

## **FURTHER SUBMISSION TO THE DEPARTMENT OF FINANCE ON RELEVANT ARTICLES OF THE ‘CREDIT FOR CONSUMERS’ DIRECTIVE**

### **Some observations on Articles 10, 12 and 16 of the proposed ‘credit for consumers’ directive**

**Article 10** – Whether it will confuse consumers that there is a borrowing rate and an APR quoted in the same agreement is open to question. A lot of consumers don’t understand APR as it stands.

It is not clear how the word ‘significant’ will be interpreted in this article. If the change to the rate is significant, the consumer shall be informed immediately. This implies that if it is not deemed to be significant, the consumer can be informed periodically.

We would argue that any change in the borrowing rate should be considered significant and the consumer should be informed immediately. Revolving credit where the consumer is offered a credit facility up to an agreed amount is on the increase in Ireland and such agreements are generally at variable interest rates. In a climate of increasing interest rates and extensive personal borrowing, it makes sense from a budgeting viewpoint that a consumer should know immediately when costs under an agreement have increased.

**Article 12** – There does not appear to be a definition of ‘open-end credit agreement’ in the directive, so it is difficult to know to what kind of agreements this article is intended to apply. This might be clarified.

**Article 16** – This article is an update of Article 9 in the existing directive transposed by Section 40 of the Consumer Credit Act 1995. The second paragraph is an addition and does improve matters from a consumer perspective in the sense that there will now be a general obligation to inform the consumer where an agreement has been assigned to a third party.

This may be particularly relevant where accounts in default have been factored on to debt collection outfits. From our experience working with money advisors in the Money Advice and Budgeting Service (Mabs), clients are often confused as to whom they now owe the money to and whom to negotiate with in relation to phased repayments or settlements.

A related problem which this article does not provide is compulsory notification where a debt collection agency is acting on the instructions of the creditor but has not had the debt assigned to it. It may be suggested that this could be covered by the article, although it might also be argued that this is outside the terms of a directive on consumer credit.

In the Irish context, the whole question of the lack of licensing and regulation of debt collection agencies, whose practices vary from legitimate to undue pressure, might be investigated.

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