



## EUROPEAN COMMISSION - PRESS RELEASE

### **Consumers: EU investigates consumer credit websites - a market underperforming for consumers**

Brussels, 10 January 2012 - Were you ever about to sign a contract for a personal loan, credit card, or other consumer credit and discovered that it was all working out more expensive than you had first expected? An EU-wide investigation of websites offering consumer credit took place to check whether consumers are receiving the information to which they are entitled under EU consumer law<sup>1</sup> before signing a consumer credit contract. National enforcement authorities checked more than 500 websites across the 27 Member States plus Norway and Iceland. They flagged **70%** (393) of sites for further investigation in relation to the following main problems: the advertising did not include the required standard information; the offers omitted key information that is essential for making a decision; the costs were presented in a misleading way. National enforcement authorities will now contact financial institutions and credit intermediaries about suspected irregularities and ask them to clarify or take corrective action. The sweep operation checked in particular how business is applying the Consumer Credit Directive (recently transposed in Member States), which aims to make it easier for consumers to understand and compare credit offers.

EU Consumer Commissioner John Dalli said "*When people look for credit they sometimes discover that this credit turns out to be more expensive than it had originally appeared, because important information was sometimes unclear or missing. Consumer credit is not always easy to understand, which is why there is European legislation in place to help consumers make informed decisions. It is therefore very important that businesses provide consumers with the correct and necessary information. And it is the role of the Commission to work together with national enforcers to make this happen.*"

A "**sweep**" is an exercise to enforce EU law. It is led by the EU and carried out by national enforcement authorities who conduct simultaneous, coordinated checks for breaches in consumer law in a particular sector. The national enforcement authorities then contact operators about suspected irregularities and ask them to take corrective action. The **Consumer Credit sweep** took place in September 2011.

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<sup>1</sup> Consumer Credit Directive, Distance Marketing of Financial Services Directive, Unfair Commercial Practices Directive, E-Commerce Directive, Unfair Contract Terms Directive.

Six countries conducted a deeper investigation "**Sweep Plus**" of **57 sites** to check compliance with consumer rules including payment arrangement, complaint handling and terms and conditions.

The market under scrutiny is used by consumers every day. In 2010, financial institutions in the eurozone had more than €600 billion outstanding consumer credit.<sup>2</sup>

## Results

Of the **562 websites** originally checked, only 30% passed the sweep test for compliance with the relevant EU consumer rules and 70% of these sites (393) were flagged for further investigation. The main problems found were:

- **Missing information in consumer credit advertising**: advertising on 258 (46% of websites checked) did not include all the standard information required by the Consumer Credit Directive, e.g. i) the annual percentage rate of charge (APR), which is essential to compare offers, ii) information on whether charges on obligatory ancillary services (e.g. insurance) were included in the total cost, or iii) on the duration of the credit agreement;
- **Omission of key information on the offer**: 244 (43%) websites did not give clear information about all the different elements of the total cost, e.g. i) on the type of interest rate, (fixed, variable or both), ii) on the duration of the credit (if applicable), and iii) on some of the costs related to the credit (e.g. an arrangement fee);
- **Misleading presentation of the costs** where the cost of the credit is displayed in a way which is false or could deceive consumers, e.g. i) in the way the price is calculated, or ii) if the consumer is not informed that beyond the cost of the consumer credit itself there is an added obligatory insurance. 116 websites (20%) of the websites displayed this kind of problem.

## Sweep Plus

Six countries (Italy, Estonia, Latvia, Lithuania, Slovakia, Sweden) conducted a deeper investigation on 57 of the sites checked – the Sweep Plus exercise. The main problems related to pre-contractual information and contract terms.

## What happens next?

The enforcement phase will now start: in the coming weeks and months business operators will be contacted by the **national authorities** and asked to provide clarifications or correct their websites. Failure to do so, depending on the national legislation which is applicable, can result in legal action leading to fines or even closure of the websites. The national enforcement authorities are asked to report back to the European Commission by **autumn 2012**. The Commission will report on the results.

## For more information:

Sweeps website:

[http://ec.europa.eu/consumers/enforcement/sweeps\\_en.htm](http://ec.europa.eu/consumers/enforcement/sweeps_en.htm)

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<sup>2</sup> ECB, Euro Area Statistics, [www.ecb.int/stats/money/aggregates/bsheets/html/index.en.html](http://www.ecb.int/stats/money/aggregates/bsheets/html/index.en.html)

Annex

Table 1. Number of websites checked during the sweep (including sweep plus) and number of websites that need further investigation - by country

| Country        | Number of websites searched | Number of websites with irregularities | Number to be followed up by the CPC* | Number to be followed up at national level |
|----------------|-----------------------------|--|--------------------------------------|--|
| Austria        | 10                          | 6                                      |                                      | 6  |
| Belgium        | 93                          | 89                                     |                                      | 89   |
| Bulgaria       | 6                           | 0                                      |                                      | 0  |
| Cyprus         | 10                          | 10                                     |                                      | 10   |
| Czech Republic | 10                          | 9                                      |                                      | 9  |
| Denmark        | 11                          | 9                                      |                                      | 9  |
| Estonia        | 15                          | 12                                     |                                      | 12   |
| Finland        | 5                           | 4                                      |                                      | 4  |
| France         | 50                          | 11                                     |                                      | 11   |
| Germany        | 26                          | 20                                     | 5                                    | 15   |
| Greece         | 1                           | 0                                      |                                      | 0  |
| Hungary        | 16                          | 11                                     |                                      | 11   |
| Iceland        | 10                          | 0                                      |                                      | 0  |
| Ireland        | 2                           | 0                                      |                                      | 0  |
| Italy          | 15                          | 12                                     |                                      | 12   |
| Latvia         | 9                           | 7                                      |                                      | 7  |
| Lithuania      | 5                           | 3                                      |                                      | 5  |
| Luxembourg     | 20                          | 12                                     | 7                                    | 5  |
| Malta          | 5                           | 5                                      |                                      | 5  |
| Netherlands    | 45                          | 36                                     |                                      | 36   |
| Norway         | 27                          | 18                                     |                                      | 18   |
| Poland         | 10                          | 5                                      |                                      | 5  |
| Portugal       | 40                          | 14                                     |                                      | 14   |
| Romania        | 20                          | 11                                     |                                      | 11   |
| Slovakia       | 10                          | 10                                     |                                      | 10   |
| Slovenia       | 0                           | 0                                      |                                      |  |
| Spain          | 29                          | 29                                     | 1                                    | 28   |
| Sweden         | 15                          | 12                                     |                                      | 12   |
| United Kingdom | 47                          | 38                                     |                                      | 38   |
| <b>29</b>      | <b>562</b>                  | <b>393</b>                             | <b>13</b>                            | <b>380</b>                                 |

\*CPC = Consumer Protection Co-operation Network – a network of national enforcement authorities from 27 Member States (and Norway & Iceland) set up under the Consumer Protection Co-operation Regulation (EC2006/2004) to handle cross-border issues.

*\*some sites had multiple infringements*

In Slovakia out of 10 sites checked 5 were flagged under the sweep and 10 sites under the sweep plus.

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