



**COUNCIL OF
THE EUROPEAN UNION**



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7993/08 (Presse 88)

CREDIT AGREEMENTS FOR CONSUMERS

The Council today approved the amendment voted by the European Parliament on the Directive establishing common rules on consumer credit¹ (3603/08 and 7633/08 ADD 1 + ADD 2). With the acceptance of the Parliament's amendment, the legal act is deemed to be adopted.

This Directive aims to guarantee a high level of consumer protection and to harmonise certain aspects of the laws, regulations and administrative provisions of the Member States concerning consumer credit.

The Directive will cover personal consumer loans of between EUR 200 and 75 000 repayable after more than a month. It will not apply to mortgages or to deferred debit cards.

The Directive will enter into force after its publication in the Official Journal of the EU, and Member States will have two years to incorporate the new rules in their national legislation. It will thus be applicable from 2010.

¹ The decision was taken without debate at the meeting of the Transport/Telecommunications/Energy Council.

P R E S S

The main points of the new legislation are as follows:

- Precontractual and contractual information

The Directive standardises the information to be consistently given in advertising relating to loans. This standardisation will enable the consumer to compare more easily the various offers on the European market.

It also obliges credit institutions to provide the consumer with exhaustive precontractual and contractual information using an approved form.

Before the conclusion of the credit agreement, the creditor will have to verify the consumer's creditworthiness on the basis of information obtained from the consumer (Article 8) and, where necessary, on the basis of a consultation of appropriate databases accessible to all Member States (particularly in the case of cross-border credit).

Where a law laying down similar measures already exists in a Member State, that mechanism will be retained. In other cases, it must be put in place.

- Right of withdrawal

The consumer will have a period of fourteen calendar days in which to withdraw from a credit agreement without giving any reason. But this period may be reduced "at the explicit request of the consumer" to correspond to the specific period provided for in Member States' legislation.

In addition, a provision clarifies the relationship between the right of withdrawal and other Directives.

- Early repayment

The new provisions give the consumer the right to early repayment of the credit and lay down rules for the calculation of compensation.

The creditor will be entitled to claim compensation provided the repayment falls within a period for which the borrowing rate is fixed, and where the reference interest rate at the date of the early repayment is less than that in force at the date of the conclusion of the credit agreement.

Compensation may not exceed 1 % of the amount of credit repaid early (0,5 % if the repayment is made within 12 months of the end of the credit agreement).

The Directive also specifies situations in which no compensation can be claimed.

But the text also allows Member States to provide that the creditor may exceptionally claim higher compensation (for example where the credit institution can prove that the loss suffered from early repayment exceeds the basic maximum amount laid down in the Directive).

The harmonised method for calculating the loss is also specified in the text.

The amount of compensation may not exceed the amount of interest the customer would have paid if the duration of the loan had not been reduced.

Every five years the Commission must undertake a review of the thresholds laid down and the percentages used to calculate the compensation payable in the event of early repayment.

- Indication of the annual percentage rate of charge

Pursuant to Article 10, creditors are obliged to specify the annual percentage rate of charge.

Under Article 4 (information to be included in advertising) and Article 5 (precontractual information), the borrowing rate plus charges, together with the percentage rate of charge, must be specified (contractual information).

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In September 2002, the Commission proposed a Directive aimed at full harmonisation of national legislation in this area, recasting the minimal rules in force since 1987 (Directive 87/102/EEC). In the light of the opinion delivered by the European Parliament in April 2004, the Commission submitted an amended proposal to which the Council gave its political agreement in May 2007.

The Parliament voted at second reading on 16 January 2008, in the framework of the codecision procedure.