



ETNO POSITION PAPER

Consumer Credit Directive



Introduction

ETNO welcomes the European Commission's initiative in proposing a Consumer Credit Directive, repealing and updating the current Directive (2008), and bringing consumer protection law with regard to credit agreements up to date, as part of the New Deal for Consumers.

What credit agreements do our members offer?

Our members provide consumer credit agreements, most notably in the form of equipment provided to customers in order for them to avail of services (network access) to which they have subscribed. Such credit agreements may exceed the amount of 200 EUR, and the payment is typically done in multiple installments (which can extend to 24 or 48 months) interest free.

Why are such agreements necessary?

1. **Access to purchased (and essential) services.** In order to be able to avail of services purchased (i.e. Internet / mobile subscription), terminal equipment or Wi-Fi routers are required. If a consumer does not have the means to purchase such equipment on a one-off payment, credit agreement where payment is made by installments not only provides lower-income consumers with access to communication services, but indeed with access to essential services such as emergency communications.
2. **Narrowing the digital divide.** Affordable and accessible access to communication services, especially Internet access, is essential for consumers today, including for interacting with public administration. Credit agreements offered by telcos can contribute to narrowing the digital divide. These advantages include:
 - a. **No need for a third party:** merchants are able to offer such credit formulas themselves, without going through an intermediary in the banking sector, thereby reducing administrative burden for all parties involved.
 - b. **Simplicity:** since such credit agreements can be offered and accepted simply by the in-store or online subscription and registration process, there is an absence of constraints in terms of communication.
 - c. **Low risk of over-indebtedness:** the Commission's intention of expanding the scope of the Directive to reduce the risk of over-indebtedness of households is an important consideration. It must be borne in mind, however, that the risk of such credit agreements offered by telcos contributing to household over-indebtedness is extremely low. Not only is the amount involved low and the timescale (24-48 months) short, but there is minimal-to-no interest charged, and the payment is made in the form of a mobile / Internet bill, which is generally accounted for as part of a household's normal expenses.
3. **Stimulating investment.** As 5G auctions conclude, the EU is seeing the ever wider roll-out of 5G across the territory. Packages offering 5G connectivity services, bundled with a 5G-ready device, make 5G accessible to a considerably wider proportion of the population, boosting the demand and stimulating investment into 5G infrastructure and services.

What is the risk with the new proposal?

Credit agreements offered by telecoms companies do not fall into the scope of the present Directive. As indicated by the Commission, the stated aim of the new Directive is to enhance consumer protection and benefit for consumers in the digital age, and this by expanding the scope of the legislation and removing some of the exemptions from the 2008 Directive. This is based on the assumption that credit agreements falling outside the scope of the current Directive have a detrimental effect for consumers, notably in the form of short-term high cost loans. Maintaining out of the scope credit agreements such as those offered by telecoms companies would ensure what consumers consider to be a responsible payment facility, as operators sell equipment for the consumption of electronic communications services free of interest to customers who are long-term users of such services, and the operators are aware of their payment history and payment options.

However, for the reasons stated above, credit agreements offered by telecoms companies do not have a detrimental impact on consumers, nor do they lower the standard of consumer protection offered in the EU. By contrast, such agreements raise the level of access to communications services and contribute to lowering the digital divide. Experience from operators is that the use of the payment facility is an important factor for customers to have access to digital equipment and services, which would otherwise not be available to them unless taking out a formal bank loan or other type of credit with a third party.

If these credit agreements are subject to the requirements of the new Directive, the benefits to consumers will likely be lost, as the telecoms companies in question will be unable to offer such agreements and observe the new obligations. This would include the obligation to assess the creditworthiness of the consumer (art. 18), which presents administrative challenges, and renders the agreement slow and cumbersome to both the companies and consumers involved.

How can this be amended to enable credit agreements from telecoms companies?

In order to safeguard the beneficial credit agreements offered to consumers by telecoms companies, credit agreements should be clearly excluded from the scope of the Directive where the credit is granted free of interest and without any other charges, and additionally, credit agreements under which a credit provider, whose principal activity is not the provision of financial services, grants the borrower credit free of interest and other charges, intended to finance goods necessary for the use of the services purchased by the consumer (e.g. network access) and provided by the credit provider (in this case, telecoms company).

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