

Consumer Credit Directive

Name	Number	Web address
Consumer Credit Directive (CCD)	COM (2005) 483 final 2002/0222(COD)	http://europa.eu/legislation_summaries/consumers/protection_of_consumers/l32021_en.htm

Status
<p>The Consumer Credit Directive (CCD) was agreed by the Council and Parliament and published in the Official Journal in May 2008. The CCD was designed to harmonise the regulation of consumer credit across Europe and to increase consumer protection. Member States were asked to transpose the Directive into national law before 12 June 2010. However, affected UK businesses had until 31 January 2011 to comply with the new requirements.</p> <p>The European Commission are due to review the Directive during 2013. The European Parliament adopted an own-initiative report on the 'Implementation of the CCD' in November 2012 which argued that at present there is no need to revise the Directive, and calls on the Commission to ensure that the CCD has been correctly transposed and enforced by Member States.</p> <p>History</p> <p>The proposal for a Directive which was intended to replace 87/102/EEC was adopted by the Commission in September 2002, but it was not formally agreed by the European Parliament and the Council until 2008. It was published in the Official Journal in May 2008.</p> <p>In November 2008 the Commission held a transposition workshop on the Directive. The Commission gave no indication that it would consider any delay to implementing the Directive. The UK was alone in suggesting that the time available to the industry may be insufficient.</p> <p>BIS began its formal consultation on proposals for implementing the directive on 14 April 2009 and this closed on 10 June 2009. The draft regulations were published on 23 July 2009, along with a brief summary of the outcome of the consultation. A formal government response to the consultation was published in December 2009 (please see the following link: http://www.berr.gov.uk/consultations/page50814.html). The regulations were laid before Parliament on 30 March 2010, with two further Statutory Instruments made in August 2010 to correct errors.</p> <p>The European Parliament adopted an own-initiative report on the 'Implementation of the Consumer Credit Directive 2008/48/EC on 20 November 2012. The report takes the view that at present there is no need to revise the Directive, but that instead priority should be given to ensuring that it is correctly transposed and enforced. It calls on the Commission to present to Parliament and the Council an assessment report on the implementation of the Directive and a full assessment of its impact regarding consumer protection, taking into account the consequences of the financial crisis and the new EU legal framework for financial services.</p>

UK implementation details
<p>The UK Department for Business, Innovation and Skills (BIS) led the implementation of the Directive into UK law.</p> <p>In order to get the draft legislation as 'near final' as possible, BIS held a number of industry working groups on the various articles. The aim was to focus on aspects of the Directive where there is the flexibility to have implementing options (which will be backed by impact assessment). These working groups finished in December 2008 and policy recommendations were presented to Ministers and the BIS legal team in December 2008.</p> <p>BIS began consulting on the draft legislation on 14 April 2009, which was published for comment in July 2009 and laid before Parliament on 30 March 2010. The provisions came into effect fully on 1 February 2011. This</p>

was to allow UK lenders a transitional period during which to make necessary changes to comply with the new regulations, though lenders were able to start to comply with the legislation from 30 April 2010.

To help firms identify and understand the changes that affect them, BIS has published [Guidance on the regulations](#), and [a Quick Start Guide](#) in plain English.

FCA aims and areas of interest

As we were not the competent authority for consumer credit, we had a limited interest in this proposal when it was agreed other than the interaction of the provisions affecting overdrafts and credit cards with our responsibilities (since 1 November 2009) under the Payment Services Regulations 2009, part of our Banking Conduct Regime, and the potential read across to mortgages.

The FCA will take over the regulation of consumer credit from the OFT in April 2014, so we now have an interest in all aspects of the CCD.

Background to Directive

The proposal for a Directive, which was intended to replace 87/102/EEC, was adopted in September 2002. This was substantially amended by the European Parliament in April 2004. The Commission then published a modified proposal, outlining which amendments it was likely to accept in part or in full and those it would not accept. Subsequently, it agreed to exclude secured lending from the Directive's scope on the basis that the Internal Market and Services Directorate General (DG Markt) would bring forward proposals on mortgages. The Commission adopted a second modified proposal on 7 October 2005 in the form of a consolidated text. The Competitiveness Council reached political agreement on the Directive on 21 May 2007. The European Parliament slightly amended the Council's text during the second reading, which was completed in January 2008. The Council approved this text in April 2008. The Directive was published in the Official Journal in May 2008.

Purpose of Directive

To establish the conditions for a genuine internal market, ensure a high level of consumer protection and improve clarity by recasting the existing directives on consumer credit. The CCD applies to all providers of credit to consumers (such as banks and building societies) and all credit intermediaries.

Key provisions

The key provisions of the agreed text are as follows.

- All **secured lending** (including equity release) and home purchase plans exempted.
- Applies a proportionate regime to **overdrafts** particularly in relation to provisions on advertising, pre-contractual and contractual information.
- Allows member states to exempt **Credit Unions** where these are 'insignificant' and the value of the sector remains under 1% of the total value of all existing credit agreements in the member state. In all other cases Credit Unions are subject to a proportionate regime, particularly in relation to provisions on pre-contractual and contractual information.
- Applies to credit agreements involving a total amount of credit between **€200 and €75,000**, but member states may apply it to credit outside of these thresholds.
- If there is a figure/interest rate in an **advertisement** on credit, it is mandatory to provide the same standard list of essential information all over the EU, including an Annual Percentage Rate (APR).
- It introduced a standardised **pre-contractual information** sheet, including an APR of charge (calculated on harmonised basis) and requires creditors and credit intermediaries to provide **adequate explanations** to consumers to allow them to assess whether the offer is adapted to their needs.
- Sets out information that must be included in a credit agreement.
- Obliges member states to ensure that creditors assess the consumer's **creditworthiness** before the conclusion of the credit agreement and before any significant increase in credit.
- Provides for cross-border **access to credit reference databases** on non-discriminatory terms.
- Introduced a compulsory cooling-off period (14-day **right of withdrawal**).
- Introduced a right to 'fair and objectively justifiable' **early repayment**, but limits the circumstances in which a charge can be applied by the creditor, to a period when the borrowing rate is fixed and is less than 1% or 0.5% of the amount of credit to be repaid, depending on the outstanding length of the loans.
- Obliges member states to ensure that creditors and intermediaries are supervised or regulated.
- Imposes provisions on advertising by credit intermediaries and on fee payment arrangements used by these firms.
- Promotes consumer access to Alternative Dispute Resolution schemes for resolving complaints.

Consultation		
Consulting institution	Consulting details	Deadline
DTI (now BIS)	Consultation on second Commission modified proposal published on 28 March 06.	10 May 06
DTI (now BIS)	Consultation on modified proposal in Feb 05	22 April 05

EU institution's meetings		
EU institution's meetings	Details	Date
Transposition workshop		

Timetable	Deadline Date
Formulation of proposal	
Working group	
Commission's draft proposal	11 September 2002: Commission adopts a proposal for a revised Directive for the regulation of consumer credit
Proposal to Council	
Parliament's opinion (first reading)	20 April 2004
Committee(s) amendments	
Cion decision on amendments	Commission adopts amended proposal on 28 October 2004
	Commission adopts second modified proposal in October 2005
COREPER	
Working group meetings	
Amendment sent to Cion	
Working group(s) report to Council	
Council	
Vote on adoption or common position	21 May 2007
Commission	
Transferral of view on common position to Parliament	21 September
Parliament's option on common position (second reading)	
Overall deadline for decision by parliament	End Jan 2008
Rapporteur's opinion	25 Oct 2007
Deadline for amendments to opinion	13 Nov 2007
Committee(s) vote	10 Dec 2007
Plenary vote	16 Jan 2008
Council	
Approval or conciliation committee?	Approval 7 April 2008
Publication in Official Journal	22 May 2008
UK Authorities' implementation	
Policy recommendations on draft regulations to Ministers and BIS legal team	Dec 2008
Clearance of draft regulation by Parliamentary Counsel	March/April 2009
Publication of formal consultation with draft regulations	14 April 2009
Close date	10 June 2009
Publication of draft regulations following consultation	23 July 2009
Publication of revised Government's response to	Dec 2009

consultation on the Directive	
Final regulations laid before Parliament	30 March 2010
Directive implementation date	June 2010
Transitional period in the UK ends	31 January 2011

Internal Contacts		
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