

European Commission Consultation on the Consumer Credit Directive

Barclays Response

The Consumer Credit Directive (2008/48/EC) aims to foster the single market for consumer credit while ensuring high protection standards for consumers. It has succeeded to harmonise the information that consumers obtain before accepting a credit agreement between EUR 200 and EUR 75.000 and to give them a right to withdraw from such agreement within 14 days. The experience shows however that various credits fall outside the scope of the Directive, that the information requirements are not fully adapt to the ongoing digitisation of this market, and that rules on responsible lending have only been partially effective in practice.

1. Credits below EUR 200 and certain other credits (e.g. loans granted free of interest and with no other charges, some leasing agreements) are outside of the Directive's scope at present. Should the scope be extended to:

- Credits below EUR 200*
- Credits above EUR 75 000 for purposes other than the renovation of a residential immovable property Loans obtained by individuals from other individuals, through online platforms (peer-to-peer lending)
- All currently exempted credits
- No scope extension needed
- Don't know
- Other Please specify

Most consumer credit should be in scope inc. buy-now-pay-later and when <200 EUR credit is then extended to >200 EUR. Subject to limited exceptions (i.e non-commercial credit)

2. The Consumer Credit Directive obliges lenders to provide consumers with standard information at pre-contractual stage. This should help the consumer understand the main features of a credit and make their decisions in full knowledge of the facts. How would you improve the information to consumers, particularly in the online environment, to ensure that they get the right information at the right time?

a. In which format would it be most useful to obtain pre-contractual information? *at most 2 choice(s)*

- Provide information in a standardised format ("Standard European Consumer Credit Information")
- Provide simplified information focusing only on key features of the offer
- Present credit offers by way of a comparison table
- Information provided online should be adapted to the size of the screen

b. At which moment of the transaction should pre-contractual information be provided? *at most 2 choice(s)*

- At least five days before contract signature
- At least one day before contract signature
- At least one hour before the contract signature
- Together with the other Terms and Conditions, right before signing the contract

c. What key features do you consider should be prominently displayed to the consumer at the pre-contractual stage?

This will vary from product to product however customers typically seek to compare deals on cost and repayment terms.

3. In order to enable consumers to understand and compare different offers, the Directive specifies information to be included in advertising which includes an interest rate, the total amount of credit, the annual percentage rate of charge [9] and other information relating to the credit. How should the provision of such information at the advertising stage be improved on different channels?

Select most relevant choice(s)

	The amount of information should be reduced (e.g. focus on annual percentage rate of charge)	The information should be given particular prominence (e.g. engaging, salient and upfront display)	The information should be accompanied by warning messages on the implications of the credit decision (e.g. "borrowing money also costs money")
Print media	x		
Online	x		
Radio	x		
TV	x		

4. The Directive aims at encouraging responsible lending practices [10], for instance by obliging providers to assess whether the consumer is likely to be able to repay the credit ("creditworthiness assessment") prior to concluding the credit agreement. This is key to avoid default and over-indebtedness. How could the present rules on responsible lending/borrowing be further improved? *at most 3 choice(s)*
- Introduce binding principles on responsible lending such as an obligation to take into account target consumers' interests, objectives and characteristics when designing credit products
 - Introduce measures to prevent excessive cost of credit through caps on interest rates
 - Ban unsolicited credit offers
 - Introduce further measures to protect consumers in case of unsolicited credit offers for instance by introducing a reminder of the existing right of withdrawal
 - Prevent online credit purchasing without enough time for reflection (e.g. credit obtained "in one-click")
 - Harmonise the creditworthiness assessment process across Member States
 - Prohibit the provision of credit in case of negative creditworthiness assessment
 - Attach conditions to the provision of credit to consumers with negative creditworthiness assessment, e.g. obligation to provide debt advice or allow grace periods for late repayments
 - Ban the mandatory purchase of additional products, such as payment protection insurance, as a precondition to a credit agreement conclusion ("tying")
 - Credit providers to promote financial education measures
 - There is no need to introduce further measures
 - Don't know
 - Other- Please specify 150 character(s) maximum

Point 8 subject to the meaning of 'negative'. Also more data sharing (from BNPL firms) to ensure lenders can take full account of a customer creditworthiness.

5. The Directive obliges lenders to assess the ability of consumers to repay their credit (creditworthiness assessment), where necessary on the basis of data from credit database. The rules on creditworthiness assessment and on access to credit databases giving information on consumers' credit history vary across Member States. Should the EU introduce common standards to guarantee a high and even level of consumer protection, as well as to help providers accessing new opportunities in other Member States and alleviating regulatory burden for them? *at most 2 choice(s)*
- Yes, EU law should provide for common standards on data/methodology for creditworthiness assessments

- Yes, EU law should provide for common standards on the categories of data collected by credit databases for creditworthiness assessment purposes and on their exchange across Member States
- No, rules at EU level should not be changed neither for creditworthiness assessment nor for credit databases
- Don't know
- Other
 - Please specify which standards/methodology should be used. *150 character(s) maximum*
 - Please specify which data should be used. *150 character(s) maximum*

6. What measures could be considered to safeguard the interests of both lenders and borrowers in situations of exceptional and systemic economic disruption, such as the one caused by the Covid-19 epidemic? *at most 2 choice(s)*

- Provide specific rules allowing Member States to enact payment moratoria measures while establishing a minimum level of consumer protection for those cases
- Adoption by Member States of measures encouraging creditors to exercise reasonable forbearance (e.g. temporarily postpone capital and/or interest payments of a loan) when a borrower is experiencing or is likely to experience financial difficulty
- Use flexibility embedded in the prudential framework for banks to facilitate lending to support consumers and businesses in the crisis period
- Introduce new obligations for Member States to strengthen services to support (e.g. through debt advice) over-indebted consumers struggling to repay their debt in the crisis or at risk of poverty
- Introduce new obligations for creditors to provide education and awareness on debt management for consumers in financial difficulties
- No action at EU level is needed
- Other

Working with MS authorities, firms implemented a range of support measures to support consumers. EU level action risks limiting flexibility.