to the application by Member States, in accordance with Community law, of the provisions of this Directive to areas not covered by its scope […]) could be integrated in the revised provision. In other words, the thresholds (200 EUR and 75,000 EUR) could be removed. Include peer-to-peer lending in the scope of the directive.
Definitions	*Article 3 (g)* 'total cost of the credit to the consumer' means all the costs, including interest, commissions, taxes and any other kind of fees which the consumer is required to pay in connection with the credit agreement and which are known to the creditor, except for notarial costs; costs in respect of ancillary services relating to the credit agreement, in particular insurance premiums, are also included if, in addition, the conclusion of a service contract is compulsory in order to obtain the credit or to obtain it on the terms and conditions marketed;	*Article 4(13)* 'Total cost of the credit to the consumer' means the total cost of the credit to the consumer as defined in point (g) of Article 3 of Directive 2008/48/EC including the cost of valuation of property where such valuation is necessary to obtain the credit but excluding registration fees for the transfer of ownership of the immovable property. It excludes any charges payable by the consumer for non-compliance with the commitments laid down in the credit agreement.	*"'Total cost of the credit to the consumer' means all the costs, including interest, commissions, taxes and any other kind of fees which the consumer is required to pay in connection with the credit agreement and which are known to the creditor, except for notarial costs; costs in respect of ancillary services relating to the credit agreement, in particular insurance premiums, are also included if, in addition, the conclusion of a service contract is compulsory in order to obtain the credit or to obtain it on the terms and conditions marketed. Total cost also includes any upfront cost that do not depend upon the duration of the credit agreement. It excludes any charges payable by the consumer for non-compliance with the commitments laid down in the credit agreement. Finally, all costs borne by the consumer must be reduced in proportion with the remaining duration of the contract."*

Provisions	CCD	MCD	Suggested definition and/or suggestions for amendments
	Article 3 (i) 'Annual percentage rate of charge' means the total cost of the credit to the consumer, expressed as an annual percentage of the total amount of credit, where applicable including the costs referred to in Article 19(2)'	*Article 4 (15)* 'Annual percentage rate of charge' (APRC) means the total cost of the credit to the consumer, expressed as an annual percentage of the total amount of credit, where applicable, including the costs referred to in Article 17(2) and equates, on an annual basis, to the present value of all future or existing commitments (drawdowns, repayments and charges) agreed by the creditor and the consumer.	Compared to the CCD, the MCD further specifies that the cost of the APRC equates to the present value of all future or existing commitments that the two parts have agreed.
Pre-contractual information	*Articles 5, 6, 7* CCD foresees a very detailed list of information to be provided in the pre-contractual phase (within the Standard European Consumer Credit Information, SECCI). The info includes type, duration and total amount credit; borrowing rate; the annual percentage of rate charge; interest rate; right to be informed of the result of a database consultation carried out for the purposes of assessing his creditworthiness. In the pre-contractual stage CCD foresees an obligation to provide information on the existence or absence of a right of withdrawal. Information on the conditions and requirements to exercise the right of withdrawal only have to be included in the credit agreement (Article 10	*Articles 14,15, 16 and Annex II* MCD provides in its Article 14 pre-contractual information requirements for mortgage credit agreements. The pre-contractual information to be provided for mortgage Credit is described in the European Standardised Information Sheet (ESIS) provided for in Annex II of the MCD. According to Article 14, the ESIS has to be provided prior to the conclusion of the contract. While CCD (Article 5.3) allows for the provision of the pre-contractual information immediately after the contract when a distance mean is used MCD does not contain any provision regarding this possibility. MCD (Art. 14.6) establishes a minimum period of 7 days after information has been provided for the consumer to compare offers and assess the implications and make an inform decision. Member States should	*"In good time before the consumer is bound by any credit agreement or offer, the creditor and, where applicable, the credit intermediary shall, on the basis of the credit terms and conditions offered by the creditor and, if applicable, the preferences expressed and information supplied by the consumer, provide the consumer with the information needed to compare different offers in order to take an informed decision on whether to conclude a credit agreement. Such information, on paper or on another durable medium, shall be provided by means of the Standard European Consumer Credit Information form set out in Annex II. The creditor shall be deemed to have fulfilled the information requirements in this paragraph and in Article 3, paragraphs (1) and (2) of Directive 2002/65/EC if he has supplied the Standard European Consumer Credit Information.* *The information in question shall specify:"* - Points (a) – (s) could remain unchanged. Article 5(2)-(6) remain.

Provisions	CCD	MCD	Suggested definition and/or suggestions for amendments
	CCD) unless the pre-contractual information refers to distance marketing of financial cases in which case the SECCI requires to provide all the information to exercise the right of withdrawal; Article 5(2) CCD provides for the pre-contractual information to be provided in case of telephony communications; Article 5(6) CCD provides for an additional requirement to provide consumers with an explanation of the pre-contractual information that shall be adapted to circumstances of the situation in which the credit agreement is offered, the person to whom it is offered and the type of credit offered; CCD requires to provide the pre-contractual information on paper or on another durable medium.	specify if this period is a) reflection period before the conclusion of the credit agreement b) a period for exercising a right of withdrawal after the conclusion of the credit agreement c) a combination of the two. CCD does not foresee a reflection period, just a right of withdrawal without prejudice of any reflection if it exists in Member States. Article 14(10) establishes the pre-contractual information to be provided in case of voice telephony communications in order to fulfil the requirements set forth in Article 3 DMFSD; Article 16 of MCD states that Member States shall ensure that creditors/credit intermediaries/appointed representatives provide adequate explanations to the consumer on the proposed credit agreements and any ancillary services, in order to place the consumer in a position enabling him to assess whether the proposed credit agreements and ancillary services are adapted to his needs and financial situation.	Article 6 CCD could be completed with "*Member States shall ensure that the creditor, credit intermediary or appointed representative explicitly informs the consumer, in the context of a given transaction, whether advisory services are being or can be provided to the consumer.* *Member States shall ensure that before the provision of advisory services or, where applicable, the conclusion of a contract for the provision of advisory services, the creditor, credit intermediary or appointed representative provides the consumer with the following information on paper or another durable medium: (a) whether the recommendation will be based on considering only their own product range in accordance with point (b) of paragraph 3 or a wide range of products from across the market in accordance with point (c) of paragraph 3 so that the consumer can understand the basis on which the recommendation is made; (b) where applicable, the fee payable by the consumer for the advisory services or, where the amount cannot be ascertained at the time of disclosure, the method used for its calculation. The information referred to in points (a) and (b) of the first subparagraph may be provided to the consumer in the form of additional pre-contractual information."*
Creditworthiness assessment	*Article 8* 1. Member States shall ensure that, before the conclusion of the credit agreement, the creditor assesses the	*Article 18 and 20* Member States have to ensure that, before concluding a credit agreement, the creditor makes a thorough assessment (procedures	Article 8 could be revised as follows: *"1. Member States shall ensure that, before the conclusion of the credit agreement, the creditor assesses the consumer's*

Provisions	CCD	MCD	Suggested definition and/or suggestions for amendments
	consumer's creditworthiness on the basis of sufficient information, where appropriate obtained from the consumer and, where necessary, on the basis of a consultation of the relevant database. Member States whose legislation requires creditors to assess the creditworthiness of consumers on the basis of a consultation of the relevant database may retain this requirement. 2. Member States shall ensure that, if the parties agree to change the total amount of credit after the conclusion of the credit agreement, the creditor updates the financial information at his disposal concerning the consumer and assesses the consumer's creditworthiness before any significant increase in the total amount of credit.	established, documented and maintained) of the consumer's creditworthiness. The credit should not be cancelled by the creditor on the basis that the assessment of creditworthiness was incorrectly conducted (unless the consumer knowingly withheld or falsified the information). The creditor informs the consumer without delay of the rejection the consumer and if the rejection is based on a consultation of database, the creditor informs the consumer of the result and the database consulted (CCD – Art. 5 (q) foresee the right of the consumer to be informed immediately and that the result of a database consultation carried out for the purposes of assessing his creditworthiness constitutes a part of the pre-contractual info);	*creditworthiness on the basis of sufficient information, where appropriate obtained from the consumer and, where necessary, on the basis of a consultation of the relevant database. Member States whose legislation requires creditors to assess the creditworthiness of consumers on the basis of a consultation of the relevant database may retain this requirement.* *2. Member States shall ensure that, if the parties agree to change the total amount of credit after the conclusion of the credit agreement, the creditor updates the financial information at his disposal concerning the consumer and assesses the consumer's creditworthiness before any significant increase in the total amount of credit.* *Member States shall ensure that:* *(a) the creditor only makes the credit available to the consumer where the result of the creditworthiness assessment indicates that the obligations resulting from the credit agreement are likely to be met in the manner required under that agreement;* *(b) in accordance with Article 10 of Directive 95/46/EC, the creditor informs the consumer in advance that a database is to be consulted;* *(c) where the credit application is rejected the creditor informs the consumer without delay of the rejection and, where applicable, that the decision is based on automated processing of data. Where the rejection is based on the result of the database consultation, the creditor shall inform the consumer of the*

Provisions	CCD	MCD	Suggested definition and/or suggestions for amendments
			result of such consultation and of the particulars of the database consulted" A new article on Disclosure and verification of consumer information could be inserted after Article 8, as follows: *"1. The assessment of creditworthiness referred shall be carried out on the basis of information on the consumer's income and expenses and other financial and economic circumstances which is necessary, sufficient and proportionate. The information shall be obtained by the creditor from relevant internal or external sources, including the consumer, and including information provided to the credit intermediary or appointed representative during the credit application process. The information shall be appropriately verified, including through reference to independently verifiable documentation when necessary.* *2. Member States shall ensure that credit intermediaries or appointed representatives accurately submit the necessary information obtained from the consumer to the relevant creditor to enable the creditworthiness assessment to be carried out.* *3. Member States shall ensure that creditors specify in a clear and straightforward way at the pre-contractual phase the necessary information and independently verifiable evidence that the consumer needs to provide and the timeframe within which the consumer needs to provide the information. Such request for information shall be proportionate*

Provisions	CCD	MCD	Suggested definition and/or suggestions for amendments
			and limited to what is necessary to conduct a proper creditworthiness assessment. Member States shall allow creditors to seek clarification of the information received in response to that request where necessary to enable the assessment of creditworthiness." In other words, amendments should take the following aspects into consideration: • Decision of whether to grant or not a loan should be dependant to a positive outcome of the CWA. • Creditors should be made liable in case of poor-quality assessment of the borrowers' creditworthiness • As per EBA Guidelines: consumer credit and mortgages are fundamentally different, therefore they should be assessed separately as require different treatments. • Points A.1-19 listed in Annex 2 EBA Guidelines should be added to Article 8 (i.e. Data for CWA)
Right of withdrawal	*Article 14* The consumer shall have a period of 14 calendar days in which to withdraw from the credit agreement without giving any reason. That period of withdrawal begins (a) from the day of the conclusion of the credit agreement, or (b) from the day on which the consumer receives	*Article 14* Article 14(6)(2) requires the Member States to provide consumers with sufficient time (at least 7 days) during which to compare offers, assess their implications and make an informed decision. Member States may establish this as a right of reflection before the offer becomes binding, a right of withdrawal after the	Article 14 CCD could remain unchanged. MCD provisions are not particularly helpful to address the issue faced by a Member State, with Article 14(1)b). MCD provisions are not particularly useful for any possible changes to Article 14 CCD'

Provisions	CCD	MCD	Suggested definition and/or suggestions for amendments
	the contractual terms and conditions and information. In the case of a linked credit agreement, funds cannot be made available to the consumer before the expiry of a specific period. Member States may exceptionally provide that the period referred may be reduced to this specific period at the explicit request of the consumer.	conclusion of the credit agreement, or a combination of the two. Member States can also opt (Article 14(6)(4)) to provide that consumers cannot accept the offer for a period not exceeding the first 10 days of the reflection period. Article 14(11) states that where a right of withdrawal exists, Member States shall ensure that the creditor/credit intermediary or appointed representative offers to provide the consumer with a copy of the draft credit agreement at the time of the provision of an offer binding on the creditor.	
Right of early repayment	*Article 16* 1.The consumer shall be entitled at any time to discharge fully or partially his obligations under a credit agreement. He should be entitled to a reduction of the total cost of the credit, such as reduction consisting of the interest and the cost for the remaining duration of the contract. 2. In the event of early repayment of the credit the creditor shall be entitled to fair and objectively justified compensation for possible costs directly linked to early repayment of credit provided that the early repayment falls within a period for which the borrowing rate is fixed. Such compensation may not exceed 1% of the amount of credit repaid early, if the period of time between	*Article 25* Article 25(1) establishes the consumer's right to discharge fully or partially his obligations under a credit agreement. In addition, the MCD states that the consumer shall be entitled to a reduction in the total cost of the credit. Unlike the CCD, the MCD states that the right of early repayment may be subject to certain conditions, which may include time limitations, a different treatment depending on the type of the borrowing rate or on the moment the consumer exercises the right, or restrictions with regard to the circumstances under which the right may be exercised. According to Art 25(3), the creditor is entitled to a fair and objectively justified compensation for possible costs directly	Article 16 CCD could remain unchanged. MCD provisions are not particularly useful for any possible changes to Article 16 CCD.

Provisions	CCD	MCD	Suggested definition and/or suggestions for amendments
	the early repayment and the agreed termination of the credit agreement exceed one year. If the period does not exceed one year, the compensation may not exceed 0,5% of the amount of credit repaid early. 3.Compensation for early repayment shall not be claimed: If the repayment has been made under an insurance contract intended to provide a credit repayment guarantee In the case of overdraft facilities If the repayment falls within a period for which the borrowing rate is not fixed 4. Member States may provide that: Such compensation may be claimed only on condition that the amount of the early repayment exceed the threshold defined by national law. That threshold shall not exceed EUR 10,000 within any period of 12 months. The creditor may exceptionally claim higher compensation if he can prove that the loss he suffered exceed the amount determined under paragraph 2. If the compensation claimed by the creditor exceeds the loss actually	linked to the early repayment but shall not impose a sanction on consumer. Unlike the CCD, MCD states that the compensation shall not exceed the financial loss of the creditor. Furthermore, Member State may provide that the compensation may not exceed a certain level or be allowed only for a certain period of time. Unlike the CCD, the MCD explicitly obliges the creditor to provide the consumer with the information necessary to discharge the obligations under a credit agreement prior to the expiry of the agreement. That information has to be provided without delay after the receipt of such request and shall at least quantify the implications for the consumer of discharging his obligations prior to the expiry of the credit agreement and clearly set out any assumptions used. Where the early repayment falls within a period for which the borrowing rate is fixed Member States may provide that the exercise of the right of early repayment is subject to the existence of a legitimate interest on the part of the consumer.	

Provisions	CCD	MCD	Suggested definition and/or suggestions for amendments
	suffered, the consumer may claim a corresponding reduction. In this case, the loss shall consist of the difference between the initially agreed interest rate and the interest rate at which the credit can lend out the amount repaid early on the market at the time of early repayment, and shall take into account the impact of early repayment on administrative costs. 5. Any compensation shall not exceed the amount of interest the consumer would have paid during the period between the early repayment and the agreed date of termination of the credit agreement.		
Bundling and tying practices	*Article 19* For the purpose of calculating the annual percentage rate of charge, the total cost of the credit to the consumer shall be determined, with the exception of any charges payable by the consumer for non-compliance with any of his commitments laid down in the credit agreement and charges other than the purchase price which, for purchases of goods or services, he is obliged to pay whether the transaction is effected in cash or on credit. *Annex II, para 3.*	*Article 12* Member States shall allow bundling practices but shall prohibit tying practices 3. Notwithstanding paragraph 1, Member States may allow tying practices when the creditor can demonstrate to its competent authority that the tied products or categories of product offered, on terms and conditions similar to each other, which are not made available separately, result in a clear benefit to the consumers taking due account of the availability and the prices of the relevant products offered on the market. 4. Member States may allow creditors to require the consumer to hold a relevant insurance policy related to the credit	Cross-selling in general has been pointed as a problematic practice in several Member States, either through the analysis conducted at national level or via reports from the European Banking Authority. Duplicating *verbatim* the MCD provision, Article 19 could be supplemented with an extra safeguard for consumers in case of product tying. A paragraph could cover situations where a non-essential product is tied to the loan, such as credit card that are not necessary and may lead consumers being tempted to use it and end up in a potential repayment difficulty, while another paragraph could address the specific case of insurance tied to a loan (which may benefit consumers).

Provisions	CCD	MCD	Suggested definition and/or suggestions for amendments
	Where is it compulsory to purchase an insurance policy in order to obtain the credit, this cost should be calculated in the APR	agreement. In such cases Member States shall ensure that the creditor accepts the insurance policy from a supplier different to his preferred supplier where such policy has a level of guarantee equivalent	Since the majority of EU Member States have not taken specific measures in that respect, an amendment of the Directive would help address the negative impact cross-selling practices may have on consumers.

In addition to the comparative exercise of discrepancies and overlaps between the MCD and the CCD, the analysis of the two instruments revealed that some relevant elements contained in the MCD but not appearing the CCD are worth being considered for a possible amendment.

Listed below, the said provisions concern mainly the literacy and educational skills of consumers on the one hand, and behavioural approaches that creditors could adopt to meet the needs of the former.

Table 11. Comparative table of aspects covered by the MCD not included in the CCD

Provisions	CCD	MCD	Brief assessment
Financial education	N/A	*Article 6* Member States shall promote **measures that support the education of consumers in relation to responsible borrowing and debt management**, in particular in relation to mortgage credit agreements. Clear and general information on the credit granting process is necessary in order to guide consumers, especially those who take out a mortgage credit for the first time. Information regarding the guidance that consumer organisations and national authorities may provide to consumers, is also necessary. The Commission shall publish an assessment of the financial education available to consumers in the Member States and identify examples of best practices which could be further developed in order to increase the financial awareness of consumers.	Although it is unlikely that a misinformed decision to contract a loan worth a few hundred euros leads to a dramatic outcomes, financial literacy is crucial to ensure the greatest protection of consumers. Imposing Member States to take measures in that respect, and encouraging exchange of good practices could only benefit consumers and the economy.
Knowledge and competence requirements for the staff	N/A	*Article 9* Member States shall ensure that creditors, credit intermediaries and appointed representatives require their **staff to possess and to keep up-to-date an appropriate level of knowledge and competence in relation to the manufacturing, the offering or granting of credit agreements**, the carrying out of credit intermediation activities set out in point 5 of Article 4 or the provision of advisory services. Where the conclusion of a credit agreement includes an ancillary service, appropriate knowledge and competence in relation to that ancillary service shall be required.	The research conducted at national level shows that some Member States have adopted similar measures in the area of consumer credit. This provision could therefore be duplicated in the CCD, at least for loans above a certain threshold. It would also link with and complete the above provision on financial education.
Arrears and foreclosure	N/A	*Article 28* Member States shall adopt measures to **encourage creditors to exercise reasonable forbearance before foreclosure** proceedings are initiated. Member States may require that, where the creditor is permitted to define and impose charges on the consumer arising from the default, those charges are no greater than is	Again, risks entailed varied greatly between a loan worth € 200 and a mortgage of hundred thousand euros. Nevertheless, measures taken by creditors should be in line with consumer protection; the measures contained in Article 28 MCD work toward a protection of

Provisions	CCD	MCD	Brief assessment
		necessary to compensate the creditor for costs it has incurred as a result of the default. Member States may allow creditors to impose **additional charges on the consumer in the event of default**. In that case **Member States shall place a cap** on those charges. Member States shall not prevent the parties to a credit agreement from expressly agreeing that return or transfer to the creditor of the security or proceeds from the sale of the security is sufficient to repay the credit. Where the price obtained for the immovable property affects the amount owed by the consumer Member States shall have procedures or measures to enable the best efforts price for the foreclosed immovable property to be obtained. Where after foreclosure proceedings outstanding debt remains, Member States shall ensure that measures to facilitate repayment in order to protect consumers are put in place.	borrowers and could be taken into consideration for smaller loans and therefore included in the CCD.
Responsible lending	N/A	*Article 7(1)* Member States shall require that when manufacturing credit products or granting, intermediating or providing advisory services on credit and, where appropriate, ancillary services to consumers or when executing a credit agreement, **the creditor, credit intermediary or appointed representative acts honestly, fairly, transparently and professionally, taking account of the rights and interests of the consumers**. In relation to the granting, intermediating or provision of advisory services on credit and, where appropriate, of ancillary services the activities shall be based on information about the consumer's circumstances and any specific requirement made known by a consumer and on reasonable assumptions about risks to the consumer's situation over the term of the credit agreement.	This provision aims at achieving 'good conduct' of credit businesses, and contributes more generally to an ethic credit market. It should be included in the CCD and could be part of the above suggested provision on knowledge and competence requirements for the staff
Sales incentives	N/A	*Article 7* *3. Member States shall ensure that, when establishing and applying remuneration policies for staff responsible for the assessment of creditworthiness, creditors comply with the following principles in a way and to the extent that is appropriate to their size, internal* *b)the remuneration policy is in line with the business strategy, objectives, values and long-term interests of the creditor, and incorporates measures to avoid conflicts of interest, in particular by providing that remuneration is*	Introduce an Article on remuneration schemes for creditors and credit intermediaries. The remuneration should not incentivise creditors and distributors to focus on volume-based sales to the detriment of consumers.

Provisions	CCD	MCD	Brief assessment
		not contingent on the number or proportion of applications accepted. *4. Member States shall ensure that where creditors, credit intermediaries or appointed representatives provide advisory services the remuneration structure of the staff involved does not prejudice their ability to act in the consumer's best interest and in particular is not contingent on sales targets. In order to achieve that goal, Member States may in addition ban commissions paid by the creditor to the credit intermediary.*	
Advisory services	N/A	*Article 22*. Member States shall ensure that the creditor, credit intermediary or appointed representative **explicitly informs the consumer, in the context of a given transaction, whether advisory services are being or can be provided to the consumer**.	In view of the rising levels of indebtedness, this could be a relevant addition to the CCD.

A7.1.2. The CCD and the General Data Protection Regulation

Regulation 2016/679/EU (GDPR) aims at modernizing the regulatory framework concerning the processing of personal data. One of its objectives was to ensure that data subjects had better control of their personal data, notably by modernising the rules on consent., , Since the GDPR applies horizontally, it impacts the way the CCD is being implemented when personal data is processed. More precisely, it impacts the way the CWA is conducted in practice. Specifically, the CWA must be carried out in full compliance with the GDPR,[730] including the following aspects:

Maintenance of credit databases

Article 9 CCD makes databases' access conditional to the respect of the legislation on protection of personal data. However, since the CCD does not specify the categories of data that should be used for CWA purposes, the respective national credit databases are populated with data categories that vary one from the other.

Some databases are publicly run (usually by supervisory bodies) and/or combine public and privately management (involving in this case data protection authorities)[731]. The content and category of personal data contained in these databases vary across EU countries indeed. While France uses such database to flag negative data solely, most Member States have chosen to present both positive and negative data.

Broadly, the type of data used and contained in national databases can be classified into three groups:

- A first group comprising Member States which do not specify the category of personal data that need to be checked, and leaves it, instead, up to creditors to check the information they consider necessary[732]. In case of dispute, the creditor will have to demonstrate that they have checked the right type of data.

[730] Article 9(4) CCD

[731] BE; ES; FR; HU; IE; IT; LT; MT; PT; RO and SI

[732] AT, CZ, DE, DK, MT

- A second set of jurisdictions has established a list of specific data to scrutinise[733], including: income, debts and – in certain cases – assets of the consumer/household. In some Member States, it is also compulsory for creditors to check the correctness of the information provided by the consumer and the existence of any potential payment default history[734].
- The third group consists of Member States that have stricter policies in place, involving the set-up and use of formulas that calculate and define whether a consumer is close to indebtedness[735].

Restriction of automated individual decision-making and profiling

Automated individual decision-making defines an outcome resulting from automated means without human involvement. Article 4(4) GDPR further specifies that *'any form of automated processing of personal data consisting of the use of personal data to evaluate certain personal aspects relating to a natural person, in particular to analyse or predict aspects concerning that natural person's performance at work, economic situation, health, personal preferences, interests, reliability, behaviour, location or movements*'' corresponds to profiling. On that basis, the **online decision** to award or, on the contrary, to **deny a loan** to a consumer falls within this definition. According to Article 22 GDPR, fully automated individual decision-making, including profiling that has a legal or similarly significant affect, is prohibited[736]. This interpretation corroborates the spirit of the GDPR whereby data subjects should have control over their personal data. While these mechanisms allow for faster and impartial assessments indeed, they can also present serious risks from a fundamental rights perspective, in so far as lack of transparency and understanding for the consumers are concerned.

To overcome any abuse, Article 22(1) GDPR **provides the data subject with the possibility, under certain conditions, to object to the use of solely automated decisions as soon as these may have legal or similarly significant effect** on individuals. According to this provision, ''*the data subject shall have the right not to be subject to a decision based solely on automated processing, including profiling, which produces legal effects concerning him or her or similarly significantly affects him or her*''. Is to be understood as 'solely automated', any decision made without human intervention. While the terms 'legal effect' and 'similarly significant affects' are not further defined in the GDPR, the understanding of the latter, as a decision-making process which does not have an effect on people's legal rights, implies that even where there is no change in their legal rights or obligations, the data subject (here, the consumer) can still be impacted sufficiently to require protections under this provision. Recital 71 GDPR, in fact, refers to this exact same scenario; that of an 'automatic refusal of an online credit application'. It seems reasonable to assume that a CWA assessment leading to a negative outcome (*i.e.* online credit application refusal) can be assimilated to such 'similarly significantly affects' that unfavourably impacts a consumer's legal rights. On that basis, and as acknowledged by the European Commission; 'where a bank automates its decisions of whether or not to grant a loan to a certain individual, that

[733] BE, CY, EE, ES, FI, FR, HR, HU, IE, IT, LT, LU, LV, NL, PL, PT, RO, SI, SE, SK, UK.

[734] European Commission Mapping of national approaches in relation to creditworthiness assessment under Directive 2008/48/EC: https://ec.europa.eu/info/sites/info/files/mapping_national_approaches_creditworthiness_assessment.pdf

[735] BE, HU, LT, LV, NL, PT, RO, SK.

[736] European Data Protection Board Guidelines for GDPR compliance, Chapter IV, pp.19: file:///C:/Users/50137/Downloads/wp251rev01_enpdf.pdf

individual should be informed of the automated decision and **given the opportunity to contest the decision** and **request human intervention'.**[737]

Finally, Article 22 provides some exceptions to the restricted use of solely automated decision-making, and establishes three occasions for which such decision-making with may be used:

- if necessary, for entering into or performance of a contract between an organisation and the individual or;
- if authorised by law (for example, for the purposes of fraud or tax evasion); or
- if based on the individual's explicit consent.

. Lenders, whether banks or credit institutions, may indeed lawfully process personal data if i)'necessary for the performance of a contract to which the data subject is party or in order to take steps at the request of the data subject prior to entering into a contract' (Article 6(1)b) GDPR) or even ii)'if processing is necessary in order to protect the vital interests of the data subject or of another natural person' (Article 6(1)d) GDPR).

This must nevertheless occur with due regard to the safeguards set forth in Article 22(3), including the obligation for the data controller to implement suitable measures to safeguard the data subject's rights and freedoms and legitimate interests, at least the right to obtain human intervention on the part of the controller, to express his or her point of view and to contest the decision. Finally, decisions resulting from one of the three above exemptions shall not be based on special categories of personal data referred to in Article 9(1) GDPR, *i.e.* data revealing racial/ethnic origin, political opinions, membership to trade unions, religious beliefs, genetic/biometric data, data concerning health or a natural person's sex life or sexual orientation[738].

The right to erasure

Understood as the right to be forgotten, this data subject right is established by Article 17 GDPR and allows, under certain circumstances, individuals to request data controller to **erase their personal data**, in particular if the latter are no longer needed to fulfil the **initial processing purpose**. This right is nevertheless limited, and companies are not obliged to comply with Article 17 provided:

- the processing is necessary to respect the freedom of expression and information;
- you have to keep the personal data to comply with a legal obligation;
- there are other reasons of public interest to store the personal data, such as public health or scientific and historical research purposes;
- you need to store the personal data to establish a legal claim.

It could be argued that for reasons of practicality, such as allowing to assess faster a potential new loan application from the same consumer, and to protect consumers from possible indebtedness, such data are **worth being retained**. However, in order to ensure a GDPR compliant CCD, and to reflect some court rulings that have, at national level, emphasised the need for files to be deleted when causing distress or damage to a consumer, the **right contained in Article 17** could very well **translate in the CCD**, potentially in the form of an **explicit consent from the consumer**, or - failing that - in the form of **pseudonymisation** and/or other security techniques to ensure the greatest level of data protection. While the Evaluation conducted in 2019 showed that the implementation of the CCD provisions at national level were generally coherent and

[737] European Commission, DG Justice publication, 'The GDPR: new opportunities, new obligations', (2018), available at: https://ec.europa.eu/info/sites/info/files/data-protection-factsheet-sme-obligations_en.pdf

[738] Except if the data subject has given explicit consent to the processing of those personal data for one or more specified purposes, except where Union or Member State law provide that the prohibition referred to in paragraph 1 may not be lifted by the data subject (Article 9(2)a) GDPR).

compatible with data protection legislation, notably the General Data Protection Regulation (GDPR), the above-described specificities could be further describes and guaranteed in a revised version of the CCD.

Suggested revisions: amendment of Article 8 CCD, so as to reflect provisions contained in Articles 9, 17 and 22 GDPR.

A7.1.3. The CCD and the Consumer Rights Directive

The CRD (Directive 2011/83/EC), when laying down the provision on the pre-contractual information, differentiates between the information to be provided in non-distance contracts (chapter II) and distance and off-premises contracts (chapter III).

Similarly to CCD, Article 5 CRD states that before a contract bounds the consumer, the trader needs to provide the consumer with the following information in a clear and comprehensible manner, while also specifying that such information is needed if is not already apparent from the context.

Both Directives foresee a right of withdrawal within a period of 14 days.

Nevertheless, Article 10 CRD, specifically provides that if the trader has not provided the consumer with the information on the right of withdrawal as required by the pre-contractual information requirements, the **withdrawal period expires 12 months** from the **end of the initial** withdrawal **period**. The **CCD does not envisage such possibility.**

Moreover, while Article 11 CRD provides a far more detailed procedure to exercise the right of withdrawal than Article 14 CCD, which only states that the consumer should notify the withdrawal by means which can be proven following national law before the expiration of the deadline.

Finally, while the CRD establishes that i) the **burden of proof** of complying with the information requirements for distance and off-premises contracts shall be on the trader,[739] and ii)that of exercising the right of withdrawal shall be on the consumer, the CCD does not have any provisions on the burden of proof.

A7.1.4. The CCD and the Directive on Distance Marketing of Consumer Financial Services (DMFSD)

Article 3 of Directive 2002/65/EC (DMFSD) lays down a very detailed set of information that the seller must provide to the consumer before the conclusion of a distance contract. Article 3(1)(4) DMFSD does include the **obligation to provide pre-contractual information on redress**. As per the terms of the CCD, such an obligation is only provided at contractual stage, as part of the credit agreement (Article 10 CCD), unless related to distance marketing of financial services where the SECCI requires to provide pre-contractual information on redress.

However, while Article 5(6) CCD provides that consumers should get an explanation of the pre-contractual information adapted to circumstances of the situation of credit agreement, the person to whom it is offered and the type of credit, while the DMFSD does not envisage such information.

Both instruments provide, respectively in Article 14 CCD and Article 6 DMFSD, the conditions to exercise the **right of withdrawal**. While fairly in line with each other, the DMFSD grants a **higher level of protection for consumers** by establishing that the supplier may not require the consumer to pay any amount unless they can prove that the consumer was duly informed.

[739] Article 6(9) CRD

Despite these slight differences, no major discrepancies have so far been observed between the CCD and the DMFSD.

A7.1.5. The CCD and the e-commerce Directive

When assessing the coherence between the CCD and the e-commerce Directive (ECD), Articles 5, 6 and 10 of the latter appear relevant.

Article 5 of ECD regulates the provision of information on the identity, geographical address and all details of the service provider (similarly to CCD), information on public registers and supervisory authorities, information on requirements for regulated professions and information on prices (including taxes and costs). Article 5 does not specify when the information should be provided.

Article 10 regulates the Contracts concluded by **electronic means**. Article 10(1) of ECD requires the service provider to give the following information prior to the order being placed: steps to conclude the contract, whether the contract will be filed, means to correct errors prior to placing the order, languages for the conclusion of the contract; Article 10(3) of ECD provides that the contract terms and general conditions must be made available in a way that allows the recipient to store and reproduce them.

As online platforms are increasingly playing a key role in our societies and the current rules for digital services have remained unchanged since the adoption of the e-Commerce Directive in 2000, the European Commission has recently launched the Digital Service Act package. The Digital Service Act aims at revising the internal market rules for digital services and replace the e-Commerce Directive. Nonetheless, the substance of the obligations contained in Article 5, 6 and 10 of the e-Commerce Directive are expected to remain unaltered. The obligations on disclosure related to online advertising – contained in Article 6 – will nevertheless be extended in scope and rigour to cover all online advertising and not just commercial communications.

A7.1.6. The CCD and the Unfair Contract Terms Directive (UCTD)

As confirmed by the ECJ, rules contained in the UCTD should apply to all contracts concluded between sellers or suppliers and consumers, *i.e.* in all sectors of economic activity.[740] On that basis, the provisions set forth in the **UCTD are to be applied in conjunction** with other sectoral measures and/or laws framing specific types of contracts such as consumer credits. It is therefore of the utmost importance for both instruments to be aligned and to offer a coherent degree of protection to consumers. However, several disputes have pointed out, at both EU and national levels, the existence of a certain **fragmentation between the two Directives**.

Non-interest expenses, which consist of fixed operating costs of a bank, are a recurrent illustration of inconsistency between the two Directives. While the expenses are foreseen by the UTCD, the CCD does not cover those. It is only very recently that the ECJ helped shedding light on this inconsistency. A first famous court ruling rendered in 2018 highlighted the need for further harmonisation in that sense[741]. The **Mikrokasa case** illustrated indeed the potential conflict between two divergent rules on whether **fees relating to the functioning of the bank shall be included or not** in the total cost of a credit. In the present case, a consumer was claiming the reimbursement of non-interests credit costs which had been included in the total cost of its credit, an element not covered by the CCD (Article 3) while, as per the provision of the UCTD, the inclusion

[740] C-290-16 Air Berlin, paragraph 44.

[741] C-779-18 Mikrokasa i Revenue Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty w Warszawie

of this lumpsum in the total costs could be justified. The more recent **Lexitor** case[742] also contributed to clarifying this aspect, by concluding that 'where a consumer has made an early repayment, the reduction to which that consumer is entitled may concern **costs for which the amount does not depend on the duration of the credit agreement**. However, a Member State cannot limit — and a national court cannot interpret its national legislation — this reduction simply to the amount of expenses saved by the credit institution as a result of the early repayment.

As of today, the research conducted at Member State level as part of this study shows that the lack of harmonisation between the CCD and the UCTD remains problematic and may lead to misinterpretation and disputes, and suggests that the spirit of the second one gets reflected in the CCD, should a revision occur. In particular, Articles 1(2), 6(1) and 7(1) UCTD could in that regard better align with Article 3g), 10(1) and 22(1) CCD, including the outcome of the recent caselaw mentioned above

A7.1.7. European Banking Authority Guidelines on loan origination and monitoring

The evolution of the credit market has led to having, nowadays, more than one type of credit providers. On the one hand, societal and economic changes have pathed the way to the emergence of new business models (such as peer-to-peer lending), while, on the other, digitalisation had led to a widespread distribution of credits online.

To avoid risk of competition distortion vis-a-vis alternative providers that are entering the credit market, the EBA calls for more flexible requirements for the provision of lending to the financial sector. Guidelines form the EBA are therefore being taken into account, to the extent possible, in the suggestions made throughout this report.

More specifically, Annex 2 of the EBA Guidelines is particularly relevant as it provides a set of information, data items and evidence to be collected for the creditworthiness assessment. It also specifies which institutions and creditors can consider the use of specific information, data and evidence. Annex 2 of said guidelines should be taken into consideration and observed.**A7.1.9. European Electronic Communication Code**

Directive 2018/1972 amended and integrated the four directives that constitute the EU regulatory framework for the electronic communications sector (i.e. the Framework Directive, the Authorisation Directive, the Access Directive and the Universal Services Directive) into a single new legal text. The aim of the European Electronic Communication Code (EECC) is to foster competition, attract investments as well as strengthen the internal market and consumer protection.

In terms of consumer protection, the Code ensures that all citizens can benefit of affordable communication services, including adequate broadband internet access (Article 84) capable of delivering the bandwidth necessary for supporting online banking (Article 84(2) and Annex V). It also requires telecom operators to offer equivalent access to communication services to consumers with disabilities (Article 111). Other articles deemed relevant in the context of a comparative analysis between the CCD and the EECC include:

- According to Article 107(1), if a **bundle of services** exists, certain provisions applying to the original contract (e.g. contract duration and termination (Art.105), and transparency (Art.103(1))) should also apply to all elements of the bundle. A bundled offer should be considered to exists "where the elements

[742] Case C-383/18, Lexitor Sp. z o.o v. Spółdzielcza Kasa Oszczędnościowo — Kredytowa im. Franciszka Stefczyka z siedzibą w Gdyni, Santander Consumer Bank S.A. z siedzibą we Wrocławiu, mBank S.A. z siedzibą w Warszawie

of the bundle are provided or sold by the same provider under the same or a closely related or linked contract" (recitals 283). Article 107 also provides that the "consumer has the right to terminate the contract with respect to all elements of the bundle" and that "[a]ny subscription to additional services […] shall not extend the original duration of the contract to which such services or terminal equipment are added, unless the consumer expressively agrees otherwise".

- Article 40 provides that Member States shall ensure that providers of electronic communications network or of publicly available electronic communications services take appropriate and proportionate technical and organisational measures to appropriately **manage the risks** posed to the security of networks and services. Furthermore, in case of a security incident, electronic communication providers are required to notify without undue delay the competent authority.
- Article 69 provides that "national regulatory authorities may impose **obligation of transparency**". Moreover, these authorities may require that an undertaking with obligations of non-discrimination "to publish a reference offer, which shall be sufficiently unbundled to ensure that undertakings are not requires to pay for facilities which are not necessary for the service requested".
- Article 70 imposes **obligations of non-discrimination** that "shall ensure that the undertaking applies equivalent conditions in equivalent circumstances to other providers of equivalent services, and provides services and information to others under the same conditions and the same quality as it provides for its own services, or those of its subsidiaries or partners. National regulatory authorities may impose on that undertaking obligations to supply access products and services to all undertakings, including to itself, on the same timescales, terms and conditions, including those relating to price and service levels, and by means of the same systems and processes, in order to ensure equivalence of access."
- According to Article 74, national regulatory authorities may impose **obligations in relation to "cost recovery** and price control, including obligations for cost orientation of prices and obligations concerning cost-accounting systems [..] in situations where market analysis indicated that a lack of effective competition means that the undertaking concerned may sustain prices at an excessing high level, or may apply a price squeeze, to the detriment of end-users."
- Article 99 provides that electronic communication provides "shall **not apply any different requirements** or general conditions of access to, or use of, network or services to end-users, for reasons related to the end user's nationality, place of residence or place of establishment".
- Article 100 provides that "national measures regarding end-users' access to, or use of, services and applications through electronic communications networks shall respect the Charter of Fundamental Rights of the Union and general principles of Union law."

A7.1.8. Considerations on green loans emerging from the EU-level analysis

Green loans are economic tools made available to encourage the purchase of sustainable products by facilitating the purchasing schemes (e.g. through lower interest rates).[743] Their aim is to incentivise consumers in making greener investments and purchases. This type of loan is increasingly gaining traction among credit providers and intermediaries. For instance, BNP Paribas Personal Finance in France offers a low-interest rate credit for the purchase of a green car.[744] Similarly, AlfamGreenLoans in the

[743] European Commission, 2012, https://ec.europa.eu/environment/eussd/pdf/report_22082012.pdf

[744] Eurofinas, Green Credit, http://www.eurofinas.org/index.php?page=green-credit-initiatives

Netherlands proposes "GreenLoans-lending" with a fixed interest rate in order to purchase solar panels, solar water heaters and heat pumps.[745]

The rise of green loans led to the development of voluntary frameworks and initiatives for the loan markets. In March 2018, the Loan Market Association, in conjunction with the Asia Pacific Loan Market Association and the Loan Syndication and Trading Association, launched the "Green Loan Principle". These principles are non-binding guidelines developed to support banks and financial institutions in identifying which loans can be considered "green".[746] Furthermore, the EU-funded initiative on "Energy Efficient Mortgages" aims to encourage building owners to improve buildings' energy efficiency or purchase an already energy efficient estate. [747]

A revision of the CCD could consider these recent developments, taking place in both the loan and mortgage markets. It is expected that non-legal frameworks already in place may soon be overtaken by regulatory measures. Hence, an amendment of the CCD in line with those recent changes could prevent the fragmentation of legislations on green loans across Member States. A potential revision should however also ensure a high level of protection of borrowers investing in green purchases. Finally, the introduction of green loans with lower interest rates could significantly boost competition.

A7.1.9. Payment Accounts Directive

The EU Payment Account Directive (2014/92/EU) gives consumers in the European Union the right to open basic payment account anywhere in the EU regardless of their financial situation. It aims to tackle three main issues, namely **access to basic payment** accounts, **transparency and comparability** of payment account fees, and **bank account switching**. In view of a revision of the CCD, the Payment Accounts Directive's pillar on information and transparency rules are deemed particularly relevant.

This Directive, indeed, aims at **making banks' offers more transparent and clearer on fees**. To this end, the Directive provides for several tools aimed at making fees clearer for consumers. For instance, Article 4 introduces the **'Fee Information Document'** (FID) that consists in a standardised document containing a short summary of the fees related to the most relevant services (e.g. money transfer). Furthermore, consumers will also receive – annually and free of charge - a **'Statement of Fees'**, namely an information document where banks list in detail all the expenses incurrent by the customer and the information regarding the interest rate for services linked to a bank account (Article 5). Finally, each Member State must set an independent website comparing all payment account fees charged by different banks (Article 7).

A7.1.10. The Omnibus Directive

European Commission's Enforcement and Modernisation Directive (EU) 2019/2161, better known as the "Omnibus Directive", is part of the European Commission's initiative for a 'New Deal for Consumers', which sought to modernise EU consumer law and strengthen its enforcement in view of the increasing digitalisation of consumer marketplace.

The Omnibus Directive amends the Unfair Commercial Practices Directive (2005/29/EC), the Consumer Rights Directive (2011/83/EU), the Unfair Contract Terms Directive (93/13/EEC) and the Price Indications Directive (98/6/EU), on a series of consumers

[745] Eurofinas, Green Loans, http://www.eurofinas.org/index.php?page=green-loans

[746] Loan Market Association, Green Loan Principles, https://www.lma.eu.com/application/files/9115/4452/5458/741_LM_Green_Loan_Principles_Booklet_V8.pdf

[747] Energy efficient Mortgages Action Plan, https://eemap.energyefficientmortgages.eu/services/

issues. It introduces five significant changes, including **penalties for infringements** which could be relevant in the context of a revision of the CCD.

According to Article 1(4), Member States are required to impose penalties, including **fines of at least 4 % of the seller's or supplier's annual turnover.** For cases where a fine is imposed, but information on the seller's or supplier's annual turnover is not available, Member States shall introduce the possibility to impose fines, the maximum amount of which shall be at least EUR 2 million (Article 1(5)). These new provisions will certainly, once implemented, impact both the enforcement and ensuing fines presented in Table 12 below.

A7.1.11. The European Crowdfunding Service Providers for Business Regulation

The European Crowdfunding Service Providers (ECSP) for Business Regulation 2020/1503 is part of the European Commission's Fintech Action Plan. This Regulation provides a single set of rules on crowdfunding services intended to ensure the smooth functioning of crowdfunding services in the internal market. Furthermore, it improves access to findings, which usually take the form of a loan (peer-to-peer lending) or equity.

The Crowdfunding regulation covers lending-based crowdfunding and investment-based crowdfunding up to EUR 5 000 000 (Article 1(2)(c)). Although peer-to-peer (P2P) consumer lending is not covered by the Regulation (Article 1(2)(a)), certain aspects could nevertheless be relevant and inspiring in view of a revision of the Consumer Credit Directive.

To increase the trust of investors and provide legal certainty, this Regulation sets out a common set of rules protecting investors. The latter would be provided with a key investment information sheet (KIIS) drawn up by the project owner for each crowdfunding offer or at platform level (Article 23). Crowdfunding service providers are required to provide investors with clear information about the financial risks and charges they may incur, including insolvency risks and project selection criteria.

A7.2 Legal analysis at Member State level

The following subsections present an overview of the enforcement of the CCD in the Member States. More specifically, it provides an overview of all national authorities responsible for the enforcement of the CCD in the Member States, briefly describe their mission and powers and further summarises key issues encountered by these bodies.

A7.2.1. Overview of national enforcement authorities and sanctions available per Member State

Vast differences in the level of enforcement and sanctions are evident across the EU. Based on the information collected at national level from both the literature review and national experts' input, it appears that the level of enforcement of the Directive, as well as specific sanctions differ from one Member State to the other.

The correct application of the CCD and the protection of consumers from creditor misconduct is ensured by a variety of authorities. In most Member States, the enforcement authority is either the financial supervisory authority, the consumer protection body or the national bank. Often, enforcement is ensured by the simultaneous involvement of these authorities. The missions and powers assigned to these authorities vary from one Member State to the next. Generally, these authorities can impose fines and take legal action against natural or legal persons infringing the CCD.

Rules on the sanctions that are applicable in cases of non-compliance and infringements of the national laws transposing the CCD are necessary to ensure its enforcement. However, the Directive does not harmonise the rules on penalties applicable. The choice of sanctions remains at the discretion of Member States that are required to lay down the rules on effective, proportionate and dissuasive sanctions (Article 23). Therefore, significant differences in sanctions are evident across the EU.

Member States apply two different forms of penalties: civil and administrative sanctions; or criminal. While all Member States apply administrative sanctions, some also implement other measures to uphold the law. In other words, administrative sanctions are the norm, while criminal penalties and - to a very limited extent, imprisonment - are foreseen by a few Member States.[748]

Administrative sanctions exist in all Member States, usually taking the form of monetary fines. Different fines apply for breaches of the various provisions of the CCD, with higher fines for breaches of the advertising provisions for example. In most Member States, different fines are applicable for natural persons and legal persons, with higher fines typically applying to legal persons. The range of monetary fines for both natural and legal persons is very broad, ranging from EUR 26 (BE) to EUR 5,000,000 (NL, SE). The latter are the exception in terms of imposing fines of this scale, with the fines in most Member States not exceeding EUR 1 million. The second highest fines are imposed by Greece, where legal persons may have to pay up to EUR 1 million for serious infringements. In some Member States, the fines imposed on creditors are linked to their annual turnover. Lithuania, Cyprus and Hungary state that a fine cannot exceed 5% of the creditor’s annual income, while in Italy it is limited to 10%. In Greece, for example, fines for infringements were imposed twice so far, first in 2011, when a fine of EUR 20,000 was imposed on a creditor that had failed to include the standard information required in advertising, and second in 2013, when a bank was fined EUR 150,000 for failing to observe the information obligations in respect of overdraft credit agreements.

Member States can also take material measures to ensure the enforcement of the CCD. Examples of such measures are the temporary suspension of creditors in the case of repeated offences,[749] or the complete suspension of business activities of the creditor in

[748] AT, BE, DK, FI, FR, HU, IE, LV, LU, NL, PL, SE, UK.

[749] BE, EL, ES, HU.

serious cases.[750] Other measures include the annulment of contracts that are not compliant with the CCD (BE), reimbursement of consumers for amounts that were wrongly collected (IT), loss of the right to interest for the creditor (FR) or the suspension of advertising campaigns (RO), among others.

In Austria, Belgium, Denmark, Finland, France, Hungary, Ireland, Latvia, Luxembourg, the Netherlands, Poland, Slovenia and the UK, criminal penalties apply to breaches of the national transposition of the CCD. These range from monetary fines to imprisonment sentences of eight days to five years (LU, HU) and to other sanctions, such as community service (LV).

The table below provides an overview of the applicable sanctions in each Member State in case of infringement of the national provisions transposing the CCD. It includes civil and administrative sanctions as well as criminal penalties.

[750] BE, FI, IT, DK.

Table 12. Enforcement authorities in Member States and existing sanctions per jurisdictions

Member State	Enforcement authority	Role	Types of sanctions
Austria	Financial Market Authority	Supervision and regulation of credit institutions that offer consumer credit Regulation, authorisation and monitor of participants and products in Austria's financial markets Investigative and sanctioning powers	Up to EUR 10,000
	Austrian Economic Chamber, the Federal Chamber of Labour, the Council of Austrian Chambers of Agricultural Labour, the Presidential Conference of Austrian Chambers of Agriculture, the Austrian Trade Union Federation, the Consumer Information Association and the Austrian Council of Senior Citizens	injunction relief (section 28a Konsumentenschutzgesetz, KSchG; Consumer Protection Code) "Austrian class action" in accordance with section 227 Austrian Civil Procedure Act (Zivilprozessordnung, ZPO): Under this model harmed consumers may assign their claims to the Consumer Information Association (VKI) which then takes legal action on behalf of the consumers	
Belgium	Directorate General Economic Inspection of the Federal Public Service Economy	Compliance of creditors with the rules on consumer credit concerning the rights of consumers and obligations of creditors Enforcement of rules in the private law relationship between credit providing businesses and consumers	EUR26 - 100,000 at the highest level Prison sentence and removal of licence
	Financial Services and Market Authority	Supervision and regulation of access to the professional activity of credit providers and intermediaries in the area of consumer credits	
Bulgaria	Consumer Protection Commission	Inspection on the implementation of and compliance with the Consumer Credit Act.	EUR 350 – 1000 for individuals (EUR 750 – 2000 repeated violation) and EUR 1500 – 4000 for legal persons (EUR 2500 – 7500 repeated violation) for infringement of the requirements on: pre-contractual information; contractual information; credit-

Member State	Enforcement authority	Role	Types of sanctions
			worthiness assessment, calculation of the annual percentage rate of charge, advertising of consumer credits; the right of withdrawal and the prohibition of the creditor to collect from the consumer any other compensation than the non-returnable charges paid by the creditor to any public administrative body; the application of the Consumer Credit Act to any mediation contracts for the provision of a credit; EUR 1000 - 2500 for individuals (EUR 2000 – 5000 repeated violation) and EUR 2500 – 5000 for legal persons for legal persons (EUR 4000 – 7500 repeated violation) for infringement of the requirements on: the right of the consumer to early repayment; the credit intermediary notifying the consumer of the costs of his services and the remuneration payable by the consumer to calculate the annual percentage rate of charge; the obligations of the creditors to provide to control authorities access to premises and documents. EUR 500 – 1000 for individuals (EUR 1000 – 2000 repeated violation) and EUR 750 – 1500 for legal persons (EUR 1500 –

Member State	Enforcement authority	Role	Types of sanctions
			3000 repeated violation) for violation of the obligation of creditors to put in place internal procedures for consumer complaints and to conform to an order of the Chairman of the Consumer Protection Commission to terminate a practice not complying with the Consumer Credit Act
Croatia	Croatian National Bank	Enforcement authority depending on the type of the creditor, on which authority issued the authorisation for carrying out consumer credit activity and on the type of enforcement activity Supervision authority depending on the creditor and on who issued an authorisation to a particular order	EUR 11,000 - 27,000 for legal persons EUR 1,300 - 6,700 for natural persons within the legal persons 3% of total income of the credit institution EUR 500 - 2,600 for the management or supervisory board member responsible
	Croatian Financial Services Supervisory Authority	Enforcement authority depending on the type of the creditor, on which authority issued the authorisation for carrying out consumer credit activity and on the type of enforcement activity Supervision authority depending on the creditor and on who issued an authorisation to a particular order	
	State Inspectorate (Državni inspektorat)	Enforcement authority depending on the type of the creditor, on which authority issued the authorisation for carrying out consumer credit activity and on the type of enforcement activity Inspection authority	
Cyprus	Consumer Protection Service	Enforcement of the rules on consumer credit and imposition of administrative fines	Up to 5% of the turnover of the offender which will not exceed EUR 500,000
Czech Republic	Czech National Bank (CNB)	The CNB supervises compliance with the duties laid down in the Consumer Credit Act. Its role is twofold: it grants a license to provide consumer credits and exercising supervision over entities to whom has been granted this license. It has the authority to impose fines in the cases of unauthorized	From EUR 200,000 - 800,000 Private law penalties, from the invalidity of the contractual clauses on the price of credit to invalidity of a contract as a whole

Member State	Enforcement authority	Role	Types of sanctions
		provision of the credit agreement or in the case of other breaches of duties laid down in the Consumer Credit Act. It also has an authority to impose a remedial measure to bring the activity of person authorized to provide consumer credit into compliance with the law or it may revoke the authorization to operate as a Non-Bank Consumer Credit Provider, an Independent Intermediary, a Tied Agent or as a Tied Consumer Credit Intermediary for the represented.	An administrative fine may be imposed by CNB in amount from EUR 200.000 – 800.000. CNB also has an authority to impose a remedial measure to bring the activity of person authorized to provide consumer credit into compliance with the law. CNB may also revoke the authorization to provide consumer credit. Private law penalties does not impose CNB, but Financial Arbitrator. FA decides disputes arising from the relationship between the credit provider and consumer (client). It may decide disputes concerning validity of the contract itself, amount of the APR, and validity of withdrawal from the contract and more.
	Financial Arbitrator (out-of-court decision-making public authority)	The Financial Arbitrator is an out-of-court decision-making public authority constituted by law and competent to decide specific, particularly consumer disputes on the financial market; the Financial Arbitrator is neither a mediator nor arbitrator (in a common sense of the word). The Financial Arbitrator is competent to decide disputes between the financial institutions and their clients.	
Denmark	Danish Consumer Ombudsman	Danish Consumerombudsman has the general authority to control compliance with the CCD and the Consumer Credit Act by issuing guidelines, conduct surveys and handle complaints from consumers and consumer organisations. There is no regular active inspection, but certain topics are chosen and general surveys made to identify issues that may result in updated guidelines or more thorough inspection of individual business practise. The Consumer Ombudsman issues annual reports summarising its activities and special target areas The Consumer Ombudsman may in specific areas, such as unsolicited electronic marketing towards persons propose administrative fines and – if accepted by the business – thereby close the violation case.	Administrative fine (amount not specified) and potential revocation of the right to do business linked to credit agreements Criminal penalties in case of not payment of the administrative fine

Member State	Enforcement authority	Role	Types of sanctions
		That is not possible in respect of the CCD. Instead the Consumerombudsman must repost the issue to the police and state prosecution must decide whether or not to bring criminal charges against the business in question. Ultimately the criminal court will decide whether or not there is a criminal violation and what the fine – or prison sentence – should be.	
	Danish Financial Supervisory Authority (DFSA)	DFSA enforces compliance with the Financial Business Act. To the extent that consumer credit is offered by financial institutions such as banks and there is a general violation of good conduct rules or lack of guidelines the DFSA may sanction such violation, however fines are subject to ordinary criminal process at the law courts. Where the business is subject to a license from the DFSA the ultimate sanction is the revocation of the license.	
	Danish law courts	Possible criminal charges, generally fines but in severe cases such as consistent, repeated or systematic violation also prison sentence. Criminal sanctions are subject to ordinary criminal process at the law courts where the court decides whether or not there is a criminal violation and what the fine – or prison sentence – should be.	
Estonia	Financial Supervision Authority (Mediation and arbitration venue)	Control functions (in the form of prudential supervision, market and services supervision) Advisory and informative function.	Up to EUR 9,600 (certain infringements) and up to EUR 32,000 (responsible lending infringement)
	Consumer Protection and Technical Supervision Board (Mediation and arbitration venue)		
Finland	Consumer Ombudsperson	Right to conduct an inspection on the premises of an undertaking, if such an inspection is necessary in order to investigate or terminate an intra-Community infringement referred to in Regulation (EC) No. 2006/2004 Obligation to negotiate in situations where an illegal behaviour is noticed and may take any coercive measures required in the case or refer the matter to be heard by a court of law.	Fine (amount not specified) or imprisonment for up to one year Restriction of the functioning of creditors and cancellation of their licence

Member State	Enforcement authority	Role	Types of sanctions
		May assist or order a subordinate official to assist a consumer in managing an individual matter if such a matter is important to the application of the law	
	Finnish Competition and Consumer Authority	Enforcement and supervisory role Supervision of the credit institutions' consumer relation Provide decisions (on the information provided at adversiting stage and pre-contractual information) and bans on certain procedures	
France	Prudential control and resolution authority (Autorite de controle prudentiel et de resolution, ACPR)	No information provided	Fine of EUR 1,500 for failure to provide the consumer with i) information at advertising stage, ii) pre-agreement, iii) template for withdrawing Criminal fine up to EUR 4,500 for omission to present the APR in the contract Fine up to EUR 300,000 for credit providers registering/disclosing names of consumers who have used their right of withdrawal Fine of EUR 30,000 for non-compliance with a number of consumer credit provisions that are not a direct transposition of the CCD
	Administrative authority in achrge of competition and consumers affairs (Autorite admnistrative chargee de la concurrence et de la consommation, DGCCRF)	No information provided	
Germany	Financial Market Surveillance Authority (*BaFin - Bundesanstalt für Finanzdienstleistungsaufsicht*) National Bank (*Bundesbank*) Competition Surveillance Authority (*Wettbewerbsaufsicht*)	Overall surveillance Surveillance of the financial market Subsidiaries for specific sectors/issues at the land level. Monitoring of implementation and compliance of its laws and regulations. In principle, it can issue as well specific reports or publications or initiate a review of its laws and regulations	Fine up to EUR 25,000 (for advertisement related issues mainly)

Member State	Enforcement authority	Role	Types of sanctions
	Federal Ministry of Justice and Consumer Affairs	Issues every two years a report on the situation and changes in the area of consumer policy providing also specific information on the financial market	
Greece	Secretariat-General for Trade and Consumer Protection of the Ministry of Economy and Development	Responsible for the right application and enforcement of the rules on consumer credit Oversight of the financial protection of consumers and their welfare Investigative and sanctioning powers: The authority may carry out inspections in credit providers and intermediaries, especially where there are indications of infringing conducts In case of infringement, the authority may, either upon a complaint or ex officio, impose the following sanctions: recommendation for compliance within a time-limit, cessation of the infringement and avoidance thereof in the future; fines ranging from €1,500 to €1,000,000 (with the upper limit being doubled in case more than three decisions imposing a fine are issued against the same entity); temporary cessation of the operations of a business or part thereof for a time period of 3 months to 1 year in case more than three decisions imposing a fine are issued against the same entity	Up to EUR 1,000,000 (the upper limit may be doubled in case more than three decisions imposing a fine are issued against the same entity) Recommendation for compliance within a time-limit Temporary cessation of the operations of a business or part thereof for a time period of 3 months to 1 year in case more than three decisions imposing a fine are issued against the same entity [751]
Hungary	Hungarian National Bank	Responsible for supervision of the compliance with and implementation of the rules on consumer credit	Ban, restriction or imposition of conditions regarding the pursuit of the activity or the supply of service. Fixed fine or up to 5% the annual net sales revenue Imprisonment of up to 5 years

[751] According to data provided by the enforcement authority, so far penalties have been imposed in two cases, while the first fine dates back to 2011

Member State	Enforcement authority	Role	Types of sanctions
Italy	Bank of Italy (Central Bank)	Banking and financial supervisory powers Regulatory and control powers Responsible for the enforcement of consumer protection laws (including CCD) Protect transparency and fairness of the transactions and services provided by banks, banking groups, financial firms	Fine from EUR 2,580 to EUR 258,225
	Banking and Financial Ombudsman	Supervision of the banking and financial system	
	Italian Competition Authority (Autorità garante per la concorrenza e il mercato)	Responsible for ensuring the enforcement of the measures implementing the Directive 2005/29/EC, prohibiting unfair commercial practices	
Ireland	Financial Services and Pensions Ombudsman (Independent public body)	Resolve disputes, and the decisions are legally binding.	EUR 10,000 at the highest level Prison sentence and removal of licence
Latvia	Consumer Rights Protection Centre (CRPC) of the Ministry of Economy	Responsible for ensuring the right application and enforcement of the Directive Responsible for supervising and controlling the markets, as well as revising the consumers' complaints, conducting investigations, publishing reports, carrying out other tasks regarding consumer protection	Fines from EUR 36 to 14,229
Lithuania	Bank of Lithuania	Supervision of consumer credit activities, activities of the consumer credit intermediaries and the operations of the peer-to-peer platform operators Responsible for regulating participants and products in authorising, monitoring and – where necessary – conducting investigations and issuing functions Act as out-of-court settlement institution and issue resolutions in disputes between credit lenders and consumers. The decisions are not legally binding.	Fine up to 5% of the gross annual income of the legal entity

Member State	Enforcement authority	Role	Types of sanctions
Luxembourg	Commission for the Surveillance of the Financial Sector	Ensure compliance of the authorised entities and the issuers with the regulations applicable to them, including those aiming to ensure the protection of the financial consumers	Prison sentence from 8 days to 5 years and/or a fine from EUR 251 to EUR 50,000
Malta	Director-General (Consumer Affairs)	Monitor the effectiveness of CCR and ensure compliance by credit service providers with the CCR[752]	Daily fine from EUR 130 to EUR 230 for each day of non-compliance or a fine of EUR 1,000 to EUR 45,000.
	Office of the Arbiter for Financial Services (autonomous and independent redress body)	Mediate, investigate and adjudicate complaints filed by customers against all financial services providers	
The Netherlands	Dutch Authority for the Financial Markets	Product authorisation General supervision Sanctioning function with a variety of possible courses of action ranging from informal discussions to issuing public warnings to intimations to fines and the removal of a specific manager, installation of a curator or withdrawal of the trader's authorisation. Investigation power	Up to EUR 5,000,000 (or EUR 10,000,000 for repeat offences)
Poland	Office of Competition and Consumer Protection (UOKiK)	Perform market supervision and impose legal measures in case of violations of collective interests of consumers	
	Financial Oversight Commission	Direct supervision of financial markets, including consumer credits and other financial products offered by banks and credit unions. It does not cover non-banking entities Perform controls and impose financial penalties for non-compliance with credit regulation Address issues related to organisation and stability of financial sector and does not address directly consumer interests to the extent comparable to the UOKiK	Fine (amount not specified)

[752] Directive 2008/48/EC on credit agreements for consumers (CCD) was transposed into Maltese legislation by way of the Consumer Credit Regulations (CCR)

Member State	Enforcement authority	Role	Types of sanctions
Portugal	Banco de Portugal	Supervision of compliance Administrative infringement proceedings Imposition of fines and ancillary sanctions	Up to EUR 5,000,000
	General Directorate for the Consumer	Supervision, opening procedures for offences and imposition of fines regarding matters of information provided at the advertising stage	
Romania	National Association for Consumer Protection	Receive complaints from consumers in connection to financial service (these combine consumer and mortgage credit, payment methods, etc.)	Fine from EUR 2,050 to EUR 20,500 (reduction due to loss of power of national currency). Repeated offences or failure to comply with complementary sanctions can lead to the doubling of the initial fine. Complementary sanctions: • Suspension of marketing campaigns that do not comply with the law • Bringing all contracts affected by non-conformity into compliance with the law • Restitution of all unlawfully charged amounts • Repairing all deficiencies noted by the NACP • Can inform National Bank of financial institutions' non-compliance with consumer protection rules.

Member State	Enforcement authority	Role	Types of sanctions
Slovakia	Národná banka Slovenska (Central Bank)	Enforcement of rights and obligations of the Act on CC (transposing CCD) Conduct investigations and publishes reports	EUR 3,000 – 7,000 (natural person) EUR 150,000 - 700,000 (legal person)
Slovenia	Information Commissioner	Responsible for exercising supervision over creditors and credit intermediaries regarding the information, collection and processing of personal data Supervise the protection of personal data and access to public information and issues annual reports Competencies based on the Information Commissioner Act: Decide on appeals against decisions to refuse or dismiss an applicant's request for access, or decide on possible violation of the right to access or re-use public information Inspect and supervise the implementation of the Act and other regulations which regulate the processing and protection of personal data Decide on complaints presented by individuals regarding the refusal on behalf of a controller of personal data to grant access to data	EUR 12,500 and EUR 25,000 for smaller breaches EUR 50,000 - 125,000 for serious breaches
	Market Inspectorate of the Republic of Slovenia	Exercise supervision over creditors who operate based on a license issued by the Ministry of Finance; and credit intermediaries Prohibit the creditor from concluding loan agreements and propose to the Ministry of Finance the withdrawal of the authorisation permission Responsible for supervising the execution of Slovenian legislation in areas of consumer protection, product safety, trade, catering, crafts, services, pricing, tourism, competition protection and copyright	
	Bank of Slovenia	Monitor and issue special authorisation for providers of consumer credits and a special register for such providers (main change introduced by the Directive) Supervision, control and enforcement over:	

Member State	Enforcement authority	Role	Types of sanctions
		Creditors who operate on the basis of a license to provide banking and financial services Financial institutions whose exclusive or predominant activity is the provision of financial leasing services Credit institutions or financial institutions established in another Member State and which provide consumer credit service in the Republic of Slovenia through a branch Publish different guidelines on remuneration policies and practices related to the sale and provisions of retail banking products and services Issue regulations on the conditions for consumer credit intermediation applying to bank credit intermediaries Impose sanctions including fines	
Spain	National Commission on Markets and Competition	Promotion and defence of the functioning of all markets, in the interest of consumers and businesses Application of Spanish and EU competition law solution of conflicts between economic operators Supervision and control of all economic sectors	Two or three times the value of the benefit accruing from the infringement
	Bank of Spain	Supervisory and sanctioning function in respect of credit institutions. The supervisory function extends to consolable groups of credit institutions with a head office in Spain and to branches of credit institutions from non-EU Member States. In the case of branches of credit institutions from EU Members States, the Bank of Spain is competent to carry out checks and inspections on the spot of their activities in Spain.	Two sanction regimes envisaged depending on the 'offender' (Article 34 ACCC): • Sanctions applicable to non-credit institutions, governed by the general rules on consumer protection: administrative penalties (EUR 3,005 – EUR 601,000) + possible temporary closure of establishment • Sanctions applicable to credit institutions, governed by sectorial rules: for major infringement: between 3-5
	Spanish Data Protection Agency	Sanctioning function where applicable (Article 34(4) ACCC)	

Member State	Enforcement authority	Role	Types of sanctions
			times amount of gains arising from infringement when quantifiable or up to 10% of annual net turnover or EUR 10,000,00. Up to 10% of the institution's own funds in the previous business year or a fine of up to EUR 1,000,000. For minor infringements: between the amount of and twice the amount of the gains arising from the infringement. Up to 1% of total net annual turnover or up to EUR 1,000,000. Up to 1% of the institution's own funds in the previous business year or a fine of up to EUR 100,000
Sweden	Swedish Consumer Agency	Enforce the Directive for all businesses that are not under the supervision of the Financial Supervisory Authority May prohibit certain marketing and order an organisation to provide important information Initiate court proceedings Issue warnings and fines in relation to credit worthiness assessment Prohibit to continue providing consumer credit in case of multiple or particularly severe offences	Fine from EUR 590 to EUR 5,900,000 and not exceeding the credit institution's turnover of the previous financial year.
	Swedish Financial Supervisory Authority	Enforce the Directive for all business under its supervision except for Consumer Credit Institutions authorised under the Act on Certain Operations with Consumer Credits Issue enforcement decisions against banks and credit market companies	

Member State	Enforcement authority	Role	Types of sanctions
United Kingdom	Financial Ombudsman Service (FOS)	• Has complaint handling jurisdiction covering consumer credit complaints, which are now part of its 'compulsory jurisdiction'. Compulsory jurisdiction covers the following activities by a firm: regulated activities, consumer buy-to-let, mortgages, unsecured loans, paying money by plastic card, ancillary banking services.	Fines – depending on the seriousness of the breach it can vary between 0 and 20% of the amount of revenue generated by a firm from a particular product line or business area. There are five levels of penalties: level 1 – 0%, level 2 – 5%, level 3 – 10%, level 4 – 15% and level 5 – 20%. The amount of the penalty can be affected by mitigating or aggravating factors. Provided the figure arrived is not deemed deterring enough, the FCA can increase it. Nevertheless, in determining penalties, FCA intends to ensure that they are proportional to the breach and to avoid having wrongdoers suffer serious financial hardship. Withdrawal of authorization
	Financial Conduct Authority (FCA)	Has enforcement powers under Financial Services and Markets Act 2000 consisting of powers to vary a firm's permission and impose requirements, make prohibition orders, prosecute criminal offences. Criminal prosecution covers also offences set out in Consumer Credit Act 1974.	

A7.2.2. Overview of enforcement decisions relating to key elements of the CCD

While authorities entrusted with the enforcement of the rules set forth by the CCD vary from a Member State to another, decisions taken by the former, regardless of their nature, often overlap with the outcomes of Court rulings, when these authorities are not Courts.

In terms of issues addressed by the enforcement decisions, most of them relate to the information to be provided both at advertising and at pre-contractual stages. An overview of the key issues relating to elements covered by the CCD and other relevant for the provision of consumer credit is provided below.

Information provided at advertising stage

Article 4 of the CCD specifies the information that credit providers need to provide as standard in all credit advertisements. Specifically, any advertisement that includes an interest rate or other figures relating to the cost of a credit, must also include information on the borrowing rate, total amount of credit, APR, cash price, number of advance payments for credit in the form of a deferred payment, duration of the agreement, total amount payable and instalment amounts. It also states that the information must be given clearly, concisely, and prominently, using a representative example.

It further provides (art. 4(3)) that, if the conclusion of the credit contract requires an ancillary service for which the costs cannot be pre-determined, the advertisement must mention this obligation, clearly, concisely and prominently, in addition to the APR.

Editorial requirements (*i.e.* font, size and clarity of the information to be provided) appear as one of the main causes of enforcement issues. In both ***Romania*** and ***Portugal***, while not issuing fines or binding decisions *per se*, enforcement authorities - respectively, the National Association for Consumer Protection in 2017, and the Portuguese Central Bank in 2019, found several breaches committed by banks and non-banking financial institutions for failure to contain in their adverting materials a representative example of essential information such as the APR level, the total cost of the consumer or the total value of the credit and the value of the interest. The Portuguese Central Bank also flagged problematic aspects, when assessing institutions' compliance with information duties in advertising banking products and services, related to the practice of presenting incorrect and misleading information about the products and their characteristics.

Unlawful advertisement/ Unfair practices also seem to be one of the main issues when it comes to the provision of information in advertisement. In ***Cyprus*** the Consumer Protection Service issued an administrative fine to the Bank of Cyprus on the basis of the Unfair Commercial Practice Law for advertising a change in the interest rate charging system which resulted in extra charges for the consumer (2015).

In ***Belgium***, in 2016, a wide inspection of the Directorate General Economic Inspection on credit intermediaries was conducted, with most of the inspections verifying the legal compliance of advertisements. The inspection led to 118 warnings and 4 fines.

More recently, in 2019, the Bank of ***Lithuania*** fined several consumer credit providers for unlawful advertising. In one of the cases, the Bank stated that the consumer credit provider must present the consumer credit information clearly and prominently when advertising the services online. Furthermore, the Bank issued multiple decisions on consumer credit information provided at advertising stage. In most cases, the consumers claimed that they did not received enough information on the terms of the credit agreement, or they were misinformed by the consumer credit provider. However, in all these instances the Bank of Lithuania found that the consumer credit providers did not breach the obligation about the information provided at advertising stage. A case of misleading advertisement content on the internet page of the credit provider was also flagged recently in ***Bulgaria***.

Several checks were conducted in ***Belgium*** to assess the compliance of advertisements with the national rules. In 2018, the Directorate General Economic Inspection (DGEI) found that only 54% of the advertisements were compliant with the legal information requirements (75% of the inspections at stake concerned consumer credits). Moreover, a 2016 inspection focused on the behaviours of credit intermediaries provided evidence that around 62,1% of the advertisements involving consumer credits, violated normative requirements[753]. Finally, a 2015 taskforce on credit advertisements reported that 56% of the checked advertisement violated legal provisions, and most of the infringements were due to a lack of the mandatory standard information required in Article 4 CCD.

In ***Sweden,*** the Consumer Agency has initiated a number of court cases for violations in the area of marketing of consumer credits. Examples thereof are two cases initiated by the Agency in 2013 before the Market Court against large retailers for violation of the provisions regarding sound lending practices and sound marketing practices. The Consumer Agency pleaded that the court should prohibit the marketing practices under penalty of a monetary fine. In one of the Cases (Market Court 2014:7, case no. B 8/13), the Market Court stated that the fact that the offered credit is favourable does not mean that the marketing is incompatible with good lending practice. In Market Court Case 2014:18 no. B9/13, the Court held that presenting an offer of payment by installations as something positive, it did not qualify as poor marketing practice. It also ruled that the payment term for the credit was acceptable and it would not surpass the lifespan of the purchased products.

Required information missing is also a problem in some Member States. ***Hungary*** reported seven decisions of the National Bank of Hungary on information provided at advertising stage. In these decisions, the National Bank established that financial institutions are required to respect the rules applicable to the calculation of the APR, the commercial interest rate and any other value to be paid by the consumer, as well as the rules applicable to the reference indicating the principal and also respect legal requirements towards the phrasing of the commercial communication. Moreover, they need to respect the rules on the publication of sample of credit contracts and mortgage contract on the internet. Finally, financial institutions are to demonstrate representative examples in their commercial communication.

Similarly, ***Greece*** reported a fine to a business selling consumer goods for having failed to include the standard required information in advertising, and ***Latvia*** took several decisions where the credit provider did not provide at all the required standard information in their credit advertisement or did not provide a representative example or provided misleading information. Additionally, many decisions concerned the prohibition of promoting irresponsible borrowing, such as promoting the possibility to receive a loan for a person with a negative credit history or offering the possibility to win a lottery prize in order to encourage the consumer to take on credit obligations.

Romania reported that several banks and non-banking financial institutions were found in breach by the National Association for Consumer Protection in connection to their advertising materials for failure to contain a representative example of APR level, total cost of the consumer, total value of credit, the effective payable APR, the duration of the credit contract, etc.

In the ***UK***, the Financial Conduct Authority, through a Policy Statement on Loan-based ('peer to peer') and Investment-based Crowdfunding Platform, sought to improve financial promotions and marketing materials relating to P2P agreements, to provide clearer and meaningful data to investors. In addition, marketing restrictions were imposed to ensure that direct offer financial promotions (DOFPs) are only communicated to retail consumer which are certified as sophisticated investors, conform before a

[753] 2016 Annual Report of the General Directorate of Economic Inspection, Belgium, available at: https://economie.fgov.be/fr/publications/rapport-annuel-2016-de-la

promotion is made that they will receive regulated investment advice and will be certified as a restricted investors (they will not invest more than 10% of their net investible assets in P2P).

Pre-contractual information

Article 5 of the CCD prescribes that pre-contractual information must be provided to the consumer by the creditor or the seller of a product, in good time, before signing the contract. Article 6 contains similar requirement and information for specific types of agreements.

This information (shared on a durable medium) is provided through the SECCI, which consists of 19 elements of the terms and conditions of the credit contract that are considered the essential information necessary for the consumer to make an informed decision on the credit contract. identity and contact details of the credit provider, a description of the main characteristics of the product, the costs of the credit, other important legal aspects, and additional information in the case of distance marketing of financial products. Through the use of a standardised format, the SECCI facilitates the comparison of alternative credit offers. However, not all 19 Article 5 provisions are mandatory - some depend on the specificities and types of credit, which can vary between Member States.

According to Article 5(6) of the Directive, Member States must ensure that creditors, as well as eventual credit intermediaries, provide the consumer with adequate explanations to allow them to determine if the credit is adapted to their needs and financial situation.

The objectives of the abovementioned provisions are, on the one hand, to empower the consumer to determine whether the proposed credit contract is suitable for their needs and financial situation, and, on the other, to reinforce the principle of responsible lending, giving consumers enough time to compare several credit options and make a well-informed decision on concluding a credit agreement.

At national level, cases of non-compliance with pre-contractual information requirements have been reported. These include banks and non-banking financial institutions failing to provide consumers with the SECCI;[754] consumers not being informed of the rate of interest or the terms of the contract;[755] consumers being only partially informed or with misleading information.[756]

In 2019, ***Portugal*** issued a total of 49 recommendations on pre-contractual and contractual information. More specifically, clear and specific recommendations have been adopted to ensure that the SECCI complies with the defined format, contains all mandatory elements and is available on the credit institution's page, that consumers are equally well-informed when opting for digital means when contracting, pre-contractual information is presented to the consumer before being asked to agree to them.

Moreover, in ***Ireland***, in 2019, the Ombudsman partially upheld a consumer's compensation claim for not having been correctly informed on the calculation of the Representative Annual Percentage Rate (RAPR). Specifically, after seven years from the signature of the contract, the RAPR originally calculated, resulted incorrectly estimated. The Ombudsman while granting compensation for the inconvenience caused to the consumer, as the RAPR is used for comparison purposes of credit products and relevant information was not well provided, on the other hand, concluded that there was no

[754] RO

[755] UK

[756] RO

evidence of overpayments and that the lender suffered financial losses from the understatement.

In ***Belgium***, in 2016, a mystery shopping in the area of consumer credits, specifically on pre-contractual information, conducted by the DGEI, lead to the evidence that the SECCI was only provided in a limited number of cases and rarely spontaneously.

In ***Bulgaria***, an enforcement decision of the Consumer Protection Commission established that the provision of information in the SECCI form was inaccurate and misleading.

Furthermore, in ***Cyprus,*** a 2017 decision of the Consumer Protection Service established that the Bank of Cyprus provided insufficient information on the preconditions and the total charges application.

In ***Hungary***, in 2017, a decision of the National Bank established that the Hungarian Branch of an Austrian bank needs to respect the rules applicable with regard to the publication of sample of credit contracts and mortgage contracts on the internet. Furthermore, in 2018, the National Bank of Hungary determined that the financial service provider shall observe pre-contractual information duties applicable in case of consumer credit contracts.

In ***Romania,*** the National Association for Consumer Protection found that banks and non-banking financial institutions provided consumers with potentially misleading information and failed to comply with their obligations regarding pre-contractual information, including the use of SECCI. It also found that consumers were only partially informed of the applicable terms before signing the contracts.

Moreover, in ***Sweden***, the Consumer Ombudsman, brought an action against a bank before the Patent and Market Court for not properly disclosing its interest rates.

In ***Lithuania***, the most common type of dispute between consumer credit providers and consumers concerns pre-contractual information. Indeed, in 2017***,*** the Bank of Lithuania issued several warnings to consumer credit providers for not giving the required information, such as the total cost of the consumer credit. Other warnings of the Bank of Lithuania concerned the incorrect calculation of the services of the consumer credit provider.

Finally, in the ***United Kingdom***, in 2016, the Financial Conduct Authority found that a lender failed to take reasonable steps during the relevant period to ensure that the loan agreements complied with the applicable regulatory requirements. In particular, the loan agreement misstated key terms such as the rate of interest charged and the term of the loan.

Annual Percentage Rate of Charge

Directive 2008/48/EC describes, in its Article 3(i), the APR as 'the total cost of the credit to the consumer, expressed as an annual percentage of the total amount of credit, where applicable including the costs referred to in Article 19(2)'. Article 19(2) further provides that, for the calculation of the APR, it is necessary to determine the total cost of the credit to the consumer. Such a total cost, while excluding any charges payable by the consumer for non-compliance, in contrast, includes the costs of maintaining an account recording and of using a means of payment for both payment transactions and drawdowns, and other costs relating to payment transactions.

Recital 19 of the CCD states, among other things, that the APR is intended to provide a numerical and comparable representation of the cost of credit to the consumer. Moreover, at the pre-contractual stage, as the annual percentage rate of charge can only be indicated through an example, such an example should be representative. On this aspect, the British Financial Conduct Authority banned Andrew Barry Hart, who is the owner of WPPL, from playing any role in the regulated financial services industry in the UK because, among other things, found that the loan agreement appeared to

set out several incomplete examples for the calculation of the APR while not explaining how the real calculation was performed.

The CCD, which repealed Directive 87/102/EEC, aimed to bring about 'a certain degree of approximation of the laws' concerning consumer credit and to facilitate the emergence of a well-functioning internal market that offers consumers an equivalent high level of protection. To this end, it has fully harmonised the methodology and assumptions used to calculate the APR. Irrespective of its effectiveness as a formula, the APR must be properly communicated if consumers are to make comparisons.

At national level, some cases have been reported of decisions that enforcement bodies issued concerning the calculation of the APR. Specifically, disputes concerned the practice of providing unclear[757], unfair[758] or wrong[759] information on the calculation of the APR, circumstances which influence consumers' ability to choose the most appropriate credit. The provision of unclear information on the APR, thus negates its effectiveness as a comparison tool.

Moreover, in ***Cyprus***, in 2017, the Consumer Protection Service imposed an administrative fine to the Bank of Cyprus on the basis of, among other reasons, unclear contractual terms which allowed the Bank to unilaterally alter the interest rate and other charges.

Between 2017 and 2018, the National Bank of ***Hungary*** issued several decisions establishing that financial service providers, including saving banks, need to respect the rules applicable to the calculation of the APR and the upper limit of the APR while providing pawn loan services, also through their dependent agents. In two decision of 2018, the National Bank also required that financial service providers respect the rules on complaint management, the rules on commercial communication concerning consumer credit contracts and the rules prohibiting unfair commercial practices vis-á-vis consumers. In 2020, the ***Italian*** Competition Authority fined several Italian banks for breaching the prohibition on aggressive commercial practices by offering insurance products combined with loans.

In ***Latvia***, several decisions issued regarded the APR and the total cost of credit. According to these decisions, although it is necessary to calculate the total cost of the credit in order to calculate the APR, a credit service provider cannot refer to the requirements of the APR calculation when calculating the total cost of the credit.

In ***Romania***, in the last two years, APR related issues are one of the most litigated aspects of consumer credit subject. In 2019,[760] in ***Ireland***, the Ombudsman, in a complaint about a consumer's term loan account, observed that when there is an increase in the variable interest rate, the lender should always give the consumer the option to decide whether (s)he wished to vary the amount of payments or the period of agreement or both. In this sense, the lender has the responsibility to ensure that no negative credit reporting affects the consumer.

In 2019, Banco de ***Portugal*** issued 18 decisions and specific recommendations regarding the maximum APR limits. More specifically, the Portuguese Central Bank concluded in its recommendation that credit institutions must ensure compliance with the maximum APR limits in force for each credit category and calculate the APR according to legal and regulatory standards. The same year, the Central Bank, in assessing numerous consumer credit agreements, reported some clear indications of non-compliance with the maximum APR limits. The institutions involved were asked to

[757] RO

[758] SK

[759] CZ – Decision FA/SR/SU/390/2018 – 26

[760] Decision 2019-0128. Similarly, Decision 2018-0103 and Decision 2018-0130

provide information to assess this evidence, but the results are still not publicly available.

In ***Slovakia***, in 2018, the Central Bank issued two decisions about the use of unfair commercial practices. These practices included deceptive conducts of creditors who provided false information regarding the price of a product in a consumer credit agreement. These deceptive conducts included providing an incorrectly calculated APR which did not comprehend certain costs in the total costs of the consumer credit.

Finally, in the ***UK,*** in 2016, in the abovementioned case of an individual lender, the Financial Conduct Authority found out that a loan agreement appeared to set out a number of incomplete examples for the calculation of the APR.

Creditworthiness assessment (CWA)

Article 8(1) of the CCD requires Member States to ensure that before the conclusion of the credit agreement, the creditor assesses the consumer's creditworthiness based on sufficient information.

In the ***UK***, the Financial Conduct Authority, in 2016, dealing with the case of a lender, also concluded that the WPPL failed to implement policies and procedures relating to the creditworthiness and affordability of consumers before the conclusion of a credit agreement. More specifically, the WPPL staff members were not required to adhere to any specific process when making lending decisions. Affordability assessments were never documented, and consumers were exempt from providing any bank statements. Such circumstances lead to totally arbitrary decisions.

In the following PS18/19 decision, the FCA specified and expanded specific rules and guidelines for firms in conducting their creditworthiness assessment, while defining the concept of *affordability* and the relevant elements and principles to be considered when conducting the CWA[761].

Ireland reported two different decisions issued in 2019 and 2018, respectively, by the FSPO and the Ombudsman. The 2019 FSPO decision focused on the obligation of providing the consumer with an adequate explanation in case of rejection of the credit. More specifically, the bank failed to provide reasons on a durable medium that justified the rejection. The same decision also pointed out the legitimacy of the bank of rejecting a credit based on internal criteria. In the specific case, the bank denied the loan based on the finding that the consumer had a mortgage on a restructure arrangement.

In the 2018 decision, the ***Irish*** Ombudsman highlighted that there are no specific limits in the possibility for the lender to issue more than one loan to an individual at the same time, as long as the consumer provided prof on his/her capacity to afford it. On the other hand, as part of the same decision, the Ombudsman found a violation of the national legislation, when extracted evidence of the fact that old loans were discharged using credit from new loans.

In the ***Czech Republic***, two recent decision are worth noting. More specifically, while the first confirmed that the obligation to assess the creditworthiness of the consumer applies irrespectively of the credit amount, the other concerned the quality of the CWA put in place. More specifically, the Czech Financial Arbitrator concluded that only checking the consumer's income, while not making a comparison with the expenditure and the manner of fulfilling existing debts, is not sufficient to assess the ability of the consumer creditworthiness.

[761] Financial Conduct Authority, July 2019. Assessing creditworthiness in consumer credit – Feedback on CP17/27 and final rules and guidance. Policy Statement PS18/19. Available at: https://www.fca.org.uk/publication/policy/ps18-19.pdf

In 2019 the ***Portuguese*** Central Bank issued a total of 7 rulings and specific recommendations mostly focused on the obligation to inform consumers about the reason for the refusal to grant credit when it results from the consultation of databases, particularly to credit liability databases. Moreover, the same year, in the course of some inspections, the same institution also detected credit agreements where lenders failed to assess the creditworthiness before the execution of the agreement.

Between 2015 and 2019, the Bank of ***Lithuania*** fined several consumer credit providers for not complying with the principle of responsible lending when assessing creditworthiness. More specifically, credit providers did not collect the necessary data to inspect the creditworthiness and the financial liability of the consumer and its family, nor the list of persons for whom the application was filled.

In ***Latvia*** there have been several decisions regarding the CWA. More particularly, credit service providers in several cases did not fulfil their obligation to assess the creditworthiness of the consumers by not requesting a document certifying the income of the customer, not taking into account the consumer's obligations arising from other existing credits and by not requesting a document certifying the income of the guarantors.

Furthermore, in 2019, in the ***Netherlands***, the Authority for Financial Markets issued two fines against Nationale Nederlanden and Santander Consumer Finance Benelux for having failed to properly perform creditworthiness assessment, to act in accordance with the results of the assessment and comply with the requirement that no contract shall be concluded when such assessment is not possible.

In ***Sweden***, the Consumer Agency issued several decisions on CWA. In a 2015 decision, the Agency fined the consumer credit institution JSM Capital AB for collecting information on the customer's finances after the credit had been granted, hence violating the obligation to perform a creditworthiness assessment prior to granting the loan. In another decision, the Agency found that Le Redoute Sverige AB failed to gather any information on the customer's financial situation directly from the customer, to carry out external credit checks on the customer and to collect information regarding the customer's expenses or other credits. Similarly, the Agency fined the consumer credit institution Grandvik AB for not having collected information directly from the customer to perform the CWA. Finally, also the consumer credit institution Ambrion Finans AB was fined for basing its creditworthiness assessment on the income of the entire household instead of the borrower's income.

In 2018, in ***Slovakia***, the Central Bank issued a decision concerning the breach of the creditor provider's obligation to properly assess the consumer's ability to repay the credit. More specifically, the provider did not ascertain, nor verify the actual income and expenses of the consumer credit applicant.

Right of withdrawal

Article 14 of the CCD defines the right of withdrawal. It grants the consumer a 14-day withdrawal period either after the day of the conclusion of the credit agreement or from the day on which the consumer receives the contractual terms and conditions if the consumer receives this information only after the conclusion of the credit agreement. The article further defines the right of withdrawal from linked credit agreements.

Romania reported a case that the National Association for Consumer Protection (NACP) issued in 2017 on a bad practice committed by non-financial institutions which use to reduce the right of withdrawal to 3 days. Moreover, the NACP noticed that several contracts were signed before the expiration of the withdrawal period without an express agreement of the consumer.

Legal considerations on the application of the right of withdrawal in Germany

Article 14(1) of the CCD establishes that the period in which consumers can exercise their right of withdrawal begins, either from the day of the conclusion of the credit agreement (Art. 14(1)(a)) or from the day on which the consumer receives the contractual terms and conditions (provided that this is done after the day of signature) (Art. 14(1)(b)).

In Germany, credit providers may provide the *contractual information* after the signature the contract. Considering this, and to ensure a high level of protection to consumers, the national law transposing the CCD in Germany provides that when the credit agreement does not contain the *mandatory contractual information*, the consumer disposes of a longer withdrawal period than one month (§356b.BGB (2)).

The application of the right of withdrawal in Germany appears to be problematic, as compared to other Member States. In fact, the national research carried out for this study reveals that many court cases in Germany concern the right of withdrawal. The key issue concerns cases in which specific mandatory information has been added at a later stage or not at all, or when the information provided contained errors. In these cases, it is argued that the withdrawal period never began, so consumers may exercise what the industry tends to refer to as a 'perpetual right of withdrawal'.

As could be expected, this interpretation appears to be problematic for industry representatives in Germany. Recent court decisions analysed in this study would suggest however that the courts do not fully support it. According to recent case law[762], even if the pre-contractual information is not entirely correct, the withdrawal period would not be prolonged, so long as the creditor provides the necessary explanations and information on the conditions of the credit.

Right of early repayment

The right of early repayment is defined in Article 16 of the CCD and allows consumers to pay back early any amount of the credit, at any time. In some cases, the creditor is entitled to compensation. More specifically, paragraph 4 contains a regulatory choice that allows Member States to decide whether the creditor can claim compensation for early repayment, to offset the amount lost in interest rate payments.

Romania reported cases where banks were sanctioned for not informing consumers on their rights in the event of early repayments and the practice of raising the relevant commissions over the maximum allowed.

Slovakia reported a case of 2018 of an unfair commercial practice that involved a consumer who was obliged to reimburse the creditor for the costs incurred by the creditor linked to the early repayment. The *Národná banka Slovenska* considered the conduct as misleading and in violation of the legal exemption provided by Article 16 of CCD.

Moreover, in ***Italy***, in January 2020 the Bank of Italy issued guidelines aimed at clarifying the criteria applicable for reducing the total cost of the credit in case of early repayment and helping intermediaries to comply with the Lexitor judgment[763] given by the European Court of Justice in September 2019. More specifically, in the case of early

[762] BGH, case of 28.07.2020 – Reference XI ZR 288/19, comment accessed at: https://rsw.beck.de/aktuell/daily/meldung/detail/bgh-verlust-der-vorfaelligkeitsentschaedigung-im-verbraucherkreditvertrag

[763] EU Court of Justice dated September 11, 2019 (case "Lexitor" C-383/18)

repayment, the consumer' right to the reduction in the total cost of the credit needs to include all costs to be borne by the consumer. In particular, the reimbursement must include all recurring costs as well as any upfront costs that do not depend upon the duration of the credit agreement (e.g. processing costs).

Impact of the Lexitor case on early repayment

The Evaluation did not identify major issues related to the interpretation or enforcement of the right of early repayment contained in Article 16 of the CCD, save for some issues related to the reimbursement of costs to consumers exercising their rights. Since then, a ruling of the ECJ interpreting this provision has had an impact on the way that providers in certain Member States – notably Italy - were applying this article.

Article 16 of the CCD provides that in the event of an early repayment of credit in accordance with a credit agreement, the creditor shall be entitled to fair and objectively justified compensation for possible costs directly linked to early repayment of credit, provided that the early repayment falls within a period for which the borrowing rate is fixed.[764]

In September 2019, the ECJ ruled, in the Lexitor case, that Article 16(1) of the CCD is to be interpreted as meaning that, upon prepayment of a loan, the right of consumers to a reduction of the total cost of the loan includes all the costs imposed on the consumer, including not only all recurring costs, but also any upfront costs that do not depend upon the duration of the credit agreement (e.g. processing costs).[765] The ECJ did not establish a calculation method to be used for the purposes of that reduction, but it stated the principle that the amount of all costs borne by the consumer must be reduced in proportion with the remaining duration of the contract.

In **Italy**, prior to the ECJ judgement, Article 16(1) was interpreted in a more restrictive manner, according to the guidelines issued by the Bank of Italy and the Banking and Financial Ombudsman (ABF – Arbitro Bancario e Finanziario). The reimbursement included only recurring costs according to a proportional method of calculation "pro rata temporis".[766] Any upfront costs were excluded, except when the credit agreement was not stipulated in a clear and concise manner.

Following the Lexitor case, the Bank of Italy issued in December 2019 new instructions on early repayment indicating that the right needs to be applied in line with the interpretation of the ECJ. This includes any information on the method of calculating the compensation due to the creditor in case of early repayment at the pre-contractual stage and in any case during the performance of the credit agreement.

The ruling is not problematic from a legal perspective, but its operational implications seem to be highly problematic for the consumer credit industry in Italy, as confirmed by a national stakeholder representing the industry consulted for this study.[767] The inclusion of upfront costs in the reduction of costs to which consumers exercising their right to early repayment are entitled has a significant economic impact on credit

[764] Italy has opted for a partial transposition of Article 16(4) CCD - only Article 16(4)(a) and not (b) - limiting any compensation due to the creditor in cases of early repayment to the cases where the amount paid back early exceeds EUR 10,000 (Article 125-sexies, paragraph 3(d), of the Consolidated Law on Banking). Furthermore, Italy introduced further conditions in cases of early repayment of linked credit agreements: the consumer is entitled to be refunded a part of the amount of the charges to be paid for the additional service based on the amount that is repaid early, such as an insurance or other ancillary services.

[765] Lexitor Sp. z o.o. (Case C-383/18).

[766] For example, in case of early repayment, after 4 years, of a credit contract of 10 years, the consumer will be entitled to the restitution of 60% of the recurring costs.

[767] Interviews with industry representatives (1).

providers, as they are now obliged to reimburse a share of their "earnings". This is especially problematic as the interpretation of the Court also applies to ongoing agreements as well as those repaid early in the last 10 years.

One specific type of credit agreement is particularly impacted by the Lexitor case, the so-called 'sale of the fifth' instalment (CDQ – Cessione Del Quinto). This type of credit is widely used in Italy; it allows public and private employees with permanent contracts and retirees to obtain a loan which is then deducted directly from their salary or pension. These loans generally entail high upfront costs[768] and they are also frequently renewed, which explains why the Lexitor case has a major impact on this segment of the market.

Next to Italy, the Lexitor case seems to have had impact in **Austria**. Both the Consumer Credit Act (VKrG) and the Mortgage and Real Estate Credit Act (HIKrG) had to be amended. The changes to the VKrG and the HIKrG came into force as the report is being finalised (on December 1, 2020) and apply to loan agreements concluded after November 30, 2020 only[769].

Instead, in **Poland** the Lexitor judgment altered the practice in the Polish financial sector, by forcing all banks and other firms active on consumer credit market to reduce costs of credit in their entirety. The CJEU decision was followed also by investigations carried out by UOKiK, which resulted in imposing injunctions and fines on financial institutions that did not apply reduction of entire cost of credit in the case of early repayment.

Enforcement decisions concerning other relevant aspects of consumer credit

Among the different issues tackled by enforcement bodies, several practices linked to the **repayment of the credit** appear in a few Member States. ***Romania*** reported several cases where non-banking financial institutions failed to comply with the legal obligation of providing consumers with written proof on the full repayment of the credit. In addition, commissions and penalty fees unlawfully were charged to consumers by both banks and non-financial institutions as well as practices of failing in informing consumers concerning the level of charges and penalties linked to the credit agreements. For instance, in March 2020, the High Court of Cassation and Justice found one of the largest banks in Romania guilty of charging unlawful commissions by inserting them in the overall interest charged.

Enforcement decisions have also been reported that deal with issues stemming from **changes in the contract**. In 2019, the ***Irish*** Ombudsman ruled on a case in which a credit provider had not informed a consumer of the consequences of changing the terms of repayment of the loan. The consumer complained when, years later, he was denied a mortgage based on this. The Irish Ombudsman concluded that the lender should have, indeed, provided clear information on the changed repayments and on the implications for reporting to the financial institution. ***Czech Republic*** reported decisions on the objection of limitation, change in the person of the debtor and debt recognition agreement.

Portugal reported some irregularities in the area of **assistance to the consumer**, with the Portuguese Central Bank issuing 29 decisions and specific recommendations. More specifically, it was highlighted that credit institutions must ensure that customer assistance mechanisms are made available in a convenient manner and that the information provided is specific to the product being contracted. Moreover, the same

[768] Due to the use of brokers and of the total cost of the compulsory insurance policy in case of death or loss of job of the consumer.

[769] https://www.kpmg-law.at/implikationen-der-lexitor-entscheidung-fuer-das-oesterreichische-verbraucherkreditrecht/

institution expressed its concern about the quality of the data used to assess solvency and also with the prevention of over-indebtedness, in consideration to the fact that the use of digital channels is likely to intensify consumer behavioural bias.

Another key issue identified concerns **aggressive business practices**. In ***Italy,*** the Competition Authority recently qualified **cross-selling practices** as aggressive, in the meaning of Articles 8 and 9 of the Directive 2005/29/EC. In ***Slovakia***, the National bank acknowledges that problems concerning aggressive debt collection process are now more common, with consumers feeling harassed by companies that chase them via text messages and phone calls. To tackle this, the NBS issued two decisions in relation to **aggressive business practices** by using harassment and pressure; to tackle situations whereby creditors may claim unfounded debts.

In ***Cyprus,*** the Consumer protection authority has issued several decisions regarding **unfair contract terms** on the basis of the Unfair Contract Terms in Consumer Contracts Law 93(I)/1996 as amended. More specifically, these decisions concern early repayment charges, the capitalisation of interest on the basis of 360 days instead of 365 days, the unilateral variation of the interest rate by the bank and the bank's right to a lien without the precious notification and consent of the borrower.

Belgium reported that the Directorate General Economic Inspection is committed to the fight against **fraudulent credit providers** who, with misleading practices on the internet, convince consumers to prepay several costs without providing the credit itself. Enforcement decisions led to the block of these fraudulent traders. In addition, a small number of infringements of the wide inspection of the Directorate General Economic Inspection on credit intermediaries which led to 118 warning and 4 fines related to rules on pricing and registration in a database of businesses.

Latvia reported a decision of the Consumer Right Protection Centre regarding **credit agreements secured by a mortgage**. In the case at stake, after the consumer was denied a credit, the credit service provider offered the consumer to buy their real estate, providing the consumer the option to later buy it back within a specified amount of time. However, if they do not buy the property back after the specified time, they lose it and the credit service provider keeps it. The Centre established that reverse rental agreements offered by the consumer credit provider constitute an unfair commercial practice and that it violates several rules such as regarding the provided service, such as providing the reverse rental service to consumers who are not credit-worthy, providing the service when consumer's already existing obligations do not reach half the value of the quick sale of the real estate, as well as hiding information of the service or providing it misleading or unclearly. After the decision, the credit service provider appealed the decision to the Administrative District Court of Latvia (Administratīvā rajona tiesa) in the case No. A420299719. However, the judgment in this case has not yet been delivered.

Annex 8: Overview of measures identified and assessed in the study

This annex provides an overview of the policy measures that have been identified as potentially adequate to address the problems identified in this study. The measures were identified on the basis of evidence gathered through desk research (Task 1.3), the different stakeholder consultation activities (Tasks 1.4, 3 and 5.6) and the identification of good practices implemented Member States and other countries (Task 5.2).

In order to select the policy measures most likely to succeed in addressing the problems identified in this study, the study preliminarily assessment of their feasibility (legal and technical), expected effectiveness, added value, efficiency, and their impact on consumers and credit providers. The assessment was based on the analysis and triangulation of evidence collected through the various tasks of this study, including the opinion of the national researchers that have contributed to the national legal analysis.

The measures were given a total score, which is the sum of the rating for each of the elements outlined above: feasibility (0-3 points), effectiveness (0-3 points), added value (0-3 points), efficiency (0-3 points), impact on consumers (-2 if very negative to 2 if very positive) and credit providers (-2 to 2). The maximum score is 16 and the lowest score is -4 (0 points for each of the following criteria: feasibility, effectiveness, added value, and efficiency; -2 points for negative impact on consumers and -2 points for negative impact on credit providers). The measures were preliminarily screened based on their total score:

- measures scoring between -4 and 6 were deemed likely to fail and therefore, preliminarily discarded;
- measures scoring between 6 to 11 were seen as potentially failing or succeeding; therefore, they were preliminarily categories as "to be determined"
- measures scoring between 12 and 16 were deemed likely to succeed and therefore, preliminarily retained.

To ensure that the policy options proposed address all the problems identified, the measures were arranged according to the sub-problem they address. This allowed the study team to have a better understanding of how the measures compared to other potential measures addressing the same sub-problem, allowing to contextualise the decision on whether they should be kept or discarded.

The measures more likely to address each of the sub-problems were combined to form the policy options. Following a discussion with DG JUST, the policy options were further refined, and two new measures that had not been previously identified or assessed, added to address three aspects: the rights of early repayment and of withdrawal, and forbearance measures.

Table 13 - Table 17 present a summary of the result of the preliminary analysis, indicating:

- Total score.
- Commentary summarising the key evidence informing the assessment, including key issues to consider if the measure is discarded or retained.
- Preliminary decision on whether they should be kept.
- Final decision, also reflecting the policy options in which they are included.

The measures are presented per problem to reflect the approach taken during their screening. Nonetheless, their numbering allows to identify the nature of the measure:

- **Non-regulatory measures** are numbered according to the following pattern: 1.X.X, e.g. 1.1.1.
- **Legislative measures to amend** provisions or aspects already covered by the CCD are numbered according to the following pattern: 2.X.X, e.g. 2.1.1.

- **More comprehensive legislative measures** that seek to amend the CCD to cover aspects not covered by it are numbered according to the following pattern: 3.X.X, e.g. 3.1.1.

It is important to note that the numbering used in this annex does not correspond to the numbering used in other parts of the report. This is to ensure continuity in the final numbering of measures proposed in each policy option, as some of the measures presented here were not retained. Moreover, the final numbering used in Sections 7 and 8 of this report reflects the specific policy option to which they correspond (e.g. 1.X for measures under Policy option 1, whereas 3a.X for measures under Policy option 3a) and is therefore not entirely in line with the approach taken initially, explained in the previous paragraph.

Table 13. Possible policy measures (Problem 1)

Measure	Total score	Brief assessment	Keep/discard	Policy option(s)
Problem 1.1: Due to the expansion of credit products that are explicitly excluded from the scope of application of the CCD, some consumers purchasing consumer credit are not protected by the CCD **Problem 1.2: Consumers obtaining certain types of credit may not be protected by the CCD due to the uncertainty as to whether certain types of consumer credit products are covered by it**				
1.4.1: Issue an official communication clarifying the definitions of 'credit provider' and 'credit intermediary' contained in Article 3, specifying the new types of consumer credit that fall under the scope of the CCD (e.g. P2PL)	5	Divided opinion as to whether these are needed or not. In some countries (e.g. PL), national legislation is clear, whereas in others (e.g. BE) there have been some issues. Some stakeholders believe that this problem cannot be addressed by non-binding measures, as they would not be effective.	Discard	Not included
2.1.1: Remove the minimum and maximum thresholds	12	Deemed to have a positive impact on consumers (especially vulnerable consumers) and the overall level of over-indebtedness, and a positive effect on the level of compliance (except for credit providers). Credit providers may be negatively impacted (i.e. they consider it a costly measure), and some industry representatives interviewed (BE, DE, FR) consider that these loans are not sufficiently common to justify an intervention.	Keep	Policy option 2 (2a and 2b) Policy option 3 (3a and 3b)
2.1.2: Include currently excluded loans within its scope of application (including but not only, zero-interest loans, pawnshop agreements, all leasing agreements, all overdraft facilities)	12.5	Deemed to have a positive impact on consumers (especially vulnerable consumers) and the overall level of over-indebtedness, and a positive effect on the level of compliance (except for credit providers). Credit providers may be negatively impacted (i.e. they consider it a costly measure) and they generally consider that this is better dealt with at national level (as is the case in many Member States). Some credit providers interviewed consider that this may result in these products not being available to consumers.	Potentially keep	Policy option 2 (2a and 2b) Policy option 3 (3a and 3b)
2.2.1: Provide a more detailed definition of some key terms which	9	Overall, consumer organisations and national authorities believe this measure could have a positive impact on consumers and the level of over-indebtedness, but this	Keep	Policy option 2 (2a and 2b)

affect its scope of application (e.g. 'credit provider', 'credit intermediary')		opinion is not shared by credit providers. Credit providers will be either not impacted or negatively impacted by the measure. Very detailed definitions may lead to a lack of flexibility for Member States to adapt to the fast-evolving sector. A possible solution would be to have broad definitions, complemented with specific examples. Any change to the definitions in the CCD would have to be reflected in the MCD as well. Therefore, this measure could potentially be replaced by policy measure 1.4.1 (non-regulatory measure, i.e. guidance on key terms and definitions of the CCD), which is currently discarded because it is not considered effective.	Policy option 3 (3a and 3b)

Table 14. Possible policy measures (Problem 2)

Measure	Total score	Commentary	Keep/discard	Policy option(s)
Problem 2.1: EU-level regulation does not address certain aspects of responsible lending as regards consumer credit (e.g. interest rates, rollovers, cross-selling, unsolicited credit, advise on suitable products)				
1.1.6: Issue non-binding rules of conduct for credit providers to promote responsible lending, addressing problematic aspects related to the design (e.g. high costs) and the marketing (e.g. product-tying, rollover practices, misleading advertisements, lack advisory services on suitable credit) of credit	5	Overall, this measure is not deemed effective due to its non-binding effect. Consumer organisations and national authorities believe that the impact on consumers would be limited. Credit providers may be positively impacted as the measure could potentially reduce the number of credit defaults, but it would also entail costs for credit providers. Moreover, the measure does not seem to bring great added value to what the EBA guidelines do already. Some Member States have also established similar guidelines (e.g. BE).	Discard	Not included in any policy option
1.2.2: Implement an awareness raising campaign through the European Consumer Centres to promote responsible borrowing	6.5	The impact and effectiveness of the measure is deemed as limited by all stakeholder groups. Similarly, the measure is not costly. One national researcher questioned the added value of the measure considering the warning messages in advertisements.	Potentially keep	Policy option 1 Policy option 2b Policy option 3b

		Although it has very limited impact, its costs are also limited.		
1.5.1: Establish EU-level guidelines and recommendations on how to regulate aspects not harmonised by the CCD which are relevant to ensure responsible lending (e.g. limiting cross-selling practices, setting interest rate caps, establishing an obligation for credit providers to advise consumers on suitable products, limiting or banning rollover practices)	6.5	Limited evidence on the potential effects of this measure. Most of the national researchers agreed that it could have a positive impact on consumers (albeit limited because it is non-binding) but warned that this depends on the exact content of these guidelines. Some of the areas most mentioned are cross-selling and advisory services on suitable products to consumers. No significant positive or negative impacts were identified for credit providers.	Potentially keep	Policy option 1 Policy option 2b
3.1.1: Establish the obligation upon Member States to set interest rate/APR caps, without specific rules or guidelines on how these should be calculated	8	According to stakeholders, the level of compliance will most likely remain the same. Industry representatives believe that it is not going to have a positive effect on the level of over-indebtedness, but consumers and national authorities disagree. The impact on consumers could also be positive (especially of vulnerable consumers, against usury and over-indebtedness) but some national authorities warned that it could potentially also have a negative impact on consumers (reduced availability, substitution effects). Nonetheless, a 2019 study from CEPS found that the substitution effect is limited. Setting interest rate/APR caps has yielded good results in Member States that have implemented. The measure is deemed to be costly for credit providers (with no/low benefits for them, especially non-traditional), especially if the caps are set low and it could potentially push some credit providers out of the market, reducing competition. The measure is already applied in many Member States, but since this measure only foresees the establishment of an obligation to set the interest rates, it would not go against existing national measures. Considering the conclusions of the 2019 CEPS study on interest rate/fees caps, which deems that harmonising EU price rules (interest rates and costs) it could have positive impacts	Potentially keep	Policy option 3 (3a and 3b)

		(cross-border credit, e.g.) but could also lead to a lower level of protection. However, both the positive and negative impact seems to be lower if the caps were set at national level (3.1.1). Regarding interest rate caps, the only measures that seem plausible are 3.1.1 and 3.1.2. 3.1.1 is the least intrusive, but some stakeholders consider that guidance could be useful (while others are against it).		
3.1.2: Establish the obligation upon Member States to set interest rate/APR caps, with specific rules or guidelines on how these should be calculated	6.5	See 3.1.1, in addition to the following considerations: 1) although the measure is feasible, the rules/guidance could go against what Member States are already doing; 2) there are split opinions concerning the added value of the guidance, with some considering that this is something that should be dealt with at national level (and is already done in a reader friendly way), while others think that it would be good to address this at EU level. This could potentially replace 3.1.1.	Potentially discard	Not included in any policy option
3.1.3: Establish EU-level interest rate/APR caps	4	This is less feasible as it would be difficult to consider the specific characteristics of the national economies/markets. It is generally not seen as adequate to address the problem.	Discard	Not included in any policy option
3.1.4: Establish the obligation upon Member States to set caps on the costs and fees that can be charged to consumers, with specific rules or guidelines on how these should be calculated	6.5	Not enough information specifically on caps on costs and fees has been collected. The conclusion from the 2019 CEPS study also applies to cost caps.	Potentially discard	Not included in any policy option
3.1.5: Establish EU-level caps on costs and fees	4	This is less feasible as it would be difficult to consider the specific characteristics of the national economies/markets. It is generally not seen as adequate to address the problem.	Discard	Not included in any policy option
3.3.1: Establish a legal obligation for credit providers and credit intermediaries to promote responsible lending (i.e. to act honestly, fairly, transparently and professionally,	8	The feedback received was generally positive in terms of effectiveness and impact, e.g. it could help qualify and develop the content of the duty of care. Although the measure could be costly for credit providers, national researchers think it would also impact them positively (by	Potentially keep	Policy option 3 (3a and 3b)

taking account of the rights and interests of the consumers)		preventing over-indebtedness). The measure already exists in some Member States (NL, SE) and stakeholders indicated that Member States that have gone beyond the CCD could be used as examples. A clear definition of responsible lending and other terms would be required. Several national researchers also questioned the difficulties to enforce this in practice. Such an obligation is included in the MCD (Article 7(1)). Although the feedback was generally positive, it could be difficult to enforce in practice. However, it would ensure greater alignment with the MCD. Potentially modelled after MS' practices.		
3.3.2: Establish an obligation upon credit providers to advise consumers on suitable credit at pre-contractual stage	8	It already exists in some Member States (e.g. BE, IT via case-law as the interpretation of Art. 8 CCD). The impact on consumers is generally deemed positive, and on credit providers, negative. Several national researchers suggested there could be potential conflicts, either with the rules in place in Member States (e.g. BE) or because it would result in uncertainty regarding the role of credit providers vs. advisors. One national researcher pointed out that credit providers may not know all the client's background to offer advise on suitable credit. This is an obligation in the MCD.	Potentially discard	Not included in any policy option
3.3.3: Adopt standards on the provision of advisory services to consumers	9	National experts generally believe that this would impact consumers positively, and that creditors would be either not impacted (because they already exist in the MS) or positively impacted. It was pointed out by one national researcher that this could improve the quality of the services, although another expert thinks that this may be too binding. A similar obligation is contained in the MCD (Art.22). The cost-effectiveness of the measure seems to be positive. It would also ensure further alignment with the MCD.	Potentially keep	Policy option 3 (3a and 3b)
3.3.4: Establish an obligation upon credit providers to ensure that staff	8	This measure already exists in some Member States. Although it is feasible, two national researchers believe it	Potentially keep	Policy option 3 (3a and 3b)

members providing advisory services* have the proper set of skills and knowledge		might be too binding (one said that priority should be given to current voluntary initiatives in place in Member States like BE). However, it is seen as a minimum requirement by one national researcher. The impact on consumers is either positive or non-existent (because it already exists), while on credit providers it is less clear (some say negative, some positive, some no impact). A similar obligation is contained in the MCD, but it applies to all staff involved in the in "the manufacturing, the offering or granting of credit agreements" (Art. 9) The cost-effectiveness of the measure seems to be positive. It would also ensure further alignment with the MCD if modelled after it. The measure would be amended to include all staff involved in the manufacturing, offering or granting of credit agreements.		
3.3.5: Establish an obligation for Member States to adopt measures to limit the commissions that can be paid to credit providers for the sale of tied products	7	A few national researchers believe that this measure would go too far (it should be left to Member States). While it could impact consumers positively (by limiting cross-selling practices), a national researcher suggested that perhaps more transparency about the commissions would be more adequate. The impact on credit providers, according to national researchers, would be negative (e.g. they would earn less).	Potentially discard	Not included in any policy option
3.3.6: Establish an obligation for Member States to adopt measures to prohibit product-tying practices	7	In some Member States, tying practices do not seem to be a big concern (e.g. CZ), or that products are rarely "tied" but rather offered together. However, it was pointed out that these practices are already questionable from a competition law perspective and that it may make sense to ban them. BEUC expressed concern over cross-selling practices during the workshop, and so did the European Supervisory Authorities (ESAs) in a joint letter in which they called upon the Commission to harmonise the rules across three financial sectors (EUROPEAN COMMISSION ON CROSS-SELLING OF FINANCIAL PRODUCTS IN THE EU). A ban on tying practices exists in the MCD (not on bundling practices) (Art. 12).	Potentially keep	Policy option 3 (3a and 3b)

		Although the feedback is not necessarily pointing to the need to adopt these measures, it would improve alignment of EU Directives (and address ESA's concerns)		
3.3.7: Establish an obligation for Member States to adopt measures to limit to the additional costs/interests that credit providers can charge when a credit is rolled over	10	This does not seem to be an issue in some Member States, while others have already adopted similar measures (SE for high-cost credit or the NL by including these costs in the interest rate caps). It was identified as a good practice, and evidence suggests that without such a cap, lenders could be incentivised to structure products in ways which take advantage of people. Generally, the impact on consumers is deemed to be positive, and the opinion on the impact on credit providers is split.	Potentially keep	Policy option 3 (3a and 3b)
3.3.8: Establish conduct of business rules on the remuneration policy of credit providers and intermediaries to ensure that it does not promote irresponsible lending practices	9.5	This problem was identified in literature, with studies claiming that there is a conflict between the interests of staff members and consumers, due to the remuneration policies. Some national researchers believe this measure may be too restrictive, but the impact on consumers is seen as positive, and although to a lesser extent, also on credit providers (e.g. it would bring more transparency and positive motivation for lawful credit providers). A provision on this is included in the MCD (Art.7(2) to (4)), which states that Member States shall ensure that the remuneration policies do not impede compliance with the obligation to act honestly, transparently, etc. It would improve alignment with the MCD, and there does not seem to be a lot of opposition.	Potentially keep	Policy option 3 (3a and 3b)
Problem 2.2: Some credit providers are not conducting proper creditworthiness assessments, resulting in consumers being sold unsuitable credit, especially in certain segments of the market				
1.1.1: Clarification of terms of the CCD that may be subject to interpretation (e.g. 'in good time' and 'adequate explanations' concerning pre-contractual information,	5.5	The effectiveness of this measure is generally seen as very limited due to its non-binding nature, especially when it comes to its effects on the overall level of compliance (all stakeholder groups believe it would remain the same). In terms of over-indebtedness, consumer organisations and industry representatives think that it would be ineffective,	Potentially discard	Not included in relation to CWA, but included to address Problem 3 (pre-contractual information)

'sufficient information' concerning CWAs)		but national authorities are more optimistic. The costs and benefits are also both limited. Consumers would be positively impacted (e.g. the clearer the terms, the better), although to a limited extent. It would depend on whether 1.1.3 is kept.		
1.1.3: Providing guidance on the type of information that should be assessed during a CWA	6.5	The effectiveness of this measure is generally seen as very limited due to its non-binding nature, especially when it comes to its effects on the overall level of compliance (all stakeholder groups believe it would remain the same). In terms of over-indebtedness, consumer organisations and industry representatives think that it would be ineffective, but national authorities are more optimistic. Consumers would be impacted positively overall, but the potential negative effects on more vulnerable people need to be considered. The impact on credit providers is generally seen as positive (i.e. decrease of default payments), although to a lesser extent than on consumers. Although it scores very low, it could be kept for the non-regulatory policy measure	Potentially keep	Policy option 1 Policy option 2b Policy option 3b
1.1.4: Issue a recommendation on the consequences of a negative CWA	4.5	The effectiveness of this measure is generally seen as very limited due to its non-binding nature, especially when it comes to its effects on the overall level of compliance (all stakeholder groups believe it would remain the same). In terms of over-indebtedness, consumer organisations and industry representatives think that it would be ineffective, but national authorities are more optimistic. National researchers generally think that this measure would not have great impact on consumers or credit providers due to its non-binding nature.	Discard	Not included in any policy option
1.3.1: Provide guidance for enforcement authorities on elements of the CCD that may be subject to interpretation to ensure a more uniform interpretation of the CCD	7	The opinion of national authorities on whether this measure would have an impact on the level of over-indebtedness is mostly divided, and industry representatives and consumer organisations generally think it would not have an impact. Some national researchers think that this, together with the clarification of terms, could be an effective combination	Potentially discard	Not included in any policy option

(e.g. 'in good time', 'sufficient information')		and have a positive impact on consumers, but a few believe that this is the role of national courts. It was argued that guidance is more useful when directed to credit providers. Based on the feedback from national authorities, this measure is not likely to have a great impact.		
2.2.2: Provide a more detailed definition of some key terms related to the obligations contained in the Directive (e.g. 'sufficient information', 'in a timely manner', 'adequate explanations')	10	Consumer organisations and national authorities believe that this measure would have a positive impact on the level of over-indebtedness (and on consumers), but credit providers do not agree. In any case, the extent of the impact would be limited because, 1) it is not an issue in some Member States, 2) there are not many phrases in the CCD that could be problematic (according to national researchers). The measure is feasible, but it should consider the challenges linked to translation. The lack of flexibility should be considered. The MCD establishes that "the assessment shall take appropriate account of factors relevant to verifying the prospect of the consumer to meet his obligations under the credit agreement", but it does not specify the categories of data. It could be useful to align with the MCD provision.	Potentially keep	Policy option 2 (2a and 2b) Policy option 3 (3a and 3b)
2.4.1: Establish the categories or specific data that can be considered to assess consumers' creditworthiness (positive and negative)	9.5	This measure would have a positive impact on consumers and over-indebtedness (according to consumer organisations, national authorities and credit providers, and national researchers). National researchers also think that credit providers would benefit from this measure. However, some national authorities noted that full harmonisation is not desirable, and it was pointed out that if the rules are too strict, vulnerable consumers may be negatively impacted. Although this is a topic already covered by the EBA guidelines on loan origination, it would be a binding measure. The measure could also clash with the ban in some Member States regarding the use of positive data. The MCD establishes that "the assessment shall take appropriate account of factors relevant to verifying the prospect of the consumer to meet his obligations under the	Potentially discard	Not included in any policy option

		credit agreement", but it does not specify the categories of data. It could only cover negative data. Could have negative effects on vulnerable consumers (e.g. prioritise categories of data?). It could be modelled after the EBA guidelines. It could replace 2.2.2, but it may be too strict/potentially negative for vulnerable consumers. Furthermore, 2.2.2 ensures better alignment with the MCD.		
2.4.2: Establish the categories or specific data that must be considered to assess consumers' creditworthiness (positive and negative)	10	The feedback is similar to the one for 2.4.1. The difference is that in this case, it would require full harmonisation, which in the view of some stakeholders, is not desirable. The flexibility of 2.4.1 should be prioritised.	Potentially discard	Not included in any policy option
2.4.5: Provide more detailed requirements in relation to how CWAs should be conducted (e.g. consulting a credit database)	11	The impact on over-indebtedness is deemed as positive by consumer organisations, national authorities, and credit providers, and generally for national researchers as well). Stakeholders generally agreed that standards or common principles were preferrable (e.g. practices are tailored to the local market and over-regulation could push consumers to the black market). The impact on consumers (especially) and credit providers is generally seen as positive by national researchers, although a couple of national researchers thought that it could negatively impact credit providers. It should establish principles rather than specific rules.	Potentially keep	Policy option 2 (2a and 2b) Policy option 3 (3a and 3b)
2.4.6: Establishing the consequences of a negative CWA (i.e. credit cannot be granted if the outcome of the CWA is negative)	11.5	This measure already exists in some Member States (e.g. BE, CZ, FR), where it has proved effective/efficient. The obligation is included in the MCD (Art. 5(5)(a)). Some stakeholders indicated that this should be a rule. Although the impact on consumers is generally seen as positive, several stakeholders warned about the perverse effects of this measure (e.g. limiting access to credit). According to national researchers, credit providers would be either not impacted or negatively impacted. One stakeholder pointed out that the costs for credit providers outweigh the benefits of the measure.	Potentially discard	Policy option 2 (2a and 2b) Policy option 3 (3a and 3b)

		The measure scores high in terms of impact, but it is not clear if the benefits would outweigh the costs. However, it would improve the alignment with the MCD. It is also a very prescriptive option, not giving flexibility to creditors and therefore has limited added value to be adopted across the entire EU and for all circumstances.		
2.4.7: Establish the obligation to conduct a debtor-focused CWA (i.e. whether the consumer will be able to pay back the credit without experiencing financial hardship) as opposed to a lender-focused CWA (i.e. whether the consumer will pay back the credit, irrespective of the impact on the consumer's financial situation)	11	The impact of is generally seen as positive, especially for consumers and the level of over-indebtedness. The need to have a debt-focused CWA was also raised by ACCIS during the workshop. However, a few considerations must be considered: it could limit access to credit for the most vulnerable, and it could go against national case law (e.g. IT). Such obligation does not exist in the MCD. Although it scores high, it could lead to conflicts with national rules/case law. It would also digress from what is established in the MCD. However, it could prove effective in protecting consumers.	Potentially discard	Not included in any policy option
Problem 2.3: The growing use of alternative sources of information and automated decision-making entails risks for consumers that are not addressed by the CCD				
1.1.5: Establish guidelines on the use of alternative sources of data and automated decision-making to conduct CWA	6	Although stakeholders think that effectiveness of this measure would be limited due to its non-binding nature, national researchers pointed out that this concerns already applicable rules (GDPR) and therefore, there should not be a lot of opposition from stakeholders. Although it scores very low, it could be kept for the non-regulatory option it does not seem to be a problematic measure.	Potentially keep	Policy option 1
2.4.3: Establish rules on the use of alternative sources of data to conduct creditworthiness assessments	13.5	Some consumer organisations specifically mentioned the need for EU legislation to address the issue of alternative data (which is being used by credit providers to improve their CWA), in line with the GDPR. All national researchers believed that consumers would be positively impacted, while the opinion on the impact on credit providers was rather split. During the workshop, a researcher mentioned that alternative data should be used only to complement	Keep	Policy option 2 (2a and 2b) Policy option 3 (3a and 3b)

		traditional data when the outcome of the CWA is negative (i.e. to facilitate access to credit), referring to a study on this.		
2.4.4: Include a provision establishing the right of consumers to request and receive an explanation on how and on what basis a decision on their creditworthiness was reached (i.e. reflecting the GDPR principles concerning automated decision-making)	11	The impact on consumers is deemed as positive (e.g. it would increase legal certainty, reduce the number of disputes, and help consumers assess their situation better). The measure would be in line with the GDPR principles regarding automated decision making (e.g. further alignment of EU measures). However, one stakeholder from DE pointed out that the measure is already in place in DE and its effectiveness is limited in the sense that the information disclosed to the consumer is difficult to understand (i.e. algorithm). It would ensure alignment with the GDPR.	Potentially keep	Policy option 2 (2a and 2b) Policy option 3 (3a and 3b)

Table 15. Possible policy measures (Problem 3)

Measure	Total score	Commentary	Keep/discard	Policy option(s)
problem 3.1: The information provided to consumers prior to the signature of the contract does not allow them to properly read and process the key information and make good purchase decisions				
1.2.1: Implement an awareness raising campaign through the European Consumer Centres providing clarity to consumers on elements that are identified as unclear (e.g. APR)	6.5	This measure would have limited effectiveness. In terms of compliance, a majority of business associations and consumer organisations believe that it would not change. A majority of business associations and national authorities believe that it would have a positive impact on the overall level of over-indebtedness. There are limited benefits, but the measure would not entail costs for credit providers. In terms of impact on consumers, national researchers tended to agree that it could be positive (if effectively targeted), although one pointed out that this is not what ECCs are expected to do. The impact on credit providers, according to national researchers, would be either zero or positive.	TBD	Policy option 1 Policy option 2b

		The effectiveness/impact of this measure seems to be limited, but it would not entail great costs. Can be considered for Policy option 1 (or as reinforcement).		
2.3.1: Reduce the amount of information to be provided to consumers in advertising focusing on key information, especially when provided through certain channels (TV, radio)	14.5	Generally, stakeholders agree that consumers would benefit from simpler, reduced information provided in advertisement (studies have shown that consumers process the information better, and stakeholders - including consumer organisations and national authorities - and national researchers tend to agree). This would also have a positive impact on credit providers. Important to bear in mind the opinion of the REFIT platform in 2017, where it was argued that credit providers could avoid providing lengthy information by not including any information on costs or interest rates. Article 11 MCD is similar to Art. 4 CCD. The feedback received by stakeholders seems to have shifted since 2017 (when Member States seemed to be in favour of maintaining Article 4 of the CCD). However, consider the differences with the MCD if Art. 4 is amended.	Keep	Policy option 2 (2a and 2b) Policy option 3 (3a and 3b)
2.3.2: Reduce the amount of information to be provided to consumers at pre-contractual stage, focusing on key information	13	National authorities and consumer organisations generally think that this would have a positive impact on consumers and over-indebtedness. Credit providers did not comment on this, but they referred to the SECCI as problematic. Similarly, all stakeholder groups considered that simpler rules would facilitate compliance.	Keep	Policy option 2 (2a and 2b) Policy option 3 (3a and 3b)
2.3.5: Establish detailed requirements in relation to the provision of adequate explanations	11.5	The impact on consumers, according to national researchers, would be positive, although this depends on the exact content of the requirements. The CCD includes the obligation already, but the MCD goes a step beyond, indicating the requirements (Art. 16). It would ensure consistency with MCD rules, and credit providers are already obliged to provide adequate explanations.	Potentially keep	Policy option 2 (2a and 2b) / Policy option 3 (3a and 3b)
3.3.2: Establish an obligation upon credit providers to advise consumers	8	Covered under problem 2	Potentially discard	Not included in any policy option

on suitable credit at pre-contractual stage				
3.3.4: Establish an obligation upon credit providers to ensure that staff members providing advisory services have the proper set of skills and knowledge	8	Covered under problem 2	Potentially keep	Policy option 3 (3a and 3b)
Problem 3.2: Taking advantage of the vagueness of some of the CCD information-related provisions, some credit providers are exploiting consumer behavioural biases and circumventing the rules				
1.1.1: Clarification of terms of the CCD that may be subject to interpretation (e.g. 'in good time' and 'adequate explanations' concerning pre-contractual information, 'sufficient information' concerning CWAs)	5.5	Covered under problem 2	Potentially keep	Policy option 1
1.1.2: Non-binding rules of conduct for credit providers indicating how and when the information should be provided at advertising and pre-contractual stage	5	The effectiveness of this measure is limited due to its non-binding nature. This could potentially replace measures 2.3.3 and 2.3.4 if needed.	Discard	Not included in any policy option
1.3.1: Provide guidance for enforcement authorities on elements of the CCD that may be subject to interpretation to ensure a more uniform interpretation of the CCD (e.g. 'in good time', 'sufficient information')	7	Covered under problem 2	Potentially discard	Not included in any policy option
2.2.2: Provide a more detailed definition of some key terms related to the obligations contained in the Directive (e.g. 'sufficient information', 'in a timely manner', 'adequate explanations')	10	Consumer organisations and national authorities believe that this measure would have a positive impact on the level of over-indebtedness (and on consumers), but credit providers do not agree. In any case, the extent of the impact would be limited because, 1) it is not an issue in some Member States, 2) there are not many phrases in the CCD that could be problematic (according to national researchers). This measure would address (to certain extent) one of the most common issues linked to the	Potentially discard	Not included in any policy option

		provision of pre-contractual information (i.e. the timeline), although to a lesser extent than 2.3.4. The measure is feasible, but it should consider the challenges linked to translation. The lack of flexibility should be considered.		
2.3.3: Include more details on the way information should be displayed to consumers at advertising and pre-contractual stage (e.g. format, font size)	11.5	The impact of this measure on consumers is deemed positive (e.g. it would facilitate comparison of offers because it would be presented in a more standard manner). Specific mention was made of establishing a minimum font size. However, if the rules are too strict, credit providers would be negatively impacted. Although the feedback seems to be positive, a Directive may not be the most adequate instrument to regulate such level of detail may be too much for a Directive, although it could be included in an annex.	Potentially discard	Policy option 2 (2a and 2b) Policy option 3 (3a and 3b)
2.3.4: Establish detailed requirements in relation to when the pre-contractual information should be provided	11	The impact on consumers is generally seen as high as it would allow them to properly reflect (e.g. potentially a cooling-off period) and improve compliance. If the requirements are too strict, it may negatively impact consumers (e.g. when they need access to credit). The potential negative impact on consumers should be considered.	Potentially keep	Policy option 2 (2a and 2b) Policy option 3 (3a and 3b)

Table 16. Possible policy measures (Problem 4)

Measure	Total score	Commentary	Keep/discard	Policy option(s)
Problem 4.1: Consumers who are over-indebted or at risk of over indebtedness are not sufficiently protected across the EU (including financial lit. and debt advice services)				
1.2.3: Implement an awareness raising campaign through the European Consumer Centres to increase consumers' awareness	6	This measure would have limited effectiveness. In terms of compliance, a majority of business associations and consumer organisations believe that it would not change. A majority of business associations and national authorities believe that it would have a positive impact on the overall	Potentially discard	Not included in any policy option

about the possibility to access debt advice services		level of over-indebtedness. There are limited benefits, but the measure would not entail costs for credit providers. In terms of impact on consumers, national researchers tended to agree that it could be positive, especially if correctly targeted and adapted to the market. However, some national researchers pointed out that this already exists (e.g. NL) and that the issue is often that consumers do not turn to these services. In other Member States where they are not in place, national researchers thought that it's needed as consumers often ignore that these services are available. The impact on credit providers, according to national researchers, would be either zero or positive. However, it could go against existing efforts in some Member States (e.g. BE). The effectiveness is limited, and in some Member States it could go against existing efforts. Some Member States have already implemented similar campaigns, and the issue remains. Although it could benefit consumers in Member States which have not implemented this measure, the campaign would have to be tailored to each Member State.		
1.2.4: Increased support to capacity building in consumer organisations and public bodies via funding on financial education, debt advice and assistance	10	The impact of this measure on consumers is deemed as positive, and so is the impact on credit providers. Some national researchers pointed out that this measure would allow national consumer organisations, which are already trusted by consumers, to step up their efforts as they usually lack resources to do so. For that reason, the measure would probably be more cost-effective than implementing EU-level initiatives. Credit providers were also deemed to be positively impacted (business associations and national researchers).	Keep	Policy option 1 Policy option 2b Policy option 3b
1.5.2: Establish EU-level guidelines and recommendations covering the support of consumers who are over-indebted or at risk of over-indebtedness (e.g. debt advice services, early engagement of credit providers with consumers	6.5	In those Member States where this support is already established (e.g. AT, BE, DE, NL), the added value/impact of this measure would be very limited or non-existent, according to national researchers. However, overall, the impact on consumers was deemed as positive (as opposed to no impact on credit providers). One national researcher pointed out that these could be useful for the non-banking	Potentially discard	Not included in any policy option

who are behind their payments, reducing the length and administrative burden of debt settlement procedures, etc.)		sector. The effectiveness of the measure is limited due to the non-binding nature.		
3.2.1: Establish an obligation on Member States to promote that financial education/digital literacy initiatives are implemented, without establishing minimum requirements on the availability and the content of these initiatives	7.5	This measure is thought to be effective to improve over-indebtedness (consumer organisations, credit providers) and the level of compliance (consumer organisations, national associations). Business associations were divided on the impact on over-indebtedness, and so were credit providers on the impact on compliance. It is considered burdensome/costly for the entity in charge of implementing it (national authorities), and with limited benefits in the view of all stakeholder groups except national authorities. National researchers think that it would have a positive impact on consumers, but some pointed out that it would be limited without minimum requirements. It was argued that financial education is not enough to reduce over-indebtedness. A few interviewees pointed out that this should not be a priority because it would not be enough.	Potentially discard	Not included in any policy option
3.2.2: Establish an obligation on Member States to promote that financial education/digital literacy initiatives are implemented, also establishing minimum requirements on the availability and the content of these initiatives	8.5	The points raised in relation to 3.2.1 apply here, with the difference that in this case the effectiveness/impact of the measure could improve because it would include minimum requirements. Nonetheless, it could be challenging to set minimum requirements applicable to all Member States.	Potentially keep	Policy option 3 (3a and 3b)
3.2.3: Establish an obligation on the Commission to regularly assess the financial education / digital literacy initiatives implemented in Member States and identify best practices, and to publish the findings	11	Overall, the measure is considered to impact consumers positively/very positively, and credit providers, positively. Although one national researcher questioned the cost-effectiveness of the measure, a few argued that this would result in peer pressure, which may prove effective. Two researchers believe that the best approach would be sharing best practices, and one national researcher believes that this measure would be more effective if it's not just linked to the CCD. This measure should also be applied to other areas, not just linked to CCD (e.g. financial education in schools).	Potentially keep	Policy option 3 (3a and 3b)

3.4.1: Establish an obligation upon creditors to inform low-scoring consumers whether debt advice services are available, adopting standards for the provision of these services	10.5	Business associations and national authorities would support the provision of advice services provided separately (not by credit providers, i.e. it could also lead to conflict of interests), but business associations think this would have no impact on over-indebtedness (overall) or compliance. National researchers generally see it as positive for consumers, and although to a lesser extent, for credit providers. The experience in some Member States which have implemented these measures already seems to be positive (NL, BE, PL). Moreover, according to the BE national researcher, it would be easy to integrate in the current measures. However, it was argued that to be effective, this measure should be accompanied by an obligation on Member States to ensure that debt advice services are provided. One stakeholder questioned whether the CCD was the right place to deal with this (i.e. better dealt with locally). Consider it only if debt advice services are mandatory.	Potentially keep	Policy option 3 (3a and 3b)
3.4.2: Establish an obligation upon creditors to refer low-scoring consumers to debt advice services	9	The pointed raised in relation to 3.4.1 also apply to this measure. Additionally, the impact on consumers is slightly lower in the view of national researchers. One stakeholder also highlighted potentially issues with personal data (i.e. low-scoring consumers), and one national researcher explained that these measures would probably be rejected because it entails a very paternalistic approach.	Potentially discard	Not included in any policy option
3.4.3: Establish an obligation upon Member States to provide – directly or indirectly – debt advice services for over-indebted or otherwise vulnerable consumers (including low scoring consumers)	9.5	This measure already exists in some Member States (AT, BE, DE NL), but not in others. Research shows that it is generally provided by national authorities or NGOs (although in some Member States it is only sporadically provided). One national researcher outlined that advice is important but that it would not prevent over-indebtedness (unexpected circumstances). In terms of impact of the measure, a majority of national authorities, credit providers and consumer organisations thought it would have a positive impact on over-indebtedness, and consumer organisations also believe it would positively impact the level of compliance. A majority of national	Potentially keep	Policy option 3 (3a and 3b)

		researchers also believe it would have a positive impact on consumers and on credit providers.		
3.5.1: Establish an obligation upon credit providers to identify and engage early with consumers who are behind their payments	7	Business associations believe that this measure would not positively impact over-indebtedness or the level of compliance, but this is not the case for national authorities and consumer organisations (or credit providers in relation to over-indebtedness). The impact on consumers is generally positive, but not necessarily on credit providers. The costs for credit providers are thought to be higher than the benefits. One national researcher explained that this measure would override the existing practices in BE (where this is voluntary).	Potentially discard	Not included in any policy option
Sub-problem 4.2: Indebted consumers across the EU are not sufficiently protected against the potential impact of systemic disruptions				
1.5.3: Establish EU-level guidance on measures that can be adopted by Member States to support indebted consumers whose financial situation is impacted by an external economic disruption (e.g. temporary moratoria on credit payments)	6	The measure is seen by a majority of national researchers to impact consumers positively, with some mentioning that it would be useful in times of crises like the COVID-19 crisis as it can offer inspiration. However, other national researchers believe that there is no added value/need for an EU measure in this area as Member States can adequately respond to this. The opinions are therefore divided, which may signal the difference in approaches in each MS.	Potentially keep	Policy option 1 Policy option 2b Policy option 3b
3.5.2: Establish an obligation to include specific contractual clauses intended to cover cases of exceptional or systemic economic disruptions (e.g. debt relief/payment moratoria or special assistance for consumers in these cases)	6	The impact on consumers would be positive according to all national researchers, but rather negative on credit providers. It may be necessary in crises like COVID, and if the measure is adopted, it could constitute a limit to flexibility. However, several national researchers questioned whether this should be adopted at EU level (i.e. better left to Member States; standard clauses are not the most appropriate approach). An EU standard measure does not seem to be most appropriate approach.	Potentially discard	Policy option 3 (3a and 3b)

Table 17. Possible policy measures (Problem 5)

Measure	Total score	Commentary	Keep/discard	Policy option(s)
Problem 5.1: Partial achievement of a level playing field for credit providers				
1.4.1: Issue an official communication clarifying the definitions of 'credit provider' and 'credit intermediary' contained in Article 3, specifying the new types of consumer credit that fall under the scope of the CCD (e.g. P2PL)	5	Covered under problem 1	Discard	Not included in any policy option
2.1.1: Remove the minimum and maximum thresholds	12	Covered under problem 1	Keep	Policy option 2 (2a and 2b) Policy option 3 (3a and 3b)
2.1.2: Include currently excluded loans within its scope of application (including but not only, zero-interest loans, pawnshop agreements, all leasing agreements, all overdraft facilities)	12.5	Covered under problem 1	Keep	Policy option 2 (2a and 2b) Policy option 3 (3a and 3b)
2.2.1: Provide a more detailed definition of some key terms which affect its scope of application (e.g. 'credit provider', 'credit intermediary')	9	Covered under problem 1	Potentially keep	Policy option 2 (2a and 2b) Policy option 3 (3a and 3b)
Sub-problem 5.2: Limited levels of cross-border credit, leading to reduced cross-border competition and choices for consumers				
1.1.1: Clarification of terms of the CCD that may be subject to interpretation (e.g. 'in good time' and 'adequate explanations' concerning pre-contractual information, 'sufficient information' concerning CWAs)	5.5	Covered under problems 2 and 3	Keep	Policy option 1

Measure	Total score	Commentary	Keep/discard	Policy option(s)
1.1.2: Non-binding rules of conduct for credit providers indicating how and when the information should be provided at advertising and pre-contractual stage	5	Covered under problem 3	Discard	Not included in any policy option
1.1.3: Providing guidance on the type of information that should be assessed during a CWA	6.5	Covered under problem 2	Potentially keep	Policy option 1 Policy option 2b Policy option 3b
1.1.4: Issue a recommendation on the consequences of a negative CWA	4.5	Covered under problem 2	Discard	Not included in any policy option
1.1.5: Establish guidelines on the use of alternative sources of data and automated decision-making to conduct CWA	6	Covered under problem 2	Potentially keep	Policy option 1
1.1.6: Issue non-binding rules of conduct for credit providers to promote responsible lending, addressing problematic aspects related to the design (e.g. high costs) and the marketing (e.g. product-tying, rollover practices, misleading advertisements, lack advisory services on suitable credit) of credit	5	Covered under problem 2	Discard	Not included in any policy option
1.3.1: Provide guidance for enforcement authorities on elements of the CCD that may be subject to interpretation to ensure a more uniform interpretation of the CCD (e.g. 'in good time', 'sufficient information')	7	Covered under problem 2	Potentially discard	Not included in any policy option
1.5.1: Establish EU-level guidelines and recommendations on how to	6.5	Covered under problem 2	Potentially keep	Policy option 1

Measure	Total score	Commentary	Keep/discard	Policy option(s)
regulate aspects not harmonised by the CCD which are relevant to ensure responsible lending (e.g. limiting cross-selling practices, setting interest rate caps, establishing an obligation for credit providers to advise consumers on suitable products, limiting or banning rollover practices)				Policy option 2b Policy option 3b
2.2.2: Provide a more detailed definition of some key terms related to the obligations contained in the Directive (e.g. 'sufficient information', 'in a timely manner', 'adequate explanations')	10	Covered under problem 2	Potentially keep	Policy option 2 (2a and 2b) Policy option 3 (3a and 3b)
2.3.4: Establish detailed requirements in relation to when the pre-contractual information should be provided	11	Covered under problem 3	Potentially keep	Policy option 2 (2a and 2b) Policy option 3 (3a and 3b)
2.3.5: Establish detailed requirements in relation to the provision of adequate explanations	11.5	Covered under problem 3	Potentially keep	Policy option 2 (2a and 2b) Policy option 3 (3a and 3b)
2.4.2: Establish the categories or specific data that must be considered to assess consumers' creditworthiness (positive and negative)	10	Covered under problem 2	Potentially discard	Not included in any policy option
2.4.5: Provide more detailed requirements in relation to how CWAs should be conducted (e.g. consulting a credit database)	11	Covered under problem 2	Potentially keep	Policy option 2 (2a and 2b) Policy option 3 (3a and 3b)
2.4.6: Establishing the consequences of a negative CWA (i.e. credit cannot	11.5	Covered under problem 2	Potentially keep	Policy option 2 (2a and 2b)

Measure	Total score	Commentary	Keep/discard	Policy option(s)
be granted if the outcome of the CWA is negative)				Policy option 3 (3a and 3b)
2.4.7: Establish the obligation to conduct a debtor-focused CWA (i.e. whether the consumer will be able to pay back the credit without experiencing financial hardship) as opposed to a lender-focused CWA (i.e. whether the consumer will pay back the credit, irrespective of the impact on the consumer's financial situation)	11	Covered under problem 2	Potentially discard	Not included in any policy option
2.5.1: Establish the minimum information that credit databases (private and public) must include	9	The impact of this measure on consumers and credit providers would be overall positive, but limited due to the fact that in many Member States, the national database already contains extensive information (it might not be the case in other Member States). Its effect on harmonisation would be limited.	Discard	Not included in any policy option
2.5.2: Establish the type of negative information that credit databases can contain	10.5	This measure is seen as having a positive impact on consumers, but less so on credit providers, according to national researchers. It would increase harmonisation, although only to a certain extent. It is feasible because it only concerns negative data. However, it does not address the issue of reciprocity, which in the view of some business associations is the key issue.	Potentially keep	Policy option 2 (2a and 2b) Policy option 3 (3a and 3b)
2.5.3: Establish the type of positive information that credit databases can contain	5.5	This measure is seen as having a positive impact on consumers, but less so on credit providers, according to national researchers. It also concerns positive data, which some business associations (e.g. ACCIS) consider important to harmonise as well. However, the measure may not be feasible from a legal/technical perspective, as some Member States do not allow the storage of positive data.	Discard	Not included in any policy option

Measure	Total score	Commentary	Keep/discard	Policy option(s)
2.5.4: Harmonise the content of databases (i.e. establishing the data points that they must contain)	10.5	The impact of this measure on both consumers and credit providers is generally seen as positive. It will increase harmonisation and facilitate cross-border operations. However, it does not address the issue of reciprocity, which in the view of some business associations is the key concern (i.e. the principle should be enshrined in the CCD). Moreover, some national researchers and stakeholders consider it too strict (over-regulation) It seems to be too far-reaching/strict. It would be better to focus on principle of reciprocity.	Potentially discard	Not included in any policy option
3.1.1: Establish the obligation upon Member States to set interest rate/APR caps, without specific rules or guidelines on how these should be calculated	8	Covered under problem 2	Potentially keep	Policy option 3
3.1.2: Establish the obligation upon Member States to set interest rate/APR caps, with specific rules or guidelines on how these should be calculated	6.5	Covered under problem 2	Potentially discard	Not included in any policy option
3.1.3: Establish EU-level interest rate/APR caps	4	Covered under problem 2	Discard	Not included in any policy option
3.1.4: Establish the obligation upon Member States to set caps on the costs and fees that can be charged to consumers, with specific rules or guidelines on how these should be calculated	6.5	Covered under problem 2	Potentially discard	Not included in any policy option
3.1.5: Establish EU-level caps on costs and fees	4	Covered under problem 2	Discard	Not included in any policy option
3.3.1: Establish a legal obligation for credit providers and credit	8	Covered under problem 2	Potentially keep	Policy option 3 (3a and 3b)

Measure	Total score	Commentary	Keep/discard	Policy option(s)
intermediaries to promote responsible lending (i.e. to act honestly, fairly, transparently and professionally, taking account of the rights and interests of the consumers)				
3.3.2: Establish an obligation upon credit providers to advise consumers on suitable credit at pre-contractual stage	8	Covered under problem 2	Potentially discard	Not included in any policy option
3.3.3: Adopt standards regarding the provision of advisory services to consumers	9	Covered under problem 2	Potentially keep	Policy option 3 (3a and 3b)
3.3.4: Establish an obligation upon credit providers to ensure that staff members providing advisory services have the proper set of skills and knowledge	8	Covered under problem 2	Potentially keep	Policy option 3 (3a and 3b)
3.3.5: Establish an obligation for Member States to adopt measures to limit the commissions that can be paid to credit providers for the sale of tied products	7	Covered under problem 2	Potentially discard	Not included in any policy option
3.3.6: Establish an obligation for Member States to adopt measures to prohibit product-tying practices	7	Covered under problem 2	Potentially keep	Policy option 3 (3a and 3b)
3.3.7: Establish an obligation for Member States to adopt measures to limit to the additional costs/interests that credit providers can charge when a credit is rolled over	10	Covered under problem 2	Potentially keep	Policy option 3 (3a and 3b)
3.3.8: Establish conduct of business rules on the remuneration policy of credit providers and intermediaries to	9.5	Covered under problem 2	Potentially keep	Policy option 3 (3a and 3b)

Measure	Total score	Commentary	Keep/discard	Policy option(s)
ensure that it does not promote irresponsible lending practices				
3.4.1: Establish an obligation upon creditors to inform low-scoring consumers whether debt advice services are available	10.5	Covered under problem 3	Potentially keep	Policy option 3 (3a and 3b)
3.4.2: Establish an obligation upon creditors to refer low-scoring consumers to debt advice services	9	Covered under problem 3	Potentially discard	Policy option 3 (3a and 3b)
3.5.1: Establish an obligation upon credit providers to identify and engage early with consumers who are behind their payments	7	Covered under problem 3	Potentially discard	Policy option 3 (3a and 3b)
3.5.2: Establish an obligation to include specific contractual clauses intended to cover cases of exceptional or systemic economic disruptions (e.g. debt relief/payment moratoria or special assistance for consumers in these cases)	6	Covered under problem 3	Potentially keep	Policy option 3 (3a and 3b)

Annex 9: Detailed description of the analytical methods used in preparing the impact assessment (e.g. cost-benefit analysis and multi-criteria analysis)

This annex provides a description of the approach to select the relevant impacts assessed in this study and quantify the main benefits and costs to consumers, financial providers and public authorities that can be attributed to the CCD, and under 2021-30 baseline scenario. Both approaches to costs and benefits respectively, are consistent with the those applied under the CCD Evaluation, with some further augmenting taking place to cater for the new time frame of the baseline (2021-2030).

A9.1. Selection of relevant impacts

As explained in Section 8.2 of the report, the study has considered a wide array of economic, social, environmental, and overarching impacts and determined their expected magnitude, likelihood and relevance for stakeholders. An overview of the score given to each impact for each of these elements is presented in Table 18.

Table 18. Significance of impacts for all the policy options under consideration

Key: '•' low; '••' moderate; '•••' high

Impact type	Expected magnitude	Likelihood	Relevance for stakeholders	Comment
Economic impacts				
Growth and investment	•	•	•	Not assessed as the options are expected to have a negligible impact on growth and investment.
Sectoral competitiveness, trade and investment flows	•	•	•	Not assessed as the options are expected to have a negligible impact on trade and investment flows. Competitiveness is discussed, however.
SMEs growth	•	•	•	Not assessed separately, though effects of the Options in terms of the credit market are discussed.
Functioning of the Single Market	••	••	•••	This is discussed in terms of consumer choice, competitiveness and specifically in regards to the specific objective on the single market (under effectiveness)
Increased innovation and research and Technological development	•	•	•	Not assessed as the options are expected to have a negligible impact on innovation and research
Business substantive compliance costs and administrative burden	••	•••	•••	These are covered under industry costs
Costs for public authorities	•••	•••	•••	These are covered under EU and MS-level costs
Consumer detriment	•••	•••	•••	These are covered under consumer impacts
Consumer prices and choices	••	••	•••	These are covered under consumer impacts
Consumer decision making process	•••	•••	•••	These are covered under consumer impacts

Impact type	Expected magnitude	Likelihood	Relevance for stakeholders	Comment
Social impacts				
Employment	•	•	•	Not assessed as the options are expected to have a negligible impact on employment, though the impacts for industry of the options are discussed in terms of the credit market impacts.
Income distribution and social inclusion	•	•	•	Not assessed as the options are expected to have a negligible impact on their own.
Health (& safety)	•	•	•	Not assessed as the options are expected to have a negligible impact on health.
Education	•	•	••	Not assessed as the options are expected to have a negligible impact on education itself, even if education measures are discussed in terms of their impacts on consumers.
Governance & good administration	•	•	••	Not assessed as the options are expected to have a negligible impact on governance & good administration.
Consumer trust	••	•••	•••	Not covered separately, but as consumer behaviour under consumer impacts.
Consumer protection	••	•••	•••	These are covered under consumer impacts
Social inclusion	••	••	•••	These are covered under consumer impacts, together with over-indebtedness.
Over-indebtedness	••	••	•••	These are covered under consumer impacts, together with social inclusion.
Environmental impacts				
Minimizing environmental risks	•	•	•	Not assessed as the options are expected to have a negligible impact on environmental risks.
Climate change	•	•	•	Not assessed as the options are expected to have a negligible impact on climate change.
Overarching impacts				
Application of the EU legal consumer framework (enforcement)	••	•••	•••	Covered under implementation, monitoring and enforcement.
Economic and social cohesion	•	•	•	Not assessed separately.
Sustainable development	•	•	•	Not assessed as the options are expected to have a negligible impact on sustainable development.
Fundamental rights	•	••	•••	Covered as part of social inclusion

Impact type	Expected magnitude	Likelihood	Relevance for stakeholders	Comment
Individuals, private and family life, freedom of conscience and expression	•	•	•	Not identified as a potentially significant impact.
Property rights and the right to conduct a business	•	•	•	Not identified as a potentially significant impact category.

Based on this table, nine main categories of significant impacts were selected (listed in Table 19, overleaf). As illustrated in Table 19, these nine types of impact have been assessed mainly in a qualitative manner, and where possible, complemented with the quantitative assessment. For the purposes of achieving a balanced approach of costs and benefits, the groups of impacts outlined in Table 19 have been categorised into three main and aggregated categories of benefits and three categories of costs:

- Benefits:
  - consumer trust (choices and behaviour) and inclusion;
  - consumer protection and reduced detriment; and
  - industry level-playing field and competition and cross-border sales of credit.
- Costs:
  - industry compliance costs;
  - EU public authorities costs; and
  - Member State-level public authorities costs.

Table 19. Selected significant impacts

Main category of impacts	Affected parties								Assessment	
	Society	Non-vulnerable consumers	Vulnerable consumers	Complying enterprises offering credit within the scope of the CCD	Uncompliant enterprises offering products outside of the scope of the CCD	Companies offering products outside of scope of CCD	Public authorities (EU)	Public authorities (national)	Qualitative	Quantitative
Consumer trust, choices and behavior		●	●						full	
Consumer protection		●	●						full	
Consumer detriment		●	●						full	partial
Social inclusion and over-indebtedness	●	●	●	●	●	●	●	●	full	
Industry compliance costs				●	●	●			full	partial
Industry level playing field and competition				●	●	●			full	
Cross-border sales of credit	●	●	●	●	●	●			full	partial
EU public administration (adoption and enforcement)							●		full	partial
Member-State public administration (adoption and enforcement)								●	full	partial

● – *Positive impact*

● – *Negative impact*

● - *Positive or negative impact*

A9.2. Benefits

We start with the description of the approach to assess the main benefits and costs to consumers, financial providers and public authorities in the EU 27 Member States that can be attributed to the CCD under 2021-30 baseline scenario (Section A9.1 and A9.2) and then against baseline scenario for selected policy options (Section A9.3). Under baseline scenario, approaches to costs and benefits respectively are consistent with the those applied under the CCD Evaluation, with some further augmenting taking place to cater for the new time frame of the baseline (2021-30) and factors such as COVID-19 pandemic. Furthermore, for the assessment of costs and benefits against baseline scenario, combination of qualitative and quantitative approaches was used.

A9.2.1. Benefits (baseline scenario)

According to its two main objectives the CCD should bring the following benefits:

- ensure a better protection of the EU consumers which in turn leads to a lower consumer detriment (possible due to a lower incidence rate of problems and a lower magnitude) and to an increase in demand for consumer credit;
- enhancing a level playing field potentially leading to an increase in cross-border transaction of consumer credit.

Our research conducted as part of the CCD Evaluation (2019) showed that the CCD had an impact on increasing consumer protection. On the other hand, the evaluation did not find hard evidence that changes in the demand or supply of consumer credit products can be directly attributed to CCD (including cross-border activities). Consequently, the same assumption is used as part of this study, and we will quantify the impact of the CCD on the reduction of consumer personal detriment only.

Reduction of personal detriment

Personal detriment refers to loss of welfare experienced by individuals due to problems that occur after the purchase and that were not expected (based on reasonable expectations). Personal detriment includes financial and non-financial losses (e.g. time losses, psychological detriment).

The CCD Evaluation (2019) found that due to various factors, consumer detriment was reduced in most of the EU 28 Member States since 2010. It assumed, based on discussions with the team of evaluation experts, that 22.5% of that change could be attributed to CCD (i.e. incremental effect of CCD). Other key factors that have played a role in reducing consumer detriment since 2008 were also considered and their relative weight was gauged:

- Development and trends of the credit sector itself: 25%;
- More stringent legislation in some MS, and improved enforcement (so government-induced): 15%;
- Increase in sector compliance over time: 10%;
- Increase in financial literacy among consumers: 5%;
- Increase in consumer awareness of APR, SECCI and contractual terms in terms of consumer credit (as unchanged for 10 years now): 10%;
- National-level campaigns in boosting consumer awareness: 5%;
- Other legislation and other factors: 7.5%.

This estimate of the detriment attributed to the CCD and other factors is in itself moderately robust. The first step in assessing the weight included listing the factors that played a role in reducing detriment. The second step was a qualitative assessment (narrative, description) and quantitative assessment (rating) of its importance. On this basis, the above percentages were derived by ranking these factors. The data was, nonetheless, moderately robust because there was a fairly high probability that a Directive in a policy area was never the only or deciding factor for attribution of change, and therefore the weighting would not be considered to exceed 30-40%. At the same time, the pace of changes in the sector (supply) and demand-driven changes have

further reduced the unique role of the CCD. It was also derived to be unlikely for the value of the attribution to the CCD to be below 10-15% following the qualitative and quantitative assessment of the key elements above (and confirmed by stakeholder consultations, which led to the conclusion that the CCD has a non-negligible attribution, rated to be above 15-20% as a result). In any case, any attribution of 20% to 30% all generated positive consumer detriment. The initial consideration of a range of benefit of 20% to 30% show this. For the Final Report of the CCD Evaluation (2019) this was specified to be a conservative estimate of 22.5% (at the lower end of this range), consistently showing benefits to be similar to or outweigh costs across the entire range of 20-30%.

For this study and for the period 2021-2030 covering the baseline scenario, it appears reasonable to assume that the impact of the CCD has been decreasing over time e.g. many effects stemming from the introduction of the CCD may have already accrued over the first 10 years leaving gradually smaller scope for equally meaningful improvements driven directly by the Directive. For that reason, it is assumed for this study that the value is lower in view of this trend, and based on a reasoned guesstimate, set at 15% (as opposed to 22.5%).

Below we describe the approach to calculate the changes in consumer detriment and the incremental effect of CCD with year 2021 as a starting point.

Step 1. Estimate the average magnitude of consumer financial detriment per problem.

The estimation of the average magnitude of the consumer financial detriment suffered by an individual due to a problem (e.g. magnitude of the financial detriment per problem) applied as part of the CCD Evaluation (2019) relied on the estimate reported in the CIVIC (2017) for the consumer detriment for "Loans, credit and credit cards" as of 2017, and for the following countries: UK, Poland, France and Italy (see Table 20).[770] This data was then extrapolated for each of the EU 28 countries, and until the year 2018. For the baseline scenario (2021-2030) under this study, 2018 data points (the latest available) for each of the EU-27 Member States are assumed as the starting point for the year 2021, and then values are kept constant. While in practice there could be a number of factors affecting the magnitude of financial detriment per problem over the reference period of 2021-2030 (e.g. impact of digitalisation, increase/ decrease in use of products involving different level of risks, changes in financial literacy of consumers etc), reliable capturing and projection of all these factors and accounting for their different level of impact on consumer detriment (changing over the time and across Member States) is not feasible. Hence, this study applies a simplifying assumption of a constant rate. A similar approach is followed for other complex issues where plethora of factors does not allow to gauge a trend of a variable in a reasonable way.

Table 20. Magnitude of financial detriment per problem, 2017

Member State	Magnitude, in EUR	Used to extrapolate for EU countries in the following regions
France	108	Western Europe
Italy	187	Southern Europe
Poland	176	Eastern Europe
UK	144	Northern Europe

[770] The main aim of CIVIC study's was to develop a simple, consistent state-of-the-art methodology in order to identify, measure and quantify the incidence and magnitude of consumer detriment in any kind of consumer market. It focused on 6 markets (including the 'loans, credit and credit cards' market) and on 4 countries, ensuring very large sample sizes for both the face-to-face and the online surveys, resulting in an overall sample size of 16,000 respondents.

Furthermore, the magnitude of financial detriment per problem over the period 2010-2018, as assessed by the CCD Evaluation (2019), drew also on the Consumer Markets Scoreboard data on "Extent of detriment suffered as a result of problems experienced with products/services or supplier/retailer".[771] For the baseline scenario under this study, the data on the extent of detriment per Member State as of 2018 used in the CCD Evaluation (2019) was subsequently used as the starting point for the year 2021. For the period 2021-2030, it is assumed that the extent of detriment suffered as a result of a problem reduces by 0.3 point per annum, except Estonia where the score has been assumed to stay constant given already very low base value in 2020. This trend is in line with reduction of the extent of detriment applied under Evaluation 2019. (see Table 21).

Table 21. Severity of consumer problems in the period 2021-2030 (scale 0-10, where 0 is low severity and 10 high severity)

Member State	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Austria	4.31	4.01	3.71	3.41	3.11	2.81	2.51	2.21	1.91	1.61
Belgium	4.31	4.01	3.71	3.41	3.11	2.81	2.51	2.21	1.91	1.61
Bulgaria	6.46	6.16	5.86	5.56	5.26	4.96	4.66	4.36	4.06	3.76
Croatia	5.18	4.88	4.58	4.28	3.98	3.68	3.38	3.08	2.78	2.48
Cyprus	5.38	5.08	4.78	4.48	4.18	3.88	3.58	3.28	2.98	2.68
Czech Republic	5.29	4.99	4.69	4.39	4.09	3.79	3.49	3.19	2.89	2.59
Denmark	4.19	3.89	3.59	3.29	2.99	2.69	2.39	2.09	1.79	1.49
Estonia	1.13	1.23	1.23	1.23	1.23	1.23	1.23	1.23	1.23	1.23
Finland	3.35	3.05	2.75	2.45	2.15	1.85	1.55	1.25	0.95	0.65
France	5.85	5.55	5.25	4.95	4.65	4.35	4.05	3.75	3.45	3.15
Germany	5.14	4.84	4.54	4.24	3.94	3.64	3.34	3.04	2.74	2.44
Greece	5.31	5.01	4.71	4.41	4.11	3.81	3.51	3.21	2.91	2.61
Hungary	5.65	5.35	5.05	4.75	4.45	4.15	3.85	3.55	3.25	2.95
Ireland	4.26	3.96	3.66	3.36	3.06	2.76	2.46	2.16	1.86	1.56
Italy	5.22	4.92	4.62	4.32	4.02	3.72	3.42	3.12	2.82	2.52
Latvia	5.49	5.19	4.89	4.59	4.29	3.99	3.69	3.39	3.09	2.79
Lithuania	6.94	6.64	6.34	6.04	5.74	5.44	5.14	4.84	4.54	4.24
Luxembourg	5.76	5.46	5.16	4.86	4.56	4.26	3.96	3.66	3.36	3.06
Malta	8.27	7.97	7.67	7.37	7.07	6.77	6.47	6.17	5.87	5.57
Netherlands	4.12	3.82	3.52	3.22	2.92	2.62	2.32	2.02	1.72	1.42
Poland	5.28	4.98	4.68	4.38	4.08	3.78	3.48	3.18	2.88	2.58
Portugal	5.08	4.78	4.48	4.18	3.88	3.58	3.28	2.98	2.68	2.38
Romania	6.83	6.53	6.23	5.93	5.63	5.33	5.03	4.73	4.43	4.13
Slovakia	3.61	3.31	3.01	2.71	2.41	2.11	1.81	1.51	1.21	0.91
Slovenia	4.55	4.25	3.95	3.65	3.35	3.05	2.75	2.45	2.15	1.85
Spain	6.12	5.82	5.52	5.22	4.92	4.62	4.32	4.02	3.72	3.42

[771] By assuming that the magnitude changed proportionally to the extent of detriment

Member State	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Sweden	3.46	3.16	2.86	2.56	2.26	1.96	1.66	1.36	1.06	0.76

Source: extrapolation based on Consumer Markets Scoreboard and results of the CCD Evaluation (2019)

This then allowed to estimate the magnitude of the financial detriment per consumer for each EU-27 Member States (Table 22).

Table 22. Magnitude of financial detriment 2021-2030, in EUR

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Austria	93.2	86.7	80.2	73.7	67.2	60.7	54.2	47.7	41.3	34.8
Belgium	76.5	71.2	65.8	60.5	55.2	49.8	44.5	39.2	33.9	28.5
Bulgaria	128.7	122.7	116.8	110.8	104.8	98.8	92.9	86.9	80.9	74.9
Croatia	192.9	181.7	170.5	159.4	148.2	137.0	125.8	114.7	103.5	92.3
Cyprus	164.0	154.8	145.7	136.5	127.4	118.2	109.1	99.9	90.8	81.6
Czech Republic	129.3	122.0	114.6	107.3	100.0	92.6	85.3	77.9	70.6	63.3
Denmark	119.6	111.0	102.5	93.9	85.4	76.8	68.2	59.7	51.1	42.6
Estonia	96.3	104.5	104.5	104.5	104.5	104.5	104.5	104.5	104.5	104.5
Finland	38.1	34.7	31.2	27.8	24.4	21.0	17.6	14.2	10.8	7.4
France	102.1	96.8	91.6	86.4	81.1	75.9	70.7	65.4	60.2	55.0
Germany	91.0	85.7	80.3	75.0	69.7	64.4	59.1	53.8	48.5	43.2
Greece	141.1	133.1	125.1	117.2	109.2	101.3	93.3	85.3	77.4	69.4
Hungary	134.6	127.4	120.3	113.1	106.0	98.8	91.7	84.5	77.4	70.2
Ireland	125.6	116.8	107.9	99.1	90.3	81.4	72.6	63.8	54.9	46.1
Italy	154.7	145.8	136.9	128.0	119.1	110.3	101.4	92.5	83.6	74.7
Latvia	153.5	145.1	136.7	128.3	119.9	111.5	103.1	94.8	86.4	78.0
Lithuania	129.3	123.7	118.1	112.5	106.9	101.4	95.8	90.2	84.6	79.0
Luxembourg	158.2	149.9	141.7	133.5	125.2	117.0	108.8	100.5	92.3	84.1
Malta	146.3	141.0	135.7	130.4	125.1	119.8	114.5	109.2	103.9	98.6
Netherlands	163.1	151.2	139.4	127.5	115.6	103.8	91.9	80.0	68.2	56.3
Poland	177.8	167.7	157.6	147.5	137.4	127.3	117.2	107.1	97.1	87.0
Portugal	166.1	156.3	146.5	136.7	126.9	117.0	107.2	97.4	87.6	77.8
Romania	142.7	136.5	130.2	123.9	117.7	111.4	105.1	98.9	92.6	86.3
Slovakia	188.6	172.9	157.3	141.6	126.0	110.3	94.6	79.0	63.3	47.6
Slovenia	119.6	111.7	103.8	95.9	88.0	80.1	72.3	64.4	56.5	48.6
Spain	148.8	141.5	134.2	126.9	119.6	112.3	105.0	97.7	90.4	83.1
Sweden	134.4	122.8	111.1	99.5	87.8	76.2	64.6	52.9	41.3	29.6

Source: own calculations based on MMS and Civic (2017) and further extrapolation for the period 2021-2030

Step 2. Estimate the average time loss per problem

The estimation of the time loss per problem, as part of the CCD Evaluation (2019), was done based on the data reported in CIVIC (2017). The number of hours for the period 2010-2018 was extrapolated using the data from Consumer Markets Scoreboard on "Extent of detriment suffered as a result of problems experienced with products/services or supplier/retailer".[772] For the period 2021-2030, the latest data point from 2018 is used as starting point for the year 2021, and then kept constant for the remaining period 2021-30 (Table 23).

The estimation of time losses and then monetisation of time losses (i.e. by using hourly earnings for monetising time losses) followed the methodology for measuring consumer detriment developed by CIVIC (2017) for DG JUST – "(…) a detailed step-by-step operational guidance to guide scientifically sound and resource efficient assessments of personal consumer detriment in markets across the EU". The methodology covers financial detriment, time loss and psychological detriment.

According to the CIVIC study, time losses for 2016 were estimated based on statements from consumers collected through surveys of consumers. In the CCD Evaluation (2019), the ICF extrapolated those time losses to other years based on the data on incidence rates of consumer complaints from the "markets scoreboards". The underlying assumption was that time losses are proportionate to the incidence rate of problems. This study uses the values for 2018, as estimated as part of the CCD Evaluation (2019), and assumes those for the starting year 2021. From then onwards, the underlying assumption for the period 2021-30 is that the time losses per problem stay constant.

Table 23. Time losses 2021-2030 (number of hours per problem)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Austria	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6
Belgium	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7
Bulgaria	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8
Croatia	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5
Cyprus	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.7
Czech Republic	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6
Denmark	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Estonia	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Finland	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
France	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2
Germany	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5
Greece	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.7
Hungary	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Ireland	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6
Italy	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6
Latvia	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8
Lithuania	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3
Luxembourg	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1

[772] By assuming that the time losses changed proportionally to the extent of detriment.

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Malta	8.7	8.7	8.7	8.7	8.7	8.7	8.7	8.7	8.7	8.7
Netherlands	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Poland	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6
Portugal	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4
Romania	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2
Slovakia	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9
Slovenia	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9
Spain	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
Sweden	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8

We monetise the consumer detriment resulting from time losses using the latest available Eurostat data on the mean hourly earnings for each country in 2014[773] which was then adjusted by inflation rates over the period 2014-2019 observed in each of the EU-27 Member States in order to derive the current level of earnings (see Table 24).

Table 24. Monetised time losses per country, in millions of euros

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Austria	73.0	73.0	73.0	73.0	73.0	73.0	73.0	73.0	73.0	73.0
Belgium	89.7	89.7	89.7	89.7	89.7	89.7	89.7	89.7	89.7	89.7
Bulgaria	12.2	12.2	12.2	12.2	12.2	12.2	12.2	12.2	12.2	12.2
Croatia	29.1	29.1	29.1	29.1	29.1	29.1	29.1	29.1	29.1	29.1
Cyprus	50.4	50.4	50.4	50.4	50.4	50.4	50.4	50.4	50.4	50.4
Czech Republic	28.4	28.4	28.4	28.4	28.4	28.4	28.4	28.4	28.4	28.4
Denmark	123.5	123.5	123.5	123.5	123.5	123.5	123.5	123.5	123.5	123.5
Estonia	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3
Finland	69.5	69.5	69.5	69.5	69.5	69.5	69.5	69.5	69.5	69.5
France	100.2	100.2	100.2	100.2	100.2	100.2	100.2	100.2	100.2	100.2
Germany	93.7	93.7	93.7	93.7	93.7	93.7	93.7	93.7	93.7	93.7
Greece	47.5	47.5	47.5	47.5	47.5	47.5	47.5	47.5	47.5	47.5
Hungary	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
Ireland	95.2	95.2	95.2	95.2	95.2	95.2	95.2	95.2	95.2	95.2
Italy	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0
Latvia	21.3	21.3	21.3	21.3	21.3	21.3	21.3	21.3	21.3	21.3
Lithuania	25.3	25.3	25.3	25.3	25.3	25.3	25.3	25.3	25.3	25.3
Luxembourg	124.9	124.9	124.9	124.9	124.9	124.9	124.9	124.9	124.9	124.9
Malta	80.8	80.8	80.8	80.8	80.8	80.8	80.8	80.8	80.8	80.8
Netherlands	78.1	78.1	78.1	78.1	78.1	78.1	78.1	78.1	78.1	78.1
Poland	26.5	26.5	26.5	26.5	26.5	26.5	26.5	26.5	26.5	26.5

[773] Eurostat dataset: earn_ses_pub2s.

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Portugal	29.9	29.9	29.9	29.9	29.9	29.9	29.9	29.9	29.9	29.9
Romania	17.2	17.2	17.2	17.2	17.2	17.2	17.2	17.2	17.2	17.2
Slovakia	19.1	19.1	19.1	19.1	19.1	19.1	19.1	19.1	19.1	19.1
Slovenia	38.8	38.8	38.8	38.8	38.8	38.8	38.8	38.8	38.8	38.8
Spain	68.5	68.5	68.5	68.5	68.5	68.5	68.5	68.5	68.5	68.5
Sweden	75.4	75.4	75.4	75.4	75.4	75.4	75.4	75.4	75.4	75.4

Step 3. Estimate rate of problems per purchase

The calculation of the problem rate for the period 2021-2030 uses the latest data point (for year 2018) on problem rate, as estimated by the CCD Evaluation (2019). The extrapolation for the period 2021-30 was then done based on trend analysis relying on clustering of Member States depending on the past rates of decline in the problem rate.[774] This is shown below in Table 25.

Table 25. Rate of problems 2021-2030

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Austria	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%
Belgium	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%
Bulgaria	13.3%	12.8%	12.3%	11.8%	11.2%	10.7%	10.2%	9.7%	9.2%	8.6%
Croatia	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%
Cyprus	11.5%	11.0%	10.5%	10.0%	9.5%	8.9%	8.4%	7.9%	7.4%	6.8%
Czech Republic	14.5%	14.0%	13.4%	12.9%	12.4%	11.9%	11.4%	10.8%	10.3%	9.8%
Denmark	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Estonia	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Finland	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%
France	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
Germany	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%
Greece	10.1%	9.6%	9.1%	8.6%	8.0%	7.5%	7.0%	6.5%	5.9%	5.4%
Hungary	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Ireland	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%
Italy	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%
Latvia	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Lithuania	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%
Luxembourg	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%
Malta	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%

[774] EU-27 were classified in 3 groups depending on the cumulative rate of decline in the problem observed between 2010-18. Group A: <= 5.99%, Group B: 6-9.99%, and Group C: >= 10%. For the period 2020-30, countries from Group C were assumed to continue to experience the reduction in problem year with 0.5% reduction pa while the problem rate for countries in Group A and B was assumed to remain constant over the whole baseline scenario.

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Netherlands	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Poland	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%
Portugal	9.9%	9.4%	8.8%	8.3%	7.8%	7.3%	6.8%	6.2%	5.7%	5.2%
Romania	10.7%	10.2%	9.6%	9.1%	8.6%	8.1%	7.6%	7.0%	6.5%	6.0%
Slovakia	11.2%	10.7%	10.2%	9.7%	9.1%	8.6%	8.1%	7.6%	7.1%	6.5%
Slovenia	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%
Spain	18.0%	17.4%	16.9%	16.4%	15.9%	15.3%	14.8%	14.3%	13.8%	13.3%
Sweden	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%

Step 4. Estimate the market penetration

The number of purchases of consumer credit products for the staring year 2021 was derived based on the latest available estimate for the year 2018, as per the CCD Evaluation. The latter was extrapolated for the whole interval 2010-2018 based on the Eurobarometer data (2003, 2011, 2016) on the percentage of respondents who purchased at least one loan, debit or credit card. For the period 2021-30, gauging the level of market penetration is inherently difficult. This is also because it is likely to be driven be numerous factors that include: impact of COVID-19 and subsequent pace of economic recovery (and hence unemployment rate and degree of tightening of credit conditions, among others), monetary policies pursued by ECB and central banks from non-Eurozone countries (and hence prevailing interest rates) or/and the impact of technological changes on the access and demand for credit (e.g. digitalisation). Moreover, the Eurobarometer data used to define the baseline scenario for the period 2010-2018 points to rather puzzling findings – market penetration of credit in many EU Member States kept increasing after the GFC until 2014-15, and then once the recovery gained full speed it started decreasing. Typically, empirical data from the past economic crises shows the opposite. Therefore, consistent with approach to some other assumptions, the market penetration for the period 2021-30 is assumed to stay constant (see Table 26).

Table 26. Market penetration of consumer credit 2021-2030 (in %)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Austria	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0
Belgium	24.6	24.6	24.6	24.6	24.6	24.6	24.6	24.6	24.6	24.6
Bulgaria	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0
Croatia	33.0	33.0	33.0	33.0	33.0	33.0	33.0	33.0	33.0	33.0
Cyprus	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
Czech Republic	21.6	21.6	21.6	21.6	21.6	21.6	21.6	21.6	21.6	21.6
Denmark	25.3	25.3	25.3	25.3	25.3	25.3	25.3	25.3	25.3	25.3
Estonia	31.2	31.2	31.2	31.2	31.2	31.2	31.2	31.2	31.2	31.2
Finland	25.8	25.8	25.8	25.8	25.8	25.8	25.8	25.8	25.8	25.8
France	66.0	66.0	66.0	66.0	66.0	66.0	66.0	66.0	66.0	66.0
Germany	53.7	53.7	53.7	53.7	53.7	53.7	53.7	53.7	53.7	53.7
Greece	33.3	33.3	33.3	33.3	33.3	33.3	33.3	33.3	33.3	33.3
Hungary	15.7	15.7	15.7	15.7	15.7	15.7	15.7	15.7	15.7	15.7

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Ireland	24.4	24.4	24.4	24.4	24.4	24.4	24.4	24.4	24.4	24.4
Italy	32.4	32.4	32.4	32.4	32.4	32.4	32.4	32.4	32.4	32.4
Latvia	29.5	29.5	29.5	29.5	29.5	29.5	29.5	29.5	29.5	29.5
Lithuania	19.1	19.1	19.1	19.1	19.1	19.1	19.1	19.1	19.1	19.1
Luxembourg	52.0	52.0	52.0	52.0	52.0	52.0	52.0	52.0	52.0	52.0
Malta	27.5	27.5	27.5	27.5	27.5	27.5	27.5	27.5	27.5	27.5
Netherlands	25.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5
Poland	18.1	18.1	18.1	18.1	18.1	18.1	18.1	18.1	18.1	18.1
Portugal	20.9	20.9	20.9	20.9	20.9	20.9	20.9	20.9	20.9	20.9
Romania	23.9	23.9	23.9	23.9	23.9	23.9	23.9	23.9	23.9	23.9
Slovakia	20.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5
Slovenia	20.7	20.7	20.7	20.7	20.7	20.7	20.7	20.7	20.7	20.7
Spain	21.7	21.7	21.7	21.7	21.7	21.7	21.7	21.7	21.7	21.7
Sweden	27.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0

The total number of purchases of consumer credit per country was obtained by multiplying the market penetration by the population of each EU 27 country.

Step 5. Calculate the personal consumer detriment (financial and time loss) for the period 2021-2030

To calculate the consumer financial detriment, we multiplied the rate of problems by the total number of purchases and by the magnitude of a problem for each country. The results are presented in Table 27.

Table 27. Consumer financial detriment, 2021-2030, in EUR mln

MS	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Austria	19.56	19.43	19.48	19.53	19.59	19.64	19.69	19.75	19.80	19.85
Belgium	13.44	13.39	13.42	13.45	13.48	13.51	13.54	13.57	13.60	13.62
Bulgaria	23.63	22.57	21.52	20.49	19.47	18.47	17.48	16.51	15.55	14.60
Croatia	17.91	17.90	17.94	17.98	18.02	18.06	18.10	18.14	18.18	18.23
Cyprus	3.74	3.61	3.48	3.34	3.20	3.06	2.91	2.76	2.61	2.46
Czech Republic	38.59	37.27	35.95	34.63	33.31	31.98	30.66	29.33	28.00	26.67
Denmark	11.37	11.40	11.43	11.46	11.49	11.52	11.54	11.57	11.60	11.63
Estonia	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08
Finland	1.51	1.51	1.51	1.51	1.51	1.51	1.51	1.51	1.51	1.51
France	81.47	81.66	81.85	82.03	82.22	82.41	82.60	82.78	82.97	83.16
Germany	115.52	115.57	115.61	115.66	115.70	115.75	115.79	115.83	115.88	115.92
Greece	46.76	44.30	41.86	39.43	37.03	34.64	32.27	29.92	27.58	25.26
Hungary	9.01	9.00	8.98	8.97	8.96	8.94	8.93	8.91	8.90	8.88

MS	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Ireland	7.50	7.57	7.65	7.73	7.81	7.89	7.97	8.05	8.14	8.22
Italy	198.39	198.28	198.16	198.05	197.94	197.82	197.71	197.60	197.48	197.37
Latvia	2.63	2.60	2.57	2.54	2.52	2.49	2.46	2.44	2.41	2.38
Lithuania	2.75	2.73	2.71	2.69	2.67	2.64	2.62	2.60	2.58	2.56
Luxembourg	0.85	0.85	0.86	0.87	0.88	0.89	0.90	0.91	0.92	0.93
Malta	1.27	1.27	1.27	1.27	1.27	1.27	1.27	1.27	1.27	1.27
Netherlands	21.83	21.90	21.97	22.04	22.11	22.18	22.25	22.32	22.39	22.47
Poland	100.28	100.04	99.79	99.54	99.30	99.05	98.81	98.57	98.32	98.08
Portugal	32.84	31.13	29.43	27.73	26.05	24.36	22.69	21.02	19.36	17.70
Romania	62.61	59.22	55.88	52.60	49.36	46.16	43.02	39.92	36.87	33.87
Slovakia	21.85	20.87	19.90	18.92	17.95	16.97	16.00	15.03	14.05	13.08
Slovenia	1.50	1.50	1.51	1.51	1.51	1.51	1.51	1.51	1.51	1.51
Spain	243.44	237.27	231.06	224.81	218.52	212.19	205.82	199.42	192.97	186.48
Sweden	17.28	17.41	17.53	17.66	17.79	17.92	18.05	18.18	18.31	18.44

To calculate the total cost corresponding to the time losses we multiplied the monetised time losses per problem by the total number of problems (i.e. rate of problems by the total number of purchases) for each country (see Table 28).

Table 28. Total time losses in EUR mln, 2021-2030

MS	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Austria	14.2	14.3	14.3	14.3	14.4	14.4	14.5	14.5	14.5	14.6
Belgium	14.7	14.7	14.7	14.8	14.8	14.8	14.9	14.9	14.9	15.0
Bulgaria	2.0	2.0	1.9	1.8	1.7	1.6	1.5	1.4	1.3	1.2
Croatia	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Cyprus	1.1	1.0	1.0	0.9	0.9	0.8	0.8	0.8	0.7	0.7
Czech Republic	7.7	7.5	7.2	6.9	6.6	6.4	6.1	5.8	5.5	5.3
Denmark	11.0	11.0	11.0	11.1	11.1	11.1	11.2	11.2	11.2	11.2
Estonia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Finland	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
France	76.2	76.4	76.6	76.7	76.9	77.1	77.3	77.5	77.6	77.8
Germany	112.4	112.5	112.5	112.6	112.6	112.7	112.7	112.7	112.8	112.8
Greece	14.1	13.3	12.6	11.8	11.0	10.3	9.5	8.8	8.1	7.3
Hungary	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Ireland	5.4	5.4	5.5	5.5	5.6	5.6	5.7	5.8	5.8	5.9
Italy	90.9	90.8	90.8	90.7	90.7	90.6	90.6	90.5	90.5	90.4

MS	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Latvia	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Lithuania	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Luxembourg	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Malta	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Netherlands	9.8	9.8	9.8	9.9	9.9	9.9	10.0	10.0	10.0	10.1
Poland	14.1	14.1	14.0	14.0	13.9	13.9	13.9	13.8	13.8	13.8
Portugal	5.3	5.0	4.7	4.4	4.1	3.9	3.6	3.3	3.0	2.7
Romania	6.8	6.4	6.1	5.7	5.3	5.0	4.6	4.3	3.9	3.6
Slovakia	2.0	1.9	1.8	1.7	1.6	1.5	1.4	1.3	1.2	1.1
Slovenia	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Spain	104.2	101.4	98.7	95.9	93.1	90.4	87.5	84.7	81.9	79.0
Sweden	9.0	9.1	9.1	9.2	9.3	9.3	9.4	9.5	9.5	9.6

Step 6. Calculate the net benefit of CCD in terms of personal consumer detriment.

The net benefit of CCD in a given year has been assumed to be 15% of the difference between the financial detriment on that year and the financial detriment at the baseline (beginning of 2021). For the time being, Table 29 shows the reduction of financial consumer detriment per Member State using the 15% figure.

Table 29. Reduction of financial consumer detriment due to CCD 2021-2030, EUR mln

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	NPV in EUR mln
Austria	0.224	0.419	0.615	0.812	1.011	1.210	1.411	1.612	1.815	2.019	8.5
Belgium	0.147	0.283	0.419	0.556	0.693	0.831	0.969	1.109	1.248	1.389	5.8
Bulgaria	0.330	0.642	0.938	1.217	1.480	1.727	1.959	2.176	2.377	2.564	11.8
Croatia	0.158	0.309	0.461	0.613	0.767	0.920	1.075	1.230	1.386	1.543	6.5
Cyprus	0.052	0.102	0.150	0.195	0.239	0.281	0.320	0.358	0.393	0.425	1.9
Czech Republic	0.531	1.040	1.526	1.990	2.431	2.850	3.246	3.619	3.970	4.297	19.6
Denmark	0.117	0.235	0.353	0.472	0.591	0.712	0.832	0.954	1.076	1.199	5.0
Estonia	0.003	0.002	0.002	0.002	0.002	0.002	0.002	0.002	0.002	0.002	0.0
Finland	0.020	0.040	0.060	0.080	0.099	0.119	0.139	0.159	0.179	0.199	0.8
France	0.607	1.217	1.831	2.446	3.065	3.687	4.311	4.939	5.569	6.202	25.8
Germany	1.013	2.027	3.042	4.057	5.073	6.090	7.108	8.127	9.146	10.166	42.6
Greece	0.772	1.500	2.183	2.823	3.419	3.973	4.485	4.955	5.383	5.771	27.1
Hungary	0.075	0.150	0.224	0.298	0.372	0.446	0.520	0.593	0.666	0.739	3.1
Ireland	0.067	0.136	0.206	0.278	0.352	0.427	0.504	0.582	0.662	0.744	3.0
Italy	1.741	3.480	5.217	6.952	8.685	10.416	12.145	13.872	15.597	17.321	72.9
Latvia	0.026	0.052	0.077	0.101	0.125	0.149	0.172	0.195	0.217	0.238	1.0

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	NPV in EUR mln
Lithuania	0.022	0.043	0.064	0.085	0.105	0.125	0.145	0.165	0.184	0.203	0.9
Luxembourg	0.005	0.011	0.017	0.022	0.028	0.034	0.040	0.047	0.053	0.060	0.2
Malta	0.007	0.014	0.021	0.028	0.036	0.043	0.050	0.057	0.064	0.071	0.3
Netherlands	0.226	0.454	0.684	0.915	1.147	1.381	1.617	1.854	2.092	2.332	9.7
Poland	0.899	1.794	2.685	3.572	4.454	5.331	6.205	7.074	7.940	8.801	37.2
Portugal	0.551	1.071	1.559	2.017	2.443	2.839	3.204	3.539	3.844	4.119	19.4
Romania	0.941	1.829	2.664	3.450	4.185	4.872	5.511	6.104	6.651	7.153	33.4
Slovakia	0.412	0.801	1.165	1.505	1.822	2.114	2.383	2.627	2.848	3.044	14.4
Slovenia	0.015	0.030	0.044	0.059	0.074	0.089	0.104	0.119	0.134	0.149	0.6
Spain	2.763	5.439	8.027	10.527	12.938	15.259	17.488	19.626	21.671	23.622	105.3
Sweden	0.202	0.407	0.615	0.826	1.041	1.259	1.479	1.704	1.931	2.162	8.9
EU 27	11.927	23.525	34.849	45.900	56.679	67.187	77.425	87.395	97.097	106.532	466.0

In the same vein, the net benefits of CCD in terms of savings in time losses was assumed to be 15% reduction of the total monetised time losses (i.e., monetised time losses per problem multiplied by the number of problems) in the period 2021-2030 (i.e., difference between the values for a given year and the baseline). Table 30 shows the total savings per Member State.

Table 30. Total savings in time losses, in million euros, 2021-2030

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	NPV in EUR mln
Austria	2.13	2.14	2.15	2.15	2.16	2.16	2.17	2.18	2.18	2.19	17.51
Belgium	2.20	2.21	2.21	2.22	2.22	2.23	2.23	2.24	2.24	2.25	18.03
Bulgaria	0.31	0.29	0.28	0.26	0.25	0.24	0.22	0.21	0.20	0.19	2.02
Croatia	0.38	0.38	0.38	0.39	0.39	0.39	0.39	0.39	0.39	0.39	3.14
Cyprus	0.16	0.15	0.15	0.14	0.13	0.13	0.12	0.11	0.11	0.10	1.07
Czech Republic	1.16	1.12	1.08	1.04	1.00	0.96	0.91	0.87	0.83	0.79	8.02
Denmark	1.65	1.65	1.66	1.66	1.67	1.67	1.67	1.68	1.68	1.69	13.51
Estonia	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01
Finland	0.38	0.38	0.38	0.38	0.38	0.38	0.38	0.38	0.38	0.38	3.08
France	11.43	11.46	11.49	11.51	11.54	11.57	11.59	11.62	11.64	11.67	93.63
Germany	16.87	16.87	16.88	16.88	16.89	16.90	16.90	16.91	16.92	16.92	137.01
Greece	2.12	2.00	1.89	1.77	1.66	1.54	1.43	1.32	1.21	1.10	13.30
Hungary	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.23	1.92
Ireland	0.80	0.81	0.82	0.83	0.84	0.85	0.85	0.86	0.87	0.88	6.81
Italy	13.63	13.62	13.61	13.61	13.60	13.59	13.58	13.58	13.57	13.56	110.29
Latvia	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.40

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	NPV in EUR mln
Lithuania	0.08	0.08	0.08	0.08	0.07	0.07	0.07	0.07	0.07	0.07	0.60
Luxembourg	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.11	0.81
Malta	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.82
Netherlands	1.47	1.47	1.48	1.48	1.49	1.49	1.50	1.50	1.50	1.51	12.06
Poland	2.11	2.11	2.10	2.10	2.09	2.09	2.08	2.08	2.07	2.07	16.96
Portugal	0.79	0.75	0.71	0.66	0.62	0.58	0.54	0.49	0.45	0.41	4.98
Romania	1.03	0.97	0.91	0.85	0.80	0.74	0.69	0.64	0.59	0.54	6.43
Slovakia	0.29	0.28	0.27	0.25	0.24	0.22	0.21	0.20	0.18	0.17	1.91
Slovenia	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.56
Spain	15.62	15.21	14.80	14.39	13.97	13.55	13.13	12.71	12.28	11.85	112.64
Sweden	1.35	1.36	1.37	1.38	1.39	1.40	1.41	1.42	1.43	1.44	11.27
EU 27	76.52	75.88	75.24	74.59	73.94	73.30	72.65	72.01	71.36	70.71	598.81

A9.3. Costs

The costs of the CCD for creditors and public administrators (both, national and EU-level) are related to compliance, monitoring and enforcement and can be subdivided into: one-off costs and ongoing costs. The one-off costs relate to costs that credit providers and public administrators incurred when the CCD was implemented. Ongoing costs are costs that providers and public administrators have continued to face after the introduction of the CCD. Note that for the baseline scenario, only ongoing costs are relevant as one-off costs related to the introduction of the CCD and its transposition had been already incurred back in 2010s.

The methodology proposed to estimate the costs for providers and public administrators reflects the approach used in the CCD Evaluation that in turn drew on Europe Economics study (2007).[775]

Costs for public administrations

The recurrent costs of public administrations related to the implementation of the CCD are related to the monitoring of compliance of credit providers with the Directive, reporting and enforcement of the Directive (e.g. sweeps, investigations). The methodology and assumptions followed to calculate these costs are summarised in the Table 31.

Table 31. Approach to recurrent costs of public administrations

Recurrent cost	Methodology	Assumptions
Monitoring	Unit cost = No. of days per person X Average daily wages for the public sector X No. of persons involved Total cost = Unit cost X 28 Member States	1 official per MS 1 to 2 days per official per month to monitor compliance (e.g. scanning websites of banks)

775 Europe Economics., 2007. An analysis of the issue of consumer detriment and the most appropriate methodologies to estimate it. DG SANCO. URL: http://ec. europa. eu/consumers/strategy/docs/study_consumer_detriment. pdf.

Recurrent cost	Methodology	Assumptions
	Total cost = Unit cost X 28 Member States	Average daily wage for the public sector per country from Eurostat
Enforcement	Unit cost = No. of days per person X Average daily wages for the public sector X No. of persons involved Total cost = Unit cost X 28 Member States	2 official per MS 1 to 2 days per official per month Average daily wage for the public sector per country from Eurostat
Reporting	Unit cost = No. of days per person X Average daily wages for the public sector X No. of persons involved Total cost = Unit cost X 28 Member States	1 official per MS 2 to 3 days per official per year Average daily wage for the public sector per country from Eurostat
Maintaining database	Unit cost = No. of days per person X Average daily wages for the public sector X No. of persons involved Total cost = Unit cost X 28 Member States	1 official per MS 1 to 2 days per month Average daily wage for the public sector per country from Eurostat

Costs for financial providers

The recurrent costs of the financial providers to comply with the CCD depend on their level of compliance with the Directive and their need to adjust their operations to the Directive (which in some cases was not necessary as the credit providers were already operating in line with the key requirements of the Directive). See Table 32 for a description of the approach followed to calculate these costs.

Table 32. Approach to calculate recurrent costs of financial providers

Recurrent cost	Methodology	Assumptions
Compliance with advertisement requirements	Unit cost = Extra cost of advertisement x number of advertisements per year Total costs = Unit cost x Number of credit institutions	Extra cost per advertisement = €5 - €10 Number of advertisements per year = 365
Compliance with Pre-contractual information/SECCI requirements	Unit cost = No. of days per person X Average daily wages for the financial sector X No. of persons involved Total cost = Unit cost X No. of credit requests X percentage of credit request done in person	1 member of the front desk 0.1 hours per person
Compliance with credit worthiness assessment requirements	Unit costs = No. of days per person X Average daily wages for the financial sector X No. of persons involved (the unit cost depends on the level of burden) Total cost = Unit cost X No. of credit requests for which a credit worthiness would not	For 15% of the credit request a creditworthiness was not done before CCD and due to CCD this was reduced to 10% 1 staff member 0.05-0.10 days per request in countries depending on their level of burden

Recurrent cost	Methodology	Assumptions
	been done in the absence of CCD	

In addition, in order to estimate recurrent costs of financial providers under baseline scenario, the study had to also estimate several variables that characterise the population of the financial provides over the period 2021-2030 including:

- number of credit institution operating in each Member State;
- size of the workforce in credit institutions;
- average daily wage for the employees in credit institutions;
- number of consumers' requests for loans.

Those were derived using historical values and trends (e.g. ECB data on number of credit institutions and workforce employed, Eurostat data on wages in financial sector, the data on number of loan requests used in the 2019 CCD Evaluation), and subject to some specific adjustment related to the impact of COVID-19.

Regarding number of credit institutions operating in each Member State over the period 2020-2030 (though, baseline considers 2021-2030), it was assumed that the impact of COVID-19 may be more moderate than the impact observed in the aftermath of the GFC. This is because capital positions and liquidity in the banking sector across the EU were much better shortly after the breakout of pandemic than in the period following the GFC, and hence the impact of COVID-19 on banks, including credit origination and supply on the one hand and solvency & liquidity on the other, may not be as pronounced and as long as in case of GFC. In short, the impact of COVID-19 in terms of reducing the number of CIs in a given Member State was assumed to be half as strong as GFC, and regional differences were also taken into account by clustering countries into four groups depending on the COVID-19 magnitude of shock, assumed based on values observed in the aftermath of the GFC (Table 33). Table 34 shows final baseline projection for the period 2020-2030.

Table 33. Reduction in number of CIs, annual rate following 2010-2013 (GFC – historical data) & assumed annual rate following COVID-19 shock.

	Annual rate of change 2010-13	Annual rate of change 2020-23 used as assumption
CEE Region (PL, HU, CZ, SI, SK, BG, RO, HR)	-1.1%	-0.6%
Baltic States (LT, LV, ET)	37.6%	0.0%
Southern Eurozone Member States (PT, ES, IT, MT, CY, EL)	-6.5%	-3.2%
Core Eurozone (DE, FR, BE, NL, LU, IE, AT)	-2.3%	-1.2%
Scandinavia (FI, SE, DK)	-1.7%	-0.8%

Note: Outlier data for Baltic States for 2010-2013 reflects changes in the methodology.

Table 34. Number of CIs, 2020-2030

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Austria	516	510	504	498	498	498	498	498	498	498	498
Belgium	83	82	81	80	80	80	80	80	80	80	80
Bulgaria	25	25	25	24	24	24	24	24	24	24	24
Croatia	24	24	24	23	23	23	23	23	23	23	23
Cyprus	28	27	26	25	25	25	25	25	25	25	25
Czechia	58	57	57	57	57	57	57	57	57	57	57
Denmark	99	98	98	97	97	97	97	97	97	97	97
Estonia	38	38	38	38	38	38	38	38	38	38	38
Finland	239	237	235	233	233	233	233	233	233	233	233
France	401	397	392	388	388	388	388	388	388	388	388
Germany	1513	1496	1479	1462	1462	1462	1462	1462	1462	1462	1462
Greece	34	33	32	31	31	31	31	31	31	31	31
Hungary	46	45	45	45	45	45	45	45	45	45	45
Ireland	308	305	301	298	298	298	298	298	298	298	298
Italy	469	454	439	425	425	425	425	425	425	425	425
Latvia	54	54	54	54	54	54	54	54	54	54	54
Lithuania	83	83	83	83	83	83	83	83	83	83	83
Luxembourg	126	124	123	121	121	121	121	121	121	121	121
Malta	24	23	23	22	22	22	22	22	22	22	22
Netherlands	92	91	90	89	89	89	89	89	89	89	89
Poland	623	620	616	613	613	613	613	613	613	613	613
Portugal	146	141	137	132	132	132	132	132	132	132	132
Romania	75	74	74	73	73	73	73	73	73	73	73
Slovakia	27	27	27	26	26	26	26	26	26	26	26
Slovenia	17	17	17	17	17	17	17	17	17	17	17
Spain	190	184	178	172	172	172	172	172	172	172	172

Sweden	153	151	150	149	149	149	149	149	149	149	149

In terms of the *Size of the workforce in CIs*, similar assumption was made: COVID-19 impact of half magnitude of the one following GFC, contained over the period 2020-2023, after which workforce level stays constant over the period 2024-2030 (Table 35).

Table 35. Workforce in CIs, 2020-2030

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Austria	71,154	70,830	70,508	70,187	70,187	70,187	70,187	70,187	70,187	70,187	70,187
Belgium	50,106	49,878	49,651	49,425	49,425	49,425	49,425	49,425	49,425	49,425	49,425
Bulgaria	28,079	27,921	27,764	27,607	27,607	27,607	27,607	27,607	27,607	27,607	27,607
Croatia	19,453	19,343	19,234	19,126	19,126	19,126	19,126	19,126	19,126	19,126	19,126
Cyprus	8,498	8,442	8,387	8,332	8,332	8,332	8,332	8,332	8,332	8,332	8,332
Czechia	39,514	39,292	39,070	38,850	38,850	38,850	38,850	38,850	38,850	38,850	38,850
Denmark	40,790	40,159	39,537	38,925	38,925	38,925	38,925	38,925	38,925	38,925	38,925
Estonia	5,303	5,183	5,066	4,951	4,951	4,951	4,951	4,951	4,951	4,951	4,951
Finland	20,598	20,279	19,965	19,656	19,656	19,656	19,656	19,656	19,656	19,656	19,656
France	397,557	395,749	393,948	392,156	392,156	392,156	392,156	392,156	392,156	392,156	392,156
Germany	575,964	573,344	570,736	568,139	568,139	568,139	568,139	568,139	568,139	568,139	568,139
Greece	36,487	36,248	36,011	35,775	35,775	35,775	35,775	35,775	35,775	35,775	35,775
Hungary	39,436	39,214	38,993	38,773	38,773	38,773	38,773	38,773	38,773	38,773	38,773
Ireland	27,692	27,566	27,441	27,316	27,316	27,316	27,316	27,316	27,316	27,316	27,316
Italy	278,944	277,119	275,306	273,505	273,505	273,505	273,505	273,505	273,505	273,505	273,505
Latvia	6,759	6,606	6,457	6,311	6,311	6,311	6,311	6,311	6,311	6,311	6,311
Lithuania	10,101	9,873	9,650	9,432	9,432	9,432	9,432	9,432	9,432	9,432	9,432
Luxembourg	26,214	26,095	25,976	25,858	25,858	25,858	25,858	25,858	25,858	25,858	25,858
Malta	5,141	5,108	5,074	5,041	5,041	5,041	5,041	5,041	5,041	5,041	5,041
Netherlands	69,682	69,365	69,049	68,735	68,735	68,735	68,735	68,735	68,735	68,735	68,735
Poland	159,972	159,071	158,175	157,284	157,284	157,284	157,284	157,284	157,284	157,284	157,284
Portugal	50,726	50,394	50,064	49,737	49,737	49,737	49,737	49,737	49,737	49,737	49,737
Romania	52,807	52,509	52,214	51,920	51,920	51,920	51,920	51,920	51,920	51,920	51,920
Slovakia	19,284	19,175	19,067	18,960	18,960	18,960	18,960	18,960	18,960	18,960	18,960
Slovenia	9,499	9,446	9,392	9,340	9,340	9,340	9,340	9,340	9,340	9,340	9,340
Spain	172,312	171,185	170,065	168,952	168,952	168,952	168,952	168,952	168,952	168,952	168,952
Sweden	43,810	43,132	42,464	41,806	41,806	41,806	41,806	41,806	41,806	41,806	41,806

For the variable *average daily wage for the employees in CIs*, the Eurostat data on the average wage of the financial sector employee was used as starting point for the year 2020, and then kept constant for the period 2020-2030 across all Member States (Table 36), consistent with a simplified approach to assumptions taken in this study.

Table 36. Average daily wage for the financial sector employee, in EUR

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Austria	156	156	156	156	156	156	156	156	156	156	156
Belgium	176	176	176	176	176	176	176	176	176	176	176
Bulgaria	22	22	22	22	22	22	22	22	22	22	22
Croatia	58	58	58	58	58	58	58	58	58	58	58
Cyprus	117	117	117	117	117	117	117	117	117	117	117
Czechia	51	51	51	51	51	51	51	51	51	51	51
Denmark	258	258	258	258	258	258	258	258	258	258	258
Estonia	63	63	63	63	63	63	63	63	63	63	63
Finland	180	180	180	180	180	180	180	180	180	180	180
France	170	170	170	170	170	170	170	170	170	170	170
Germany	155	155	155	155	155	155	155	155	155	155	155
Greece	83	83	83	83	83	83	83	83	83	83	83
Hungary	53	53	53	53	53	53	53	53	53	53	53
Ireland	217	217	217	217	217	217	217	217	217	217	217
Italy	129	129	129	129	129	129	129	129	129	129	129
Latvia	52	52	52	52	52	52	52	52	52	52	52
Lithuania	40	40	40	40	40	40	40	40	40	40	40
Luxembourg	228	228	228	228	228	228	228	228	228	228	228
Malta	92	92	92	92	92	92	92	92	92	92	92
Netherlands	157	157	157	157	157	157	157	157	157	157	157
Poland	57	57	57	57	57	57	57	57	57	57	57
Portugal	78	78	78	78	78	78	78	78	78	78	78
Romania	32	32	32	32	32	32	32	32	32	32	32
Slovakia	52	52	52	52	52	52	52	52	52	52	52
Slovenia	82	82	82	82	82	82	82	82	82	82	82
Spain	101	101	101	101	101	101	101	101	101	101	101
Sweden	196	196	196	196	196	196	196	196	196	196	196

Finally, for the variable *number of consumer requests per loan*, the assumed values also take into account the impact of COVID-19 e.g. fall in credit demand following the recessionary shock, higher reliance on discretionary savings and consumption smoothing. More specifically, in line with the estimates of the McKinsey Report on the impact of COVID-19 on consumer finance in 2020, the reduction of number of requests by 22% in 2020 followed by recovery to pre-COVID-19 level from 2021 onwards is assumed (Table 37).

Table 37. Number of requests for loans, 2020-2030

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Austria	1,648,263	2,113,158	2,113,158	2,113,158	2,113,158	2,113,158	2,113,158	2,113,158	2,113,158	2,113,158	2,113,158
Belgium	1,773,756	2,274,046	2,274,046	2,274,046	2,274,046	2,274,046	2,274,046	2,274,046	2,274,046	2,274,046	2,274,046
Bulgaria	1,628,136	2,087,354	2,087,354	2,087,354	2,087,354	2,087,354	2,087,354	2,087,354	2,087,354	2,087,354	2,087,354
Croatia	354986,6	455,111	455,111	455,111	455,111	455,111	455,111	455,111	455,111	455,111	455,111
Cyprus	270630,6	346962,3	346962,3	346962,3	346962,3	346962,3	346962,3	346962,3	346962,3	346962,3	346962,3
Czechia	2,121,761	2,720,207	2,720,207	2,720,207	2,720,207	2,720,207	2,720,207	2,720,207	2,720,207	2,720,207	2,720,207
Denmark	2,373,366	3,042,777	3,042,777	3,042,777	3,042,777	3,042,777	3,042,777	3,042,777	3,042,777	3,042,777	3,042,777
Estonia	206493,3	264,735	264,735	264,735	264,735	264,735	264,735	264,735	264,735	264,735	264,735
Finland	1,648,295	2,113,199	2,113,199	2,113,199	2,113,199	2,113,199	2,113,199	2,113,199	2,113,199	2,113,199	2,113,199
France	14,072,719	18,041,948	18,041,948	18,041,948	18,041,948	18,041,948	18,041,948	18,041,948	18,041,948	18,041,948	18,041,948
Germany	11,975,818	15,353,613	15,353,613	15,353,613	15,353,613	15,353,613	15,353,613	15,353,613	15,353,613	15,353,613	15,353,613
Greece	1,084,477	1,390,355	1,390,355	1,390,355	1,390,355	1,390,355	1,390,355	1,390,355	1,390,355	1,390,355	1,390,355
Hungary	1,263,800	1,620,257	1,620,257	1,620,257	1,620,257	1,620,257	1,620,257	1,620,257	1,620,257	1,620,257	1,620,257
Ireland	1,264,037	1,620,561	1,620,561	1,620,561	1,620,561	1,620,561	1,620,561	1,620,561	1,620,561	1,620,561	1,620,561
Italy	4,390,718	5,629,125	5,629,125	5,629,125	5,629,125	5,629,125	5,629,125	5,629,125	5,629,125	5,629,125	5,629,125
Latvia	220080,4	282154,4	282154,4	282154,4	282154,4	282154,4	282154,4	282154,4	282154,4	282154,4	282154,4
Lithuania	201422,7	258234,2	258234,2	258234,2	258234,2	258234,2	258234,2	258234,2	258234,2	258234,2	258234,2
Luxembourg	153996,4	197431,3	197431,3	197431,3	197431,3	197431,3	197431,3	197431,3	197431,3	197431,3	197431,3
Malta	68733,32	88119,64	88119,64	88119,64	88119,64	88119,64	88119,64	88119,64	88119,64	88119,64	88119,64
Netherlands	2,441,939	3,130,691	3,130,691	3,130,691	3,130,691	3,130,691	3,130,691	3,130,691	3,130,691	3,130,691	3,130,691
Poland	5,992,406	7,682,572	7,682,572	7,682,572	7,682,572	7,682,572	7,682,572	7,682,572	7,682,572	7,682,572	7,682,572
Portugal	1,190,185	1,525,878	1,525,878	1,525,878	1,525,878	1,525,878	1,525,878	1,525,878	1,525,878	1,525,878	1,525,878
Romania	2,782,366	3,567,136	3,567,136	3,567,136	3,567,136	3,567,136	3,567,136	3,567,136	3,567,136	3,567,136	3,567,136
Slovakia	855349,4	1,096,602	1,096,602	1,096,602	1,096,602	1,096,602	1,096,602	1,096,602	1,096,602	1,096,602	1,096,602
Slovenia	178319,5	228614,7	228614,7	228614,7	228614,7	228614,7	228614,7	228614,7	228614,7	228614,7	228614,7
Spain	5,359,652	6,871,349	6,871,349	6,871,349	6,871,349	6,871,349	6,871,349	6,871,349	6,871,349	6,871,349	6,871,349
Sweden	3,555,435	4,558,250	4,558,250	4,558,250	4,558,250	4,558,250	4,558,250	4,558,250	4,558,250	4,558,250	4,558,250

Final costs for financial providers

Table 38 and Table 39 below summarise the recurring costs related to CCD for Public Administration and Financial Providers over the baseline period.

Table 38. Summary recurring costs for Public Administration 2020-2030

		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	NPV(@4 %)
RCPA .1	Monitoring compliance	49,677	49,677	49,677	49,677	49,677	49,677	49,677	49,677	49,677	49,677	369,366
RCPA .2	Reporting to EU	6,900	6,900	6,900	6,900	6,900	6,900	6,900	6,900	6,900	6,900	51,301
RCPA .3	Enforcement costs e.g. sweeps, investigations	99,354	99,354	99,354	99,354	99,354	99,354	99,354	99,354	99,354	99,354	738,731
RCPA .4	Maintaining database	49,677	49,677	49,677	49,677	49,677	49,677	49,677	49,677	49,677	49,677	369,366
	Grand total	205,608	205,608	205,608	205,608	205,608	205,608	205,608	205,608	205,608	205,608	1,528,764

Table 39. Summary recurring costs related to the CCD, for Financial providers, 2020-2030

		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	NPV(@4%)
RCI.1	Additional cost of advertisements to comply these new requirements	14,830,989	14,635,108	14,442,955	14,442,955	14,442,955	14,442,955	14,442,955	14,442,955	14,442,955	14,442,955	108,482,876	14,830,989
RCI.2	Additional costs of staff to provide Pre-contractual information/SECCI	73,705,943	73,705,943	73,705,943	73,705,943	73,705,943	73,705,943	73,705,943	73,705,943	73,705,943	73,705,943	532,436,487	73,705,943
RCI.3	Additional cost of carrying out credit worthiness assessment	84,074,625	84,074,625	84,074,625	84,074,625	84,074,625	84,074,625	84,074,625	84,074,625	84,074,625	84,074,625	607,337,699	84,074,625
	Grand total	1380995338	1726115577	1724156766	1722235233	1722235233	1722235233	1722235233	1722235233	1,72E+08	1722235233	1722235233	1,248,257,063

A9.4 (Costs and benefits – assessment against the baseline)

A9.4.1 Costs

In total, costs stemming from over 40 different measures were assessed, albeit to different degree of detail.

For all 43 options, the taxonomy of costs outlining relevant one-off and ongoing costs, across each of three stakeholders (EU and MS administration, and the Industry) was derived. It illustrates the type of costs that a given option would imply. However, this typology is by no-means exhaustive. In reality, it is very likely that additional type of costs would need be incurred should an option was implemented, and this taxonomy needs to be considered as indicative only.

Furthermore, out of the measures that were subject of the assessment, more detailed costs estimation was provided for eleven specific measures:

- 2.1: Remove the minimum and maximum thresholds;

- 2.2: Include currently excluded loans within its scope of application (including but not only, zero-interest loans, pawnshop agreements, all leasing agreements, all overdraft facilities);
- 2.3: Provide a more detailed definition of some key terms which affect its scope of application and obligations contained in the Directive (e.g. 'credit provider', 'credit intermediary', 'sufficient information', 'in a timely manner', 'prominently', 'adequate explanations');
- 2.7: Reduce the amount of information to be provided to consumers in advertising focusing on key information, especially when provided through certain channels (radio only)
- 2.8: Present key pre-contractual information in a more prominent way (without reducing the amount of information provided to consumers at pre-contractual stage)
- 3a.10: Include a provision establishing the right of consumers to request and receive an explanation on how and on what basis a decision on their creditworthiness was reached (i.e. reflecting the GDPR principles concerning automated decision-making)
- 3a.16: Establish an obligation on the Commission to regularly assess the financial education / digital literacy initiatives implemented in Member States and identify best practices, and to publish the findings (in line with Art. 6(2) MCD)
- 3a.2: Establish an obligation upon credit providers to inform consumers whether advisory services are or can be provided (in line with Art. 22(1) the MCD)
- 3a.4: Prohibit product-tying practices (in line with Art. 12 MCD, except that in this case the prohibition would be at EU-level instead of established by Member States)
- 3b.3: Prohibit unsolicited sale of credit
- 3b.8: Establish an obligation upon creditors to inform low-scoring consumers whether debt advice services are available (provided that these services do not influence the credit ranking of the consumer)

The choice of measures for this detailed assessment was primarily driven by the data availability and budget constraints. In addition, number of caveats and limitations for this estimation apply.

A9.4.2. Benefits

Due to the lack of data, large number of measures and their heterogeneity, it was not feasible to derive the quantification of the benefits for all assessed measures. Instead, a qualitative assessment for eleven specific measures (the same ones for which detailed costs estimates were provided) was conducted.

More specifically, in the context of quantification of benefits for each of the eleven measures, the following pre-assessment was conducted:

- Overview of issues faced by consumers;
- Type of potential benefits brought by a measure;

Based on this pre-assessment, each of the eleven measures was assigned the strength in terms of incremental increase of the CCD's effectiveness, should it be implemented. Note that under the baseline scenario for the period 2021-2030, the overall CCD effectiveness was assumed at 15%. Here, it is assumed that an introduction of each of the following measures would increase the overall effectiveness of the CCD to the degree outlined in Table 40.

Overall, given its scope, measure 2.2 is assumed to have the greatest impact in terms of increasing the effectiveness of the CCD (by eleven percentage points, from 15% to 26%) while the impact of few other measures would be (very) limited e.g. below one percentage point like in case of measures 3a.16 and 3a.2.

Table 40. Effectiveness of each measures – assumed strength/ contribution to the CCD, in percentage points

Measure number	Measure - title	Assumed increase in CCD effectiveness attributed to the measure (only)	Revised CCD effectiveness (total)
2.1	Remove the minimum and maximum thresholds	4%	19%
2.2	Include currently excluded loans within its scope of application (including but not only, zero-interest loans, pawnshop agreements, all leasing agreements, all overdraft facilities)	11%	26%
2.3	Provide a more detailed definition of some key terms which affect its scope of application e.g. 'credit provider', 'credit intermediary' and more detailed definition of some key terms related to the obligations contained in the Directive e.g. 'sufficient information', 'in a timely manner', 'prominently', 'adequate explanations'	3.5%	18.5%
2.7	Reduce the amount of information to be provided to consumers in advertising focusing on key information, especially when provided through certain channels (radio)	2%	17%
2.8	Present key pre-contractual information in a more prominent way (without reducing the amount of information provided to consumers at pre-contractual stage)	1%	16%
3a.10	Include a provision establishing the right of consumers to request and receive an explanation on how and on what basis a decision on their creditworthiness was reached (i.e. reflecting the GDPR principles concerning automated decision-making)	2%	17%
3a.16	Establish an obligation on the Commission to regularly assess the financial education / digital literacy initiatives implemented in Member States and identify best practices, and to publish the findings (in line with Art. 6(2) MCD)	0.5%	15.5%
3a.2	Establish an obligation upon credit providers to inform consumers whether advisory services are or can be provided (in line with Art. 22(1) the MCD)	0.3%	15.3%

3a.4	Prohibit product-tying practices (in line with Art. 12 MCD, except that in this case the prohibition would be at EU-level instead of established by Member States)	2.0%	17.0%
3b.3	Prohibit unsolicited sale of credit	3.5%	18.5%
3b.8	Establish an obligation upon creditors to inform low-scoring consumers whether debt advice services are available (provided that these services do not influence the credit ranking of the consumer)	2%	17%

Annex 10: Results of the quantification of measures

A10.1. Consumers affected in the status quo

As indicated in Section 8.2.1 of the report, the data collected in this study as well as the evaluation has been used to estimate the possible number of consumers affected for key provisions of the Directive, key types of credit and key elements of the measures presented in the Options below. A distinction has been made between personal loans and credit card, for which figures could be derived. The figures below should be considered as indicative of the number of consumers affected by the issue. In addition, the figures do not distinguish between the different extents to which consumers are affected by the various issues, possible measures or credit products falling outside the scope of the CCD. As figures are based on different assumptions, they should be treated with caution.

Data for this table come from a wide variety of sources. This includes information from the UK. At the time of writing the report the United Kingdom was still an EU Member States in the one-year transition period. In addition, the data all refers to the period 2010-2019, when the United Kingdom was an EU Member State and applied the Consumer Credit Directive in full. Where possible the report sought to collect data from other Member States, but this was not possible for all elements (mainly the prevalence of pawnshop agreements and the prevalence of short-term high-cost credit) despite the very best efforts made to obtain it.

Table 41. Consumers affected (estimate) based on EU-27 figures

Provision	Estimate of consumers affected: based on personal loans	Estimate of consumers affected: based on credit cards	Explanation
Understanding of the CCD			
SECCI: Consumers that found SECCI unhelpful or very unhelpful	2.9 million	9.8 million	Based on share of consumers with a credit agreement finding SECCI unhelpful (4%) or very unhelpful (1%) based on ICF survey from the CCD Evaluation
Understanding offer: Consumers that indicated not to understand the offer	8.7 million	29 million	Based on ICF consumer survey from the CCD Evaluation with 15% of consumers with a credit agreement that disagreed or strongly disagreed that offer was easy to understand.
Understanding of credit offers: Offers rated as complex or very complex	11 million	37 million	Based on share of consumers with a credit agreement marking understanding as complicated or very complicated in ICF survey from the CCD Evaluation (19%).
APR: Consumers who have not heard about the APR	5.2 million	18 million	Consumers with a credit agreement, based on ICF survey from the CCD

Provision	Estimate of consumers affected: based on personal loans	Estimate of consumers affected: based on credit cards	Explanation
			Evaluation, extrapolated for the EU-27.
APR: Consumers who have heard about the APR but do not know the rate	18 million	61 million	Consumers with a credit agreement, based on ICF survey from the CCD Evaluation, extrapolated for the EU-27.
Compliance			
SECCI: Consumers that did not receive SECCI	10 million	35 million	Based on 18% of consumers in the CCD Evaluation reporting not having been provided with SECCI[776]
APR: Consumers not informed about the APR	5.8 million	20 million	Based on 10% of consumers in the CCD Evaluation reporting not having been informed[777]
Credit intermediaries: Consumers affected by problems	4.1 million	NA	Based on share of consumers taking out a loan through a credit intermediary at 11% (ICF survey of the CCD Evaluation) and 1.5% (OPC survey), and a problem incidence rate of 65% (2013 Commission study).
Creditworthiness assessment: consumers whose ability to pay was not verified	5.8 million	20 million	Based on 10% of consumers in the CCD Evaluation who indicated that their ability to pay was not verified.
Down payments: Consumers asked to pay a down payment	15.7 million	53 million	Based on share of consumers asked to pay a down payment (27%), based on the ICF survey in the CCD Evaluation.
Credit types			
Prevalence of zero-interest loans *(Options 2, 3A and 3B)*	7.2 million	NA	Based on Eurofinas data (2019) showing 12% of consumers taking consumer credit at PoS. Extrapolated to the EU-27 based on the number of consumers with a credit agreement.
Prevalence of pawnshop agreements *(Options 2, 3A and 3B)*	3.1 million	NA	Based on the 0.7% of UK citizens that have such an agreement. Extrapolated for

[776] ICF survey, Q13

[777] ICF survey, Q10a.

Provision	Estimate of consumers affected: based on personal loans	Estimate of consumers affected: based on credit cards	Explanation
			the EU-27 based on the number of consumers with a credit agreement. Note: limited data, speculative figure.
Prevalence of leasing agreements *(Options 2, 3A and 3B)*	Between 7 and 8.2 million	NA	The minimum number has been based on data from Finance Watch, showing this at 12% of total credit. This has been applied against our estimates for consumer credit. The maximum figure has been based on data from Eurofinas on the share of new car loans (44%) of the total number of car loans (which is 33% of total consumer credit).
Prevalence of overdraft facilities *(Options 2, 3A and 3B)*	21 to 46 million	NA	Based on figures from UK, NL and FR ranging from share of persons (37%) with an arranged overdraft (UK) to share of persons (80%) indicating in a survey they have an overdraft facility (NL). Based on the number of consumers with a credit agreement.
Prevalence of credits below EUR 200 *(Options 2, 3A and 3B)*	Between 6.4 million and 31 million	NA	Minimum figure based on figures of 34% of loans up to EUR 200 from a large non-bank lender in the EU. Bank figures are estimated to be at one third of these figures. This has been extrapolated for the EU. Based on the number of consumers with a credit agreement. Maximum figure based on figures from the Swedish Financial Supervisory authority, showing prevalence of consumer loans below EUR 200 at 53% but this figure includes revolving credit.
Prevalence of Short-term high-cost credit	20 million	NA	Based on the 4.4% of UK citizens that have such an agreement. Extrapolated for

Provision	Estimate of consumers affected: based on personal loans	Estimate of consumers affected: based on credit cards	Explanation
			the EU-27. Note: limited data, speculative figure. Based on the number of consumers with a credit agreement.
Roll-over credit	20 million	NA	As per the above (STHC credit).
Linked credit: Major problems with exercising their right of withdrawal for linked credit agreements	Up to 17,500	NA	Based on 1% of consumers exercising their right of withdrawal, maximum 50% of new agreements being linked credit, 16% of those consumers reporting problems, of which 41% are major problems. Based on the number of consumers with a credit agreement.
Cross-selling: Consumers affected by lender trying to sell additional products	24 million	NA	Based on 42% of consumers who indicated this been asked them in writing or orally when purchasing a loan.[778] Note: low sample size. Based on the number of consumers with a credit agreement.
Revolving credit: unrequested extensions of the credit line	NA	24 million	Based on estimated 44% share of consumers with a credit card (2018),[779] 12% share of consumers with problems.[780] Based on the number of consumers with a credit agreement.
Protection of consumers			
Interest rate caps *(Option 3B)*	*No data*		
Forbearance measures *(Options 3A and 3B)*	Up to 17,5 million	NA	Based on the share of consumers with credit having difficulties making ends meet (30%). The measure is considered useful for this entire subgroup but could – with changing circumstances – be useful for others, including

[778] London Economics, 2013.

[779] Eurobarometer 443 figures at 43%, indexed for 2018.

[780] Based on UK figures and extrapolated for the EU.

Provision	Estimate of consumers affected: based on personal loans	Estimate of consumers affected: based on credit cards	Explanation
			those currently without a loan. The figure is therefore a lower bound estimate.
Debt advice services for vulnerable consumers *(Options 3A and 3B)*	Up to 17,5 million	NA	As above
Debt advice services for low-scoring consumers *(Option 3B)*	Up to 17,5 million	NA	As above
Prevalence of pre-ticked boxes *(Option 3A)*	*No data*		
Prevalence of unsolicited sale of credit *(Option 3B)*		Up to 24 million	Estimations based on the number of consumers with a credit card in 2018 (44%), of which 12% experiencing problems.

A10.2. Overview of the costs and benefits of the measures

Assessment of costs and benefits

As explained above, in addition to carrying out a qualitative assessment of each policy option in relation to the eight impact categories described in section 8.2, the specific measures for which there was enough evidence to quantify their impact with regard to the baseline have been subject to a quantitative analysis of their costs and benefits. In total, eleven policy measures have been subject to his analysis:

- Removing the minimum and maximum thresholds (**Measure 2.1**), included in Policy options 2, 3a and 3b.
- Including currently excluded loans within its scope of application (**Measure 2.2**), included in Policy options 2, 3a and 3b.
- Amending the definition of some key terms which affect its scope of application (**Measure 2.3**), included in Policy options 2, 3a and 3b.
- Provide a more detailed definition of some key terms related to obligations contained in the Directive (**Measure 2.5**), included in Policy option 2.
- Reduce the amount of information to be provided to consumers in advertising focusing on key information, especially when provided through certain channels (radio only) (**Measure 2.7**), included in policy option 2 and 3b.
- Present key pre-contractual information in a more prominent way (without reducing the amount of information provided to consumers at pre-contractual stage) (**Measure 2.8**), included in policy option 2.
- Establish an obligation upon credit providers to inform consumers whether advisory services are or can be provided (**Measure 3a.2**), included in Policy options 3a and 3b.

- Prohibit product-tying practices (**Measure 3a.4**), included in Policy option 3a.
- Include a provision establishing the right of consumers to request and receive an explanation on how and on what basis a decision on their creditworthiness was reached (**Measure 3a.10**), included in Policy options 3a and 3b.
- Establish an obligation on the Commission to regularly assess the financial education / digital literacy initiatives implemented in Member States and identify best practices, and to publish the findings (**Measure 3a.16**), included in Policy option 3a.
- Prohibit unsolicited sale of credit (**Measure 3b.3**), included in Policy option 3b.
- Establish an obligation upon credit providers to inform low-scoring consumers that debt advice services are available (**Measure 3b.8**), included in Policy option 3b.

Cost assessment of specific measures

- **Cost types included in the assessment of costs for the measures considered:**
- Amending the text of the CCD [including substantial scoping work to tailor the revised content of the CCD to new products/ sub-products typology [EC only]
- Transposing revised text of the CCD into National law [including some scoping research to tailor the revised text of the CCD to the national context given country-level specificities with regards to existing product typology [MS]
- Monitoring compliance - Public administration [MS]
- Reporting to the EU - Public administration [MS]
- Enforcement costs e.g. sweeps, investigations [MS]
- Maintenance database [MS]
- Time spent by legal department to familiarise with new legislative requirements (including time to understand the exemptions, concepts, etc.) - Industry
- Cost of updating/adapting IT systems [including for new type of products] - Industry
- Internal communication/ initial staff training [advertisement] - Industry
- Internal communication/ initial staff training [pre-contractual agreement] - Industry
- Internal communication/ initial staff training [CWA] - Industry
- Additional cost of advertisements to comply this new requirements [including adaptation to new products e.g. overdraft facilities] - Industry
- Additional costs of staff to provide Pre-contractual information/SECCI - Industry
- Additional cost of carrying out credit worthiness assessment [including adaptation to new products e.g. overdraft facilities sold together with bank accounts] – Industry
-
- Types of costs that have **not** been considered as part of the cost model
- Costs for the measures offset by having been passed on to consumers
- Reductions in revenue because of the measure
- Costs of having to retire (remove) products from the market
- Staff layoffs at credit providers as a result of the measures due to possible reduced revenues or margins
- Staff changes (FTEs) at national public administration in regards to enforcement

For each of the measures, the following cost itemisations apply:

Measure 2.1: removing thresholds

- Amending the text of the CCD - Public administration [EC only]
- Transposing revised text of the CCD into National laws - Public administration [MS]
- Monitoring compliance - Public administration [MS]
- Reporting to the EU - Public administration [MS]
- Enforcement costs e.g. sweeps, investigations [MS]
- Maintenance database - Public administration [MS]
- Time spent by legal department to familiarise with new legislative requirements (including time to understand the exemptions, concepts, etc.) - Industry
- Cost of updating/adapting IT systems - Industry
- Internal communication/ initial staff training - Industry
- Additional cost of carrying out credit worthiness assessment Industry

This measure has included direct costs, but does not consider possible reductions in revenues as an industry cost, or possible staff lay-offs as a result (and medium-term cost reductions as a result). The benefits are covered down below in this Annex, but also do not consider the reductions in indebtedness as a result of loans under EUR 200 that would now be offered a certain level of protection.

Measure 2.2: Expanding scope

- Amending the text of the CCD [including substantial scoping work to tailor the revised content of the CCD to new products/ sub-products typology [EC only]
- Transposing revised text of the CCD into National law [including some scoping research to tailor the revised text of the CCD to the national context given country-level specificities for existing product typology [MS]
- Monitoring compliance - Public administration [MS]
- Reporting to the EU - Public administration [MS]
- Enforcement costs e.g. sweeps, investigations [MS]
- Maintenance database [MS]
- Time spent by legal department to familiarise with new legislative requirements (including time to understand the exemptions, concepts, etc.) - Industry
- Cost of updating/adapting IT systems [including for new type of products] - Industry
- Internal communication/ initial staff training [advertisment] - Industry
- Internal communication/ initial staff training [pre-contractual agreement] - Industry
- Internal communication/ initial staff training [CWA] - Industry
- Additional cost of advertisements to comply this new requirements [including adaptation to new products e.g. overdraft facilities] - Industry
- Additional costs of staff to provide Pre-contractual information/SECCI - Industry
- Additional cost of carrying out credit worthiness assessment [including adaptation to new products e.g. overdraft facilities sold together with bank accounts] – Industry

This measure takes into account direct costs, but does not consider lost revenues due to products that are no longer being offered because they are no longer commercially viable, as well as staff reductions (and the costs of lay-offs and longer term cost reductions as a result). The benefits are considered at the end of this annex, but due to the attribution of benefits to the CCD, it is expected it will make a substantial difference for consumers in terms of reduced problems and reduced time losses. However, this measure is very broad in its coverage and therefore has considerable costs and benefits that cannot be covered in full by this model.

Measure 2.3 and 2.5: Key terms

- Amending the text of the CCD - Public administration [EC only]

- Transposing revised text of the CCD into National laws - Public administration [MS]
- Monitoring compliance - Public administration [MS]
- Reporting to the EU - Public administration [MS]
- Enforcement costs e.g. sweeps, investigations [MS]
- Maintenance database - Public administration [MS]
- Time spent by legal department to familiarise with new legislative requirements (including time to understand the exemptions, concepts, etc.) - Industry
- Cost of updating/adapting IT systems - Industry
- Internal communication/ initial staff training [advertisement] - Industry
- Internal communication/ initial staff training [pre-contractual agreement] - Industry
- Internal communication/ initial staff training [calculation of APR] - Industry
- Additional cost of advertisements to comply this new requirements - Industry
- Additional costs of staff to provide Pre-contractual information/SECCI - Industry
- Additional cost of carrying out credit worthiness assessment Industry

These measures have a number of fixed costs in terms of amendments, transposition, communications, training, adaptation of IT systems, etc. Costs are therefore similar to measure 2.2. However, the difference (see table 56) lies in the direct benefits, which are lower for consumers than for expanding the scope. Longer term benefits in terms of lower numbers of court cases and litigation due to legal clarity are not taken into account.

Measure 2.7: Reduce information requirements for radio

- Amending the text of the CCD - [EC]
- Transposing revised text of the CCD into National laws - [MS]
- Monitoring compliance - [MS]
- Reporting to EU - [MS]
- Enforcement costs e.g. sweeps, investigations - [MS]
- Time spent by legal department to familiarise with new legislative requirements (including time to understand the exemptions, concepts, etc.) - [MS]
- Internal communication/ initial staff training - [MS]
- Amendments of existing advertisement content used by lenders [radio only]

For this measure it should be noted that it takes into account the direct costs involved, and estimates its benefits based on attribution to the CCD (see Tables 57), not taking into account the savings of in burden reduction (see also Section 9 on REFIT).**Measure 2.7: Present pre-contractual information in a more prominent way**

- Amending the text of the CCD - [EC]
- Transposing revised text of the CCD into National laws - [MS]
- Monitoring compliance - [MS]
- Reporting to EU - [MS]
- Enforcement costs e.g. sweeps, investigations - [MS]
- Time spent by legal department to familiarise with new legislative requirements (including time to understand the exemptions, concepts, etc.) - [Industry]
- Internal communication/ initial staff training - [Industry]
- Amendments of existing format of pre-contractual content [e.g. streamlining of the information/ revising SECCI] - [Industry]
- For this measure it should be noted that it takes into account the direct costs involved, and estimates its benefits based on attribution to the CCD (see Tables 57), not taking into account the savings of in burden reduction (see also Section 9 on REFIT).

Measure 3a.2: Inform consumers about debt advisory services

- Amending the text of the CCD - [EC]

- Transposing revised text of the CCD into National laws - [MS]
- Monitoring compliance - [MS]
- Reporting to EU - [MS]
- Enforcement costs e.g. sweeps, investigations - [MS]
- Maintaining database - [MS]
- Time spent by legal department to familiarise with new legislative requirements (including time to understand the exemptions, concepts, etc.) - [MS]
- Internal communication/ initial staff training - [MS]
- Adding information about advisory to pre-contractual info package - [MS]
- For this measure it should be noted that it takes into account the direct costs involved to Member States, and estimates its benefits based on attribution to the CCD (see Tables 57), not taking into account the savings of preventing consumers from getting indebted in the first. It also assumes there are no industry costs involved.

Measure 3a.4: Prohibit product-tying practices

- Amending the text of the CCD - [EC]
- Transposing revised text of the CCD into National laws - [MS]
- Monitoring compliance [fairly substantial increase in costs, at least initially, given a common practice of tying some products]
- Reporting to EU - [MS]
- Enforcement costs e.g. sweeps, investigations - [MS]
- Maintain database - [MS]
- Time spent by legal department to familiarise with new legislative requirements (including time to understand the exemptions, concepts, etc.) - [Industry]
- Internal communication/ initial staff training - [Industry]
- Revision of the product packages by sales teams and amendments to comply with new obligations prohibiting tying - [Industry]

Measure 3a.10: Right to request explanations on the CWA

- Amending the text of the CCD - Public administration [EC only]
- Transposing revised text of the CCD into National laws - Public administration [MS]
- Monitoring compliance - Public administration [MS]
- Reporting to the EU - Public administration [MS]
- Enforcement costs e.g. sweeps, investigations [MS]
- Maintenance database - Public administration [MS]
- Time spent by legal department to familiarise with new legislative requirements (including time to understand the exemptions, concepts, etc.) - Industry
- Cost of updating/adapting IT systems - Industry
- Internal communication/ initial staff training - Industry
- Additional cost of carrying out credit worthiness assessment Industry

Measure 3a.16: Financial education and digital literacy initiatives

- Amending the text of the CCD [EC]
- Relevant EC staff to establish the scope and format of the assessment of financial education/ digital literacy initiatives in the EU 27 [EC]
- Relevant EC staff conducting the regular assessments [every 2 years] - [EC]
- Cost of external consultants feeding into the assessment [every 2 years] [e.g. data collection and analysis at the MS level + research to flesh out best practices] - [EC]

Measure 3b.3: Prohibit unsolicited sale of credit

- Amending the text of the CCD - [EC only]

- Transposing revised text of the CCD into National laws - Public administration [MS]
- Monitoring compliance - Public administration [MS]
- Reporting to the EU - Public administration [MS]
- Enforcement costs e.g. sweeps, investigations [MS]
- Maintenance database - Public administration [MS]
- Time spent by legal department to familiarise with new legislative requirements (including time to understand the exemptions, concepts, etc.) - Industry
- Cost of updating/adapting IT systems - Industry
- Internal communication/ initial staff training [advertisement] - Industry
- Internal communication/ initial staff training [pre-contractual agreement] - Industry
- Review and revision of sales practices
- Cost of updating/adapting IT systems
- The volume of unsolicited sale of credit is not known, and likely a key cost is the lost of revenue from offering these, though consultations do not seem to show this to be extensive. Benefits (Table 57) in terms of preventing indebtedness could also not be factored in, and should be duly considered.

Measure 3b.8: Inform low-scoring consumers about debt advice services

- Amending the text of the CCD - [EC]
- Transposing revised text of the CCD into National laws - [MS]
- Monitoring compliance - [MS]
- Reporting to EU - [MS]
- Enforcement costs e.g. sweeps, investigations - [MS]
- Time spent by legal department to familiarise with new legislative requirements (including time to understand the exemptions, concepts, etc.) - [Industry]
- Internal communication/ initial staff training - [Industry]
- Cost of updating/adapting IT systems - [Industry]
- Updating website - [Industry]
- Costs related to the information obligations provided to low-scoring consumers and adaptation of the standards - [Industry]

For this measure it should be noted that it takes into account the direct costs involved, and estimates its benefits based on attribution to the CCD (see Tables 57), not taking into account the savings of preventing consumers from getting indebted in the first place.

Table 42 (overleaf) shows a summary of the total costs related to CCD implementation plus costs for each policy measure listed above. Below it, Table 43 shows the costs differentials of additional policy measures compared to the baseline (Option 0), or in other words a cost of implementing a measure irrespective of all other CCD related costs. Cost items considered are broken down into two main categories: personnel cost and investment in infrastructure including IT (see Annex 10 for a detailed assessment of total costs per Member State). Note that both tables show the costs in for the whole period 2021-2030, in EUR and net present value terms, and aggregated for all EU-27 Member States. In addition, the table presents also the disaggregation by the main types of costs (personal costs and investment in infrastructure including IT) that would have to be incurred by each of the specific stakeholder.

Overall, for the vast majority of options the bulk of the costs related to a measure would be borne by the Industry. Costs for the EU institutions and MS public authorities are in most cases negligible and relate to tasks such as the revision of the CCD by the European Commission, its transposition into national laws by Member States public authorities and incremental costs associated with increased monitoring, reporting and enforcement activities born by the Member State public authorities.

By way of example, according to the estimations from the model, the implementation and enforcement of the measure 2.3 over the period 2021-2030 would cost over EUR 750 mln (costs spread across all EU 27 MSs and all three stakeholders), or around 35% of the total costs related to the implementation and enforcement of the whole CCD over the same period. Credit institutions would bear 99.9% of the costs. Importantly, these figures represent a minimum estimate since the model captures only the costs related to the expansion of the scope of the CCD to overdraft facility product (rather than wider range of products), and only for banks. Costs that would be potentially borne by non-bank lenders as a result of extension of the CCD scope to products such as zero-interest loans and leasing agreements, that are rarely provided by banks, are not considered here, albeit they would not be negligible. And indeed, the same caveat applies to all other measures and their costs estimates in the context of the Industry specifically - only costs incurred by banks have been captured by the model. This is an important caveat as for number of measures the costs borne by non-bank lenders would be high as well.[781]

[781] For instance, option 2.1.1 that would imply the extension of the CCD scope to low value loans below EUR 200 would have probably disproportionately higher impact on non-bank lenders who are typically more likely to provide small value loans than banks.

Table 42. Total costs [in EUR, npv]

	Option 0	Measure 2.1	Measure 2.2	Measures 2.3 / 2.5	Measure 2.7	Measure 2.8	Measure 3a.2	Measure 3a.4	Measure 3a.10	Measure 3a.16	Measure 3b.3	Measure 3b.8
Policy option	**0**	**2, 3a, 3b**	**2, 3a, 3b**	**2, 3a, 3b / 2**	**2, 3b**	**2**	**3a, 3b**	**3a**	**3a, 3b**	**3a**	**3b**	**3b**
							EC [DG JUST/ FISMA]					
Investment in infrastructure including IT	0	0	0	0	0	0	0	0	0	0	0	0
Personnel cost	0	2,596	30,288	21,635	7,788	9,736	6,750	7,788	12,981	1,005,171	21,635	10,817
Total	**0**	**2,596**	**30,288**	**21,635**	**7,788**	**9,736**	**6,750**	**7,788**	**12,981**	**1,005,171**	**21,635**	**10,817**
							Member States					
Investment in infrastructure including IT	496,771	537,064	637,795	617,649	496,771	496,771	516,917	537,064	512,888	496,771	557,210	516,917
Personnel cost	1,559,309	1,697,725	2,037,793	1,971,570	1,644,561	1,644,561	1,634,488	1,709,666	1,619,452	1,559,309	1,853,488	1,706,868
Total	**2,056,080**	**2,234,788**	**2,675,588**	**2,589,219**	**2,141,332**	**2,141,332**	**2,151,405**	**2,246,730**	**2,132,340**	**2,056,080**	**2,410,698**	**2,223,785**
							Industry					
Investment in infrastructure including IT	0	20,316,423	60,167,869	60,949,270	0	0	0	0	19,535,022	0	19,535,022	10,158,212
Personnel cost	1,397,437,812	1,540,353,018	2,088,163,128	1,725,575,192	1,405,672,919	1,406,502,504	1,404,170,159	1,421,933,272	1,469,134,730	1,397,437,812	1,415,391,629	1,528,647,783

Total	**1,397,437,812**	**1,560,669,441**	**2,148,330,997**	**1,786,524,462**	**1,405,672,919**	**1,406,502,504**	**1,404,170,159**	**1,421,933,272**	**1,488,669,753**	**1,397,437,812**	**1,434,926,651**	**1,538,805,994**
Overall Total	**1,399,493,892**	**1,562,725,521**	**2,150,387,077**	**1,789,135,315**	**1,407,822,039**	**1,408,653,571**	**1,406,328,314**	**1,424,187,791**	**1,490,815,073**	**1,400,499,062**	**1,437,358,984**	**1,541,040,597**
Share of EC [DG JUST/ FISMA]	0,0%	0,0%	0,0%	0,0%	0.0%	0.0%	0,0%	0,0%	0,0%	0,1%	0,0%	0,0%
Share of MS costs	0,1%	0,1%	0,1%	0,1%	0.2%	0.2%	0,2%	0,2%	0,1%	0,1%	0,2%	0,1%
Share of Industry costs	99,9%	99,9%	99,9%	99,9%	99.8%	99.8%	99,8%	99,8%	99,9%	99,8%	99,8%	99,9%

ICF, 2020

Note 1: Incremental costs of each option vs baseline start in 2021 already [not 2020, given that any changes won't take place this year anymore]
Note 2: The model does not reflect any costs that would be incurred by non-bank lenders [it captures only CIs with respect to Industry costs]. For some measures, those could constitute very substantial share of costs incurred by the industry.

Table 43. Increase in costs cf Baseline [in EUR, npv]

	from Option 0 to:										
	Measure 2.1	**Measure 2.2**	**Measures 2.3 / 2.5**	**Measure 2.7**	**Measure 2.8**	**Measure 3a.2**	**Measure 3a.4**	**Measure 3a.10**	**Measure 3a.16**	**Measure 3b.3**	**Measure 3b.8**
Policy option(s)	**2, 3a, 3b**	**2, 3a, 3b**	**2, 3a, 3b / 2**	**2, 3b**	**2**	**3a, 3b**	**3a**	**3a, 3b**	**3a**	**3b**	**3b**
						EC [DG JUST/ FISMA]					
Investment in infrastructure including IT	0	0	0	0	0	0	0	0	0	0	0
Personnel cost	2,596	30,288	21,635	7,788	9,736	6,750	7,788	12,981	1,005,171	21,635	10,817
Total	**2,596**	**30,288**	**21,635**	7,788	9,736	**6,750**	**7,788**	**12,981**	**1,005,171**	**21,635**	**10,817**
						Member States					
Investment in infrastructure including IT	40,293	141,024	120,878	0	0	20,146	40,293	16,117	0	60,439	20,146
Personnel cost	138,416	478,484	412,261	85,252	85,252	75,179	150,357	60,143	0	294,179	147,559
Total	**178,708**	**619,508**	**533,139**	85,252	85,252	**95,325**	**190,650**	**76,260**	**0**	**354,618**	**167,705**
						Industry					
Investment in infrastructure including IT	20,316,423	60,167,869	60,949,270	0	0	0	0	19,535,022	0	19,535,022	10,158,212

Personnel cost	142,915,207	690,725,317	328,137,380	8,235,107	9,064,692	6,732,347	24,495,461	71,696,919	0	17,953,817	131,209,971
Total	**163,231,630**	**750,893,186**	**389,086,650**	**8,235,107**	**9,064,692**	**6,732,347**	**24,495,461**	**91,231,941**	**0**	**37,488,840**	**141,368,183**
Overall Total	163,412,934	751,542,982	389,641,424	8,328,147	9,159,679	6,834,422	24,693,899	91,321,182	1,005,171	37,865,092	141,546,706
Share of EC [DG JUST/ FISMA]	0,0%	0,0%	0,0%	0.1%	0.1%	0,1%	0,0%	0,0%	100,0%	0,1%	0,0%
Share of MS costs	0,1%	0,1%	0,1%	1.0%	0.9%	1,4%	0,8%	0,1%	0,0%	0,9%	0,1%
Share of Industry costs	99,9%	99,9%	99,9%	98.9%	99.0%	98,5%	99,2%	99,9%	0,0%	99,0%	99,9%
All costs as % increase cf baseline	11,7%	35%	21,8%	0.6%	0.7%	0,5%	1,7%	6,1%	0,1%	2,6%	9,2%

ICF calculations, 2020

Benefits assessment of specific measures

Table 44 illustrates the quantification of benefits brought by each measure in the form of reduction in consumers' financial detriment and reduction in monetised time losses that would have otherwise occurred had a given option not been implemented. Figures are presented in EUR and net present value terms, for all EU 27 MSs, and the period 2021-2030. Note that similarly to the estimation of specific costs, the model does not capture consumer benefits that could be generated because of a given measure implemented by non-bank lenders. The magnitude of increased CCD effectiveness associated to each measure was an informed judgment made by the study team.

Overall, measure 2.2 would generate relatively highest benefits. This is also the function of its scope (overdraft facilities are one of the most prevalent financial products) and consumer detriment that partial exclusion of the overdraft facility from the CCD has caused. In this case though, the benefits are also proportionate to high costs that this option would imply (see previous discussion on costs under Section A10.1). Likewise, measure 2.1 would be also likely to generate high benefits. Furthermore, measure 3b.3 was the measure that also stood out in terms of the scale of potential benefits.

Table 44. Reduction in consumers' financial detriment and monetised time losses thanks to a given measure, in EUR and net present value terms, for EU 27 MSs, and time period 2021-2030.

			Baseline		After implementation				
Option - number	**Assumed increase in CCD effectiveness attributed to the measure (only)**	**Revised CCD effectiveness (total)**	**Total reduction in consumers' financial detriment [EUR mln]**	**Total reduction in consumers' time losses [EUR mln]**	**Total reduction in consumers' financial detriment [EUR mln]**	**Total reduction in consumers' time losses [EUR mln]**	**Incremental reduction in consumers' financial detriment [EUR mln]**	**Incremental reduction in consumers' time losses [EUR mln]**	**Total incremental reduction in consumers' financial detriment AND time losses [EUR mln]**
2.1	4%	19%	436.88	598.81	553.38	758.50	116.50	159.68	276.18
2.2	11%	26%	436.88	598.81	757.26	1037.94	320.38	439.13	759.51
2.3	3.5%	19%	436.88	598.81	538.82	738.54	101.94	139.72	241.66
2.7	2.0%	17.0%	436.88	598.81	495.13	678.65	58.25	79.84	138.09
2.8	1.0%	16.0%	436.88	598.81	466.00	638.73	29.13	39.92	69.05
3a.10	2.0%	17.0%	436.88	598.81	495.13	678.65	58.25	79.84	138.09
3a.16	0.5%	15.5%	436.88	598.81	451.44	618.77	14.56	19.96	34.52
3a.2	0.3%	15.3%	436.88	598.81	445.62	610.79	8.74	11.98	20.71
3a.4	2.0%	17.0%	436.88	598.81	495.13	678.65	58.25	79.84	138.09
3b.3	2.5%	17.5%	436.88	598.81	509.69	698.61	72.81	99.80	172.62
3b.8	2%	17%	436.88	598.81	495.13	678.65	58.25	79.84	138.09

Quantification of some costs and benefits for specific policy measures

Overall, the comparison of costs and benefits points out to measures 2.1, 2.7, 2.8, 3a.10, 3a.16, 3a.2, 3a.4 and 3b.3 as those where benefits would offset the costs (see positive net benefits in the last column of the Table 45). On the other hand, the potential net benefits for other measures 2.2, 2.3, 3b.8 would be negative, though to different degree.

However, these estimations should be considered with considerable caution given a number of underlying limitations such as absence of non-bank lenders and their consumers in the estimates produced by the model, non-exhaustive typology of costs applied for the costs estimation (e.g. non-exhaustive listing of specific costs but also some potential revenue job/losses as a result of an option), non-exhaustive typology of benefits (e.g. reduction in consumer prices of some products) and number of tentative assumptions applied for the definition of baseline scenario and impact of specific measures. Rather than analysing the values in isolation, it is advisable to consider their rough magnitude in terms of absolute costs and benefits and in relation to each other.

It should also be noted that both costs and benefits are the minimum level of costs and benefits for each individual measure. Benefits have been assessed on the basis of the reduction in financial losses because of problems with the Directive (financial detriment, time losses). The CCD trend over the past decade shows that the rate of problems is consistently going down, meaning that at some point the problem rate will start to go down much more slowly. This implies that the room for problems to continue to diminish is relatively minor even for new measures. Problems will still be addressed or avoided for consumers as a result of new measures, but its effects are relatively and comparatively smaller than was the case in 2008. However, any changes made to the CCD do entail a set of minimum costs for public administration, EU administration and industry. The full costs are also higher as we are not able to assess the costs of revenues losses (nor to what extent costs are passed on to consumers). For this reason the model might show more limited benefits than one could expect to see (or would have been expected to see had these measures been introduced straight in 2008)

Beyond the horizon of the years 2021-2030, the scenarios below could change, especially as benefits are incremental over time (reduced problems, increased competition and lower prices) and costs either taper off after their initial implementation or have been passed on to consumers. This means that in the long run – beyond the next decade – credit providers will have a business model that – at that point in time – is viable and offers services to consumers, while consumers have a higher level of protection than is currently the case for those measures presented below. However, due to the substantial degree of uncertainty of those changes, the study cannot realistically assess the extent of those impacts. These factors should nonetheless be considered when consulting the table below, as the figures are a snapshot of the outcome of the values in the cost model. They are not a definitive assessment of whether costs outweigh benefits or benefits outweigh costs for the measures concerned.

Table 45. Comparison of costs and benefits for selected measures, in EUR mln and net present terms, for EU 27 MSs and period 2021-30.

Measure - number	Measure - title	Costs	Benefits	Net
2.1	Remove the minimum and maximum thresholds	146.36	276.18	129.82
2.2	Include currently excluded loans within its scope of application (including but not only, zero-interest loans, pawnshop agreements, all leasing agreements, all overdraft facilities)	751.52	759.51	7.99
2.3	Detailed definitions	389.64	241.66	-147.98
3a.10	Include a provision establishing the right of consumers to request and receive an explanation on how and on what basis a decision on their creditworthiness was reached (i.e. reflecting the GDPR principles concerning automated decision-making)	91.32	138.09	46.77
3a.16	Establish an obligation on the Commission to regularly assess the financial education / digital literacy initiatives implemented in Member States and identify best practices, and to publish the findings (in line with Art. 6(2) MCD)	1.00	34.52	33.52
3a.2	Establish an obligation upon credit providers to inform consumers whether advisory services are or can be provided (in line with Art. 22(1) the MCD)	6.83	20.71	13.88
3a.4	Prohibit product-tying practices (in line with Art. 12 MCD, except that in this case the prohibition would be at EU-level instead of established by Member States)	24.69	138.09	113.40
3b.3	Prohibit unsolicited sale of credit	37.86	172.62	134.76
3b.8	Establish an obligation upon creditors to inform low-scoring consumers whether debt advice services are available (provided that these services do not influence the credit ranking of the consumer)	141.54	138.09	-3.45
2.7	Reduce the amount of information to be provided to consumers in advertising focusing on key information, especially when provided through certain channels (TV, radio)	8.328	138.09	129.76

2.8	Present key pre-contractual information in a more prominent way (without reducing the amount of information provided to consumers at pre-contractual stage)	9.159	69.05	59.89

Annex 11: Assessment of the EU added value of the policy options

Policy option 0 – Status quo

EU added value

Description
Policy option 0 adds very little or no EU added value relative to the baseline. In view of the continued discrepancies arising in the regulatory landscape in EU Member States due to additional measures taken at national level, there is no added value of this Option. Consumer representatives, in particular, indicated that this option would not resolve the problems that consumers currently face. Nevertheless, several industry stakeholders noted that regulary stability would be beneficial for them, particularly at the present time with COVID-19.

Policy option 1 – Non-legislative action

EU added value

Description
Option 1 would deliver some EU added value compared to Policy option 0, but several factors give rise to the conclusion that its added value would be limited. Certain positive aspects can be highlighted. Non-regulatory action in the form of guidelines, awareness raising campaigns, capacity building and so on should deliver more EU added value than no action at all (i.e. Option 0). Non-regulatory action may raise the baseline in (at least some) Member States, where national approaches have not already been adopted to address the specific problems and may be less costly for competent authorities and industry to implement. Providing support to national consumer associations may deliver added value as such organisations frequently lack funds/resources and they are generally trusted by consumers. Option 1 would also provide more flexibility to the Member States than the proposed regulatory actions under Options 2, 3a and 3b. This is viewed as being potentially beneficial, especially among industry representatives. In their view, some of the issues identified are not sufficiently spread across the EU or are very linked to the national context and would be better addressed at national level. During the workshop, some industry representatives also indicated that EU involvement should be limited because 'overbearing' regulation can stifle economic growth and potentially lead to unintended consequences. In addition to stressing the importance of ensuring flexibility in the creditworthiness process, industry representatives also noted that further regulation would be a burden to lenders and would not help industry or the economy, especially at a time when industry representatives would benefit from regulatory stability to allow them to cope with the impact of the COVID-19 crisis. On the other hand, certain considerations lead to conclude that the EU added value of Option 1 would be limited, especially when compared to the added value of a legislative amendment. Firstly, without regulatory intervention, many of the existing problems with the CCD (e.g. gaps in scope, divergent approaches to CWA) and the consumer credit market more generally would remain unresolved. This was indicated by most stakeholders (including consumer representatives and industry) as well as national experts carrying out research in the ten selected Member States. Since the measures under Option 1 are unlikely to be fully effective at addressing these problems, the added value of Option 1 is also expected to be very limited.

In the area of CWA, the EBA guidelines on loan origination and monitoring would also limit the added value of EU-level guidance on the information to be assess during these checks, but only to some extent. As explained in the assessment of the effectiveness of this option, the main advantage of the new guidelines is that they would apply to all credit providers bound by CCD rules, and not only to financial institutions.

Where Member States opt to address such problems unilaterally, differences in approaches between countries would remain, or may emerge. Similarly, non-regulatory action may result in some Member States choosing to opt-in/out of certain measures or adapt them to their national situation and some may prefer to keep the national guidance that they have already developed (e.g. on the interpretation of the term 'in good time').

Some stakeholders (mainly industry representatives) also claimed that Option 1 would not bring any great added value because credit providers are already aware of their responsibilities and because guidance already exists from the EBA on the types of information that should be assessed during a CWA.

Non-regulatory action would not achieve harmonisation and that, consequently, the EU added value of Option 1 would be limited.

Policy option 2 – Amendment of provisions already contained in the CCD (i.e. targeted amendment)

EU added value

Description
The adoption of regulatory measures (as opposed to non-regulatory measures) at EU level was generally considered preferable by most national authorities, as opposed to industry representatives. Consumer organisations consulted for the study also strongly favoured regulatory measures (particularly an extensive amendment of the CCD) over the non-regulatory measures under Options 0 and 1 and indicated that they would deliver significantly more EU added value. The added value of extending, at EU level, the scope of the CCD to credits below EUR 200 (in particular) and to new types of credit currently outside the scope of the CCD, ultimately depends on the impact that it would have across the EU. At national level, its impact would vary significantly depending on (i) the size of the market for such credit in each Member State, (ii) whether the national legislators had already extended the scope of the CCD to such credit, and (iii) whether the Member States had already introduced other measures (e.g. guidance) at a national level for such credit. In contrast, payday loans remain common in Lithuania and have been growing fast in countries such as the Czech Republic, Poland and Sweden, and thus the added value of this measure could be much larger in these countries. In the absence of EU-level action, consumers are more/less likely to be harmed as a result of these loans. It thus appears that Option 2 delivers greater added value for consumers – especially vulnerable consumers as they are more likely to rely on these types of credit – compared to Options 0 and 1. However, a significant share of business associations thought that the scope of the CCD should not be extended[782] and that this decision should be left to Member States, who would consider the specificities of their national market.

[782] Interviews (1 business association – AT). OPC. 43% of business associations; 21% of companies; 2% of citizens; 13% of academic and research institutions.

Option 2 would also help to level the playing field for credit providers based in different EU Member States (though it does not go as far in this respect as Options 3a and 3b).

Policy option 3a – Extensive amendment of the CCD to include certain new provisions, in line with EU regulation

EU added value

Description
Some of the issues that the measures contained in Option 3a seek to address have already been regulated at national level in some Member States. For instance, some Member States[783] have already established an obligation upon credit providers to inform consumers whether advisory services are, or can be, provided (in line with Art. 22(1) MCD); and some countries[784] already require CWAs to take appropriate account of factors relevant to verifying the prospect of the consumer meeting his/her obligations under the credit agreement (in line with Art. 18 MCD). In these specific cases, adopting the same measures at EU level would not bring significant added value. It would, however, ensure that consumers in Member States which have not regulated these aspects yet are equally protected against these practices or issues. Admittedly, some of the issues are more common in some Member States than others, but the evidence gathered for the study suggests that they are present in all countries. Option 3a would therefore bring substantial EU added value by, on the one hand, reducing legal fragmentation, and on the other, reducing consumer detriment in Member States which have not adopted any measures to address the issues at hand. Some industry stakeholders implied that there would be comparatively little EU added value from measures designed to protect consumers from unfair contracts and commercial practices, such as 'establishing a legal obligation for credit providers and credit intermediaries to promote responsible lending (i.e. to act honestly, fairly, transparently and professionally, taking account of the rights and interests of the consumers)' (in line with Art. 7(1) MCD). This is because – they argue – consumers are already protected by laws on unfair contract terms (Unfair Contract Terms Directive, 93/13/EEC) and unfair commercial practices (Unfair Commercial Practices Directive, 2005/29/EC). This view is not shared by consumer representatives, who noted that introducing new rules on conduct of business would provide added value for consumers. Consumer representatives also indicated that establishing an obligation for creditors to exercise reasonable forbearance (partially in line with Art. 28 MCD) and prohibiting tying practices (in line with Art 12. MCD) would also provide added value for consumers (particularly vulnerable consumers).

Policy option 3b – Extensive amendment of the CCD to include provisions not addressed by other EU regulation

EU added value

Description

[783] e.g. BE, and IT via case-law as the interpretation of Art. 8 CCD

[784] e.g. BE, CZ, FR

Option 3b should deliver some added value for consumers, particularly vulnerable consumers, and was generally favoured by consumer representatives vis-à-vis the other options, although they still consider it to fall short of leading to the most optimal level of consumer protection. Option 3b would level the playing field and create the same amount of protection for consumers across the EU. It is also expected to reduce legal uncertainty and increase cross-border sales (which is a win-win for both consumers and firms).

Certain new provisions seem to deliver particular added value, especially in the eyes of consumer organisations. In particular, the measures on financial education and debt advice seem to be particularly popular amongst consumer organisations – but also industry representatives - especially if minimum standards are set at EU level. Similarly, it was noted that prohibiting the unsolicited sale of credit would provide added value since this is a growing problem in at least some EU Member States.

Regarding the ban of pre-ticked boxes, it is worth mentioning that this practice has been banned in other EU regulation. Article 22 of the Consumer Rights Directive prevents traders from using pre-ticked boxes for 'extra payments in addition to the renumeration agreed upon for the trader's main contractual obligation'. Therefore, in addition to delivering added value for consumers in all Member States – the Consumer Rights Directive does not apply to financial services - it would also ensure better alignment with the efforts of the EU in protecting consumers.

Interest rate/APR caps are already imposed in 23 Member States.

On the flip side, the additional measures already taken in Member States to face specific problems could ultimately not be adapted to all EU markets.

HOW TO OBTAIN EU PUBLICATIONS

Free publications:

- one copy:

via EU Bookshop (http://bookshop.europa.eu);

- more than one copy or posters/maps:
  from the European Union's representations
  (http://ec.europa.eu/represent_en.htm);
  from the delegations in non-EU countries
  (http://eeas.europa.eu/delegations/index_en.htm);
  by contacting the Europe Direct service
  (http://europa.eu/europedirect/index_en.htm) or calling 00 800 6 7 8 9 10 11
  (freephone number from anywhere in the EU) (*).

  (*) The information given is free, as are most calls (though some operators, phone boxes or hotels may charge you).

Priced publications:

- via EU Bookshop (http://bookshop.europa.eu).

Priced subscriptions:

- via one of the sales agents of the Publications Office of the European Union
  (http://publications.europa.eu/others/agents/index_en.htm).