

European Commission
Directorate Internal Market and Services
Rue de la Loi 200
1049 Brussels
markt-retail-consultation@ec.europa.eu

Brussels, 6 April 2009

Re: Eurofinas response to the European Commission's consultation on financial inclusion

Dear Sir/Madam,

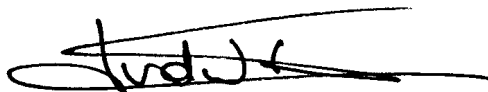
Please find below Eurofinas response to the European Commission's consultation on financial inclusion.

Eurofinas supports the Commission's overall objective to ensure that the majority of EU citizens have access to basic banking services and supports as a first step, the creation of a European platform for sharing best practices via initiatives such as expert groups and/or informal networks of Member States.

Eurofinas strongly believes that overdraft facilities and all types of credit and store cards should be excluded from the concept of "basic banking services" and opposes any action which would imply the creation of a right to credit.

I stay at your disposal to answer any question you may have on our comments below; alternatively feel free to contact my colleague Alexandre Giraud (a.giraud@eurofinas.org - tel: 02 778 0564)

Yours sincerely,



Tanguy van de Werve
Director General

About Eurofinas

Eurofinas, the European Federation of Finance House Associations, is the main voice of the specialised consumer credit industry at European level. It currently represents 16 Member Associations, in turn bringing together more than 1,000 finance houses, captive companies, specialised and universal banks. Together, these consumer credit providers financed over 400 billion euros worth of new loans during 2007, with outstandings reaching 713 billion euros at the end of the year. Companies represented through Eurofinas employ some 90 000 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 focused on consumer credit or/and mortgage lending; and
- Universal banks: banks providing all kinds of products retail, corporate, etc., including consumer credit.

Eurofinas, the voice of consumer credit specialized providers at European level, welcomes the opportunity to respond to the European Commission’s consultation on financial inclusion.

1. Eurofinas supports the Commission’s overall objective to ensure that the majority of EU citizens have access to basic banking services. As to what shall be included in the concept of “basic banking services”, Eurofinas supports the Commission’s approach that those should cover a basic bank account which allows cash withdrawals and includes services such as transfers, direct debits or standing orders.
2. Eurofinas believes that overdraft facilities and all types of credit and store cards should be excluded from the concept of “basic banking services”. This is because while basic banking services may be accessible to all, overdraft facilities, credit and store cards require an assessment of the creditworthiness of the consumer. Those are far more complex services/products which respond to more sophisticated needs and above all have an impact on the level of indebtedness of a consumer.
3. If the Commission’s analysis were to indicate that EU action was needed in the field of basic banking services, then Eurofinas would strongly recommend that in order to avoid any misunderstanding, overdraft facilities and other forms of credit and store cards are explicitly excluded from any such action.
4. A distinction must be clearly made between the lack of access to basic banking services and insufficient understanding of how to properly use banking services. In this context, Eurofinas supports the Commission’s action to promote voluntary financial education programmes for consumers.
5. Eurofinas agrees that financial exclusion may have an impact on the way in which individuals manage their money and recognizes that those individuals without access to basic banking services may face difficulties entering the employment market. It should be emphasised that the means of payment varies considerably between Member States. For example, in many EU countries the use of cash may be more commonplace than payment cards. In such markets, would payment cards be defined as a basic banking service?
6. Furthermore, Eurofinas would like to stress that bank accounts are not necessarily the gateway to other types of products such as credit or insurance. In markets where significant levels of consumers do not have bank accounts, national authorities and/or market players may have developed sustainable alternative products.

7. As mentioned in the consultation document, financial inclusion is currently being addressed in some Member States and different solutions have been proposed. We agree with the Commission's approach that any initiative in the field of financial inclusion should not compromise the well-functioning solutions already adopted at national level.
8. Eurofinas supports as a first step, the creation of a European platform for sharing best practices via initiatives such as expert groups and/or informal networks of Member States. Additionally, Eurofinas would support the publication of a Communication addressed to Member States to ensure that appropriate actions are taken at national level to ensure financial inclusion.
9. As to whether the concept of financial inclusion should cover financial services other than the provision of basic bank accounts, Eurofinas opposes any action that would imply the creation of a right to credit.
10. We recognize that improving consumers' access to finance allows consumers to finance previously inaccessible goods thereby contributing to an improved standard of living. Additionally, it is a means of stimulating consumer spending, which in turn benefits the wider economy. This is particularly important in times of economic slowdown. There should not be however such a principle as a right to credit which would imply that consumers be entitled to get a credit whatever their ability to pay it back. Lenders should always be in a position to refuse granting a credit (including overdraft facilities). The decision *whether or not* to grant a credit to an applicant borrower is, and should remain, a business decision regardless of the outcome.
11. Establishing a right to credit would be contrary to the principles of responsible lending and responsible borrowing, hence encouraging borrowers to take on loans they cannot afford to repay, which could lead to their over-indebtedness; and leading to a higher cost of credit for all borrowers.