

Interview with Tanguy van de Werve Eurofinas Director General

(Interview published on www.consumerfinance.net)

Eurofinas is the voice of specialised consumer credit providers at European level.

1. Could you outline for us Eurofinas' *raison d'être* and activities?

As a Federation, Eurofinas brings together 17 associations throughout Europe that represent finance houses, specialised banks, captive finance companies of car, equipment, etc. manufacturers and universal banks. Together, these consumer credit providers employ some 90.000 individuals and financed over 400 billion EUR worth of new loans during 2008, with outstandings reaching 745 billion EUR at year end.

Eurofinas is the key interlocutor of the European institutions when it comes to consumer credit related issues. Our primary mission is to put the industry's views across to policy-makers and raise its profile. Over the last 12 months Eurofinas lobbying activities have included the provision of in depth contributions to European regulatory bodies and opinion makers on issues as key and diverse as the transposition of the consumer credit directive, credit mediation, responsible lending, access to credit histories, distance marketing of financial services and regulation of non-bank lenders.

Our role also consists in providing our members with a platform for intelligence sharing on consumer credit markets and regulatory regimes across Europe and with targeted European insights. To that end we publish detailed and comprehensive market statistics, monitor and report on all relevant EU developments and carry out *ad hoc* comparative surveys and studies. Only part of that information is made publicly available, the bulk being accessible for members only.

2. Times are tough for consumer credit companies. How did they fare during the first months of 2009 at European level?

Last year's financial turmoil led to a massive drop of 25 % in consumer confidence between January 2008 and March 2009 in turn heavily affecting consumer spending. EC figures show that consumers' purchasing intentions have dramatically decreased.

However, since beginning 2009 intentions to purchase electronic devices, cars, or to make home improvements have slightly improved. While savings rates are at their highest levels for the past decade, these savings can be viewed as a strong potential for future consumption - the picture is therefore not all doom and gloom. Consumer credit demand also slightly improved during the first half of 2009 and over the past three months banks' credit standards as applied to the approval of loans to households have eased. How the default rate of their credit portfolio will evolve is still very unclear at this stage however.

3. Credit mediation is set to become the next big policy issue tackled by the European Commission. What are the concrete aspects the Commission is likely to work on?

The European Commission's initiative in the field of credit intermediaries has become a major focus of Eurofinas' attention.

From a regulatory perspective, credit mediation is characterized by an inconsistent patchwork of rules across Europe. Unlike in the investment and insurance fields, intermediaries that are active in the distribution of retail credits are not subject to any EU regulation apart from limited elements covered by the Consumer Credit Directive.

For the Commission, this quasi absence of EU regulation may create room for unscrupulous activities, deprive intermediaries wishing to operate cross-border from business opportunities and cause consumer detriment.

One of the Commission's causes for concern is the influence the credit intermediaries' remuneration policy might have on the quality of the information they provide to the applicant borrower. Potential conflicts of interests are clearly in the Commission's line of fire; this should not come as a surprise in the current climate.

The establishment of EU-wide prudential standards for credit intermediaries, including registration, licensing, training and minimal capital requirements, is a distinct possibility and should therefore not be excluded. It would aim at ensuring a minimum level of professionalism in the sector and increasing borrowers' confidence.

4. What are Eurofinas views and recommendations on these topics?

The European Commission is currently reflecting on the far-encompassing issue of responsible lending and borrowing and has made it clear that this includes a thorough analysis of the role and responsibilities of credit intermediaries across Europe. Eurofinas is supportive of the Commission's aim to restore consumer confidence and to promote best practices and is therefore contributing to its work in a positive and meaningful manner.

Yet, credit mediation covers very different situations and ‘credit intermediaries’ can take very different forms. Eurofinas has therefore urged policy makers to adopt a differentiated approach and to distinguish between brokers, agents and dealers/retailers involved in the distribution of credit at the point of sale. These carry out very different activities using very different processes. The use of a more precise terminology in future work is absolutely crucial. Failure to do so would inevitably result in misunderstandings and ill-suited ‘one-size- fits-all’ approaches down the road.

Given the role dealers play in the distribution of consumer credit at the point of sale, Eurofinas strongly believes that it would be inequitable to subject them to the same requirements as credit brokers. Also it is unclear how credit consumers would benefit from retailers and motor dealers being regulated on top of the already very stringent provisions of the Consumer Credit Directive... which are not even in force yet!

We welcome with that respect the recent statement made by MEP Malcolm Harbour, Chairman of the European Parliament’s Committee on the Internal Market and Consumer Protection, according to whom: “Given the work already done in this area, it is surely more appropriate to look at the EU regulatory framework already established for consumer credit before we dive in and address any perceived gaps in the system. We should make the transposition of the Consumer Credit Directive a priority before the European Commission considers introducing any new legislation in this area”.

Eurofinas believes that subjecting retailers and motor dealers to the same requirements as credit brokers would inhibit the supply of sustainable credit. Also, given the large number of dealers involved in the distribution of consumer credit at the point of sale and the extreme difficulty there would be in implementing any type of regulatory regime for retailers/motor dealers, costs would inevitably go up and this would invariably penalize consumers (higher prices or dealers getting out of that ancillary activity).

As for the other forms of credit mediation, the Federation believes that a distinction should be made between i) intermediaries who are neutral third parties that are not contractually linked with one or several credit providers (untied intermediaries) and ii) intermediaries having a contractual relationship with one or several credit providers who are, in turn, responsible for the activities performed by their tied agents. This is because for the latter, the regulatory provisions to which the credit providers are subject already apply.

Eurofinas’ detailed position on the subject matter, as well as information on the many activities of the Federation, can be found at www.eurofinas.org

Alternatively the Federation’s staff stands ready to answer any questions.