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**EC proposal for a Directive on Mortgage Credit:
Eurofinas calls for focused debate**

BRUSSELS – 31 March 2011 – Today the European Commission published its proposal for a Directive on *credit agreements relating to residential property*. Eurofinas, the voice of consumer credit at European level, welcomes the fact that the scope of the proposal is restricted to residential property loans for consumers. This will avoid overlaps with, *inter alia*, the Consumer Credit Directive which was adopted in April 2008 and is still to be transposed by some Member States.

The Federation acknowledges the European Commission's objective to create an Internal Market for mortgage credit. We doubt however that the proposal, as is, will help foster it.

In the recital of its proposal, the Commission refers to the financial crisis and an alleged consumers' loss of confidence in lending markets. Financial and mortgage lending markets should be clearly distinguished. The financial crisis clearly did not originate from the provision of mortgage credit in Europe.

We recognise that in a small number of Member States ill-suited products may have been offered to consumers in the past. Yet, national authorities have already made the adequate regulatory adjustments.

According to Eurofinas' Director General Tanguy van de Werve "it is essential that the discussions in Parliament and Council now focus on the key elements of the Directive. The objective must be to provide consumers and lending institutions with a clear and proportionate framework. The Commission's proposal should not be used as an opportunity to open up wider, unrelated and often populist debates".

"What Europe needs is a set of targeted fully harmonised rules that will be interpreted in the same manner by all Member States. Otherwise the potential benefit of the Commission's initiative will be lost" van de Werve added.

The Commission's proposal provides a good starting point to further discuss the issues at stake at European level. However, a number of modifications and/or clarifications are required on *inter alia* the assessment of applicant borrowers' creditworthiness, early repayment and advertising requirements (see below for further information).

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Advertising requirements – Chapter 3/Article 8

Eurofinas recognises the importance of providing consumers with standardised information in advertising and marketing material for mortgage credit. However, as opposed to what is reported in the proposal for a Directive, such materials are not used by consumers to compare different offers.

Requirements shall therefore be aimed at ensuring clarity of the offer and be adaptable to all marketing medium.

Creditworthiness Assessment – Chapter 5/Article 14

The proposal for a Directive introduces an obligation to deny a credit in the event of a negative creditworthiness assessment.

However, the creditworthiness assessment is only one of the elements which is taken into account in the decision to grant a loan. Other aspects are taken into consideration such as the type of loan, the borrowers' circumstances, existing collateral etc.

Eurofinas takes the view that the obligation to deny credit based only on the negative outcome of a narrow creditworthiness assessment could exclude different categories of borrowers such as, for example, a 25 year old professional who might have a limited income but a long-term earning capacity.

Early repayment – Chapter 8/Article 18

The proposal for a Directive provides that a consumer shall have a statutory or contractual right to discharge his obligations under a credit agreement prior to its expiry.

In line with the Consumer Credit Directive, Eurofinas believes that in the event of early repayment of credit, lending institutions should be entitled to fair and objectively justified compensation.

As it stands, the proposal for a Directive only mentions that Member States may provide creditors for such compensation. It is therefore unsure that it will be provided by all Member States. Changes are required to ensure legal certainty for lending institutions.

About Eurofinas

Eurofinas, the European Federation of Finance House Associations, is the voice of the consumer credit providers in the EU. As a Federation, Eurofinas brings together associations throughout Europe that represent finance houses, specialised banks, captive finance companies of car, equipment, etc. manufacturers and universal banks. The scope of products covered by Eurofinas members includes all forms of consumer credit products such as personal loans, linked credit, credit cards and store cards. Consumer credit facilitates access to assets and services as diverse as cars, studies, furniture, electronic appliances, etc. It is estimated that together Eurofinas members financed over 320 billion euros worth of new loans during 2009 with outstandings reaching 720 billion euros at the end of the year.

More information on Eurofinas activities available at www.eurofinas.org