



The Director General

Bundesministerium der Justiz
Frau Bundesministerin Brigitte Zypries
Mohrenstraße 37
10117 Berlin

poststelle@bmj.bund.de

23 March 2007

Dear Frau Bundesministerin Zypries,

Modified proposal for a Directive of the European Parliament and of the Council on credit agreements for consumers

We are writing further to our letter of 6 February, to which we have yet to receive a reply.

Since writing to you there appears to have been considerable activity in the Working Party on Consumer Protection in an attempt to reach political agreement in the Council regarding the proposed Directive. As we mentioned in our previous letter, we welcome progress that has been made in moving towards a more workable text. We are, however, concerned that the draft compromise text submitted by the German Presidency on 7 March 2007 still falls short of achieving its objectives.

To be clear, Eurofinas, the European Federation of Finance House Associations, would support a Directive that facilitates the development of a single retail credit market. We firmly believe, however, that the current draft text will not encourage cross-border trade in consumer credit. Indeed, we remain seriously concerned that the proposed compromise would damage the efficient functioning of credit markets, so harming the interests of both consumers and national economies.

Our key concerns remain largely unchanged and focus on the following areas:

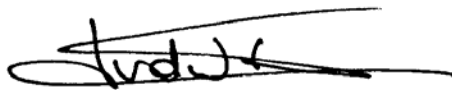
- the duty to provide information on the basis of “preferences expressed” by the consumer (Art 5.2) and the duty to explain or advise (Art. 5.5);
- the obligation to check the consumer’s creditworthiness;
- credit intermediaries;
- right of withdrawal;
- linked credit agreements; and, fundamentally,
- the approach to harmonisation and exemptions.

A new concern is the latest proposal from the Presidency on Article 15 (early settlement). The basic principle here should be that lenders are entitled to be compensated on early settlement by an amount which reflects the costs they have incurred or will incur. The aim should be to produce a result which is fair and equitable to both lenders and borrowers. The latest approach appears quite arbitrary and would not produce fair and accurate outcomes. There is also the very real possibility that it would create distortions in the market.

Another matter of concern is the proposed introduction of pre-contractual information in the form of Standard European Consumer Credit Information ("SECCI"). Although the content of this is not yet known, in the interests of avoiding information overload and unnecessary burdens, we believe that any obligation to give such information should include the possibility of allowing SECCI to be incorporated into and given along with a copy of the credit agreement.

Unless these concerns are addressed we fear that the proposal will, if enacted, do little to develop the internal market for consumer credits. That would be to our shared regret.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Tanguy van de Werve', with a long horizontal flourish extending to the right.

Tanguy van de Werve

Cc: Messrs. P. Horne (horne-pe@bmj.bund.de) and K-H. Oehler (oehler-ka@bmj.bund.de).

About Eurofinas:

Eurofinas is the main voice of the consumer credit industry at European level. It currently represents 15 National Associations, in turn bringing together more than 1,150 finance and credit institutions. Together, Eurofinas' members financed over 352 billion euros worth of new loans during 2005, with outstandings reaching above 600 billion euros at the end of 2005. Companies represented by Eurofinas employ some 69,500 individuals.

Consumer credit providers may be of several natures and our members' members can be grouped into the categories below. Around 90% of the companies represented through Eurofinas are specialised lenders, falling into the first three categories:

- Finance houses: specialised consumer credit providers without a banking licence;
- Captive companies: parent companies of these companies are manufacturers (e.g. car manufacturers). Captives may or may not have a banking licence;
- Specialised banks: institutions with a banking licence but an activity limited to consumer credit or/and mortgage lending; and
- Universal banks: banks providing all kinds of products: retail, corporate, etc., including consumer credit.