

**Mr. Didier Reynders**  
Commissioner for Justice  
**Mr. Paolo Gentiloni**  
Commissioner for Economy

Subject: Covid-19 Crisis & Consumer Debt

Dear Commissioners,

The Covid-19 crisis poses an enormous challenge to the European Union on various fronts, from the numerous citizens that have been affected and the strain in our public healthcare systems, to the profound socio-economic impact beginning to unfold.

Among the set of measures taken to reduce that impact, is the moratorium on debt payments, which mainly applies to businesses facing financial difficulties.

Some Member States have also introduced moratoria on housing loans, but European citizens experiencing problems paying their consumer credit due to the impact of the virus, are not getting equivalent support and benefits. Consumer credit, in particular, has widely been disregarded at this stage.

In addition, there is a risk that some consumers may need to contract new consumer credits to ensure their survival, at a time when lay-offs and unemployment are growing, which may lead to over-indebtedness of families in the European Union.

A higher level of credit default has negative consequences for the economy as a whole, including on economic growth and on recession depth. Beyond the macroeconomic impact, there are social losses, and mental and physical health problems associated with over-indebtedness that need to be taken into consideration.

## **Supporting Indebted Consumers across the EU**

As the Covid-19 crisis progresses, it aggravates the financial situation of many families who will be increasingly strained and unable to pay their mortgages and consumer credits.

The European Commission should consequently mobilize as follows:

1. Work closely with Member States, national agencies and organizations in order to build a more comprehensive, information-sharing, network of debt advice services across Europe that support consumers in financial distress.
2. Find ways to support Member States that do not have such services or whose services are undersized. The Commission can potentiate the work carried out by Eurofound on debt advice and its own initiatives like the Debt-Advice Stakeholders Forum, organized by DG Just in October 2018.
3. Consider the ways in which it can help direct consumers to attested, independent debt advice services. The Commission could, for example, help establish communication channels between creditors (ex. banks, consumer credit entities) and debt advice agencies. It could also launch awareness campaigns for consumers regarding these services, which can be extremely beneficial to them.
4. Develop comprehensive guidelines for Member States to follow, about the adequate socio-economic measures needed to tackle consumer over-indebtedness. These guidelines should be based on best practices from the various Member States, who may learn from each other, for instance, regarding moratoria on mortgage debt or specific debt settlement procedures. They should also be built on top of previous EU action plans, studies and stakeholder forums, and the Commission should conduct more of them if necessary. Lastly, they should include advice on how to tackle social and health problems associated with over-indebtedness.
5. Collect highly disaggregated data (ex. age group, country, region, income, gender) on European consumer indebtedness in collaboration with the European Central Bank in the use of its supervisory powers, namely in its behavioral capacity. Having access to this data helps the EU and national governments create and target policies based on an accurate picture of the consumer debt

landscape. We also call on the Commission to regularly inform the European Parliament on this matter.

6. Promote the exchange of views among the financial sector around the long-term solutions for over-indebtedness. Considering the unprecedented circumstances and the long-lasting impact of the Covid-19 crisis on households, we must prepare for the likelihood that many families will not be able to fulfill their obligations. We call on the Commission, as well as the financial sector and its entities, to reflect on the socio-economic consequences this would have and to consider various solutions, including payment flexibility and partial consumer credit defaults or debt discharge.

### **Consumer Protection and the EU Legislation**

Unlike the national perspective, legislation at the EU level concentrates less on consumer debt alleviation and rehabilitation, and more on its prevention. But much like the situation within Member States, there are limitations to EU legislation. We must look into how this legislation is performing and make sure it is protecting consumer rights during this crisis.

We thus call on the European Commission to monitor the enforcement of the pertinent Directives and Regulations and consider ways to improve their effectiveness. Particularly the Consumer Credit Directive, which helps preventing easy access to impulsive loans and gives consumers the right to get key information in a standardized way or to withdraw credit agreements within two weeks. Considering the impact of the Covid-19 pandemic, and since this Directive is currently being evaluated, we also ask the Commission to finish and make the evaluation available, sharing it with the European Parliament and all interested stakeholders. Amendments and plans to make it more effective should be considered and discussed, for example, regarding the scope of loans that fall inside the directive and its overall potential to prevent over-indebtedness.

The same applies to the Directive on Distance Marketing of Financial Services, which prohibits abusive marketing practices and restricts other practices, such as unsolicited phone calls and emails. This is especially important since the Covid-19 crisis is leading more people to perform financial activities on the internet.

Finally, as citizens spend more time online, it is essential to monitor the implementation of the General Data Protection Regulation and make sure online credit service providers are respecting it. This regulation gives consumers the right to obtain information about the processing of their personal data and to object to its processing for marketing purposes or on grounds relating to their particular situation. They must continue to be protected across the EU.

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Dear Commissioners, in this time of uncertainty, and just as with other challenges we are now facing, we need a coordinated and comprehensive approach to consumer indebtedness and over-indebtedness in the European Union. We need swift action to support and protect our citizens and show them the EU is here when they most need it. We thus ask you to pursue the recommendations in this letter and to commit to helping millions of families in financial stress, including those who are increasingly unable to fulfill their consumer credit obligations.

Maria Manuel LEITÃO MARQUES