



Leaseurope Feedback on CCD

Initial Remarks

Leaseurope, the European Association representing the leasing and automotive rental industries, fully supports the Commission's commitment to improve both consumer protection and access to consumer credit across the EU.

The recent revision of the Consumer Credit Directive (CCD) does nonetheless pose a number of significant problems for the leasing industry. For example, the proposal in its current form fails to take into account the significant differences between traditional consumer credit products and leasing agreements, which are fundamentally different products due to the presence of a physical asset, and have a number of important distinguishing features. We also believe the basis for including leasing agreements within the scope of the CCD is flawed, and the extension of the scope is not proportionate to achieving the Commission's ultimate aim of ensuring consumers are adequately protected when entering into consumer credit agreements.

Issue 1: Scope: Lack of evidence that leasing agreements are detrimental to consumers and problems caused by "one size fits all" approach to consumer credit

One of our key issues with the proposal in its current form is the extension of the scope to encompass leasing agreements under Article 2. There is no evidence that leasing products are detrimental to consumers, nor any substantive justification for why this was deemed to be the case. In extending the scope based on this shaky justification, the Directive risks not only limiting access to leasing products for consumers, but also imposing restrictions on leasing companies that are simply not tailored to the specific operational needs of our industry and our customers.

Whilst our industry is supportive of increased harmonization of general rules and principles in order to improve consumer protection and enhance convergence within the EU, we do also feel that it is equally important to avoid overly prescriptive solutions. In the case of the proposed CCD, the current proposal fails to take into account not only the specificities of the leasing industry in general, but also variations of how the industry operates within different Member States, and which channels of distribution are used by consumers for example.

A good example of an instance where this "one size fits all" approach would not be viable in the context of leasing is in the context of the right of withdrawal. The CCD grants consumers a 14-day period where they can withdraw from the agreement without providing a reason (Article 26). In the context of a leasing agreement (where a physical asset, like a vehicle has been reserved for use by that customer) it is not operationally feasible to grant this absolute right of withdrawal for 14 days, although if customers wish to do so they may choose a leasing contract that offers them greater flexibility to change/withdraw from their leasing contract. This incompatibility with leasing contracts has already been recognised by some national legislators, where some types of leases are in scope. In Italy for example, those leasing

contracts that are in scope of its nationally transposed legislation, have been granted an exemption to applying the right of withdrawal under the CCD.

There are also numerous other examples of instances where full application of the CCD would simply not be feasible in the context of leasing agreements, for example:

- The section on the caps on interest rates/total cost of credit (Article 32) is not at all compatible with the leasing business model. Unlike traditional forms of consumer credit, leasing contracts do not charge interest in the traditional sense, but rather a fixed fee that is intended to cover the costs of asset depreciation during the time it is being used by a lessee as well as number of other types of services. In instances where the leasing company is also responsible for maintaining the asset (a full-service leasing contract) this cost is also factored into the amount to be repaid by the consumer.
- The requirement for non-discrimination (Article 6) is highly problematic from an operational perspective in the context of leasing, due to vastly different regulatory regimes that, for example, would make it exceedingly difficult for a leasing company to trace an asset or assert their rights as owners of an asset if that asset were to be used by a consumer in a different member state.
- The provisions on early repayment (Article 29) would not be compatible with the structure of a leasing agreement, since in a leasing agreement an individual is paying for use of an asset in specified time increments (e.g. monthly) whereas in the case of a loan an individual is paying back something they have received.

Issue 2- Lack of Proportionality in the context of advice requirements

Another key concern for our industry relates to the introduction of requirements for advice/suitability assessments to take place to assess whether a product is appropriate for an individual consumer. Whilst we are wholly in support of measures aimed to reduce over-indebtedness, this requirement does fail to take into account the need for proportionality in carrying out these assessments. This lack of proportionality would ultimately risks furthering financial inclusion, as well as reducing the availability of a broader range of financial products.

Additionally, leasing companies already conduct a relevant assessment of a lessee's creditworthiness, and in the vast majority of cases the additional steps mandated by the draft CCD would be disproportionate. The extensive assessment called for by the proposal would also raise questions in the context of the privacy of consumers and the compliance of these measures with the GDPR.

Issue 3- Lack of Proportionality in the context of skills and knowledge requirements

In addition to the lack of proportionality as it pertains to advice and suitability requirements, the same is true in the case of provisions on staff knowledge and training requirements. In order to ensure the level of staff knowledge required is proportionate for the consumer credit product being sold, it is important to ensure that these requirements are not overly prescriptive, and allow some degree of flexibility for more/less staff knowledge requirements depending on the complexity of the product being sold.