

REGULATORY AND SUPERVISORY RESPONSE TO CHANGES IN THE CONSUMER CREDIT MARKET

In recent years, rapid technological advances and digitalisation have contributed to generating significant changes in the consumer credit market, on both the supply and demand side. The credit offered to consumers has evolved and diversified considerably, due to factors such as the emergence of new products and changes in consumer behaviour and preferences.

Thus, the use of new technologies has led to the entry of new players in the consumer credit sector, such as crowdfunding platforms and service providers commonly

referred to as "buy now, pay later".¹ Moreover, the offer of deferred payment facilities² by the major online service platforms, with access to a large customer base, could lead consumers to unthinking consumption and distort competition, given their ability to generate network effects,³ and, therefore, the European legislator has identified the need to introduce certain limits on the use of these facilities by goods and service providers.⁴

As regards the legal framework, it is still not fully harmonised, leading to some divergences in the EU

Figure 1
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REGULATION AND SUPERVISORY GUIDELINES	<p>Directive (EU) 2023/2225 of the European Parliament and of the Council of 18 October 2023 on credit agreements for consumers and repealing Directive 2008/48/EC (CCD2)</p>	<p>The aim is to strengthen consumer protection and remove potential obstacles to the cross-border consumer credit market</p>			
	<p><i>Guidelines on the governance and transparency of revolving credit</i> for institutions subject to Banco de España supervision</p>	<p>Most relevant aspects: (i) extends its scope to agreements which had been excluded from the previous regulation, (ii) provides for consumer credit intermediaries and creditors to be subject to a recognition and registration procedure and subject to supervision, and (iii) provides for measures to limit borrowing rates, annual percentage rates or total costs of the credit to the consumer</p>			
SUPERVISION	<p>Technological solutions for deferral of point-of-sale payments</p> <p>Supervisory action on 10 institutions</p>	Observed practices		Adoption of supervisory measures	
		Different kinds of solutions	Prevalence of online channel	Adequate explanations	Provision of pre-contractual information
	Target audience: 31-45 years	Amount less than €200			
	<p>Responsible lending</p> <p>Supervisory action on 25 institutions</p>	Areas with weakness detected			
Procedures for assessing customers' payment capacity, their interests and needs		Staff training, especially intermediaries		Active debt renegotiation policies and information to customers in financial difficulties	

SOURCE: Banco de España.

- 1 BNPL (buy now, pay later).
- 2 Commercial practices whereby the supplier of goods or services grants the consumer a period of time to pay for the goods or services without interest and at no other cost. These commercial practices, which are common and generally advantageous for consumers, have so far been excluded from the regulatory perimeter, as long as there is no third party offering the credit.
- 3 The network effect, or pull effect, arises when a good or service is more valuable to a user the more users use the same or other compatible goods or services.
- 4 Recital 17 of Directive (EU) 2023/2225 of the European Parliament and of the Council of 18 October 2023 on credit agreements for consumers and repealing Directive 2008/48/EC.

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internal market. In some jurisdictions, an authorisation or specific registration is required in order to carry out the consumer loan origination activity, while in other cases there is no vetted access to activity and no prudential or conduct of business requirements are necessary to carry out the activity. This situation could generate distortions in

a slowly growing supply of cross-border credit as a result of digitalisation and, consequently, in competition and in the ability of consumers to take advantage of this supply.

Figure 1 details the main regulatory and supervisory response to these developments.