



Luxembourg Newsflash - 18 September 2023

New directive on consumer credit adopted by EU Parliament

On 12 September 2023, the EU Parliament adopted the Directive on Consumer Credits, which will repeal Directive 2008/48/EC of 23 April 2008 on credit agreements for consumers.

On 12 September 2023, the EU Parliament adopted the Directive on Consumer Credits (**CCD II**), which will repeal Directive 2008/48/EC of 23 April 2008 on credit agreements for consumers (**CCD I**).

1. Background

In 2008, the adoption of CCD I enabled compliance rules for credit granted to consumers to be harmonised at EU level. This has contributed significantly to improving the transparency of contract terms and thus also bolstered consumer protection standards at EU level.

However, it has to be acknowledged that despite CCD I's merits, a number of factors call for new rules in this field. The highly fragmented regulatory landscape throughout the EU has weakened the level of consumer protection over the years. The recent digital transformation and its constantly evolving environment have also brought significant changes to the consumer credit market and led to the emergence of new habits, products and market players. New challenges have arisen regarding the functioning of the internal market for consumer credit and, in the EU's view, these now have to be tackled through revised legislation.

2. Key aspects of CCD II

The CCD II brings a wider scope than the current directive – for instance, covering “buy now, pay later” products whereby the purchase price is to be paid free of interest and without any other charges within 50 days of the delivery date.

While retaining many of the elements of CCD I, the CCD II extends its scope to cover loans below EUR 200 and up to EUR 100,000, unsecured loans involving a total amount of more than EUR 100,000, where the purpose of the credit is the renovation of a residential immovable property, and credit granted free of interest and without any other charges.

The CCD II now also applies to:

- hiring or leasing agreements with an option to buy; and
- credit agreements in the form of an overdraft facility and where the credit has to be repaid within one month.

Other noteworthy changes in the new directive also include the introduction of new information requirements that are more tailored to the context of digital services, i.e. that documents must be readable on digital media.

Several new provisions have also been added to increase consumer protection by focussing, among others on precontractual information (i.e. important information, such as the total amount of the credit and its borrowing rates must now be stated in the first part of the Standard European Consumer Credit Information form) and on improving the creditworthiness assessment in order to ensure that appropriate and proportionate information is used to prevent irresponsible lending and over-indebtedness of consumers.

Member States will be obliged to introduce measures that prevent abuse effectively and ensure that consumers cannot be charged excessively high borrowing rates, annual percentage rates of charge or total costs of credit – an important innovation in the CCD II, considering the current global economic and financial context. Ccaps could be one example of a method to achieve this.

The CCD II also prohibits practices that exploit consumer behaviour, such as tying, pre-ticked boxes or unsolicited credit sales and sets out new rules of conduct applicable to lenders, including requirements relating to remuneration policies.

Advertisements for consumer loans are also addressed by the CCD II. These must include clear and prominent details of the costs involved. In addition, certain advertisements are now prohibited, such as those encouraging consumers to take out loans by suggesting that this would improve their financial situation.

Given the significant consequences of enforcement proceedings for both creditors and consumers, the CCD II introduces debt advice services and requires creditors to proactively address credit risk and, where appropriate, exercise reasonable forbearance before initiating enforcement proceedings by taking into account diverse elements, such as the consumer's individual circumstances.

In short, particular attention should be paid to the CCD II, as it will have a direct impact not only on internal processes and obligations, but also on contractual documentation.

3. Timeline and next steps

Once it has been adopted by the Council, the CCD II will be published in the Official Journal of the EU and will enter into force on the twentieth day following its publication.

Member States shall start to apply the CCD II at the latest 3 years following its entry into force at EU level.

CCD I shall nevertheless continue to govern credit agreements that have entered into force prior to the adoption of CCD II and shall continue to do so until their termination.

[For further information on the adoption of CCD II, please see here_](#)

[Contact our experts from Banking & Financial Services, if you require any assistance or advice on the new directive on consumer credit_](#)

your contacts



**PIERRE-MICHAEL DE
WAERSEGGER**

Partner
Banking & Financial Services

[Learn more_](#)



PHILIPPE DUPONT

Partner
Banking & Financial Services

[Learn more_](#)



GLENN MEYER

Partner
Banking & Financial Services

[Learn more_](#)



EMMANUELLE MOUSEL

Partner
Banking & Financial Services

[Learn more_](#)



MARC MOUTON

Partner
Banking & Financial Services

[Learn more_](#)



Arendt & Medernach SA

Registered with the Luxembourg Bar
RCS Luxembourg B 186371

arendt.com

41A avenue JF Kennedy
L-2082 Luxembourg
T +352 40 78 78 1

This publication is intended to provide information on recent developments and does not cover every aspect of the topics with which it deals. It was not designed to provide legal or other advice and it does not substitute for the consultation with legal counsel before any actual undertakings.



I am informed that I can object to the processing of my personal data for marketing purposes at any time either by e-mail addressed to unsubscribe@arendt.com or by clicking [here](#).

[Update e-mails preferences](#) | [Forward this e-mail](#)