

1. Title of the assignment

"Establishment of a benchmark on the economic impact of the Consumer Credit Directive on the functioning of the internal market in this sector and on the level of consumer protection"

2. Context of the assignment

2.1. Description of the Policy Area to be evaluated

The new Consumer Credit Directive aims at putting in place the conditions for genuine internal market in consumer credit (i.e. facilitating cross-border transactions), and at maintaining or establishing a high level of consumer protection in this area throughout the EU. It is essential that those two objectives are attained in parallel.

The Directive is based on five main modules: full harmonisation of the pre-contractual information, of the contractual information, of the Annual Percentage Rate of charge calculation method, of the conditions for early repayment and of the right of withdrawal. The full harmonisation aims at creating a level-playing field for creditors (who should not have to adapt their products to different legislations when going cross-border) and a climate of confidence for consumers, who enjoy the same level of protection throughout the EU as in their own Member State.

In addition, the Directive contains a number of provisions where Member States are given leeway for implementation. However, when they choose to make use of these possibilities, they must refer it to the Commission which will make it public and assess the impact on the internal market. The concerned provisions are listed in the Directive.

Lastly, the Directive contains thresholds and ceilings which might require updating in time, according to the economic context.

2.2. Specific and operational objectives of the activity/action.

To prepare the assessment of the future economic impact of the Consumer Credit Directive on the EU stakeholders and consumers, in order to take knowledge-based policy decisions.

2.3. Legal basis, budget and duration of the activity/action

Article 27(2) of the Directive (version: Common Position of the Council – 27/09/07) provides that the Commission shall undertake every five years a review of the thresholds in the Directive and the percentage used to calculate the maximum compensation in case of early repayment, to assess them in the light of economic trends in the Community and the situation of the market concerned. The Commission must also monitor the effect of the existence of the regulatory choices left for the Member States, as explained in §2.1. The results shall be made known to the European

Parliament and the Council, accompanied where appropriate by a proposal to modify the thresholds and percentages as well as the above-mentioned regulatory choices.

The budget for this study is up to € 200,000.

The study will commence in December 2007, and be finished by 10 months after the signature of the contract.

2.4. Instruments of the activity/action

3. Description of the assignment

3.1. Purpose and objective of the evaluation

In order for the Commission to make knowledge-based decisions in this area in the future, such as revisions of the Directive, the Commission needs an efficient benchmarking tool to assess the future impact of the Directive (1) as a whole and (2) with respect to the provisions giving Member States leeway for implementation and thresholds and ceilings contained in the Directive.

The tool should be designed with a view to being used in the medium and long-term, therefore there should be a guarantee that the chosen indicators will be available in time.

3.2. Evaluation issues to be addressed

The assignment should allow evaluating the effectiveness of the Directive regarding its two objectives (internal market and a high level of consumer protection). The results should provide a solid, practical and well-balanced basis for assessing the future impact of EU legislation in the area of consumer credit. The purpose of the project is to put in place an efficient and easy-to-use assessment tool for the Commission in order to follow the evolution in time of the internal market in consumer credit and therefore measure the impact of Community action on that market.

1. The contractor will be required to establish a methodology for the construction of indicators concerning consumer credit in the European Union. A list of easily accessible indicators on the state of play of the consumer credit market in the EU will be established. For comparison purposes, these indicators must be likely to persist in time. They may for instance include the following:

- Situation of consumers (e.g. average levels of indebtedness, average amount for a credit contract, defaulting rates, propensity to take out credit abroad, existence of out-of-court dispute settlement systems...)
- Situation of creditors (e.g. size and structure of businesses, percentage of business across borders – directly or through subsidiaries...)
- State of the market (e.g. volume, prices, types and size of credits concluded within and across borders in the 27 States and all over the EU, number of contracts, evolution of cross-border trade...)

- Other basic information relating to the main elements of the Directive: quality of information received, to what extent do consumers make use of their rights of withdrawal and of early repayment...

The contractor will be required to assess the present situation of consumer credit in the EU and in each of the 27 Member States according to these indicators.

2. The contractor will be requested to provide this information in an easily understandable form and to propose presentation formats (scoreboards, graphs, etc.), bearing in mind that the objective is to make it possible for the Commission (or a contractor) to re-use this format in the future in order to compare the situations and measure evolutions.

3.3. *Scope of the evaluation (operational, temporal, geographical...)*

Consumer credit market in the EU-27, starting point 2007.

The assignment should be limited to consumer credit agreements contained in the scope of the Directive, i.e. corresponding to the definition : "*credit agreement means an agreement whereby a creditor grants or promises to grant to a consumer credit in the form of a deferred payment, loan or other similar financial accommodation; except for agreements for the provision on a continuing basis of services or for the supply of goods of the same kind, where the consumer pays for such services or goods for the duration of their provision by means of instalments*" and excluding all the exemptions foreseen at Article 2 of the said Directive.

However the amount limitations in the Directive should not be taken into account.

It should reflect the situation of the different types of stakeholders (commercial – non-commercial banks, credit institutions, etc.) in the Member States.

3.4. *Evaluation questions*

What is the present market situation of consumer credit before the implementation of the Consumer Credit Directive.

3.5. *Other specific tasks to be carried out under the assignment*

The contractor shall propose a methodology that is best suited to meet the objectives and expected results. The offer will be essentially analysed on the quality of the proposed methodology.

The methodology for this study should at least allow:

- clarifying the objectives and requirements, in cooperation with the Commission (to be done at the beginning of the assignment).
- developing a benchmarking model, if necessary on the basis of existing models (at national or EU level). This involves comprehensive desk research and literature survey.

- deciding, in agreement with the Commission, which indicators are most relevant for the benchmark. If necessary, different levels of indicators with aggregate figures can be determined.
- reporting on the present levels for the chosen indicators, prepare statistical analysis of the data, including scoreboards and graphs offering a clear vision of the overall situation, with a view to facilitating future comparisons.
- proposing final guidelines for the Commission, including a clear and easily applicable methodology for updating the scoreboards in the future and for assessing the impact of the Consumer Credit directive as regards its objectives.

3.6. Reporting and deliverables

All the reports must be in electronic form in a format compatible with Microsoft Office 2002 XP (MS Word preferred, .PDF format possible), by e-mail, or CD-Rom. In addition, the interim report and documents must be provided in 3 paper copies, while the final report and documents must be provided in 5 paper copies.

All the reports must be provided in English or in French.

All the reports must comprise duly numbered pages and paragraphs.

They must include a full bibliography listing all the sources of information used.

- interim report and documents :

The report will describe the work carried out and the results obtained during the period specified. It will give, in particular, a brief summary of the initial work performed, details on the methodology adopted, the data already collected, as well as the work programme for the following period.

The **interim report** is to be sent to the Commission no later than **4 months after signature of the contract**. Within 45 days of receiving the interim report, the Commission will inform the contractor of whether or not it is acceptable, with or without further comment. During this period, a meeting between the Commission and the contractor will be held to discuss the interim report (see point 7 below). Following receipt of the Commission's comments, the contractor will have 45 days to submit further information, a revised interim report in line with the Commission's comments, or a completely new report.

- final report :

The final report will describe all the work carried out and the results obtained under the contract. It will also contain a **summary** of the main results and all the research compiled for the preparation of the report. The raw data collected under the contract will also be annexed.

The draft final report must be submitted to the Commission no later than **9 months after signature of the contract**. Within 45 days of receiving this draft final report, the Commission will inform the contractor of whether or not it is acceptable, with or without further comment. During this period, a meeting between the Commission and the contractor may be held to discuss the draft final report (see point 8 below).

Within 45 days of receiving any such comments, the contractor will send the Commission his revised final report, which will take account of the comments.

In the absence of any comments from the Commission within 45 days of its receiving the draft report, the contractor may request its acceptance in writing.

The final report will be deemed to have been accepted by the Commission if, within 45 days of receipt of this request, the Commission has not expressly informed the contractor of any comments.

3.7. Organisation and timetable

We envisage 4 meetings between the contractor and the Commission for the execution of this assignment.

- Beginning of the assignment: kick-off meeting
- Second meeting: agreement on the chosen indicators
- After 4 months: meeting with the Commission to present the interim report and discuss the developments of the work.
- After 9 months: presentation of the final report to the Commission

The contractor must be available for teleconferences with the Commission during the execution of the assignment. The contractor should also be prepared to come to a meeting which can be scheduled ad-hoc, if necessary.

3.8. Special requirements

The contractor must be able to perform the economic analyses and the research and analysis of the consumer credit products sold in the European Union.

4. References

4.1. Annexes to the Task Specification

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4.2. Other existing documentation/data and how to access it

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4.3. Useful web-links

Commission website on the Consumer Credit Directive

http://ec.europa.eu/consumers/cons_int/fina_serv/cons_directive/index_en.htm