



September 1, 2020

Submitted electronically

European Commission
Rue de la Loi / Wetstraat, 170
B-1049 Bruxelles/Brussel
Belgique/België

Re: Consumer credit agreements – review of EU rules

Dear Sir or Madam:

The European Network of Credit Unions (ENCU) appreciates the opportunity to comment on the European Commission's *Review of the Consumer Credit Directive (2008/48/EC)*.¹ Credit unions are consumer-owned, not-for-profit financial cooperatives that promote financial inclusion in underserved European communities by offering their members affordable and easily understandable financial products. There are approximately 1,000 credit unions in the European Union (EU) with more than EUR 20 billion in total assets and 7 million physical person members.²

ENCU supports the European Commission's ("Commission") initiative, "...aimed at reinforcing, streamlining and modernising consumer credit rules to ensure they are future-proof, better protect consumers, deliver a level playing field and reduce unnecessary burden for credit providers."³ We agree that with the continued evolution of technology, gaps in the current standards should be addressed to protect consumers from predatory practices and irresponsible lending/borrowing; however, ENCU favors a non-legislative approach "through industry self-regulation and business conduct principles", but also see the need for targeted legislative action for regulatory deficits on specific items such as credits under €200, and pre-contractual disclosures. Harmonizing standards for every regulatory gap in consumer credit laws, or a comprehensive revision of the Directive would be detrimental to credit unions and other small non-complex financial institutions.

Non-regulatory measures would allow member states to address consumer credit issues in a way that is responsive to their needs and would leave room for national-level regulators to apply the current regulations proportionately so that small financial institutions are not overly regulated. Based on that notion, we urge the Commission to provide clear guidance on any new or amended provision to national-level regulators that expressly states a requirement to properly

¹ The European Commission's *Review of the Consumer Credit Directive (2008/48/EC)*, available at: <https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12465-Consumer-Credit-Agreement-review-of-EU-rules>.

² See "Credit Unions in Europe;" http://creditunionnetwork.eu/cus_in_europe.

³ See, Inception Impact Assessment, Review of the Consumer Credit Directive (2008/48/EC).



tailor regulation in proportion to the size, risk, and complexity of the financial institution. For example, many of the regulations in place are necessary to address issues concerning cross-border operations. The majority of credit unions within the EU do not participate in cross-border operations, yet are depleted of much needed resources in order to comply with these regulations that do not apply to them. These credit unions lack the capital and staff to monitor or implement systems that do not support their institution, yet these systems are maintained in order to comply with the law.

ENCU supports the Commission's objective to protect consumers and increase consumer trust; however, the argument that credit providers may face additional burdens in adapting to new rules, but long term- the streamlining of existing rules will lower costs and simplify corporate practices (especially for those operating across borders), does not hold true for credit unions. The long-term results for regulatory burdens typically create long term capital loss for credit unions. The added compliance responsibility requires additional staff, training, and other resources many EU credit unions do not have. As such, we reiterate our request for a non-regulatory approach to consumer credit improvements; proportional and risk-based standards subject to size, risk and complexity of the institution; and clear direction to national-level regulators that proportionality is appropriate when applying regulations to large vs. small institutions.

The European Network of Credit Unions appreciates the opportunity to comment on the European Commission's *Review of the Consumer Credit Directive (2008/48/EC)*. Please do not hesitate to contact me (information below) or Denitsa Marchevska by email at info@creditunionnetwork.eu or phone at +32 2 626 9500 should you have any questions regarding our comments.

Sincerely,

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