

Dear members of the Financial sector

The Covid-19 crisis has already had a profound effect on European social and economic life. A recession looms. With governments pledging their support for companies that find themselves in financial stress, we- the ECDN, European Consumer Debt Network- urge governments and creditors to do the same for European citizens that experience grave problems with their household finances because of the impact of the virus.

There are usually several reasons why households experience financial problems. Our members- organizations know that financial problems and over-indebtedness occur whenever households are no longer able to fulfil their financial obligations because of so-called life events (illness, unemployment, divorce, etc). It seems we now have to add a global pandemic to the list of events that cause severe financial stress.

Already we see companies laying off staff or reducing the number of (paid) working hours, already we see a sharp drop in the number of orders for the self-employed, not to mention the income loss experienced by those that fall ill. How we, as a society react to this challenge will co-define our economic future in the coming weeks and in the post-crisis environment. The households in question are both consumers and producers and they can either remain productive parts in our financial future or will burden or social system for many years to come.

We need to express our concern for the recently unemployed, who now fall back on social benefits. We are concerned with the fate of the self-employed. But we are also concerned with the hundreds of thousands of households in Europe who are currently in debt- regulation arrangements with the help of our debt-relief agencies.

The members of the ECDN are working hard to maintain their services so as to continue budgeting and financial coaching services. They work hard to provide financial advice to households under financial stress, they are working hard to come to voluntary arrangements with you, the creditors. Many of our clients have more than 15 creditors, both with government agencies and with private parties, that need to be restructured. The pressure on our support system will in the next weeks and months no doubt increase and we depend on your cooperation to prevent financial stress and to (continue to) resolve problematic debt.

At the ECDN we have been working hard this week gathering as much information as possible on COVID19 and debt advice across Europe in an effort to distribute this information to as many people across Europe as possible. It is our hope that this information first of all will make it easy for the many people in Europe who are now experiencing the financial difficulties mentioned earlier in this letter, secondly, we hope that this information will strengthen the effort and work of our members and other debt advice organisations across all of Europe - We have so far received important information from several of our members - you can find it all [Here](#).

### **What do we ask?**

1. Flexibility; be flexible when your clients face financial trouble and have problems fulfilling their contractual obligations, both in relation to consumer goods and in relation to housing loans. Follow for example the good practice of banks that decided to create a “payment holiday” of several months and decided to move the payments missed now to the end of the contractual period.

2. Responsibility; make sure those that face a sudden drop in their income can make use of funds to temporarily supplement their income, especially the large group of self-employed in Europe. Or follow the example of basic service providers- water, electricity, natural gas- that have decided for the coming period not to terminate service delivery despite clients missing some payments.

3. Cooperation with debt-relief agencies; make sure you contact debt-relief agencies in your country when you notice households experience payment problems due to the corona crisis. On the ECDN website you find a list of national agencies and organizations that provide debt advice and debt relief.

4. Last but not least, accept that some households cannot under the current circumstances fulfil all of their payment obligations. Consider accepting a partial default on payments. By doing so you choose to take some losses, but you also make sure contracts are still performing. We feel that on the longer-term this is a better solution for you and for your clients than to insist on full repayment.

The members of the ECDN often cooperated closely with their national creditors and their representative organizations. No doubt in the coming period the cooperation between you and the debt-relief agencies will be tested. What if there are larger numbers of debt-relief clients whose arrangements with the creditors can no longer be served? Our advice would be to communicate with your partners in the debt-relief community about such cases and to find solutions that work for the bulk of the clients. For us the most important matter is how such clients can find their way back to a life without debt. Keeping current arrangements alive is crucial.

Many countries in the EU have systems of debt advice and debt relief. Some systems are however more developed than others. There are also some countries who only have few if any debt advice or debt relief structures. We are sure that in the coming period countries with better debt advice and debt relief structures will cope with the financial consequences of the corona crisis better than countries that have no or weak structures. We feel that the corona crisis might be an opportunity to improve existing systems or to create new systems where they do not exist yet. To this end the ECDN and our member organizations are ready to provide our knowledge and experience.

Stay Safe!

Best wishes,

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