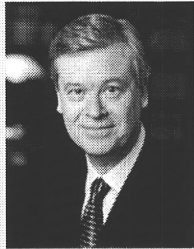




Consumer Voice

Newsletter on food safety, health and consumer policy
from the European Commission's Health and Consumer Protection DG

October 2002, Edition 8/02



David Byrne,
Commissioner for
Health and Consumer Protection

Revised rules for better consumer protection

Borrowing money is a complicated process and it is not always clear what a loan actually costs or what the terms and conditions mean. It can be equally difficult for the lender to assess just what the borrower needs or can afford or indeed what his or her responsibility is to the borrower.

As part of our overall plan for radical reform of current EU rules, a Directive dating back to 1987 governing consumer credit has been overhauled to give greater consumer protection in this highly important area. Credit is part of our lives. We need to be able to borrow – and lend – safely, anywhere in the EU.

The new proposal for an updated Consumer Credit Directive, adopted by the Commission, looks at the big picture and aims to ensure genuine transparency and comparability of credit offers through a set of common rules that will apply across borders. I hope the Member States and the Parliament agree.

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Credit protection for modern lifestyles

European Commission Delegation
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“Neither a borrower, nor a lender be; For loan oft loses both itself and friend...” Sound advice from father to son that does not appear to have been taken in Shakespeare’s time and certainly would be unlikely to be taken now when living with credit is a fact of life. Reflecting that reality, methods of borrowing and lending have become more sophisticated over time and the Commission recently overhauled and revised current EU consumer credit rules to meet the need for new measures that can cope with the changing realities of our fast moving world.

The proposal for a new Consumer Credit Directive, was adopted by the Commission on 11th September. Explaining the necessity for a new directive, Commissioner David Byrne told Consumer Voice Newsletter how in the EU alone, Eur 500 billion has been borrowed by consumers. “I have been determined to make sure that their interests are well protected within a framework that acknowledges the importance of credit for our modern lifestyles,” he said. “Current EU rules date back to 1987, and have not managed to keep up with the rapid evolution of the sector. They were designed to deal with a cash society and have to be changed.”



CEE: XXIV/14



■ Home loans are not covered in this proposal

The classical home loan is a singular exception as home loans are dealt with through a recent Commission Recommendation and a European Code of Conduct. However, Commissioner Byrne has made it clear that if these measures are insufficient consumer protection, he will propose tougher laws.

■ Responsible lending

The key element in responsible lending is that the lender should be able to show evidence of having given careful consideration to the borrower's ability to pay, before granting the loan. This is important because if the borrower is unable to pay back the credit, the lender must be able to show that care has been taken in advance.

Lenders would also be held responsible for suppliers of goods and services acting as their credit intermediaries. For example, a consumer might take out a purchase loan – such as a car loan – through a retailer, or be granted a credit card issued by a retail outlet. These retailers could be described as intermediaries as the actual loan backing the credit for the purchase is provided by a different lender. The same level of care will be expected from the intermediary when acting for the original lender.

■ Protecting consumers from abusive lending practices

The proposal covers setting up a register of lenders and credit intermediaries and sets out ground rules for the operation of intermediaries.

Personal guarantors would also be protected and would have the same right to information as the borrower.

Consumers would have the right to withdraw from the credit contract within 14 days without having to justify it and without repaying anything other than the principle and the interest due for the days the loan was held.

Consumers would also have the right of early repayment of a loan although they would have to pay a fair and objective indemnity to the lender.

Strengthening and broadening existing credit protection rules

One change will be to fully harmonise consumer credit rules across the EU. As things stand at the moment, Member States have brought in differing levels of national legislation implementing the existing directives to keep pace with change. The new directive would strengthen the protection offered by some Member States.

The scope of cover provided by the Directive covers all consumer credit – no matter what form it takes – whether hire purchase, overdraft, rolling credit, financial leasing or any other of these kinds of credit facilities. The amount – no matter how high or low – will be covered. Any guarantee used to support a request for credit will be covered, including insurance and mortgage-backed credit in the sense of using your home as security for a loan.

One objective of the proposal is to improve the transparency and comparability of credit offers. The annual percentage rate (APR) shows the total cost of a loan to the consumer, inclusive of payments to the lender or intermediary, the taxman or other third party. The new directive introduces two new terms: sums levied by the creditor (SLC) and the total lending rate (TLR). SLC covers what the consumer pays to the lender and the TLR shows what this indicates in percentage points. These new terms should make it much easier to compare lender offers on a national and cross-border basis.

For maximum benefit, the borrower and the lender need to get as much relevant information as possible. Consumers need to get precise information on the APR, repayment and withdrawing arrangements, so they know exactly what to expect. Information for the lender should be improved too. The borrower, for example, must disclose all relevant information so that the lender can determine the exact risk of a loan. If the risk is low, the cost will be low too.

Responsible lending needs the right conditions to work well and needs better access to good quality solvency data across borders. At the same time, respect for, and protection of individual privacy, is built into the proposal. The quality of the data itself is also to be strengthened in the new Directive, through ground rules that will govern the operation of existing databases on “payment incidents” or the failure of a borrower to repay a loan.

To find the full text, please go to: http://europa.eu.int/comm/consumers/policy/developments/cons_cred/index_en.html

EFSA powering up to full strength

The vital preparatory work is done and the Management Board has been set up, opening the way for the European Food Safety Authority (EFSA) to enter into its core development phase. Its members quickly moved to nominate Geoffrey Podger, the current Chief Executive of the UK Food Standards Agency, as Executive Director for the Authority.

Mr Podger attended the Environment Committee meeting in the European Parliament on 22 October in Strasbourg where he made a statement and answered MEPs questions. His nomination was endorsed by the European Parliament's Conference

of Presidents on 23 October, paving the way for the Authority to power up the move towards full operational capacity.

The responsibility for the overall set up and operation of the Authority is a shared one, with the Management Board making sure that it functions effectively and efficiently, and the Executive Director taking charge of the day to day management. Once the Executive Director takes up his post, he will work closely with the Management Board to set up the Advisory Forum, the Scientific Committee and Panels and to appoint the full complement of staff to run the Authority.

Seamless transition from Commission to EFSA management

From the moment the European Food Safety Authority acquired its own legal identity in January of this year, the painstaking business of setting up a firm foundation for the Authority has been under way. The aim of the Commission has been to create a seamless transition from management of the functions of the Authority by the Commission, to independent management of those functions by EFSA itself.

Work began with the search for the right people to run the Authority in the form of a Management Board and Executive Director. Many senior figures in the field of food safety applied to be members of the Management Board and, from these applications, the Commission drew up a short list of candidates. In July, 14 Board members were selected from the list by the European Council in consultation with the Parliament. The 15th board member is the Director-General of the DG for Health and Consumer Protection, Robert Coleman, who represents the European Commission.



The Board held its first meeting on the 18 and 19 September, in Brussels, where they discussed the rules of procedure for the Authority, the budget and other financial matters. They also elected Dr Stuart Slorach as Chair of the Board and Ms Catherine Geslain-Lanéelle and Ms Deirdre Hutton as Vice-Chairs.

To find out more about EFSA, go to: <http://www.efsa.eu.int>

New EU precautions against infectious animal diseases

Determined to take every action possible to prevent infectious animal diseases from crossing borders into the EU, the Commission has tightened up the rules on the kind of food people can bring with them from a number of third countries into the EU. It is not enough to impose restrictions that apply only to importers, when a disease such as foot and mouth disease (FMD) or classical swine fever can be carried in a packed lunch or gift for family members living in the EU.

Putting the foundation in place

- The Advisory Forum will be composed of representatives of national bodies with a similar food safety remit to that of the Authority and will be chaired by the Executive Director. This Forum will make a significant contribution to the important task of ensuring an integrated EU-wide approach to food safety.
- The Scientific Committee and Panels will replace the existing Scientific Committees that currently advise the Commission, and it is they who will carry out the core risk assessment work of the Authority.
- In addition, EFSA will have its own scientific staff, who will be able to undertake work on the initiative of the Authority, and who will provide scientific support whenever food safety incidents or crises arise. It is expected that the Scientific Committee and Panels will be in place in early 2003, making the Authority scientifically operational from that time.

■ EFSA responsibilities

The Authority is to provide independent scientific advice – primarily to the Commission but not exclusively so – and will assess risks related to the food chain. It will ensure that EU food safety decisions are based on the latest and best scientific advice, not just from Europe, but from all over the world. It will also ensure that the general public is given key information about food risks. The responsibility of the Authority extends to cover all stages of food production and supply, from primary production to the safety of animal feed and to the supply of food to consumers.

So from 1 January 2003, travellers from outside the EU may not bring meat or milk products with them if they want to cross EU borders. The proposal makes concessions for the needs of small children and invalids. Powdered infant milk, infant food and special food required for medical reasons can be carried by travellers, provided it does not need to be refrigerated before consumption, that it is a packaged proprietary brand product and that the packaging of the product is unbroken.

Commissioner Byrne says the measures are a necessary precaution to prevent further possible outbreaks of animal disease in the EU. Action to impose them was taken in response to recommendations from the Food and Agriculture Organisation (UN), the International Conference on the Prevention and Control of FMD and the European Parliament Temporary Committee on FMD. These fora identified travellers carrying meat and milk products as an open pathway for additional potential risks, not only for FMD and classical swine fever, but also for other important infectious animal diseases such as African swine fever and avian influenza.

To help make sure that passengers are aware of the new rules, posters can be requested – free of charge – from the Commission. They are available as a PDF file in Arabic, Bosnian, Croatian, Hebrew, Japanese, Macedonian, Russian, Serbo-Croatian, Albanian, Serbian, Chinese, Turkish and Swahili. They are of course also available in all EU languages and in all candidate country languages. To request a poster contact: Ilse.Gordts@cec.eu.int

The packet must say it: smoking kills

Smoking kills. This is one of the two unambiguous messages that should feature large and in bold type on cigarette packets from 30th September 2002. “Smoking seriously harms you and others around you” is the alternative message that can be shown on the front of the packet. Further warnings will be shown on the back and can be any one of a series of 14 that include messages such as “Smokers die younger”, “Protect children: don’t make them breathe your smoke” or “Smoking causes ageing of the skin”.

Commissioner David Byrne welcomed the end of the implementation period of a tough new directive governing the manufacture, presentation and sale of tobacco products. “The EU is firmly committed to reducing the death toll from smoking. This is a highly pertinent piece of legislation and should help to achieve our objective of reducing the number of people smoking from one third of the European population to less than a fifth,” he said.

The new rules will become stronger over time bringing additional restrictions into force from 30th September of next year. From that date, the use of words like “mild” and “light” – words that can lead the consumer into the mistaken belief that some cigarettes are safer than others – will be banned. In addition, limits are set for the amounts of tar, nicotine and carbon monoxide that can be marketed in the EU.

For the full text of the directive, go to: http://europa.eu.int/eur-lex/pr/en/obj/dat/2001/l_194/l_19420010718en00260034.pdf



▲ Commissioner David Byrne receives the prestigious Goethe trophy in recognition of the decisive action he has taken as Commissioner for Health and Consumer Protection, to prevent smoking.