

# Consumer Credit Newsletter

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## NEWS

### REGULATORY ISSUES

#### NEWS

Further developments in ADRs.

The European Commission recently launched the pilot phase of the EEJ-Net, the network established as an out-of-Court dispute resolution mechanism for cross-border operations. The pilot phase supposes the setting up of practical support and communication network of the incumbent national clearing houses. The network will be fully operative next year.

Consumers rarely resort to legal and judicial procedures. They are too lengthy, costly and largely inefficient when small amounts are involved. Developing Alternative Dispute Resolution systems is a priority to increase consumer cross-border trading.

The EEJ-Net complements the already existing FIN-NET, operative since last year and dedicated exclusively to financial services. The addresses in the national countries for EEJ-Net and FIN-Net are to be found at:

[http://europa.eu.int/comm/internal\\_market/en/finances/consumer/intro.htm](http://europa.eu.int/comm/internal_market/en/finances/consumer/intro.htm) and  
[http://europa.eu.int/comm/consumers/policy/developments/acce\\_just/acce\\_just14\\_en.pdf](http://europa.eu.int/comm/consumers/policy/developments/acce_just/acce_just14_en.pdf)

Internal market council approves proposal on cross-border payments in euro

The EP (15 November) and the European Council (Ghent) backed the proposal whose provisions would apply now as follows, from 1 March 2002 for card payments and cash withdrawals from automatic teller machines (ATMs) and from 1 March 2003 for bank transfers.

## Consumers overindebtedness - Council Conclusions

The last internal market Council, while recognizing the importance of credit as an economic growth driver, pointed out increasing level of household overindebtedness.

The Council acknowledges the insufficiency of research and systematic analysis in the field, which is been also hampered by the lack of a common definition of overindebtedness. It is also aware of the very different systems of debt settlement in the EU countries, which could bring important disparities for European consumers and financial institutions.

The Council urges the Commission to foster cooperation among member states in the study, evaluation of evolution and prevention of overindebtedness.

Minutes of the Council available at:

<http://ue.eu.int/Newsroom/mainExt.cfm?BI D=103&LANG=2>

## New capital adequacy rules: impact on the mortgage industry.

The European Mortgage Federation held its General Council meeting on 29 November 2001 with a special focus on the impact on the mortgage industry of the provisions in the Basel II proposal.

Mr. Zell, the president of the federation, pointed out that Basel II will influence the way that the mortgage industry undertakes fundraising, customer segmentation, and customer rating among others. The proposal in its actual state does not provide adequately for the particularities of the EU mortgage industry.

The proposal is more suitable the structure of the American market, he said, where for instance the securitisation of loans is more common than in the EU, where loans are kept as balance items.

As compared to the first proposal several changes have been included taking into account mortgage particularities. However, important issues have not been satisfactorily addressed, namely, the treatment of maturity, collateral, special lending and securitisation. The European mortgage industry also demands the Basel Committee to take into account the historically low risk of their assets, which should give rise to lower capital requirements.

Mrs. Randzio Plath, MEP, stressed that the Basel agreement is not a merely technical issue, but had developed into a political one, as their outcome will deeply affect the functioning and structure of markets and ultimately will impact society. Namely, an incorrect treatment of the risk of maturity within the context of mortgage credit will affect the facility of consumers to access home ownership at competitive rates.

## Savings tax : beginning of negotiation with third countries

On 16 October the Jumbo Council (ECOFIN and JAI) granted the Commission the mandate to negotiate an agreement between the EU and six countries, namely the USA, Switzerland, Liechtenstein, Monaco, Andorra and San Marino.

Amongst others proposals, the "Tax Package" is including a proposal for a Directive to ensure effective taxation of interest income from cross-border investment of savings paid to individuals within the EU.