



Dear Sir or Madam,

ACCIS (Association of Consumer Credit Information Suppliers) welcomes the opportunity to respond to the European Banking Authority's (EBA) Consultation Paper on the draft Guidelines on Creditworthiness Assessment. Clear guidelines on the actions to be taken by mortgage lenders to assess the creditworthiness of borrowers are important in order to ensure the sound implementation of and compliance with articles 18 and 20(1) of the Mortgage Credit Directive (MCD), which are intended to prevent irresponsible borrowing and lending as well as situations of financial hardship for borrowers.

While ACCIS is largely supportive of the proposed wording of the main provisions of the draft Guidelines, it would recommend a wider and more specific approach towards the factors of the creditworthiness assessment, whereby the EBA Draft Guidelines focus excessively on income assessment and largely ignore other important elements. In addition, the Draft Guidelines should be more specific about the independent sources of data that mortgage lenders should consult in order to assess the creditworthiness of a borrower.

In particular, ACCIS is of the opinion that focusing only on the income of the borrower is insufficient for assessing the consumer's ability to meet his or her obligations under the credit agreement. Income is only one of many elements of creditworthiness. In addition, income is difficult to predict over a long period of time and especially taking into account the typical length of mortgage credit agreements, which usually exceeds 20 years. Therefore, to reduce the risk of default and over-indebtedness of the borrower, it is important to consider also other indicators of creditworthiness, such as the consumer's past credit performance and his or her existing obligations beyond mortgage and other bank credit.

In the experience of ACCIS and its members, consumers vary greatly in their ability to manage their income and expenditures. The same level of income and non-discretionary expenditures may result in a perfectly safe financial position for some consumers, while for others the income may prove insufficient to cover their non-discretionary expenditures when a further loan is taken out. However, the consumers usually demonstrate their ability or inability to manage their income through their credit history. It is important to consider not just the history of the consumer where obligations resulting from credit contracts properly speaking are concerned, but also where the history of payments of other obligations (i.e. telecommunication services, utilities) is available.

We would therefore suggest to include a new section 5.2

"5.2 The creditor should assess the demonstrated ability or inability of the consumer to manage his or her income and expenditures by obtaining and evaluating the credit history, as well as other relevant factors that could influence payment obligations, obtained from relevant independent databases used in the Member State for assessing the creditworthiness of consumers".

As regards the sources of creditworthiness information, it is important to include in the Guidelines a provision encouraging mortgage lenders to consult external credit databases. Relying only on information provided by the consumer or available to the lender internally is usually not sufficient to obtain a full picture of a consumer's creditworthiness and ability to repay his or her mortgage credit.

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Often, when entering into a credit agreement consumer is not capable to provide a full and objective overview of his outstanding obligations and related expenditure. Therefore, consulting an independent external database, such as a credit bureau or credit register, helps the lender to assess the expected regular expenditure of the consumer and his or her performance on obligations in the past. Based on such information from an independent external database, the lender will be better equipped to predict the ability of the consumer to repay the loan, than based only on the internal information of the lender and on the information provided by the consumer. In addition, information provided by external databases is impartial and is not subject to bias, differently from the information provided by the consumer or available to the lender internally. Therefore the Guidelines should include a provision requiring recommending lenders to consult external databases when performing creditworthiness assessments.

It should be noted that the MCD explicitly recognises that consultation of a credit database is a useful element in the assessment of creditworthiness and encourages the use of external credit databases - private credit bureaus and public credit registers (see, paragraphs 20, 59 and 60 of the preamble to the MCD, and Article 21 MCD). Therefore, the Guidelines should explicitly include external credit databases in the list of sources that should normally be consulted in the process of creditworthiness assessment. This could be done by including the following wording in article 1.2. of the Guidelines (the proposes text is highlighted in bold):

"1.2. The creditor should use necessary, sufficient and proportionate information, that can be evidenced and that is provided by sources that are independent of the consumer. In particular, the creditor should consult independent external credit databases, in order to obtain information on the consumer's creditworthiness."

ACCIS would like to thank the EBA for the opportunity to respond to this consultation and to present its suggestions regarding the text of the draft Guidelines.

We remain at your disposal, should you be interested in discussing our comments in more detail. For any questions regarding the position of ACCIS on the draft Guidelines, please contact the secretariat of the association at: secretariat@accis.eu, tel: +32 250 01527.

Yours sincerely,

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