

CONSUMER CREDIT LEGISLATION IN CENTRAL AND EASTERN EUROPE

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The European Credit Research Institute (ECRI) is a non-profit international association established in March 1999 in partnership with the Centre for European Policy Studies (CEPS) in Brussels. Its principal goal is to promote the study of the various aspects of the retail financial services sector at the EU level. ECRI's activities include the creation of a database on consumer credit in the European Union, research and analysis of developments in retail financial markets and the organisation of seminars on all issues affecting the industry.

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EXECUTIVE SUMMARY

Following the political changes of the late 1980s and early 1990s, the Central and East European countries (CEECs) experienced the birth of a new economic environment. A new banking system has been set up and new market players have started to provide a wide range of financial services.

Many of the newcomers concentrated on the most profitable areas of banking operations, which did not include retail finance – at least in the first round. Those institutions that played a leading role in this market segment did not lose their position, but as more and more institutions started operations in the retail field, they acquired a continuously growing market share. These new retail service providers were forced to turn to a wider range of services because of the increasing competition in the corporate market. In addition it is worth mentioning that some consumer credit specialists are also present in the CEECs, and they are looking for ways to expand their business in the region.

Retail markets are becoming more attractive for financial service providers, and the Central and East European countries have had to establish an adequate regulatory environment for this emerging and developing sector. At the same time, these countries have applied for EU membership, the basic criterion of which is compliance with European regulation. Different countries have used different methods to put their law in line with the relevant EU rules.

Therefore, the CEECs will have to comply with consumer-related EU rules and establish policies in this context. Central and Eastern European regulators must make a policy choice: whether to follow a protectionist consumer policy or whether to support the development of free market access, with a satisfactory level of consumer protection. This is a policy decision, but compliance must be reached on the regulatory level: national rules must implement the EU consumer credit directives.

In general there were no common grounds of consumer credit regulation in the CEECs, as the legislative structures were highly divergent and there were no special rules for protecting consumer interests with regard to consumer credit. Therefore the existing European directives constituted the common basis for the candidate countries to establish a new regulatory framework. The European directives follow the principle of minimum harmonisation and leave a certain room for national specialities. In most of the candidate countries, the implementation of the European rules meant a higher level of regulation, and the new consumer credit laws are considered to be more developed than the previous rules.

Harmonisation can be achieved via one of two different approaches. In the first case, the candidate country adopts a separate piece of legislation that contains all the relevant EU-related consumer credit provisions. Most of the countries have followed this approach – Slovenia, the Slovak Republic, the Czech Republic, Latvia and Poland –

although they often do a relatively strict implementation of EU directives. Estonia is special in this respect, because it has adopted altogether new legislation – the Estonian Obligations Act – that does not deal exclusively with consumer credit but addresses other more general issues as well.

The second approach is to keep the existing legislation that already deals with consumer credit-related issues, but to upgrade it such that it complies with EU requirements. This could result in a higher level of integration with existing national rules. Hungary and Lithuania follow this approach.

These two approaches represent the most important differences between the candidate countries in amending their legislation on consumer credit. A detailed presentation and assessment of the national consumer credit rules is contained in the separate country reports in Part II. This ensures an accurate introduction to the newly adopted regulation. The statistical annex presents additional data, organised by country.

There have been already some attempts to assess the state of consumer credit regulation in the candidate countries. What distinguishes this study from these former assessments is that the present work is the first effort to give a comprehensive, country-by-country evaluation of the adopted consumer credit laws (except in the case of Bulgaria and Romania where this work is planned for a later stage). The main reason for this is that – although implementation is executed on the basis of ‘law harmonisation programmes’ – most of the candidate countries could only adopt their new consumer credit laws in 2000 and 2001.

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Introduction

The main purpose of the present study is to examine consumer credit regulation and practice as a specific sector of consumer policy, and to evaluate the conformity of the related legislation with EU standards in the ten Central and East European countries (CEECs) that are candidates for accession to the European Union: Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia. The issue has immediate application in these countries today, as most of them are in the process of developing new or amending existing practices and regulations regarding consumer credit. In the course of this work, regulators seek compliance with the existing EU guidelines in this field.

In order to present the changes introduced by these countries in the last decade, information has been collected about recent regulatory developments, implementation and practice. The information used, summarised and compared in the course of writing this study was collected from national authorities responsible for consumer and financial legislation as well as from experts working in various organisations related to consumer credit.

This study is divided into three parts, the first of which presents historical background and a summary of the relevant EU regulation. Part II describes the current consumer credit legislation and practice of the individual countries. The final Part III contains a statistical annex presenting the latest available data on the sector in each of the candidate countries.

Consumer credit is generally extended to consumers for the acquisition of goods or services. It can be provided by sellers or service providers as well as by banks or financial institutions. Sellers or providers usually grant this type of credit by means of an instalment (sale) contract, a lease, or a payment card issued by them. Banks and financial institutions provide consumer credit for specific purposes through credit cards or in the form of a loan linked to an acquisition contract or by advancing the customer cash payments as an instalment on a loan, overdraft on current account, or with repayment on the maturity date. Payment and credit cards may be used with or without a credit option. The most frequently used forms of consumer credit are: payment cards, credit cards, leasing and overdrafts on current account.

PART I
HISTORICAL BACKGROUND AND CURRENT STATE OF PLAY

1. Rationale

A total of thirteen countries are currently applying for EU membership, of which ten share a common past. Namely, they were part of the Soviet socialist bloc, and their democratic systems could only start to develop after the political changes in the late 1980s and early 1990s. The most common feature of the socialist system was the absence of a market economy. It was not possible that a market economy could replace these controlled economies and their central planning practices until a decade ago. Although the economic situation in Central and Eastern Europe was highly divergent, market liberalisation only started with the opening up of the political system. This common background is the reason why Cyprus, Malta and Turkey were not included in our survey.

With the fall of communism, each of the ten Central and East European countries in question had to create a new set of market regulations, but all of them also had to face a new challenge: legal harmonisation with EU rules. Adoption of existing European law is a tremendous task but without compliance, it is doubtful that any of the ten CEECs may join the EU. The approximation process contributes in a fundamental way to the further integration of the European Union.

The socialist economy's main goal was to meet the basic needs of the people, but due to the poor performance of the economy, the available goods were very basic. Therefore, they were not particularly expensive and people generally did not need credit to purchase them. The lack of goods was a more serious problem; in fact, acquiring goods was even harder than acquiring the means of paying for them.

The situation today is fundamentally changed. In the newly established market economies, there has been a growing demand for consumer credit offered by the fast-developing banking industry. Economic growth is increasing and remains at a higher level than the European average. Unemployment was high in the initial transitional period, but after the first wave of structural changes, it is decreasing in many countries and household spending is growing continuously.

The retail markets are becoming highly competitive. As more credit institutions turn to this segment of the market, the publicly owned credit institutions that survived the economic change are losing their lead role in the retail market. In some of the Central and East European countries, the credit institutions find granting credit to the public risky. In others, consumer credit specialists are being established, which shows that they also consider the market attractive.

2. Consumer protection and financial liberalisation

The Central and East European countries have to take into consideration the sometimes-conflicting interests of consumer protection and financial liberalisation by establishing policy guidelines. These contradictions also exist at the European level, but the CEECs must find a balance between the two. Achieving this balance is an extremely difficult task given the lack of experience these countries have in implementing consumer protection policies and regulation.

Freedom to provide services and freedom of establishment are two of the four basic freedoms of the European Union. These act as the pillars of the integration of financial markets. The providers of the financial services can operate in all member states on the basis of a license granted by the home country. The consumer credit directives contain the minimum level of regulation a country must put in place. Therefore, member states can create more stringent rules, but this can easily jeopardise the Single Market principle, because service providers will have to cope with different rules in each member state. This means that their access to the Single Market has not become easier, but we can also ask the question whether this is really in the interest of the consumer. If we create obstacles for market access, then we create obstacles for competition. Therefore we cannot guarantee the ideal allocation of resources, the basic aim of European market liberalisation and competition.

Central and East European candidate countries must make a policy choice: Do they want to follow a protectionist consumer policy or do they wish to support the development of free market access, with a satisfactory level of consumer protection.

3. Community legislation in force

There are three EU directives, which stipulate standards connected with consumer credit:

- Council Directive 87/102/EEC of 22 December 1986 for the approximation of the laws, regulations and administrative provisions of the Member States concerning consumer credit with its two amendments:¹
 - Council Directive 90/88/EEC of 22 February 1990 amending Directive 87/102/EEC for the approximation of the laws, regulations and administrative provisions of the Member States concerning consumer credit,² and
 - Directive 98/7/EC of the European Parliament and of the Council of 16 February 1998 amending Directive 87/102/EEC for the approximation of the laws, regulations and administrative provisions of the Member States concerning consumer credit.³

Before describing the situations of the individual countries, it is useful to survey the provisions stipulated in the consolidated Directive on consumer credit. Council Directive 87/102/EEC was issued to narrow the wide differences that existed in the laws of the member states concerning consumer credit, which could lead to distortions in competition at the expense of consumers. It constitutes part of the consumer protection policy of the EU and aims to protect consumers against unfair credit terms mainly by ensuring adequate access by consumers to information on the conditions and cost of credit and on their obligations.

The Directive includes minimum standards allowing the member states to apply more stringent rules and measures to protect the consumers. Member states have free choice regarding the means and methods for achieving the required results. Besides, it is

¹ Official Journal No. L 42, 12.2.87, p. 48.

² Official Journal No. L 61, 1.3.90, p. 14.

³ Official Journal No. L 101, 1.4.98, p. 17.

possible for the member states – in consultation with the European Commission – to exempt certain forms of non-commercial credit under particular conditions of the Directive. However, the Directive establishes that “credit agreements should not derogate, to the detriment of the consumer, from the provisions adopted in implementation of this Directive or corresponding to its provisions” and “those provisions should not be circumvented as a result of the way in which agreements are formulated”.

Scope of the Directive

Articles 1 and 2 give the scope of the Directive, the related definitions and the total or partial exemptions from its rules. According to Article 1, a “credit agreement” – under this Directive – “means an agreement whereby a creditor grants or promises to grant to a consumer a credit in the form of a deferred payment, a loan or other similar financial accommodation”.⁴ The last expression of the definition keeps it open for any new types of consumer credit that may be introduced to the market in the future. However, agreements for a service or a utility provided on a continuing basis, in which the consumer has the right to pay for them for the duration of their provision by means of instalments, are not covered by the Directive. Furthermore, the article contains definitions of “creditor” and “consumer” that are consistent with other EU legislation, and specifies the “total cost of the credit to the consumer” and the “annual percentage rate of charge (APR)”.

According to Article 1 a) (2) for the purpose of calculating the annual percentage rate of charge, the total cost of the credit to the consumer shall be determined, with the exception of the following charges:

- a. charges payable by the borrower for non-compliance with any of his commitments laid down in the credit agreement;
- b. charges other than the purchase price which, in purchases of goods or services, the consumer is obliged to pay whether the transaction is paid in cash or by credit;
- c. charges for the transfer of funds and charges for keeping an account intended to receive payments towards the reimbursement of the credit, the payment of interest and other charges except where the consumer does not have reasonable freedom of choice in the matter and where such charges are abnormally high; this provision shall not, however, apply to charges for collection of such reimbursements or payments, whether made in cash or otherwise;
- d. membership subscriptions to associations or groups and arising from agreements separate from the credit agreement, even though such subscriptions have an effect on the credit terms;
- e. charges for insurance or guarantees; included are, however, those designed to ensure payment to the creditor, in the event of the death, invalidity, illness or

⁴ The “deferred payment” category includes hire-purchase, instalment (sale) contracts, payment cards without a credit option and credit cards with a credit option. According to the Directive, a “loan” can be a cash loan, a loan linked to an acquisition contract, a credit card with credit option or a payment card of seller with credit option. The “similar financial accommodation” can mean renting, leasing or new forms of consumer credit.

unemployment of the consumer, of a sum equal to or less than the total amount of the credit together with relevant interest and other charges which have to be imposed by the creditor as a condition for credit being granted.

Under Article 2, the following exemptions are granted:

- a) credit agreements or agreements promising to grant credit:
 - intended primarily for the purpose of acquiring or retaining property rights in land or in an existing or projected building,
 - intended for the purpose of renovating or improving a building as such;
- b) hiring agreements except where these provide that the title will pass ultimately to the hirer;
- c) credit granted or made available without payment of interest or any other charge;
- d) credit agreements under which no interest is charged provided the consumer agrees to repay the credit in a single payment;
- e) credit in the form of advances on a current account granted by a credit institution or financial institution other than on credit card accounts; nevertheless, the provisions of Article 6 shall apply to such credits.
- f) credit agreements involving amounts less than €200 or more than €20,000;
- g) credit agreements under which the consumer is required to repay the credit:
 - either, within a period not exceeding three months,
 - or, by a maximum number of four payments within a period not exceeding 12 months.

Moreover, member states have the right – in consultation with the Commission – to exempt from the scope of the Directive certain credits whose rates of charge are lower than those prevailing in the market and which are not offered to the public generally (Article 2(2)). There is a possibility to exempt from the provisions of Article 6 and 12 of the Directive credit agreements “in the form of an authentic act signed before a notary or judge” (Article 2(4)).

Advertising, transparency and information

Article 3 refers to the Council Directive 84/45/EEC of 10 September 1984, concerning misleading advertising and other rules and principles relating to unfair advertising, as applicable also in the case of consumer credit. The article says that any advertisement and any offer – displayed at business premises connected with offering a credit or the arrangement of a credit agreement – that contains figures relating to the cost of the credit, also has to include the annual percentage rate of charge. This latter should be calculated on the basis of a mathematical formula set out for compulsory application in Annex II of the consumer credit Directive.

For enhancing transparency, according to Article 4 of the Directive, the credit agreements always must be made in writing, and the consumer has to receive a copy of the contract. The written document must include at least the following:

- the annual percentage rate of charge and a statement of the conditions under which it may be amended;
- a statement of the amount, number and frequency or dates of the repayment and the payments of interest or other charges, as well as the total amount of these payments; and
- elements of the total cost of credit that are not taken into account for the purpose of calculating the annual percentage rate of charge but which have to be paid by the consumer in certain circumstances, and the description of such circumstances (with reference to Article 1a (2)).

Furthermore the written agreement has to cover the other essential terms of the contract. The annex of the Directive contains an illustrative list of terms, the inclusion of which may be required by the member states.

Article 6 states that if there is an agreement between a credit or financial institution and a consumer in the form of an advance on a current account (other than credit card accounts), the consumer has to be informed by the time of the conclusion of the contract at the latest about:

- the credit limit;
- the annual rate of interest and the charges and the conditions under which these may be amended; and
- the procedure to terminate the agreement.

In line with the general EU approach, the given article supports the thorough knowledge and the possibility of free choice for the consumer.

Minimum rights for the consumer in the terms of the contract

1. Repossession – Article 7

Regarding credit granting for the acquisition of goods, creditors may have a contractual right to repossess the good. According to the Directive, member states have to lay down the conditions under which this repossession is applicable, in particular without the consumer's consent. At the same time there must be a requirement ensuring that if the creditor recovers possession of the goods, it does not cause any unjustified enrichment to him.

2. Early repayment – Article 8

This article states the right of the consumer to discharge his obligation deriving from a credit agreement before the time fixed. In such cases the consumer shall be entitled to an equitable reduction in the total cost of the credit, in accordance with the regulations of the individual member states.

3. Assignment to a third person – Article 9

It is allowed for the creditor to assign his right under a credit agreement to a third person. In this event, however, the consumer shall be entitled to have all defences against the third person that were available to him against the original contracting party, including the right of set-off.

4. Bills of exchange and cheques – Article 10

Article 10 of the Directive allows member states to permit the consumer to use bills of exchange for making payment or to apply bills of exchange or cheques to giving security. If a member state does not prohibit the use of such negotiable instruments in connection with credit agreements in the above-mentioned ways, it should also ensure suitable protection of consumers in this field.

5. Third party financing – Article 11

In certain cases the consumer enters into a credit agreement with a person different from the supplier of the goods or services that he intends to buy or to obtain. According to the Directive, member states have to ensure that a credit agreement shall not affect the rights of the consumer against the supplier of the goods or services purchased. Besides, under some – restrictively determined – conditions, consumers are entitled to pursue remedies also against the creditor other than the supplier. These conditions are as follows:

- a) in order to buy goods or obtain services the consumer enters into a credit agreement with a person other than the supplier;
- b) the grantor of the credit and the supplier of the goods or services have a pre-existing agreement in which credit is made available exclusively by that grantor of credit to customers of that supplier for the acquisition of goods or services from that supplier;
- c) the consumer referred to in subparagraph (a) obtains his credit pursuant to that pre-existing agreement;
- d) the goods or services covered by the credit agreement are not supplied, or are supplied only in part, or are not in conformity with the contract; and
- e) the consumer has pursued his remedies against the supplier but has failed to obtain the satisfaction to which he is entitled.

It is the responsibility of the member states to determine to what extent and under which conditions these remedies could be exercised.

Authorisation, inspection and monitoring

Article 12 of the Directive establishes that, in order to contributing to the effective enforcement of the protective provisions, member states have to:

- ensure the official authorisation for persons to offer credit or to arrange a credit agreement, either specifically or as suppliers of goods and services; or
- ensure that persons granting credit or arranging for it shall be subject to inspection or monitoring by an institution or official body; or
- promote the foundation of appropriate bodies to receive complaints concerning credit agreements or conditions and to provide relevant information or advice to consumers.

Mandatory character and minimum standard clause

As mentioned earlier, Article 14 says that the provisions of the Directive transposed into national law are mandatory. According to the second point of this article, member states must ensure that those provisions “are not circumvented as a result of the way in which agreements are formulated, in particular by the device of distributing the amount of credit over several agreements”.

Article 15 includes the minimum clause. Surveys in connection with the operation of the Directive indicates that most of the member states have gone beyond the EU provisions and have adopted more protective consumer credit legislation.

- Concerning credit agreements, **Directive 93/13/EEC on unfair terms in consumer contracts** must be taken into consideration as well. This Directive states that contract terms that are not individually negotiated (especially standard contract terms) are not compulsory for the consumer, if they cause a “significant imbalance” in the rights and obligations of the parties to the detriment of the consumer.
 - There are **other related directives** as well, such as Directive 84/450/EEC as amended by 97/55/EC on misleading and comparative advertising, Directive 85/577/EEC on doorstep sales, Directive 97/7/EC on distance selling and Directive 2000/46/EC on the business of electronic money institutions.
- a) In addition to the above-mentioned directives, there are **two important EU recommendations** related to consumer credit:
1. Recommendation 88/590/EEC, concerning payment systems, and in particular the relationship between cardholder and card issuer,
 2. Recommendation 97/489/EC concerning transactions by electronic payment instruments and in particular the relationship between the issuer and the cardholder.

A detailed analysis of these latter directives and recommendations, however, is not the purpose of this study.

4. New developments in European regulation

On the basis of reports on the operation of Directive 87/102/EEC and Directive 90/88/EEC, and the 1999-2001 Action Plan for Consumer Policy, the European Commission has started consultation on the reform of the consumer credit directives. Financial services are developing rapidly; therefore, a regular updating of financial regulation is necessary. New credit techniques have emerged and the revision of the balance between the rights and obligations of consumers and creditors have made the reforms timely.

The aim is to promote the development of a more transparent and effective market, by providing a sufficiently high degree of consumer protection so that the freedom of movement of credit can take place in better conditions for both supply and demand. This could even involve the move from minimum harmonisation to maximum and optimal harmonisation. The Commission’s efforts at reform are based on the following six guidelines:

- b) redefinition of the Directive's scope in order to adapt it to a new market situation in this area and better tracking of the line of demarcation between consumer credit and real estate credit;
- c) inclusion of new arrangements taking into account not only the creditors but also credit intermediaries;
- d) introduction of a structured information framework for the credit grantor in order to allow him to better appreciate the risks involved;
- e) more comprehensive information for the consumer and any guarantors;
- f) more equitable sharing of responsibilities between the consumer and the professional; and
- g) improvement of the arrangements and practices for processing payment incidents by the professionals, both for the consumer and for the credit grantor.

As the date of accession is still uncertain, it could happen that the amendments to the European consumer credit regulation would come into effect even before the first candidate countries join the European Union. In this case the candidate countries will also have to implement these amendments and harmonise their national rules with the new European standards.

PART II COUNTRY REPORTS

1. Bulgaria

Regulation

Bulgarian consumer credit legislation in force comprises:

- Law on Obligations and Contracts;
- Commercial Code;
- Banking Law of 25 June 1997; and
- Law on Consumer Protection and on Trade Rules, 18 March 1999.

According to the National Programme of the Adaptation of the Acquis (NPAA), 2000, the adaptation of a law on consumer credit to transpose the Directive 87/102/EEC on consumer credit is among the medium-term priorities of Bulgaria, and there is not yet specific draft legislation concerning consumer credit. The laws enumerated above contain rules in this field. In 1999 progress was made in the field of consumer protection by the adaptation of a new Law on Consumer Protection and Trade Rules.

National rules and compliance with the consumer credit Directive

Definitions and scope

Article 240 of the Law on Obligations and Contracts includes general regulations concerning loan contracts. Articles 205 and 206 apply to instalment sales. The Commercial Code contains an article on instalment sales as well, but it is not applicable to consumer sales. Articles 430 to 432 govern contracts for bank credit in cases where the credit is granted “for a certain purpose”. The chapter of Banking Law on the relations between banks and their consumers also contains provisions on bank loans, including overdrafts (Articles 39 to 44).

The ‘total cost of the credit’ is defined in Article 39 of the Banking Law, but this provision only applies to those types of consumer credit that are under the scope of the Banking Law. Considering that the definition includes “interest, fees, commissions, etc.”, this is in compliance with the relevant article of the Directive on consumer credit.

There is no definition, however, of the annual percentage rate or an indication as to its methods of calculation in these pieces of Bulgarian legislation.

Regarding compliance with EU directives, a comprehensive approach for the definitions and the scope of a consumer credit regulation are missing.

Advertising

Article 40 of the Banking Law obliges the banks to “announce the general terms and conditions for loans on premises accessible to consumers”. However this provision does not correctly transpose the specific requirements of Article 3 of Directive 87/102/EEC.

Form, terms and conditions of the agreement

Although Article 430 of the Commercial Code provides for the written form for bank credit contracts and Articles 4 and 5 of the Regulation No. 3 of the Bulgarian National Bank on payments for credit agreements requires the same, there is no legal obligation of the creditor to give the consumer a copy of the contract. Therefore there is only partial compliance with Article 4 (1) of the Directive.

Information requirements

There are no information requirements for all those forms of consumer credit that fall under the scope of the Law on Obligations and Contracts or the Commercial Code. Article 39 (1) of the Banking Law requires banks to make their business rules containing some information specified in the provision available to their consumers, but it does not state that the contract shall contain information on the cost items. Paragraph (2) of this Article obliges banks in the case of consumer loans to send the borrower, upon concluding the loan, written information on cost items specified. In addition, Article 39 (2) of the Law obliges the banks in case of an overdraft to inform the consumer in writing of the applicable interest rate and of any other costs relating to the loan.

However, the above-mentioned information requirements, except in some particular points (e.g. "total amount due" in Article 39 (2)), do not correspond to the requirements in the Directive.

Repossession

Conditions under which the seller is entitled to rescind the contract are regulated by Article 206 of the Law on Obligations and Contracts: it is allowed in case the consumer fails to pay instalments for more than 20% of the price of the goods. The Law does not states clearly that the seller is allowed to repossess the goods, but as it may result from the retained ownership under the instalment contracts, these provisions seem to be in line with Article 7 of the Directive. Article 206 also ensures the right to the seller to claim compensation for the use of the goods and for damages, while it does not entitle him to keep instalments already paid. There is no legal guarantee against the unjustified enrichment of the seller.

Early repayment

Article 70 of the Law on Obligation stipulates generally that in case of an interest-bearing obligation, the debtor may pay before the maturity day. He may then deduct the remaining interest, but there is no reference to the possibility of an equitable reduction in the total cost of the credit in the sense of Article 8 of the EU Directive on consumer credit.

Other provisions

Under Bulgarian regulation, there are no rules on the use of negotiable instruments concerning consumer credit and on remedies of the consumer against a third party financing the acquisition of a good or service. Banks have to obtain a license according to the Banking Law, but creditors other than banks are not subject to any monitoring procedure and authorisation. The mandatory character of the provisions is not clear, and there are no rules regarding circumvention.

Other issues

Over and above legal issues, Bulgaria has also started to set up an institutional framework for enforcing consumer policy. In December 1999, the Ministry of Trade and Tourism and the Ministry of Industry were transformed into the Ministry of Economy, which has overall responsibility for drafting consumer protection regulations and carrying out consumer policy. The Commission on Trade and Consumer Protection, together with the Ministry of Economy are responsible for the execution of the consumer protection policy and for control on the implementation of law. Pursuant to the adoption of the new Law on Consumer Protection and Trade Rules in March 1999, a National Council for Consumer Policy has been established as a consultative body in this field. The adoption of the new law has also given an impetus to the creation of new consumer associations in Bulgaria. There are also Conciliation Commissions in the country, which are competent for “out-of-court” protection of consumer rights and interests.

2. Czech Republic

Regulation

Czech consumer credit legislation in force encompasses the following:

- Civil Code,
- Commercial Code,
- Consumer Protection Act and
- Consumer Credit Act.

The Czech Civil Code, the Commercial Code and the Consumer Protection Act contain measures related to consumer protection in general. Since these codes did not specifically address consumer credit regulation, it has been necessary to draft an act, which seeks compliance with Council Directive 87/102/EEC. This is the Consumer Credit Act (Act No. 321/2001 Coll.).

Some amendments have been made to the Czech Civil Code, which entered into force on 1 January 2001. These amendments are important for further enhancing consumer protection, also with regard to consumer credit, by regulating distance contracts (via electronic means and intermediaries) and defining certain inadmissible consumer contract terms and conditions.

The Consumer Protection Act regulates arrangements regarding the quality and safety of products and services. The Act forbids misleading advertising, but these rules are not detailed enough to be in compliance with the provisions of Directive 87/102/EEC.

The lower chamber of the Czech Parliament adopted the draft Consumer Credit Act on 11 July 2001. The Act No. 321/2001 Coll. was published in the Czech Collection of Law on 7 September 2001. The Consumer Credit Act is in compliance with the European consumer credit Directives. It entered into force on 1 January 2002.

National rules and compliance with the consumer credit Directives

Definitions and scope

Under the Consumer Credit Act, consumer credit means a grant of financial means or deferred payment, e.g. in the form of a credit, loan or purchase of leased goods, which the consumer is obliged to pay for. The following charges are excluded:

- a) charges payable by the borrower for non-compliance with any of his commitments laid down in the credit agreement;
- b) charges other than the purchase price, provided that the consumer did not receive a consumer credit for the purchase;
- c) charges for the transfer of funds and charges for opening and keeping an account intended to receive payments towards the reimbursement of the consumer credit, except where the consumer does not have reasonable freedom of choice in this matter and where such charges are unreasonably high; nevertheless the total amount of the consumer credit includes charges for obtaining (collecting) the payments;
- d) payments honouring a contract that is not directly related to the consumer credit agreement, even if this contract influences the terms of the consumer credit; and
- e) charges for insurance or guarantees, except those designed to ensure payment to the creditor in the event of death, invalidity, illness or unemployment of the consumer, of a sum equal to or less than the total amount of the credit together with relevant interest and other charges related to the granting of the credit.

The Consumer Credit Act applies to all types of credit agreements, except:

- a) agreements in which the consumer credit is contracted for purchase, construction, reconstruction or maintenance of immovable goods;
- b) leasing agreements, except where these provide that the title will pass ultimately to the hirer;
- c) loans granted without payment of interest or any other charge;
- d) consumer credits for the provision of a service on a continuing basis, where the consumer has the right to pay for them – for the duration of their provision – by means of instalments;
- e) credit agreements amounting less to than 5,000 CZK (approx. €165) or more than 800,000 CZK (approx. €26,590⁵); if more than one agreement is concluded for the same purpose, the total amount of the credits granted pursuant to these agreements is deemed a single consumer credit; and
- f) consumer credits under which the consumer is required to repay the credit either within a period not exceeding three months or by a maximum number of four payments within a period not exceeding 12 months.

⁵ See the Statistical Annex in Part III for exchange rates based on ECB foreign exchange rates, effective as of 12 April 2002.

Advertising

The annual percentage rate is the percentage of the credit granted that the consumer has to pay back to the creditor on an annual basis. Any advertisement or offer that offers credit or offers to arrange a credit agreement and that contains information on the rate of interest or any figures relating to the cost of the credit must include information on the annual percentage rate of the charge or a representative example of how to calculate it. The annual percentage rate of charge is calculated according to a formula following the EC Directive (Annex of the Consumer Credit Act).

Form, terms and conditions of consumer credit agreements

According to the Czech Consumer Credit Act, credit agreements shall be made in writing. The consumer shall receive a copy of the agreement. If the credit agreement allows the amendment of the annual percentage rate of charge or any additional charges that cannot be calculated at the time these charges are calculated, the calculation of the amended charges must be made on the basis of those agreed in the credit agreement. Where it is not possible to calculate the annual percentage rate of charge in the credit agreement, the creditor must stipulate:

- a) the credit limit,
- b) the amount of the payments related to this credit, and
- c) the conditions under which these payments may be amended.

Information requirements

The Consumer Credit Act contains the requirements to make:

- a) a statement of the annual percentage rate of charge calculated pursuant to the formula stated in the Annex of the Consumer Credit Act;
- b) a statement of the conditions under which the annual rate of charge may be amended, but this amendment may not be left solely to the creditor's discretion;
- c) a statement of the consumer credit limit and a statement of instalments;
- d) a statement of the creditor's obligation to inform the consumer about any change in the annual percentage rate of charge during the period of the agreement;
- e) a statement of single payments;
- f) a statement of the agreed amount of consumer credit as stated in the agreements concerning the purchase of leasehold items;
- g) a statement of the right to early repayment;
- h) a statement of the terms under which a credit agreement can be terminated before it falls due; and
- i) a statement of the method of payment.

Repossession

In case a credit for the acquisition of goods is taken, the terms of the Civil Code regarding purchase contracts and the terms of the Consumer Credit Act regarding credit agreements must be met. If the creditor or a third person involved in the credit

agreement repossesses these goods, the repossession must be made in a reasonable way, which guarantees that the repossession does not entail any unjustified enrichment of any of the contracting parties.

Early repayment

According to the Consumer Credit Act "... the consumer is entitled to discharge his obligation under a credit agreement before the time fixed by the agreement. In this event the consumer shall be entitled to a reduction of payments related to the consumer credit so that no party of the credit agreement obtains an unreasonable enrichment at the expense of the other parties."

Assignment

The Civil Code states that the original creditor must immediately inform the debtor about the assignment of his rights to a third person. The debtor is free to settle his debts to the assignor until he receives the official notice on the assignment. The debtor has the right to plead against the assignee any defence, which was available to him against the original creditor. The debtor may set off the claim of the assignee against his claims on the assignor, even if these claims were not due at the time of assignment provided that he informed the assignee without delay about the existence of his claims on the assignor.

Bills of exchange and cheques

According to the Consumer Credit Act, when the consumer makes payment by means of bills of exchange or cheques, or if the consumer credit is secured by means of bills of exchange or cheques, the creditor must respect all the consumer's rights guaranteed by the credit agreement.

Third party financing

The Consumer Credit Act states that in the case of a credit agreement, the rights of the consumer against the supplier of goods or services shall not be affected. The consumer is only allowed to terminate the agreement under special conditions set by law or by the agreement. The termination of the agreement shall not increase the total cost of the consumer credit or entail the imposition of any penalty. In case the consumer credit is granted by a supplier of goods or services and the consumer terminates the contract and gives back the goods to the supplier, the supplier must repay the consumer an amount equal to the total amount of the instalments that have been paid on the consumer credit.

According to the Consumer Credit Act, the consumer is entitled to claim the refund of paid-up sums and compensation of damages against the creditor in cases where:

- a) there is an agreement between the supplier and the creditor, giving the creditor exclusive right to grant consumer credits, and
- b) the consumer credit was granted pursuant to such an agreement, and
- c) the consumer's justified claim against the supplier to perform in conformity with the contract for its supply or for compensation of damages has not been met by the supplier.

Authorisation, inspection and monitoring

In the Czech Republic some of the persons offering consumer credit or offering to arrange credit agreements are licensed and regulated (banks, brokers and credit cooperatives), although consumer credit is also offered by entities that are neither licensed nor regulated, namely leasing companies, supermarkets and other retailers and pawnbrokers. Surveillance on observance of the provisions of the Consumer Credit Act is the responsibility of the Czech Trade Inspection Authority.

Other issues

The Czech Trade Inspection Authority is generally responsible for consumer complaints related to consumer credit. Licensed and regulated persons can also be penalised by their supervisors, i.e. the CNB (banks), the Securities Commission (brokers) and the Credit Cooperatives Supervisory Office (credit cooperatives). The overall responsibility for consumer policy and protection lies with the Consumer Protection Department of the Ministry of Industry and Trade.

3. Estonia

Up to 1999, consumer credit in Estonia was not widely used and consumer protection did not have a strong legal background at that time. In the late 1990s, many banks were forced into bankruptcy in Estonia and the number of institutions that offered financial services to individual consumers decreased significantly. Current account credit was accessible to only a very limited range of people with a steady high-level monthly income, and only a few vendors provided consumer credit.

Although the legislation in this field has not been changed since then, the situation in the field of consumer credit practice shows progress. The credit possibilities for consumers have considerably increased recently in Estonia, but the terms of consumer credit transactions are often rather unfavourable for the consumer. Nowadays many credit institutions and retail outlets grant consumer credit and it is easier to get such kinds of credit compared to the previous period. This trend raises another problem, however, which is also known in the EU member states, namely that numerous consumers seem to lose their self-control and incur serious personal debt.

Regulation

Estonian consumer credit legislation in force:

- Consumer Protection Act, 15 December 1993, as amended 15 December 1999;
- Credit Institution Act, 9 February 1999, as amended 1 January 2001;
- Advertising Act, 11 June 1997, as amended 14 February 2001; and
- Law on Obligations, 26 September 2001.

National rules and compliance with the consumer credit Directive

The Consumer Protection Act of Estonia, which entered into force on the 1st of January 1994, is a framework law complemented by a series of implementing provisions. The further modification of this Act is planned in order to bring it into conformity with the

provisions of Directive 98/27/EC on injunctions for the protection of consumers' interest and Directive 98/6/EC on indication of the prices of products offered to consumers. The draft is expected to be submitted to the government in 2002. Article 3 of the Consumer Protection Act contains the definition of 'consumer', which should be completed by adding the following expression according to the Directive: "acting for purposes which can be regarded as outside his trade or profession". Regarding consumer credit this Act includes only one specific rule: Article 5 on contracts says that contracts between consumers and sellers concerning the sale of goods by instalments shall be concluded in writing.

Article 89 of the Credit Institution Act of Estonia regulates the protection of clients in the course of their relations with credit institutions. According to this Article, all clients have the right to receive data, which are subject to mandatory disclosure under the Act. Among others the general conditions for relationships between the credit institution and its clients, interest rates, service charges and all amendments thereof have to be displayed in a visible place in the client service area. Furthermore the Article stipulates that "application of the general conditions to relationships between the credit institution and a client shall be provided by a written agreement". The requirements of the written form are in line with Council Directive 87/102/EEC.

The Advertising Act that entered into force on 1 January 1998, was broadly in line with the Council Directive on Misleading Advertising. The last amendment of this Act harmonised the Directive 97/55/EC concerning comparative advertising. The amended Act introduced the definition of "comparative advertising" and sets out the conditions under which comparative advertising is permitted. In compliance with EU regulation, the Estonian Act prohibited misleading advertising (Article 4 (1)). Article 15 of the Advertising Act stated that advertising of financial services "shall ensure clear and easy understanding of all conditions of the services being offered, in particular the actual interest rate, all other service-related costs and the terms of payment". But the specification of the disclosure requirement regarding the APR in the sense of Article 3 of the Directive 87/102/EEC is missing.

The Law on Obligations (only a non-official translation is available at the present time), which was adopted by the Parliament on 26 September 2001 and will come into force in the summer of 2002, was drawn up taking into consideration among others the relevant EU rules concerning consumer credit and product liability, product safety, doorstep-selling, package travel, unfair terms in consumer contracts, time share and distance selling.

Chapter 22 of the Law on Obligations includes provisions on loan and credit agreements generally as well as on consumer credit. These rules are mostly in compliance with the consumer credit Directive.

Definitions and scope

Article 402 of the Law on Obligations comprises the definition of 'consumer credit contract' in a wider sense in line with the Council Directive 87/102/EEC, but it does not specify the forms of the credit. Article 406 of the Law applies to the annual percentage rate, including the definition of it, which is similar to the relevant provision in the Directive. However there is only an indication that "the specific procedure for the

calculation of the annual percentage rate shall be established by the Minister of Finance, based on the requirements of the European Union”.

The scope of the Estonian consumer credit regulation is more stringent and protective as compared to the EU rules:

- Leasing contracts on consumer goods are under the scope of the draft irrespective of whether the proprietary rights pass to the consumer or not.
- The Estonian draft includes a financial ceiling of €50,000, as opposed to €20,000 in the Directive.
- Exceptions to rules of the Law do not include the advances on a current account granted by a credit institution or a financial institution other than on credit card accounts and credit agreements under which the consumer is required to repay the credit by a maximum payment of four payments within a period not exceeding 1 year.

As Article 15 of the Directive 87/102/EEC allows member states to have more protective provisions, there is compliance with EU rules.

Advertising

The relevant provisions concerning advertising are in the Advertising Act.

Form of the agreement

Article 404 of the Law on Obligations stipulates the requirement of the written form in case of consumer credit contracts. This article provides also for a copy of the contract to the consumer and consequently is in compliance with Article 4 (1) of the Directive.

Information requirements

Under Article 404 (2) of the Law, a consumer credit contract must include all the elements required by the EU rules. The list in the Estonian Law comprises also the following points:

- the payments and charges arising from an insurance contract entered into in connection with the credit contract;
- the right of the consumer not to pay the interest for the period during which the credit is not used, in the case of early repayment of the credit, and not to bear other expenses relating to the credit for that period;
- the conditions for termination of the credit contract, inter alia, the right of withdrawal of the consumer, and the procedure and term for the exercise of this right; and
- the securities required from the consumer.

In the case of a credit granted for the acquisition of a good, using a service or financing another object of the contract, the written agreement has also to include the description of the good, service or other obligation and the price of the good or services acquired for the credit, if paid immediately.

Article 406 sets out exceptions in respect of the calculation of the annual percentage rate of charge mostly in accordance with Directive 90/88/EEC; only the point of

“membership subscriptions to associations or groups and arising from agreements separate from the credit agreement, even though such subscriptions have an effect on the credit terms” is missing. The same Article also says that if changes in the conditions that affect the interest rate or the price of goods or services acquired for the credit have been agreed, the credit contract shall set out the initial annual percentage rate based on the initial interest rate and other conditions at the time of entry into the contract, as these were applicable during the whole term of the contract, instead of the annual percentage rate and additionally, the prerequisites for changing the conditions which determine the price and the first possible time for changing the price shall be set out. The Estonian rules concerning information requirements in case of tacitly accepted overdrafts is in line with the EU provisions as well.

Article 408 of the Law on Obligations includes provisions applying to the consequences of failing to conform to the requirements of the contract. Disregarding the form and disclosure requirements by the creditor is sanctioned by the loss of interest and cost by the creditor in addition to the cancellation of the contract. Furthermore in accordance with Article 409 of the Estonian Law, the consumer has the right to withdraw from a consumer credit contract.

Repossession

Articles 416 and 417 of the new Estonian Law are about cancellation of the credit contract by the creditor, and the repossession of goods. According to these rules, a creditor may cancel the credit agreement due to the delay of payment of the consumer only if the consumer is partly or wholly in delay for at least three consecutive instalments, and the creditor has unsuccessfully granted an additional term of at least two weeks to the consumer for the payment of the missing amount together with a notification that the creditor cancels the contract upon failure to pay the instalments within the term, and claims payment of the whole debt. At the same time, under the provisions the creditor may recover possession of goods that are delivered to the consumer on the basis of a credit agreement or a contract of sale linked to a credit agreement. Furthermore, the creditor may demand a fine from the consumer for delay and making insufficient payments, but the amount of this fine is limited by the Law.

Early repayment

In compliance with Article 8 of the Directive on consumer credit, Article 411 of the Law stipulates that a consumer may discharge the obligations under a consumer credit agreement before the prescribed time and he does not owe charges for the period when the credit is not used. However creditors are entitled to demand interest or other charges for the first nine months also in case of early repayment.

Assignment

Article 412 of the Law transposes Article 9 of the relevant Directive concerning the right of the consumer to plead against third persons any defences arising from the contract made with the original creditor, where the rights of the latter under the credit agreement are assigned to the third person.

Bills of exchange and cheques

Under Article 412 of the Law on Obligations, the requirement as a security and acceptance of bills of exchange and cheques by creditors are not allowed.

Third party financing

Article 414 of the Law ensures the rights of the consumer against the supplier other than the creditor in accordance with Article 11 of the Directive.

Other provisions

The Law on Obligations includes important rules dealing with aspects of the protection of consumers in case of consumer credit transactions, which are not subject to the Directive, concerning the limitation and written form of the remuneration of credit brokers.

Article 420 is about the prohibition on violation of provisions of the Law. The next Article says that agreements that derogate from the provisions of Chapter 22 of the Law to the detriment of a consumer are void.

Other issues

The Estonian Consumer Protection Board (CPB) was established in 1994, under the jurisdiction of the Ministry of Economic Affairs. The CPB is responsible for representing the interests of consumers and protecting their legitimate rights, supervising the markets of consumer goods and services, and developing and implementing provisions. According to the evaluation of the European Commission, the Board is functioning successfully in the above-mentioned fields, but “it still need to be reinforced to cope with implementation issues as a result of compliance with the unfair contractual terms Directive and staff need to be trained in this field”. The CPB also plays a coordinating role between different supervisory authorities to encourage cooperation and operates as a national contact point for the exchange of information.

4. Hungary

Regulation

Hungarian consumer credit legislation in force:

- Act CXII of 1996 on Credit Institutions and Financial Enterprises;
- Act CLV of 1997 on Consumer Protection;
- Act CXIV of 2000 on certain amendments to the Act CXII of 1996 on Credit Institutions and Financial Enterprises;
- Act IV of 1959 on the Civil Code;
- Act LVIII of 1997 on Business Advertising Activity; and
- Government Decree No. 41/1997 (III.5) on annual percentage rate of charge, annual yield of securities, total cost of the credit to the consumer.

In Hungary, consumer credit regulation is quite complicated. An attempt was made to achieve compliance with European rules without creating a single piece of legislation. The only problem with Hungarian regulation is that when regulating the same subject via different pieces of legislation, a certain level of harmonisation is necessary to avoid duplication and loopholes.

As the two most important sets of rules can be found in the Act on Credit Institutions and Financial Enterprises and the Act on Consumer Protection, the Hungarian regulation will be presented on this basis. Before starting the evaluation, it is important to specify the difference between these two acts. The former regulates consumer credit – as defined in the Act – provided by the institutions that fall under its scope. All other economic organisations providing consumer credit fall under the scope of the latter Act on Consumer Protection. For this reason, both Acts offer guidelines to establish whether a consumer credit agreement falls under the regime of the Credit Institutions Act or the Consumer Protection Act. Even if a contract does not constitute a consumer credit agreement according to these two acts, the general provisions of the civil code may still apply, while there are some provisions with regard to the European rules that can only be found in the Civil Code.

National rules and compliance with the consumer credit Directives

Definitions and scope

With regard to the Act on Credit Institutions and Financial Enterprises, consumer loan means a loan granted to a natural person for the purchase or repair of consumer goods primarily used for personal, family or household purposes, or for the use of services, without making such loan attached to a specific purpose of use, and if such a loan is borrowed by the natural person for purposes other than his business activity.

Under the Act on Consumer Protection, consumer loans mean all loans not falling under the scope of the Act on credit institutions and financial enterprises, as well as all instalment plans or deferred payment plans provided by an economic organisation to a consumer for the purpose of purchasing its merchandise or for using its services. A consumer credit agreement is a contract for the purpose of using consumer credit.

Advertising

According to the Act on Credit Institutions and Financial Enterprises, consumer credit contracts must include the annual full loan charge indicator expressed as a percentage and the definition and amount of other – possible – costs that are not considered when calculating the loan charge indicator or, if such costs cannot be precisely defined, an estimation of them. The full loan charge is the charge the consumer pays for the loan, which includes the interest, lending commission and all other costs to be paid in connection with the use of the loan. The full loan charge indicator is the internal interest rate under which the principal to be repaid by the consumer and the full loan charge are equal to the amount of the loan reduced by the costs paid to the financial institution at the time the loan is disbursed.

According to the Act on Consumer Protection, consumer credit loan contracts must include the full loan fee expressed in an annual percentage rate and also the conditions for amending the loan fee expressed in an annual percentage rate, or, if not possible, information regarding such.

Government Decree 41/1997 is meant to give appropriate information to the consumer by providing the possibility of comparing different offers. The Government Decree states that credit institutions and financial enterprises offering consumer credit must ensure that the consumer has access to the following information:

- a) the draft consumer credit agreement,
- b) the way the fees of judgement are included in the administrative costs,
- c) the expected costs of deferring the credit,
- d) the interest on overdue payments and the conditions of withdrawing the credit contract when the consumer pays in time,
- e) the interest calculated for the full period of the contract,
- f) the annual full loan charge indicator,
- g) all the costs related to the consumer credit and
- h) any other conditions required by the credit institutions and financial enterprises to grant credit to the consumer.

The annual full loan charge indicator shall be calculated according to the mathematical formulas as stated in the annexes of the Government Decree.

Form, terms and conditions of consumer credit agreements

According to the Act on Credit Institutions and Financial Enterprises, a financial institution may enter into agreements for financial services and auxiliary financial activities only in writing, and must give an original copy of such agreement to the customer. Consumer loan contracts that do not include the following shall be null and void:

- a) the subject of the contract,
- b) the annual full loan charge indicator,
- c) the entire cost in connection with the contract, including interest, commissions, and the value of these expressed as percentages,
- d) a detailed description of the conditions and circumstances that could cause a change in the loan charge, or – if this is not possible – information concerning such,
- e) the number and amount of the instalments and the dates of instalment payments,
- f) a description of the requisite collateral, and
- g) a description of the collateral required from the consumer in connection with the contract.

According to the Act on Consumer Protection, in order for a consumer loan contract to be valid, the contract shall be prepared in writing and one copy shall be given to the consumer. Consumer loan contracts shall be null and void if the following is not included:

- a) a description of the goods or services comprising the subject of the contract,
- b) the consideration payable on the basis of the contract,
- c) the date and conditions of transferring ownership rights,
- d) all costs related to the contract, including interest charges and commission charges, and the value of such as expressed in an annual percentage rate,

- e) the full loan fee expressed in an annual percentage rate,
- f) the conditions for amending the loan fee expressed in an annual percentage rate, or if not possible information regarding such,
- g) the number, amount and dates of instalment payments,
- h) if the price of goods or the service fee is subject to change during the term of the contract, the applicable conditions and the amount at which, if reached, the consumer is allowed to withdraw from the contract without suffering detrimental consequences.

Information requirements

There are no specific information requirements for an advance on current accounts, but the general information requirements apply and Article 361 of the Civil Code also contains some related provisions. Persons who illicitly acquire a material advantage at the expense of another shall be obliged to return the advantage. Persons who have been deprived of gains before they are reclaimed shall not be obliged to return them, unless

- a) the obligation to return the gains was an imminent possibility and the person can be held accountable for the loss of the gains, or
- b) the gains had been acquired in bad faith.

If a person to whom any gains are due to be returned has created such gains himself through forbidden or immoral conduct, the court shall be entitled to award the material gains to the state at the motion of the public prosecutor.

Early repayment

The Act on Credit Institutions and Financial Enterprises says that in the case of consumer loans, the customer – in the interest of terminating the agreement – may in all cases exercise his right of early repayment. If the consumer exercises this right, the creditor is obliged to reduce the loan fee proportionately.

The Act on Consumer Protection says that the consumer may, in the interest of terminating the contract, exercise the right to pay off the loan in full in all instances. In such cases lenders must reduce the loan fee accordingly.

Assignment

With regard to the assignment of rights to a third person, the Civil Code contains general provisions. An assignee shall subrogate the original creditor the assignment, and the rights proceeding from the lien and suretyship that secure the claim shall also pass to him. Notification of the obligor regarding assignment suspends the period of limitation. An obligor shall be entitled to enforce the objections and offset the counter-claims against the assignee that arise with regard to the assignee on the legal grounds that were in existence at the time of notification. In the case of consumer loan contracts, one may not deviate from the above provisions to the detriment of the consumer.

Bills of exchange and cheques

The consumer cannot be compelled to undertake the bill commitments against the creditor's receivables arising from the consumer loan contract. The creditor may not accept cheques from the consumer to cover the receivables arising from the consumer

loan contract. The consumer may request that the creditor return a bill or a cheque that has been issued contrary to the provisions above. Similarly the creditor shall be liable for all losses suffered by the consumer in connection with bills or cheques issued contrary to these provisions.

Third party financing

If a consumer obtains a loan in consideration of a prior agreement between the creditor and the vendor of the good or service and according to this agreement the given creditor may only extend a loan to the consumer for purchasing a good or utilising a service from the vendor and

- a) it falls due with the vendor's performance of the contract concluded with the consumer or it is badly performed, and
- b) the vendor has not satisfied the consumer's claims arising from the late or faulty performance before the deadline,

the consumer may withhold payments coming due on the basis of the consumer loan contract until his demands are met. Interest cannot be charged for this period. The consumer must inform the creditor in writing about the circumstances underlying his decision to exercise his right to withhold payment, and he must send the creditor the relevant documents. The consumer has the right to withhold payment once he has provided the necessary information.

If the consumer abandons the contract owing to the vendor's breach of contract, he is entitled to abandon the consumer loan contract at the same time. On the basis of abandonment, the creditor is obliged to immediately repay the amount already paid by the consumer. The creditor may only claim repayment of the loan disbursed by it from the vendor, unless the purchase price has been refunded to the consumer. Interest, costs, and compensation may not be claimed from the consumer in consideration of the abandonment or the restoration of the original state of affairs.

The above provisions shall not be applied to:

- a) loan agreements for amounts that are less than 60,000 HUF (approx. €250) or more than 6 million HUF (approx. €25,500⁶),
- b) loan agreements on the basis of which the consumer must repay the loan in at least four instalments in either a period of not more than three months or in at least four instalments in a period of not more than twelve months,
- c) loan agreements that are put in notarised documents, and
- d) loan agreements that are attached to coverage for lien on real property.

Other issues

Under the Consumer Protection Act, the Ministry of Economic Affairs is entrusted with the development of consumer policy and legislation. The General Inspectorate of Consumer Protection, under the direction of the Minister, is responsible for the enforcement of existing and new consumer laws and regulations.

⁶ See the Statistical Annex in Part III for exchange rates based on ECB foreign exchange rates, effective as of 12 April 2002.

5. Latvia

Regulation

Latvian consumer credit legislation in force:

- Consumer Rights Protection Law, 18 March 1999;
- Credit Institution Law, 5 October 1995, as amended on 21 May 1998;
- Civil Law, Part IV on Contract Law, January 28, 1937, as re-enacted on 22 December 1992; and
- Regulations of the Cabinet of Ministers on consumer credit, 13 July 1999.

The two main acts, which contain rules concerning consumer credit in Latvia, are the Consumer Rights Protection Law and the Regulations of the Cabinet of Ministers on Consumer Credit. The provisions in these pieces of legislation are in line with the EU directives on consumer credit.

National rules and compliance with the consumer credit Directive

In Latvia the Consumer Rights Protection Law sets out general rules in connection with consumer credit and the Regulations of the Cabinet of Ministers on consumer credit cover information to be provided in consumer credit contracts, the method of calculating the APR and the equitable reduction of total costs of credit according to authorisation set by the Law.

Part IV of the Civil Law includes some provisions regarding instalment sales and defences attainable to consumers in case of assignment of the claims to third persons by the creditor.

The Law on Credit Institutions contains rules applying also to credit without making any differences between commercial and consumer ones (Article 1 (5), (37): definitions of loan, financial leasing, Article 54: indication requirements and written form of a credit agreement, Article 69, 70: interest rate, calculation of the interest rate).

Definitions and scope

Definitions of “consumer”, “creditor” and “consumer credit contract” are set up in the Consumer Right Protection Law and are in compliance with the Directive 87/102/EEC on consumer credit, though in the definition of ‘consumer’ the English wording of “for a purpose which is not directly connected with his or her business activity” would be more exact by using “professional” instead of “business”. “Consumer” is defined by Article 1 on terms used in the law, while the two other definitions are under Article 8 of the Law on crediting the consumer. Article 8 (1) defines the ‘contract on the consumer credit’ according to the Directive referring to the forms of deferred payment, loan and other financial accommodation and the definition of ‘creditor’ is integrated also into this paragraph.

There are no defined exemptions from the scope of application under the Latvian regulation and no use of the options given under Article 2 (2) and (4) of the EU Directive on consumer credit. However mortgage credit is regulated by another specific law, which was adopted on 10 September 1998.

Both Regulations of the Cabinet of Ministers on consumer credit and the Civil Law apply to leasing contracts, because certain aspects of these contracts are covered by rules of the Civil Law on instalment sales (Articles 2069, 2070) and hire agreements (Articles 2112-2177).

There is compliance with the Directive according to its Article 15 including the minimum clause.

Advertising

The Law on advertising, which was adopted on 20 December 1999 in Latvia, contains general provisions on advertising including comparative and misleading advertising according to the EU directives.

Regulations of the Cabinet of Ministers includes an Article (10) that says: “if the advertising and the offer made at the place of selling or place of providing services offers a possibility to credit a consumer and interest rate or information on credit cost has been indicated, it shall contain:

- the price at which the good or service is offered to the consumer for cash;
- annual percentage rate; and
- the amount of the initial deposit.”

This Article is in line with Article 3 of the Directive 87/102/EEC on consumer credit.

Form of the agreement

Article 8 (2) of the Consumer Rights Protection Law states – in accordance with the EU regulation – that every contract on the crediting of a consumer has to be concluded in writing and the consumer receives a copy of the contract.

Information requirements

According to authorisation set by Article 8 (4) of the Consumer Rights Protection Law, the Regulations on consumer credit (Articles 11-15) set out the information requirements concerning consumer credit contracts. Though the wording of the mentioned rules is divergent, it seems to be in line with the relevant Directive. Only credit contracts operated by using current accounts have to contain less information than any other credit contract covered by the Regulations. Article 15 says that amendments of the contracts shall be made in writing and signed by the parties.

Repossession

Conditions of the repossession of goods in case of a consumer credit transaction are regulated under Article 2070 of the Latvian Civil Law. Creditors can repossess the goods only if two instalments are delayed or if the consumer transfers, loses or damages the good to such an extent that its remaining value does not cover the unpaid amount. In the latter case the creditor may claim repossession together with payment for use. Then the amount that is due to the creditor has to include all payments made by consumer and in case of exceeding this amount, the balance has to be paid back. This provision of the Civil Law is mandatory and any agreements contrary to it are not valid. Article 2070 is in compliance with Article 7 of the Directive on consumer credit.

Early repayment

In Latvia consumers are entitled to discharge their obligations prior to the time fixed in the contract and to an equitable reduction of the total cost of the credit by Article 8 (3) of the Consumer Rights Protection Law, which meets the requirement of Article 8 of the Directive. The Regulations of the Cabinet of Ministers on consumer credit includes more detailed regulation on this matter:

- The consumer has an obligation to pay only those costs that are indicated in the contract.
- The consumer has an obligation to pay interest and other payments only for the time period until which the consumer has fulfilled his credit obligations.
- In credit contracts that provide for monthly payments and where the consumer exercises the right to fulfil his obligation prior to the term prescribed in the credit contract and performs recurrent payment on a day other than that prescribed by the contract, then the payment shall be considered to have been made on the date when the next payment would have had to be made according to the contract.
- The creditor shall not claim compensation for fulfilment of credit obligations prior the term prescribed.

Assignment

Assignment is governed by the Civil Law in compliance with Article 9 of the EU Directive on consumer credit. Articles 1807 and 1808 ensure all defences, which the debtor has against the assignor and also against the assignee.

Bills of exchange and cheques

Article 10 of the Directive is also transposed correctly as Article 8 (2) of the Consumer Rights Protection Law which states that securities shall not be applied as means of payment in consumer credit contracts. It was confirmed that the Latvian language term for “securities” used in the article includes bills of exchange, stocks, checks, bonds, etc.

Third party financing

Remedies for the consumer in the case of third party financing are regulated by Article 31 of the Consumer Rights Protection Law in a more protective way for the consumer than in Article 11 of the EU Directive. The Latvian regulation does not include the reference to “exclusivity” and uses two options regarding the granting of credit:

- a) by third party under a contract between the creditor and the seller or service provider, or
- b) by cooperation between the creditor and the seller or service provider.

The consumer is not obliged to pay a penalty or reimbursement of losses as a result of the annulment of the credit contract.

Other provisions

Chapter II and Annex of the Regulations of Cabinet of Ministers set out the method and examples for calculation of annual percentage rate in accordance with EU rules. The monitoring activity concerning creditors other than credit institutions is the

responsibility of the Consumer Rights Protection Centre, while credit institutions can operate if they are licensed by the Bank of Latvia. The Civil Law includes the general principle that legal provisions should not be circumvented by agreements. The mandatory character of the protective measures can be deduced from the objective of the protective legislation and from the principle of legal equality of the contracting parties as set out by Article 5 of the Consumer Rights Protection Law.

Other issues

The Consumer Rights Protection Centre, which was established in 1998 and operates under the Ministry of the Economy is the main institution that carries out the observance of consumer rights legislation in Latvia. The Centre handles consumer complaints and gives advice, among other tasks, and it is nominated as the market surveillance authority for consumer credit. Officials of the Centre have the authority to ensure enforcement of the law. There is also a quite strong non-governmental movement providing support to consumers in credit matters as well.

6. Lithuania

Regulation

Lithuanian consumer credit legislation in force:

- Civil Code and
- Law on the Amendment of the Law on Consumer Protection, 10 November 1994, as amended 19 September 2000.

In Lithuania the above two laws comprise the rules connected with consumer credit. The Act of the Republic of Lithuania on the protection of consumer rights entered into force in 1 January 2001. This new Law and the modified Civil Code adopted on 18 July 2000 transposed provisions of the Council Directives 87/102/EEC, 93/13/EEC. The Credit Institutions Supervision Department of the Bank of Lithuania has not drafted any specific legal acts regulating consumer credit, but banks have been given recommendations specifying criteria for assessing the financial position of an applicant for consumer credit.

National rules and compliance with the consumer credit Directive

The Law on Consumer Protection of the Republic of Lithuania includes specific rules concerning consumer credit. Article 1 of this Act contains the basic definitions, while the substantive provisions on the consumer credit agreement, the related terms and conditions and the rights and responsibilities of the contractual parties are found in Chapter VIII (Articles 24-28).

In the course of developing the draft versions of this Act, it has come closer to the Directive, and the final version is substantially in line with it.

Definitions and scope

Basic definitions of “creditor” and “total cost of the credit” which can be found in Article 1 of the Law on Consumer Protection are in compliance with the Council Directive 87/102/EEC concerning consumer credit. The definition of “consumer”: “a

natural person, who expresses the intention to buy, buys and uses goods and services to meet his own personal or household needs”, should be completed by adding the following expression according to the Directive: “acting for purposes which can be regarded as outside his trade or profession”. Besides, the specification of the “annual percentage rate of charge” is lacking in the reference to the method of calculation.

The definition of “consumer credit agreement” is found in Article 24 of the Act and it is substantially in line with the Directive. The equivalent of the “other similar financial accommodation” of the Directive is in a separate point as “leasing or any other similar contract”.

Regarding the scope of the consumer credit rules of the Act, it is in some ways more protective as compared to the Directive 87/102/EEC. Since Article 15 of the Directive allows member states to retain or adopt more stringent provisions, it is in compliance with the EU rules.

Exemptions from the relevant provisions in the Lithuanian Act are as follows:

- credit with a real estate collateral;
- if the consumer is not paying any interest or fees related to granting or the use of credit;
- if the consumer is obliged to repay the credit within a period of at least 3 months or if the amount of the credit is not higher than 1000 LTL (approx. €290⁷); and
- if in return for the services provided on a permanent basis, the consumer repays in instalments in the course of the provision of the services.

The definition of “goods” in Article 2 of the Act also contains limitation, as according to it – in line with the Directive – immovable items are outside the scope of the Act.

These limitations are more protective, because:

- the Act does not include any financial ceiling to exempt large-amount credits according to Article 2 (1) (f) of the Directive ;
- concerning short-term credits, the Act exempts only credits that have to be repaid within a period not longer than 3 months; and
- credits in the form of advances on a current account granted by credit or financial institution on credit card accounts or not, are under the scope of the Act.

Advertising

The new Law on Consumer Protection of the Republic of Lithuania contains specific rules on advertising of consumer credit (Article 24 (8)), and there is a specific requirement to indicate the annual percentage rate of charge, by means of a representative calculation example, in advertisements and any offering of consumer credit.

⁷ See the Statistical Annex in Part III for exchange rates based on ECB foreign exchange rates, effective as of 12 April 2002.

Form of the agreement

Also in compliance with the Directive, Article 24 (4) of the Lithuanian Act states that the consumer credit agreement must be made in writing. Furthermore the Article provides that a copy of the written agreement has to be given to the consumer.

Information requirements

Information that must be included in the consumer credit agreement is listed under Article 24 (5) of the Act. These information requirements contain most of the relevant elements of the Directive 87/102/EEC and two further points, which the Lithuanian legislators considered essential to separate:

- the price of goods (services) in the case of granting a credit to acquire goods or services and the total price of the credit; and
- the right of the consumer to prepayment (repayment made earlier than scheduled) based on the provisions of Article 25.

Furthermore the Law on Consumer Protection of the Republic of Lithuania includes additional preliminary information requirements saying that consumers have to be informed in writing about some pre-determined terms in the course of drawing up the consumer credit agreement. The general principles of the contract law are laid down in the Civil Code.

However there is no provision for indicating in the consumer credit agreement those cost items that are not included in the calculation of the annual percentage rate of charge but which have to be paid by the consumer in certain circumstances, and a statement identifying those circumstances, as required by Article 4 (2) (d) of the relevant Directive.

According to Article 24 (7) of the Lithuanian Law, the general procedure of calculation of the annual rate of credit cost must be determined by the Government and the Bank of Lithuania. There is no specific provision stating that this formula for calculation has to be determined on the basis of the methods set out in the Directive. The Government of the Republic of Lithuania and the Bank of Lithuania established this procedure and it was approved in January 2001. For the time being, no English translation of the formula is available, but according to official information it is in line with the EU methods and in the course of calculating the overall credit price on the basis of it, all expenses made by a consumer, including payment of interest and fees, are summed up.

If a consumer credit agreement does not contain the information specified in the Law, or the information proves to be misleading, the consumer shall have the right to withdraw from the agreement. In this case the consumer is obliged to repay only the amount of the credit, but there is no payment of interest or any other fees (Article 24 (9)).

To sum up, it can be stated that the information provisions of the Lithuanian Act – except that relating to the calculation of the annual percentage rate of charge – in some respects are more protective than those of the Council Directive 87/102/EEC. Thus, according to Article 15 of the Directive, there is compliance with EU rules.

Repossession

As stated by Article 26 in the Lithuanian Act, creditors are entitled to terminate the agreement if:

- the payment is deferred for more than a month and amounts to at least 10% of the total credit value, and
- the payment failed to be made within two weeks following the date of submission of an additional notification to the consumer.

This kind of termination can also comprise the repossession of goods in line with Article 7 of the Directive.

Early repayment

Article 25 of the Act – in compliance with the Directive – allows consumers to prepay the consumer credit before the fixed time. In this case the consumer has to pay only the interest calculated prior to the date of repayment and “the fees in connection with credit extension and use”.

Assignment

Although Article 9 of the Directive on the assignment to a third person by the creditor was not transposed to Lithuanian Law, generally “the consumer, whose agreement-specified rights have been infringed, may apply to the Council (National Consumer Protection Council) or court”.

Bills of exchange and cheques

In Lithuania creditors are not allowed to accept payments from the consumer in accordance with a credit agreement in the form of bills of exchange, checks and promissory notes (Article 27).

Third party financing

Article 28 of the Act on earmarked crediting is in line with Article 11 of the Council Directive 87/102/EEC.

Other issues

Formulation of the consumer protection policy and coordination of the activities of institutions concerned with the field of consumer protection are the responsibility of the National Consumer Protection Council, which was established on 24 October 2000. This same Council together with the Competition Council exercise control over the implementation of the rules related to misleading and comparative advertising. The Act on Consumer Protection does not include consumer credit-specific rules concerning licensing and supervision, but the corresponding rules are provided more generally.

7. Poland

Regulation

Polish consumer credit legislation in force:

- Civil Code, 23 April 1964

- Act on Banking Law of August 1997
- Consumer Credit Act, 20 July 2001

The Polish “position paper” in the Chapter on “Consumer and Health Protection” was submitted to the European Commission on 11 December 1998. In this paper most of the relevant EU legal acts were scheduled to be implemented by the end of 2000 with the exception of the Directive 87/102/EEC on consumer credit, the full implementation of which was foreseen for the end of 2002. Due to the numerous significant remarks of the representatives from the sectors and the Legislative Council to the Prime Minister, the Consumer Credit Act was adopted not long ago, on 20 July 2001, and it will enter into force in September 2002.

National rules and compliance with the consumer credit Directive

The Polish Civil Code includes two relevant chapters concerning consumer credit. One of them (Articles 720-724) is about loans, while the other (Articles 583-588) applies to instalment sale contracts, including rules on instalment loans granted by banks for financing the acquisition of goods. Instalment sales, in which the buyer uses the bill of exchange for payment, are also under the scope of these provisions. According to this chapter, the buyer has the right to pay his liability before its maturity and he is entitled to a reduction of the interest rate, but not the credit cost. The rescission of the contract by the seller is allowed only if the delay in payment from the buyer is of a certain financial importance. Furthermore Article 592 (1) gives to the seller selling the good under retention of title the right to claim for adequate compensation for the use of the good in case of repossession.

Article 353 states the principle of freedom of contracts, according to which, only some exceptional specific provisions (Article 584 (2), Article 586 (2), and Article 588 (1)) have a mandatory character.

The Act on Banking Law, which was modified in August 1997, contained some rules in relation to licensing of creditors, written form for credit contracts (required by the modified text), required indications in the contract and disclosure requirements of interest and commissions. However the contracts concluded could be valid in spite of the violation of these provisions.

The above-mentioned rules could not be regarded as correct transposition of the EU Directive on consumer credit, but the new Consumer Credit Act seems to be largely in line with the EU rules. Though an English translation of the adopted version is not yet available, the Office for Competition and Consumer Protection provided us a summary of the most important provisions of it.

Definitions and scope

“A consumer credit agreement” is defined by Article 2 of the Consumer Credit Act of Poland as “an agreement by virtue of which an entrepreneur within the scope of his activity grants or promises to grant to a consumer a credit in any form”. Some examples are also indicated: e.g. loan, deferred payment or credit agreements in the sense of the Act on Banking Law.

Form of the agreement

According to Article 4 of the Act, credit agreements shall be prepared in writing, unless separate rules provide for another form.

Information requirements

A credit agreement has to include, among others, the annual percentage rate of charge and the conditions under which it may be amended. The Annex of the Act contains examples for the calculation of the actual annual percentage rate. Article 5 states that credit may be granted for the acquisition of goods or services and an agreement applying to this type of credit has to include additional information such as: description of the goods or services, prices in case of cash payment and when a credit is used (in order to enable consumers to compare the prices), the amount that has to be paid in cash and the conditions under which the right of possession is obtained by the consumer. If the indebtedness of a consumer in the form of overdraft on the consumer's account, not provided for an agreement, is maintained (with the creditor's acceptance) for at least three months, the creditor has to inform the consumer in writing about the annual percentage rate and other costs and about their changes.

Early repayment

Article 8 of the draft Act empowers consumers to discharge their obligations before the time fixed by the relevant credit agreement. In case of early repayment the consumer is not obliged to pay interest rates after discharging the money, and if the credit was granted without interest rates, he can reduce commissions and charges proportionally to the time the repayment period was shortened. However creditors have the right to stipulate that he will get the full commission even in case of earlier discharging but only in contracts that apply to credits in foreign currencies and credits without interest rates if the amount of these does not exceed 5,000 PLN (approx. €1,400⁸). The Act says that the creditor must settle financial issues with the consumer within 14 days from the day of the repayment.

Bills of exchange and cheques

According to Article 9 of the Consumer Credit Act, if a bill of exchange or a cheque is applied as means or security of payment in a consumer credit transaction, it shall include a clause reading "not order bill of exchange (or cheque)". In case of acceptance of these instruments without such a clause the creditor takes the responsibility for unauthorised payment (damages to the consumer). Such responsibility applies also to cases where a bill of exchange or cheque gets into the possession of another person without the creditor's acceptance.

Third party financing

If a consumer overtakes or accedes to a debt resulting from a contract on the basis of which a third person was granted a credit, the creditor has to inform the consumer in writing about the credit terms.

Article 13 states that in case a consumer rescinds an agreement for the purchasing of goods and services because the goods or services were not supplied or were not in

⁸ See the Statistical Annex in Part III for exchange rates based on ECB foreign exchange rates, effective as of 12 April 2002.

conformity with the contract, the credit agreement is dissolved at the same time if the grantor of the credit and the supplier of the goods or services have a contract under which credit is made available exclusively by that grantor of credit. (In case the supplier grants the credit on his behalf, rescission of the purchase agreement is effective also regarding the credit contract.)

Other provisions

Article 15 deals with penalties in case of violation of the provisions of the present Act. Penalties depend on which rules were not met. According to the Polish Civil Code fines are foreseen if a consumer credit agreement is concluded whose texts contain considerable infringement of requirements, if the credit contract was not delivered to the consumer or if advertisements relating to consumer credit do not contain full information on annual interest rate.

Other issues

Regarding the institutional background of consumer protection, a turning point came in 1996 when the amendment of the Act of 1990 on counteracting monopolistic practices extended the competence of the former Antimonopoly Office, which was at the same time transformed into the Office for Competition and Consumer Protection. Furthermore the Trade Inspection (market surveillance body) had been subordinated to the President of the Office for Competition and Consumer Protection. The main activities of the Office are as follows: elaborating draft government consumer policy, drafting legal acts, applying to the ministers for amendments of the rules related to consumer protection, cooperation with consumer organisations (e.g. dealing with publishing information or educational possibilities for consumers) including non-governmental ones and combating unfair competition. The Trade Inspection has statutory competence also for providing advice to consumers, operating courts of conciliation as well as undertaking interventions on behalf of consumers. Besides, on 1 January 1999, a new institution was introduced in Poland: the district consumer advocate operating at the district self-government level.

However, according to EU evaluation, the surveillance activity of the Office and the Trade Inspection still needs to be increased. The Act does not mention special organisations for the protection of consumers with special regard to consumer credit and for the official authorisation of persons offering consumer credit or to arrange consumer credit agreements.

8. Romania

Regulation

Consumer credit legislation in force in Romania:

- Government Ordinance no. 21/1992 on Consumer Protection,
- Law regarding the approval of the Government Ordinance no. 51/1997 on leasing operations and leasing companies,
- Banking Act no. 58/1998, and
- Law 148/2000 on advertising.

In Romania there is no legislation that seeks compliance with the consumer credit directives, and therefore it is not possible to analyse the Romanian regulation by following the main regulatory system of the European directives. There is no draft legislation in Romania, and the adoption of a separate Consumer Credit Act, which will implement the related European rules, is only scheduled for 2003 and there is no information when the first draft of this Act will be prepared.

There are some pieces of legislation in force that have elements related to issues regulated in the consumer credit directives, but because these laws were not prepared with the intention of achieving compliance with the European rules, it would be also useless to expect a high level of adequacy. Nevertheless, it is important to give an overview of the above four Romanian rules, which do not have a major role in regulating consumer credit in detail but rather provide a framework for the specific regulation.

National rules and compliance with the consumer credit Directives

Government Ordinance on Consumer Protection

This Ordinance is the central piece of Romanian consumer protection regulation. Article 3 lists the basic consumer rights:

- a) to be protected against the risks of purchasing a product or a service that can prejudice the consumer's life, health or safety or affect his rights or legitimate interests (right to safety),
- b) to be completely and precisely informed on the essential characteristics of products and services so that the decisions adopted in this respect will be the most appropriate to their needs and also to be educated in their capacity as consumers (right to be informed and right to education),
- c) to have access to markets that assure them a wide variety of products and services of quality (right to free market access),
- d) to have redress for damages caused by the quality of products or services (right to redress),
- e) to organise themselves in associations for consumer protection (right to representation).

Article 9 prohibits unfair trade practices. Article 10 ensures the right to have a clear and precise statement of clauses, including those with regard to conditions, the price or tariff and credit conditions. Article 18 states the right of consumers to be completely, correctly and precisely informed about the essential characteristics of products and services offered by economic agents, in order to have the possibility to make a rational choice among the products and services offered. Articles 21 and 25 provide that information referring to services must include the price, guaranty terms and conformity statements as well as disclosure of prices and tariffs.

Banking Act

The Banking Act defines credit as "any payment liability of an amount of money, in exchange for the right to the reimbursement of the amount paid, as well as to the payment of any interest or other costs related to this amount or any extension of the

maturity of a debt and any other purchasing liability of a debenture which includes a claim or of another right to the payment of an amount of money”. A credit can be short term (the reimbursement period shall not exceed 12 months), medium term (the reimbursement period shall not be shorter than 5 years) and long term (the reimbursement period shall not exceed 5 years).

Law and Ordinance on leasing operations and leasing companies

The Law and Ordinance cover leasing operations with an economic operator acting within the framework of his business and for the utilisation of durable goods for natural persons, by observing the legal stipulations on consumer protection. Leasing companies or the supplier of the goods can provide leasing. Article 10 states that in case the lessee does not fulfil his obligation to pay the fees, the lessor is entitled to cancel the leasing contract, the lessee being forced to return the goods and to pay the due instalments that are not reimbursed, unless otherwise provided. The indemnification includes the fees not paid by the expiry of the leasing contract.

Law on advertising

The purpose of this law is to protect the consumers of products and services, to protect persons carrying on a production, trade or performing a service or practising a profession and the general interests of the public against misleading advertising, unfair consequences of advertising and to lay down the conditions under which comparative advertising is permitted. According to the Law misleading advertisement means any advertising, which in any way, including the presentation, deceives or is likely to deceive any person to whom it is addressed or whom it reaches and is likely to affect their economic behaviour injuring his/her interests as a consumer, or is likely to injure the interests of a competitor. Advertising shall be decent, correct and conceived in the spirit of social responsibility. As a basic principle, misleading advertisement is prohibited. By deciding whether an advertisement is misleading, account shall be taken of particular elements, such as the price or the manner in which the price is calculated and the economic and legal conditions under which the service is provided.

Other issues

The Office for the Protection of Consumers (OPC) is charged with coordinating and bringing into effect government policies on consumer protection. The OPC has wide powers and functions covering a whole range of consumer activities. Consumer Consultative Councils were established in 1994 at national, county and municipal levels.

9. Slovak Republic

Regulation

Slovakian consumer credit-related legislation in force:

- Civil Code,
- Commercial Code,
- Consumer Protection Act,
- Act on Advertisement, and
- Consumer Credit Act.

The Slovakian Civil Code, the Commercial Code and the Consumer Protection Act contain measures related to consumer protection in general. These acts already addressed some specific issues having importance with regard to consumer credit, but the most effective way to reach full compliance was the adoption of a separate Act that meets the requirements of the European directives, which is the Slovakian Consumer Credit Act (Act No. 258/2001 Coll.)

The Commercial Code gives a definition for credit contract, under which: “the creditor undertakes to provide to the debtor, upon his request credit up to a specific amount and the debtor undertakes to return the thus provided credit and to pay interest thereon”. The Code also regulates early repayment, whereby the creditor only has to pay interest for the time from the provision to the repayment of the credit. The Civil Code includes rules on repossession of goods and prohibits unjustified enrichment. The Consumer Protection Act contains general definitions and rules on providing information to the consumer and misleading advertisement. Act No. 147/2001 Coll. on Advertisement entered into force on 1 May 2001, and incorporated Directive 84/450/EEC on misleading advertising as amended by Directive 97/55/EC on comparative advertising.

The Consumer Credit Act implements EU Directive 87/102/EEC as amended by 90/88/EEC and 98/2/EC. The Act was adopted on 14 June 2001, and entered into force on 1 October 2001.

National rules and compliance with the consumer credit Directives

Definitions and scope

Under the Consumer Credit Act, consumer credit means a temporary provision of pecuniary means under a consumer credit agreement in the form of a deferred payment, a loan or in other legal forms. The consumer credit agreement is an agreement whereby the creditor undertakes to grant the consumer a consumer credit and the consumer undertakes to repay pecuniary means granted and pay the total costs associated therewith.

The Consumer Credit Act covers:

- a) certain conditions for granting consumer credit,
- b) particulars of the consumer credit agreement,
- c) the method of calculation of the consumer’s total costs associated with granting a consumer credit, and
- d) other consumer protection measures.

The following agreements are beyond the scope of the Slovakian Consumer Credit Act:

- a) granting credit for buying, construction and reconstruction of real estate,
- b) rents that do not guarantee the transfer of title to the renter,
- c) granting a credit without payment of interest and charges that guarantee the credit repayment in a single repayment,
- d) granting a credit up to the SKK denominated value equal to EUR 200 and over the SKK denominated value of EUR 20,000; if a number of agreements are concluded

for the same purpose, the sum of all the consumer credit agreements shall be deemed to be a single consumer credit,

- e) under which the consumer is required to repay the credit within a period of up to three months or in a maximum of four repayments within a period of up to 12 months, and
- f) the permanent provision of services for which the consumer pays during the provision thereof in repayments.

When calculating the total costs of the consumer credit, the following costs and charges shall be excluded:

- a) sanctions imposed by the creditor toward the consumer for failure to comply with his obligations laid down in the consumer credit agreement,
- b) charges that the consumer is obliged to pay while buying goods or services except for the purchase price for goods or services,
- c) charges for the transfer of funds and for the keeping of the account intended to obtain payments for the consumer credit, paying interest and other charges except when the consumer does not have the choice of the creditor and such charges are unreasonably high as compared to usual charges for similar credits. This shall not apply to the charges for collecting such settlements or payments regardless whether they are made in cash or otherwise,
- d) membership fees for professional and interest associations or groups, and
- e) payments for insurance or guarantees except those intended to secure payments to the creditor in the event of the consumer's death, disability, illness or unemployment, in a sum equal to or less than the total amount of the consumer credit, interest and charges that must be specified by the creditor as the condition for granting a consumer credit.

Advertising

The annual percentage rate of charge is a rate to be applied to the calculation – as stated in the Annex – from the value of the consumer total costs associated with the consumer credit and the amount of the consumer credit granted. With regard to misleading advertisement, the Act is in compliance with European law as it says that any credit advertisements and offers indicating a rate of interest or figures relating to the cost of the credit shall include a statement of the annual percentage rate of charge.

Form, terms and conditions of consumer credit agreements

The Consumer Credit Act requires the written form. Information on the contractual conditions must be made available to the consumer. Article 4 lists the obligatory elements of the credit agreement:

- a) the sum, number and dates for repayments of principal, interest and other charges; if possible, also the number of such repayments should be indicated with notice of the possibility of accounting compensation of revenue lost,
- b) description of goods or services covered by the consumer credit agreement,
- c) the price of goods or services rendered,

- d) owner identification if ownership does not devolve to the consumer at the point of hand-over and take-over of goods or services, and the conditions for acquisition of title thereto by the consumer,
- e) the address of the seller at which the consumer may make a claim or complaint,
- f) the name and address of the consumer,
- g) the annual percentage rate of costs; if not indicated the consumer credit shall be deemed to be interest-free and charge-free,
- h) the conditions depending on objective facts, meeting of which the annual percentage rate of costs can be adjusted,
- i) the calculation of costs (amount and methods),
- j) the customer's entitlements to a reduction in the costs of the consumer credit when repaid before the term of repayment,
- k) sanctions for breaking the agreement,
- l) the conditions under which a bill of exchange or a cheque can be used, and
- m) the expiry of the obligation under the agreement.

In case a credit agreement does not fulfil the minimum requirements listed above, the agreement is considered to be null and void.

Information requirements

The Act also covers advance on current accounts. For consumer credits taking the form of advances on current account, except for credit cards, or where the annual percentage rate of costs cannot be established, the consumer shall be informed before the agreement enters into force about:

- a) the consumer's costs associated with a consumer credit,
- b) the method of calculation of the annual percentage rate of charge,
- c) the conditions under which the agreement can be modified, and
- d) the method and the period of termination of the contract.

During the term of the agreement, the consumer shall be informed of any change in the annual percentage rate of charge.

Repossession

If a consumer credit is granted for the purchase of goods or services, the creditor shall be entitled to terminate the agreement if the consumer has defaulted on a single repayment for a period of time in excess of three months or on two repayments.

Early repayment

The consumer is entitled to repay before the credit falls due. If the consumer repays a consumer credit before it falls due, he shall be entitled to a reduction of total costs as set out in the consumer credit agreement. The consumer can be only obliged to pay interest for a period of time from the granting to the repayment.

Third party financing

If the supplier does not supply the goods or services as agreed, the consumer shall have the right to:

- a) suspend repayments of the consumer credit, until a claim against the seller is resolved without raising the consumer credit price,
- b) recovery of an aliquot part of repayments made, and
- c) reschedule repayment.

To exercise these rights there must be an exclusive agreement between the seller and the creditor to grant consumer credit, and the consumer must receive the credit under this agreement. Before exercising the above-mentioned rights, the consumer must have pursued his remedies against the supplier but failed to obtain the satisfaction to which he is entitled.

Authorisation, inspection and monitoring

Control for observance of the business conditions of creditors and the terms and conditions offered to consumers laid down by the Consumer Credit Act shall be conducted by the Slovakian Trade Inspection. The Consumer Credit Act does not require licensing in general, but certain financial institutions are licensed and authorised by the National Bank of the Slovak Republic. With regard to the implementation of the Act, it says that the Slovakian Trade Inspection is in charge of the supervision of the activities of creditors.

Other issues

Under Act No. 274/1993 Coll., the Ministry of Economic Affairs has overall responsibility for consumer protection and policy. The Slovakian Trade Inspection is responsible for supervising business activity and market surveillance. Other specialised bodies are responsible for control and inspection of particular sectors of consumer goods and services.

10. Slovenia

Regulation

Slovenian consumer credit legislation in force:

- Consumer Credit Act,
- Act on Obligations,
- Law on Consumer Protection, and
- Law on Banking Institutions.

National rules and compliance with the consumer credit Directives

In Slovenia the Consumer Credit Act (Official Gazette of the Republic of Slovenia No. 70/00), which entered into force on 23 August 2000, regulates consumer credit in compliance with related European directives. Before the Consumer Credit Act was adopted, the Act on Obligations of 1978, the Law on Consumer Protection of 1998 and the Law on Banking Institutions of 1999 regulated matters related to consumer credit.

Definitions and scope

Under the Consumer Credit Act a credit contract is a contract by which the creditor provides or undertakes to provide a consumer with credit in the form of:

- a) delayed payment, particularly in the sale of goods or provision of services,
- b) loans, particularly cash loans or overdrafts on a current account,
- c) other similar financial agreements that in economic terms have the same purpose as credit.

The Consumer Credit Act does not apply to:

- a) credit contracts in which the creditor's receivables are insured with a mortgage,
- b) lease contracts, with the exception of lease contracts that stipulate that the right of ownership passes to the lessee at the end,
- c) credits provided or facilitated without the payment of interest or any other costs,
- d) credit contracts under which no interest or other costs are charged under the conditions that the consumer confirms that the credit will be repaid in the same amount,
- e) credit contracts in which the amount of credit is less than SIT 40,000 (approx. EUR 180),
- f) credit contracts on the basis of which the consumer is obliged to repay the credit within three months, and
- g) contracts for the constant supply of services, if the consumer has the possibility of paying in instalments during the supply thereof.

Advertising

The effective interest rate is the total cost of the credit expressed as an annual percentage of the amount of credit approved. The annual percentage shall be calculated in accordance with Articles 17 and 18 of the Consumer Credit Act. The effective interest rate calculating method is in compliance with the formula given in Directive 98/7/EC. The effective interest rate is the annual interest rate (discount level) by which the total credit burden (the total value of all consumer payments to the creditor excluding the costs specified in Article 18) is equalised with the current value of approved and transferred credit sums, and is calculated using the mathematical formula as stated in the European directives.

Article 18 lists those costs, which shall be excluded from the calculation of the total cost of credit. These are:

- a) costs paid by the consumer taking the credit because of a failure to fulfil the consumer's contractual obligations;
- b) fees and costs outside the purchase price that must be paid by the consumer during the purchase of goods or services, irrespective of whether the transaction is a cash or credit transaction;
- c) costs for the transfer of money and costs for the administration of an account intended for the repayment of credit, interest and other liabilities, except when the

consumer was not given the opportunity to freely decide for the purpose of repaying such liabilities whether to open a special account or to exploit any of the other possibilities, and in instances where such costs are abnormally high;

- d) costs of membership in associations or groups not covered by the credit contract, even though membership has an influence on the credit terms; and
- e) costs of insurance, warranties; however the effective interest rate shall include insurance, warranties and other guarantees intended to ensure repayment to the creditor in the event of death, invalidity, illness or unemployment on the part of the consumer in an amount equal to or less than the total cost of credit as a condition for the approval of the credit.

Any advertising or offer by which credit is offered or the acquisition of credit is brokered and in which interest rates or other information in connection with the costs of the credit are cited must also contain the effective interest rate. These offers and advertisements placed on or in commercial enterprises or printed shall also contain a representative and understandable example of the calculation of the total cost of the credit and all the costs excluded from the calculation of the total cost of the credit must be cited.

In order to avoid misleading advertising the effective interest rate cited in advertisements and offers must be labelled with the information that it can change if specific figures change and such figures were used to calculate the rate, and information on the day and month to which the figures used in calculating the published effective interest rate relate. The advertising and offering of credit without the statements specified above shall be deemed misleading advertising in the sense of the Consumer Protection Act and in contravention of good business practice.

Form, terms and conditions of consumer credit agreements

Prior to the conclusion of a credit contract, the consumer must be acquainted with all the terms of the credit contract. The credit contract must be concluded in written form and the consumer must receive at least one copy of the entire credit contract. It is not permitted to charge the consumer payments, interest, fees or other costs that are not cited in the credit contract.

The Consumer Credit Act defines the obligatory elements of the credit contract:

- a) the net value of the credit or credit limit if such exists,
- b) the effective interest rate and conditions under which it is permissible to change the effective interest rate,
- c) the method of calculating interest, the frequency of capitalisation, the method for adjusting interest rates and the indication mechanism employed,
- d) the costs not included in the calculation of the effective interest rate in accordance with Article 18 of the Consumer Credit Act (costs excluded from the calculation of the total cost of credit),
- e) the terms of payment imposed upon the consumer, particularly the projected size of individual payments, the number of payments, the precise date the payments fall due and, if possible, the total sum to be paid,

- f) the insurance the consumer must provide,
- g) the consumer's right to repay the credit before it falls due, and the right in such an event to request a reduction in the amounts under the conditions specified in Article 12 of the Consumer Credit Act (early repayment),
- h) the consumer's right to withdraw from the contract and the consumer's obligations if this right is exercised, and
- i) for credit contracts where billing is tied to the use of a foreign currency, citation of the foreign currency and the type of exchange rate according to which the value in domestic currency is calculated.

Information requirements

Contracts on advance on current accounts should be concluded in written form and must contain figures and information on:

- a) the credit limit,
- b) the annual interest rate and costs at the time the contract is concluded,
- c) the terms under which amendments may be made to the credit contract, and
- d) the procedure in connection with the termination of the contract.

Furthermore, the creditor must notify the consumer in writing of any change in the annual interest rate or the cost of the credit. If a contract on the opening of an account allows for an overdraft without a separate agreement between the contracting parties, the creditor must notify the consumer regarding the annual interest rate and the cost of the credit and regarding all changes thereto if the overdraft lasts longer than three months.

Early repayment

The consumer is entitled, at any time, to make early repayment without additional costs (except billing costs). The consumer may subtract the current (revalued) value of the contractual interest from the current value of the liabilities of the (discounted) early repayment, including any costs that would have accrued from the day the early repayment is made to the day the payment falls due under the contract, if the contractual interest and costs for this period were already billed and included in the repayments made by the consumer. The costs of formulating the bill shall not exceed half of the costs of approving the credit.

Assignment

When the creditor's rights are assigned to a third person, the consumer is entitled to protection against that third person. The consumer is entitled to plead against that third person any defence, which was available to him against the original creditor.

Bills of exchange and cheques

In connection with the credit contract any insurance of payments that commits the consumer to issue or accept a blank bill of exchange or cheque shall be prohibited. The consumer may request the creditor to return any bill of exchange or cheque that was delivered for insurance of payments. The creditor must refund the consumer for all damages resulting from the use of that bill of exchange or cheque.

Third party financing

In case goods or services are not supplied or are otherwise not in conformity with the contract for their supply, the consumer may file complaints against the creditor but only if they have been previously filed against the seller or service provider and despite all possible complaints the desired effects have not been achieved within a reasonable time. The consumer can only file a complaint against the creditor when there is a mutual link between the sales contract/contract on the provision of services and the credit contract.

There is a link between the sales contract or contract on the provision of services and the credit contract when the creditor and seller or service provider cooperate with the intention of providing financing for the purchase of property or the provision of services, especially

- a) when for the purchase of goods or the provision of services the consumer concludes a credit contract with a creditor that is not at the same time the seller or service provider with whom the consumer purchased the goods or ordered the services,
- b) the creditor and seller or service provider have already concluded a contract under which the creditor places credit at the disposal of clients of the seller or service provider exclusively for the purchase of goods or services from the seller or service provider, and
- c) a consumer specified in point a) obtains credit in accordance with a contract specified in point b).

Authorisation, inspection and monitoring

Before providing consumer credit services, creditors shall obtain a licence for the performance of such services. The office responsible for consumer protection shall issue the licence. A licence shall not be required by banks and savings banks that obtain a licence for credit transactions under the Banking Act, the Housing Fund of the Republic of Slovenia and creditors that only provide credit for their own employees or non-profit organisations that only provide credit for social and educational purposes. Supervision of the implementation of the Consumer Credit Act by banks and savings banks is done by the Bank of Slovenia (the Slovenian banking supervisory authority), while with regard to other creditors and credit brokers the supervisory powers rest with the Market Inspectorate. Supervision means monitoring of advertisements, offers and credit contracts, the method of calculating the total cost of credit and the effective interest rate, and the conditions of credit brokering.

Other issues

The Office for Consumer Protection is responsible for consumer protection. The Office prepares a consumer programme every year, based on the national consumer protection programme. The Slovenian Government adopts this national programme. The Slovene Trade Inspectorate is responsible for control and inspection of functions arising from the implementation of the Consumer Protection Act and the Market Inspection Act. The ombudsman has an important role to play with regard to consumer protection, especially complaints against administrative bodies, state agencies, local communities, etc.

PART III

STATISTICAL ANNEX

This section does not intend to provide a comparative study of consumer credit in the CEECs, since the available statistics in the ten countries considered are sparse and do not conform to harmonised criteria. They are nevertheless valuable in painting an early picture of recent developments in these markets.

1. Bulgaria

In Bulgaria, any bank that is licensed to perform bank activities is entitled to grant credit, including consumer credit. The total assets of the Bulgarian banking system was about 10.8 million BGN as of 31 March 2001, of which credits to individuals and households amounted to 607,421 million BGN.

In the last five years claims on the public were as follows:

Loans to the public sector, 1996-2000 (million BGL)*

	1996	1997	1998	1999	2000
Claims on the public	4,198	169,620	480,491	532,436	604,007
Rate of growth (%)	–	–	183.3	10.8	13.4

* €1 = 1.9484 BGN (ECB euro foreign exchange reference rate as of 12 April 2002).

2. Czech Republic

Total credit granted by banks to clients

	Total client credit	Of which claims on private sector	Change	Change (3-year moving average)	HDP current prices	Total client credits/HDP	Claims on private sector/HDP
	CZK bn*	CZK bn	in %	in %	CZK bn	in %	in %
1995	919.4	801.73	13.2	-	1,381.0	66.6	58.1
1996	1,017.1	879.4	10.6	-	1,566.9	64.9	56.1
1997	1,112.9	1,094.5	9.4	11.1	1,679.9	66.2	65.2
1998	1,073.8	1,055.8	-3.5	5.5	1,837.1	58.5	57.5
1999	1,032.4	997.1	-3.9	0.7	1,887.3	54.7	52.8
2000	1,003.0	946.5	-2.8	-3.4	1,959.5	51.2	48.3

* €1 = 30.084 CZK (ECB euro foreign exchange reference rate as of 12 April 2002).

Consumer credit granted by banks

	Total consumer credit	Of which debits on current accounts	Of which other consumer loans	Household gross disposable income	Individual consumption expenditure	Total consumer credit/household gross disposable income	Total consumer credit/individual consumer expenditure
	CZK* bn	CZK bn	CZK bn	CZK bn	CZK bn	in %	in %
1995	5.1	3.2	1.9	**	692.1	**	1.4
1996	6.9	4.8	2.1	**	807.3	**	1.5
1997	11.2	4.4	6.8	**	888.0	**	2.4
1998	23.2	4.4	18.8	**	947.5	**	2.7
1999	26.7	4.1	22.6	1,091.9	1,005.9	2.6	2.8
2000	26.2	6.4	19.8	1,120.4	1,053.1	3.1	3.3

* €1 = 30.084 CZK (ECB euro foreign exchange reference rate as of 12 April 2002).

** Because of methodological changes, no data are available for the whole period.

3. Estonia

The following tables comprise data on loans granted by credit institutions in Estonia.

Nominal terms of credit to the private sector in Estonia (thousands EEK)*

	12.31. 1993	12.31. 1994	12.31. 1995	12.31. 1996	12.31. 1997	12.31. 1998	12.31. 1999	12.31. 2000
Claims on financial institutions	5,176	3,785	600,805	1,766,456	3,272,511	4,292,470	5,997,785	10,553,046
Loans to other commercial undertakings	2,134,001	3,479,301	4,969,964	7,644,433	12,240,231	14,748,929	14,488,735	15,364,193
Loans to non-profit associations	0	0	0	10,685	33,630	33,088	39,203	92,645
Loans to individuals	178,972	487,744	736,593	1,807,378	4,147,303	4,231,517	5,353,342	6,806,907
Total of private sector loans	2,318,149	3,970,830	6,307,362	11,228,952	19,693,675	23,306,004	25,879,065	32,816,791

* €1 = 15.6466 EEK (ECB euro foreign exchange reference rate as of 12 April 2002).

Credit in Estonia as a percentage of GDP

	12.31. 1993	12.31. 1994.	12.31. 1995	12.31. 1996	12.31. 1997	12.31. 1998	12.31. 1999	12.31. 2000
Claims on financial institutions	0.02%	0.01%	1.47%	3.37%	5.11%	5.84%	7.86%	12.35%
Loans to other commercial undertakings	9.76%	11.65%	12.15%	14.58%	19.11%	20.06%	18.98%	17.98%
Loans to non-profit associations	0.00%	0.00%	0.00%	0.02%	0.05%	0.04%	0.05%	0.11%
Loans to individuals	0.82%	1.63%	1.80%	3.45%	6.48%	5.75%	7.01%	7.97%
Total of private sector loans	10.61%	13.30%	15.42%	21.42%	30.75%	31.69%	33.91%	38.41%

Average growth of the loans to the private sector	1993-1995	1996-2000
	65.07%	41.92%

The purpose of consumer loans (thousand EEK)

	07.31.2001	08.31.2001
Acquisition securities	29,420	29,264
Acquiring expendables	438	134
Expansion business	3,756	3,725
Acquiring real estate	121,692	163,669
Acquiring commodities	149,026	152,408
Daily clearing of accounts	152,369	161,516
Other	219,640	236,304
Total	676,340	747,021

Consumer credit/private consumption in 2000: 0.92% (this is a rate of consumer credit to private consumption).

4. Hungary

In Hungary the volume of credit provided to households (categorised since 1997 as loans provided for the purchase of goods or securities, mortgage-type loans, overdraft credit and other loans):

Lending to households, 1993-1997 (in million HUF)*

1993	1994	1995	1996	1997
671.524	737.439	1,501.397	1,620.313	2,150.639

* €1 = 242.00 HUF (ECB euro foreign exchange reference rate as of 12 April 2002).

Lending to households, 1998-2000 (in million HUF**)*

Household loans	1998	1999	2000
Overdraft credit	13,981	17,473	23,265
Commodity loan Short term	3,112	4,278	8,403
Commodity loan Long term	18,890	25,232	26,468
For the purchase of securities, Short term	1,335	431	1,105
For the purchase of securities, Long term	932	822	494
Housing, mortgage type loan, Short term	308	493	1,129
Housing, mortgage type loan, Long term	113,936	109,390	148,367
Other loans, Short term	17,495	15,654	17,488
Other loans, Long term	51,544	121,959	201,824
Total	221,633	295,732	428,543

* Following methodological changes in 1997, more detailed data on credit to households are available as from 1998.

** €1 = 242.00 HUF (ECB euro foreign exchange reference rate as of 12 April 2002).

Disposable income (in billion HUF)*

	1991	1992	1993	1994	1995	1996	1997	1998	1999
Disposable income (without social transfers in kind)	1,737.5	2,051.8	2,350.9	2,888.6	3,559.4	4,356.9	5,192.1	6,098.2	6,753.8
Adjusted disposable income (with social transfers in kind)	2,130.6	2,521.1	2,929.2	3,582.1	4,322.6	5,247.7	6,255.9	7,386.9	8,199.3
Disposable income as a % of GDP	69.5	69.7	66.3	66.2	63.4	63.2	60.8	60.5	59

* €1= 242.00 HUF (ECB euro foreign exchange reference rate as of 12 April 2002).

Consumption (in billion HUF)

	1991	1992	1993	1994	1995	1996	1997	1998	1999
Actual domestic consumption	1,784.2	2,186.9	2,681.2	3,204.5	3,815.1	4,588.6	5,611.3	6,649.6	7,689.0
Actual consumption of resident households (balanced by tourism expenditure)	1,746.9	2,141.1	2,639.9	3,151.7	3,723.9	4,389.8	5,270.1	6,282.8	7,272.1
Actual domestic consumption as a % of GDP	71.4	74.3	75.6	73.4	67.9	66.6	65.7	65.9	67.2

5. Latvia

Purchasing goods by using credit is quite popular in Latvia. In addition to banks, there are other credit institutions specialised in financing consumer goods, and sometimes the sellers themselves run credit units. According to recent figures, some 22 banks and 22 credit unions are entitled to provide consumer credit in the Republic of Latvia.

The loans to the private sector granted by the above Latvian institutions amounted to just under 1,072.6 million LVL, from which loans to domestic private persons was 192.1 million LVL in the middle of 2001. The following table includes further data on credit to the private sector and consumer credit in Latvia.

*Credit to private sector, percentage and million of LVL**

		1993	1994	1995	1996	1997	1998	1999	2000	1 st half 2001
Loans to private sector (outstanding stock at end of period)	mil LVL	263.0	365.0	204.3	211.5	374.3	569.1	656.3	904.2	1,072.6
Loans to private sector/GDP	%	18.3	17.9	8.7	7.5	11.4	15.9	16.8	20.9	23.6
Loans to domestic private persons (outstanding stock at end of period)	mil LVL	17.4	32.3	28.1	21.4	37.1	64.5	94.9	159.7	192.1
Gross disposable income of households	mil LVL	798.7	1,234.2	1,461.2	1,938.5	2,263.6	2,386.2	2,438.4
Household consumption	mil LVL	769.8	1,199.1	1,470.5	1,912.9	2,181.1	2,316.0	2,445.5	2,709.4	...
Loans as a percentage of disposable income	%	2.2	2.6	1.9	1.1	1.6	2.7	3.9
Loans as a percentage of private consumption	%	2.3	2.7	1.9	1.1	1.7	2.8	3.9	5.9	...

* €1 = 0.5585 LVL (ECB euro foreign exchange reference rate as of 12 April 2002).

Average growth rate of lending to the private sector in period 1993-95 (statistics summarised since 1993) was 38.5%, and in period 1996-2000, 25.9%.

6. Lithuania

Consumer credit transactions are becoming more popular in Lithuania. At the same time, terms and conditions offered with this type of credit are preferable to those applying before. On 1 January 2001, the commercial banks' overall portfolio of loans to individuals amounted to 574.1 million LTL (approx. €160.3 million). At the end of 2000, the average annual interest rate on loans to individuals in national currency was 12.37%, while it was 10.98% on the same type of loans in foreign currencies. Banks provide the Monetary Department of the Bank of Lithuania with information on annual interest rates of credits granted by them, when consumer credits are separately indicated. The following table comprises more detailed information on the commercial bank loans granted in Lithuania.

*Commercial bank loans, end of period, in LTL million**

Period	Portfolio of loans granted to bank clients (nominal value)			Leasing portfolio of bank subsidiaries (individuals and legal persons included)
	Total	Among them loans granted to individuals		
		Total	Among them consumer credits	
1993	2,018.5	183.7	No data	No data
1994	3,424.4	208.2	No data	No data
1995	3,494.6	224.8	No data	No data
1996	3,355.3	241.1	No data	No data
1997	3,968.4	364.2	No data	129.6
1998	4,735.7	525.1	No data	388.7
1999	5,569.2	660.9	288.4	390.7
2000	5,519.1	574.1	266.3	331.2

* €1 = 3.4523 LTL (ECB euro foreign exchange reference rate as of 12 April 2002).

7. Poland

In the second half of the 1990s, there was a significant increase in all types of consumer credit granted in Poland, and more types of loans have become available in the market. The Consumer Credit Act applies to all consumer credit agreements in which the party providing the credit is an entity that operates as a professional market participant.

The following table indicates the amount of credit extended to private persons (loans to households) in nominal terms for the period 1996-2000 and also as a percentage of GDP. A new reporting system was introduced in Poland as of the end 1996.

Loans to households, 1996-2000

End of year	Credit in million PLN*	Percentage of GDP
1996	11,452.5	2.95
1997	18,042.8	3.82
1998	23,291.4	4.21
1999	35,736.6	5.81
2000	47,483.9	6.93

* €1 = 3.5803 PLN (ECB euro foreign exchange reference rate as of 12 April 2002).

The annual rate of growth in credit to private persons for the period 1996-2000 (previous year =100.0) is as follows: 1997 – 157.5%, 1998 – 129.1%, 1999 – 153.5% and 2000 – 132.9%.

The share of consumer credit as a percentage of disposable income of households and of individual private consumption for the period 1996-2000 is presented in the table below.

Consumer credit, 1996-2000

Year	Consumer credit (million PLN)	Percentage of:	
		Disposable income	Private consumption
1996	10,432.3	3.8	4.3
1997	16,223.9	4.8	5.5
1998	20,302.5	5.1	5.9
1999	29,881.8	6.8	7.6
2000	37,908.8	.n.a.	n.a.

8. Romania

Credit to households (in million ROL, end of period)*

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Short-term credits to households	150	5.199	4.677	47.882	83.446	166.451	227.719	258.014	896.591	580.743	1,079.586
Medium- and long-term credits to households	17.562	56.582	51.478	73.765	114.238	226.769	534.317	1,304.190	2,021.030	2,018.530	2,436.283
Total	17.712	61.781	56.155	121.647	197.684	393.220	762.036	1,562.204	2,917.621	2,599.273	3,515.869

* €1 = 28990 ROL (ECB euro foreign exchange reference rate as of 12 April 2002).

9. Slovak Republic

Credit to households (in billion SKK, end of period)*

	1993	1994	1995	1996	1997	1998	1999	2000
Credit to households	18.6	16.5	15.3	17.8	20.4	25.5	35.9	43.8
Rate of growth (%)	-6.1	-12.7	-7.8	16.3	14.6	25	40.7	22

* €1 = 41.465 SKK (ECB euro foreign exchange reference rate as of 12 April 2002).

10. Slovenia

Lending of banks and savings banks to customers (loans and advances)(in million SIT, end of the period)*

	1991	1992	1993	1994	1995	1996	1997	1998	1999
Banks	126.1	226.2	347.3	416.4	607.9	725.6	862.4	1,108.8	1,237.5
Savings banks	-	1.6	1.4	1.9	3.2	4.0	5.2	7.1	8.2
Total	-	227.8	348.7	418.3	611.1	729.6	867.6	1,115.9	1,245.7
Annual rate of growth (%)	-	-	53.1	20.0	46.0	19.4	18.9	28.6	11.6

* 1 € = 224,0623 SIT (ECB euro foreign exchange reference rate as of 12 April 2002).

Loans to households (in million SIT, end of period)*

	1998	1999	2000	Nominal growth in %, 1999-98	Nominal growth in %, 1999-2000	Real growth in %, 1999-2000
Loans to households	295.938	429.999	483.789	45.3	12.5	3.3

* €1 = 224,0623 SIT (ECB euro foreign exchange reference rate as of 12 April 2002).

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