

Final Report

Monitoring the uptake and the effectiveness of the
Voluntary Code of Conduct on Pre-contractual Information for Home Loans
- Contract Reference No. B5-1000/02/000552 -

Presented by the:
institute for financial services e.V.

to the:
Commission of the European Communities, Health and Consumer
Protection Directorate-General

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The project was carried out jointly by the following organisations:

- Kammer für Arbeiter und Angestellte für Wien, Austria
- Association de Consommateurs Test-Achats S.C., Belgium/Luxembourg
- National Consumer Research Centre Kuluttajatutkimuskeskus, Finland
- E.K.PI.ZO – Consumer Association “Quality of Life”, Greece
- Stuart Stamp, Ireland
- ALTROCONSUMO (Associazione Indipendente di Consumatori), Italy
- Molengraff Institute for Private Law, Netherlands
- EDIDECO (Editores para a Defesa do Consumidor), Portugal
- Konsumentverket, Sweden
- Forbrugerrådet (Danish Consumer Council), Denmark
- Editions Scientifiques et Techniques Consommateurs France (ESTCF), France

and

- CTNM in Hamburg for the design of the electronic questionnaire
- Prof. Dr. Wilfried Laatz for the evaluation

and also

New Policy Institute and Ediciones OCU for their willingness to carry out tests in the United Kingdom and Spain, even though, in the end, tests were not conducted in these countries.

Executive Summary

The report seeks to inform the European Commission on the uptake and the effectiveness of the Voluntary Code of Conduct on Pre-contractual Information for Home Loans subscribed by six European Credit Sector Associations and five European Consumer Associations. The aim of the Code is to ensure transparency of information and comparability.

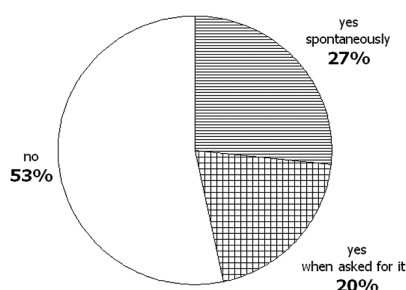
Credit institutions subscribing to the Code have to provide to the consumer

- general information about home loans on offer;
- personalised information at a pre-contractual stage to be presented in a “European Standardised Information Sheet”

Both requirements were tested separately.

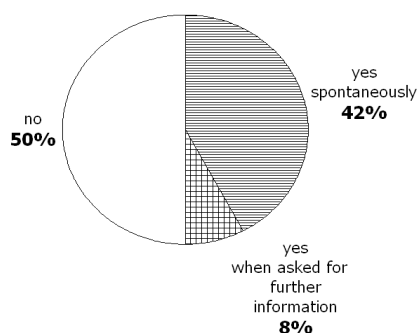
The countries where the Code of Conduct has been implemented represent 58% of the European population. In three countries in the European Union, France, Spain and the United Kingdom, the European Standardised Information Sheet as described in the Code of Conduct for Pre-contractual Information for Home Loans is not applied. These countries have altogether a combined population of 158.4 million people, namely 42% of European Citizens.

In those countries where information was available, of the 722 tests conducted where interviewers received an offer from the credit institution and explicitly asked for general information they did not get the respective information in 53,2% of cases.



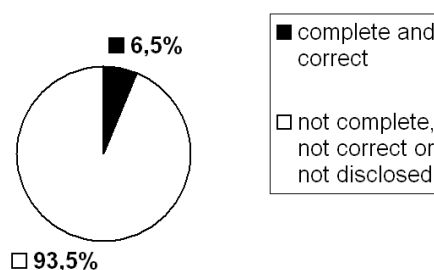
The interviewers were given a European Standardised Information Sheet in 50.0% of cases.

The extent to which each country complied with the Code varied. Provision of general information varied between 4.3% and 100% in each country, and between 21.3% and 100% for the European Standardised Information Sheet.



The general information given was often incomplete or not correct. In 47 cases (weighted) the general information provided fulfilled the obligations of the Code of Conduct totally. This means that, in relation to all 722 tests carried out, in only 6.5% of cases did interviewers receive correct and complete general information as described in the Code of Conduct part II No. 1.

General information

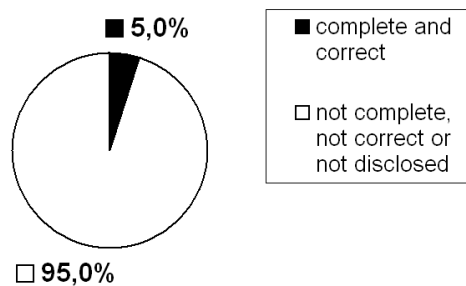


In 36 cases (weighted) personalised information received fulfilled all the obligations described in the Code of Conduct. That means that personalised information in the form of the European Standardised Information Sheet (ESIS) was correct and complete only in 5.0% of all the tests carried out.

One explanation for the fact, that in every second case interviewers were not given the required information sheet could lie in the openness of the definition as to when the information should be handed out to the consumer. There is no clear definition in the Code of Conduct regarding when the "pre-contractual" information should be issued. There is reason to assume that the percentage of personalised information given is, in practice, over 50%, but consumers are not given this information with the first offer at a time when they are still shopping around.

Even though not all European Credit Sector Associations sent proof of their information policy for this survey, these organisations it can be assumed that they did provide sufficient information about the system to their members and the public.

Personalised information



1 Object of the Survey

The object of the contract is to verify that the European Credit Sector Association (ECSA) on the one hand and those credit and financial institutions having registered their adherence to the European Agreement on a Voluntary Code of Conduct on Pre-contractual information for home loans on the other hand actually fulfil their commitments.

The Agreement was made on 5 March 2001 between European consumer organisations and professional bodies representing the financial and credit institutions offering home loans. The agreement may be consulted on the following web page:

[http://europa.eu.int/comm/internal_market/en/finances/consumer/agreement_\[language\].pdf](http://europa.eu.int/comm/internal_market/en/finances/consumer/agreement_[language].pdf).

On 1 March 2001 the Commission recommended adherence to the agreement, cf. recommendation 477 of 1 March 2001 on the following web page:

[http://europa.eu.int/comm/internal_market/en/finances/consumer/homeloans_\[language\].pdf](http://europa.eu.int/comm/internal_market/en/finances/consumer/homeloans_[language].pdf).

There are two sets of commitments:

In the terms of implementation, Part I, points 2,3,4 and 5 include a series of commitments on the announcement, implementation, publication and distribution of the Voluntary code.

Part II, the Voluntary code as such includes commitments to provide both general information about home loans an offer and personalised information at a pre-contractual stage, to be presented in a 'European standardised information sheet'.

The first element of verification is therefore to analyse the ECSA´s policy in this respect and then to establish which institutions in which Member States have registered. The register may be consulted on the following web page:

http://europa.eu.int/comm/internal_market/en/finances/lending/index.htm.

The verification of the other commitments should be made on a sample that is statistically significant. The significance should be in terms of the nature of the financial institutions (cf. the professional bodies of industry having signed the code), the size of the Member State and the geographical location. The sample should as a minimum include 950 verifications covering all Member States.

2 Basics of the Survey

The basis for the survey was the “Voluntary Code of Conduct on Pre-contractual Information for Home Loans”, hereinafter called “Code of Conduct” and the official European register at the web site http://europa.eu.int/comm/internal_market/de/finances/lending/ presented by the European Commission.

The major part of the survey consisted of on-site visits using the “mystery shopping” method to find out if the credit institutions that had signed and implemented the Code of Conduct by 30 September 2002 were in practice fulfilling the said Code of Conduct. Part II of the Agreement contains obligations for individual credit institutions that subscribed to the Agreement. The duty of information clause is divided into general information on the lender and information on home loans in general. This information must be provided at the very outset of the process, and more detailed information given in the European Standardised Information Sheet, hereinafter called ESIS.

The first type of information (such as identification and address of the lender or, if applicable, of the intermediary, purposes for which home loans may be used, general types of interest rates, typical costs of a home loan, forms of surety, duration of the reflection period etc.) is very general, whereas the information given in the European Standardised Information Sheet (such as the APR, the nominal rate, description of product, number and frequency of payments etc.) has to be tailored to the customer’s needs.

2.1 Electronic Questionnaire

The questionnaire that was prepared contained questions on all the information that a credit institution should provide in accordance with part II of the Code of Conduct. The questionnaire is structured in a similar form to the sections for general and personalised information in the Code of Conduct. The questions are mostly formulated using the words in the English version of the Code of Conduct. In some cases, more common expressions were used to make it easier for the interviewers.

At the beginning, the interviewer had to fill in some information about the kind of credit institution, and the place and country where the branch was located. These questions were obligatory. As regards the general and personalised information, there were some initial questions about the structure, language and legibility of the information. Because there was a possibility that the interviewer might not receive any kind of general or personalised

information accompanying an offer from a branch, the interviewer could answer these questions with “n.a.”, that is to say, “not applicable”. The same applied to the other questions about the information received.

To work with a standardised electronic questionnaire, most of the questions were formulated in such a way as to require Yes/No-answers, see Annex 1 and <http://www.iff-hamburg.de/homeloans/login.html>. In co-operation with its partners CTNM and Prof. Dr. Wilfried Laatz, iff designed a questionnaire to include about 50 questions, most of which require divers yes/no answers. For example:

| | |
|--|----------|
| (14) Was a specimen amortisation table provided with the personalised information? | Yes / No |
| (14) Did the specimen amortisation table of the personalised information contain: | |
| - monthly or quarterly payments (if applicable) for the first year | Yes / No |
| - followed by annual figures for the duration of the loan | Yes / No |
| - amount of capital repaid | Yes / No |
| ... | ... |

Interviewers then provided responses through a secure Internet site at <https://homeloans.money-advice.net>. Interviewers had their own password for each test. On completion of the questionnaire, interviewers saved the results and sent the answers directly to CTNM, the partner in Hamburg responsible for handling the technical aspects of the questionnaire.

2.2 Standard Rules for Selection of Branches

A unique method was designed for the selection of areas and branches:

- To ensure that tests were carried out in at least 50 areas, each partner had to select at least one area for every 20 tests.
- As a general rule, 50% of the tests were to be conducted in rural areas and 50% in urban areas. Rural areas include small cities with 100.000 or fewer inhabitants and should not be suburbs of big cities. In situations where in any one country more inhabitants live in rural or urban areas than in another, it was permissible to increase the number of tests in proportion to the number of inhabitants in such areas up to two thirds of the tests. An official source such as the statistical yearbook of the country had to be indicated in such cases.
- Only real branches of credit institutions were accepted were a customer can go in to make the tests comparable. This was the reason to exclude Intermediaries and credit institutions that provide service only on the Internet.

- Individual branches had to be selected at random and in proportion to the market share enjoyed by the different types of credit institution. As regards that market share, the partners had to indicate that they had used an official source, such as national state bank publications.

2.3 Standard Rules for Interviews

General rules were drawn up for training sessions and interviews. Partners had to introduce the Code of Conduct to interviewers in English and in their own language. Both were available on the internet. Because the electronic questionnaire was in English, partners also had to supply a translation of the questionnaire in the language of each interviewer.

In the course of the interviewer training sessions the Code of Conduct was introduced and certain expressions in the Code of Conduct had to be explained. A specimen amortisation table was also presented. An example of an offer including the general and personalised information and the Code of Conduct had to be provided for the interviewers in advance. The interviewers had to understand what was meant by “general information” and “personalised information” and the Code of Conduct itself.

In the course of the training sessions, interviewers had to complete jointly a questionnaire with an example of “general information”, “personalised information” and a copy of the Code of Conduct. Terminology used in the questionnaire had to be explained. Interviewers also had to obtain information in advance from the national partners about (1) the possibility of early repayment and the legal terms and conditions applicable, (2) the availability of tax relief on home loan interest, (3) the availability of current public subsidies and (4) the relevant details in relation to indexation and the possibility of variable interest rates.

Initial contact could be made by telephone. The Interviewer also had to ask if the branch provided building finance for consumers. Interviewers who had been allocated an identity as a consumer were to ask for a home loan. It was agreed that the “mystery shopper” had to fulfil the following criteria: he had to (1) be able to supply 20% of his own capital; (2) have sufficient steady income; (3) be looking for a normal apartment or house; (4) have a specific property in mind and (5) that property had to be for sale. It was not possible to specify an amount applicable to all the tests throughout Europe because price variations were too wide between rural and urban areas and between countries. For the appointments, the interviewer needed an identity and a specific

property located in the area. This meant that in every area at least one existing property for sale had to be found.

To fill out the questionnaire correctly, interviewers had to gather the following information in the course of the conversation with the branch: (1) were different types of home loans available (fixed, variable, combinations thereof), (2) what different options were available for repayment of the loan, and (3) whether early repayment was possible (under the contract).

The conversation always had to cover the following:

- Own Capital / Amount
- Discussion about variable or fixed interest
- Period of interest obligation
- Effective Rate
- Cost
- Early repayment

If at the outset the interviewer was not spontaneously given general information or the European Standardised Information Sheet as described in the Code of Conduct, he had to ask two specific questions during the conversation with the branch:

"Do you have some general information about home loans?"
 "Could you give me a printout of the offer? Do you have further information?"¹

Each test was supposed to result in a personalised offer being made to the interviewer. This was because the ESIS had to be issued only with an offer that was not binding. Any refusal had to be substituted with another test as far as possible.

Any brochure or leaflet could be accepted as "general information" because the Code of Conduct does not require any specific structure for "general information". If the interviewer received a variety of documentation he was to use the brochure that most closely matched the requirements of the Code of Conduct. For "personalised information" the structure and characteristic features were defined in the Code of Conduct, including a standardised headline. Therefore for personalised information only documentation that resembled information based on the European

¹ Initially it was planned that the interviewer would identify himself as a "mystery shopper" if he did not receive the European Standardised Information Sheet. He was to ask directly if the branch could supply this information. But in agreement with the partners and the European Commission after the initial project meeting these plans were changed, see below. Only exception was Austria which has no impact on test results, see national report.

Standardised Information Sheet (headline, structure etc.) was accepted. The offer itself was not accepted as “personalised information”. Separate documentation that was enclosed with the offer was accepted.

Interviewers had to establish the accuracy of the following information after the conversation (by internet or phone): (1) the addresses of the lender and (2) the address of the internal complaints procedure.

As regards legibility, an example was given in advance, to enable answers to be compared:

Table 1: Example of legibility

| absolutely not | not really | more or less | good | very good |
|--|--|--|--|--|
| The voluntary Code will be implemented | The voluntary Code will be implemented | The voluntary Code will be implemented | The voluntary Code will be implemented | The voluntary Code will be implemented |

If the interviewers had problems with the questionnaire or the information provided, it was made clear that the Code of Conduct should always be taken as the basis for interpretation. Where uncertainty remained, the problem was resolved in agreement with the partner organisation or with iff as co-ordinator of the project.

2.4 Analysis of the ECSA's Policy

The survey contains an overview of the policy of the European Credit Sector Associations. It examined whether the European Credit Sector Associations fulfilled the obligations incumbent on them as signatories to the Agreement (No. 1-6). Accordingly, the ECSA's were interviewed and their official publication was examined as thoroughly as possible.

3 Time Scale of the Project

After signature of the contract in mid-December 2002, iff started work on designing the questionnaire, organising the pre-test process and preparing for the first project meeting in Hamburg in January.

3.1 Pre-Test

On 20 January 2003 iff began pre-tests in Hamburg with three interviewers. After 20 tests, iff analysed the initial results. Some questions were removed or replaced and the structure of the questionnaire was improved.

3.2 Initial Project Meeting

The initial project meeting was held on 6/7 February 2003 at iff in Hamburg with the co-operation partners. After brief introductions of participants and their organisations, the criteria for selection of branches and design of the test were discussed. Access to the questionnaire was demonstrated and partners went through the questions. Each question was discussed systematically. From the original general and personalised information given to the interviewer for the pre-test it was decided which brochures, leaflets and documentation should be accepted as general and personalised information described in the Code of Conduct.

Partners together reached the conclusion that “mystery shopping” and official monitoring are two contrary methods that cannot be used at the same time. Reasons for this are: (1) professional testers employed by consumer organisations always work anonymously; (2) after an hour’s discussion initiated by the interviewer in the guise of a consumer, it is unpleasant for both sides when it is disclosed that the exercise was merely a test; (3) testers have no official status as monitors for the European Commission; (4) the pre-test showed that official independent monitoring does not obtain better results, because some credit institutions are prepared to hand out the information, while others say that they only give the information, and especially the personalised information, to customers.

Partners notified immediately after signature of the contract had prepared a short presentation for the initial project meeting of how they intended to select regions and branches in their countries and which interviewers they had identified for their tests.

3.3 Commencing and Conducting the Surveys in the Different European Countries

At the end of the initial project meeting, iff issued general final guidance on the tests and the procedure for completing the questionnaires agreed with project partners. Partners were responsible for translation of the questionnaire from English into their own languages to ensure that interviewers avoided misunderstandings.

Partners started work in their respective countries with final selection of branches, induction of their interviewers and completion of the tests.

After the initial project meeting, it was agreed with the European Commission that the interviewer should not ask directly if the branch had standardised information based on the Code of Conduct. The Code of Conduct itself was not to be mentioned during the "mystery shopping" exercise, contrary to what was originally planned.

Project partners carried out the tests in their respective countries between February and April 2003.

After finishing the tests, each partner described the selection of interviewers, the distribution of credit institutions, the random selection of branches and problems that arose with the tests in their country.

3.4 Modifications

953 tests in at least 50 regions were planned at the beginning. In discussion with the European Commission, it emerged that the test as described in the contract could not be carried out in Spain and France.

Because no Spanish credit institutions and only two minor French credit institutions – a former Moroccan state bank and a bank from the energy company General Electric - had signed and implemented the Code of Conduct by 30 September 2002, no tests were conducted in Spain and France. Nevertheless, our partner in France produced a French national report to provide an overview of the market share of the two French credit institutions that had signed and implemented the Code of Conduct by 30 September 2002 and the special situation pertaining in France.

iff changed the design of the test, as already described in the interim report, and increased the tests in proportion to the inhabitants in individual European countries. For the United

Kingdom, Italy and Germany especially, this meant an enormous increase in the number of tests.

After the initial meeting the European Commission decided that there was no justification for carrying out tests in the United Kingdom. This was because British mortgage institutions had decided collectively against implementation despite having registered. iff and its partner immediately stopped testing in the United Kingdom, even though on 8 January 2003 113 credit institutions were registered as having signed and implemented the Code of Conduct by 30 September 2002.

Redesigning the test again was not possible once testing had started. Nor was it possible to increase the number of tests conducted in the other 11 European countries. It was agreed that the European Commission would accept fewer tests and fewer regions covered, and not require replacements. That meant that in the end not all the 359 tests originally planned for Spain, France and the United Kingdom were replaced.

4 Design and Results of the Survey

722 tests were successfully carried out in accordance with the requirements of the project, especially as regards the cut-off date for registration and implementation by 30 September 2002 in eleven countries of the European Union. A special report was prepared in the cases of Denmark and France. In fact, the Code of Conduct is not implemented in three major countries: Spain, France and the United Kingdom. Although in number they represent only 20% of all member states in these three countries do live 158.4 million people, namely 42% of European Citizens, who actually have no chance of receiving this European Standardised Information Sheet. These countries could not be included in the test, as planned at the beginning. Four tests had to be eliminated at the end because the tests were carried out in branches of credit institutions that had not adhered strictly to the deadline for implementation.

4.1 Survey Methodology

A representative sample had to be chosen from among the individual credit institutions that subscribed to the "Agreement on a Voluntary Conduct on Pre-contractual Information for Home Loans" and were located in one of the European Countries. Representativeness is achieved when all relevant subpopulations are included in the correct proportion. The sample is a multiple stratified and clustered random sample. The following stratifying criteria were used: country, number of inhabitants, region and type of credit institution. Stratification guarantees a correct representation of the stratifying variables and therefore provides a more correct sample than would have been possible by pure random selection.

Representativeness

Regions within each country were selected for the investigation. This clustering was chosen to make investigation more economical. But clustering reduces the degree of representativeness. Each branch used for the investigation had to be selected at random from a stratified list of branches.

The sample is disproportionally stratified within the various countries. Disproportional stratification is used to obtain sufficient cases in countries with fewer inhabitants. This method guarantees more accurate results than merely comparing the results of countries. Apart from comparing the results of countries, the disproportional selection is corrected by weighting the results. More accurate results in countries with fewer inhabitants leads to more accurate weighted results too.

Every sample result gives an estimated value for the true value of the population. In interpreting these results you have to recognise the possibility of a random bias. To accommodate this, standard error is used. The commonly used 95% standard error gives the extent of an error that will not be exceeded with a probability of 95 percent.

Because of the complexity of the sampling procedure used the standard error can only be estimated. The following table gives an overview of the standard error for a sample of 722 cases using a poor random sample. Some calculations for selected examples have shown, that standard error is about 20% smaller because of stratifying by country. Assuming that the other stratifications result in an additional smaller standard error and clustering enlarges the standard error, we can use the standard error for a country stratified random sample as an appropriate estimation of the standard error of the used sample. Standard error is maximum ± 3 percent if outcome is 50%, and minimum ± 1.3 percent if outcome is 5%. It has to be remembered that this is not a real error but only a possible error that will not be exceeded with high probability. The real error usually will be smaller.

Table 2: Estimated 95%-Percent standard error for a country stratified sample, sample size $n=722$

| Outcome in per cent | 95 | 90 | 85 | 80 | 75 | 70 | 65 | 60 | 55 | 50 | 45 | 40 | 35 | 30 | 25 | 20 | 15 | 10 | 5 |
|----------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Standard error in per cent | 1,3 | 1,8 | 2,1 | 2,3 | 2,5 | 2,7 | 2,8 | 2,9 | 2,9 | 2,9 | 2,9 | 2,8 | 2,8 | 2,7 | 2,5 | 2,3 | 2,1 | 1,8 | 1,3 |

Reliability

A high degree of reliability is achieved with a questionnaire that closely follows the expressions and sections of the Code of Conduct. The project leaders of the national investigation met together to consider the questionnaire in detail. Ambiguity was discussed and corrected. Each country gave testers a course of instruction. Material was studied jointly at the meeting; some examples were discussed and each interviewer had to complete data entry for one or more examples under the supervision of the instructors. Data entry was completed using an Electronic Questionnaire. A filter system in this questionnaire prevented errors by using questions not to apply. Technical constraints prevented filtering of all follow up questions. If there were logical errors in using follow up questions these were corrected by statistical checking and recoding. Most of these errors could be corrected with no margin of doubt. A maximum of 5 out of 722 cases (= 0,7 Per Cent) could not be coded with no margin of doubt.

4.2 Distribution of the Tests

For the analysis the tests in every country were given a percentage weighting in proportion to the population in the countries where tests were conducted. Only those tests that were successfully completed were used for the purposes of the analysis.

Table 3: *Distribution of the tests in the various countries and their weighting*

| | Population in Mio. | Sample Size | Weighting | Percent Population | Percent Sample | Sample Size Weighted |
|--------------------------------|--------------------|-------------|-----------|--------------------|----------------|----------------------|
| Austria | 8,1 | 30 | 0,9148 | 0,038 | 0,0416 | 27,443 |
| Belgium/ Luxembourg | 10,6 | 35 | 1,0261 | 0,050 | 0,0485 | 35,914 |
| Finland | 5,1 | 30 | 0,5760 | 0,024 | 0,0416 | 17,279 |
| Germany | 82,0 | 261 | 1,0645 | 0,385 | 0,3615 | 277,823 |
| Greece | 10,5 | 34 | 1,0463 | 0,049 | 0,0471 | 35,575 |
| Ireland | 3,7 | 26 | 0,4821 | 0,017 | 0,0360 | 12,536 |
| Italy | 57,6 | 188 | 1,0381 | 0,270 | 0,2604 | 195,153 |
| Netherlands | 15,8 | 52 | 1,0295 | 0,074 | 0,0720 | 53,532 |
| Portugal | 10,8 | 38 | 0,9629 | 0,051 | 0,0526 | 36,591 |
| Sweden | 8,9 | 28 | 1,0769 | 0,042 | 0,0388 | 30,154 |
| Total | 213,1 | 722 | | 1,000 | 1,0000 | 722,000 |

To ascertain whether it made any difference if the branch was located in a rural or urban area, the size of the population there was recorded. About 40% of the tests were conducted in places with not more than 100,000 inhabitants; 60% were conducted in bigger towns.

Table 4: *Urban/rural ratio*

| | frequency, weighted | % |
|-----------------|---------------------|-------|
| < 20.000 | 77 | 10,7 |
| 20.000-100.000 | 212 | 29,4 |
| 100.000-500.000 | 95 | 13,1 |
| > 500.000 | 338 | 46,8 |
| total | 722 | 100,0 |

Tests were also conducted in proportion to the number of individual types of credit institution. Number and selection are documented in the national reports.

5 General Results

In about 50 per cent of all tests, general and personalised information as described in the Code of Conduct part II was not supplied. Interviewers were more often spontaneously given standardised personal information (42,2%) than general information (26,6%).

In 47 cases (weighted) the general information handed out to the interviewers fulfilled the conditions described in the Code of Conduct. This represents 6.5% of all the tests conducted. For example, about 41% of the general information did not provide any indication that the credit institution subscribed to the Code of Conduct and in 67% there was no indication that a copy of the Code of Conduct was available in the branch.

As regards the information given, 36 cases (weighted) fulfilled the requirements for the European Standardised Information Sheet. This represented 5.0% of all the tests in the statistical survey. One third of the personalised information, for example, did not use the same structure as the European Standardised Information Sheet or the defined headline, did not give information about the obligation to domicile bank account or did not clarify whether early repayment was possible.

In 29.7% of cases a repayment vehicle was offered. 2.6% of the offers required a third party guarantee. The offer was dependent on the consumer's receiving these services from the lender in 22.1% of cases, and in 28.1% there was an obligation to open a bank account with the lender and deposit the salary to it.

5.1 Information Provided

At the beginning interviewers had to state whether they were spontaneously given the general and personalised information, or whether they received it only if they requested further information, or whether neither applied. As explained earlier, it was agreed that interviewers should not ask directly for the standardised information sheet.

26.6% of the cases represented spontaneously given general information in paper form, 20.2% of the interviewers received it only when they asked for it. In more than half of the cases, 53.2%, the interviewers did not receive general information in paper form at all, despite the fact that they received a personalised offer.

More compliance could be experienced as regards the European Standardised Information Sheet as described in part II of the

Code of Conduct. In 42.2% of the tests, interviewers were spontaneously given such information.

A possible reason for that result could be the type of questions interviewers were obliged to use in the tests. In terms of general information, interviewers were to accept any written material supplied as long as it was information on home loans for customers. Even a neutral question can induce an employee to provide some information about home loans.

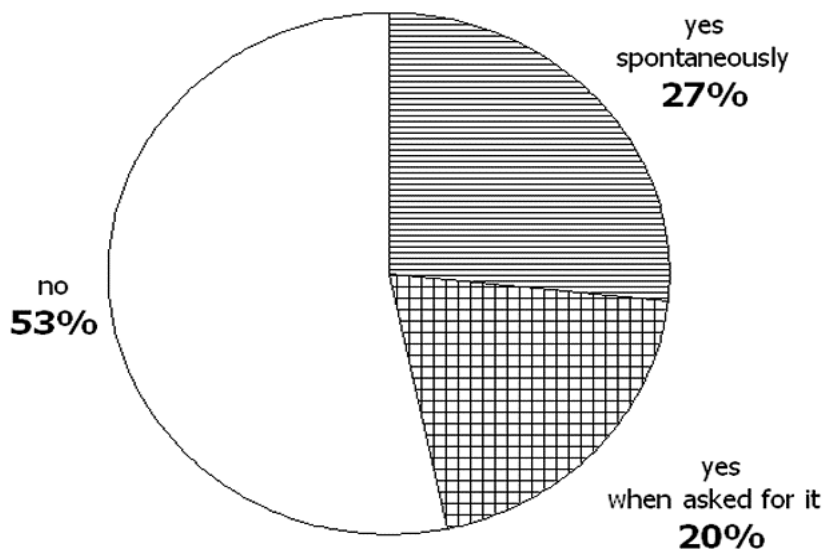


Figure 1: Receipt of general information

In terms of personalised information, only material that resembled the standardised information sheet described in the Code of Conduct was accepted. Otherwise, the non-binding offer could not be separated from the additional information described in the Code of Conduct. In such a case, the request for “further information” was formulated in a neutral way.

The conclusion reached is that only every second branch of credit institutions registered as having signed and implemented the Code of Conduct supply the consumer with the required information.

5.2 Evidence of Failure to Comply with the Code of Conduct

5.2.1 General Information

The test examined whether the general information received from the branches complied with the Code of Conduct part II. At the beginning the interviewer asked some general questions on

matters which do not form an explicit part of the Code of Conduct but are, nevertheless, necessary for a consumer, for example whether the general information was legible and available in the national language or, in the case of multilingual countries, in the language of the interviewer. Another question related to whether the Code of Conduct had the same structure as the general information.

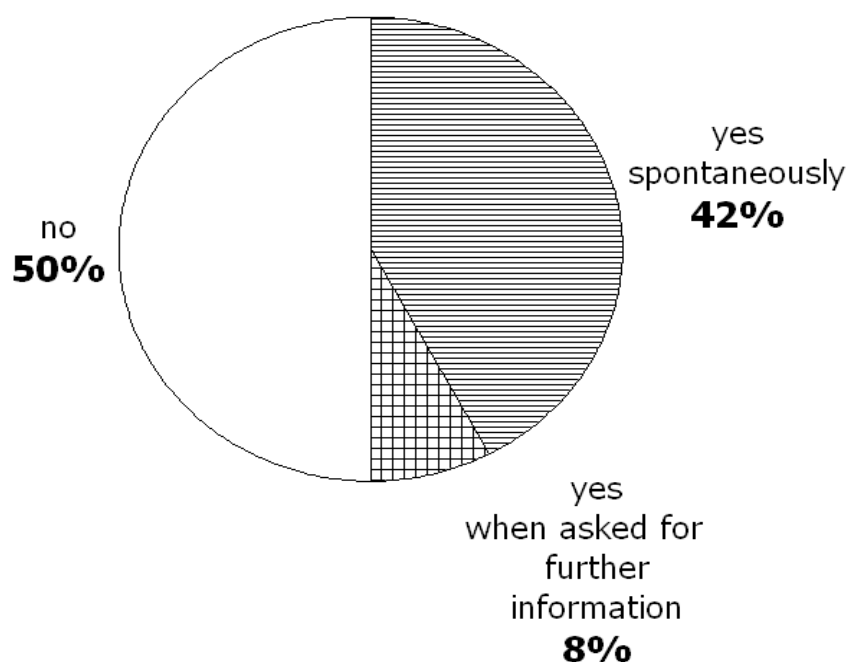


Figure 2: Receipt of personalised information

The legibility and the language in which the general information was written was not a problem. 98.9% of the general information was available in the national or regional language and over 94.5% of the general information obtained was sufficiently legible or better.

It is, however, worth noting that only one third (38.1%) used the same structure and sections for the general information as described in the Code of Conduct, although there is no obligation to use the predetermined structure for the general information.

The description of the incidences of failure to comply with the Code of Conduct follows the same sequence as part II in the actual Code of Conduct, namely A 1, A 2, B 1 and so on, to make it easier for the reader. At the end is a list indicating failure ratio.

In A 1, the identification and address of the lender should be provided in the general information, but in 40.6% of cases, the name and address of the lender was not given. The reason seems

to be that most of the general information was published by umbrella organisations. In some cases, the general information did not even contain a blank space reserved for the address of the lender. Furthermore, in 2.4% of cases, the name or address provided was wrong.

The address of an intermediary, as required in A 2, was not asked for in this test because only branches were accepted, and intermediaries which are independent agents were, in general, excluded.

In B 1, the purposes for which home loans may be used should be stated. 15% did not comply with this requirement. The form of surety (B 2) was not denoted in 20.3% of cases.

In B 3, two questions were asked: "Did the general information provide a description of the types of home loan available, with a short description of the differences between fixed and variable rate products?" and "If so, were the implications for consumers explained?" As regards the first question, 25.4% did not contain a description of the types of home loan. Where the answer to the first question was yes, in 10.3% of cases the implications were not explained.

In 13.6% of cases, the types of interest rate – fixed, variable, and combinations thereof, as requested in B 4 - were not explained in the general information.

In 32.6% of cases, an indication of the cost of a typical home loan for the consumer (B 5) was not given. In addition, inclusion of a list of related cost elements, such as administrative costs, insurance costs, legal costs, intermediaries' costs ... (B 6), was envisaged. 23.8% provided no general information about costs at all. The question was asked as to whether the cost of a typical home loan was provided, although there is no explicit obligation in the Code of Conduct to indicate typical costs. A consumer would, however, need to be aware not only that there would be possible costs, but also the amount of such costs for a typical home loan. It emerged, moreover, that about one third (38.6%) of the credit institutions tested did provide an indication of such costs, suggesting that for them too this was a significant issue.

As regards the various options available for reimbursing the credit to the lender (B 7), a separate question sought to discover whether the number, frequency and amount of repayment instalments, if any, were indicated. In the last case, "not applicable" was one of the options in the questionnaire. In 54.3% of cases, there was no indication of the number of instalments, in 38.8%, of the frequency of repayments and in 42.6%, of the

amount of the repayment instalments. That means that in every second case (57.6%), the general information provided did not comply with B 7 of the Code of Conduct. Even though in B 7 the Code of Conduct contains the supplementary phrase "if any", a normal home loan for a consumer would usually detail the number, frequency and amount of the repayment instalments. The high percentage for all three elements cannot be explained by the fact that in about 50% of cases, a home loan for a consumer does not detail the number, frequency and amount of repayment instalments.

Whether there was a possibility of early repayment was not explained in 29.4% of cases (B 8), and where early repayment was possible, the relevant conditions were not stated in 15.2% of cases. Although there is no explicit obligation to provide an example of an early repayment scenario, it is important for consumers to know what early repayment means in reality, in the same way as they need to be aware of the costs of a typical home loan. As expected, 91.9% did not provide an example. The result is that, in nine out of ten cases where the interviewer was provided with general information, the effect and the amount of the prepayment penalty for early repayment was not made clear. In 76.3% of these the amount was "0". In the small number of cases where an amount was given, in percentage terms, this was between 1% and 10% and in €, between 0 € and 2500 €. Given the possibility that, in general, credit with variable rates does not carry any prepayment penalty, the spread in the answers cannot be explained. It seems that the prepayment penalty is an element about which consumers remain very unclear, and additionally, prepayment penalty amounts vary enormously. However, the data from the questionnaire is not sufficiently representative for this hypothesis to be verified.

In 34.5% of cases, information was not given as to whether a valuation of the property was necessary (B 9). And even when such information was given, in 34.3% of cases, there was no indication as to who should carry out such a valuation.

Furthermore, the general information sheet should include information about tax relief and public subsidies prevailing or, where this is not the case, information where one can obtain further advice. To test this, there was a question as to whether the sheet included general information on tax relief on home loan interest in instances where tax relief was available in the country concerned (B 10). Half of them did not include information on tax relief (42.6%) and no information on public subsidies was included (49.5%). In every fourth case was information provided as to

where further advice can be obtained. Interviewers were instructed to check out the possibility of obtaining further information in instances where no details about tax relief or public subsidies were provided in the general information itself. This proved possible in every third case only. Neither information on tax relief nor details on obtaining further information were provided 30.6%. As regards public subsidies the percentage was 31.4%.

A reflection period was specified in 13.5% of cases, and where this period was specified, in every fifth case (18.6%) its duration was not stated. However, such information should be given only when relevant. The Code of Conduct does not define when it is relevant.

In 41% of the cases where general information was issued to the interviewers, it contained no confirmation that the institution subscribed to the Code of Conduct. One reason could be that the institutions had provided outdated brochures and leaflets. The tests started only four months after the cut-off date for implementation. In Germany for example, different branches of the same credit institution provided different general information: one provided outdated documentation with no indication of the Code of Conduct; the other provided current documentation containing a clear indication of the Code of Conduct in the introduction. Another possibility was that they had provided general information that had been prepared with no reference to the Code of Conduct. Interviewers were told to accept any "general information" provided for the purposes of the questionnaire. Interviewers made no distinction between general information prepared with reference to the Code of Conduct part II and any other kind of information. Such a distinction was not possible because there was no requirement on credit institutions to present general information in the special terms applicable to "personalised information".

In 67.3% of cases, there was no indication that a copy of the Code of Conduct was available for consultation in the institutions. One explanation for this may be that while credit institutions began to amend descriptions of home loans in their consumer brochures, they continued to design the information in their own way. Even when there was reference to the Code of Conduct instances of failure to comply were not merely attributable to misunderstandings or mistakes. Not adopting the Code of Conduct structure for the general information gives credit institutions the opportunity of drawing up their own information documentation based on their understanding of home loans.

The following table indicates percentage compliance with the various elements of the Code of Conduct as it applies to general information. Optional elements are not included in this list:

Table 5: Percentage compliance in order of magnitude – general information

| Elements of the Code of Conduct with which institutions are required to comply | Item | In relation to the tests where information was disclosed | | In relation to all tests carried out | |
|---|------|--|-----------------|--------------------------------------|-----------------|
| | | complying % | not complying % | complying % | not complying % |
| Indication that a copy of the code of conduct is available in the institution | B 12 | 32,7 | 67,3 | 15,3 | 84,7 |
| Inclusion of the number, frequency or amount of repayment instalments | B 7 | 42,4 | 57,6 | 19,8 | 80,2 |
| Confirmation that the institution subscribes to the Code of Conduct | B 12 | 59,0 | 41,0 | 27,6 | 72,4 |
| Address and identification (of the lender) | A 1 | 59,4 | 40,6 | 27,8 | 72,2 |
| Information as to who should carry out the property valuation | B 9 | 65,7 | 34,3 | 30,7 | 69,3 |
| Indication of the cost of a typical home loan for the consumer | B 5 | 67,4 | 32,6 | 31,5 | 68,5 |
| Information on public tax subsidies or information on obtaining further advice | B 10 | 68,6 | 31,4 | 32,1 | 67,9 |
| Information on tax relief or information on obtaining further advice | B 10 | 69,4 | 30,6 | 32,5 | 67,5 |
| Notification of possibility of early repayment | B 8 | 70,6 | 29,4 | 33,0 | 67,0 |
| Description of the types of home loans available with a short description of the differences between fixed and variable rate products | B 3 | 74,6 | 25,4 | 34,9 | 65,1 |
| List of related cost elements | B 6 | 76,2 | 23,8 | 35,7 | 64,3 |
| Form of surety | B 2 | 79,7 | 20,3 | 37,3 | 62,7 |
| Conditions for early repayment specified, if this is possible | B 8 | 84,8 | 15,2 | 39,7 | 60,3 |
| Purposes for which the home loan may be used | B 1 | 85,0 | 15,0 | 39,8 | 60,2 |
| Different types of interest rate in the general information explained – fixed, variable, and combinations thereof | B 4 | 86,4 | 13,6 | 40,4 | 59,6 |
| Correct address and identification of the lender | A 1 | 97,6 | 2,4 | 45,7 | 54,3 |

Figures below 10% indicate that the problem is not common or widespread; those between 10% and 30% indicate that credit institutions would seem to have some problems fulfilling the Code of Conduct, and those over 30% indicate a more serious problem for the credit institution.

46.8% received general information but in only 47 cases (weighted) the general information provided fulfilled the obligations of the Code of Conduct totally. This represents 6.5% of all the tests conducted. Non-mandatory elements such as the way information is structured, the costs, the duration of a reflection period and an example illustrating early repayment did not feature in relation to that question.

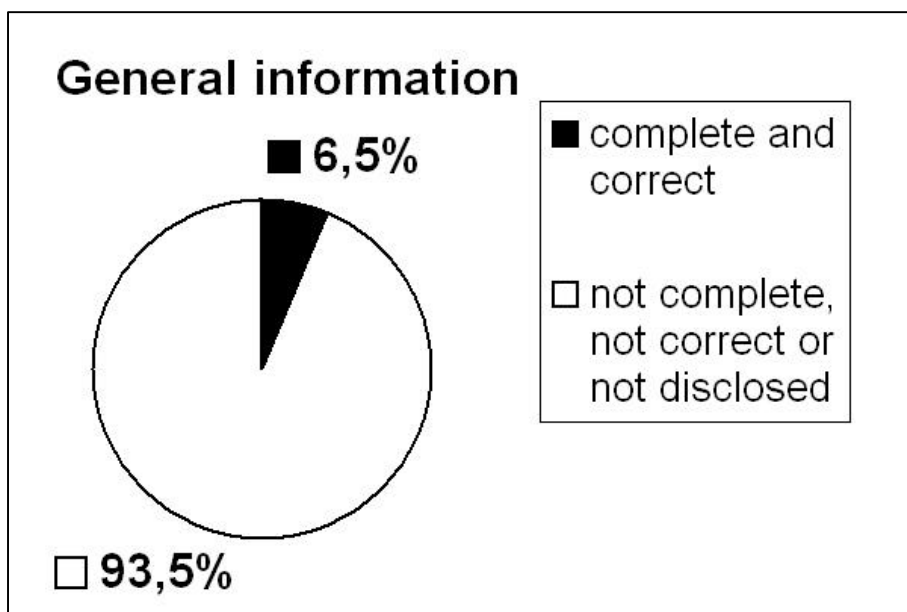


Figure 3: General information complete and correct

5.2.2 Personalised Information

The most important part of the test was the personal information as described in the Code of Conduct part II. The headline, structure and description are specified and are obligatory.

As in the description on general information, at the outset interviewers had to ask some general questions which do not form an explicit part of the Code of Conduct but which are nevertheless relevant for consumers.

The language in which the general information was written was not a problem. 99.0% of the personal information was formulated in the national or regional language. But legibility was not as good as for the general information. Nevertheless, 91.2% of the personalised information obtained was sufficiently legible or better and only 7.4% of those questioned answered with "more or less" and 1.4% with "not really".

What was astonishing was that 37.9% of the personalised information obtained did not carry the heading "European Standardised Information Sheet", and 29.7% did not adhere to the structure, sections and form of the personalised information as described in the Code of Conduct. One of the purposes of the Code of Conduct was to provide a means of comparing information. This cannot be guaranteed when consumers are not aware that personalised information should be standardised across the European Union – in so far as credit institutions have signed the

Code of Conduct. Different structures, sections and forms of the European Standardised Information Sheet make it more difficult for consumers to compare offers from different credit institutions.

As the identification and address sections in the general information seem to indicate, the lender should be named at point (1), but in 24.5% of cases, lender identification and address was not supplied. Furthermore, in 3.6% of cases the name or address was wrong.

The product (2) was not always adequately described. In 19.2% of personalised information, the product description failed to indicate whether it was a mortgage on a property or other commonly used form of surety. 11.2% of personalised information did not clarify whether the product on offer was an interest only home loan or a repayment home loan. 55.2% of cases failed to indicate whether the home loan terms were dependent on the consumer providing a certain amount of capital, and 72.7% of the ESIS indicated the proportion of own capital required. Only 2.6% of the offers required a third party guarantee. This figure was too low to draw conclusions as to how often it was clearly stated whether the home loan terms were dependent on a third party guarantee.

In 3% of cases, the nominal rate (3) was not stated.

In every second test details of how the interest rate would vary were relevant (see below). In 3.1% of these cases, the ESIS did not contain details of how the interest rate would vary including, for example review periods, lock-in periods and relevant penalty clauses, collars and caps etc.

In 2.7% of cases, there was no indication of the amount of credit or the appropriate currency (5).

The duration of the home loan agreement (6) was not specified in 4.4% of cases. A higher percentage (14.7%) of personalised information did not specify the number and frequency of payments (7). The amount of each instalment (8/9) was not detailed in 14.2% of cases.

Where a repayment vehicle was offered (29.7%), the amount of each regular payment towards the repayment vehicle (9) was not indicated in the personalised information, in accordance with the frequency of payments in 26.6% of cases. And in 46.7% of cases it was not made clear in the personalised information whether or not the offer was dependent on the consumer's agreement to that vehicle.

A list of the additional non-recurring costs (10), where applicable, was not provided in the personalised information in 17.4% of

cases, and where the costs are under the direct or indirect control of the lender an estimate of the costs was not provided either in Euros or as a percentage in 14.0% of cases.

A list (11) of the additional recurrent costs (insurance against default on payments, fire insurance, building and contents insurance), where applicable, was not provided in 26.6% of cases, and, where additional recurrent costs were provided, in 11.3% of cases it was not clearly stated, that the offer was dependent on the consumer's receiving these services.

In 33.1% of cases the personalised information failed to state whether early repayment was possible. Where the possibility of early repayment was stated, 8.8% did not clarify on what terms it was possible and 2.4% did not state whether any charges would apply. 81.1% provided a general indication, but as the following German example shows, a general indication may not be very helpful for a consumer, because it provides no real idea of what a prepayment penalty actually means for him:

..., so ist der Bank der hierdurch entstehende Schaden zu ersetzen. ... Weitere Hinweise finden Sie in der Broschüre [engl. translation: ..., the penalty incurred from this has to be paid to the bank... Further explanation can be found in the brochure]

29.6%, however, did state a specific amount for the early repayment, indicating that this is in general possible.

As regards the internal complaint scheme, the name, address and telephone number of the appropriate contact should be given (13). 46.0% did not provide a telephone number; 37.4% of the personalised information did not contain a name and 37.6% contained no address. In every second case (50.2%) the name, address or telephone number for the scheme was absent or in some cases even wrong.

The statement that the consumer can ask for help at the counter in the event of a complaint seems to be inadequate. Moreover, in 2.6% of cases the interviewers remarked that the information given (name, address or telephone number) was not correct.

In 15.9% of cases, a specimen amortisation table (14) was not provided with the personalised information. The amortisation tables themselves did not contain monthly or quarterly payments (if applicable) for the first year in 12.9% of cases, annual figures for the duration of the loan in 8.3% of cases, the amount of capital repaid in 13.4% of cases, the amount of interest in 5.5% of cases, the outstanding amount in 13.9% of cases, the total amount of capital and interest in 15.4% of cases and, astonishingly, the

amount of each instalment in 6.3% of cases. All in all, in 45.8% of cases there were instances of failure to comply in the illustrative amortisation tables. In every second test the question about a warning regarding variable rates were answered with Yes or No, which indirectly indicated that this percentage related to offers carrying variable interest rates. 43.0% of such personalised information did not contain a warning regarding the risk of variable rates.

In 35.2% of cases there was no indication as to whether there was an obligation to open a bank account with the lender and deposit the salary in it (15).

At the end the interviewer asked if the information contained in the personalised information was identical to the offer made by the branch (amount of credit, amount of instalments, nominal rate, annual percentage rate, costs). In 11.8% of cases it was not.

The following table indicates percentage compliance with the various elements of the Code of Conduct as it applies to personalised information. Optional elements are not included in this list:

Table 6: Percentage compliance in order of magnitude - personalised information

| Elements of the Code of Conduct with which institutions are required to comply | Item | In relation to the tests where information was disclosed | | In relation to all tests carried out | |
|--|---------------|--|-----------------|--------------------------------------|-----------------|
| | | complying % | not complying % | complying % | not complying % |
| Clarification as to whether the home loan terms are dependent on the consumer's providing a certain amount of capital | 2 | 44,8 | 55,2 | 22,4 | 77,6 |
| Name, address and telephone number for internal complaint scheme | 13 | 49,8 | 50,2 | 24,9 | 75,1 |
| Clarification as to whether or not the offer is dependent on the consumer's agreement to the repayment vehicle | 9 | 53,3 | 46,7 | 26,6 | 73,4 |
| Inclusion of all necessary detail in the illustrative amortisation table | 14 | 54,2 | 45,8 | 27,1 | 72,9 |
| Warning if the proposed home loan has a variable interest rate | 14 | 57,0 | 43,0 | 28,5 | 71,5 |
| Personalised information sheet headed 'European Standardised Information Sheet' | | 62,1 | 37,9 | 31,0 | 69,0 |
| Details of how the interest rate will vary including, for example review periods, lock-in periods and relevant penalty clauses, collars and caps etc. | 3 | 62,2 | 37,8 | 31,1 | 68,9 |
| Notification of obligation to domicile bank account and salary with lender | 15 | 64,8 | 35,2 | 32,4 | 67,6 |
| Clarification as to whether early repayment is possible | 12 | 66,9 | 33,1 | 33,4 | 66,6 |
| Same structure, sections and form as described in the Code | | 70,3 | 29,7 | 35,1 | 64,9 |
| Indication of the amount of own capital required | 2 | 72,7 | 27,3 | 36,3 | 63,7 |
| Specification of the amount of each regular payment towards the repayment vehicle | 9 | 73,4 | 26,6 | 36,7 | 63,3 |
| List of the additional recurrent costs | 11 | 73,4 | 26,6 | 36,7 | 63,3 |
| Name and the address of the lender | 1 | 75,5 | 24,5 | 37,7 | 62,3 |
| Indication that this table was for illustration purposes only | 14 | 77,8 | 22,2 | 38,9 | 61,1 |
| Requirement that personalised information contains the words at the beginning 'The document does not constitute a legally binding offer. ... The provision of this information does not oblige the lender to grant a loan' | Up front text | 79,7 | 20,3 | 39,8 | 60,2 |
| Clarification as to whether it is a mortgage on a property or other commonly used form of security | 2 | 81,8 | 19,2 | 40,9 | 59,1 |
| List of the additional non-recurring costs, where applicable | 10 | 82,6 | 17,4 | 41,3 | 58,7 |
| Illustrative amortisation table | 14 | 84,1 | 15,9 | 42,0 | 58,0 |
| Specification of the number and frequency of payments (these may vary) | 7 | 85,3 | 14,7 | 42,6 | 57,4 |
| Specification of the amount of each instalment | (8/9) | 85,8 | 14,2 | 42,9 | 57,1 |
| Estimate of the costs, which are under the direct or indirect control of the lender (€ or %) | 10 | 86,0 | 14,0 | 43,0 | 57,0 |
| Inclusion of outstanding capital in illustrative amortisation table | 14 | 86,1 | 13,9 | 43,0 | 57,0 |
| Inclusion of amount of capital repaid in illustrative amortisation table | 14 | 86,6 | 13,4 | 43,3 | 56,7 |
| Inclusion of monthly or quarterly payments (if applicable) for the first year in illustrative amortisation table | 14 | 87,1 | 12,9 | 43,5 | 56,5 |
| Information contained in the personalised information identical with the offer made by the branch (amount of credit, amount of instalments, nominal rate, annual percentage rate, costs) | | 88,2 | 11,8 | 44,1 | 55,9 |
| Clarification that the offer was dependent on the consumer's receiving these services from the lender | 11 | 88,7 | 11,3 | 44,3 | 55,7 |
| Clarification as to whether the product on offer is an interest only home loan or a repayment home | 2 | 88,8 | 11,2 | 44,4 | 55,6 |

| | | | | | |
|--|----|------|-----|------|------|
| loan | | | | | |
| Clarification of early repayment terms, if applicable | 12 | 91,2 | 8,8 | 45,6 | 54,4 |
| Inclusion of annual figures for the duration of the loan in illustrative amortisation table | 14 | 91,7 | 8,3 | 45,8 | 54,2 |
| Inclusion of amount of interest in illustrative amortisation table | 14 | 94,5 | 5,5 | 47,2 | 52,8 |
| Specification of the duration of the home loan agreement | 6 | 95,6 | 4,4 | 47,8 | 52,2 |
| Correct name and the address of the lender | 1 | 96,4 | 3,6 | 48,2 | 51,8 |
| Inclusion of appropriate details of indexation (margin, reference interest rate, interval of adaptation etc.) in the description | 3 | 96,9 | 3,1 | 48,4 | 51,6 |
| Statement of interest rate | 3 | 97,0 | 3,0 | 48,5 | 51,5 |
| Specification of amount of credit and the currency | 5 | 97,3 | 2,7 | 48,6 | 51,4 |
| Statement as to whether any charges would apply for early repayment | 12 | 97,6 | 2,4 | 48,8 | 51,2 |

As noted in relation to general information, figures below 10% indicate that the problem is not common or widespread; Those between 10% and 30% indicate that the credit institutions seem to have some problems fulfilling the Code of Conduct, and those over 30% seem to indicate a general problem for the credit institutions. It should be noted, however, that some problems related only to individual elements (repayment vehicles, variable rates).

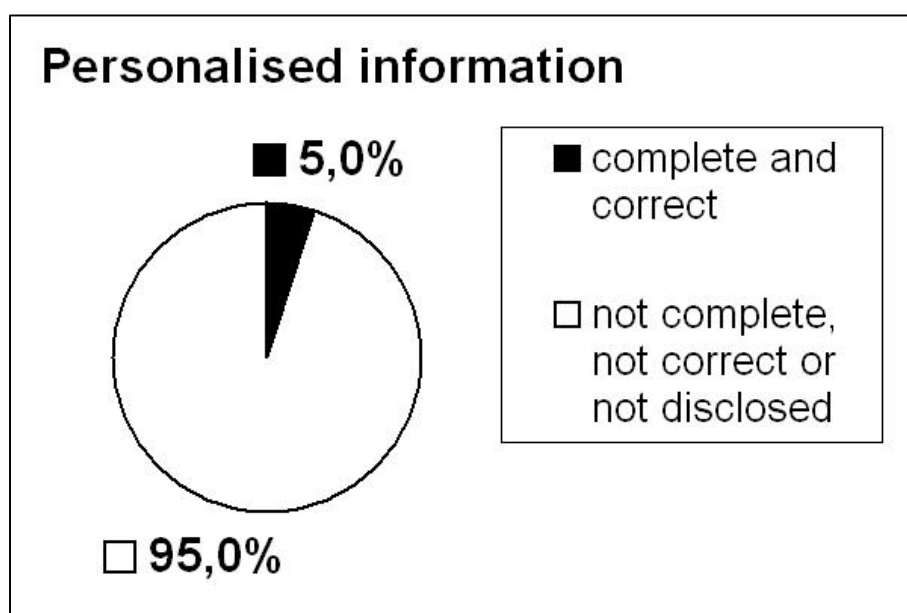


Figure 4: Personalised information complete and correct

One third of the personalised information did not use the same structure as the European Standardised Information Sheet or the defined headline, did not give information about the obligation to domicile bank account or did not clarify whether early repayment was possible.

In only 36 cases (weighted) the personalised information given fulfilled the requirements of the Code of Conduct totally. In relation to all the tests carried out this represents 5.0%.

6 Results – Countries

The results in each country vary widely.² In some countries, in every test interviewers were given the required information, for example, Finland. In other countries, it was more or less common.

Table 7: Interviewer was given general information- unweighted

| | Austria | Belg/Lux | Finland | Germany | Greece | Ireland | Italy | Netherlands | Portugal | Sweden |
|-------|---------|----------|---------|---------|--------|---------|-------|-------------|----------|--------|
| | % | % | % | % | % | % | % | % | % | % |
| yes | 34,5 | 94,3 | 100,0 | 54,6 | 73,5 | 80,8 | 4,3 | 68,6 | 73,5 | 60,7 |
| no | 65,5 | 5,7 | 0,0 | 45,4 | 26,5 | 19,2 | 95,7 | 31,4 | 26,5 | 39,3 |
| total | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 |
| cases | 29 | 35 | 30 | 260 | 34 | 26 | 188 | 51 | 34 | 28 |

Table 8: Interviewer was given personalised information - unweighted

| | Austria | Belg/Lux | Finland | Germany | Greece | Ireland | Italy | Netherlands | Portugal | Sweden |
|--------|---------|----------|---------|---------|--------|---------|-------|-------------|----------|--------|
| | % | % | % | % | % | % | % | % | % | % |
| yes | 24,1 | 57,1 | 100,0 | 54,3 | 41,2 | 92,3 | 21,3 | 94,1 | 100,0 | 42,9 |
| no | 75,9 | 42,9 | 0,0 | 45,7 | 58,8 | 7,7 | 78,7 | 5,9 | 0,0 | 57,1 |
| total | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 |
| number | 29 | 35 | 29 | 230 | 34 | 26 | 188 | 51 | 38 | 28 |

While results for Germany were close to average, in Italy the result was very low. On the other hand, small countries such as Portugal, Ireland and Finland had very good results.

But as the absolute figure for information received is for some countries very low, these results should not be overrated. Instead the following results have to be interpreted only in relation to the total amount of information given in each case.

The clear differences between individual countries are illustrated in the example of the question on general information. A chi-squared test confirms that the overall variations are highly significant.³

In order to examine to what extent the differences between countries lay in the actual detail, a procedure was used to form homogeneous sub-groups. This procedure was used to form one homogeneous group from groups which did not differ significantly one from another. This provides multiple classification, because,

² The variation in the total number of cases arises from the fact that in the percentage calculation only those cases where valid information was available were included. The amount of missing information varied from question to question.

³ Pearson's Chi-squared: Value 209,489, df: g; Asymmetric significance (bilateral): ,000

for example, one country may not differ significantly from two others, but these two others may differ significantly from each other. There are several algorithms available that can be used to form homogeneous sub-groups, each providing slightly different results. A Waller-Duncan algorithm was used in this case, and the result is shown in the table below:

Table 9: Waller-Duncan

| Country | N | Sub-group | | | |
|-------------|-----|-----------|------|------|------|
| | | 1 | 2 | 3 | 4 |
| Finland | 30 | 1,10 | | | |
| Greece | 34 | | 1,35 | | |
| Netherlands | 52 | | 1,38 | | |
| Ireland | 26 | | 1,42 | | |
| Belgium/Lux | 35 | | 1,46 | | |
| Portugal | 38 | | 1,47 | | |
| Germany | 261 | | | 1,79 | |
| Sweden | 28 | | | 1,86 | 1,86 |
| Austria | 30 | | | 1,90 | 1,90 |
| Italy | 188 | | | | 1,96 |

This algorithm distinguishes four groups. Finland comes out as a group on its own with a particularly positive result. Then comes a group made up of Greece, the Netherlands, Ireland, Belgium and Portugal with above average results. A third group comprising Germany, Austria and Sweden has below average results. A fourth group emerged only because, although the result for Italy was not significantly different from that of Sweden and Austria in the third group, it did differ significantly from that of Germany. Sweden and Austria were accordingly peripheral cases which could be included in one group or the other.

There were also highly significant differences between the countries if the two questions about receiving general information were combined (receiving general information spontaneously or if the interviewer asked for it). The rating of the countries is similar, but the results are so close that most of them have to be placed in more than one group. The following figure illustrates an overview of the result for general information.

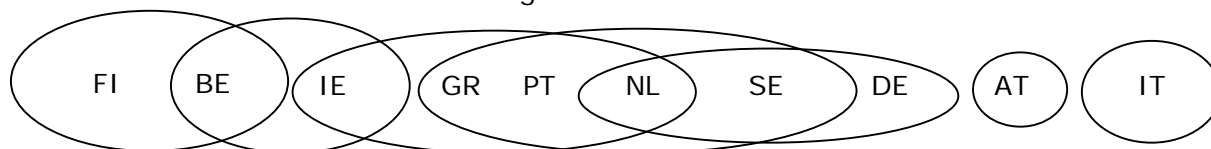


Figure 5: Distinction between countries - general information

An overview of instances of failure to comply with the Code of Conduct in the general and personal information is provided for each country with some comments on any special situation existing in a country and any divergences. Nine questions were chosen to indicate divergences. In the presentation of this

information, the original order of instances of failure to comply has been retained. This makes it easier to distinguish the differences. In smaller countries the total number of tests is not very high, hence it would be unwise to overestimate the results for each single country. National features do however emerge. The results for each country are not weighted.

6.1 Austria

30 tests conducted Austria were used for this cross-classified table. In 34.5% of cases was general information given (46.8% all, weighted) and in 24.1% personalised information (50% all, weighted). In both cases, this is below average.⁴ For more detailed information about the tests in Austria see Annex 2.1.

What is remarkable as regards the general information is that in Austria 70.0% of cases, compared to 29.4% (all), there was no mention of the possibility of early repayment, while the figure for confirmation that the institution subscribed to the Code of Conduct was much higher. There were no problems with the description of the types of home loans and the purpose.

Table 10: Percentage compliance in order of magnitude – Austria / general information

| Elements of the Code of Conduct with which institutions are required to comply | Item | In relation to the tests where information was disclosed | | | In relation to all tests carried out | |
|---|------|--|-----------------|---|--------------------------------------|-----------------|
| | | complying % | not complying % | not complying average/EU % ⁵ | complying % | not complying % |
| Indication that a copy of the code of conduct is available in the institution | B 12 | 44,4 | 55,6 | 67,3 | 15,3 | 84,7 |
| Confirmation that the institution subscribes to the Code of Conduct | B 12 | 77,8 | 22,2 | 41,0 | 26,8 | 73,2 |
| Address and identification (of the lender) | A 1 | 66,7 | 33,3 | 40,6 | 23,0 | 77,0 |
| Indication of the cost of a typical home loan for the consumer | B 5 | 56,6 | 44,4 | 32,6 | 19,5 | 80,5 |
| Notification of possibility of early repayment | B 8 | 30,0 | 70,0 | 29,4 | 10,3 | 89,7 |
| Description of the types of home loans available with a short description of the differences between fixed and variable rate products | B 3 | 100,0 | 0,0 | 25,4 | 34,5 | 65,5 |
| List of related cost elements | B 6 | 66,7 | 33,3 | 23,8 | 23,0 | 77,0 |
| Purposes for which the home loan may be used | B 1 | 100,0 | 0,0 | 15,0 | 34,5 | 65,5 |

In Austria in general, figures for instances of failure to comply in relation to personalised information were very low. The headline,

⁴ The following results have to be interpreted only in relation to the total amount of information given in each case. The absolute figure for information received is very low, so these results should not be overrated.

⁵ See Table 5 and Table 6

early repayment, amount of each instalment etc. were always indicated. Nevertheless, an indication of some elements, such as the nominal interest rate, was below average.

Table 11: Percentage compliance in order of magnitude - Austria / personalised information

| Elements of the Code of Conduct with which institutions are required to comply | Item | In relation to the tests where information was disclosed | | | In relation to all tests carried out | |
|--|---------------|--|-----------------|---|--------------------------------------|-----------------|
| | | complying % | not complying % | not complying average/EU % ⁶ | complying % | not complying % |
| Clarification as to whether the home loan terms are dependent on the consumer's providing a certain amount of capital | 2 | 55,6 | 44,4 | 55,2 | 13,4 | 86,6 |
| Name, address and telephone number for internal complaint scheme | 13 | 44,4 | 55,6 | 50,2 | 10,7 | 89,3 |
| Personalised information sheet headed 'European Standardised Information Sheet' | | 100,0 | 0,0 | 37,9 | 24,1 | 75,9 |
| Notification of obligation to domicile bank account and salary with lender | 15 | 100,0 | 0,0 | 35,2 | 24,1 | 75,9 |
| Clarification as to whether early repayment is possible | 12 | 100,0 | 0,0 | 33,1 | 24,1 | 75,9 |
| Same structure, sections and form as described in the Code | | 88,9 | 11,1 | 29,7 | 21,4 | 78,6 |
| List of the additional recurrent costs | 11 | 55,6 | 44,4 | 26,6 | 13,4 | 86,6 |
| Name and the address of the lender | 1 | 88,9 | 11,1 | 24,5 | 21,4 | 78,6 |
| Requirement that personalised information contains the words at the beginning 'The document does not constitute a legally binding offer. ... The provision of this information does not oblige the lender to grant a loan' | Up front text | 88,9 | 11,1 | 20,3 | 21,4 | 78,6 |
| List of the additional non-recurring costs, where applicable | 10 | 88,9 | 11,1 | 17,4 | 21,4 | 78,6 |
| Illustrative amortisation table | 14 | 77,8 | 22,2 | 15,9 | 18,7 | 81,3 |
| Specification of the number and frequency of payments (these may vary) | 7 | 100,0 | 0,0 | 14,7 | 24,1 | 75,9 |
| Specification of the amount of each instalment | (8/9) | 100,0 | 0,0 | 14,2 | 24,1 | 75,9 |
| Clarification as to whether the product on offer is an interest only home loan or a repayment home loan | 2 | 77,8 | 22,2 | 11,2 | 18,7 | 81,3 |
| Specification of the duration of the home loan agreement | 6 | 100,0 | 0,0 | 4,4 | 24,1 | 75,9 |
| Statement of interest rate | 3 | 85,7 | 14,3 | 3,0 | 20,7 | 79,3 |
| Specification of amount of credit and the currency | 5 | 100,0 | 0,0 | 2,7 | 24,1 | 75,9 |

6.2 Belgium / Luxembourg

33 tests conducted in Belgium and 2 in Luxembourg were used for this cross-classified table, representing the approximate proportion of the two countries to each other. In 94.3% of cases general information was given and in 57.1%, personalised information,

⁶ See Table 5 and Table 6

both above average.⁷ For more detailed information about the tests in Belgium and Luxembourg see Annex 2.2.

Belgium/Luxembourg failed to score above average in any element. In seven out of nine cases, scores were much lower than average, and four times the score was "0".

Table 12: Percentage compliance in order of magnitude – Belgium/Luxembourg / general information

| Elements of the Code of Conduct with which institutions are required to comply | Item | In relation to the tests where information was disclosed | | | In relation to all tests carried out | |
|---|------|--|-----------------|---|--------------------------------------|-----------------|
| | | complying % | not complying % | not complying average/EU % ⁸ | complying % | not complying % |
| Indication that a copy of the code of conduct is available in the institution | B 12 | 37,6 | 62,4 | 67,3 | 35,5 | 64,5 |
| Confirmation that the institution subscribes to the Code of Conduct | B 12 | 60,6 | 39,4 | 41,0 | 57,1 | 42,9 |
| Address and identification (of the lender) | A 1 | 84,8 | 15,2 | 40,6 | 80,0 | 20,0 |
| Indication of the cost of a typical home loan for the consumer | B 5 | 84,4 | 15,6 | 32,6 | 79,6 | 20,4 |
| Notification of possibility of early repayment | B 8 | 90,9 | 9,1 | 29,4 | 85,7 | 14,3 |
| Description of the types of home loans available with a short description of the differences between fixed and variable rate products | B 3 | 100,0 | 0,0 | 25,4 | 94,3 | 5,7 |
| List of related cost elements | B 6 | 100,0 | 0,0 | 23,8 | 94,3 | 5,7 |
| Purposes for which the home loan may be used | B 1 | 100,0 | 0,0 | 15,0 | 94,3 | 5,7 |

In Belgium and Luxembourg, there were no notable instances of failure to comply in personalised information. Only as regards identification of the internal complaint scheme and the statement as to whether there is an obligation to domicile bank account and salary with lender were any problems evident.

In certain cases, the granting of a mortgage loan is linked to a fire insurance policy and/or debt balance insurance. It is not indicated in the personal information if the client has any choice in the matter of such insurance policies, or if these are obligatory in the case of a particular insurer, although from discussions it appears that the client is obliged to take out these insurance policies with the insurer designated by the lender.

⁷ The following results have to be interpreted only in relation to the total amount of information given in each case. The absolute figure for information received is very low, so these results should not be overrated.

⁸ See Table 5 and Table 6

Table 13: Percentage compliance in order of magnitude - Belgium/Luxembourg / personalised information

| Elements of the Code of Conduct with which institutions are required to comply | Item | In relation to the tests where information was disclosed | | | In relation to all tests carried out | |
|--|---------------|--|-----------------|---|--------------------------------------|-----------------|
| | | complying % | not complying % | not complying average/EU % ⁹ | complying % | not complying % |
| Clarification as to whether the home loan terms are dependent on the consumer's providing a certain amount of capital | 2 | 100,0 | 0,0 | 55,2 | 57,1 | 42,9 |
| Name, address and telephone number for internal complaint scheme | 13 | 85,0 | 15,0 | 50,2 | 48,5 | 51,5 |
| Personalised information sheet headed 'European Standardised Information Sheet' | | 100,0 | 0,0 | 37,9 | 57,1 | 42,9 |
| Notification of obligation to domicile bank account and salary with lender | 15 | 90,0 | 10,0 | 35,2 | 51,4 | 48,6 |
| Clarification as to whether early repayment is possible | 12 | 100,0 | 0,0 | 33,1 | 57,1 | 42,9 |
| Same structure, sections and form as described in the Code | | 100,0 | 0,0 | 29,7 | 57,1 | 42,9 |
| List of the additional recurrent costs | 11 | 100,0 | 0,0 | 26,6 | 57,1 | 42,9 |
| Name and the address of the lender | 1 | 100,0 | 0,0 | 24,5 | 57,1 | 42,9 |
| Requirement that personalised information contains the words at the beginning 'The document does not constitute a legally binding offer. ... The provision of this information does not oblige the lender to grant a loan' | Up front text | 100,0 | 0,0 | 20,3 | 57,1 | 42,9 |
| List of the additional non-recurring costs, where applicable | 10 | 100,0 | 0,0 | 17,4 | 57,1 | 42,9 |
| Illustrative amortisation table | 14 | 100,0 | 0,0 | 15,9 | 57,1 | 42,9 |
| Specification of the number and frequency of payments (these may vary) | 7 | 100,0 | 0,0 | 14,7 | 57,1 | 42,9 |
| Specification of the amount of each instalment | (8/9) | 100,0 | 0,0 | 14,2 | 57,1 | 42,9 |
| Clarification as to whether the product on offer is an interest only home loan or a repayment home loan | 2 | 100,0 | 0,0 | 11,2 | 57,1 | 42,9 |
| Specification of the duration of the home loan agreement | 6 | 100,0 | 0,0 | 4,4 | 57,1 | 42,9 |
| Statement of interest rate | 3 | 100,0 | 0,0 | 3,0 | 57,1 | 42,9 |
| Specification of amount of credit and the currency | 5 | 100,0 | 0,0 | 2,7 | 57,1 | 42,9 |

6.3 Denmark

The tests carried out in Denmark were not used for the statistical survey even though the interviewers received material relating to a specific object and a financial budget.

Six Danish mortgage banks are registered as having subscribed to and implemented the Code of Conduct. In the course of 18 tests in Denmark, no personalised offer was made. Hence tests were discontinued and contact made with the Danish Consumer Council,

⁹ See Table 5 and Table 6

Forbrugerrådet, and the Danish mortgage Association, Realkreditrådet.

iff started the survey process in Denmark with two Danish interviewers, both living in Copenhagen. The two interviewers were provided with the Code of Conduct in English and in their own language. Branches were selected at random in one rural and one urban area and interviewers started testing in March 2003. The interviewers were given leaflets and other information at each branch visit but not a "non-binding" personalised offer. That was why tests were stopped and contact made with the Danish Consumer Council and the Danish Mortgage Association.

The Danish Mortgage Association confirmed that every offer from the six Danish mortgage banks usually include a European Standardised Information Sheet (Annex 2.3-a).

At the beginning of May, the Danish Consumer Council made official approaches to the Danish mortgage banks. Of the six official offers received, all included a European Standardised Information Sheet (Annex 2.3).

The tests already conducted in Denmark and the information received shows that in each case information was provided. Initially, and while a consumer is still shopping around, only leaflets and brochures including nominal rate, the amount of capital for the specific apartment etc were given to interviewers. Any decision would be based on this. A consumer would probably be given the ESIS only when the bank was sure that the consumer had decided to sign a contract with that credit institution.

The Danish market is special because it is highly regulated and there is no variation in interest rates. As far as the consumer is concerned, the only difference would be the price of the service charge. This is why "shopping around" for a home loan is possible but not very common in Denmark. On the other hand, credit institutions try to reduce their costs and do not hand out personalised "non-binding" offers early in the process. Instead, credit institutions and brokers have leaflets with standardised "non-binding" offers that include most of the information a buyer of an apartment or house would need (Annex 2.3-b), but not the information as described in the Code of Conduct.

There were two options: either, to proceed with the tests in Denmark and use the information issued at the test, concluding that none of the material received accorded with the Code of Conduct, or to exclude the Danish tests from the survey. On the one hand, the Danish interviewers received material for a specific object, including a financial budget (Finansieringsforslag), but, on

the other hand, the credit institutions did not issue a personalised "non-binding" offer, which was the criterion for accepting the interview for inclusion in the statistical survey. There was a discrepancy between the material that the six registered credit institutions had officially given the Danish Consumer Council and that issued in the actual test situation.

In respect of the special situation in Denmark, iff decided not to use these tests for the purposes of the statistical survey. Nevertheless, it is worth noting that the Danish interviewers never received a European Standardised Information Sheet during their visits to the branches, and the general information did not comply with the Code of Conduct.

6.4 Finland

High level of fulfilment

Finland is the only country where 100% of the tests were successful. In 30 tests, used in this cross-classified table, every credit institution provided general and personalised information. This confirms that fulfilling the Code of Conduct is in general possible, irrespective of the fact that Finland is one of the smaller countries.¹⁰ For more detailed information about the tests in Finland see Annex 2.4.

Even in Finland however, the general information was not always correct. In fact, the lack of any indication regarding the availability of the Code of Conduct conformed more or less to the average, with the exception the address of the lender and the description of the types of home loans, where Finland has very low rates.

Table 14: Percentage compliance in order of magnitude - Finland / general information

| Elements of the Code of Conduct with which institutions are required to comply | Item | In relation to the tests where information was disclosed | | | In relation to all tests carried out | |
|--|------|--|-----------------|--|--------------------------------------|-----------------|
| | | complying % | not complying % | not complying average/EU % ¹¹ | complying % | not complying % |
| Indication that a copy of the code of conduct is available in the institution | B 12 | 31,0 | 69,0 | 67,3 | 31,0 | 69,0 |
| Confirmation that the institution subscribes to the Code of Conduct | B 12 | 55,2 | 44,8 | 41,0 | 55,2 | 44,8 |
| Address and identification (of the lender) | A 1 | 96,4 | 3,6 | 40,6 | 96,4 | 3,6 |
| Indication of the cost of a typical home loan for the consumer | B 5 | 82,8 | 17,2 | 32,6 | 82,8 | 17,2 |
| Notification of possibility of early repayment | B 8 | 86,2 | 13,8 | 29,4 | 86,2 | 13,8 |
| Description of the types of home loans | B 3 | 96,6 | 3,4 | 25,4 | 96,6 | 3,4 |

¹⁰ The following results have to be interpreted only in relation to the total amount of information given in each case. The absolute figure for information received is very low, so these results should not be overrated.

¹¹ See Table 5 and Table 6

| | | | | | | |
|--|-----|------|------|------|-------------|-------------|
| available with a short description of the differences between fixed and variable rate products | | | | | | |
| List of related cost elements | B 6 | 69,0 | 31,0 | 23,8 | 69,0 | 31,0 |
| Purposes for which the home loan may be used | B 1 | 82,8 | 17,2 | 15,0 | 82,8 | 17,2 |

The personalised information contained no instances of failure to comply apart from the indication of the internal complaint scheme, the list of the additional recurrent costs and the introductory statement that it is not a legally binding offer.

Table 15: Percentage compliance in order of magnitude - Finland / personalised information

| Elements of the Code of Conduct with which institutions are required to comply | Item | In relation to the tests where information was disclosed | | | In relation to all tests carried out | |
|--|---------------|--|-----------------|--|--------------------------------------|-----------------|
| | | complying % | not complying % | not complying average/EU % ¹² | complying % | not complying % |
| Clarification as to whether the home loan terms are dependent on the consumer's providing a certain amount of capital | 2 | 100,0 | 0,0 | 55,2 | 100,0 | 0,0 |
| Name, address and telephone number for internal complaint scheme | 13 | 50,0 | 50,0 | 50,2 | 50,0 | 50,0 |
| Personalised information sheet headed 'European Standardised Information Sheet' | | 100,0 | 0,0 | 37,9 | 100,0 | 0,0 |
| Notification of obligation to domicile bank account and salary with lender | 15 | 100,0 | 0,0 | 35,2 | 100,0 | 0,0 |
| Clarification as to whether early repayment is possible | 12 | 100,0 | 0,0 | 33,1 | 100,0 | 0,0 |
| Same structure, sections and form as described in the Code | | 100,0 | 0,0 | 29,7 | 100,0 | 0,0 |
| List of the additional recurrent costs | 11 | 50,0 | 50,0 | 26,6 | 50,0 | 50,0 |
| Name and the address of the lender | 1 | 100,0 | 0,0 | 24,5 | 100,0 | 0,0 |
| Requirement that personalised information contains the words at the beginning 'The document does not constitute a legally binding offer. ... The provision of this information does not oblige the lender to grant a loan' | Up front text | 50,0 | 50,0 | 20,3 | 50,0 | 50,0 |
| List of the additional non-recurring costs, where applicable | 10 | 100,0 | 0,0 | 17,4 | 100,0 | 0,0 |
| Illustrative amortisation table | 14 | 100,0 | 0,0 | 15,9 | 100,0 | 0,0 |
| Specification of the number and frequency of payments (these may vary) | 7 | 100,0 | 0,0 | 14,7 | 100,0 | 0,0 |
| Specification of the amount of each instalment | (8/9) | 100,0 | 0,0 | 14,2 | 100,0 | 0,0 |
| Clarification as to whether the product on offer is an interest only home loan or a repayment home loan | 2 | 100,0 | 0,0 | 11,2 | 100,0 | 0,0 |
| Specification of the duration of the home loan agreement | 6 | 100,0 | 0,0 | 4,4 | 100,0 | 0,0 |
| Statement of interest rate | 3 | 100,0 | 0,0 | 3,0 | 100,0 | 0,0 |
| Specification of amount of credit and the currency | 5 | 100,0 | 0,0 | 2,7 | 100,0 | 0,0 |

6.5 France

In France no tests were carried out because it was not clear whether the two credit institutions that had signed and implemented the Code of Conduct by the cut-off date for this survey, 30 September 2002, had a sufficient market share to justify tests in France. The tests had to be representative of the country. Instead of conducting tests, the French partner analysed the market in France and provided an overview of the problems with the Code of Conduct there, see Annex.

¹² See Table 5 and Table 6

*less than 0.5%
implemented the Code*

The two institutions that had signed the Code of Conduct by the deadline represent an infinite small share of the domestic market: BMCE does not provide home loans in France and GE Capital Bank undoubtedly represents less than 1% of the market, although it was impossible to obtain any significant figures for market share. BMCE does not provide home loans in France and GE Capital Bank provides less than 0.5%.

At the end of 2002, the forecasted figure for the number of institutions ready to sign the Code of Conduct, should French law be amended, stood at 55% for the year 2003. When questioned, the French public authorities confirmed that there was currently no initiative to reform the Scrivener law on home loans.

The odds are that the forecasts issued at the end of 2002 will not be realised; the European Code of Conduct runs the risk of remaining a dead letter in France for some years to come.

The results of the survey confirmed that the French market could not be tested at the moment. In terms of the French population and the market share of the one French credit institution providing home loans for consumers in France and having subscribed and implemented the Code of Conduct by 30 September 2002, only one test was representative. More tests involving just one minor credit institution that is not even French originally would be unjustified. For more detailed information about France see Annex 2.5.

6.6 Germany

average performance

261 German tests were used for this cross-classified table. More tests were conducted in Germany than elsewhere because of its population and the loss of three other major countries. In 54.6% of cases general information was given and in the same percentage of cases (54.3%) personalised information. In both cases this was slightly above average. For more detailed information about the tests in Germany see Annex 2.6.

There are no significant variations between the results of Germany and the results of all countries together but it must be noted that a high number of tests were conducted in Germany. In fact German tests dominate the total test result – together with the Italian tests.

Table 16: Percentage compliance in order of magnitude - Germany / general information

| Elements of the Code of Conduct with which institutions are required to comply | Item | In relation to the tests where information was disclosed | | | In relation to all tests carried out | |
|---|------|--|-----------------|--|--------------------------------------|-----------------|
| | | complying % | not complying % | not complying average/EU % ¹³ | complying % | not complying % |
| Indication that a copy of the code of conduct is available in the institution | B 12 | 34,8 | 65,2 | 67,3 | 19,0 | 81,0 |
| Confirmation that the institution subscribes to the Code of Conduct | B 12 | 66,0 | 34,0 | 41,0 | 36,0 | 64,0 |
| Address and identification (of the lender) | A 1 | 41,5 | 58,5 | 40,6 | 22,7 | 77,3 |
| Indication of the cost of a typical home loan for the consumer | B 5 | 76,6 | 23,4 | 32,6 | 41,8 | 58,2 |
| Notification of possibility of early repayment | B 8 | 63,8 | 36,2 | 29,4 | 34,8 | 65,2 |
| Description of the types of home loans available with a short description of the differences between fixed and variable rate products | B 3 | 66,7 | 33,3 | 25,4 | 36,4 | 63,6 |
| List of related cost elements | B 6 | 70,9 | 29,1 | 23,8 | 38,7 | 61,3 |
| Purposes for which the home loan may be used | B 1 | 84,4 | 15,6 | 15,0 | 46,1 | 53,9 |

The instances of failure to comply in the personalised information reflect the average of the total result. Variations from the average are low.

Table 17: Percentage compliance in order of magnitude - Germany / personalised information

| Elements of the Code of Conduct with which institutions are required to comply | Item | In relation to the tests where information was disclosed | | | In relation to all tests carried out | |
|---|------|--|-----------------|--|--------------------------------------|-----------------|
| | | complying % | Not complying % | not complying average/EU % ¹⁴ | complying % | not complying % |
| Clarification as to whether the home loan terms are dependent on the consumer's providing a certain amount of capital | 2 | 32,8 | 67,2 | 55,2 | 17,8 | 82,2 |
| Name, address and telephone number for internal complaint scheme | 13 | 43,2 | 56,8 | 50,2 | 23,5 | 76,5 |
| Personalised information sheet headed 'European Standardised Information Sheet' | | 66,4 | 33,6 | 37,9 | 36,1 | 63,9 |
| Notification of obligation to domicile bank account and salary with lender | 15 | 65,0 | 35,0 | 35,2 | 35,3 | 64,7 |
| Clarification as to whether early repayment is possible | 12 | 64,5 | 35,5 | 33,1 | 35,0 | 65,0 |
| Same structure, sections and form as described in the Code | | 76,9 | 23,1 | 29,7 | 41,8 | 58,2 |
| List of the additional recurrent costs | 11 | 65,6 | 34,4 | 26,6 | 35,6 | 64,4 |

¹³ See Table 5 and Table 6

¹⁴ See Table 5 and Table 6

| | | | | | | |
|--|---------------|------|------|------|-------------|-------------|
| Name and the address of the lender | 1 | 80,0 | 20,0 | 24,5 | 43,4 | 56,6 |
| Requirement that personalised information contains the words at the beginning 'The document does not constitute a legally binding offer. ... The provision of this information does not oblige the lender to grant a loan' | Up front text | 78,4 | 21,6 | 20,3 | 42,6 | 57,4 |
| List of the additional non-recurring costs, where applicable | 10 | 68,8 | 31,2 | 17,4 | 37,4 | 62,6 |
| Illustrative amortisation table | 14 | 85,6 | 14,4 | 15,9 | 46,5 | 53,5 |
| Specification of the number and frequency of payments (these may vary) | 7 | 77,6 | 22,4 | 14,7 | 42,1 | 57,9 |
| Specification of the amount of each instalment | (8/9) | 87,2 | 12,8 | 14,2 | 47,3 | 52,7 |
| Clarification as to whether the product on offer is an interest only home loan or a repayment home loan | 2 | 90,3 | 9,7 | 11,2 | 49,0 | 51,0 |
| Specification of the duration of the home loan agreement | 6 | 90,4 | 9,6 | 4,4 | 49,1 | 50,9 |
| Statement of interest rate | 3 | 94,4 | 5,6 | 3,0 | 51,3 | 48,7 |
| Specification of amount of credit and the currency | 5 | 94,4 | 5,6 | 2,7 | 51,3 | 48,7 |

6.7 Greece

34 Greek tests were used for this cross-classified table. The amount of general information received was a lot higher (73.5%) than the average but for personalised information the opposite was the case (41.2%).¹⁵ For more detailed information about the tests in Greece see Annex 2.7.

In every single element – apart from the identification and address of the lender - the percentage was significantly higher than the average. In Greece, the lack of any indication regarding the availability of the Code of Conduct rose to 95.7%. Provision of information about the Code of Conduct in the general information was rare.

A common finding among the vast majority of the banks tested, was that the name of the bank was given in the general information, but not the address of the central branch or of the branch where the test took place. And very few, if any, of the banks tested, provided general information describing the differences between fixed and variable rate products and explaining the implications for consumers.

¹⁵ The following results have to be interpreted only in relation to the total amount of information given in each case. The absolute figure for information received is very low, so these results should not be overrated.

Table 18: Percentage compliance in order of magnitude - Greece / general information

| Elements of the Code of Conduct with which institutions are required to comply | Item | In relation to the tests where information was disclosed | | | In relation to all tests carried out | |
|---|------|--|-----------------|--|--------------------------------------|-----------------|
| | | complying % | not complying % | not complying average/EU % ¹⁶ | complying % | not complying % |
| Indication that a copy of the code of conduct is available in the institution | B 12 | 4,3 | 95,7 | 67,3 | 3,2 | 96,8 |
| Confirmation that the institution subscribes to the Code of Conduct | B 12 | 13,0 | 87,0 | 41,0 | 9,6 | 90,4 |
| Address and identification (of the lender) | A 1 | 72,0 | 28,0 | 40,6 | 52,9 | 47,1 |
| Indication of the cost of a typical home loan for the consumer | B 5 | 4,0 | 96,0 | 32,6 | 2,9 | 97,1 |
| Notification of possibility of early repayment | B 8 | 48,0 | 52,0 | 29,4 | 35,3 | 64,7 |
| Description of the types of home loans available with a short description of the differences between fixed and variable rate products | B 3 | 40,0 | 60,0 | 25,4 | 29,4 | 70,6 |
| List of related cost elements | B 6 | 64,0 | 36,0 | 23,8 | 47,0 | 53,0 |
| Purposes for which the home loan may be used | B 1 | 64,0 | 36,0 | 15,0 | 47,0 | 53,0 |

What is remarkable as regards the personalised information is that the structure and sections as described in the Code of Conduct was evident only in every second case, and the headline was not given in two of thirds of cases, both results considerably higher than the average. On the other hand, the nominal interest rate was always indicated.

No bank tested provided for the obligation to open a bank account and deport the salary in it. On the other hand, the vast majority of banks required the opening of a bank account combined with a standing order to pay the monthly instalments for the home loan.

Table 19: Percentage compliance in order of magnitude - Greece / personalised information

| Elements of the Code of Conduct with which institutions are required to comply | Item | In relation to the tests where information was disclosed | | | In relation to all tests carried out | |
|---|------|--|-----------------|--|--------------------------------------|-----------------|
| | | complying % | not complying % | not complying average/EU % ¹⁷ | complying % | not complying % |
| Clarification as to whether the home loan terms are dependent on the consumer's providing a certain amount of capital | 2 | 35,7 | 64,3 | 55,2 | 14,7 | 85,3 |
| Name, address and telephone number for internal complaint scheme | 13 | 42,9 | 57,1 | 50,2 | 17,7 | 82,3 |
| Personalised information sheet headed | | 35,7 | 64,3 | 37,9 | 14,7 | 85,3 |

¹⁶ See Table 5 and Table 6

¹⁷ See Table 5 and Table 6

| Elements of the Code of Conduct with which institutions are required to comply | Item | In relation to the tests where information was disclosed | | | In relation to all tests carried out | |
|--|---------------|--|-----------------|--|--------------------------------------|-----------------|
| | | complying % | not complying % | not complying average/EU % ¹⁷ | complying % | not complying % |
| 'European Standardised Information Sheet' | | | | | | |
| Notification of obligation to domicile bank account and salary with lender | 15 | 78,6 | 21,4 | 35,2 | 32,4 | 67,6 |
| Clarification as to whether early repayment is possible | 12 | 78,6 | 21,4 | 33,1 | 32,4 | 67,6 |
| Same structure, sections and form as described in the Code | | 50,0 | 50,0 | 29,7 | 20,6 | 79,4 |
| List of the additional recurrent costs | 11 | 78,6 | 21,4 | 26,6 | 32,4 | 67,6 |
| Name and the address of the lender | 1 | 85,7 | 14,3 | 24,5 | 35,3 | 64,7 |
| Requirement that personalised information contains the words at the beginning 'The document does not constitute a legally binding offer. ... The provision of this information does not oblige the lender to grant a loan' | Up front text | 71,4 | 28,6 | 20,3 | 29,4 | 70,6 |
| List of the additional non-recurring costs, where applicable | 10 | 71,4 | 28,6 | 17,4 | 29,4 | 70,6 |
| Illustrative amortisation table | 14 | 64,3 | 35,7 | 15,9 | 26,5 | 73,5 |
| Specification of the number and frequency of payments (these may vary) | 7 | 64,3 | 35,7 | 14,7 | 26,5 | 73,5 |
| Specification of the amount of each instalment | (8/9) | 85,7 | 14,3 | 14,2 | 35,3 | 64,7 |
| Clarification as to whether the product on offer is an interest only home loan or a repayment home loan | 2 | 71,4 | 28,6 | 11,2 | 29,4 | 70,6 |
| Specification of the duration of the home loan agreement | 6 | 92,2 | 7,8 | 4,4 | 38,0 | 62,0 |
| Statement of interest rate | 3 | 100,0 | 0,0 | 3,0 | 41,2 | 58,8 |
| Specification of amount of credit and the currency | 5 | 92,2 | 7,8 | 2,7 | 38,0 | 62,0 |

6.8 Ireland

26 Irish tests were used for this cross-classified table. In Ireland, the percentages for general and personalised information were very high. In 80.8% of cases general information was given and in 92.3%, personalised information.¹⁸ For more detailed information about the tests in Ireland see Annex 2.8.

However, Ireland has a significantly higher percentage of instances of failure to comply than the average. On the other hand, the possibility of early repayment was more often indicated than the average and a list of related cost elements was always included.

¹⁸ The following results have to be interpreted only in relation to the total amount of information given in each case. The absolute figure for information received is very low, so these results should not be overrated.

Table 20: Percentage compliance in order of magnitude - Ireland / general information

| Elements of the Code of Conduct with which institutions are required to comply | Item | In relation to the tests where information was disclosed | | | In relation to all tests carried out | |
|---|------|--|-----------------|--|--------------------------------------|-----------------|
| | | complying % | not complying % | not complying average/EU % ¹⁹ | complying % | not complying % |
| Indication that a copy of the code of conduct is available in the institution | B 12 | 19,0 | 81,0 | 67,3 | 15,4 | 84,6 |
| Confirmation that the institution subscribes to the Code of Conduct | B 12 | 23,8 | 76,2 | 41,0 | 19,2 | 80,8 |
| Address and identification (of the lender) | A 1 | 52,4 | 47,6 | 40,6 | 42,3 | 57,7 |
| Indication of the cost of a typical home loan for the consumer | B 5 | 66,7 | 33,3 | 32,6 | 53,9 | 46,1 |
| Notification of possibility of early repayment | B 8 | 85,7 | 14,3 | 29,4 | 69,2 | 30,8 |
| Description of the types of home loans available with a short description of the differences between fixed and variable rate products | B 3 | 90,5 | 9,5 | 25,4 | 73,1 | 26,9 |
| List of related cost elements | B 6 | 100,0 | 0,0 | 23,8 | 80,8 | 19,2 |
| Purposes for which the home loan may be used | B 1 | 52,4 | 47,6 | 15,0 | 42,3 | 57,7 |

The results in Ireland are varied. On the one hand, the Irish credit institutions had no problems concerning identification of the internal complaint schemes, the information as to whether there is an obligation to domicile bank-account and salary with the lender, the amortisation table, the nominal interest rate, the amount of credit, duration of the home loan agreement and the structure of the personalised information itself. On the other hand most of the personalised information did not include clarification as to whether the home loan terms are dependent on the consumer's providing a certain amount of capital and the headline 'European Standardised Information Sheet'.

Table 21: Percentage compliance in order of magnitude - Ireland / personalised information

| Elements of the Code of Conduct with which institutions are required to comply | Item | In relation to the tests where information was disclosed | | | In relation to all tests carried out | |
|---|------|--|-----------------|--|--------------------------------------|-----------------|
| | | complying % | not complying % | not complying average/EU % ²⁰ | complying % | not complying % |
| Clarification as to whether the home loan terms are dependent on the consumer's providing a certain amount of capital | 2 | 8,7 | 91,3 | 55,2 | 8,0 | 92,0 |
| Name, address and telephone number for internal complaint scheme | 13 | 100,0 | 0,0 | 50,2 | 92,3 | 7,7 |
| Personalised information sheet headed 'European Standardised Information Sheet' | | 4,3 | 95,7 | 37,9 | 4,0 | 96,0 |
| Notification of obligation to domicile bank account and salary with lender | 15 | 100,0 | 0,0 | 35,2 | 92,3 | 7,7 |

¹⁹ See Table 5 and Table 6

²⁰ See Table 5 and Table 6

| Elements of the Code of Conduct with which institutions are required to comply | Item | In relation to the tests where information was disclosed | | | In relation to all tests carried out | |
|--|---------------|--|-----------------|--|--------------------------------------|-----------------|
| | | complying % | not complying % | not complying average/EU % ²⁰ | complying % | not complying % |
| Clarification as to whether early repayment is possible | 12 | 27,3 | 72,7 | 33,1 | 25,2 | 74,8 |
| Same structure, sections and form as described in the Code | | 100,0 | 0,0 | 29,7 | 92,3 | 7,7 |
| List of the additional recurrent costs | 11 | 22,7 | 77,3 | 26,6 | 21,0 | 79,0 |
| Name and the address of the lender | 1 | 60,9 | 39,1 | 24,5 | 56,2 | 43,8 |
| Requirement that personalised information contains the words at the beginning 'The document does not constitute a legally binding offer. ... The provision of this information does not oblige the lender to grant a loan' | Up front text | 8,7 | 91,3 | 20,3 | 8,0 | 92,0 |
| List of the additional non-recurring costs, where applicable | 10 | 73,9 | 26,1 | 17,4 | 68,2 | 31,8 |
| Illustrative amortisation table | 14 | 100,0 | 0,0 | 15,9 | 92,3 | 7,7 |
| Specification of the number and frequency of payments (these may vary) | 7 | 47,8 | 52,2 | 14,7 | 44,1 | 55,9 |
| Specification of the amount of each instalment | (8/9) | 95,7 | 4,3 | 14,2 | 88,3 | 11,7 |
| Clarification as to whether the product on offer is an interest only home loan or a repayment home loan | 2 | 34,8 | 65,2 | 11,2 | 32,1 | 67,9 |
| Specification of the duration of the home loan agreement | 6 | 100,0 | 0,0 | 4,4 | 92,3 | 7,7 |
| Statement of interest rate | 3 | 100,0 | 0,0 | 3,0 | 92,3 | 7,7 |
| Specification of amount of credit and the currency | 5 | 100,0 | 0,0 | 2,7 | 92,3 | 7,7 |

6.9 Italy

With 188 tests carried out, Italy is one of the major countries in the statistical survey alongside Germany. The Italian interviewers had the lowest success level. In 4.3% of cases was general information given and in 21.3%, personalised information.²¹ For more detailed information about the tests in Italy see Annex 2.9.

lowest level of fulfilment

The following table shows that where the credit institution handed out general information the instances of failure to comply were less significant than the average, with exception of the indication of the cost of a typical home loan. Nevertheless general information was provided in only a few tests and the total number was very low.

²¹ The following results have to be interpreted only in relation to the total amount of information given in each case. The absolute figure for information received is very low, so these results should not be overrated.

Table 22: Percentage compliance in order of magnitude - Italy / general information

| Elements of the Code of Conduct with which institutions are required to comply | Item | In relation to the tests where information was disclosed | | | In relation to all tests carried out | |
|---|------|--|-----------------|--|--------------------------------------|-----------------|
| | | complying % | not complying % | not complying average/EU % ²² | complying % | not complying % |
| Indication that a copy of the code of conduct is available in the institution | B 12 | 57,1 | 42,9 | 67,3 | 2,5 | 97,5 |
| Confirmation that the institution subscribes to the Code of Conduct | B 12 | 85,7 | 14,3 | 41,0 | 3,7 | 96,3 |
| Address and identification (of the lender) | A 1 | 62,5 | 37,5 | 40,6 | 2,7 | 97,3 |
| Indication of the cost of a typical home loan for the consumer | B 5 | 37,5 | 62,5 | 32,6 | 1,6 | 98,4 |
| Notification of possibility of early repayment | B 8 | 85,7 | 14,3 | 29,4 | 3,7 | 96,3 |
| Description of the types of home loans available with a short description of the differences between fixed and variable rate products | B 3 | 87,5 | 12,5 | 25,4 | 3,8 | 96,2 |
| List of related cost elements | B 6 | 87,5 | 12,5 | 23,8 | 3,8 | 96,2 |
| Purposes for which the home loan may be used | B 1 | 87,5 | 12,5 | 15,0 | 3,8 | 96,2 |

Instances of failure to comply with the Code of Conduct were very low, although the total number of occasions when personalised information was given was not very high. Many banks provided nothing, while others merely printed out the repayment plan or provided brochures or its own analysis of the figures involved.

Table 23: Percentage compliance in order of magnitude - Italy / personalised information

| Elements of the Code of Conduct with which institutions are required to comply | Item | In relation to the tests where information was disclosed | | | In relation to all tests carried out | |
|---|----------|--|-----------------|--|--------------------------------------|-----------------|
| | | complying % | not complying % | not complying average/EU % ²³ | complying % | not complying % |
| Clarification as to whether the home loan terms are dependent on the consumer's providing a certain amount of capital | 2 | 100,0 | 0,0 | 55,2 | 21,3 | 78,7 |
| Name, address and telephone number for internal complaint scheme | 13 | 97,5 | 2,5 | 50,2 | 20,8 | 79,2 |
| Personalised information sheet headed 'European Standardised Information Sheet' | | 100,0 | 0,0 | 37,9 | 21,3 | 78,7 |
| Notification of obligation to domicile bank account and salary with lender | 15 | 97,5 | 2,5 | 35,2 | 20,8 | 79,2 |
| Clarification as to whether early repayment is possible | 12 | 100,0 | 0,0 | 33,1 | 21,3 | 78,7 |
| Same structure, sections and form as described in the Code | | 100,0 | 0,0 | 29,7 | 21,3 | 78,7 |
| List of the additional recurrent costs | 11 | 87,5 | 12,5 | 26,6 | 18,6 | 81,4 |
| Name and the address of the lender | 1 | 90,0 | 10,0 | 24,5 | 19,2 | 80,8 |
| Requirement that personalised information contains the words at the | Up front | 100,0 | 0,0 | 20,3 | 21,3 | 78,7 |

²² See Table 5 and Table 6

²³ See Table 5 and Table 6

| | | | | | | |
|--|-------|-------|-----|------|-------------|-------------|
| beginning 'The document does not constitute a legally binding offer. ... The provision of this information does not oblige the lender to grant a loan' | text | | | | | |
| List of the additional non-recurring costs, where applicable | 10 | 100,0 | 0,0 | 17,4 | 21,3 | 78,7 |
| Illustrative amortisation table | 14 | 92,5 | 7,5 | 15,9 | 19,7 | 80,3 |
| Specification of the number and frequency of payments (these may vary) | 7 | 100,0 | 0,0 | 14,7 | 21,3 | 78,7 |
| Specification of the amount of each instalment | (8/9) | 100,0 | 0,0 | 14,2 | 21,3 | 78,7 |
| Clarification as to whether the product on offer is an interest only home loan or a repayment home loan | 2 | 100,0 | 0,0 | 11,2 | 21,3 | 78,7 |
| Specification of the duration of the home loan agreement | 6 | 100,0 | 0,0 | 4,4 | 21,3 | 78,7 |
| Statement of interest rate | 3 | 97,5 | 2,5 | 3,0 | 20,8 | 79,2 |
| Specification of amount of credit and the currency | 5 | 100,0 | 0,0 | 2,7 | 21,3 | 78,7 |

6.10 Netherlands

51 Dutch tests were used for this cross-classified table. In 68.6% of cases, general information was given and in 94.1%, personalised information, which was much better than the average.²⁴ For more detailed information about the tests in the Netherlands see Annex 2.10.

But in more than two thirds of cases, there was no indication that a copy of the Code of Conduct was available in the institution as confirmation that the institution subscribed to the said Code. There was also a higher percentage of failure to indicate the cost of a typical home loan and the possibility of early repayment.

Table 24: Percentage compliance in order of magnitude - Netherlands / general information

| Elements of the Code of Conduct with which institutions are required to comply | Item | In relation to the tests where information was disclosed | | | In relation to all tests carried out | |
|---|------|--|-----------------|--|--------------------------------------|-----------------|
| | | complying % | not complying % | not complying average/EU % ²⁵ | complying % | not complying % |
| Indication that a copy of the code of conduct is available in the institution | B 12 | 23,1 | 76,9 | 67,3 | 15,8 | 84,2 |
| Confirmation that the institution subscribes to the Code of Conduct | B 12 | 23,1 | 76,9 | 41,0 | 15,8 | 84,2 |
| Address and identification (of the lender) | A 1 | 61,9 | 38,1 | 40,6 | 42,5 | 57,5 |
| Indication of the cost of a typical home loan for the consumer | B 5 | 38,5 | 61,5 | 32,6 | 26,4 | 73,6 |
| Notification of possibility of early repayment | B 8 | 38,5 | 61,5 | 29,4 | 26,4 | 73,6 |
| Description of the types of home loans available with a short description of the differences between fixed and variable | B 3 | 76,9 | 23,1 | 25,4 | 52,8 | 47,2 |

²⁴ The following results have to be interpreted only in relation to the total amount of information given in each case. The absolute figure for information received is very low, so these results should not be overrated.

²⁵ See Table 5 and Table 6

| | | | | | | |
|--|-----|------|------|------|-------------|-------------|
| rate products | | | | | | |
| List of related cost elements | B 6 | 61,5 | 38,5 | 23,8 | 42,2 | 57,8 |
| Purposes for which the home loan may be used | B 1 | 92,3 | 7,7 | 15,0 | 63,3 | 36,7 |

Most of the interviewees were given personalised information but the instances of failure to comply were a lot higher than the average. In particular, there were low scores for the identification of the lender, the structure, the identification of the internal complaint scheme, the statements about the early repayment and the obligation for a bank account and the list of additional non recurrent costs in Dutch personalised information sheets.

Table 25: Percentage compliance in order of magnitude - Netherlands / personalised information

| Elements of the Code of Conduct with which institutions are required to comply | Item | In relation to the tests where information was disclosed | | | In relation to all tests carried out | |
|--|---------------|--|-----------------|--|--------------------------------------|-----------------|
| | | complying % | not complying % | not complying average/EU % ²⁶ | complying % | not complying % |
| Clarification as to whether the home loan terms are dependent on the consumer's providing a certain amount of capital | 2 | 28,6 | 71,4 | 55,2 | 26,9 | 73,1 |
| Name, address and telephone number for internal complaint scheme | 13 | 3,1 | 96,9 | 50,2 | 2,9 | 97,1 |
| Personalised information sheet headed 'European Standardised Information Sheet' | | 3,1 | 96,9 | 37,9 | 2,9 | 97,1 |
| Notification of obligation to domicile bank account and salary with lender | 15 | 6,1 | 93,9 | 35,2 | 5,7 | 94,3 |
| Clarification as to whether early repayment is possible | 12 | 6,1 | 93,9 | 33,1 | 5,7 | 94,3 |
| Same structure, sections and form as described in the Code | | 3,2 | 96,8 | 29,7 | 3,0 | 97,0 |
| List of the additional recurrent costs | 11 | 53,3 | 46,7 | 26,6 | 50,2 | 49,8 |
| Name and the address of the lender | 1 | 24,2 | 75,8 | 24,5 | 22,8 | 77,2 |
| Requirement that personalised information contains the words at the beginning 'The document does not constitute a legally binding offer. ... The provision of this information does not oblige the lender to grant a loan' | Up front text | 87,9 | 12,1 | 20,3 | 82,7 | 17,3 |
| List of the additional non-recurring costs, where applicable | 10 | 96,9 | 3,1 | 17,4 | 91,2 | 8,8 |
| Illustrative amortisation table | 14 | 90,9 | 9,1 | 15,9 | 85,5 | 14,5 |
| Specification of the number and frequency of payments (these may vary) | 7 | 97,0 | 3,0 | 14,7 | 91,3 | 8,7 |
| Specification of the amount of each instalment | (8/9) | 33,3 | 66,7 | 14,2 | 31,3 | 68,7 |
| Clarification as to whether the product on offer is an interest only home loan or a repayment home loan | 2 | 84,4 | 15,6 | 11,2 | 79,4 | 20,6 |
| Specification of the duration of the home loan agreement | 6 | 100,0 | 0,0 | 4,4 | 94,1 | 5,9 |
| Statement of interest rate | 3 | 100,0 | 0,0 | 3,0 | 94,1 | 5,9 |
| Specification of amount of credit and the currency | 5 | 100,0 | 0,0 | 2,7 | 94,1 | 5,9 |

²⁶ See Table 5 and Table 6

6.11 Portugal

38 tests were used for this statistical survey. Along with Finland, Portugal had the highest percentage of personalised information received (100%) and also quite a high percentage (73.5%) of general information.²⁷ For more detailed information about the tests in Portugal see Annex 2.11.

Apart from the indication of the cost of a typical home loan instances of failure to comply were average or below. Two thirds indicated that a copy of the Code of Conduct was available in the institution and four fifths confirmed that the institution subscribed to the Code of Conduct. In Portugal, most of the credit institutions tested fulfilled the general requirements, in contrast to most of the other countries and the average.

Table 26: Percentage compliance in order of magnitude - Portugal / general information

| Elements of the Code of Conduct with which institutions are required to comply | Item | In relation to the tests where information was disclosed | | | In relation to all tests carried out | |
|---|------|--|-----------------|--|--------------------------------------|-----------------|
| | | complying % | not complying % | not complying average/EU % ²⁸ | complying % | not complying % |
| Indication that a copy of the code of conduct is available in the institution | B 12 | 66,7 | 33,3 | 67,3 | 49,0 | 51,0 |
| Confirmation that the institution subscribes to the Code of Conduct | B 12 | 80,0 | 20,0 | 41,0 | 58,8 | 41,2 |
| Address and identification (of the lender) | A 1 | 73,3 | 26,7 | 40,6 | 53,9 | 46,1 |
| Indication of the cost of a typical home loan for the consumer | B 5 | 40,0 | 60,0 | 32,6 | 29,4 | 70,6 |
| Notification of possibility of early repayment | B 8 | 66,7 | 33,3 | 29,4 | 49,0 | 51,0 |
| Description of the types of home loans available with a short description of the differences between fixed and variable rate products | B 3 | 73,3 | 26,7 | 25,4 | 53,9 | 46,1 |
| List of related cost elements | B 6 | 73,3 | 26,7 | 23,8 | 53,9 | 46,1 |
| Purposes for which the home loan may be used | B 1 | 86,7 | 13,3 | 15,0 | 63,7 | 36,3 |

The results for the personalised information are close to the average. It is, however, remarkable that in every single case it was made clear whether the home loan terms were dependent on the consumer providing a certain amount of capital.

It was also noted that within the same bank attitudes vary as to providing information (some branches do provide full information, including the standard information form, others do not).

²⁷ The following results have to be interpreted only in relation to the total amount of information given in each case. The absolute figure for information received is very low, so these results should not be overrated.

²⁸ See Table 5 and Table 6

Table 27: Percentage compliance in order of magnitude - Portugal / personalised information

| Elements of the Code of Conduct with which institutions are required to comply | Item | In relation to the tests where information was disclosed | | | In relation to all tests carried out | |
|--|---------------|--|-----------------|--|--------------------------------------|-----------------|
| | | complying % | not complying % | not complying average/EU % ²⁹ | complying % | not complying % |
| Clarification as to whether the home loan terms are dependent on the consumer's providing a certain amount of capital | 2 | 100,0 | 0,0 | 55,2 | 100,0 | 0,0 |
| Name, address and telephone number for internal complaint scheme | 13 | 43,2 | 56,8 | 50,2 | 43,2 | 56,8 |
| Personalised information sheet headed 'European Standardised Information Sheet' | | 50,0 | 50,0 | 37,9 | 50,0 | 50,0 |
| Notification of obligation to domicile bank account and salary with lender | 15 | 63,2 | 36,8 | 35,2 | 63,2 | 36,8 |
| Clarification as to whether early repayment is possible | 12 | 63,2 | 36,8 | 33,1 | 63,2 | 36,8 |
| Same structure, sections and form as described in the Code | | 70,6 | 29,4 | 29,7 | 70,6 | 29,4 |
| List of the additional recurrent costs | 11 | 92,1 | 7,9 | 26,6 | 92,1 | 7,9 |
| Name and the address of the lender | 1 | 67,6 | 32,4 | 24,5 | 67,6 | 32,4 |
| Requirement that personalised information contains the words at the beginning 'The document does not constitute a legally binding offer. ... The provision of this information does not oblige the lender to grant a loan' | Up front text | 65,8 | 34,2 | 20,3 | 65,8 | 34,2 |
| List of the additional non-recurring costs, where applicable | 10 | 92,1 | 7,9 | 17,4 | 92,1 | 7,9 |
| Illustrative amortisation table | 14 | 84,2 | 15,8 | 15,9 | 84,2 | 15,8 |
| Specification of the number and frequency of payments (these may vary) | 7 | 89,5 | 10,5 | 14,7 | 89,5 | 10,5 |
| Specification of the amount of each instalment | (8/9) | 94,7 | 5,3 | 14,2 | 94,7 | 5,3 |
| Clarification as to whether the product on offer is an interest only home loan or a repayment home loan | 2 | 89,5 | 10,5 | 11,2 | 89,5 | 10,5 |
| Specification of the duration of the home loan agreement | 6 | 100,0 | 0,0 | 4,4 | 100,0 | 0,0 |
| Statement of interest rate | 3 | 100,0 | 0,0 | 3,0 | 100,0 | 0,0 |
| Specification of amount of credit and the currency | 5 | 100,0 | 0,0 | 2,7 | 100,0 | 0,0 |

6.12 Sweden

28 Swedish tests were used for this cross-classified table. In 60.7% of cases general information was given and in 42.9%, personalised information. The first figure is slightly above the average, and the second, below the average.³⁰ For more detailed information about the tests in Sweden see Annex 2.2.

It is worth noting that in Sweden in every case, general information included a notice that a copy of the Code of Conduct

²⁹ See Table 5 and Table 6

³⁰ The following results have to be interpreted only in relation to the total amount of information given in each case. The absolute figure for information received is very low, so these results should not be overrated.

was available in the institution. Sweden had the best result of all in relation to compliance and is an example confirming that the provision of complete and correct general information as described in the Code of Conduct is possible.

Table 28: Percentage compliance in order of magnitude - Sweden / general information

| Elements of the Code of Conduct with which institutions are required to comply | Item | In relation to the tests where information was disclosed | | | In relation to all tests carried out | |
|---|------|--|-----------------|--|--------------------------------------|-----------------|
| | | complying % | not complying % | not complying average/EU % ³¹ | complying % | not complying % |
| Indication that a copy of the code of conduct is available in the institution | B 12 | 100,0 | 0,0 | 67,3 | 60,7 | 39,3 |
| Confirmation that the institution subscribes to the Code of Conduct | B 12 | 87,6 | 12,4 | 41,0 | 53,2 | 46,8 |
| Address and identification (of the lender) | A 1 | 100,0 | 0,0 | 40,6 | 60,7 | 39,3 |
| Indication of the cost of a typical home loan for the consumer | B 5 | 100,0 | 0,0 | 32,6 | 60,7 | 39,3 |
| Notification of possibility of early repayment | B 8 | 100,0 | 0,0 | 29,4 | 60,7 | 39,3 |
| Description of the types of home loans available with a short description of the differences between fixed and variable rate products | B 3 | 100,0 | 0,0 | 25,4 | 60,7 | 39,3 |
| List of related cost elements | B 6 | 100,0 | 0,0 | 23,8 | 60,7 | 39,3 |
| Purposes for which the home loan may be used | B 1 | 100,0 | 0,0 | 15,0 | 60,7 | 39,3 |

In Sweden, where interviewers were given personalised information, most of the obligations were fulfilled. There were occasional omissions relating to the headline, the exact amount of capital, the identification of the lender, the up-front text and the illustrative table, but scores were always better than average.

Table 29: Percentage compliance in order of magnitude - Sweden / personalised information

| Elements of the Code of Conduct with which institutions are required to comply | Item | In relation to the tests where information was disclosed | | | In relation to all tests carried out | |
|---|------|--|-----------------|--|--------------------------------------|-----------------|
| | | complying % | not complying % | not complying average/EU % ³² | complying % | not complying % |
| Clarification as to whether the home loan terms are dependent on the consumer's providing a certain amount of capital | 2 | 81,8 | 18,2 | 55,2 | 35,1 | 64,9 |
| Name, address and telephone number for internal complaint scheme | 13 | 100,0 | 0,0 | 50,2 | 42,9 | 57,1 |
| Personalised information sheet headed 'European Standardised Information Sheet' | | 72,7 | 27,3 | 37,9 | 31,2 | 68,8 |
| Notification of obligation to domicile bank | 15 | 100,0 | 0,0 | 35,2 | 42,9 | 57,1 |

³¹ See Table 5 and Table 6

³² See Table 5 and Table 6

| Elements of the Code of Conduct with which institutions are required to comply | Item | In relation to the tests where information was disclosed | | | In relation to all tests carried out | |
|--|---------------|--|-----------------|--|--------------------------------------|-----------------|
| | | complying % | not complying % | not complying average/EU % ³² | complying % | not complying % |
| account and salary with lender | | | | | | |
| Clarification as to whether early repayment is possible | 12 | 100,0 | 0,0 | 33,1 | 42,9 | 57,1 |
| Same structure, sections and form as described in the Code | | 100,0 | 0,0 | 29,7 | 42,9 | 57,1 |
| List of the additional recurrent costs | 11 | 100,0 | 0,0 | 26,6 | 42,9 | 57,1 |
| Name and the address of the lender | 1 | 90,9 | 9,1 | 24,5 | 39,0 | 61,0 |
| Requirement that personalised information contains the words at the beginning 'The document does not constitute a legally binding offer. ... The provision of this information does not oblige the lender to grant a loan' | Up front text | 81,8 | 18,2 | 20,3 | 35,1 | 64,9 |
| List of the additional non-recurring costs, where applicable | 10 | 100,0 | 0,0 | 17,4 | 42,9 | 57,1 |
| Illustrative amortisation table | 14 | 90,9 | 9,1 | 15,9 | 39,0 | 61,0 |
| Specification of the number and frequency of payments (these may vary) | 7 | 100,0 | 0,0 | 14,7 | 42,9 | 57,1 |
| Specification of the amount of each instalment | (8/9) | 100,0 | 0,0 | 14,2 | 42,9 | 57,1 |
| Clarification as to whether the product on offer is an interest only home loan or a repayment home loan | 2 | 100,0 | 0,0 | 11,2 | 42,9 | 57,1 |
| Specification of the duration of the home loan agreement | 6 | 100,0 | 0,0 | 4,4 | 42,9 | 57,1 |
| Statement of interest rate | 3 | 100,0 | 0,0 | 3,0 | 42,9 | 57,1 |
| Specification of amount of credit and the currency | 5 | 100,0 | 0,0 | 2,7 | 42,9 | 57,1 |

7 ECESA's Information Policy

iff interviewed the following European Credit Sector Associations that have signed the Code of Conduct. An official letter was sent to the president of each organisation. The enquiries were carried out in mid-March 2003 when most of the tests were finished:

- ◆ European Federation of Finance House Association, EUROFINAS
- ◆ European Savings Banks Group, ESBG
- ◆ European Federation of Building Societies, EFBS
- ◆ European Banking Federation, FBE
- ◆ European Association of Cooperative Banks, GEBC
- ◆ European Mortgage Federation, EMF

Proof of the ECESA's information policy was sought, such as

- ◆ press releases,
- ◆ articles,
- ◆ newsletters and guidelines for their members,
- ◆ brochures,
- ◆ leaflets,
- ◆ conferences and meetings
- ◆ other information-providing activities and
- ◆ annual progress reports on the implementation of the Code.

The ECESA's were asked to respond within 30 days. Out of six organisations three responded, namely the European Banking Association (FBE), the European Savings Banks Group (ESBG) and the European Mortgage Federation (EMF). iff's request was made in March 2003, the same time as the ECSAs jointly published their "First Annual Progress Report".

Table 30: Information obtained from ECSA's

| | European Banking Federation | European Savings Banks Group | European Mortgage Federation | European Association of Co-operative Banks | European Federation of Building Societies | European Federation of Finance House Association |
|--|-----------------------------|------------------------------|------------------------------|--|---|--|
| Response to iff | x | x | x | | | |
| documents sent to iff | x | x | | | | |
| Press release on the internet | x | x | x | | x | x |
| other publicly available documents on the internet | | x | x | x | x | |
| publicly available material for members | | | x | | | |
| restricted area for members | | x | (x) | x | x | x |

7.1 European Banking Federation

In its response the European Banking Federation explained,

“that the FBE has taken the stance that its role should be restricted to informing its member associations on the Code’s existence and recommending them to respect the obligations deriving from the European Agreement”,

which means that FBE

“has adopted a decentralised policy in this regard: it is up to the member associations to make their member banks aware of the Code.”

FBE sent three documents to illustrate the information policy: press release from 5 March 2001, letter to all its members dated 6 March 2001 and the first “First Annual Progress Report”, March 2003.

Its internet page contained a press release from 5 March 2001 and short information about the Code of Conduct.

7.2 European Savings Banks Group

The European Savings Banks Group sent documentation about its press release dated 5 March 2001,³³ its April 2001 newsletter, letters and announcements to members after subscribing to the Code of Conduct dated 5 March 2001, information for members in INFOFLASH dated 5 March 2001, 26 Sep. 2002 and 17 Feb. 2003, documents provided to members for the first Annual Progress Report and the response of members to their announcement and

³³ <http://www.savings-banks.com/esbg/NEWS.HTM>

information policy. The European Savings Banks Group sent documents from its Belgian, French, Luxembourg, Austrian, Finnish and German member associations. These contain press releases, announcements on their home pages and letters to members.

The last Annual Report 2001, available on its web page, also contains information about the Code of Conduct.³⁴

7.3 European Mortgage Federation

The European Mortgage Federation answered by e-mail and referred to the "First Annual Progress Report" dated 15 March 2003 and available as download on its homepage along with another 52 documents on this matter.³⁵ Its web page on the issue "Consumer Protection" covers the "First Annual Progress Report", a press release about the progress report dated October 2002, registration form for the Code of Conduct, Commission Recommendation, the European Agreement on a voluntary Code of Conduct on pre-contractual information for Home Loans in the languages of the European Union and a PowerPoint presentation on this issue dated June 2002. The web page of EMF also has a section devoted to issues about the Code of Conduct.³⁶

7.4 European Federation of Building Societies

The European Federation of Building Societies did not respond to iff's letter. Its homepage³⁷ contains a press release dated 5 March 2001. The last annual report from the European Federation of Building Societies 2001 also mentions the Code of Conduct.

7.5 European Federation of Finance House Association

The European Federation of Finance House Association did not respond to iff's letter. Its homepage³⁸ contains one short press release in EUROFINAS News No 276.³⁹

7.6 European Association of Co-operative Banks

The European Association of Co-operative Banks did not respond to iff's letter. Its homepage⁴⁰ contains the annual report 2000-2002⁴¹ with information about the Code of Conduct and the "First

³⁴ <http://www.savings-banks.com/pdf/files/ESBG%20AR%2001.pdf>

³⁵ <http://www.hypo.org/Content/Default.asp?PageID=48>

³⁶ <http://www.hypo.org/Content/Default.asp?PageID=79>

³⁷ <http://www.efbs.org>

³⁸ <http://www.eurofinas.org>

³⁹ http://www.eurofinas.org/whats_new/news/NWSL279def.pdf

⁴⁰ <http://www.gebc.coop>

⁴¹ <http://www.gebc.coop/activity-report/default.asp>

Annual Joint Progress Report on the Code of Conduct for Home Loans"⁴² dated 20 March.

7.7 Conclusions about ECSA's Information Policy

Even though all the ECSAs did not send detailed documents about their information policy in relation to the Code of Conduct, it seems that the leading European organisations of credit institutions all informed their members in 2001 about the Code of Conduct and the possibility of subscribing to it. On ECSA's homepages the restricted area for members only could not be tested. Implementation seemed to be decentralized. Because of the number of instances of failure to comply with and the ESCA material provided, we conclude that the information was going only in one direction. It seems that each credit institution created their own general and personalised information using the Code of Conduct and the national form provided for the ESIS as described in the Annex of their "First Annual Report".

Unfortunately iff's work was carried out the same time as the ECSA's prepared and published their "First Annual Progress Report" on this matter. Therefore they were less willing to provide iff with additional detailed information, and if they responded they preferred simply to refer us to their Annual Progress Report. Of course, ECSA reports do not provide information about the fulfilment of the Code of Conduct in practice, because this "First Annual Report" required only information relating to official registration and implementation.

⁴² <http://www.gebc.coop/publications/documents.asp>

8 Conclusions

The "mystery shopping" method should be used to test fulfilment of the Code of Conduct only. Whether or not the general and personalised information was sufficiently detailed to provide answers to consumers' queries, for example the risk and costs of early repayment, or provided sufficient information to stimulate cross-border transactions, did not form part of this report. Nevertheless, the survey was based on the aim of the Code of Conduct to ensure transparency of information and comparability (Annex 4, p. 1).

**Targets:
transparency and
comparability**

The purpose of transparency and comparability is to enable various products and offers to be compared across borders (recommendation of the European Commission dated 1 March 2001, Annex 5), to ensure that consumers receive the necessary information to make their own decisions and to avoid problematic products or behaviour, or make consumers aware of the risks of these products.

Firstly, the report examined whether the credit institutions registered as having signed and implemented the Code of Conduct by 30 September 2002, fulfil the obligations of the Code of Conduct in practice. Secondly, the report analyses instances of failure to comply in the information given. In some cases, there were additional questions to examine how the information was usually given. This is important in terms of ascertaining whether transparency and comparability is guaranteed through the information given.

**No implementation in
three major countries**

The countries where the Code of Conduct has been implemented represent 58% of the European population. In three countries in the European Union, France, Spain and the United Kingdom, there are 158,4 million people, namely 42% of European Citizens, who, at the moment, actually do not receive a European Standardised Information Sheet as described in the Code of Conduct for Pre-contractual Information for Home Loans.

In the remaining EU countries, interviewers did not receive general information in 53.2% of cases, even though in each case they did receive an offer from the credit institution and did ask for general information. And only in 47 cases (weighted) the general information provided fulfilled the obligations of the Code of Conduct totally. This represents 6.5% of all the tests conducted.

**Low percentage of
information without
omissions**

The interviewers were given a European Standardised Information Sheet in 50.0% of cases. In 36 cases (weighted) the personalised information received fulfilled all the obligations described in the

Differences between countries

Code of Conduct. This represents 5.0% of all the tests carried out. The extent to which each country complied with the Code varied.

Provision of general information varied between 4.3% and 100% in each country, and between 21.3% and 100% for the European Standardised Information Sheet.

In many cases the information did not obtain all information required by the Code of Conduct. One reason could be that common national information was simply used and copied, for example, common amortisation tables. The mere fact of stating the Code of Conduct obligations in the contract does not always guarantee their fulfilment because in some instances even the nominal rate and other important information was missing: in the general information 41.0% did not provide information that the credit institutions subscribed to the Code of Conduct, 50.2% did not provide (complete) details of the internal complaint scheme in the personalised information.

Structure of information

One third used the same structure and sections as the general information. As regards the personalised information, more than two thirds used the predetermined structure. The mandatory structure for the personalised information in the Code of Conduct seems to increase compliance significantly, although about one third of the branches that gave the interviewer personalised information as described in the Code of Conduct did not use the predetermined structure for the European Standard Information Sheet. Nevertheless, standardisation seems to be a good way of guaranteeing transparency and comparability

Reason for the omissions could be (1) varying interpretations of the Code of Conduct, (2) varying presentations of the Code of Conduct in practice, (3) use of dated information and computer programmes in practice and (4) varying interpretations as to when information should be handed out to the consumer.

Missing data, for example the address of the lender, could arise from a different understanding of the Code of Conduct. General information as described in the Code of Conduct is very much open to interpretation. It seems that that most of the credit institutions prepared their general information in their own way and without regard to each individual point in the Code of Conduct. Most of the general information failed to include information about the Code of Conduct itself.

Also the presentation seemed to be vary. Some general information for example was prepared by umbrella organisations, with no space for the address of the lender. Others were publications from the credit institution itself.

Another reason could have been that the credit institutions used dated information and old computer programmes. In Hamburg for example, within the same credit institution, an employee in one branch used his institution's new intranet to make a print out of the offer with the ESIS, while in another, an employee used the old computer programme – and the interviewer's offer came without the ESIS. Sometimes employees seemed unwilling to hand out general information. It could also be that employees did not know that such information was available in their branch or tried to use dated leaflets at first. In this survey it was not possible to analyse whether the credit institution had better information than that given to the interviewer, but monitoring indicated that there were differences between the information given to a customer and that handed out in response to an official investigation.

More and more information provided on the internet

In some countries, the internet is widely used by consumers as a source of information. In these countries most of the general information, including a copy of the Code of Conduct, can be obtained on the internet and less information is handed out in paper form.

The structure of credit institutions varies in each country, too. In the Netherlands for example, it is uncommon to call into a branch. As a rule consumers would telephone the head office and make an appointment with an employee of the credit institution to call on him/her at home. Credit institutions could be very centralised and it could become more and more usual for the initial contact with a credit institution to be via internet.

Lack of definition

The last point seems to be the most important because there is no clear definition in the Code of Conduct when the "pre-contractual" information should be given to a consumer. There is reason to assume that the percentage of personalised information given is, in practice, over 50%. For the purposes of the survey only tests where the interviewer was given a personalised offer were accepted. Nevertheless, most of the credit institutions expect that the customer will return with all the required papers (contract of the house, payslips etc.) ready to sign the contract. Neither in the Code of Conduct (Annex 4) nor in the Recommendation of the European Commission (Annex 5) it is defined when the European Standardised Information Sheet should be handed out. So it is quite possible that credit institutions would issue the ESIS at the end of the pre-contractual phase. Worst case scenario would be that the consumer received a copy of the home loan contract for signature and the ESIS simultaneously. Using the mystery shopping method did not reveal whether credit institutions provided more information between the initial personal offer and signature of the contract.

In some countries (Sweden, Denmark, Netherlands) credit institutions seem to try to avoid personal offers at the beginning. Sometimes a standardised offer already exists for a house or an apartment and the "shopping around" is, in practice, based on that information. The ESIS might be issued with the initial personal offer but after the first "shopping around" phase. In such cases, the European Standardised Information would be too late for real transparency and comparability, quite apart from the issue as to whether the national information given out is sufficient to provide transparency and the comparability.

Even though not all European Credit Sector Associations sent proof of their information policy for this survey, there is no doubt that these organisations did provide sufficient information about the Code of Conduct to their members and the public. Most of them provided information on the internet.

Because of late implementation in three major countries – in France, credit institutions with a market share of about 50% will implement the Code of Conduct by the end of 2003, in the United Kingdom, implementation is planned by the end of 2004, while Spanish credit institutions wait until legislation is adopted (see First Annual Progress Report, ECSA's, 2003, p. 6) – it would seem useful to repeat the test using the mystery shopping method in 2005. Until then common rules should be established as to when the information should be given to consumers. An independent organisation charged with monitoring credit institutions' general and personalised information on a voluntary basis can provide credit institutions with feed-back on their provision of information. This could be useful for guaranteeing similar standards and adequate information provision in Europe.

Annexes

- Annex 1 Questionnaire
- Annex 2 National Reports
- Annex 3 ECSA's Press Release from 5 March 2001
- Annex 4 Code of Conduct on Pre-contractual Information for Home Loans
- Annex 5 Recommendation of the European Commission from 1 March 2003