



**COUNCIL OF
THE EUROPEAN UNION**



Brussels, 21 May 2007
9739/07 (Presse 112)

CREDIT AGREEMENTS FOR CONSUMERS

In public deliberation, the Council reached, by qualified majority¹, a political agreement on the Commission's modified proposal for a directive on credit agreements for consumers (13193/07). The Council will adopt its common position at one of its forthcoming meetings after finalisation of the text and forward it to the European Parliament for a second reading in the framework of the codecision procedure.

The revised directive aims at harmonising certain aspects of the laws, regulations and administrative procedures of the Member States concerning agreements covering credit for consumers.

¹ The Dutch and Greek delegations voted against and the Belgian and Luxembourg delegations abstained.

P R E S S

The existing Consumer Credit Directive (87/102/EEC) is based on minimum harmonisation. Since its adoption, Member States have adopted measures exceeding the Directive's provisions by differing degrees according to needs at national level. These differences in national legislation are considered as obstacles to the internal market. Consequently, in September 2002 the Commission proposed a Directive with a view to achieving full harmonisation. In the light of the European Parliament's first-reading opinion of April 2004, the Commission presented a modified proposal first in October 2004 which did not contain a global text and then in October 2005.

The Council agreed on a compromise package put forward by the Presidency that safeguards the added value of this legislative text for the internal market and consumer protection. Negotiations within the Council have been focussed in the following five main areas: 1) standard information for advertising, 2) pre-contractual information and contractual information to be included in credit agreements, 3) right of withdrawal, 4) early repayment of the credit and the creditor's right to compensation and 5) the calculation of the annual percentage rate of charge (APR).

The key features of the Council's agreement are:

Pre-contractual and contractual information

One of the key concerns of the draft Directive is that consumers are able to make, on the basis of pre-contractual and contractual information, an informed decision regarding the conclusion of a credit agreement. The compromise solution lies in improved structuring of the pre-contractual and contractual information. As regards pre-contractual information, it should be provided on a standard form in all EU Member States. This standardisation would make it easier for consumers to compare different offers.

Right of withdrawal

As a general principle, the consumer will have a period of fourteen calendar days to withdraw from the credit agreement without giving any reason. The text further specifies the conditions for using this right. The Council has introduced a new provision in order to clarify the relationship of this right to other Directives.

Early repayment

Directive 87/102/EEC¹ makes provision for a right to early repayment, but not for the right of compensation to the creditor in such an event. The Commission included the right of compensation to the creditor in case of early repayment in its proposal.

¹ OJ L 42, 12.2.1987 p. 48.

The Council's compromise text grants creditors a limited right to compensation for early repayment of the credit (0.5 % or 1 % of the amount of credit repaid early). This compensation should, however, apply only for fixed interest rate credits and, where the reference interest rate is lower at the time of the early repayment than at the time of conclusion of the credit agreement. The reference interest rate is now defined in the compromise text as the interest rate that the European Central Bank or the central banks of the Member States apply to their most recent main refinancing operation. Furthermore, Member States will have the right to provide that the compensation for the early repayment can be claimed by the creditor only on the condition that the amount of repayment within 12 months exceeds a threshold defined by Member States. When fixing the threshold, which should not be higher than EUR 10,000 Member States will take into account, for instance, the average amount of consumer credits in their market.

- *Indication of the annual percentage rate of charge*

In Article 9 (contractual information) the creditors are now obliged to indicate the annual percentage rate of charge. Articles 4 (advertising information) and 6 (pre- contractual information) require that both the borrowing rate plus charges and the annual percentage rate of charge (on the basis of the assumption that the duration of the overdraft is 7 days and 3 months respectively) are indicated.

Information to the Commission about national measures

In order to enhance the transparency and information to consumers and credit providers, a new article has been inserted. It provides for an obligation on the Member States to inform the Commission about national measures taken in case of making use of regulatory choices provided for in the draft Directive. The Commission would make such an information public.