CONSUMER CREDIT BULLETIN EUROPE

by Eurofinas, the voice of consumer credit providers in Europe

eurofinas

06

winter 2013

· FOCUS ON ·

POST SWEEP RESULTS

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OVER-INDEBTEDNESS

The European Commission recently consulted on European households' over-indebtedness. Find out more about the Eurofinas response in this issue.

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BEYOND THE EU

Eurofinas member, APSF (MA), presents the consumer finance market in Morocco and its main challenges. Also in this issue, read more about the consumer finance market in South Korea presented by CREFIA, the Korean Consumer Credit Association.

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INSURANCE

Consumer protection at the forefront

● The protection of consumers regarding the sale and distribution of insurance products is a heavily debated topic at European level. The European Parliament and Council are working on the Proposal for a revised Insurance Mediation Directive (IMD 2), which depending on the outcome, could have a substantial impact on the business of consumer credit providers and their partners.

In parallel, the European Insurance and Occupational Pensions Authority (EIOPA) is continuing its work on consumer protection and financial innovation. At the end of 2012, EIOPA organised a Consumer Strategy Day, during which stakeholders were able to share their views on its extended work programme.

One of the areas EIOPA is working on is Payment Protection Insurance (PPI). PPI mis-selling practices having been identified as a key concern for consumers, EIOPA is therefore drafting an opinion for the national regulators on PPI. This is being done in parallel to the regulatory changes that will be introduced through the IMD 2.

In light of EIOPA's workflow, Eurofinas recently organised a roundtable with EIOPA to discuss the distribution of PPI in Europe.

Read more about these developments on pages 2 and 3.

INSURANCE MEDIATION

Legislative debate in all directions

● The Commission's Proposal for a revised Insurance Mediation Directive (IMD 2) is currently being discussed within the European Parliament and the Council. In the Consumer Credit Bulletin Europe nº 5, we reported on the contents and potential impact of this initiative for the consumer credit industry.

In recent months, these discussions have intensified, with the Members of the European Parliament (MEPs) in charge of the file publishing their first draft report/opinions on the matter.

A wide range of views have been expressed on key issues for the industry. At this stage, no clear consensus or compromise has been reached.

This is notably the case for the disclosure of remuneration. The Commission's Proposal foresees the disclosure of the amount of remuneration received by intermediaries for the mediation of essentially all insurance products. A number of MEPs are calling for this to be limited to the nature and the source of the remuneration, which is in line with the Eurofinas position. Others have called for disclosure on request, or extensive disclosure of amounts across the board and even an outright ban on commissions based on the achievement of targets and thresholds.

Subsequently, the Commission envisages the adoption of delegated acts to lay down further rules on professional qualifications. There appears to be, at this stage, a wide support for the removal of these delegated acts. This would increase the legal certainty for businesses. However, some MEPs are now looking to introduce additional rules on professional requirements in the IMD 2 itself. Included in this rules is a Proposal for the creation by the competent national authority of a body responsible for the training, control and assessment of knowledge and skills, independent from the insurance undertaking.

Requiring competent authorities to designate a body to carry out all training, and not just verifying that the intermediary has fulfilled these requirements, are disproportionate and unrealistic. This would add a new level of bureaucracy and associated costs. Eurofinas considers that any such decision in this area should be left to the discretion of national authorities.

Another contentious issue is the provision of advice to customers and the possibility to carry out execution-only sales. Eurofinas firmly believes that advice should be treated as a distinct service and non-advised sales should remain possible. This distinction is crucial to encompass the different types of insurance mediation activities as a number of intermediaries do not advise *per se* their customers but limit their activity to the provision of information and explanations on the products. This distinction protects both the consumer and the intermediary when the latter is not in an operational situation to provide advice.

The European Parliament is expected to finalise its discussions before the summer recess. However, IMD 2 is not seen as a priority for the Presidency of the Council, with no technical discussions scheduled on the file for the time being. It is therefore not yet possible to foresee when the final text will be adopted or what the deadline for implementation of the rules in the Members States will be.

For more information, please contact a.delava@eurofinas.org

EIOPA CONSUMER STRATEGY DAY

● The European Insurance and Occupational Pensions Authority (EIOPA) organised its second Consumer Strategy Day on 4 December 2012 in Frankfurt, Germany. Eurofinas attended this conference, which consisted of three sessions dedicated to:

- Regulation of insurance intermediaries (the revised Insurance Mediation Directive – IMD 2);
- Product disclosures in life insurance; and
- Consumer trends.

The panel discussion on IMD 2 outlined the various stakeholders' positions on the file, whilst the panel on consumer trends featured a presentation by the UK Financial Services Authority on the situation in the UK regarding Payment Protection Insurance (PPI).

EIOPA officials also outlined the work programme of EIOPA in the field of consumer protection and financial innovation, which was reported on in the Consumer Credit Bulletin Europe nº 5. This includes work on PPI, training standards and complaints handling by intermediaries.

EUROFINAS ROUNDTABLE ON PAYMENT PROTECTION INSURANCE

• Eurofinas recently organised a Roundtable on Payment Protection Insurance (PPI). In attendance were consumer credit providers, credit insurance companies and the European Insurance and Occupational Pensions Authority (EIOPA).

In its 2012 Consumer Trends Report, EIOPA identified PPI sales practices as one of its key consumer trends, in particular the mis-selling observed in a number of Member States and the corresponding legislative actions taken. Following this report, EIOPA has been evaluating its next steps on PPI.

The Roundtable provided a unique opportunity to explain business processes, including the products, the different levels of intermediation, point of sale practices, claims management and the evolving regulatory framework, both at national and European level. The Roundtable is part of Eurofinas' wider dialogue with EIOPA on its extensive consumer work programme, which will in many respects have an impact on both credit and credit insurance providers.

In particular, it was stressed that the current business model, whereby PPI is largely distributed through consumer credit providers and their partners at the point of sale (PoS), was highly cost-efficient compared to other distribution channels. The possibility of being able to offer PPI to the customer at the point of sale, at the time of the purchase, is key to ensuring that PoS remains a "one-stop-shop" for consumers.

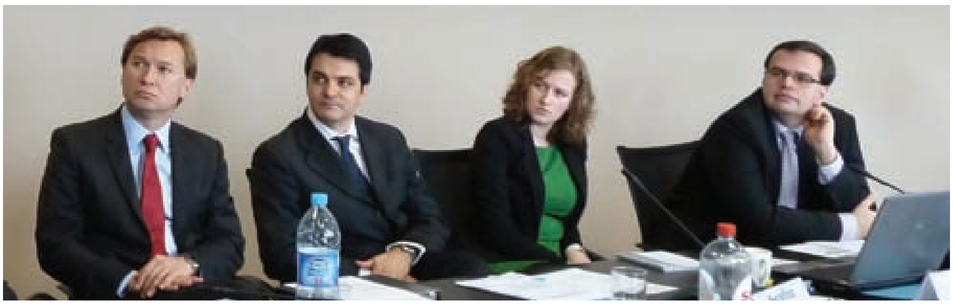
Following the case studies presented, participants debated on a range of issues surrounding PPI. The main topics addressed focussed on the product (both the complexity and the covers) and its characteristics (group policy vs. individual contract, monthly vs. single premium) and the pros and cons for both businesses and consumers of these options.

Discussions also centred on whether some of the mis-selling observed could be adequately addressed through regulatory or supervisory intervention and what the consequences of such actions would be for the industry. Possible options for such intervention, as has been noticed in some Member States, include: competition intervention (obligation to offer more than one PPI contract), introducing a waiting period between the acquisition of the credit and insurance or introducing the obligation to provide advice.

As a next step in its work on PPI, EIOPA is looking to issue an opinion to the national regulators with the aim of fostering supervisory convergence. This opinion could be finalised by the summer of 2013.

Eurofinas will produce a report on the Roundtable and the issues debated, as well as the industry's position, which will be communicated to EIOPA and other stakeholders. Eurofinas will continue to monitor closely all relevant developments in this area.

Copies of the report will be available upon written request adressed to a.delava@eurofinas.org



From left to right: **Jean-Luc Michel**, *GE Capital;* **Serafino Marchio**, *Metlife*; **Anke Delava**, *Eurofinas*; and **Surd Kovats**, *EIOPA*.

NEW CHAIR FOR EUROFINAS

VALENTINO GHELLI
Eurofinas
Chairman

• **Valentino Ghelli** (IT) was appointed Eurofinas Chairman, effective as of 22 November 2012.

Valentino Ghelli has been Vice-President of Eurofinas since 2011. He is Vice-President at Compass, Gruppo Mediobanca and Vice-Chair of ASSOFIN, the Italian Association for Consumer Credit and Mortgages. He is taking over from Pedro Guijarro (ES) who chaired Eurofinas since 2009.

"Regulatory and policy files or developments such as, amongst others, the review of the Consumer Credit Directive, insurance mediation, capital requirements, data protection, alternative dispute resolution and over-indebtedness, are on top of Eurofinas' agenda and will remain so for the foreseeable future" declared Valentino Ghelli when appointed.

"I look forward to contributing to a stronger Federation and to engaging with policy-makers and other stakeholders in order to secure a properly functioning Internal Market for consumer credit. This is to the benefit, not only of consumers and consumer credit providers, but also of the recovery of the European economy given the vital role private consumption has to play" he added.

POST-SWEEP RESULTS

75%

• Following EU action, over 75% of consumer credit websites checked would now give satisfactory information to clients, according to Tonio Borg, EU Commissioner for Health and Consumer Policy.

At the end of 2011, the European Commission coordinated an EU wide investigation of consumer credit websites: the EU consumer credit sweep initiative. As reported in the Consumer Credit Bulletin Europe nº 3, out of the 565 websites that were checked by national enforcement authorities across Europe, only 30% passed the test for compliance with EU consumer rules.

Of the 70% of sites flagged for further investigation at the time, 10% were finally deemed compliant and 35% were corrected after action by national authorities. The remaining websites either no longer exist or are subject to on-going administrative or court proceedings.

"In difficult economic times, it is important to help consumers understand what they are up to when they enter into a credit agreement. There is a cost to credit and creditors need to be transparent about this. The Consumer Credit Directive 2008/48/EC sets out the standard information requirements that creditors have to follow" says Commissioner Borg. "I am glad that in 2011-2012, the European Commission coordinated a joint action for checking the compliance with EU rules of the information which is provided on websites offering consumer credits. As a follow up, national authorities across the EU could obtain correction of about 200 sites that were misleading consumers" he added.

> “ In difficult economic times, it is important to help consumers understand what they are up to when they enter into a credit agreement. ”

TONIO BORG
European Commissioner for Health and Consumer Policy

Tonio Borg is the European Commissioner for Health and Consumer Policy since 28 November 2012. Prior to his appointment as EU Commissioner, he was the Maltese Minister of Foreign Affairs. Tonio Borg has also been Deputy Prime Minister, Leader of the House of Representatives and Chairman of the National Audit Office Accounts Committee. He has been a member of the Maltese House of Representatives since 1992. He graduated as Doctor of Laws (LL.D) from the University of Malta.

As EU Commissioner, he is in charge of all health and consumer related European policies. This includes the regulatory framework for consumer credit transactions and alternative dispute resolution.

EIRE 2013

For stability, jobs and growth

Uachtaránacht na hÉireann ar Chomhairle an Aontais Eorpaigh
Irish Presidency of the Council of the European Union
eu2013.ie

• From January 2013 to June 2014, three Member States will hold the rotating EU Presidency: Ireland, Lithuania and Greece. Ireland is the first of the three Member States to hold the Presidency and will do so until the end of June 2013.

In the field of economic and financial affairs, Ireland will endeavour to mitigate the effects of the economic crisis and implement initiatives to promote greater stability and recovery.

Priorities of the Irish Presidency include making substantial progress towards the creation of a Banking Union for the EU in particular through agreement on the Single Supervisory Mechanism (SSM). Making progress on Bank Recovery and Resolution and Deposit Guarantee Schemes and reaching an agreement on the Capital Requirements Directive IV package are other priorities of the Presidency.

The Presidency will also work to strengthen supervision and better protect the interests of investors and consumers. It also intends to make progress on the review of the Markets in Financial Instruments Directive and Regulation (MiFID/MiFIR) as well as on the Mortgage Credit Directive.

coming soon

Rome 2013 - 10 & 11 October

ANNUAL CONVENTION OF THE EUROPEAN CONSUMER CREDIT INDUSTRY

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A must attend event in the business leader's agenda, with the right balance between powerful content and high-level networking.

• Organised in parallel with the Annual Convention of the European Leasing and Automotive Rental Industry, this Convention by Eurofinas offers a meeting platform second to none. With over 450, mostly board-level, participants from across Europe and beyond, the event is widely recognised as the premier gathering for consumer credit, leasing and automotive rental professionals at European level.

The 2013 event will take place in Rome at the renowned Westin Excelsior Hotel. It will begin on 10 October at 14:00 and run until Friday 11 October mid-afternoon. More information on the programme and on how to register will be available shortly on the Eurofinas website and on the dedicated Convention website www.annual-convention.eu.

Get a head start and book your accommodation now as Rome is a busy tourist destination. The Westin Excelsior has created a personalised website for delegates to book their room at discount group rates online.

Check the annual convention website regularly for the latest updates on the programme and the many activities planned. For more information, please contact a.valette@eurofinas.org

Sponsorhip enquiries for the 2013 Annual Convention should be addressed to Anne Valette, Head of Communications at a.valette@eurofinas.org

REASONS TO ATTEND

- Truly European dimension
- Organised by the industry for the industry
- First-class speakers
- Highly informative presentations
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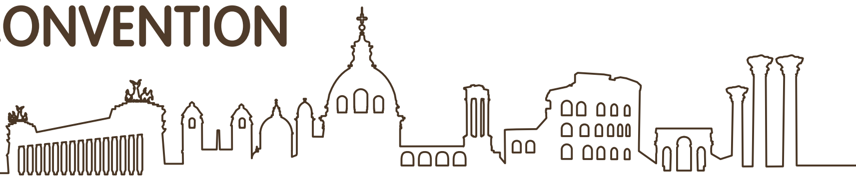
Carefully selected high calibre speakers and moderators, as well as a strong programme, are at the very core of each Annual Convention of the European Consumer Credit Industry. We are on the lookout for well-respected industry practitioners and experts to take part in the many sessions. We rely on them to provide insightful presentations and encourage thought-provoking discussions.

Would you like to apply to speak at the 2013 Convention, moderate a session or suggest ideas for a topic? Do you have a speaker or a moderator to recommend? Please contact a.valette@eurofina.org and help contribute to the success of the 2013 Annual Convention.

EUROPEAN CONSUMER CREDIT INDUSTRY
ANNUAL CONVENTION



Book your accommodation!

10 & 11 Oct. 2013
Hotel Westin Excelsior
Rome, Italy

CCD REVIEW

Word has it...

• The European Commission's Directorate General for Consumer Affairs commissioned the UK-based consultant Risk & Policy Analysts (RPA) to undertake another study on consumer credit. The study should provide a detailed assessment of the transposition of the Consumer Credit Directive (CCD). Findings of the study will feed into the Commission's review of the CCD review.

The objectives of the study were presented by RPA at the Eurofinas 21 February 2013 Legal & Policy Committee meeting in Brussels. RPA is expected to deliver its draft final report in July 2013.

GREEN PARTY

Taking aim at financial services

• On 22 January 2013, the European Green Party (Greens/EFA) launched a competition for the public to nominate the most harmful and dangerous retail financial product available on the market. The European Supervisory Authorities have the power to ban certain products from the market. The European Green Party is concerned that these bans can only be exercised under very strict conditions.

The Greens were damning in their appraisal of some financial products, arguing that they are opaque and complex and thus threaten consumer protection with concealed risks and high costs.

The results of the competition will be discussed in a public forum. Some consumer credit products have been identified.

OVER-INDEBTEDNESS

• As reported in previous editions of the Consumer Credit Bulletin Europe, over-indebtedness is under scrutiny at European level. Germany-based Civic Consulting is conducting a study on over-indebtedness on behalf of the European Commission.

On 24 January 2013, the Commission organised a dedicated policy workshop on European households' over-indebtedness at which Eurofinas was invited to speak.

In parallel, the Commission consulted stakeholders on Civic Consulting's preliminary findings. Eurofinas responded to the consultation and coordinated a set of high-level observations on behalf of the European Banking Industry Committee (EBIC).

Definition of over-indebtedness

The consultant finds that there is no uniform way of defining and measuring households' over-indebtedness across countries. Given the diversity of systems already in place across Europe, Eurofinas does not think that the elaboration of a European-wide standardised definition of over-indebtedness is feasible or desirable. Instead, the identification of indicators is a sensible approach to help forge a common understanding of households' over-indebtedness.

Level of over-indebtedness

The consultant reports that in 2011, one in almost nine households were in arrears with payments on rent/mortgage, utility bills and/or hire-purchase/loan agreements. These figures conceal a wide variation in the levels and nature of the financial difficulties being faced by households in the various European countries.

Eurofinas welcomes the clear recognition in the study that the analysis of households' over-indebtedness should be as broad as possible to encompass the various types of debts, characteristics of households and wider economic and social conditions (such as price of housing, tax pressure, wages level, utilities, etc.). This is critical to get a fair view of the situation of households in financial distress and a better understanding of the risk factors.

The study recommends the use of indicators such as credit arrears, credit defaults, utility/rent arrears and the use of insolvency proceedings. Eurofinas takes the view that it is important to recognise that the rules governing these indicators vary between countries. Arrears, for example, require judgment of their seriousness and their scale, which depend on the situation prevailing in the various countries (social norms as well as the regulations in place governing late payments) and the financial circumstances of the household/individual.

Finally, we agree with Civic Consulting that there is no simple relationship between the accumulation of debt and the scale of financial difficulties experienced by households. There is equally no simple solution.

Causes of over-indebtedness

Causes of households' financial difficulties are multiple and mainly unpredictable. They are primarily due to changes in personal circumstances such as unemployment, illness, divorce or the death of a partner and also general rises in the cost of living including housing, utilities, healthcare, education and taxes.

The study reports that a majority of stakeholders interviewed believes that consumer credit with "high interest rates" is amongst the most important causes of financial difficulties. Payday and SMS loans are mentioned as a source of increasing concern. The consultant also refers to previous research which finds that the use of unsecured credit is associated with the likelihood of arrears.

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> *Continued*

Eurofinas strongly opposes the assumption that borrowing is *per se* the cause of financial difficulties. It is important to recognise that when a household experiences difficulties in repaying its debts, it will usually identify priority debts and repay them first. It is also important to acknowledge that an increasing number of administrative or judiciary debt settlement procedures concern over-indebted households without any form of outstanding loans.

Consequences of over-indebtedness

The consultant endorses the strong association between over-indebtedness and "deprivation". Deteriorating living standards, health and well-being are mentioned as consequences of financial difficulties. Financial exclusion and loss of confidence in the financial services industry are also seen as consequences of over-indebtedness.

Eurofinas takes the view that the existence of public safety nets (for example unemployment benefits, public healthcare, etc.) as well as the availability and use of insurance lifestyle protection products should be taken into account and factored in the study.

Measures to alleviate the impact of over-indebtedness

The most commonly reported measure is to require lenders to comply with responsible lending provisions to assess applicant borrowers' creditworthiness and the introduction of loan-to-income ratios (LTIs). The provision of debt advice/counselling and formal out-of-court debt settlement procedures are also mentioned as key measures.

Additional best practices identified in the study include *inter alia* financial education, resource/income adequacy, prevention of evictions, discharge of debts and responsible debt collection.

The industry agrees that the multi-dimensional aspects of over-indebtedness are best addressed by a combination of preventive, curative and rehabilitative measures. Given the differences in national situations, such measures should be addressed at national level.

When reflecting upon the potential measures to alleviate the impact of over-indebtedness it is critical to remember that European legislation ensures an appropriate regulatory framework for lending transactions. The various legislative texts in place or currently being adopted already contain measures which are key to prevent arrears. The European legislative framework has also been supplemented by national rules in many Member States.

A key aspect to lending responsibly is to ensure that credit providers' actions are geared towards long-term client relationships. To achieve this, a high number of Eurofinas members have in recent years developed and implemented codes of good practice[1]. These codes help promote a consistent, balanced and safe business environment where both consumers and credit providers' interests are taken into account.

In a context where public funding in areas such as education, pensions or healthcare is decreasing, the importance of financial literacy should not be under-estimated. Equally, the promotion of a balanced data protection framework is required to allow creditors to use all forms of statistically relevant data to anticipate and thereby prevent financial distress.

In terms of curative and rehabilitative measures, we believe that exchanges of best practice at European level in the field of arrears management could bring added value. In particular, it would be interesting to identify which elements bring the most flexibility to households. Debt counselling should also be a key policy objective to fight financial distress.

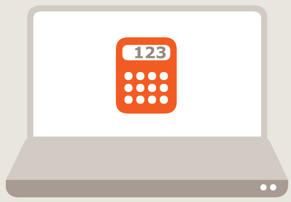
As to insolvency regimes, we would agree with the World Bank, which recently recognised in its draft report on the treatment of insolvency, that international bodies should not adopt regimes that are incompatible with local conditions even in the closely clustered European countries.

Read the full Eurofinas position here.

Civic Consulting is expected to provide the Commission with its final report by the first half of 2013. Eurofinas will closely follow any EU action in the field of over-indebtedness.

For more information, please contact a.giraud@eurofinas.org

APRC CALCULATOR



- In January 2013, the European Commission released an Excel simulator for the calculation of the Annual Percentage Rate of Charge (APRC). The simulator takes into account the latest APRC calculation assumptions as recently amended by Directive 2011/90/EU.

Eurofinas expressed strong reservations on this tool, which is considered by the lending community as being of limited use. The simulator does not address the various characteristics of credit agreements. It is also a rather simplistic instrument compared to lending institutions' current software programmes. Finally, the simulator reflects an interpretation of EU provisions which is not entirely shared by the industry.

The EU work on the APR is not coming to a standstill. The Commission is now expected to publish updated APR calculation examples by the end of this year. For more information, please contact a.giraud@eurofinas.org

1. See *National Codes of Conduct for Consumer Lending* , *Eurofinas*, April 2012

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NEW CHAIR APPOINTED FOR EUROFINAS LEGAL & POLICY COMMITTEE

CHRISTIAN BRANDT
Director,
Finans og Leasing

• In December 2012, Christian Brandt was appointed as the new Chair of the Eurofinas Legal and Policy Committee (LPC). The LPC is the Federation's decision-making body in charge of legal affairs, policy and advocacy.

Since 2007, Christian Brandt has been the Director of the Eurofinas Danish member association *Finans og Leasing*. Prior to that, Christian worked 12 years for the Danish Bankers Association as deputy director responsible for the legal department. He leads the advocacy work of the Danish consumer finance and leasing industry and has been involved in various policy developments in Denmark and at European level.

Christian Brandt replaces Bert Reitsma (VFN, NL) who successfully chaired the LPC for the past two years.

DATA PROTECTION

Eurofinas co-organises event

© EBF

• As discussions on the European Commission's Proposal for a new data protection framework continue in the European Parliament and the Council, the European Banking Federation (EBF) organised, together with Eurofinas, an event on the potential impact of this framework on financial services.

The European Parliament has been receptive to the industry's comments with regard to fraud prevention and detection, as well as the need for data processing to assess the creditworthiness of customers. The event was well attended, with representatives from the industry and consumer/user organisations, officials from the European Commission, the European Parliament and Member States Permanent Representations to the EU, as well as the media. The event came at a timely point in the discussions in Brussels and coincided with the European Commission's annual 'Data Protection Day'.

Richard Szostak, member of the Cabinet of Commissioner Reding, presented the Proposal and outlined the state of play in the discussions. MEP Seán Kelly presented the main points of the work carried out so far within the Parliament's Industry, Research and Energy (ITRE) Committee on the topic.

Gillian Key-Vice, Vice-President of the Association of Consumer Credit Information Suppliers (ACCIS), outlined the position of the credit bureaux. Sébastien de Brouwer, Executive Director at the EBF, focused on the needs of financial institutions to process data for anti-money laundering and fraud prevention and detection purposes. Anne-Lise Codet, Head of Legal for Data Protection at BNP Paribas Personal Finance, explained the use of data by consumer credit providers, both for granting credit and maintaining customer relations.

The subsequent debate was moderated by John Bruton, Chairman of the Dublin International Financial Services Centre and former Irish Prime Minister.

For more information please contact a.delava@eurofinas.org

JOIN OUR AFFINITY GROUP ON LINKEDIN

• This group, created by Eurofinas, aims to bring together all consumer credit professionals active in Europe. Membership is reserved exclusively for consumer credit, credit insurance and credit data providers, making the group the only one of its kind. Join us!

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SPECIALIST AUTOMOTIVE FINANCE

Improving knowledge and professionalism

PAUL HARRISON
Head of Motor Finance, FLA

● The Finance & Leasing Association (FLA) is the trade association for the motor finance, consumer credit and asset finance industries in the UK. Last year, FLA member finance companies provided £76 billion of new finance to UK businesses and households including £23 billion of motor finance – funding over 70% of all retail new car sales.

In 2005, independent research commissioned by the FLA found that customer confidence in finance information provided by motor dealerships varied significantly between different showrooms. So in 2007, the FLA launched Specialist Automotive Finance (SAF), an initiative designed to improve the knowledge and professionalism of motor dealership staff involved in the sale of finance to consumers. By boosting industry professionalism, SAF aims to increase consumer confidence in car finance products.

Central to the SAF campaign is an online competence test, which assesses an individual's knowledge of motor finance products and the regulations surrounding how those products should be sold. In passing this test, dealers are enhancing their finance knowledge for the benefit of car buyers. The SAF test is aimed at all customer-facing staff in motor dealerships and consists of 60 challenging multiple-choice questions which must be completed within 60 minutes. The test must also be retaken annually by candidates for them to remain SAF-certified and ensure their knowledge levels keep pace with industry changes. Comprehensive training material supports the online test to help candidates prepare. The material includes information on all of the subjects assessed in the test and can be found at: www.SpecialistAutomotiveFinance.org.uk.

A big incentive to participate in SAF is that there is zero cost for dealers and their staff. SAF is entirely funded by the FLA's motor finance members – representing over 90% of the UK marketplace – who have unanimously supported SAF since its introduction.

In 2009, 'SAF Approved' was introduced by the FLA, which extends SAF-certification from individuals to dealerships. SAF Approved recognises companies that have voluntarily raised standards on finance across their workforce for the benefit of their customers. The FLA audits the records of all of the motor dealers who apply to become 'SAF Approved' to ensure the correct number of staff have passed the online test. The FLA also requires companies to adhere to a SAF Guidance Note, which is a commitment to always treat customers fairly when selling finance. This commitment is recorded in writing through an annual compliance statement. To help dealers promote their new status, there are a range of branded materials for use in showrooms. 'Approved' dealers can use the SAF logo in advertising and marketing to highlight their improved professional standards to customers. The FLA's ultimate aim is for the SAF logo to become a recognised kite-mark to help consumers seek out reputable information on car finance.

Another element of the FLA's initiative to improve consumer confidence in car finance is to help better inform potential car buyers on their finance options before entering a car showroom. The vast majority of people now start researching their next new car purchase on the internet, including how to pay for it. The FLA's www.FinancingYourCar.org.uk website was launched in 2006 to provide impartial information to consumers on the range of different car finance products sold in showrooms. The website includes simple descriptions of the most popular motor finance products – including hire purchase and personal contract purchase – and explains the main features and benefits of each. The online SAF Approved 'dealer directory' also enables car buyers to search for their nearest SAF Approved dealer. Visitors simply enter their postcode and/or the name of a local dealer into the directory and the contact details of the ten nearest SAF Approved dealers will be displayed, along with a map of their locations. Traffic to the site has consistently increased and last year 171,500 people visited the site for finance information.

We are currently re-developing the website to ensure that it remains fresh and includes the most valuable information for car buyers. The FLA hosted a Reception at the House of Commons in London on 14 March to celebrate the launch of the new site and thank finance companies and motor dealerships for their on-going support. 2012 was a particularly successful year for SAF, with the following high-profile achievements:

1. 28 of the top 30 dealer groups became 'SAF Approved' in 2012 and 37 of the top 50 dealer groups. Almost 25% of all UK car showrooms now participate in SAF.

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2. Following increased SAF participation, we now estimate that 45-50% of all private new cars are sold via a 'SAF Approved' dealership, meaning that hundreds of thousands of car buyers will benefit from the improved standards that SAF helps deliver in showrooms.

3. Consumers can search our dealer directory (www.FinancingYourCar.org.uk) for their ten nearest SAF Approved showrooms. The number of visitors on the website increased by 45% in 2012, showing that consumer awareness of SAF is growing.

4. SAF enjoyed exceptional trade press coverage. The national press is increasingly recognising SAF as a positive news story for consumer car buyers.

5. SAF was recognised by the National Skills Academy For Financial Services who independently assessed the quality of the SAF online competence test and awarded it 'Accredited Programme' status.

6. Over 43,000 SAF tests have been taken since it was introduced in 2007.

7. SAF was formally endorsed by the Trading Standards Institute at an All-Party Parliamentary Group for Consumer Affairs event. The TSI recognised SAF as a positive example of an industry voluntarily helping to improve standards for consumers. SAF is also supported by the UK's Retail Motor Industry Federation and has been welcomed by the Office of Fair Trading, as well as the Financial Services Authority (FSA) – despite the FSA not regulating the sale of motor finance.

In November 2006, **Paul Harrison** joined the Finance & Leasing Association as Policy Adviser and was responsible for the introduction of Specialist Automotive Finance. In May 2008, he was promoted to the role of Head of Motor Finance with responsibility for all of the Association's work linked to the UK motor finance industry.

CROSS-BORDER INSOLVENCY REFORM

• In December 2012, the European Commission released a proposal to amend the European Insolvency Regulation. The Regulation sets out how cross-border bankruptcies of both companies and individuals should be coordinated. It contains rules on jurisdiction and applicable law and applies whenever the debtor has assets or creditors in more than one Member State.

The Commission's Proposal to amend the Regulation merely clarifies the existing regulatory framework and does not harmonise national insolvency laws. The Proposal extends the scope to include further proceedings and introduces new rules for the establishment and interconnection of insolvency registers.

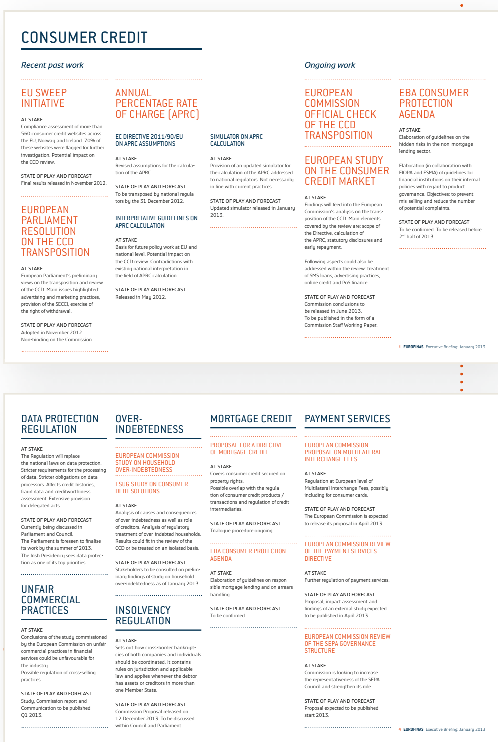
As in the existing Regulation, the requirements apply to insolvency proceedings whether the debtor is a natural or a legal person, a trader or an individual. It does not apply to credit institutions, insurance undertakings and investment firms but covers all other financial institutions.

The Proposal has been sent to the European Parliament and Council for discussion and adoption.

For more information, please contact a.giraud@eurofinas.org

SPECIAL EDITION OF EUROFINAS EXECUTIVE BRIEF RELEASED

• Eurofinas has released the special issue of its "Executive Briefing" on the main EU/international policy developments of relevance for the consumer credit industry. This special issue provides a snapshot of the main upcoming policy challenges, the issues at stake for the industry as well as the timing of the many contemplated initiatives. To get your copy, please contact a.valette@eurofinas.org



SHADOW BANKING

● In November 2012, the Financial Stability Board (FSB) published an integrated set of policy recommendations to strengthen oversight and regulation of the shadow banking system.

A public consultation was organised by the FSB on its proposed recommendations. Stakeholders were invited to provide their comments by 14 January 2013. Eurofinas, together with sister Federation Leaseurope, responded to the consultation.

Relevance for the consumer lending business

According to the FSB, entities that may create significant risks in the financial sector include:

- Deposit-taking institutions that are not subject to bank prudential regulation;
- Finance companies whose funding is heavily dependent on wholesale funding markets or short-term commitment lines from banks;
- Finance companies that are dependent on funding by parent companies in sectors that are cyclical in nature and/or are highly correlated with the portfolios of the finance companies (e.g. finance company arms of some automobile companies); and
- Finance companies whose funding is heavily dependent on banks that use these companies as a means to bypass regulation/supervision.

To mitigate the systemic risks associated with the entities mentioned above, the FSB proposes the following policy toolkit:

- Impose bank prudential regulatory regimes on deposit-taking non-bank loan providers;
- Require non-bank loan providers to hold capital that is sufficient to cover potential losses from the risks taken (where appropriate in a countercyclical manner);
- Impose requirements consisting of buffers of a certain size and composition;
- Impose leverage limits on the entities as appropriate;
- Impose limits on asset concentration (e.g. quantitative limits on loans to a particular obligor/instrument/sector);
- A direct restriction on the types of liabilities;
- Monitor the extent of maturity mismatch between assets and liabilities; and
- Monitor links (e.g. ownership) with banks and other groups.

Eurofinas position in a nutshell

Eurofinas considers it essential for the FSB to bear in mind the fundamental differences in economic, market and regulatory structures that exist within its wide range of jurisdictions. Hence, the following points must be taken into account in the evaluation and development of any policy framework:

1. Consumer credit activities do not pose a systemic risk to the broader financial system. Consumer credit companies should not be confused with the wide range of activities that may fall under the concept of "finance companies".

2. Funding sources for consumer credit firms vary across the FSB's jurisdictions. The European economy is structurally dependent on debt/bank financing. Economic agents in Europe make less use of equity and/or market-based funding compared to, for instance, those in the US.

3. Financial regulation and supervision is well developed in Europe and already impacts (both directly and indirectly) consumer credit firms established in the EU. This may not be the case to the same extent in other jurisdictions such as the US and Asia.

4. The economic role played by the consumer credit industry (supporting private consumption and the manufacturing and distribution of goods) must not be hampered by any ill-suited regulatory initiative. In particular, any regulatory framework must be designed proportionatly and avoid disrupting the supply of credit to households and should not negatively affect competition within the sector. For example, smaller local players must not be placed at a disadvantage compared to others.

5. Consumer credit activities are not carried out to circumvent existing (or future) rules, nor do they favour one form of legal entity over another simply to avoid regulation. Instead, the choice of legal entity is driven by business considerations such as the sources and cost of funding. In the European regulatory environment, the status and form of a legal entity is pre-determined by a business's reliance (or ability to rely) on deposits or deposit-like funding.

Consult the full Eurofinas position here.

For more information, please contact a.giraud@eurofinas.org

EBA REGISTER OF CREDIT INSTITUTIONS

● On 29 November 2012, the European Banking Authority (EBA) published a list of credit institutions to which authorisation has been granted to operate within the European Union and European Economic Area.

The register will be updated every 6 months by National Supervisory Authorities. Information in the register includes: name of the institution, legal form, town of the firm, country of the firm, country of the firm's head office, town of the firm's head office, minimum capital requirement and deposit guarantee status.

Consult the register here

views from

BANKS MOVE TO FOIL FIRST-PARTY FRAUD

MARTIN WARWICK
Principal consultant,
FICO

● One of the most dangerous types of credit fraud is one you might well overlook. Most people associate fraud with stolen identities, counterfeit cards and account takeover — but that's not the case with first-party fraud, which involves taking out credit under your own name (or a false name) but with no intention of repayment. This kind of fraud masquerades as bad debt, and frustrates collectors who are tasked with collecting from false or abandoned addresses, phone numbers and email accounts.

Based on our work with clients across Europe, FICO estimates that 5-15% of bad debt write-offs in the UK are actually first-party fraud. The proportion is higher in Europe overall. If so, this means that losses associated with first-party fraud eclipse those from any type of third-party fraud.

First-party fraud can be perpetuated by criminal rings: in February this year, the FBI cracked a massive international credit card fraud case that involved using thousands of phony identities to obtain tens of thousands of credit cards. Confirmed losses were $200 million, but estimates are rising.

However, individuals disenfranchised by a punishing economy are also more prone to commit fraud. Borrowers that are strapped for cash may view a personal loan as a last-ditch source of funds, even if they can't or won't repay it. They may even have heard stories about others getting away with such methods, encouraging them to try it themselves.

First-party fraud is notoriously hard to prove, as differentiating it from bad debt can often hinge on proving the customer's intent to repay or default. And there is no one pattern. In fact, FICO has identified several different patterns:

- **Hit & Run:** Takes the money (say by maxing out a new credit card) in the shortest time possible and disappears

- **Sleeper:** Plays the game for a while first, using the bank's own money to make small payments and simulate normal account activity, then maxes out overdraft and credit cards and disappears. This is often carried out by groups of criminals

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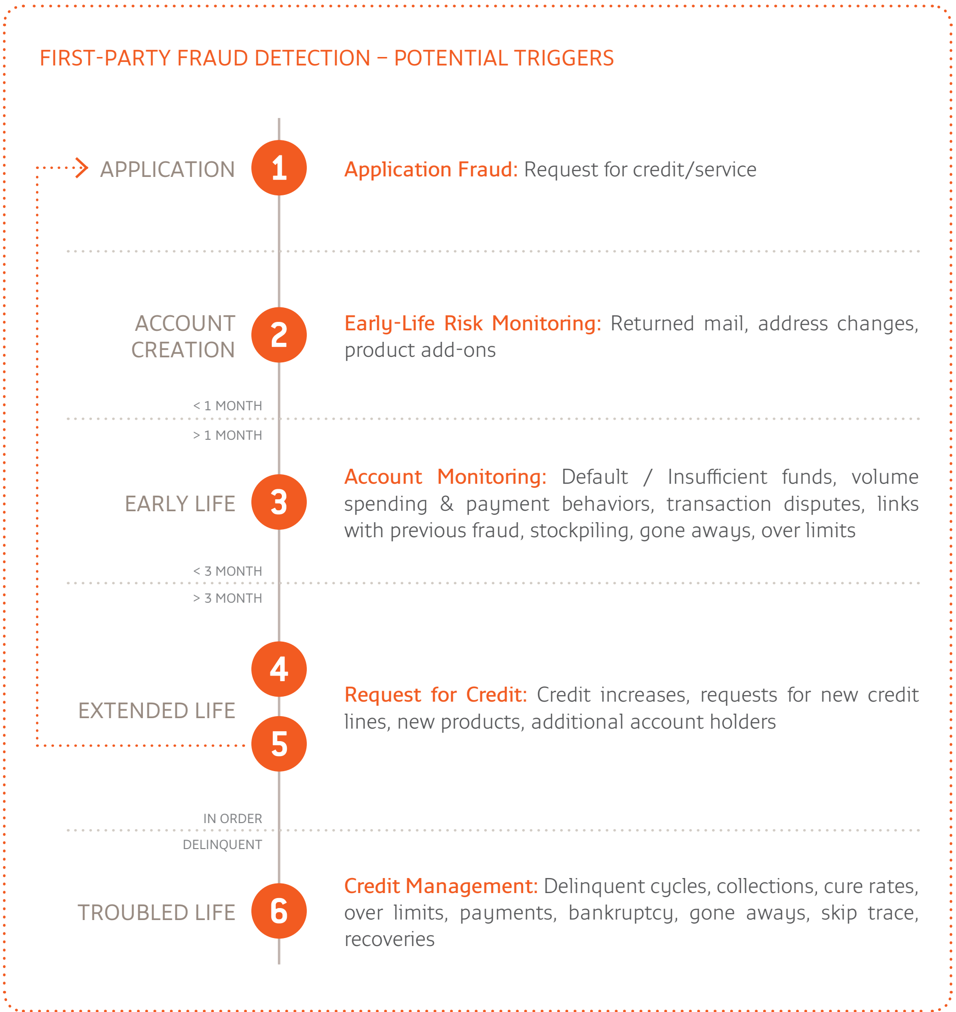

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- **Bust Out:** Behaves responsibly over a significant time period, then goes on a spending spree and changes address to avoid being traced

- **Sell-On:** 'Sells' account details to fraudster, often for financial gain

After a customer is delinquent, it can be tricky to identify whether or not he or she intends to commit fraud, but there are some signs that lenders can look out for. Focus on detecting suspicious activity, potentially abusive patterns and hidden connections and relationships in the vast amount of transactional data that banks own across different accounts and customer relationships.

In fact, there are opportunities to detect first-party fraud all across the account lifecycle – from the application stage onward. With credit card accounts, alarm bells should be ringing if a new borrower defaults on their first repayment. Going over the credit limit – especially by more than 30% – can also be an indicator of fraudulent intent. For loan customers, banks should look out for those who pay back less than 5% of the loan amount before defaulting.

Bankers in many parts of Europe are waking up to the threat of first-party fraud, and exploring solutions that will give them the same calibre of protection afforded by "traditional fraud" solutions. For example, in February this year, Russia's principal credit bureau, NBKI launched a new score developed by FICO aimed at detecting first-party fraud in credit applications. FICO is also working with leading lenders such as UniCredit to build application fraud models that detect both first-party and third-party fraud. What was once the "hidden" problem of fraud is finally stepping into the light.

Martin Warwick advises FICO clients across Europe on fraud management. He recently developed the commentary for FICO's card fraud map of Europe. For more discussions of first-party fraud, check out the FICO Banking Analytics Blog.

FINANCIAL INTERMEDIARIES

Remuneration under scrutiny

• The *Institut für finanzdienstleistungen* (IFF) is carrying out a study on "remuneration structures of financial services intermediaries and conflicts of interest". This study is being conducted on behalf of the Financial Services User Group (FSUG).

The overall objective of the study is to investigate the commissions (premiums) and inducements granted to sales staff of financial intermediaries, banks and insurance companies in return for distributing certain products. It also aims at analysing existing remuneration models (volume, characteristics) which can be either commission-based (where the commission is paid by the provider) or fee-based (where the fee is paid by the consumer). Finally, the study will also look into the existing national legislation on intermediaries' remuneration and conflict of interest.

Maciej Berestecki, Policy Officer at the European Commission, presented the objectives of the study at the 21 February 2013 Eurofinas Legal & Policy Committee meeting in Brussels.

WHAT IS THE FSUG?

As an advisory body to the European Commission, the FSUG provides policy officials with recommendations on legislation, which affects the users of financial services and provides insight on the practical implementation of financial services policies.

The FSUG is composed of 20 members, who are appointed to represent the interests of consumers, retail investors or micro-enterprises.

NEW ANTI-MONEY LAUNDERING RULES PUBLISHED

Shifting to a risk-based approach

● On 5 February 2013, the European Commission released its Proposal for a 4th Anti-Money Laundering (AML) Directive. This Proposal takes into account, and goes further than, the latest Recommendations of the Financial Action Task Force (FATF).

Central to the new Proposal is the strengthened and multilayered risk-based approach:

- Member States will be required to identify and mitigate the risks facing them. To assist them, guidelines will be adopted at a supra-national level (e.g. by the European Supervisory Authorities).
- Financial institutions will be required to identify, understand and mitigate their risks, and to document and update the assessments of risk that they undertake.
- Finally, the resources of supervisors can be used to concentrate on areas where the risks of money laundering and terrorist financing are greater.

In some Member States, consumer credit currently enjoys a "low money laundering risk" status, meaning that simplified customer due diligence may be applied to this product. However, these provisions in the 3rd AML Directive were found by the Commission to be overly permissive, with certain categories of clients or transactions being given outright exemptions from due diligence requirements. The revised Directive will therefore tighten the rules on simplified due diligence and would not permit situations where exemptions apply. Instead, decisions on when and how to undertake simplified due diligence would have to be justified on the basis of risk. The 4th AML Directive sets out an indicative list of risk factors to be taken into account when assessing whether or not to apply simplified customer due diligence.

The Directive has also been expanded to include politically exposed persons who are entrusted with prominent public functions domestically, as well as those who work for international organisations.

The Directive has now been sent to the European Parliament and the Council for discussion and adoption. Eurofinas will be following this process closely.

For further information on the Proposal, please contact a.delava@eurofinas.org

DISTANCE CONTRACTS

On 5 July 2012, the Court of Justice of the European Union (CJEU) delivered its ruling on the interpretation of Article 5(1) of Directive 97/7/EC on the protection of consumers in respect of distance contracts. Article 5(1) states that a consumer must receive written confirmation or confirmation in another durable medium of relevant pre-contractual information.

An Austrian consumer protection group argued that a web-based software provider did not appropriately inform its customers in accordance with the Directive. In particular, the waiving of the right of withdrawal was not shown directly to internet users, who had to click a hyperlink on the contract sign-up page to access this information. The referring court asked the CJEU whether Article 5(1) of Directive 97/7/EC was satisfied when the relevant pre-contractual information is made available by means of a hyperlink.

Judgment of the Court

The purpose of the Directive is to afford consumers extensive protection. The CJEU clarified two points:

1. Information via a hyperlink is neither 'given' to the consumer nor 'received' by them

2. Information accessible to consumers via a hyperlink provided by the seller cannot be regarded as a 'durable medium' within the meaning of Article 5(1). A 'durable medium' consists of any instrument which enables the customer to store information in a way accessible for future reference and which allows the unchanged reproduction of the information stored.

Rules governing the provision of information to consumers prior to the conclusion of financial services distance contracts are covered by another piece of EU legislation: Directive 2002/65/EC on the distance marketing of consumer financial services.

Will the interpretation of durable medium/hyperlink set a precedent for the financial services sector?

For more information, you can download the judgment here (available in all official languages).

CORPORATE SOCIAL RESPONSIBILITY

On 25 October 2011, the European Commission presented a Communication for a renewed strategy for Corporate Social Responsibility (CSR). In response, on 6 February 2013, the European Parliament adopted a Resolution on "CSR: accountable, transparent and responsible business behaviour and sustainable growth."

In the Resolution, the European Parliament stresses that businesses cannot assume public authorities' responsibility for promoting, implementing and monitoring social and environmental standards.

It urges the Commission to draw up specific measures to combat misleading and false information regarding commitments to CSR and relating to the environmental and social impact of products and services, over and above those already provided for in the Unfair Commercial Practices Directive.

The Parliament opposed the introduction of specific parameters, such as EU-wide performance indicators, which could give rise to unnecessary red tape and inefficient operational structures.

Furthermore, the European Parliament supports the Commission's proposal to require all investment funds and financial institutions to inform every customer (citizens, businesses, public authorities, etc.) about any ethical or responsible investment criteria which they apply or any standards and codes to which they adhere.

CONFIDENCE SLIPS IN BANKING AND SECOND-HAND CAR MARKETS

The European Commission's 8th annual Consumer Markets Scoreboard was published on 7 December 2012. The report ranks the performance of 51 consumer markets based on consumers' trust in business, comparability of offers, overall satisfaction and the incidence of complaints and problems.

In the 2012 Scoreboard, banking services remained the worst performing group of markets from consumers' perspective. The market for second-hand cars ranked at the bottom of goods markets for the third consecutive year.

Following the Scoreboard findings, and in addition to the ongoing consumer credit review and the ongoing legislative initiative on access to bank accounts, the Commission has launched two in-depth studies. The first focuses on the second-hand car market and the second on consumer vulnerability. The results of the studies are expected to be published in early 2014.

SPOTLIGHT ON SOUTH KOREA

CREFIA, the Credit Finance Association of Korea, presents the consumer credit market in Korea and its main challenges.

- The Korean consumer credit market only recently started to develop in earnest. In the previous era of high economic growth (roughly 7% GDP growth rate), most of the capital was used as government and corporation credit to expand economic infrastructure and industrial capital. Korea's consumer credit market grew when the economic growth rate became stable in the 1990s.

SOUTH KOREA IN BRIEF

(2011)

POPULATION
49.8 million

GDP	$ 1,116.4bn
GDP growth	3.6%
GDP per capita	$ 22,427
Inflation rate	4%
Unemployment rate	3.4%
Budget deficit	7.8%
Total public debt to GDP	32.6%
Current account balance	$ 26.07bn

Source : The Bank of Korea and The Ministry of Strategy and Finance

The Korean market

The Korean public institutions do not conduct a specific statistical survey regarding consumer credit. However, they do collect statistics on household credit. Household credit can be divided into credit for purchasing goods and loans to households. The concepts of household credit and consumer credit will be used interchangeably in this text.

In 2003, the size of the market for household credit was 472,051 bn won but grew to 911,892 bn won in 2011, representing a growth rate of roughly 93%. Outstanding credit sales grew from 26,629 bn won in 2003 to 54,774 bn won in 2011, a growth rate of roughly 106%.

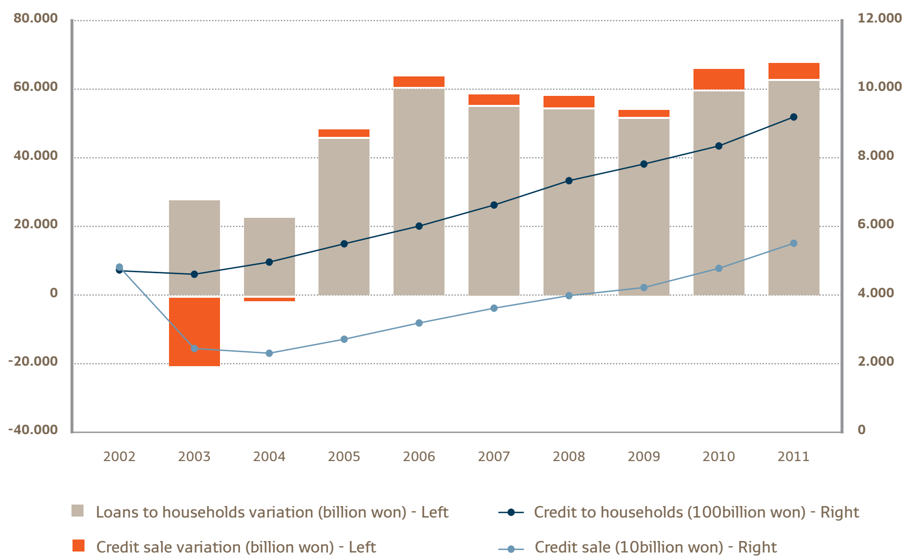
Players active in the market

There are three types of household credit suppliers in Korea; commercial banks, savings and loans banks and non-banking financial companies, such as credit card, leasing, installment and venture capital companies. In June 2011, the total number of banks in Korea reached 50, including 7 commercial banks, 6 local banks and 37 foreign banks that have a total of 53 branches. Savings and loans banks include 105 mutual savings banks and 960 cooperative credit unions. Non-banking financial companies consist of 7 credit card companies, 27 leasing companies, 18 installment financing companies and 12 venture capital companies. Companies such as BMW, Toyota, Volkswagen, Daimler, GE and SCANIA are major foreign-based leasing and installment finance companies in Korea.

Over-indebtedness

The major issue for the Korean consumer credit market is the increase in household debt. Households borrowed more than their ability to repay as they had expected a higher level of income. This expectation was not met due to the economic recession. A contributing factor was the real estate bubble, where individual investors borrowed and invested in real estate during the period of high economic growth.

Credit market of Korea



Source : The Bank of Korea

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After the 2008 global financial crisis, low economic growth and high inflation led to the collapse of the real estate market leaving households who have to repay their loans in tough times.

In order to tackle this issue, several measures were implemented by the government, including applying LTV (loan to value ratio) and DTI (debt to income ratio) to consumer credit. In the past, only real estate loans were subject to LTV and DTI. The government also advised consumers to use debit cards more and credit cards to a lesser extent. These measures aim to restrict financial accessibility for the sub-prime class which will lead to a sounder financial market.

Card reforms

Recent regulatory changes also mean that credit card companies should apply merchant discount rates (MDR) based on costs. The MDR was reduced from 2.36% in 2005 to 1.93% in 2012. This would allow small and medium-sized merchants to pay lower fees than before. The purpose of the policy is to rectify unfair practices against SMEs.

Interest rates and commissions

Installment finance companies received both interest rates and service commission fees from clients. However, since March 2013, they are not able to ask for service commission fees directly from clients. Instead, these installment service commission fees will be included in the interest rates. The objective of this change is to strengthen consumer protection by lessening the illusion that the interest rate is low. As this will result in higher interest rates, it is expected that clients will be more cautious when choosing between bank loans or installment loans.

Outlook

Due to the government's policy to encourage the use of debit cards and to restrict the issuance of credit cards to sub-prime customers, the market share of debit cards is expected to rise, which will likely have an impact on the profit of providers.

CREFIA

CREFIA was established in 1998 as a non-profit organisation whose members are specialised credit and finance companies, such as credit card, leasing, installment financing and venture capital firms.

CREFIA is making every effort to ensure the sound development of the Credit Specialised Financial Business Industry through constructive cooperation, information sharing and promotion of research for the mutual benefit of the members.

As of January 2013, the association has 62 companies as members, of which: 7 credit card companies, 25 leasing companies, 18 installment financing companies and 12 venture capital companies.

SPOTLIGHT ON MOROCCO

Eurofinas member, the Moroccan Association of Finance Companies (APSF), presents a brief overview of the consumer finance market in Morocco.

- A Moroccan consumer credit market began to emerge in the 1930's.

In 1974, the Moroccan government created the first consumer credit company – "Eqdom" - aimed at financing household items.

Throughout the 1970's, the Moroccan government was the main employer in the country. Eqdom's target market mainly consisted of civil servants and public officials. Eqdom was restricted in its operations; for example, it was not permitted to open bank accounts for any customers, and loan repayments were deducted directly from the wages of civil servants. The latter remains a distinctive characteristic of the Moroccan consumer credit market.

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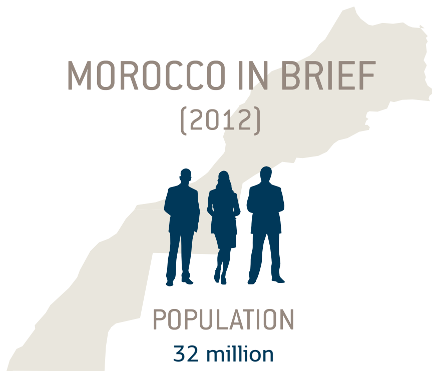
MOROCCO IN BRIEF

(2012)



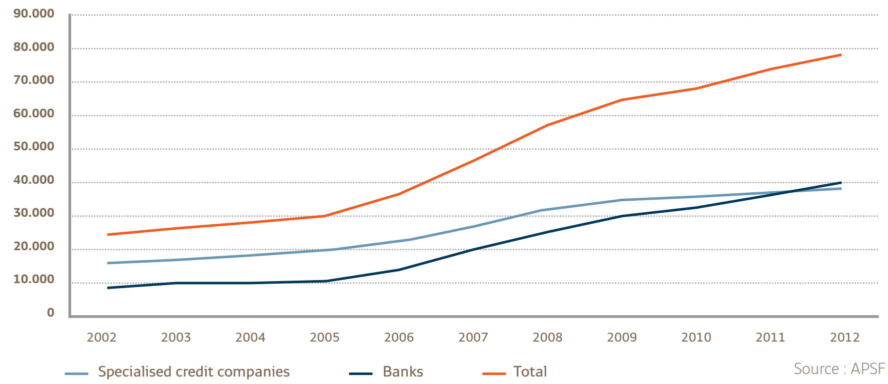
POPULATION
32 million

GDP	834 622 millions de dirhams
GDP growth	2.7%
GDP per capita	26,100 dirhams
Inflation rate	1.3%
Unemployment rate	9%
Budget deficit	8%
Total public debt to GDP	60%

Source : APSF

> Continued

FIG 1- Consumer loans outstandings and market share in Morocco
(millions of dirhams)



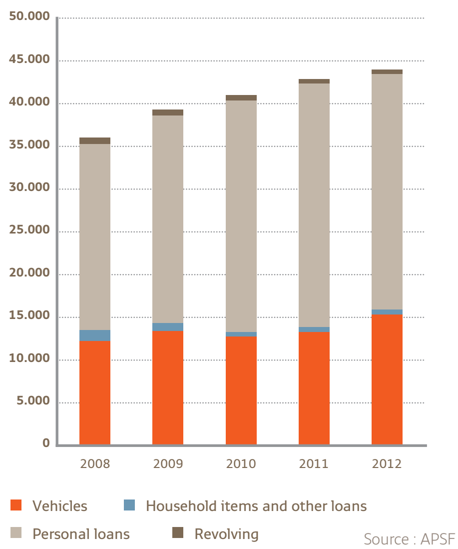
Source : APSF

The Moroccan market

In 2012, the value of issued consumer loans reached 78bn Moroccan dirhams (including all banks and specialised companies). Recently, banks have shown an increasing interest in the consumer credit market. As a consequence, specialised consumer credit providers have lost a substantial market share (from two thirds to less than half of the market).

Firms in the specialised consumer credit sector cover motor finance, household credit, and personal and revolving loans. Below one can see the evolution of all consumer credit outstandings (breakdown per loan type) in millions of dirhams:

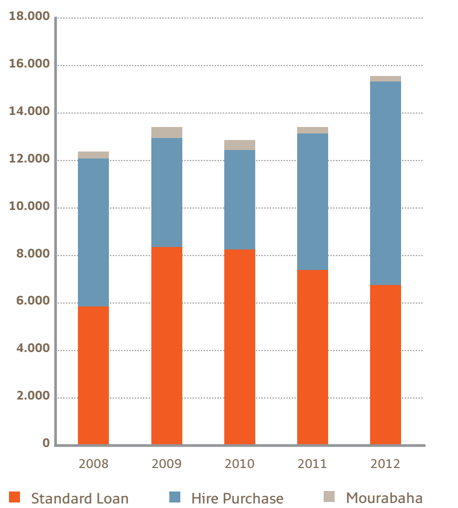
FIG 2 - Evolution of all consumer credit outstandings (breakdown per loan type)
(millions of dirhams)



Source : APSF

One can see below, the evolution of all vehicle finance (outstandings), in millions of dirhams:

FIG 3 - Evolution of all vehicle finance (outstandings)
(millions of dirhams)



Source : APSF

In 2007, a new motor finance product entered the market, the "Mourabaha". With this product, the vehicle is initially acquired by the motor finance provider, with ownership only transferring to the customer after repayment of the loan.

Regulation

1993 was a turning point for the Moroccan consumer credit market, in particular, the banking law which regulates consumer credit companies entered into force.

In 2011, a consumer protection code was enacted. In the field of consumer credit, the code requires credit providers to provide applicant borrowers with a preliminary offer of credit (the "OPC") prior to the signature of a contract. The code also provides consumers with a right of withdrawal of 7 days from the date of acceptance of the preliminary offer.

APSF

The Moroccan Association of Finance Companies (APSF) was created by the 1993 banking law. The law requires all Moroccan consumer credit providers to be members of the association.

Consumer protection and particulary over-indebtedness is a key priority for the APSF. In 1996, the association successfully developed high professional standards in a code of good business conduct.

In 2010, the APSF established an alternative dispute resolution mechanism. APSF publications are accessible on its website: www.apsf.org.ma.

staff news

CRAIG LAMBERT

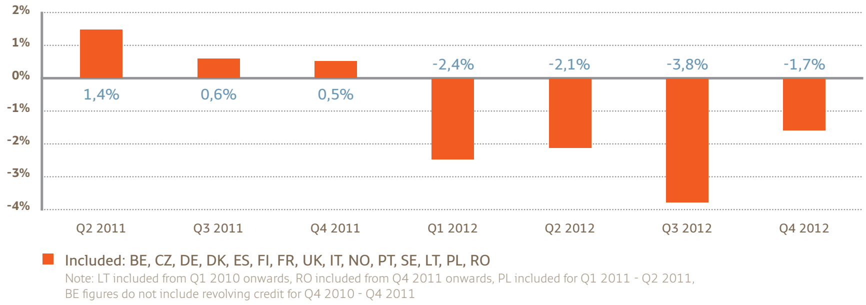
CRAIG LAMBERT
Intern, Legal & Public Affairs

- We are pleased to announce that Craig Lambert has joined the Eurofinas Secretariat as an intern in legal and public affairs.

A British national, Craig graduated with a LL.B Law from the London School of Economics and with a LL.M European Union Law from the University of Bristol (UK).

Q4 2012: EUROPEAN CONSUMER CREDIT MARKET STARTS TO FIGHT BACK?

Total new consumer credit (for personal consumption and consumer car finance)
% change period on same period a year ago - adjusted for exchange rate fluctuations



• The weak economic environment has been a constant drag on the European consumer credit market in 2012, with the largest contraction in volumes experienced in the summer. Although total new consumer credit was down in Q4 2012 (-1.7%), the decrease was at a slower pace than in Q3 2012.

The rather weak activity levels in overall consumer credit lending were mainly due to the deterioration in new consumer credit for personal consumption. In Q4 2012, lending for personal consumption decreased by -3.5% compared to Q4 2011. In contrast, new consumer car finance (both for new and used cars) increased in the second half of the year, recording growth of 2.4% and 3.0%, respectively, in the third and fourth quarters of 2012.

The picture for individual markets remained mixed in Q4 2012. The weak results for both consumer credit for personal consumption and consumer car finance were observed particularly in Southern European countries. Nevertheless, a few markets (e.g. the UK and some Nordic countries) were on an upward path of total new consumer credit at the end of the year.

Going into 2013, the short-term prospects for private consumption in Europe, and particularly the Euro area, remain weak on the back of expected deteriorations in the labour market situation and muted wage growth. The European Commission expects private consumption to fall slightly (-0.2%) in the EU in 2013 and by -0.7% in the euro area[1]. Nevertheless, the predicted improvement in financing conditions, especially across vulnerable Member States, should lay the basis for a gradual return of confidence among households and lead to a return of moderate growth of domestic demand in the course of 2013, giving some positive stimulus for the European consumer credit market.

EUROFINAS MARKET PROFILES

Updated versions now released

• The Eurofinas Market Profiles have been updated and are available on Eurofinas' website.

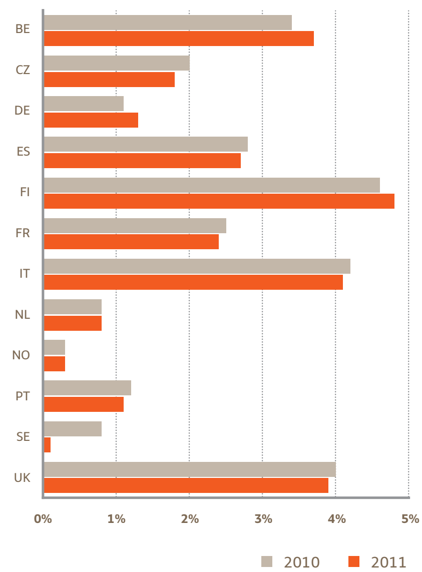
These profiles give a brief overview of our contributing members, showing their macro-economic context, their national consumer credit market structure and the position of the national association's membership within the local market. This provides the possibility to compare the features of the different markets and helps explain to those unfamiliar with Eurofinas, where its members are situated within their respective markets.

The market profiles are featured on a dedicated webpage on the Eurofinas site, where comparison graphs of various indicators are published annually, as well as extracts of the full market profiles for each member. The full market profiles contain more detailed consumer lending figures for each member association, in addition to all the information found in the extracts. These fuller versions are only made available to our members.

As an example of the information that can be found in the online market profile extracts, the chart to the right shows a comparison of the percentage of household consumption that is financed by Eurofinas members.[2] Although they differ markedly by country, the significant contribution that Eurofinas members make to economic activity is clearly demonstrated.

For more information, please contact h.mcewen@eurofinas.org

New consumer credit for personal consumption as a % of total national consumption



1. European Economic Forecast – Winter 2013
2. This chart does not contain data for all Eurofinas members, only for those who contributed sufficient data for the market profiles.

2013 EUROFINAS ASSOCIATE MEMBERS

INTERESTED IN BECOMING AN ASSOCIATE MEMBER OF EUROFINAS?

• Requests for information on the Eurofinas Associate Membership and related benefits for 2013 should be addressed to Anne Valette, Head of Communications, at a.valette@eurofinas.org

EUROFINAS' WEBSITE UPDATED

• Many recent regulatory initiatives are likely to impact our industry. Providing the most updated overview of the main files Eurofinas is working on, including background information on key industry topics and summaries of the Federation's positions, is therefore essential.

In addition to the new sections recently launched on Eurofinas' website, the Secretariat has been revamping its policy issues section in order to showcase the most recent developments in key areas for the industry. Policy areas updated include prudential regulation, insurance mediation, unfair commercial practices, anti-money laundering and the Consumer Credit Directive. For more information, see www.eurofinas.org > Policy Issues

SPEAKING AT EVENTS

• **Alexandre Giraud**, Senior Legal Adviser, spoke at the European Mortgage Federation (EMF) Annual Conference during the session on "Tackling Consumer Over-indebtedness" in Brussels on 15 November 2012.

• **Tanguy van de Werve**, Director General, spoke at the European Commission seminar on households' over-indebtedness in Brussels on 24 January 2013.

• **Anke Delava**, Legal Adviser, to speak on payment protection insurance at the International Insurance Business Line Seminar of Crédit Agricole Consumer Finance in Lisbon, Portugal, on 6 March 2013.

SAVE THE DATE

events / meetings

May

17
Legal & Policy Committee
Brussels

23
Statistics Committee
Brussels

June

06
Board
Brussels

- For latest updates on events and meetings, consult the calendar on Eurofinas' website home page.

INTERNSHIP OPPORTUNITIES

Internship at Eurofinas
find out more here

Eurofinas offers internship opportunities to fresh University graduates having demonstrated an interest in consumer finance (thesis, report, publication, etc.). For more information, please contact t.vandewerve@eurofinas.org

EUROFINAS
OFFICE IN BRUSSELS

Blvd Louis Schmidt 87
1040 Brussels - Belgium
T +32 2 778 05 60
F +32 2 778 05 78
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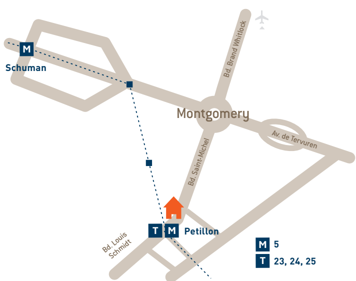

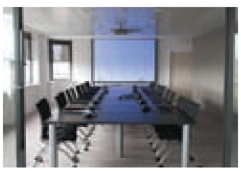
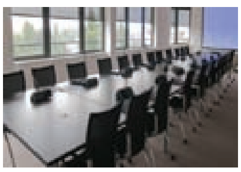
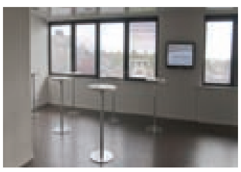

In newly refurbished premises, Eurofinas spacious meeting rooms and adjacent lounges, including Wi-Fi, are available for any Brussels meetings you may wish to organise. For more information, please contact a.valette@eurofinas.org

EUROFINAS STAFF

TANGUY VAN DE WERVE
Director General
t.vandewerve@eurofinas.org
T +32 2 778 05 61

CRAIG LAMBERT
Intern
Legal & public affairs
c.lambert@eurofinas.org
T +32 2 778 05 72

JURGITA BUCYTE
Adviser
Statistics & economic affairs
j.bucyte@eurofinas.org
T +32 2 778 05 63

HAYLEY MCEWEN
Adviser
Statistics & economic affairs
h.mcewen@eurofinas.org
T +32 2 778 05 71

ANKE DELAVA
Legal Adviser
Legal & consumer affairs
a.delava@eurofinas.org
T +32 2 778 05 73

ANNE VALETTE
Head of Communications
Communications, marketing & media relations
a.valette@eurofinas.org
T +32 2 778 05 65

ALEXANDRE GIRAUD
Senior Legal Adviser
Legal & consumer affairs
a.giraud@eurofinas.org
T +32 2 778 05 64

INGRID VERMEERSCH
Secretary
Administrative support
i.vermeersch@eurofinas.org
T +32 2 778 05 60

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