



To European Parliament

Ms Katerina Konecna,

Rapporteur, IMCO committee

Ms Anna Cavazzini

Chair, IMCO committee

Ms Maria Manuel Leitão Marques

S&D Shadow rapporteur, IMCO committee

Ms Stéphanie Yon-Courtin

RE Shadow rapporteur, IMCO committee

Mr Tomislav Sokol,

EPP Shadow rapporteur, IMCO committee

Mr Eugen Jurzyca

ECR Shadow rapporteur, IMCO committee

Mr Marek Belka

Rapporteur, ECON committee

To European Commission

Mr Nils Behrndt

Director General (DG JUST)

Ms Daniela Bankier,

Head of the Consumer policy Unit (DG JUST)

To Presidency of the Council of the EU

Mr Jean Baptiste Bernard

Financial Attaché, French permanent Representation to the EU

3rd of March 2022

Deferred debit cards (DDC) and overdrafts of less than one month - Arguments justifying their exclusion from the Consumer Credit Directive (CCD) review – *French banking Federation, (FBF), Union belge pour le Crédit (UPC) and Association of German Banks (BdB) positions*

Dear Ms Konecna,

Dear Ms Cavazzini

Dear Ms Leitão Marques,

Dear Ms Yon-Courtin,

Dear Mr Sokol,

Dear Mr Jurzyka,

Dear Mr Belka,

Dear Mr Behrndt,

Dear Ms Bankier,

Dear Mr Bernard,

The undersigned associations share the general objective of the European Commission proposal to ensure a high level of consumer protection in the context of credit granting. The European Commission's main objective in revising the Consumer Credit Directive (CCD) is to include all types of credit and all credit providers in order to avoid any possible abuses and over-indebtedness

However, we believe that the impact of the new scope on specific banking products and facilities should be taken into consideration by EU institutions.

Against this background, the co-signatories of this letter believe it is therefore necessary to convince the legislators that the exclusion of **deferred debit cards** and **overdraft facilities of less than one month** from the scope will not reduce consumer protection or increase indebtedness. We object altogether to the expansion of the scope of the CCD to include overdraft facilities where the credit has to be repaid within one month and deferred debit cards. Germany, France and Belgium are the countries with a deferred debit card system in the strict sense.

- **Deferred debit cards**

The operating principle of the deferred debit card in France, in Belgium and in Germany is very similar: the accumulated amount of transactions effected during the month is debited all at once from the payment account at the end of the period (At least once a month). The deferred debit card differs from the debit card, where the amount is debited from the payment account immediately.

In strictly legal terms, deferred debit cards are a means of payment and are linked to a bank account. They are consistently regulated as a means of payment by consumer protection provisions, including the PSD2. Besides, deferred debit on the card is not subject to fees.

We should not, of course, forget the consumer protection standards in the context of the PSD2, including the obligation to provide information prior to the conclusion of the contract, the requirement to organise the respective obligations of the parties, the rules on liability in the event of the loss or theft of the cards and the rules on liability in the event of unauthorised or wrongly executed transactions (as for all payments).

Imposing a more restrictive regulatory framework risks causing *undesirable consequences for consumers*:

- For example, a consumer booking a hotel via a deferred debit card will have to go through a far longer and more complicated procedure.
- **Applying a more restrictive regulatory framework will give rise to an additional processing cost** (advertising, pre-contractual information, official score, etc.) for the financial institution which will ultimately be borne by the consumer. Or it will lead to a loss of profitability so considerable that the product will be withdrawn from the market whereas the usefulness of this type of financing for household consumption and the economy has been demonstrated in full during a period of crisis when most relations occurred at a distance.
- **The disappearance of this product is not desirable because, generally speaking, the use of a card avoids the use of cash and the risk of money laundering.** In addition, this is an important means of payment that provides security for the sellers of goods and services in the world.

Consequently, the objective of the CCD has already been met via other consumer protection legislation. A more restrictive legislative framework would lead to mainly negative consequences borne by the client.

- **Bank overdraft < 1 month**

The overdraft authorisation is subject to a contract, the terms and conditions of the overdraft (repayable each month), the applicable rate and the rate if the overdraft is exceeded are indicated. The information on the authorised **amount and the APR is shown on the bank account statement**, which makes it easier for the consumer to read the information. In the event of a change in the tariff, the customer is informed by means of a 2-month notice from the bank. **It does not seem necessary to add additional rules.**

The overdraft facility consists of **an overdraft "authorisation"**. This authorisation is not necessarily used by the customer.

The granting of an overdraft authorisation and its amount are defined in relation to the movements on the account. If the overdraft facility is granted at the beginning of the relationship, it will be of a limited amount since the movements on the account are not yet known. The amount of the overdraft facility can then be reviewed on the basis of the operation of the account and the relationship of trust established between the customer and the bank.

A credit worthiness assessment as defined by the CCD does not add value as the customer's flows are monitored on a daily basis.

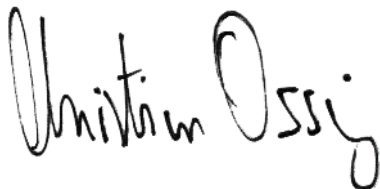
We would gladly be available for an exchange of views. Should you be interested, we would be pleased to receive your suggestions for a suitable date. In the meantime, we remain at your disposal should you have any questions on the studies.

Kind regards,

French banking Federation, (FBF)

A handwritten signature in black ink, appearing to be 'Huy' followed by a stylized flourish.

Association of German Banks (BdB)

A handwritten signature in black ink, clearly legible as 'Christian Ossig'.

Union pour le Crédit

A handwritten signature in black ink, appearing to be 'G. B...' followed by a flourish.