CONSUMER CREDIT BULLETIN EUROPE

by Eurofinas, the voice of consumer credit providers in Europe

eurofinas

05

autumn 2012

· FOCUS ON ·

CCD REVIEW

Birgit Collin-Langen, Member of the European Parliament, presents the European Parliament's report on the transposition of the Consumer Credit Directive. Read more about this critical first step of the CCD review process.

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INTERVIEW

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IMD 2

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EBA DAY ON CONSUMER PROTECTION

On 25 October 2012, the European Banking Authority (EBA) organised its first event on consumer protection. Eurofinas contributed to the panel discussions on consumer over-indebtedness. Find out more in this edition.

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SPECIAL FOCUS

CANNES 2012

THE ANNUAL CONVENTION OF THE EUROPEAN CONSUMER CREDIT INDUSTRY

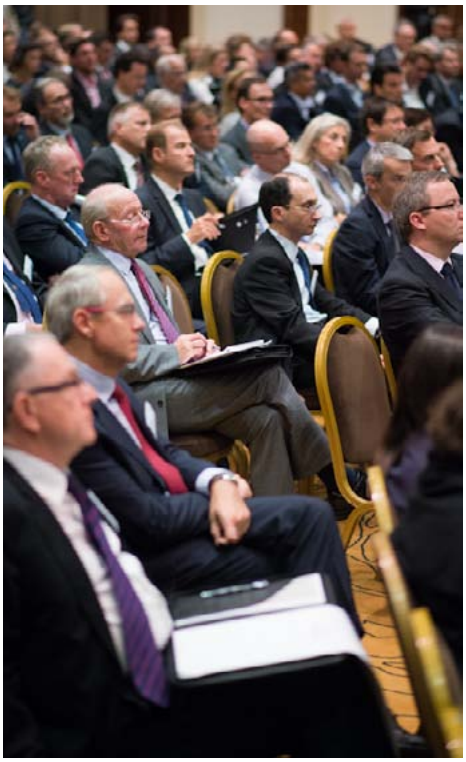
• The Annual Convention of the European Consumer Credit Industry, organised in Cannes on 11 and 12 October by Eurofinas, was a resounding success with a record number of participants.

It was held in parallel with the Annual Convention of the European Leasing & Automotive Rental Industry organised by sister Federation Leaseurope in order to offer a unique meeting platform to leading business players from across Europe and beyond, a vast majority being CEOs, MDs, and senior executives.

The event was sold out with more than 500 participants from 36 countries, including Australia, Canada, China, South Korea and the USA, and has most certainly lived up to its reputation as the undisputed gathering of the year for the industry at European level.

The Convention, spanning one and a half days, provided attendees with a top-notch and comprehensive conference programme, including stimulating panel sessions, an impressive line-up of speakers from the biggest players and outstanding networking opportunities.

See page 17 to read everything about the 2012 Annual Convention.



JUST RELEASED

Eurofinas E-Publication on Financial Education

See page 12 for more information

"Well done to Eurofinas and the team with the entire organisation - I thought it was a splendid event!"

VALENTINO GHELLI
Vice-President, Compass, Gruppo Mediobanca

CCD REVIEW

European Parliament adopts report in November

On 20 November 2012, at its plenary session in Strasburg (FR), the European Parliament adopted its Report on the Implementation of the Consumer Credit Directive. Adopted with an overwhelming majority, the Collin-Langen Report insists that priority should be given to a correct transposition of the CCD rather than its revision and the adoption of a new legislative framework.

Birgit Collin-Langen, Member of the European Parliament, presents the European Parliament's report on the transposition of the Consumer Credit Directive.

BIRGIT COLLIN-LANGEN
Member of the European Parliament

• The harmonisation of the consumer credit market across Europe is an important political task that is in the interest of both consumers and creditors. The Consumer Credit Directive 2008/48/EC was adopted in 2008 by the European Parliament and the Council with the aim of facilitating cross-border loans and fostering the internal market by bringing national legislation into line.

The Collin-Langen Report gives an overview of the implementation of the CCD. It calls for consumers applying for a loan to be provided with easily understandable explanations and clear information on the risks involved in foreign currency lending. The Report raises concerns about the calculation of the Annual Percentage Rate of Charge (APRC) and about the Standardised European Consumer Credit Information (SECCI) sheet. With the demand for "sms loans" continuously increasing, the Report pays additional attention to this issue. To be more effective and inclusive, the transposition of the Directive's provisions should involve both national legislators and financial institutions.

In that context, I believe that there is currently no need to revise the Directive. Priority should be given to a correct transposition of the Directive and enforcement in Member States.

The European Parliament,

[...]

1. Welcomes the fact that, in preparation for its review, the Commission is already conducting a study of the impact of the Directive on the internal market and on consumer protection, in order to determine exactly what bearing it will have on the take-up of cross-border credit, and applauds the comprehensive work carried out by the Commission and by national legislators and credit institutions;

2. Points out that improving the cross-border consumer credit market would generate European added value by boosting the internal market; considers that this could be achieved, inter alia, by better informing consumers about the opportunity to obtain consumer credit in other Member States and about the rights of consumers when concluding such contracts;

3. Acknowledges that cross-border consumer credit accounts for less than 2 % of the total credit market and that roughly 20 % of the loans in question are taken out online;

4. Points out that one of the purposes of the Directive was to ensure the availability of information – thus facilitating the operation of the single market also in the field of credit – and that it is therefore necessary to evaluate whether the number of cross-border transactions is increasing;

5. Takes the view that the provisions on pre-contractual information, the explanations required pursuant to Article 5(6) and the creditworthiness assessment provided for in Article 8 serve an important role when it comes to improving consumer awareness of the risks involved in taking out a loan in a foreign currency;

6. Calls, nevertheless, for supervisory authorities to require financial institutions to provide consumers with personalised, complete and easily understandable explanations regarding the risks involved in foreign currency lending, and regarding the impact on instalments of a severe depreciation of the legal tender of the Member State in which a consumer is domiciled as well as of an increase in the foreign interest rate; considers that these explanations should be provided before any contract is signed.

7. Takes note of the concerns raised in some Member States about the way pre-contractual information is presented to consumers through the Standard European Consumer Credit Information (SECCI) form and which is of such technical nature that it affects consumers' capacity to understand it effectively; considers that the efficiency of the SECCI form should be an important aspect in the assessment of the impact of the Directive carried out by the Commission;

8. Welcomes the 'sweep' operation, carried out by the Commission in September 2011, which revealed that 70 % of the financial institution websites checked failed to include relevant information in their advertising material, and certain items of key information in the credit offer itself, and contained misleading presentations of costs, and calls on the Commission and the Member States to take appropriate steps to remedy this problem; notes, in this context, that the rules on representative examples are sometimes not used as prescribed and that there is need for improvement;

9. Calls for the advertising and marketing practices of financial institutions to be strictly monitored in order to avoid misleading or false information in the advertising or marketing of credit agreements;

10. Notes that some Member States have taken up the option of extending the scope of the Directive to cover other financial products, a move which does not seem to have given rise to inconsistencies in application;

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11. Emphasises that legal provisions should reflect standard practice and the needs of the average consumer and the average businessman, and should not represent a response to a small number of abuses of the rules in such a way as to render the information provided to the consumer less understandable, transparent and comparable;

12. Notes that more comprehensive provisions do not always make for more effective consumer protection and that, in the case of inexperienced consumers in particular, too much information can serve to confuse rather than help; acknowledges, in that regard, the expertise, assistance and financial education provided by consumer associations and their potential role in credit restructuring on behalf of households in distress;

13. Calls for consumers to have a right to be informed about the cost of additional services, and about their right to buy auxiliary services such as insurance from alternative suppliers; considers that financial institutions should be required to distinguish such services and related charges from those pertaining to the basic loan, and to make clear which services are essential to the extension of a loan and which are entirely at the discretion of the borrower;

14. Considers that more detailed consideration should be given to the problems which could arise in connection with the exercise of the right of withdrawal in cases where linked agreements have been concluded; stresses the importance of making consumers aware that, should they exercise of the right of withdrawal from a contract where the supplier or service provider directly receives the sum corresponding to payment from the credit provider through an ancillary contract, no fees, commissions or costs shall be borne by the consumers in relation to the financial service provided;

15. Calls on the Commission to assess the extent of non-compliance with information duties in contracts where intermediaries are not bound by pre-contractual information requirements in order to establish how best to protect consumers in such situations;

16. Takes the view that particular attention should be paid to the complicated rules on early repayment;

17. States that, prior to interest rate changes, notification to consumers should afford them enough time to survey the market and to change credit provider before the changes take effect;

18. Notes the need to clarify the interpretation of the term 'representative example';

19. Emphasises that a uniform method of calculating the annual percentage rate of charge should be laid down, that ambiguous provisions should be clarified and that consistency should be established with all other legal instruments;

20. Calls on the Member States to ensure that national supervisors are granted all the necessary powers and resources to discharge their duties; calls on the national supervisory authorities to monitor compliance with, and enforce, the provisions of the Directive in an effective way;

21. Stresses that, when setting transposition deadlines in future, greater account should be taken of such changes in national law that the transposition process entails;

22. Calls on the Member States to extend the existing level of consumer protection to credit, including short-term credit, provided over the internet, through short message services or other distance communication media, which are becoming an increasingly common feature of the consumer credit market, involving amounts below the lower threshold of EUR 200, presently outside the scope of the Directive;

23. Emphasises 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;

24. Takes the view that, in the furtherance of a full and correct transposition, the practical impact of the Directive should be assessed before the Commission proposes any required amendments; 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;

[...]

As reported in the Consumer Credit Bulletin Europe nº4, the Consumer Credit Directive shall be reviewed in spring 2013. To prepare for the review, the European Commission is conducting, in collaboration with national authorities, a transposition check. This initiative shall be finalised by year end. In parallel, the Directorate General for Consumer Affairs commissioned the UK-based consultant London Economics to undertake a study on the European consumer credit market. London Economics is expected to deliver its final report by the end of November. Its findings will fit into the Commission's own analysis. Survey questionnaires were recently addressed to the Eurofinas membership to collect industry observations on the CCD transposition and market trends.

The Commission will release a Working Document in June 2013. This Working Document will outline the Commission's findings and introduce potential adjustments to the current regulatory framework.

In parallel, Germany-based consultant Civic Consulting is conducting a study on over-indebtedness on behalf of the Commission. We understand that the Commission will soon consult stakeholders on the causes and consequences of over-indebtedness. This consultation shall be an opportunity to confirm or complete the analysis of Civic Consulting. A public event shall also be organised by the Commission in 2013 to debate over-indebtedness in Europe.

Though we do not oppose, in principle, a reflection at European level on the causes and consequences of households' over-indebtedness, we believe that the scope of such an initiative considerably exceeds the regulatory treatment of consumer credit transactions and should therefore not be associated to the review of the CCD. This is because households' over-indebtedness not only requires an analysis of all forms of debts (i.e. not only related to consumer credit) but is also intrinsically linked to wider macro-economic factors (unemployment levels, wage levels etc.), changes in personal circumstances and the existence of personal bankruptcy regimes/insolvency proceedings.

It is also worth mentioning that there is currently no single EU-wide definition of over-indebtedness. Any potential action in this field would therefore require in depth discussions on the best methodology/benchmarks.

For these reasons, we asked EU policy makers that the issue of households' over-indebtedness be handled separately from the formal review of the CCD. These developments are key priorities for Eurofinas, who will keep its members informed.

ALTERNATIVE DISPUTE RESOLUTION

• On 30 May 2012 and 10 July 2012, the Council and the European Parliament respectively adopted their position on the European Commission's Proposals for a Directive on Alternative Dispute Resolution (ADR) and a Regulation on Online Dispute Resolution (ODR).

European institutions are now negotiating the final text.

The Directive on ADR aims to ensure that quality out-of-court entities exist to deal with any contractual dispute between a consumer and a trader. The Regulation on ODR would establish an EU-wide online platform offering a single point of entry for resolving cross-border online disputes.

As reported in the Consumer Credit Bulletin Europe nº4, the new European legislation on ADR/ODR will cover all sectors (i.e. not only financial services).

Eurofinas proposals were as follows:

- To recognise and include in the scope of the new legislation all existing ADR entities set up by national associations / groups of firms and which constitute a different legal entity from an individual trader;
- To introduce a right of appeal where national authorities decide that the outcome of ADR procedures should be binding on traders;
- To remove the reference to collective out-of-court settlements as no impact assessment has been conducted so far in this field and,
- To provide more flexibility in the provision of information on ADR mechanisms.

All of these points were successfully included in the Council's General Approach or the European Parliament's Report on ADR/ODR.

However, we should anticipate a number of requirements which, depending on local characteristics, may prove difficult to implement or will substantially change the existing local framework for the out-of-court settlement of disputes. These include a mandatory period of time within which complaints should be resolved, additional professional or ethical requirements for natural persons or collegial bodies in charge of dispute resolution and the publication of final decisions of an exemplary nature. It is also worth highlighting the introduction of a European quality label for ADR entities.

Eurofinas addressed its observations to key political stakeholders and actively follows the ongoing negotiations.

Coming soon

MARKET PROFILES COMING SOON

• Eurofinas will be releasing updated 2011 Market Profiles later this year, which will give a brief overview of our contributing members, showing their macro-economic context, their national consumer credit market structure and the position of the national association's membership within the local market. For more information, please contact h.mcewen@eurofinas.org

DATA PROTECTION: STARTING TO PROGRESS

• Discussions on the European Commission's Proposal for a new data protection framework are starting to pick up. Within the European Parliament, the various Committees in charge have published their respective draft opinions on the matter. They contain aspects of crucial importance for consumer credit providers, such as references to the need for data to fight fraud, the deletion of the right to data portability and a reduction in the number of possible delegated acts.

The Council, from its side, has recently made public the responses it received from Member States on a questionnaire relating to the use of delegated and implementing acts within the Proposal. The majority of the Member States have expressed reservations with regard to these powers. The Cyprus Presidency is aiming to finalise horizontal discussions at political level regarding the delegated acts, administrative costs for SMEs and the application of the rules to both the public and private sectors by the end of the year.

interview

NICCOLÒ UBERTALLI

NICCOLÒ UBERTALLI
Head of Consumer Finance, UniCredit

1. Mr. Ubertalli, tell us about yourself

I am a Spanish-born Italian, married, with two kids, I love skiing, golfing and banking! As far as my career is concerned, after an experience in manufacturing and consulting, I moved to banking in 2002 with UniCredit within the team that started the Group's consumer finance operations. I left the Group in 2003 to follow my wife to the US and, after a few years spent between Wilmington, Delaware, New York and London working for MBNA (today Bank of America), I returned to UniCredit in 2006 as Chairman and Executive Director of a newly founded UniCredit Consumer Finance Bulgaria, to start up operations. In 2009, I was appointed Chief of Staff for the Group's CEO in Milan, a great and very valuable experience.

In 2011, I returned to business, as Head of Consumer Finance operations for the Group, coordinating all related international operations.

Starting October 2012, I am also the Deputy CEO of UniCredit's bank in Romania (UniCredit Tiriac Bank). The job is new for me and it is a great challenge within an extremely interesting environment.

2. In a few words, what are the main activities and the market positioning of the Unicredit "Consumer Finance Division"?

UniCredit has developed dedicated consumer finance operations, where there was a market opportunity coupled with a strong retail banking footprint. Given this approach, UniCredit Consumer Finance has been very flexible in the country set up depending on local needs and market conditions. In some countries, we are organised as a division of the bank – for example in Italy, Russia, Poland or Czech Republic – in other countries we have built a separate legal entity – for example in Bulgaria and Romania – and in Germany we work as a branch of our Italian bank.

Being innovative in this business is not an easy task. Most consumer financing companies offer more or less the same products, and obviously, so do we: from personal loans to point-of-sale financing, from car loans to credit cards. We believe that the real differentiating factor in this business stands more on the service side rather than on the product side. In this respect, we strive to serve our clients through multiple channels: retail branches, dedicated point-of-sale financing, internet and mobile banking. Last but not least, our key differentiating factor resides in the strong UniCredit retail network that we are able to fully leverage, in order to create significant synergies with our business and a 360° service for customers banking needs.

3. In your strategic agenda for the coming three years, what balance are you expecting between revenue growth, risk management and cost containment?

Risk management cannot be considered a new point in the strategic agenda as it is the cornerstone of our business, it is the focus point that keeps our business together in good or bad times. Cost optimisation and synergies at UniCredit is the focus in the next years, since growth perspectives are uncertain at European level. I have to admit that we continued growing strongly in the markets we are in (in particular in CEE markets) and actually we have also been geographically expanding our operations (e.g. Czech Republic and Russia). This growth and expansion were feasible because of the prudent approach we have always taken in managing risk across the cycles.

4. In your view, what is the current position and outlook for the CEE market, which has suffered during the credit crisis?

CEE remains a core market for UniCredit in general and for the consumer financing business in particular. Alongside the Group's strategy, we intend to continue the expansion phase in some countries, while in others we will be more conservative, according to the economic forecast.

For example, consumer lending in CEE recovered after a slump of 2.9% in 2009 and posted impressive growth rates of 14.5% in 2010 and 11.3% in 2011. This year, the growth rate could exceed 20%.

The strong growth comes against weak lending in the euro area, showing that CEE countries remain a growth hub for European banks. Nevertheless, as I mentioned previously, there is strong differentiation among CEE countries: larger markets or markets with a good local deposit growth, or loan-to-deposit ratios below 100%, have a great potential of expansion; in other CEE markets, slow economic growth and continuing deleveraging in the private sector affect demand for new lending. Overall, the outlook for CEE consumer financing remains positive and the market is expected to recover once consumer sentiment improves and households return to long-term purchases on a better assessment of future revenues.

5. What is your vision for the future of the consumer credit industry and does consumer credit remain an appealing business for its shareholders?

Consumer credit will definitely remain an appealing business, the question is in what form it will be managed in the future. Even during the past years, there was a change in the customer behaviour and those companies that could not follow and adapt had to exit the market. Therefore, my belief is that the future of consumer financing will be much more about helping the

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customer in finding the right product for his needs, much more about responsible lending, much more about simplicity and less bureaucracy, in two words, much more about customer care. The role of the bank will also become paramount, as those consumer financing companies that could benefit from a retail network support, and therefore deposits, will have the means to support a healthy and sustainable business in the future. Others are doomed to fail.

EUROFINAS 2012 ANNUAL REVIEW

• Eurofinas released its 2012 Annual Review. The document provides an overview of the Federation's activities and lobbying actions in 2011/2012 and was distributed at the Annual Convention of the European Consumer Credit Industry in October.

To get your copy of the 2012 Annual Review, please contact a.valette@eurofinas.org

CHILDREN, YOUTH AND FINANCE: A GLOBAL RESPONSIBILITY TO ACT

BY CHILD & YOUTH FINANCE INTERNATIONAL

• Financial inclusion and education for children and youth has never been more important. However, in the years since the failure of the subprime mortgage market in 2008 there have been times when the collective response to the crisis has seemed to treat children and youth as little more than an afterthought. Even though children and youth did not play a part in the over-leveraging that led to the crisis, they still suffered its effects - effects which, according to U.N. Secretary-General Ban Ki-moon, "hit youth the hardest" and threaten to create a "lost generation". Soon, the world will look to that same generation for economic growth. Clearly, both governments and institutions have a responsibility to ensure the financial capabilities and safety of children and youth.

With the increasingly complicated and risky financial products on offer today, it becomes all the more important that individuals are introduced to the financial system early and, critically, in the right manner. For the stakeholders within the global Child and Youth Finance Movement, this means ensuring that children have sufficient and well-rounded financial education, coupled with access to savings accounts. Through every step of this process, it becomes the duty of the financial sector and of the entire system to ensure that children's fundamental rights are upheld. This includes efforts to increase the financial capabilities of children and youth and eliminating their financial exploitation in any of its forms, including fraud and predatory lending.

Achieving this requires a truly global support effort. To this end, Child and Youth Finance International (CYFI) follows in the steps of the successful anti-child labor, microfinance, and polio movements of the 20th century to create a cohesive network. Financial institutions have joined the global Child and Youth Finance Movement by offering appropriate "Child and Youth Friendly" savings products. Financial education providers are offering curricula that adhere to a Learning Framework developed by the CYFI network. National authorities have taken the steps towards drafting policies to establish nationwide financial inclusion, education and safety of children and youth. As best practices are developed and certification for appropriate financial products has been made available, partners will be able to find the support they need for shared success.

The financial community today has an important responsibility, both to the current generation of financial actors and to the next. By providing safe and accessible financial services for children and youth and supporting their continued financial education, the financial community in particular can ensure that children and youth's transition into the financial system is a healthy, safe and lasting one.

Financial institutions are invited to become official partners of the Child and Youth Finance movement, and share their commitment to furthering financial inclusion for children and youth. Partners can also work closely with the CYFI Secretariat to develop/certify child and youth friendly savings accounts.

Learn more about how to become an official Child and Youth Finance Partner at www.child-financeinternational.org

Child&Youth Finance International

INSURANCE MEDIATION DIRECTIVE 2

Impact on the industry and what next?

• On 3 July 2012, the European Commission published, after almost 2 years of discussions, stakeholder consultation and internal work, its Proposal for a revised Insurance Mediation Directive (IMD 2). The Proposal will have a direct impact on consumer credit providers and their partners' business, in their capacity as insurance intermediary.

The Commission foresees that the IMD 2 would be applicable to the provision of almost all types of insurance products by both insurance undertakings and all types of intermediaries. This includes insurances linked to assets and loans.

The IMD 2 Proposal is constructed around five main pillars: (i) registration or declaration of intermediaries with the competent authorities, (ii) professional and continuous education requirements to be fulfilled by the intermediary, (iii) (pre-contractual) information that has to be provided to the customer, (iv) measures to avoid conflicts of interest, including the disclosure of the amount of remuneration received by the intermediary and finally (v) sanctions for non-adherence to the rules.

In a number of areas, the Proposal follows the Eurofinas position, which was communicated to the Commission on several occasions. Foremost, the Proposal provides for a differentiated approach for intermediaries that mediate low risk, low complexity products. Knowledge and ability requirements shall be tailored to the complexity of the products being mediated. Another point repeatedly raised by Eurofinas, namely that legislation should take into account the ancillary capacity of some insurance intermediaries, has also been taken on board in the Proposal. A lighter declaration regime is foreseen for some intermediaries who distribute insurance in an ancillary capacity, incidental to the main service/good they distribute, exempting these intermediaries from a number of provisions.

Whilst the Proposal does take into account the specificities of the various distribution channels of insurance products, a number of concerns remain for the consumer credit industry. The first is the disclosure of remuneration, a topic being discussed at European and national level in a number of files at the moment. The IMD 2, if adopted unamended, would introduce a European obligation to disclose remuneration. Remuneration is understood to capture all economic benefits. In addition to the disclosure of the amount of remuneration received by the intermediary, the disclosure of the nature and basis of variable remuneration receivable by individual employees of both intermediaries and undertakings is also foreseen. Secondly, the provisions on cross-selling practices, which prohibit product tying but permit bundling under certain circumstances, introduce additional information requirements and present the risk that insurance products would have to be sold on a stand-alone basis.

Thirdly, there is a distinct risk that stricter professional requirements come at a later stage due to the minimum harmonisation nature of IMD 2 and in views of the diversity of regulation across the Member States (see page 12).

Finally, the Proposal leaves a number of issues to be determined in further detail at a later stage, through delegated acts, developed by the European Insurance and Occupational Pensions Authority (EIOPA) and adopted by the Commission. There is therefore a risk for businesses that those processes put in place upon implementation of IMD 2 will subsequently have to be changed again when the delegated acts are adopted.

In particular, delegated acts are envisaged for professional qualifications and disclosure of remuneration. Another delegated act would lay down the criteria for disclosing remuneration. This includes contingent commission and steps that intermediaries may reasonably be expected to take to disclose their remuneration.

WHAT NEXT?

The Proposal will now be discussed in the European Parliament and the Council, with first discussions taking place in the Parliament in November 2012. The Rapporteur in charge of the file, German MEP Werner Langen, recently released a Working Document outlining stakeholders' positions and some preliminary considerations on the file. There is a strong possibility of wider political discussions whilst this file progresses through the Parliament and Council.

Eurofinas will continue to lobby on this file, together with the expertise of its IMD Task Force and also through the network of its associate members.

For more information, please contact a.delava@eurofinas.org

IN THE PRESS

• The Eurofinas press release issued on the occasion of the publication of the IMD 2 was covered in a number of European media. For more information, please contact a.valette@eurofinas.org

PRUDENTIAL AND SUPERVISORY REGULATION

More to come

CRD IV package

• The European transposition of Basel 3, the fourth Capital Requirements Directive and its accompanying Regulation (CRD 4/CRR), is working its way through the European legislative process, although at a much slower pace than initially expected given the volume of unresolved issues that European institutions are still having to deal with.

Earlier this year, together with other European trade organisations, Eurofinas has been campaigning strongly to ensure maximum flexibility for lending institutions in the new CRD 4 package. In this context, important amendments were secured.

We warned against the expected increase in the cost of capital and liquidity and changes to consumer credit providers' structure and refinancing models, which could have a direct impact on the provision of finance to households. As such, it could also have a direct impact on the economic growth of European markets which, in general, heavily rely on private consumption.

European institutions are currently negotiating the final text. At the time of going to press, an agreement on a high number of provisions including liquidity standards is still to be reached. With other members of the European Banking Industry Committee (EBIC), Eurofinas drew EU policy makers' attention to the need for a realistic implementation timetable.

Several Members of the European Parliament proposed assigning a specific risk weight to exposures to small and medium sized enterprises (SMEs). This risk weight would be more favorable than for exposures to households. As proposed by the European Commission and, in line with Basel 3 requirements, Eurofinas stressed the need to keep considering lending to households and lending to SMEs as one and only 'retail exposures' category for capital requirements purposes.

Shadow banking

As reported in the Consumer Credit Bulletin n°3, Shadow Banking has been gaining increasing attention at international and European levels. The European Commission, the European Parliament as well as the Financial Stability Board are all currently working on this issue.

Eurofinas responded to the European Commission's Green Paper on Shadow Banking in June this year. A summary of stakeholders' responses to the Commission's Green Paper was presented and discussed at a meeting of the Eurofinas Legal and Policy Committee on 4 September 2012. We now expect a Communication to be released by year end. The Communication shall outline the Commission's analysis as well as potential areas of regulatory intervention.

The European Parliament has also been adopting an own-initiative report on Shadow Banking. The draft report included a recommendation to extend the scope of the CRD 4 package to cover all non-deposit taking institutions. Eurofinas has been working hard to promote a more balanced approach that would not only take into account the specificities of non-deposit taking institutions but also consider the need to adjust existing prudential rules to avoid a disproportionate impact on these institutions. Our views were taken on board by the Parliament.

At its October plenary meeting, the Financial Stability Board (FSB) discussed a draft set of policy recommendations to strengthen the oversight and regulation of shadow banking. We expect the FSB to issue a consultation on an initial set of policy recommendations by year end. In parallel, the International Organisation of Securities Commissions (IOSCO) has been consulting on global developments in securitisation regulation. Stakeholders were invited to provide the IOSCO with their views on i) differences in approaches to risk retention, ii) improvements in transparency and iii) standardisation in product disclosure.

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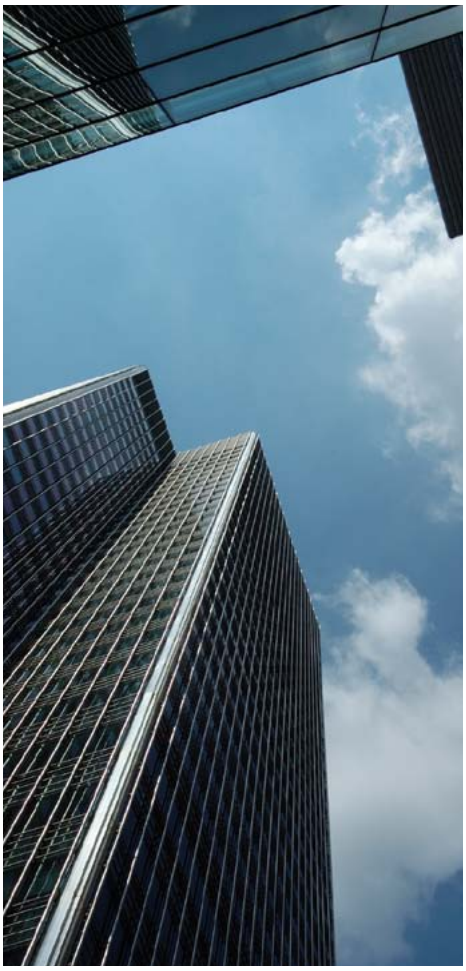

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Resolution and recovery

On 6 June 2012, the Commission adopted a legislative proposal for bank recovery and resolution. The proposed framework sets out the necessary steps and powers to ensure that bank failures across the EU are managed in a way which avoids financial instability and minimises costs. The Proposal is currently being discussed within the European Parliament and the Council.

In parallel, the Commission has launched a consultation on a possible framework for the recovery and resolution of non-bank financial institutions. The consultation paper discusses the systemic risks that can be posed by central clearing parties, central securities depositories, insurance firms and payment institutions and the need to develop recovery and resolution frameworks for such entities in addition to solvency requirements.

Banking union

On 12 September 2012, the Commission adopted a package of proposals to set up a single supervisory mechanism (SSM) for the banking sector. The package includes:

- A legislative proposal for a regulation to give specific tasks related to financial stability and banking supervision to the European Central Bank (ECB). This regulation will provide the ECB with strong powers for the supervision of all credit institutions in the euro area, with a mechanism for non-euro countries to join on a voluntary basis.

- A legislative proposal for a regulation designed to align the existing Regulation 1093/2010 on the establishment of the European Banking Authority (EBA) to the modified framework for banking supervision. This regulation should ensure that the EBA decision-making remains balanced and that EBA continues to preserve the integrity of the Single Market.

- A Communication outlining the Commission's overall vision for the banking union, covering the single rulebook and the single supervisory mechanism, as well as the next steps involving a single bank resolution mechanism.

The single supervisory mechanism will cover all (approximately 6,000) credit institutions (as defined in the existing Banking Directive) in the euro area. It is proposed to have the SSM in place as of 1 January 2013. A phasing-in period is envisaged which would allow the ECB and national supervisors sufficient time to prepare. As a first step, as of 1 January 2013, the ECB may decide, at its discretion, to assume full supervisory responsibility over any credit institution, particularly those which have received, or requested public funding.

As of 1 July 2013, all banks of major systemic importance will be put under the supervision of the ECB. The phasing-in process should be completed within one year from the entry into force of the Regulation at the latest, that is on 1 January 2014, when the new SSM will cover all banks.

Eurofinas will follow the debates closely.

Liikanen report

On 2 October 2012, the High-level Expert Group on reforming the structure of the EU banking sector presented its report to the European Commission.

The analysis conducted revealed excessive risk-taking – often in trading highly-complex instruments or real estate-related lending – and excessive reliance on short-term funding in the run-up to the financial crisis.

The Group has reviewed the on-going regulatory reforms, initiated to address these and other weaknesses, paying particular attention to capital and liquidity requirements and to the recovery and resolution reforms. The Group then assessed whether additional structural reforms are needed.

In particular, the Group recommends a set of five measures:

- Mandatory separation of proprietary trading and other high-risk trading activities;

- Possible additional separation of activities conditional on the recovery and resolution plan;

- Possible amendments to the use of bail-in instruments as a resolution tool;

- A review of capital requirements on trading assets and real estate related loans; and

- A strengthening of the governance and control of banks.

For more information, please contact a.giraud@eurofinas.org

EU CONSUMER CREDIT SWEEP

- Member States provided the Commission with the final results of the Sweep Initiative at the end of September. The Commission is now reviewing the various results which shall be publicly presented in January 2013.

The sweep exercise was carried out by the Commission and the Consumer Cooperation Network on a confidential basis. It consisted of an EU-wide investigation of more than 500 consumer credit websites across the EU.

EBA DAY ON CONSUMER PROTECTION

• The European Banking Authority (EBA) organised its first event on consumer protection on 25 October 2012 in London. The event, which consisted of three panels dedicated to consumer indebtedness, "retailisation" of complex financial products and consumer trends in EU retail banking, brought together a broad diversity of stakeholders from across Europe.

Eurofinas Director General, Tanguy van de Werve contributed to the panel discussions on consumer indebtedness.

He stressed the need to avoid taking new European initiatives in the field of consumer credit pending the publication of the results of the European Commission's review of the 2008 Consumer Credit Directive (CCD).

Recalling the far-reaching lenders' obligations under the CCD in the field of information, duty to explain and assessment of an applicant borrower's creditworthiness, he indicated that the priority should be to ensure proper compliance with, and due enforcement of, the CCD provisions.

All the participants recognised the multidimensional nature of consumer over-indebtedness and the fact that more and more over-indebted people simply turn out to be incapable of paying their utility/telecom bills or their taxes while having no loan outstanding.

At the event, Andrea Enria, EBA Chairman, outlined the initiatives EBA has already undertaken or plans to undertake in the coming months. These include:

- EBA report on consumer trends
- EBA technical standards (in the context of the Directive for credit agreements related to residential property)
- EBA Guidelines on Responsible Mortgage Lending and on Arrears Handling
- EBA Guidelines on Hidden Risks in the Non-Mortgage Lending Sector

Closing the day, Adam Farkas, EBA Executive Director, insisted on the need for EBA to identify and understand which factors concretely affect consumers. He highlighted that simply increasing the amount of regulation is not a panacea – a change in banks' behaviour is also required. The EBA can contribute to regulation through technical standards and guidelines and can also facilitate the spread of best practices. The EBA is in the process of designing a framework to get credit and financial institutions to set up internal systems that would tighten the way products are launched to take account of the risk impact on consumers.

Eurofinas is committed to contribute constructively to the work of EBA in the field of consumer protection and lending to households.

For a more detailed summary of the EBA Day on Consumer Protection or more information on the EBA Work Programme, please contact a.giraud@eurofinas.org

TANGUY VAN DE WERVE, Eurofinas Director General; ANNIK LAMBERT, EMF Secretary General. © European Banking Authority.

EBA panel on consumers' over-indebtedness.
© European Banking Authority.

ADAM FARKAS, EBA Executive Director. © European Banking Authority.

SPEAKING AT EVENTS

- **Alexandre Giraud**, Senior Legal Adviser, spoke at the Annual Conference of Eurofinas associate member the Association of Consumer Credit Information Suppliers (ACCIS) in Reykjavik, Iceland, on 14 and 15 June 2012.

Anke Delava, Legal Adviser, spoke on the Proposal for an Insurance Mediation Directive (IMD 2) at the International Insurance Business Line Seminar of Crédit Agricole Consumer Finance in Amsterdam, the Netherlands, on 13 July 2012.

Anke Delava spoke on the IMD 2 at the Leadership Council Meeting of FGA Capital in Turin, Italy, on 13 September 2012.

Alexandre Giraud gave a presentation on the Proposal for a Directive on Credit Agreement related to Residential Property and the IMD 2 at a joint event organised by Sopra and Crefius in Antwerp, Belgium, on 4 October 2012.

Anke Delava spoke on the impact of the IMD 2 at the Continental Europe Seminar of Eurofinas associate member BNP Paribas Cardif in Stuttgart, Germany, on 8 October 2012.

Alexandre Giraud gave a presentation on European developments at the 9th Annual Consumer Finance Conference of Eurofinas member FLA in London, United Kingdom, on 18 October 2012.

Tanguy van de Werve, Director General, participated in a panel on consumer indebtedness at the European Banking Authority Day on Consumer Protection in London, United Kingdom, on 25 October 2012.

Jurgita Bucyte, Adviser in Statistics and Economic Affairs, gave a presentation on the European consumer credit market at the Consumer Credit Conference of Eurofinas member Bankenfachverband in Berlin, Germany, on 6 November 2012.

Tanguy van de Werve spoke at the 8th National Conference of Eurofinas member ALB in Bucharest, Romania, on 15 November 2012.

FINANCIAL EDUCATION REMAINS A TOP PRIORITY FOR THE CONSUMER CREDIT INDUSTRY

Second edition of the Eurofinas E-publication launched

• Since the first edition of the Eurofinas Financial Education E-publication was released in 2009, Financial Education has remained at the forefront of policy makers' attention and work at European and international level. It has also been a top priority for the industry. With a range of new initiatives and schemes aimed at empowering borrowers, the consumer credit industry's efforts in this area have not come to a standstill. On the contrary, over the past years, financial literacy initiatives have continued to be developed and improved.

The recently launched second edition of the E-publication is the result of extensive collaboration between Eurofinas, its member associations and consumer credit providers. The publication consists of a sample of national trade association initiatives as well as various case studies on lenders' projects. It offers a unique insight into the said initiatives and projects, including a review of their objectives, format and notable results. The final part of the E-publication is dedicated to Financial Education initiatives taken by credit bureaux.

The publication is testament to the continued commitment of the industry to financial literacy, as a complement to lenders' obligation to lend responsibly. Possessing key financial skills provides borrowers with a solid foundation to take the right borrowing decisions and can further contribute to the prevention of over-indebtedness. It is essential that borrowers have basic financial skills such as the ability to budget and save, the knowledge of how credit works and an ability to understand the conditions contained within a credit agreement. Financial Education schemes can also raise awareness of the costs and the processes (such as credit scoring and the role of credit bureaux) involved in borrowing.

Eurofinas Chairman Pedro Guijarro comments: "Our work is however not finished yet – much more remains to be done by both the industry and other stakeholders over the coming years. We look forward to working together with all parties to promote and improve financial literacy across Europe."

The publication is available on the Eurofinas website or can be requested by contacting a.delava@eurofinas.org

EIOPA: INCREASING FOCUS ON INSURANCE INTERMEDIARIES

• In October 2012, the European Insurance and Occupational Pensions Authority (EIOPA) published its 2013 Work Programme as well as its 2012-2014 Multi-Annual Work Programme. Increasingly, the activities of EIOPA will have a direct impact on consumer credit providers and their partners in their capacity as insurance intermediaries.

Concretely, in 2013, EIOPA will produce a further report analysing consumer trends. The initial report, published in February 2012, identified Payment Protection Insurance (PPI) mis-selling as one of the main consumer trends. EIOPA is currently exploring whether or not to intervene regarding PPI and what shape such intervention should take. Future action could, amongst others, take the form of a formal warning on PPI or its sales process, or guidelines. EIOPA will also evaluate what the consequences of any such intervention may be on the market.

In October 2012, the results of a mapping exercise carried out by EIOPA on industry training standards in place in the Member States were released. In the context of the still-to-be adopted new Insurance Mediation Directive (IMD 2), which foresees a number of tasks for the Authority in terms of delegated acts (see page 7), EIOPA will continue its work in the area of training standards.

A final workstream to take into account will be the development of guidelines on complaints-handling applying to insurance intermediaries. These guidelines will reflect the status of intermediaries and their (agent) relationship with the insurance undertaking. The industry will have the opportunity to put forward its views in a public consultation.

Eurofinas met with the officials in charge of these files in September 2012 with the aim of establishing a continuous dialogue and ensuring that Eurofinas will be their first port of call for all consumer credit-related issues.

MORTGAGE CREDIT DIRECTIVE

• The Council and the European Parliament have respectively adopted their position on the European Commission's Proposal for a Directive on Credit Agreements related to Residential Property.

European institutions are now currently negotiating the final text. In general, it appears that progress is slow during the discussions. The tentative timetable for adoption of the Directive is not before the end of the 1st quarter of 2013.

What are the Eurofinas priorities?

- To ensure a balanced regulatory framework for first and second charge mortgage lenders;
- To avoid any overlap between consumer credit and mortgage credit regulatory frameworks; and
- To anticipate potential extension at national level of the proposed requirements.

To do this, Eurofinas worked intensively to mitigate those of the proposed provisions that could have hampered the first and second charge mortgage sectors as well as unsecured lending should national regulators opt for an enlarged transposition of the Directive.

We have now addressed our final observations to the European institutions ahead of the trilogue negotiations.

Eurofinas position in a nutshell

1. We strongly oppose the European Parliament's proposals to include all unsecured loans (the purpose of which is the renovation of a property) and overdrafts under the Directive. This would not be consistent with the work conducted so far at European level and the clear regulatory distinction between secured and unsecured lending. It would also expose lending institutions to major unnecessary costs and legal uncertainty as they would have to adjust all business processes, IT systems and staff training to the new Directive after just having implemented the Consumer Credit Directive's requirements.

2. We agree with the European Commission that staff and intermediaries should act honestly, fairly and professionally in accordance with the best interests of the consumer.

Many creditors or intermediaries do not advise *per se* their customers but limit their activity to the provision of information and explanations on the products. We take the view that where no advisory services are provided to applicant borrowers, there is no possible risk of conflict of interest. We therefore oppose the Parliament's proposal that remuneration of staff cannot be contingent on the number or proportion of applications accepted.

We support the provision of complete, transparent, understandable and well-balanced information by creditors or credit intermediaries to applicant borrowers. However, we strongly oppose the Council proposal to disclose the amount of the remuneration/commission payable by a creditor to a credit intermediary.

3. Eurofinas is strongly opposed to the discretion provided to Member States by the Council to introduce a duty to advise. Advice should be a separate service to be requested by the consumer. This is recognised by the Commission which does not place a duty for lenders to provide advice but rather determines the standards advice should meet where it is provided.

4. Eurofinas supports the decision by both the European Parliament and the Council to restrict the delegated acts to non-essential elements of the Proposal.

We will continue to work intensively to improve the Directive proposal and carry on being fully involved in joint industry actions. For further information, please contact a.giraud@eurofinas.org

EUROFINAS WELCOMES NEW ASSOCIATE MEMBER

• Eurofinas is delighted to welcome Genworth Financial as its latest associate member.

Genworth Financial is a leading Fortune 500 insurance holding company dedicated to helping people secure their financial lives, families and futures. Genworth has leadership positions in offerings that assist consumers in protecting themselves, investing for the future and planning for retirement – including life insurance, long term care insurance, financial protection coverages, and independent advisor-based wealth management – and mortgage insurance that helps consumers achieve home ownership while assisting lenders in managing their risk and capital.

Genworth has approximately 6,400 employees and operates through three divisions: Insurance and Wealth Management, which includes U.S. Life Insurance, Wealth Management and International Protection segments; Global Mortgage Insurance, which includes U.S. and International Mortgage Insurance segments; and the Corporate and Runoff division. For more information visit www.genworth.co.uk

More information on the Eurofinas Associate Membership Programme and the other associate members can be found on page 25.

UNFAIR CONTRACT TERMS

Review *in limine litis*

• On 14 June 2012, the European Court of Justice of the European Union (CJEU) issued a decision on the reference for a preliminary ruling from a Spanish Local Court. This decision is of relevance for the consumer credit industry.

The dispute

On 28 May 2007, the applicant concluded a motor finance agreement of 30,000 EUR with a Spanish credit institution. The Annual Percentage Rate of Charge was 8.890% and the rate of interest on late payments 29%.

On 8 January 2009, the credit institution submitted before a local court an application for an order for payment corresponding to unpaid monthly repayments (in addition to contractual interests and costs).

According to the local court, the disputed agreement was a pre-formulated standard contract, concluded without any real opportunities for negotiation and including general conditions. The 29% rate of interest for late payment could not be distinguished from the rest of the text as regards the font, the size of the letters used or specific acceptance by the consumer.

The court decided that the term relating to interest for late payment was automatically void, on the ground that it was unfair. The court also fixed that rate at 19%, referring to the statutory rate of interest and to the rates of interest for late payment included in national budget laws from 1990 to 2008. The local court ordered the credit institution to recalculate the amount of interest for the period at issue in the dispute.

Questions addressed to the CJEU

With its first question, the referring court asked whether local legislation prohibiting a court to assess *in limine litis*[1] or at any other stage of the proceedings, whether a term relating to interest on late payments contained in a contract concluded between a professional and a consumer is unfair (and where that consumer has not lodged any objection) is compatible with Directive 93/13/EEC on unfair contract terms.

With its second question, the referring court asked whether local legislation which allows a court, in the case where it finds that an unfair term in a contract concluded between a professional and a consumer is void, to modify that contract by revising the content of that term, is compatible with Directive 93/13/EEC on unfair contract terms.

Judgment of the Court

Legislation which does not allow a court to assess *in limine litis* or at any other stage of the proceedings, whether a term relating to interest on late payments contained in a contract concluded between a professional and a consumer is unfair (and where that consumer has not lodged any objection) is incompatible with Directive 93/13/EEC on unfair contract terms.

This is because the legislation would make it impossible or excessively difficult in procedures initiated by traders to apply the protection which the Directive confers to consumers.

Directive 93/13/EEC on unfair contract terms is also incompatible with legislation which allows a court, in the case where it finds that an unfair term in a contract concluded between a professional and a consumer is void, to modify that contract by revising the content of the unfair term.

This is because the modification of the terms by a local court would weaken the dissuasive effect the Directive has on traders as the potential unfair terms could always be modified/adjusted by national jurisdictions.

For more information, you can download the judgment here (available in all official languages).

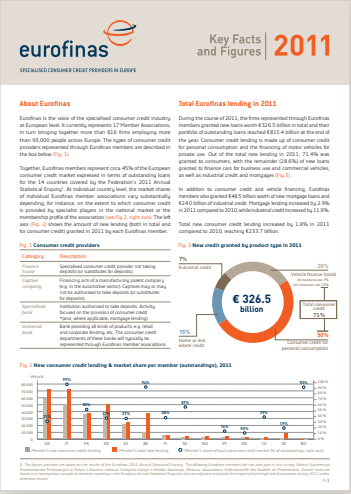
1. At the start of the procedure

KEY FACTS & FIGURES

• Eurofinas 2011 Facts & Figures are now available on the Eurofinas website.

It provides a snapshot of key market trends, including information on the size of the market, growth rates, number of contracts and average loan size for different product breakdowns.

For more information, please contact h.mcewen@eurofinas.org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SPECIALISED CONSUMER CREDIT PROVIDERS IN EUROPE
Key Facts and Figures 2011

About Eurofinas

Total Eurofinas lending in 2011


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Key Facts and Figures 2011

Number of new contracts & average loan size

Eurofinas members

Visit the Eurofinas website at www.eurofinas.org for more information on the Federation's members and activities.

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EUROPEAN CONSUMER CREDIT MARKET WEAK IN H1 2012

Although the situation is divergent by region

• Looking at the results of the Eurofinas Biannual Survey, 2012 has so far seen a general decline in market conditions for lending. European consumer credit providers represented through Eurofinas[1] granted new loans worth €156.5 billion in the first half of the year, a decrease of 6.3% compared to the same period in 2011[2]. Most of this decline however, can be sourced in the mortgage loan sector, while consumer credit remained weak but stable.

Chart 1 shows the changing growth rates (period-on-period) for Eurofinas consumer credit lending between 2006 and 2012.

Total new consumer credit lending[3], which accounts for the majority of new Eurofinas lending (75%), declined by -1.1% in the first half of 2012, following on the back of weak performance towards the end of 2011. The proportion of new credit accounted for by various lending categories is shown in **Chart 2**, along with a breakdown of consumer credit.

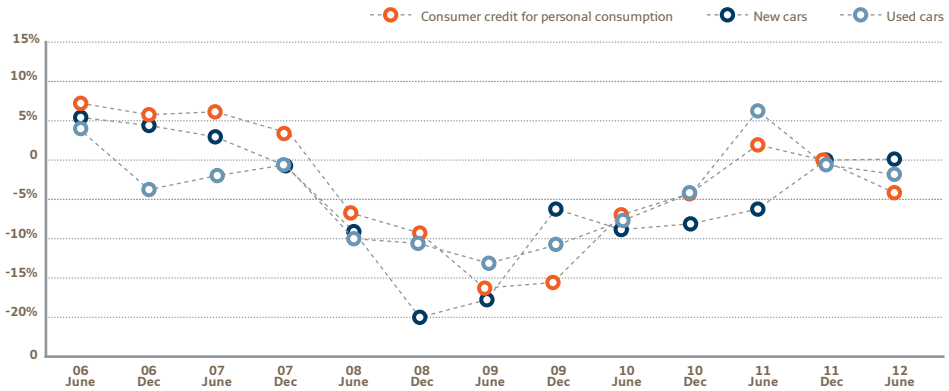
This overall decrease in new consumer credit was not driven by a specific product sector, as personal loans, revolving credit and consumer goods credit at the point of sale all saw small declines (-2.8%, -1.3% and -2.1% respectively). However, credit cards did see a small increase in new business of 1.6%.

The consumer car finance market fared slightly better, as financing for private new cars increased in the first half of 2012 (1.7%) while the used car market remained stable (0.1%). Considering the decrease in passenger car registrations across much of Europe, this stability is fairly encouraging.

Not all countries experienced declining consumer credit business in 2012. For instance, Germany, the UK, Romania and the Nordic countries (with the exception of Sweden) saw growth in new consumer credit volumes. The UK did particularly well to post growth in consumer credit of 7.0%. On the other hand, Mediterranean countries saw declining new total consumer credit across most categories, with France, Sweden and Czech Republic also experiencing difficulties.

If household consumption continues to remain suppressed, a sustained recovery in lending would be difficult, although most experts are predicting an improvement in conditions towards the end of the year. New business improved in Q2 2012 when compared to the first quarter of the year, indicating that an improvement could potentially be seen in the second half of the year. No matter what happens, a continued divergence in market conditions at the country level seems inevitable.

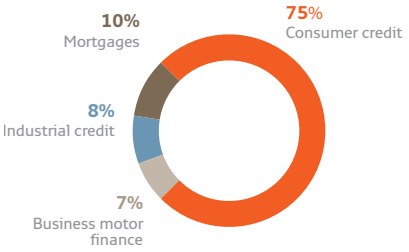
Chart 1. Eurofinas New Consumer Credit Lending 2006-2012



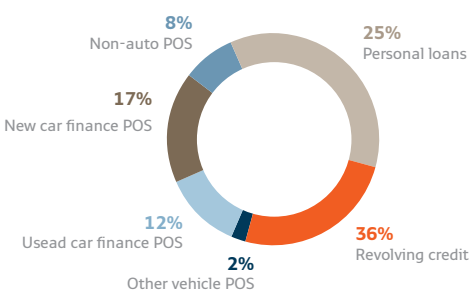
Growth rates compare the first 6 months of the year for biannual figures while they compare 12 months for annual figures. Figures are adjusted for exchange rates from 2009 onwards. Growth rates for 2008 and previous periods are on an unadjusted basis.

Chart 2.

Proportion of New Credit by Loan Type



Proportion of New Consumer Credit by Loan Type



1. The following Eurofinas members took part in the Biannual survey: UPC/BVK (Belgium), CLFA (Czech), BFACH (Germany), Finans og Leasing (Denmark), ASNEF (Spain), FKL (Finland), ASF (France), ASSOFIN (Italy), LVLKA (Lithuania), FINFO (Norway), ASFAC (Portugal), ALB (Romania), AFINA (Sweden), FLA (UK). 2. All growth rates mentioned in this article are adjusted to exclude the impact of exchange rate fluctuations. 3. Total consumer credit = consumer credit for personal consumption (including personal loans, revolving credit and non-automotive point of sale finance) and consumer point of sale vehicle finance.

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SPOTLIGHT ON PORTUGAL

Eurofinas member, Associação de Instituições de Crédito Especializado (ASFAC), presents the consumer finance market in Portugal and its main challenges.

ASFAC

PORTUGAL - OVERVIEW

- Located in Southwestern Europe, in the west of the Iberian Peninsula, and two islands in the North Atlantic (Madeira and Azores). In 1986, Portugal joined the European Union and is one of the founding members of the single currency.

The Portuguese market

The Portuguese consumer finance sector experienced a boom in the 1990s but has since then stabilised - with sustained growth from late 1990s until the first years of the new millennium. In recent years, the specialised credit market in Portugal has experienced a decline in the amount of credit granted. This decline was caused, initially, by economic uncertainty and the financial crisis affecting Europe and later by the strong impact of the crisis on the country.

In 2011, lending decreased by 20% compared to 2010 (according to ASFAC data). The biggest drop in new credit was seen in the lending to households segment, and in particular car finance. Car finance constitutes the largest portion of credit granted by ASFAC members and has been heavily impacted due to the rise in both taxes payable by consumers and dealers. Presently, credit granted to car dealers has increased, mainly due to the needs for financing felt by these companies.

The impact of the financial intervention programme for Portugal

The implementation of economic reforms in Portugal, necessary following the financial aid programme from the European Commission, International Monetary Fund and European Central Bank have had a negative impact on the economy as a whole. The main reason for this is the increase in income and property taxes as well as the increase of the unemployment rate. This has led to uncertainty among consumers and a reduction in their purchasing power. These factors have amplified the drop in the use of consumer finance.

Consumer Finance decrease

Further contributing factors to the decrease in consumer credit are the decrease in consumer and business demand, as well as an increase in refusal rates from financial institutions: currently amounting to more than 50% of credit applications. This refusal rate can be explained by lower available incomes of potential customers.

Regulation

We have witnessed a significant increase in the regulation of the industry. The consumer credit activities in Portugal are one of the most regulated in Europe. Much of the legislation applied with the aim to protect the consumer, ends up being inadequate and unfavourable to the industry, in turn impacting the wider economy. Currently, we are expecting new regulation on credit mediation activities, which will have a significant impact on the consumer finance business in Portugal.

PORTUGAL IN BRIEF (2011)

POPULATION
10.5 million

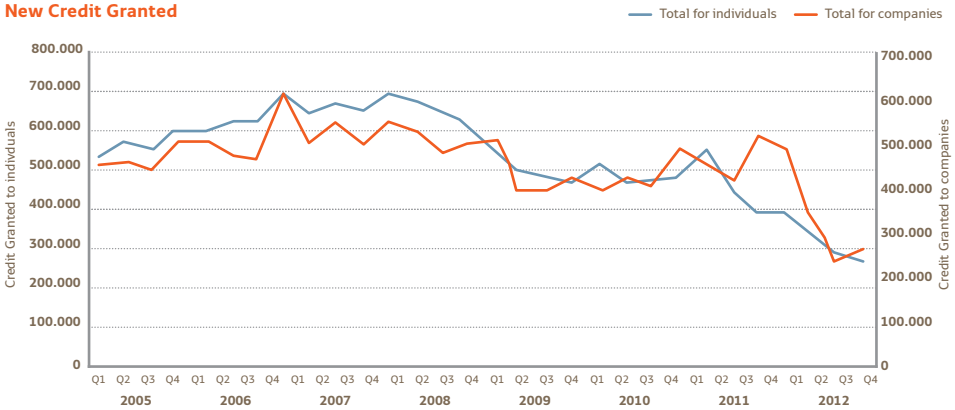
GDP	EUR 170.9 bn
GDP growth	-1.7%
GDP per capita	EUR 16 000
Inflation rate	3.6%
Unemployment rate	14.6%
Budget deficit	-4.4%
Total public debt to GDP	108.1%

Sources: Eurostat

ASFAC

ASFAC, Associação de Instituições de Crédito Especializado, is a non-profit organisation, founded in 1991, that represents the specialised consumer market in Portugal and has 26 members (financial institutions). From 2005, ASFAC´s work to improve financial literacy in Portugal has been recognised both nationally and internationally. ASFAC has been accepted as a member of the International Gateway for Financial Education, the Organisation for Economic Co-operation and Development's (OECD) group for financial education.

New Credit Granted



CANNES 2012

THE ANNUAL CONVENTION OF THE EUROPEAN CONSUMER CREDIT INDUSTRY

With rapid changes and uncertainties on many fronts, be they economic, regulatory or political, companies are adopting new business models and value propositions while looking at the scope and diversity of their activities as well as their funding strategies. Yet the consumer credit industry has good ground to be optimistic about the future given the vital role it plays in the economy.

The Convention addressed both the practical day-to-day as well as the strategic issues in a series of unique sessions spanning 1.5 days. With a well researched agenda and an unrivalled line-up of high calibre speakers, delegates came away with an in-depth insight into the new environment, latest trends and development and on how they will impact the business.

The 2012 programme addressed the following main themes:

Market trends and developments

Industry leaders and experts shared their perspectives on the main trends in the consumer credit market and the most influential drivers of the industry's development, including:

- Rethinking and reshaping our business models, while assessing their limitations and advantages
- Looking at the ways to capitalise on opportunities under tightening conditions
- Reviewing funding challenges facing businesses today
- Exploring trends and industry best practice

Regulatory environment

Experts focused on some of the actions regulators and standard setters have taken or may take in view of the current environment and consider their possible impact on the market across Europe. The Basel 3 requirements, the initiative on Shadow Banking, the upcoming review of the EU Consumer Credit and Insurance Mediation Directives and their implications were among the issues explored.

Strategic directions and outlook on the future

Business leaders and experts spotlighted strategic and economic trends paramount to the future of the consumer credit industry. The 2012 Convention was a unique opportunity to assess these critical issues via presentations and panel discussions involving business leaders and industry experts.

HOT TOPICS

- The environment of specialised financial services
- The rise of the sharing society and collaborative consumption
- Funding and liquidity in the "New Normal"
- Building on partnerships
- Credit insurance - Market trends, the impact of regulatory changes and future prospects
- The future of the consumer credit industry - Challenges and opportunities going forward

OPENING PLENARY

Bruno Salmon, *President of the Association des Sociétés Financière (ASF)*, Eurofinas French member association, welcomed delegates of the 2012 Annual Conventions of the European Consumer Credit and Leasing Industries to Cannes.

Massimiliano Moi, *CEO at UniCredit Leasing and incoming Chairman of Leaseurope* then opened the Convention's plenary session.

• The first speaker to address the audience was **Didier Haugel**, *Head of Specialised Financial Services and Insurance at Societe Generale Group*. Mr. Haugel provided an overview of how the €1 trillion European specialised financial services industry had been transformed by the financial and sovereign debt crisis over past years. He described the challenges the sector now faces as a "triple diet marathon", with shareholders demanding that businesses be light on equity and liquidity consumption, with effective cost control.

The second speaker was **Robin Chase**, *founder and CEO of Buzzcar*, a peer-to-peer car sharing service, as well as the *co-founder and former CEO of Zipcar*. Her presentation focused on how new business models can thrive by tapping 'excess capacity', i.e. underutilised assets, with the aid of new information technology platforms and social media. She gave numerous examples of the extra-growing importance of collaborative consumption, including peer-to-peer lending and C2C car sharing.

1. BRUNO SALMON, President of the Association des Sociétés Financière (ASF). 2. DIDIER HAUGEL, Head of Specialised Financial Services and Insurance at Societe Generale Group; ROBIN CHASE, founder and CEO of Buzzcar; MASSIMILIANO MOI, CEO at UniCredit Leasing and incoming Chairman of Leaseurope.

3. PEDRO GUIJARRO, Eurofinas Chairman.

Pedro Guijarro, *Eurofinas Chairman*, formally opened the European Convention of the Consumer Credit Industry.

LOOKING AT FUNDING AND LIQUIDITY IN THE "NEW NORMAL"

• The Convention then moved on to a session centred on an analysis of funding and liquidity. **Riadh Alimi**, *Associate Principal at McKinsey & Company* introduced the session by sharing figures of the 'New Normal' including scarcity of funding, shift in ownership structure, regulatory pressure and public image. The industry response to the ongoing challenges was summarised as follows: to adopt a less capital and liquidity intensive model, to review the cost base and adapt risk management and to capture new customer opportunities. Riadh then handed over to **Barbara Frohn Verheij**, *Managing Director & Adviser to the CEO at Banco Santander* who provided a global overview of the latest regulatory changes. She explained the challenges posed by the new Basel liquidity requirements and the interplay between the new ratios and other direct regulations in changing market dynamics.

Continued on next page >

> Continued

Christian Ruben, *Chief Financial Officer at Toyota Financial Services, Europe & Africa* then took the floor to present the new liquidity and funding strategy of Toyota Financial Services. He stressed the new parameters shaping the current business environment: volatile capital markets, disrupted money and covered bond markets and lack of governmental support. He outlined the need for diversification of funding sources to manage possible new crisis and the required focus on economic performance and risk management.

Alain van Groenendael, *Deputy Chief Executive Officer at BNP Paribas Personal Finance* presented and discussed the business transformation of BNP Paribas Personal Finance. He outlined the rebalancing of the business model, the development of bank partnerships, the adaptation and expansion of offers as well as the sharing of platforms and investments.

Reflecting on the changes in the consumer credit landscape and its main challenges, delegates had a unique opportunity to discuss the changes to the business rules, strategies from key players to improve liquidity and secure funding and the diversification of prospects.

4. ALAIN VAN GROENENDAEL, Deputy Chief Executive Officer at BNP Paribas Personal Finance; BARBARA FROHN VERHEIJ, Managing Director & Adviser to the CEO at Banco Santander; CHRISTIAN RUBEN, Chief Financial Officer at Toyota Financial Services, Europe & Africa; RIADH ALIMI, Associate Principal at McKinsey & Company.

> "Thanks a lot to Eurofinas for giving me the opportunity to speak at this conference. I was really impressed with the organisation. Congratulations!"

BUILDING ON PARTNERSHIPS

• On day two, the first session which focused on partnerships, was opened by **Peter Cottle**, *Managing Director at Finance Torque*. **Alexander Cho**, *Chief Sales Officer at Hyundai Capital Europe*, focused on Hyundai Capital Europe's experience of establishing a captive finance company in Europe in light of its position in Korea, including the options evaluated and chosen. In particular, he mentioned the role of partnerships inherent therein.

Patrik Riese, *Managing Director at Volkswagen Financial Services Sweden*, then took the floor to outline his views on business philosophy and customer relationship management. He emphasised the important role that partnerships can play, such as with regard to the provision of ancillary services. The final presentation was given by **Roberto Ferrari**, *Group Director Marketing and Partnership at Compass, Gruppo Mediobanca*. He outlined Compass' specificities and the difficulties being faced due the current economic climate. He also provided an insight into gaining a competitive advantage through partnerships with banks.

5. ALEXANDER CHO, Chief Sales Officer at Hyundai Capital Europe; ROBERTO FERRARI, Group Director Marketing and Partnership at Compass, Gruppo Mediobanca; PATRIK RIESE, Managing Director at Volkswagen Financial Services Sweden; PETER COTTLE, Managing Director at Finance Torque.

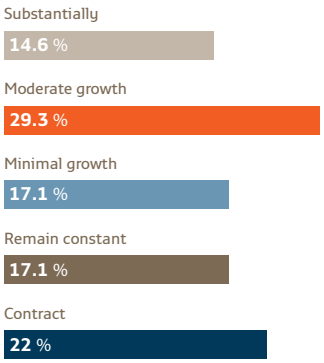
INSURANCE: WHERE DO WE GO FROM HERE?

The following session focused on insurance and was chaired by **Robert Gauci**, *Chief Executive Officer at Metlife Italy*, who opened the session by presenting some key trends within the market. In a series of short presentations, the panellists set the scene for the subsequent discussion. **Maximilian Mertes**, *Senior Legal Counsel at GMAC UK,* presented the UK experience with regard to Payment Protection Insurance (PPI), including the impact on the market and latest developments, whilst **Jean-Luc Michel**, *Head of Legal & Compliance, Global Insurance & Analytics at GE Capital*, focussed on some golden rules for compliance in light of the regulatory scrutiny on insurance sales.

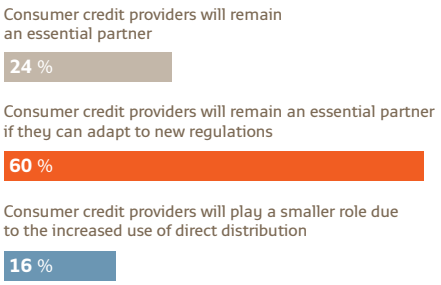
Bert Reitsma, *Secretary General at VFN*, presented the potential impacts of the upcoming Insurance Mediation Directive 2 on the industry and **Markus Benke**, *Head of Legal & Human Resources at BNP Paribas Cardif Germany*, then gave an insight into ways to improve and re-invent the distribution of PPI. Finally, **Lynne Walker**, *Senior Vice President I.T. & Operations at Genworth Financial,* provided participants with some insights on how to adapt business practices in order to substantially improve the customer experience.

Panellists then discussed factors that would impact the distribution of insurance products over the course of the next 12 months and how to address these. Polling the audience, 22% considered that the volume of PPI sales would contract, 43.9% believed that moderate or substantial growth would be expected over the coming years. Concluding the session, it was found that consumer credit providers would remain essential partners for the distribution of insurance products, but that all market players would have to take their responsibility and adapt their business practices in light of past experiences and the changing environment.

Over the coming years, how do you see the sale of Payment Protection Insurance, in terms of volume evolve:



What role will consumer credit providers play in the distribution of insurance products over the coming years?



6. MAXIMILIAN MERTES, Senior Legal Counsel at GMAC UK; ROBERT GAUCI, Chief Executive Officer at Metlife Italy; MARKUS BENKE, Head of Legal & Human Resources at BNP Paribas Cardif Germany; LYNNE WALKER, Senior Vice President I.T. & Operations at Genworth Financial; BERT REITSMA, Secretary General at VFN; JEAN-LUC MICHEL, Head of Legal & Compliance, Global Insurance & Analytics at GE Capital.

THE WAY FORWARD

The Convention's closing session provided delegates with an exclusive panel where industry leaders shared their views in a stimulating debate on the future of the consumer credit industry and what they see as the main challenges and opportunities going forward.

Industry leaders panel

- **Maurizio Mondino**, *Head of Global Products & Business Development, Consumer Finance, UniCredit Group*
- **Andrea Poletto**, *General Manager, Consum.it*
- **Bruno Salmon**, *Chairman, BNP Paribas Personal Finance*
- **Eric Spielrein**, *Company Secretary & Chief Risk Officer, RCI Banque*
- **Jan W. Wagner**, *CEO, CreditPlus Bank*

The panel was moderated by **Peter Cottle**, *Managing Director at Finance Torque.*

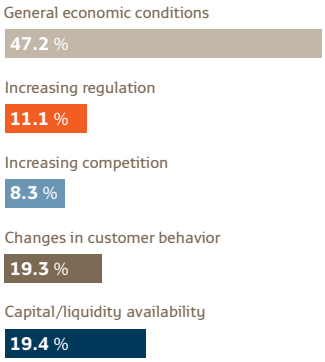
Panellists exchanged views on the level of competition and, in particular, which category of market player (retail bank, monoliner, captive finance company) is best positioned to be successful given the current economic environment.

The impact of the new prudential requirements on funding and liquidity was also discussed. The need for external partnerships and resources, increased economies of scale and the allocation of capital to profitable products were stressed by several panellists. Polling the audience, 71.8% of delegates agreed that consumer credit is an attractive business proposition for its shareholders and will remain so over the coming years.

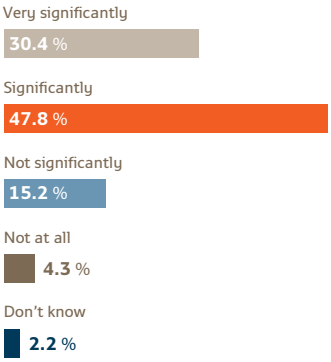
7. JAN W. WAGNER, CEO, CreditPlus Bank. 8. MAURIZIO MONDINO, Head of Global Products & Business Development, Consumer Finance, UniCredit Group; ANDREA POLETTO, General Manager, Consum.it.

> "Insightful information regarding the current state of affairs within the industry, great speakers!"

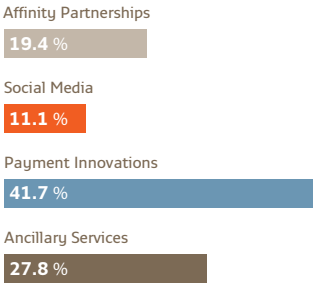
Which factor will have the greatest impact (either positive or negative) on your business in the next 12 months?



How much did the financial crisis impact customers' perception, behaviour and expectations vis-à-vis consumer credit providers?



What is the most important area where you see potential further opportunities for consumer credit providers?



NETWORKING

• The Convention provides a fantastic opportunity for high-level networking with industry leaders and colleagues from across Europe and beyond. This year again participants praised the high quality of the event overall and the particularly good programme. This success confirms more than ever the status of Eurofinas' Annual Convention as the only true European gathering of the consumer credit industry.

"I can't think of any another event on the European scene that is so valuable."

"The venues were splendid, the speakers and presentations extremely interesting and I established vital new contacts. Thank you!"

THANK YOU TO OUR SPONSORS

The 2012 Convention was supported by 11 sponsors and exhibitors. Eurofinas is grateful for their contributions without which the organisation of such an important event would not have been possible.

Sponsorship enquiries for the 2013 Eurofinas Annual Convention should be addressed to Anne Valette, Head of Communications a.valette@eurofinas.org

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Genworth

Eurofinas expresses its warmest thanks to its 2012 associate members who contributed to the success of the Convention in Cannes by being involved as speakers, sponsors or delegates. We are very grateful for their support.

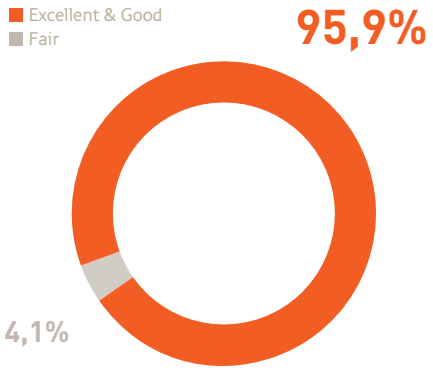
PARTICIPANTS' FEEDBACK

• Results of the satisfaction survey and feedback received after the Convention are testament to the success of the event.

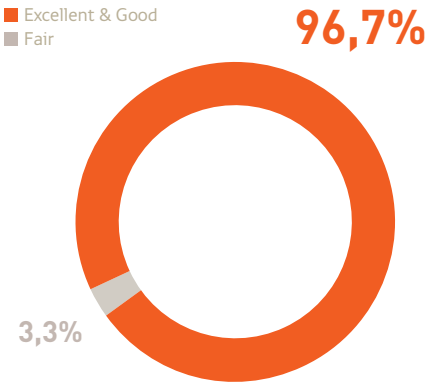
Participants liked the opportunity to interact with the speakers during sessions thanks to a voting system allowing them to answer questions 'live' and contribute to the debate in a dynamic way. They also enjoyed the European dimension of the event and the fact that it is organised by the industry for the industry.

An impressive 95.9% stressed that the programme achieved the right balance between content and networking activities. When asked about the quality of the academic programme, 96.7% of respondents rated the programme as being excellent or good. An overwhelming 94.5% of respondents indicated that they will attend the Convention again.

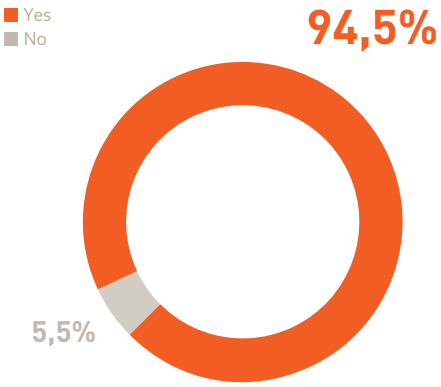
Satisfaction level of delegates concerning the overall programme, including networking activities



Satisfaction level of delegates concerning the academic programme



Would you attend such an event again?



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INTERESTED IN BECOMING AN ASSOCIATE MEMBER OF EUROFINAS ?

• Requests for information on Eurofinas's associate membership benefits should be addressed to Anne Valette, Head of Communications at a.valette@eurofinas.org org

MARK THE DATE!

The 2013 Convention will take place in Rome on 10 & 11 October at the Westin Excelsior. More information will be available soon on the Eurofinas website as well as on the dedicated Annual Convention website.

ROME 2013

The Annual Convention of the European Consumer Credit Industry

CALL FOR SPEAKERS AND MODERATORS FOR THE 2013 CONVENTION

High calibre speakers and moderators as well as a strong programme are at the very core of each Annual Convention of the European Consumer Credit Industry. We select our speakers and moderators carefully, inviting well respected industry practitioners and experts to the various sessions in order to provide the most insightful presentations and thought provoking discussions.

Would you like to speak at the 2013 Convention, moderate a session or suggest an idea for a topic?

Do you have a speaker or a moderator to recommend? Please contact a.valette@eurofinas.org and help contribute to the success of the 2013 Annual Convention.

EVENTS / MEETINGS

- For latest updates on events and meetings, simply consult the calendar on the Eurofinas website home page.

JOIN OUR AFFINITY GROUP ON LINKEDIN

This group, created by Eurofinas, aims to bring together all consumer credit professionals active in Europe. Membership is reserved exclusively for consumer credit, credit insurance and credit data providers, making the group the only one of its kind. Join us!

INTERNSHIP OPPORTUNITIES

Internship at Eurofinas
find out more here

Eurofinas offers internship opportunities to fresh University graduates having demonstrated an interest in consumer finance (thesis, report, publication, etc.). For more information, please contact t.vandewerve@eurofinas.org

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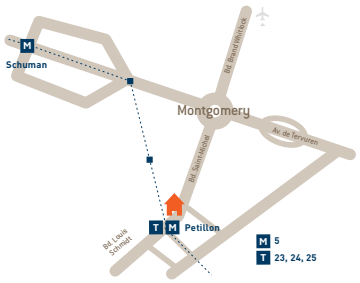



In newly refurbished premises, Eurofinas spacious meeting rooms and adjacent lounges, including Wi-Fi, are available for any Brussels meetings you may wish to organise. For more information, please contact a.valette@eurofinas.org

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YOUR FEEDBACK COUNTS!

To provide feedback on this newsletter, or to be added to/removed from our mailing list, please contact a.valette@eurofinas.org