

An updated CCD framework – adopting to a digital reality & learning the lessons from the COVID-19 crisis

The Consumer Credit Directive (CCD) is currently subject to a review process following the European Commission's proposal for a revised Directive in the summer of 2021. The European co-legislators are now to take the next steps in updating the framework.

As shown by the Commission's evaluation, the Directive has in many ways fulfilled its objectives of providing for a high level of consumer protection in retail financial services and ensuring access to safe and simple credit solutions across the EU. Moreover, the framework has proven robust and able to respond to the current situation and the specific challenges brought on by the COVID-19 crisis.

Also, in the field of retail financial services has the pandemic has had severe consequences, on customers, as well as providers daily operations, impacting public life in a way not seen since war time. Throughout the pandemic, European consumer lenders have stood by its consumers, ensuring both the continuation of activities under the challenging conditions brought on by the pandemic, supporting the functioning of the European economy and, not least, supporting the well-being of its consumers across.

The lending industry has through both voluntary, individual measures as well as combined broader efforts, such as the Commission's initiative on Best practice recommendations in relation to relief measures offered to consumers and businesses in the context of COVID-19 crisis, sought to ensure the best possible outcome for borrowers, allowing consumers to return to a normalized situation as quickly as possible and avoid unmotivated impact on consumers' credit files where they have taken advantage of payment deferrals, etc.

Due to the procyclical nature of lending, there is a positive correlation between households' disposable incomes and consumer credit provision. Moreover, as highlighted by the European Central Bank in its assessment of the impact of COVID-19, the decrease of consumer credit correlates closely to the decrease of consumption of durable consumer goods. Thus, further restricting consumer credit lending to avert financial distress would be misguided.

Outcome of review & economic recovery from COVID-19

The goal of the review should be to design a future proof framework which maintains a proportionate and a technology-neutral approach which supports innovation and ensures the same consumer protection as well as the level playing field for the same activities regardless of the provider in question.

We believe that the focus of the CCD review must be to address those issues where detriment has been identified, backed up by substantive data supporting the notion that only changes to the



legislation will be sufficient to address the situation, which cannot be achieved through proper and coherent enforcement of the existing framework.

A one-sided approach sought through the CCD framework to address broader societal issues or goals, risks leading to increased costs and consumer detriment through greater financial exclusion brought on by, for example, ill-conceived standardisation, without moving us closer to a common single market or greater consumer benefits.

Consumer credit is a key component for the functioning of the European economy and an important contributor to consumption, as a key enabler for the sales of modern, energy-efficient cars and other durable consumer goods. As a vital instrument in the recovery and restart of the European economy after COVID-19, it is essential that any changes to legislation must be carefully considered and clearly justified in order to avoid jeopardizing the re-start of the European economy.

The pandemic has clearly illustrated, and accelerated, the importance of the digital transformation. In addition to a high-level of financial education, it must also be ensured that European consumers have high-levels of digital skills, and that the relevant tools are in place to ensure that all European citizens have access to the products needed in all situations, and that the frameworks, including the CCD, are digitally ready.

Key points:

- Scope – ensure a continuous proportionate approach & a level playing field
- Creditworthiness – promote safe lending, financial inclusion & innovation in line with GDPR
- Information to consumers – make the rules digital ready & support digital distribution
- Education & skills – enable consumers in the digital era