24

EUROFINAS

ANNUAL REVIEW

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CONTENTS

01 INTRODUCTION

Chair's Foreword

I am pleased to present our Annual Review for 2024. I do hope you will enjoy reading this account of Eurofinas' activities and that it will provide you with new insights into the work of our Federation, as well as to the ongoing and future challenges our industry is facing.

Eurofinas is the European industry body bringing together 16 national associations throughout Europe representing finance houses, specialised banks, captive finance companies for cars, equipment, etc., manufacturers and universal banks. It is not an understatement to say that the past year has presented its fair share of challenges, in the form of on-going geopolitical crises, with unbelievable human suffering, challenging business conditions, and, continuous, regulatory pressure.

In 2023, the consumer credit market took a downturn, with new loans issued by Eurofinas members reaching €467.5 billion, marking a 6.5% decline. High interest rates, tightening financing conditions, and wavering consumer confidence all contributed to this drop. However, there are encouraging signs on the horizon, with improving private consumption growth and a gradual return of consumer confidence.

On the regulatory front, the Federation and the industry faced a host of complex challenges. In the lead-up to the European elections this June, we witnessed an exceptionally intense legislative push, marked by continuous developments, negotiations, and counter-proposals aimed at completing the agenda before the end of the European Parliament's term, which also marked the end of Ursula von der Leyen's first term as President of the European Commission. The legislative focus on financial services remained high, accompanied by an equally demanding digital agenda. This required the Federation, its Secretariat, and Member Associations to stay agile, focusing not only to secure the best outcomes for the industry across sector-specific matters but also on ensuring that the broader EU legislative framework remained cohesive and workable.

Several important issues remain unresolved, including the update of payment services rules, which could directly impact lenders by introducing potentially conflicting regulations for credit provision by payment providers. Additionally, the European Commission's ambitious proposal for increased data sharing within the financial services sector is yet to be finalised between

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" I am pleased to share our Annual Review, highlighting Eurofinas' key activities and achievements over the past year. I hope this review provides you with valuable insights into Eurofinas' work and the challenges that lie ahead. Together, we will continue to navigate this dynamic environment, ensuring that the consumer credit industry remains a vital contributor to Europe's economic success. Enjoy the read ! "

Bart Vervenne
Eurofinas' Chair

01 INTRODUCTION

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>> the co-legislators, which still face many complex questions that must be addressed to ensure the principles are fair, provide adequate compensation for the investments required from the industry, and are technically viable and feasible in their implementation.

With Eurofinas having played a key role in the finalisation of the Consumer Credit Directive which is now adopted at EU level, the focus has shifted to the practical rollout of the new rules. Member States have until the end of 2025 to implement the updated framework, and a key priority for the Federation is to assist national member associations in navigating this process to ensure the best possible national interpretation and implementation, adhering to the EU agreement which acknowledged many of the concerns and objectives of the industry, and safeguarding a balanced and consistent approach across the EU.

Eurofinas successfully advocated for an updated framework that better responds to the digital reality of today, and a level playing field, ensuring that both traditional and digital lenders, including Buy Now Pay Later providers, operate under the same updated rules. The more digitally aligned framework also provides for more robust authorisation and supervision processes across the Member States. Significant work remains at the national level, where it's crucial to ensure that the details are properly addressed. For instance, individual Member States must establish mechanisms to protect consumers from excessive costs and rates. In this process, it will be essential to map and assess existing practices, identifying what works best in each context. This thorough understanding will play a key role in future-proofing the new regulations, ensuring they are effective and sustainable for the long term. In this process, the Federation works as the common platform, enabling the sharing of information and best practices.

After years of deliberation, legislators finally reached an agreement on the AI Act, which will have significant implications for lenders, particularly in the use of AI models for core activities like credit scoring and fraud prevention. Due to strong political concerns, these areas are subject to stricter rules. However, this is just the beginning. The European Commission and its AI office now face a series of follow-up tasks over the coming years. Additionally, regulators and supervisors continue to show a heightened interest in the application of AI in financial services with the risk for further measures proposed in the coming period. As the AI framework evolves, Eurofinas will continue to advocate for clarity and balance in its application. With the broad and complex array of financial, digital, and data-related legislation already in place or under discussion, it is crucial to create an overall framework, bringing together its many complex pieces, which is coherent and workable. That supports the well-being of consumers and financial stability but also fosters innovation and improved competitiveness. The industry needs sufficient legal clarity to >>

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01 INTRODUCTION

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leverage new technologies effectively. As these frameworks evolve, attention must also be paid to the ongoing oversight by regulators and supervisors to ensure a balanced approach moving forward in their many ad-hoc initiatives.

We are also currently awaiting the European Commission's review of the Insurance Distribution Directive. It is already clear that the Commission intends to propose even stricter rules, which could pose a significant threat to valued products and distribution channels favoured by consumers. These developments follow the European Commission's Retail Investment Strategy, which introduced several complex and ill-fitting benchmark concepts that are likely to be extended also to the insurance distribution framework. Additionally, further measures are anticipated following the European Insurance Authority's thematic review of Credit Protection Insurance. The authority's conclusions were far-reaching and critical of products that are highly valued by consumers, placing established practices at considerable risk. In relation to this issue as well as the IDD review, expected in the new year, necessitate the concerted efforts from both the consumer credit industry and our key partners.

Given the regulatory intensity the industry has faced over the past decade, we are strongly advocating for a regulatory pause in the new legislature. The focus on continuous regulatory expansion has often overshadowed the critical issue of competitiveness, which is now, at last, returning to the forefront of the agenda. This shift is also evident in the formation of the new European Commission under Ursula von der Leyen's leadership. To support this message and achieve the best outcomes for our industry, it will be essential for the Federation and its members to establish strong relationships with the new Members of the European Institutions -both in the Commission and the Parliament. This will ensure that our expertise, concerns, and recommendations are heard, while also highlighting the vital contribution our industry makes to the European economy.

Looking ahead, the European Commission's continuous focus on sustainability and digital transformation presents both opportunities and challenges. The industry can play a crucial and indispensable role in financing the obligations European households face in meeting demands for greener and more energy-efficient homes. But it is dependent on the right public measures and increased consumer awareness on the long-term financial reality. With the ambitious goal of achieving net-zero emissions by 2050, the challenges related to housing stock and mobility are immense, but, whether it is financing greener homes or facilitating sustainable mobility, our industry is well-positioned to help lower the financial barriers to these critical investments.

02

WHAT IS EUROFINAS?

02

WHAT IS EUROFINAS

Our mission

Eurofinas is the voice of consumer credit providers in the EU. Our mission is to represent and promote the interests of our members at international and European level. To achieve this, Eurofinas campaigns for the industry, produces detailed market intelligence and provides a platform for our network to connect. More specifically, Eurofinas' mission is to

> represent the specialised consumer credit industry vis-à-vis the European institutions and other international bodies as a fair and reliable partner and a contact point for key stakeholders

> inform members of all European and/or international developments that may impact their industry

> develop and defend industry positions that are supported by technical research and expertise

> produce detailed statistics on consumer credit in order to i) explain who the Federation represents and its importance in the economy and ii) assess the current state of the market and identify trends

> provide members with a platform to exchange views and best practices; network and meet relevant third parties (EU officials, experts, etc)

Our governance

Eurofinas is governed by a General Assembly and a Board of Directors. The Chair of the Board is currently Bart Vervenne, CEO Benelux at BNP Paribas Personal Finance. He is supported in this role by Vice-Chairs Umberto Filotto (ASSOFIN, IT), Jens Loa (BFACH, DE) and Ignacio Pla (ASNEF, ES). The Board of Directors is assisted in its work by the Legal and Policy Committee and the Statistics Committee.

Our team

At Eurofinas, we are a small team of dynamic and committed professionals.
We build our work on strong expertise, a European mindset and a sound network.

RICHARD KNUBBEN
Director General

ISAK BENGTZBOE
Chief Policy
& Legal Adviser

THAM GIANG
Senior Adviser,
Market Research

RAFAEL ALARCON ABETI
Leaseurope Senior Director,
Financial Services &
Sustainability

STELLA MITTA
Senior Legal Affairs
& Policy Adviser

JULIE DEBRUYNE
Senior Operations
Manager

STEPHANIE VAN BAKEL
Adviser, Communications
& Events

TRINH TO NGUYEN BAO
Market & Research
Intern

SIMANIS EZERINS
Communications
& Events

FOR MORE INFORMATION
Check out our website or contact the Eurofinas team directly

03

CAMPAIGNING FOR THE INDUSTRY

03

CAMPAIGNING FOR THE INDUSTRY

2023 CCD: Adapting to an updated reality

The new Consumer Credit Directive (CCD) was published in the fall of 2023 following the conclusion of the political process establishing the new rules. The Federation remained involved as a key interlocutor throughout the various stages of the process, staying connected to regulators, supervisors and legislators in the process of reviewing, adapting and agreeing on the new revised framework originally proposed by the European Commission in 2021. With the new regime becoming applicable in November 2026, EU Member States are working on transposing the new provisions into national law by November 2025 at the latest.

The Federation successfully advocated for rules adapted to the updated digital market reality, recognition of the expertise of the industry as well as limiting unnecessary and overly burdensome restrictions on the activities of consumer lenders.

The Brussels-based Secretariat, acting as the main liaising point and supported by the various bodies, including the Board of Directors, has proactively assisted national member associations in the ongoing implementation processes following political adoption at the EU level to ensure the best possible outcome for the industry. Additionally, the Federation is supporting the broader financial services industry´s efforts on the matter through the European Banking Industry Committee (EBIC).

CONNECTED ACTIVITIES : CONSUMER CREDIT IN SCOPE IN FOCUS ON ARREARS AND OVER-INDEBTEDNESS

The provision of consumer credit has remained a key focus for European regulators, particularly in their continued efforts to address consumers´ arrears and over-indebtedness. This has been especially relevant in light of the turbulence of recent years driven by the COVID-19 pandemic and the Russian invasion of Ukraine, which have significantly impacted consumers and the European economy.

A study on the subject, commissioned by the European Commission in the fall of 2023,

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KEY INDUSTRY OBJECTIVES IN THE UPDATE

> A level playing field for all market players and comparable products

> A proportional and non-prescriptive approach, with processes and requirements relevant in light of the type and value of a loan, allowing lenders sufficient flexibility to assert their core expertise and further innovate

A resolution addressing far reaching interpretation of key aspects on the current framework by the European Court of Justice and at national level, such as information requirements, indefinite right of withdrawal or unconditional right to early repayment.

The implementation processes are currently on-going with varying speed across the EU, one of the key focuses of the Federation is to ensure that Members are kept up to date on all relevant developments that may impact Member States, aiming to establish the most industry-friendly interpretation and application possible. In the work of the Federation´s Legal & Policy Committee, questions relating to the application of the new framework have been identified and are subject to further analysis. Moreover, the Federation is also working to ensure the smoothest transition and minimal impact on lender's scoring activities arising from the multiple new or updated frameworks and their interplay, impacting the industry, be it through rules on payments, open banking/finance, or AI and data protection.

03

CAMPAIGNING FOR THE INDUSTRY

estimated a significant increase in the number of over-indebted households in the EU up until 2032, from 17 million in 2022 to 22 million by 2032. The phasing out of Covid support measures and inflation were identified as the main contributing factors. The study also highlighted perceived shortcomings in the industry, particularly in relation to creditworthiness processes and lending standards, as a further contributing core factor.

The Federation´s Secretariat, led by Director General, Richard Knubben, has actively participated in the work process following the study, emphasising the need for clarifications and corrections to ensure a comprehensive, accurate, and nuanced picture. The low default levels among established lenders are a testament to the industry´s well-functioning policies and adherence to the applicable legislation. The Commission´s findings are poorly supported by actual data used to back up the claims, particularly relating to the perceived shortcomings of established consumer credit lenders.

Also, the European Banking Authority (EBA) has focused on this issue in 2023 & 2024. The EBA´s 2023 Consumer Trends Report indicated that Non-Banking Lenders (NBLs) play a significant role in consumers´ over-indebtedness and arrears. In the summer of 2024, it released a report following up on these initial findings. The EBA found that, while some NBLs might service segments of the population that may have limited opportunities to access traditional banks for credit, a significant number of the surveyed NBLs appeared to have inadequate practices for information gathering and verification during their CWAs. Moreover, the EBA, highlighted the vastly different frameworks in place applied across the EU. However, the EBA noted that, in relation to the NBLs consumer credit activities, the new CCD will provide for an updated and more comprehensive framework going forward, isuch as clearer creditworthiness requirements and rules for the admission, registration and supervision of all involved entities.

With the implementation process of the new CCD, the Federation is continuously working with all concerned stakeholders in ensuring an up-to-date and correct understanding of the issues at hand in order to avoid far-reaching and incorrect conclusions being drawn and acted upon by national regulators and supervisors.

KEY IMPLEMENTATION ISSUES

- > Authorisation and supervision
- > Extension of scope to new market players and products (including to certain leasing solutions)
- > New conduct rules as well as knowledge & training requirements
- > Creditworthiness assessment, use of data & access to databases
- > Right of withdrawal exercise and ancillary service contract
- > Linked credit agreements
- > Expected forbearance measures

FIDA : OPEN BANKING ON STEROIDS?

With a focus on promoting open finance, data-driven innovation, and a more integrated digital economy, the European Commission last year unveiled new proposals aimed at transforming how financial data is accessed and shared across Europe. The initiative, known as the Regulation for a framework for financial data access (FiDA), builds upon the existing open banking rules in place under the Payment Service Directive 2 (PSD2) but aims to go far beyond the existing rules, removing existing barriers and transforming the EU´s open banking rules to a truer open finance framework.

While the Change to PSD2 opened up access to payment account data, the FiDA framework aims to expand the scope of data sharing far beyond the current limitations to encompass the broader array of financial services and data available, and to provide financial institutions and market participants with enhanced access to more financial

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03 CAMPAIGNING FOR THE INDUSTRY

EUROFINAS APPOINTED TO THE EUROPEAN BANKING AUTHORITY´S BANKING STAKEHOLDER GROUP

The Federation continues to actively engage broadly and effectively with all concerned stakeholders influencing the consumer credit industry. In line with these efforts, the Federation is pleased to announce that, in the summer of 2024, its Chief Policy & Legal Adviser, Isak Bengtzboe, was appointed to the EBA´s Banking Stakeholder Group, a key advisory body of the European Authority.

The appointment underlines the status of the Federation as the key interlocutor on matters related to consumer credit activities by the European Institutions and Authorities. For the coming four years Mr. Bengtzboe will actively participate and represent the industry in this body, which plays an important role in shaping relevant legislation and supervisory follow-up measures, including regulatory and implementing technical standards as well as EBA guidance.

data. The end goal ? To enable them to develop products and services that are more precisely aligned with customers' needs and expectations.

The legislative discussions are still ongoing and were further interrupted by the EU elections, leading to the departure of several key players from the European Parliament. However, over-arching lines and issues can be drawn from the Commission´s original proposal and the already-concluded discussions.

Under the FiDA framework, access to customer data will be facilitated through data-sharing schemes that bring together all relevant stakeholders. These contractual schemes will govern the data-sharing process between data holders and third-party users, all based on customer consent. However, in a significant departure from the existing open banking rules, the FiDA framework will introduce a mechanism for compensating data holders for making their data available through dedicated interfaces.

The data is to be shared continuously and in real-time, and, in order to give customers effective control over their data and permissions for use and sharing, permission dashboards must be provided. These dashboards will allow easy management of data-sharing permissions, providing overview of which entities have access to their information, for what purposes, and offering the ability to revoke permissions at any time.

While the European Commission´s proposal left many questions open and unresolved, it set out an extremely ambitious timeline for implementing these new rules, where the data sharing schemes are to be implemented within 18 months after the entry into force of the new rules. However, in the ongoing review by the European co-legislators, the industry´s concerns on this matter are generally recognised and there are discussions underway regarding the feasibility of the timeline and other key issues, such as the practicalities of data-sharing schemes and the level of compensation.

Eurofinas has expressed concerns about the ambitious timeline, arguing that rapid implementation may prove challenging, and pointed to the many outstanding questions arising from the Commission´s original proposal. Eurofinas is actively engaging in the legislative process to ensure that the final framework strikes the right balance between fostering innovation and providing practical, workable solutions, timelines, and compensation. Additionally, it aims to ensure that the newly proposed framework aligns with the broader legislative landscape without unfairly impacting the activities of the consumer credit industry or established practices.

AI ACT AND NOW WHAT?

After long and complex negotiations, the European Union adopted the AI Act this year, setting forth

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rules on the use of AI systems. The new EU rules establish obligations for AI systems based on the potential risks and impact level.

AI systems presenting only limited risks will face minimal transparency obligations. In contrast, high-risk AI systems will impose much heavier requirements for AI providers, developers and users. Creditworthiness or credit scoring of natural persons are classified as high risk due to the perceived danger to and potential impact on individuals. Such systems must assess and reduce risks, maintain use logs, be transparent and accurate, and ensure human oversight.

Eurofinas is closely monitoring the implementation of the AI Act, including the forthcoming delegated acts and guidance from the European Commission. This monitoring also encompasses the Act's impact and its interaction with the broader financial services

NEW PAYMENT RULES GOING FORWARD

UNIFORMED PSD2: THE EUROPEAN COMMISSION UNVEILS THE PSD3 AND PSR

In June 2023, the European Commission also introduced significant updates to the Payment Services Directive (PSD2), unveiling the long-anticipated third Payment Services Directive (PSD3) and a new Payment Services Regulation (PSR). These changes, driven by evolving payments landscape, and the need to enhance the level of consumer protection and security, represent a shift from the existing framework.

The Commission's review of the current rules found that while the framework had broadly succeeded in its objectives, improvements were needed. Issues identified included inconsistent application of the rules across the Member States, an uneven playing field between banks and other payment services providers, and rising payment fraud.

The new PSR will incorporate the existing framework, eliminating the need for national implementation and ensuring a harmonised approach across the EU, addressing the inconsistencies observed under the current framework. PSD3 will focus on the licensing and authorisation of payment firms, integrating the PSD2 rules with the E-Money Directive. It will also streamline supervisory powers and improve enforcement across member states.

The legislative process for PSD3 and PSR is yet to be concluded. Following the European Parliament elections in June, several key players have left the political scene, but the work will continue with new representatives this fall and winter. Eurofinas is closely monitoring these developments, particularly regarding credit provisions under the new framework and its interactions with the general consumer credit framework.

Under the framework, the data to be made available includes information on both entities and natural persons **held by financial institutions**.

PROPOSED DATA COVER :

> Credit agreements, loans and accounts, including data on balance, conditions and transactions, excluding payment accounts
> Savings, investments in financial instruments, insurance-based investment products, crypto-assets, real estate and other related financial assets as well as the economic benefits derived from such assets
> Data collected for suitability and appropriateness assessments
> Pension rights
> Non-life insurance products, save for sickness and health insurance products
> Data relating to business creditworthiness assessments (CWAs relating to individuals is out of scope)

Photo by Justin Chrn on Unsplash

03

CAMPAIGNING FOR THE INDUSTRY

legislation affecting the industry's core activities. The Commission will soon provide guidance on the interpretation of the AI definition and a list of practical examples of high-risk versus low-risk AI user cases. Eurofinas is collaborating with the wider financial services community and key partners to ensure that interpretations avoid placing unnecessary burdens on established practices and models.

AI AND FS?

Over the summer of 2024, the Commission ran a targeted consultation to better understand the relationship between AI and the financial services sector. The aim was to identify key use cases, benefits, barriers, and risks associated with AI applications in finance. The findings will support the Commission´s follow-up work on the AI Act and may lead to further targeted initiatives.

Additionally, the EBA will release a report early next year assessing the AI Act's impact and interaction on the financial sector, which could provide the foundation for additional regulatory measures.

THE AI ACT OFFICIALLY ENTERED INTO FORCE ON AUGUST 1, 2024. LOOKING AHEAD, HERE ARE SOME KEY MILESTONES

February 2025
General provisions & prohibitions on certain high-risk AI systems will begin to apply

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May 2025
Codes of practice for General Purpose AI (GPAI) must be finalised

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August 2025
Various rules, including those for notified bodies, GPAI models, governance, confidentiality, and penalties, will come into effect

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August 2026
The Act's provisions will become fully applicable with some exceptions

AML: A BIG STEP CLOSER TO FULL HARMONISATION IN PRACTICE

In the spring of 2024, the long-discussed Anti-money Laundering (AML) package was finally agreed upon. The proposal, first presented by the European Commission in July 2021, has slowly progressed through the legislative process and will introduce significant changes to the existing framework when it becomes applicable in mid-2027. The package, includes both a directly applicable Regulation with AML and Counter Terrorist Financing (CTF) rules, building on the existing Directive and framework, and a new Directive detailing the competencies and information-sharing requirements of national supervisors and Financial Intelligence Units. As most of the new framework is set out in directly applicable rules, with national rules only incorporating limited elements, this should lead to a more harmonised approach and interpretation.

In line with this goal, the AML package also establishes a common EU AML Authority based in Frankfurt, Germany. This authority will directly oversee selected high-risk financial institutions and act as a decentralised AML regulator to ensure a more consistent application of AML framework across the EU.

Credit intermediaries for mortgage and consumer credits are classified as obliged entities in the Regulation, if they do not operate under the responsibility of one or more creditors or credit intermediaries, and if their role goes beyond merely introducing consumers to creditors or credit intermediaries. This includes, for example, presenting or offering credit agreements to consumers, assisting with preparatory work or other pre-contractual administration, or concluding credit agreements on behalf of the creditor.

EU ELECTIONS

VDL 2.0 : A right-turn away from the Green Transition?

The June 2024 European Elections marked a turning point for the European Union concluding the five-year mandates of both the European Parliament and European Commission President Ursula von der Leyen. Over her first term, von der Leyen navigated a multitude of crises while pushing through an ambitious legislative agenda. The agenda encompassed a wide set of policy proposals significantly impacting the lending industry and focused on areas such as digitalisation and the green transition. Key reforms included the new CCD, the AI Act, Basel III banking standards, AML measures, and sustainability regulations.

Now, with a more right-leaning Parliament, von der Leyen has secured a second term as Commission President, this time with an even larger majority. Despite strong criticism from the right, particularly regarding the Green Deal, she garnered 401 votes (383 in 2019) with increased support coming from the political centre of the Parliament, including the Greens. Her re-election is largely driven by new broad policy promises, such as the Clean Industrial Deal, new commissioner portfolios on housing, reinforced commitments in defence, improved capital markets integration, and ambitious plans to reform EU spending.

This fall, the focus will be on establishing the new Commission, with confirmation hearings for nominated Commissioners scheduled for September and October. Legislative activity is expected to pick up again towards the end of the year, as the new Parliament addresses outstanding proposals and concludes legislative processes such as the frameworks on FiDA, the Retail Investment Strategy, and updates to the PSD2 and the new PSR.

The elections resulted in a significant turnover, with several key members involved in financial services departing. This will likely delay legislative progress into 2025, giving the industry a window of opportunity to re-engage with lawmakers on critical aspects of these frameworks. Although right-leaning groups gained ground, no major shift in power occurred. The more fragmented centre still holds the balance of power and ability to form the required majorities, suggesting that while the new Parliament may be more ideologically diverse, centrist policies will continue to shape the overall direction.

Von der Leyen's emphasised the importance of sustained investment in Europe's green and digital transitions. Drawing on the European Green Deal, she aims to boost competitiveness, support innovation, decarbonise industries, and address skills and labour shortages. Her commitments stress the need to deepen the Single Market, reducing regulatory burdens, and fostering collaboration across all levels of government and sectors.

As of now, the European Commission's new work programme is not yet in place. However, based on von der Leyen's priorities and political commitments, a broad-ranging agenda with significant industry implications is expected. Despite the criticism and calls to deviate from the Green Deal, many of the policy objectives and regulations established in the previous term will remain in place. Therefore, the question remains, how consumers and industries will adapt to these enduring requirements and finance the necessary steps.

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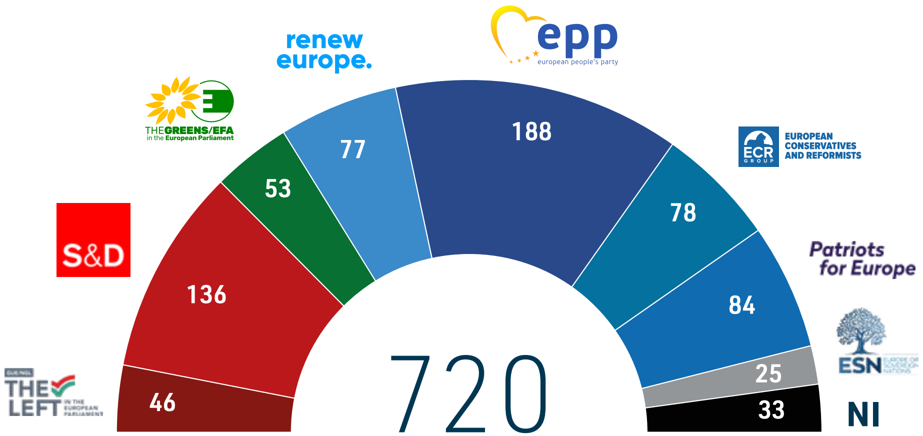
03 CAMPAIGNING FOR THE INDUSTRY

The upcoming reviews of the Mortgage Credit Directive and the Insurance Distribution Directive also signal increased regulatory scrutiny and requirements. With the European Supervisory Authorities, such as European Insurance and Occupational Pension Authority (EIOPA), actively working on issues like credit protection insurance, the industry will need to stay engaged to ensure that the developments do not endanger its interests and activities but rather support the European economy and consumer's financial well-being.



10TH LEGISLATURE
2024-2029

POLITICAL GROUPS IN THE EUROPEAN PARLIAMENT

- > **EPP** / Group of the European People's Party (Christian Democrats)
- > **S&D** / Group of the Progressive Alliance of Socialists and Democrats in the European Parliament
- > **PfE** / Patriots for Europe
- > **ECR** / European Conservatives and Reformists Group
- > **Renew Europe** / Renew Europe Group
- > **Greens/EFA** / Group of the Greens/European Free Alliance
- > **The Left** / The Left group in the European Parliament - GUE/NGL
- > **ESN** / Europe of Sovereign Nations
- > **NI** / Non-attached Members

03 CAMPAIGNING FOR THE INDUSTRY

Basel IV / CRR III

NEW PROVISIONS FOR CONSUMER FINANCE IN EUROPE

The Capital Requirements Regulation (CRR III), known as the European implementation of Basel IV, was published in the EU Official Journal on June 19, 2024, and will apply from January 1, 2025. In addition to the main agreements reached, the CRR III mandates the EBA in the coming months and years to produce more than 130 technical standards, guidelines and reports to complete the EU banking package.

The recent updates will impact consumer finance in Europe as they are intended to further strengthen the stability of financial institutions and ensuring better risk management. These changes are also an attempt to enhance alignment between European banking standards and other parts of the world.

Key impacts include :

1. **Increased Capital Requirements :** Banks must hold more capital as a buffer against potential losses, reducing the likelihood of financial distress.
2. **Risk Sensitivity :** The new regulations introduce more risk-sensitive approaches to capital calculation, especially for credit risk.
3. **Operational and Market Risk Revisions :** Tighter rules on operational and market risks, including new output floors, may influence banks' risk appetite, potentially making them more cautious in extending credit, especially to higher-risk consumers.

The output floors in CRR III sets a minimum threshold for capital requirements that banks must maintain, regardless of their internal risk assessments. Specifically, output floors limit how much banks can lower their capital requirements through internal risk models compared to the standardised approach. This aims to prevent institutions from underestimating risks and holding insufficient capital.

Eurofinas has supported the lobby on the CRR III as a member of the European Banking Industry Committee (EBIC), in addition to joint efforts together with Leaseurope and its membership. Follow-up with regards to EBA mandates will predominantly focus on simplification of the rulebook and reducing potential overreach from supervisors and legislators.

Capital Markets – High quality securitisations

Eurofinas and Leaseurope have actively advocated for improvement on the regulatory framework for securitisations in Europe. The CRR III, published in the EU's official journal on June 19, 2024, includes adjustments (Article 465, 7a&b) to improve the prudential treatment of securitisations. It also contains a new mandate to revise the European regulatory framework for securitisations to remove potential regulatory barriers in order to boost European securitisations markets (Article 506ca), an important source of finance for lenders at competitive rates.

This year, we also influenced the revision of other relevant standards such as the European Securities and Markets Authority (ESMA) disclosure templates.

Eurofinas, Leaseurope and their respective members promote the use of green securitisation backed by consumer finance and leased assets. They have been actively engaging in negotiations regarding the new European green bond standard to ensure that the new standard supports the circulation of green securitisation backed by asset finance. Engagement with European authorities will continue in the coming months to improve the regulatory framework for securitisations in Europe.

ESG risks & green loans – European and international developments

Environment Social Governance (ESG) risks for credit institutions are increasingly becoming a concern for international and European policy makers. In this context, several regulatory initiatives are to integrate ESG risks in the supervision and risk management processes of credit institutions are taking place both at international and European level.

In Europe, the EBA has developed a roadmap on sustainable finance and as part of its planned EBA actions, in accordance with its roadmap on the implementation of the EU banking package, the EBA is producing a number of technical standards and guidelines. This includes the EBA´s work for Guidelines on the management of ESG risks, which set out requirements for institutions for the identification, measurement, management and monitoring of ESG risks, including through plans aimed at addressing the risks arising from the transition towards an EU climate-neutral economy.

At international level, the Basel Committee on Banking Supervision (BCBS) is developing a holistic approach to address climate-related financial risks for the global banking system. Within this context, an emphasis is placed on analysing how a Pillar III disclosure framework for climate-related financial risks would further its mandate to strengthen the regulation, supervision and practices of banks worldwide with the purpose of enhancing financial stability, and the potential design of such a framework.

Eurofinas is advocating for the recognition of the important role consumer credit can play in facilitating the European households´ green transition.

The European Commission, as part of its ' Strategy for Financing the Transition to a Sustainable Economy, tasked the EBA with defining green loans and mortgages as well as exploring potential support tools for retail borrowers and SMEs. And at the end of 2023, the authority provided its advice.

According to the EBA, green loans currently make up only 4.5% of total loans. The lack of a common definition and rules hinders the growth of the green loan market and the EBA highlights the need for a consistent EU-wide definition of green loans, which would provide clarity and reduce the risk of greenwashing. While the EU Taxonomy offers a classification system for environmentally sustainable activities, the EBA argues that its strict technical screening criteria exclude many activities largely contributing to the transition to a sustainable economy. A broader definition that goes beyond the EU Taxonomy would capture a larger volume of loans aligned with environmental objectives, supporting the growth of the green loan market and ensuring business compliance.

To improve transparency and market integrity, the EBA suggests implementing a voluntary green loan label, helping borrowers identify compliant products and incentivising economic activities through mechanisms like sustainability-linked loans.

The European Commission is currently exploring how the concept and green loans can be integrated in the forthcoming review of the Mortgage Credit Directive as well as in relation to consumer credit.

In the coming months and years, we will continue to actively monitor the work of international and European regulators on the topics and engage with them to ensure that the sector's contribution is recognised in the development of this important regulatory framework, allowing it to continue playing a key role in the transition towards a more sustainable global economy.

Photo by Scott Graham on Unsplash

04

DELIVERING MARKET INSIGHT

Facts & Figures

An annual snapshot of the Eurofinas market outlining the major trends in consumer credit lending. Designed for easy distribution, the "Facts and Figures" report is used by our members and our team to provide stakeholders with a brief explanation of the market.

04

DELIVERING MARKET INSIGHT

We publish regular statistics to provide our members with a unique source of data to

TRACK MARKET TRENDS

SUPPORT ADVOCACY WORK

BENCHMARK PERFORMANCE

Annual & biannual surveys

Eurofinas' main statistical publications provides in-depth information on the activities of consumer credit providers in Europe. They cover all aspects of consumer credit on both a national and pan-European level and include figures and trends on new credit granted and outstanding credit.

A new set of questionnaires focusing on consumer credit supporting green investments such as electric and hybrid vehicle purchases, along with household investments in energy efficiency, has already been introduced in this year's Annual Statistical Survey. This section aims to promote the role of consumer credit in facilitating green investment of households.

Quarterly enquiries

The Quarterly Statistical Enquiry is a brief survey of member associations' quarterly figures, including new business for personal consumption and consumer car finance. It provides a timely estimate of main business trends in the consumer credit industry.

05

STATE OF THE MARKET

Photo by Ruthson Zimmerman on Unsplash

05 STATE OF THE MARKET

Photo by Joel Filipe on Unsplash

Negative performances seen in major consumer credit lending types and markets

In 2023, European consumer credit providers, represented through Eurofinas[1], granted new loans worth €467.5 billion, a decline of -6.5%[2] compared to 2022. The results of the Eurofinas 2023 Annual Survey indicated negative developments in new business across various lending categories, except for business vehicle finance and industrial credit.

Overall, total new consumer credit lending[3] showed a downturn in new business finance of -4.0% in 2023. This decline was driven by negative growth in loans for personal consumption at -3.9% and consumer vehicle finance at -4.2%. Personal loans experienced a decrease of -11.2% while revolving credit stabilized, growing by 0.1% in new credit granted. Additionally, new credit granted through non-automotive points of sale grew by 4.0%.[4] In consumer vehicle finance, new cars performed better than used cars. The former remained relatively stable, declining by only -0.7% in 2023, whereas the latter experienced a larger downturn of -6.3%. The other vehicles category, including motorbikes and caravans, decreased by -5.2% in new credit granted.

Aggregate figures for 2023 indicated negative results in most of Eurofinas members' national consumer credit markets, except for the Czech Republic, Morocco, Portugal, and Spain, which experienced growth rates between 3% and 9% in new credit granted. In contrast, markets such as Norway, Turkey, and the Netherlands showed double-digit drops in new credit granted.

Other lending types, including business vehicle finance, industrial credit, and mortgages accounted for a smaller portion of the total new business (28%). Business vehicle finance and industrial credit observed growth of 14.9% and 10.9%, respectively, in new credit granted, while mortgages saw a significant contraction of -31.7%. New business car lending demonstrated a substantial growth of 37.4%, while used business cars experienced a drop of -4.9%. Commercial vehicles saw growth of 8.0%. However, the other lending category constituted a smaller proportion at 28% of total new business compared to consumer credit (72%).

European Consumer Credit Market Remained Subdued in Q2 2024

In the second quarter of 2024, the European consumer credit industry experienced marginal improvement of 1.6% in new credit granted after a stagnation seen in Q1. Consumer credit for personal consumption grew modestly by 2.7%, while consumer car finance continued its downward trend, with new credit granted declining by 1.3%. Performance varied across national markets, with one half showing declines and the other half experiencing positive growth in Q2 2024.

Uncertainties ahead & subdued growth anticipated

Consumer credit growth has deteriorated in 2023 due to high interest rates, tightening financing conditions, high uncertainty, and low consumer confidence. A downturn in new consumer credit was widespread in most national markets and product types. However, going into 2024, the continued real wage and employment growth are expected to sustain growth in real disposable incomes. Improved EU consumer confidence and a steady decline in consumers' uncertainty about their financial situations are set to support the near-term private consumption growth, despite remaining below the long-term average.[5] In Q3 2024, the ECB's Bank Lending Survey projects credit standards for consumer credit and other lending to households remain unchanged, while demand for consumer credit is expected to see a net increase.[6]

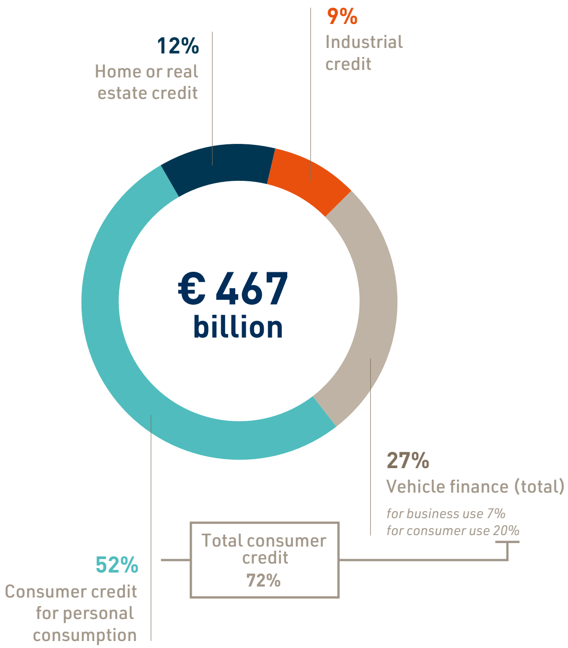
1. The following Eurofinas members took part in the survey: UPC/BVK (BE), CLFA (CZ), BFACH (DE), Finans og Leasing (DK), ASNEF (ES), ASF (FR), ASSOFIN (IT), APSF (MA), VFN (NL), FINFO (NO), ASFAC (PT), Finansbolagens Förening (SE), AFI/FKB (TR), FLA (UK)
2. The growth rates shown are nominal i.e., not adjusted for inflation and can be impacted by exchange rate fluctuations .
3. Total consumer credit includes consumer credit for personal consumption (including personal loans, revolving credit, and non-automotive point of sale finance) and consumer point of sale vehicle finance.
4. Growth in new credit at the point of sale can be attributed to inflation as the number of new contracts declined for that category in 2023.
5. European Economic Forecast, Spring 2024.
6. ECB Bank Lending Survey, July 2024.

05 STATE OF THE MARKET

2023 in statistics

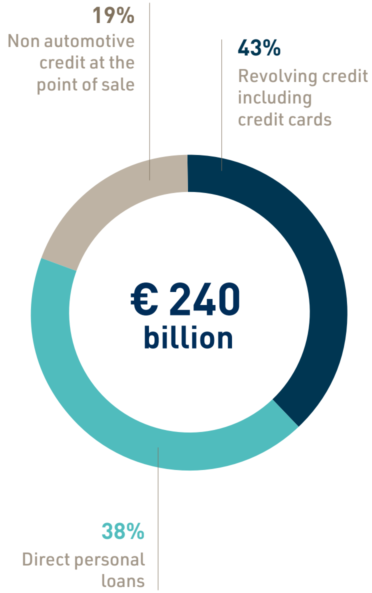
1. NEW CREDIT GRANTED BY PRODUCT TYPE

% of new credit granted



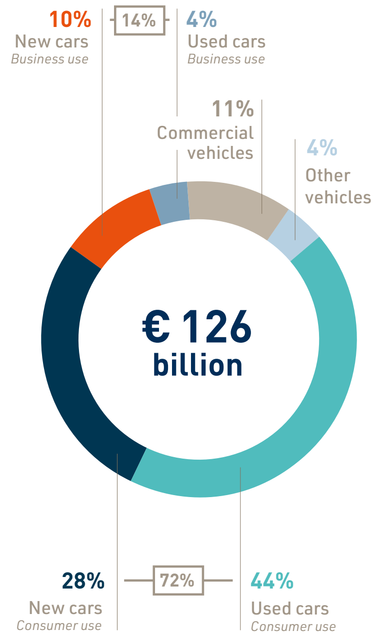
2. CONSUMER CREDIT FOR PERSONAL CONSUMPTION

% of new credit granted



3. VEHICLE FINANCE, NEW LENDING BY PRODUCT TYPE

% of new credit granted

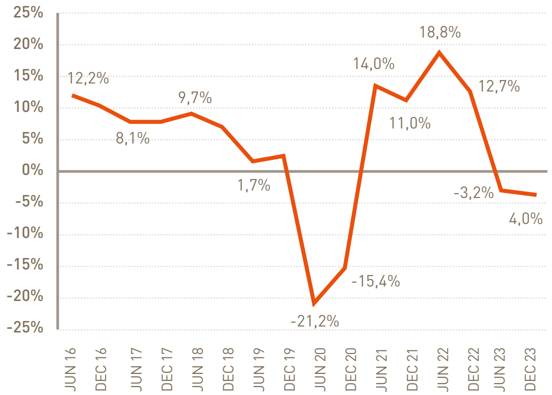


05

STATE OF THE MARKET

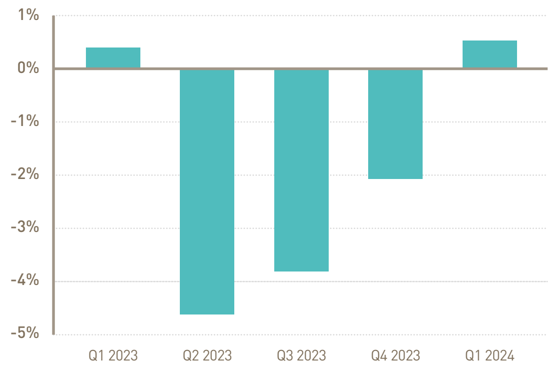
2023 in statistics

4. TOTAL NEW CONSUMER CREDIT, 2016-2023

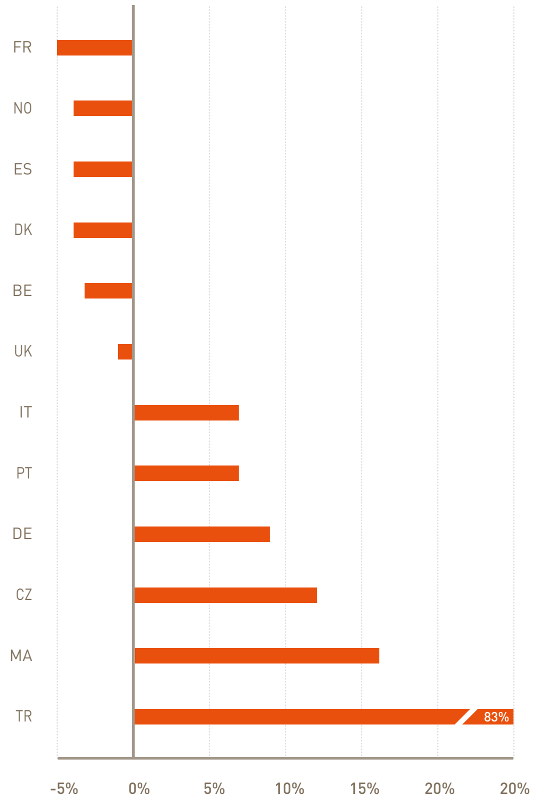


5. TOTAL NEW CONSUMER CREDIT (FOR PERSONAL CONSUMPTION AND CONSUMER CAR FINANCE)

% change period on period - adjusted for exchange rate fluctuations



6. CONSUMER CREDIT GROWTH PER COUNTRY, Q2 2024



Average loans size in 2023

Personal loans	Credit at the point of sale	New consumer cars	Used consumer cars
€ 11 727	**€ 769**	**€ 25 466**	**€ 17 407**

05

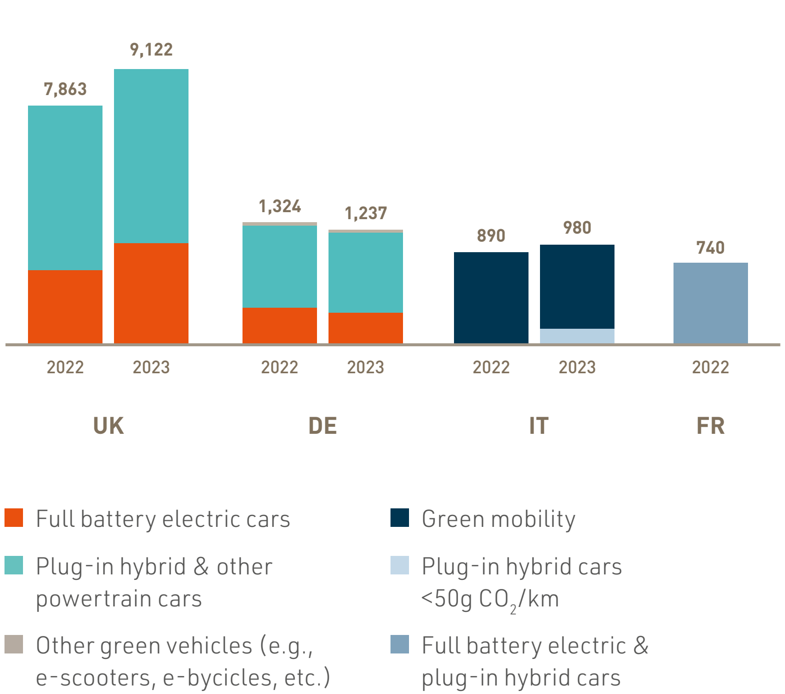
STATE OF THE MARKET

2023 in statistics / Green consumer credit statistics 2023

GREEN MOBILITY

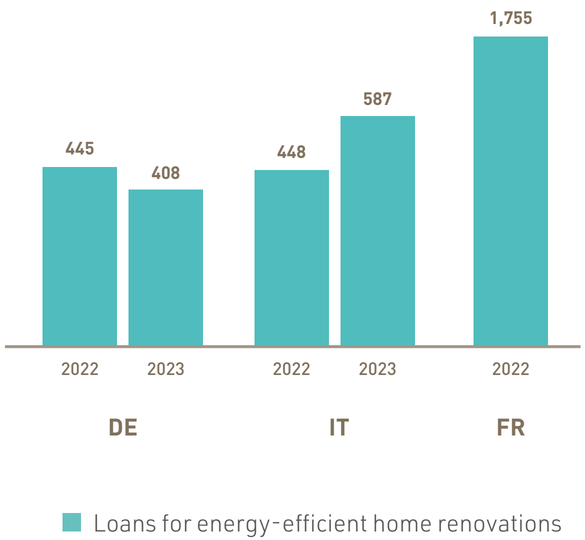
(include hybrid & BEV cars & other green vehicle types)

New credit granted (M€)



GREEN PURCHASE OF HOUSEHOLDS

(include energy-efficient home renovations & other green purchases)



05

STATE OF THE MARKET

Key economic indicators

Consumer confidence Consumer confidence level increased further and is approaching its long-term average
Flash Consumer Confidence Indicator – July 2024

Supply of loans reported credit standards for consumer credit and other lending to households remain broadly unchanged in Q3 2024
ECB Bank Lending Survey July 2024

Inflation as measured by the Harmonised Index of Consumer Prices (HICP) is now expected to decrease to 2.7% in 2024 and 2.2% in 2025
European Commission, Spring Economic Forecast 2024

The **European Central Bank** lowered the marginal lending facility rate from 4.5% in June 2024 to 3.9% in September 2024
ECB

Loan demand expects a net increase for consumer credit and other lending to households in Q3 2024
ECB Bank Lending Survey July 2024

Private consumption was limited to 1.3% - still well below trend growth but is expected to have a gradual acceleration in growth over this year and next
European Commission, Spring Economic Forecast 2024

06

PROVIDING A PLATFORM

06

PROVIDING A PLATFORM

Our mission is about more than advocacy, it also includes creating a community of sector experts and professionals, working together towards a common goal and ensuring the broad sharing of relevant information on national implementation measures and other relevant developments. We provide a place for our members and the wider industry to gather, connect, share ideas, work together and so much more.

European industry cooperation

Eurofinas remains an active member in many key European-level bodies. This includes the European Banking Industry Committee (EBIC), where Eurofinas manages the Consumer Credit Working Group, and the Centre for European Policy Studies (CEPS).

Isak Bengtzboe, the Federation's Chief Policy & Legal Adviser, serves as a member of the European Banking Authority's Banking Stakeholder Group, a crucial advisory body within the European Authority.

Our involvement links us and our members with the wider financial services industry, regulators, and other stakeholders.

Member meetings

The Board of Eurofinas sets our strategy for the road ahead and guides the Federation's activities, also engaging with key EU decision-makers when relevant. At the top of the agenda were the finalisation of the EU-level work on the new Consumer Credit Directive and the related national implementation processes, the green transition and sustainable finance, AI, and insurance distribution related work of the European supervisory authorities.

We would like to take this opportunity to thank all our full, correspondent and associate members for your support this year. Your contributions have made a huge impact on the work of the Federation and benefitted the entire sector.

THANK YOU ALL FOR YOUR DEDICATION.

06

PROVIDING A PLATFORM

ANNUAL CONVENTION 2024 // ALICANTE

Eurofinas' many networks, partnerships and platforms create a vibrant European consumer credit community, which is clearly the place where the European profession comes together and connects.

ANNUAL CONVENTION OF THE EUROPEAN CONSUMER CREDIT INDUSTRY

The Eurofinas Annual Convention is widely recognised as the pre-eminent yearly gathering for the European leasing and automotive rental community and is the only such event organised by the industry at European level. It is held at the same time and place as the Annual Convention of the European leasing and automotive rental industry, organised by sister federation Leaseurope, to maximise networking opportunities.

Our previous convention in Vienna brought together well over 400 industry leaders from 30+ countries, confirming that the event is widely recognised as the premier gathering for our industry at European level. The Conventions are attended by delegates who are, for the most part, senior level executives and CEOs.

Visit our convention website to learn more about our programme, exciting line-up and sponsors for our 2024 Annual Conventions taking place in Alicante, Spain on 3 & 4 October.

400+ participants

leading gathering platform for our industry at European level

40+ speakers and moderators

30+ countries represented

10+ sessions to choose from

A must attend event in the business leader's agenda, with the right balance between powerful content and high-level networking.

"The Meliá Villaitana in Alicante provides the perfect backdrop for this year's convention. As leaders in the industry, we are excited to host our European colleagues and continue the legacy of impactful discussions and fruitful collaborations. This convention represents not just tradition, but our collective commitment to future growth. Together with Leaseurope and Eurofinas, we are fully committed to making your experience at the convention both successful and enriching."

Ignacio Pla
Secretary General, ASNEF

Manuel García Fernández
Secretary General, A.E.L.R.

Juan Luis Barahona
Secretary General, Feneval

Jose-Martin Castro Acebes
President, AER

07

OUR MEMBERS

07 OUR MEMBERS

Member associations

Eurofinas is composed of 16 Member Associations, covering 16 countries, and brings together more than 650 consumer credit firms.

Members

BELGIUM
Union Professionnelle du Crédit - UPC /
Beroepsvereniging van het Krediet - BVK

CZECH REPUBLIC
Czech Leasing & Finance
Association - CLFA

DENMARK
Finans og Leasing

FINLAND
Finance Finland - FFI

FRANCE
Association Française
des Sociétés Financières - ASF

GERMANY
Bankenfachverband

ITALY
Associazone Italiana del Credito
al Consumo e Immobiliare - ASSOFIN

MOROCCO
Association Professionnelle des
Sociétés de Financement - APSF

NETHERLANDS (THE)
Vereniging van
Financieringsondernemingen
in Nederland - VFN

NORWAY
Finansieringsselskapenes Förening

POLAND
Association of Financial
Companies in Poland - ZPF

PORTUGAL
Associação de Instituições
de Crédito Especializado - ASFAC

SPAIN
Asociación Nacional de
Establecimientos Financieros
de Crédito - ASNEF

SWEDEN
Finansbolagens Förening

TURKEY
Finansal Kurumla Birligi – FKB

UNITED KINGDOM
Finance & Leasing Association - FLA

07

OUR MEMBERS

Associate members

WELCOMING NEW ASSOCIATE MEMBERS

Eurofinas was very pleased to welcome Intrum and Monthio as new associate members this year, thereby consolidating an already strong and committed group of service providers to the industry.
With this new member, Eurofinas now benefits from the support of 8 companies from a variety of horizons across Europe.

The Eurofinas 2024 associate members are :

BNP PARIBAS CARDIF

Kereis

CRIF Together to the next level

EQUIFAX

FICO

intrum

monthio

QuickSign

MEET EUROFINAS NEW ASSOCIATE MEMBERS

Intrum

As a market-leading credit management company, Intrum possesses extensive expertise in debt collection services, operating in 20 countries across Europe. With more than 10,000 experienced employees, the company has a unique geographical presence and scale. However, market leadership brings great responsibility. Intrum sees itself as a role model within the industry, with both the opportunity and duty to set new standards and reshape how credit management is perceived. Through ethical and sustainable business practices, Intrum aims to become the true benchmark of the industry.

Monthio

Danish Monthio is the innovative creditworthiness solution that allows for quicker loan approvals, easier and more accurate, unlocking simplicity in credit decisioning. By combining deep expertise of the credit process with superior open banking solutions, Monthio revolutionises the loan approval process lenders by harnessing real-time financial data. This allows to lenders significantly increase the loan approval rate, making more accurate assessments and informed decisions.

ASSOCIATE MEMBERSHIP PROGRAMME

VISIBILITY

BUSINESS DEVELOPMENT

COMMUNITY

INSIGHT

PROMOTION

CONTRIBUTION

To find out about the benefits of becoming an associate member of Eurofinas, please contact s.ezerins@eurofinas.org eurofinas

SPECIALISED CONSUMER CREDIT PROVIDERS IN EUROPE

Eurofinas AISBL
Boulevard Louis Schmidt, 87
B-1040 Brussels

www.eurofinas.org

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