



## EBA supports harmonisation of creditworthiness assessment for consumer credit across the EU

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- The EBA has responded to a Commission consultation on its proposed consumer agenda to express support for a harmonisation of creditworthiness assessments for consumer lending across the EU.
- The harmonised approach to creditworthiness assessment for all consumer credit should cover data and methodologies that build on the EBA Guidelines on loan origination and monitoring.

**The European Banking Authority (EBA) responded last week to the EU Commission's consultation on the proposed new consumer agenda where it called for harmonisation of the creditworthiness assessment process for consumer lending across the EU. The EBA response focuses on the revision of the Consumer Credit Directive (CCD) and builds on the recent EBA Guidelines on loan origination and monitoring.**

In its response, the EBA calls for the introduction of binding principles on responsible lending such as an obligation to take into account target consumer interests, objectives and characteristics when designing credit products. The response also calls for harmonisation of the creditworthiness assessment across the EU, including the introduction of standards for the data and creditworthiness assessment process.

The EBA response builds on its recently published Guidelines on loan origination and monitoring, which the EBA had developed in 2019 at the request of the EU Council. The response aims at reinforcing the requirements for assessing the borrowers' creditworthiness that are set out in those Guidelines and, thus, contributing to the Commission's planned changes to the CCD.

### Background

On 30 June 2020, the EU Commission launched a public consultation on the new consumer agenda that, among other topics, contained a number of questions in Section 3 regarding the Consumer Credit Directive (Directive 2008/48/EC). The questions also contained a series of proposals regarding the harmonisation of the creditworthiness assessment of a borrower – topic that has been addressed by the EBA in the Guidelines on loan origination and monitoring (EBA/GL/2020/06).

### Legal basis

The EBA responded to the Commission's consultation based on Article 9(4) of the EBA Regulation, which tasks the EBA to "providing advice [...] to the European Parliament, to the Council and to the Commission" on matters related to the EBA's consumer protection mandate.

The Guidelines on loan origination and monitoring, in turn, had been developed by the EBA in accordance with the Article 16 of Regulation (EU) No 1093/2010, and in response to the European Council Action Plan on tackling the high level of non-performing loans. These guidelines specify the internal governance arrangements, processes and mechanisms, as laid down in Article 74(1) of Directive 2013/36/EU, requirements on credit and

counterparty risk, as laid down in Article 79 of that directive, and requirements in relation to the creditworthiness assessment of the consumer, as laid down in Chapter 6 of Directive 2014/17/EU and Article 8 of Directive 2008/48/EC.

## Press contacts

Franca Rosa Congiu

press@eba.europa.eu | +33 1 86 52 7052 | Follow @EBA\_News