

SUPERVISION OF FINANCING FOR CAR PURCHASE

In 2021, a cross-institutional supervisory action was completed, assessing compliance with regulations on transparency and bank customer protection in the area of consumer credit for car purchase, on a representative sample of 14 institutions.

It is common practice that, together with this type of financing, financial institutions offer, either directly or through a network of intermediaries (such as car dealers), other financial products or ancillary services relating to the credit agreement, such as, for example, insurance securing the credit. Institutions also tend to offer discounts on the purchase price of the vehicle for taking out such financing.

The action was focused on examining institutions' common practices, procedures and internal controls in relation to this activity, and it involved an assessment of the degree of compliance with the obligations contained in Law 16/2011 of 24 June on consumer credit agreements, mainly. In particular, special attention was paid to the following matters:

- The content of pre-contractual information and the manner in which this information is provided to customers in accordance with transparency and bank customer protection regulations.

- The adequacy of pre-contractual information in cases in which ancillary products or services are marketed or discounts are offered on the vehicle purchase price.
- Contractual information and customer rights in relation to credit agreements.
- The contractual information being in line with the pre-contractual information.
- Responsible lending.
- Regular information provided to the customer on the products and services taken out.
- Governance of the financing products offered, assessing in particular the suitability of: (i) the design and marketing of these products; and (ii) the functions performed by intermediaries.

The supervisory action was resolved by sending mandatory requirements and recommendations letters to the institutions, and transferring the good practice criteria that guide regulatory action in this area.