

ECDN NEWSLETTER



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Introduction

Dear members of ECDN

We hope that you have had a great and relaxing summer. This summer has been very busy in the ECDN, as we have focused immensely on the EU Call: Grants for actions for promoting stable debt advice services.

We have spent the summer establishing contact with several organizations all over Europe, obtaining information, and creating the application for the call. Other than that, we have been busy with follow-up projects and making sure we stay up to date with the current state of debt advice/counseling in Europe. You can read more about what has been keeping us occupied down below!

Corona Follow Up

Following the corona pandemic, it is essential to question the current impact it has had within the financial sphere. A report from Euro Fund has shown an increase in financial inequality, where over 50% of the respondents can be classified as being financially fragile. In this context, it means that without an income their current savings would not be enough for them to maintain their standard way of living for more than three months.

These results show the importance of people's jobs, and how a loss of their job, due to a pandemic, can be crucial. Furthermore, the report also shows how a widespread of those who applied for any form of financial support has been rejected. The financial household within the Member States has been shown to vary considerably.

This has been documented through multiple official surveys and larger probability-based surveys. Furthermore, a survey using the proxy "making ends meet" shows that over 8 out of 10 people who requested financial support, did not receive it and are now having trouble making ends meet within their household.

These surveys show the importance of how the corona crisis calls for financial action. We at the ECDN, therefore, believe that these results underline the importance of our everyday work, and how financial literacy regarding budgeting, etc. is necessary to help individual households within Europe to making the ends meet.

Grant for actions - Promoting stable debt advice services

On the 22nd of June, the European Commission called for proposals for the EU action grants, in the field of Consumer Protection, under the Consumer Protection part of the Single Market Programme (SMP Consumers).

The Call covered grants for action within 13 member states, which strongly needed sufficient debt advice initiatives. The Call presented two overall objectives:

- 1) Increasing the accessibility of debt advice services to EU Consumers and*
- 2) Improving the operational effectiveness of the structures for providing debt advice services to EU consumers.*

Unfortunately, there were technical issues when uploading the proposals for the different countries. This had the outcome of us not being able to apply for all the intended countries. We, at the ECDN office, made sure to notify The European Commission about these issues, as we have sent out an official complaint.

This is a very unfortunate situation. However, we are certainly not wasting time, as we are searching for other avenues to still be able to provide you with the support needed from the ECDN. The outlined surface is therefore useable for private funding. We will keep you updated along the process and will invite you to an online meeting as soon as we receive a response from the EU.

Lastly, we would like to give a special thanks to; Bistra Vassileva, Pierre Willy, Katanalotis, CCA, Germana Giombini, Kupsys Kestutis, Rodica Diana Apan, Peter Daniel, Carlos Javier, Dieter Korczak, Rita Hornung, Gwen Harris, Adrian O'Connor, Pauline Dujardin, and many more. We simply could not have done it without you.

Consumer Credit Directive following COVID-19

On the 1st of July, the European Commission issued a proposal for the improvement of the current Consumer Credit Directive. The purpose of the proposal is the implementation of stricter rules for consumer credit deals. This proposal was motivated by the surge in online shopping during COVID-19. The new proposal for the directive has been influenced by the ECDN, which you can read more about below!

The objectives of the new Consumer Credit Directive proposal are:

- *To provide the consumers with the relevant information related to credits, that is adapted to digital devices.*
- *To cover loans below EUR 200 and assess creditworthiness*
- *To set caps on interest rates in Member States.*
- *To ban practices that exploit consumer behavior*

This proposal is a step in the right direction, in creating legislation on an EU basis, that protects the consumer in terms of the prevention of debt.

Additionally, we are so proud to announce that the new proposal for the CCD has been influenced by the ECDN, as several articles in the directive proposal include our suggestions for change.

Namely, article 25 and article 36:

- *Article 25: ...In the event of a significant overrunning, the consumer must be alerted and informed of the conditions that apply.*
- *Article 36: (debt advisory services) requires Member States to ensure debt advisory services are made available to consumers.*

We are incredibly proud of our work, and we are elated that our hard work is making a difference. Thank you to our members, for continuously making it possible for the ECDN to influence debt advice service standards in the EU.

The EU Commission has planned a meeting, to discuss the future of the CCD. This meeting will allow for the participating parties to share their opinion on important topics surrounding the CCD.

The Management Committee of the ECDN will participate.



Financial User Group

In 2010 the European Commission set up The Financial User Group (FSUG) to involve users of the financial services in policymaking. The tasks of FSUG can be described as followed:

- “to advise the Commission in the preparation and implementation of legislation or policy initiatives affecting the users of financial services”
- “to proactively identify key issues affecting users of financial services”
- to advise and liaise with financial services user representatives and representative bodies at the EU and national level”

The FSUG consists of 20 members which represent retail investors, the interests of consumers, individual experts, etc.

We have encouraged our members to apply for the FSUG and are awaiting a response. We hope that our members will create a difference since we believe that our members' expertise and knowledge are more than sufficient for applying for a spot in the FSUG.

We believe that our participation within this group will not only better the current financial services, but also be a key element in the desire to prevent individuals from indebtedness.



Management Committee Meeting



On the 27th of September, the ECDN had an online meeting with the Management Committee. The overall aim of the meeting was to catch up with the activities which have occurred over the summer

The different countries represented within the management presented their activities and outputs with the aim of sharing their experiences across countries. Furthermore, the meeting also focused on the upcoming general assembly through discussion of relevant topics.

The news presented by our president, Sandy Madar, mainly focused on our application for the EU grant, the Financial Services User Group, and the upcoming CCD meeting with the European Union. For further information about these initiatives, we invite you to read the following articles.

We at the ECDN are patiently waiting for our meetings to be physical again as soon as the pandemic has surpassed.



Interview w. FENCA

For this issue, we got the opportunity to interview FENCA (European Federation of National Collection Associations) to find common ground between the ECDN and FENCA. Therefore, we sat down with Claus Spedtsberg, President of FENCA, and Michela De Marchi, Vice President of FENCA.

Q: *Debt advisory services represent borrowers who are in debt or even overindebted, whereas debt collection agencies represent the creditors, including banks, utility and service providers, and SMEs. Does this mean that the relationship between debt advisors and collectors has to be antagonistic?*

CS: It is certainly true that in many countries there has existed and still does exist mutual distrust between collection agencies and debt advisors. As FENCA (European Federation of National Collection Associations), representing 80% of all debt collection agencies in Europe, we are fully aware that our industry suffers from a bad reputation across the board. It is equally the case, though, that in many countries this distrust is based on a complete lack of any form of communication between the two sides, which reinforces long-held views and prejudices and also prevents an actual understanding of how the other side actually works.

Given the importance of making sure that persons who find themselves in debt or are overindebted are given ways out of the situation they find themselves in, ECDN and FENCA initiated a dialogue in order to take start taking down these prejudices and to understand each other's motivations and actions better. As it turns out, this dialogue has already demonstrated clearly, that the relationship between debt advisors and collectors does not have to be antagonistic at all, but that there is actually quite a bit of common ground that can be found, which in the end can certainly be of benefit of persons in debt.

Q: *That sounds too good to be true. Could you be a bit more specific as to where common ground can be found?*

CS: The exchanges to date between ECDN and FENCA have shown that there are certain principles we can agree on. These include:

- ECDN and FENCA recognise that debt advice services and debt collection agencies should find ways to work together at a national level in the interest of indebted persons and overindebted households
- A higher degree of coordination and communication between the debt advisor and the debt collector is essential to secure the fair treatment of both the person in debt and the creditor

- Debt advisors and debt collectors share a common interest in that they want to develop tailor-made solutions together with a person in debt or an over-indebted household that allows them to pay their debt in a way that is reasonable and possible for them.
- On that basis, debt advisors and debt collectors should actually work together to find the best solutions.
- ECDN and FENCA also share the view that more needs to be done to prevent private persons to get into a situation where they find themselves in debt in the first place. Of course, very often there are events in life, such as sudden loss of job or separation, which are unforeseen and will put anyone into financial difficulties. We think, however, it is important to allow for much better creditworthiness checks in general before consumers can take out loans which effectively, they are not able to afford to begin with.

Q: *Debt advisors and debt collectors working together sound good – theoretically. Do you have examples where this works?*

CS: I am not only the president of FENCA, but also the president of the Danish FENCA member, the Danish Debt Collection Association (Dansk InkassoBrancheforening), and here in Denmark this already works very well. Collection agencies talk to debt advisors and pragmatically find solutions for persons in debt.

One of the main advantages we find when working with debt advisors is that we “speak the same language”, so to speak. We understand what a sustainable solution could look like while leaving the emotions and sometimes antagonistic feelings that the person in debt and the creditor may feel towards each other, out of the equation. It certainly helps that my counterpart as CEO on the debt advisors’ side in Denmark is Sandy Madar, who is also the president of ECDN. But don’t get me wrong: this does not mean that we have this kind of collaboration in all other EU jurisdictions. But it is a very good start and FENCA and ECDN are working on building on this.

Q: *Are there any other countries where this is being developed?*

MdM: This is indeed something that we are working on in Italy also. Though there are no public debt advice services in Italy, we have found an alternative approach. Unirec, the Italian Association of Debt Collection, has a very good relationship with the main consumer organisations in the country. In fact, we have a government-supported institutionalised forum, called Forum Unirec Consumatori, through which we are in continuous exchange and interaction, including the possibilities of debt advice and the interaction between debt advisors and debt collectors.

Q: *So does FENCA generally support the strengthening of debt advice services?*

MdM: Absolutely! FENCA fully supports the European Commission's actions to extend the availability and improve the quality of debt-advice services for European households. We have actively participated in the online workshop series in January and September this year on "Good Practices in Debt Advice". Italy was one of the examples, and it was also good to see that in a number of other jurisdictions the dialogue between debt advisors and debt collectors is starting to become part of the solution at the local level.

We also think, though, that it is not enough to just increase debt advice across the EU quantitatively. The actual quality of debt advice in some jurisdictions has to be increased too. We often notice that the competence of debt advisors differs widely even in the same jurisdictions, and that is not always to the benefit of the person in debt. Debt advisory services are often voluntary and that is highly commendable, so at least they need to receive the financial means to train advisors appropriately and to monitor their quality.

Q: *You mentioned the quality of debt advice. How about the quality of debt collection?*

CS: That is a fair point. The majority of debt collection agencies are professional companies that act responsibly and focus on the fair treatment of the person in debt.

In fact, apart from the respective national set of rules provisions for debt collection in the various jurisdictions, each member organisation of FENCA has codes of practice for fair collection in place – it is a condition for FENCA membership. FENCA itself is active in developing further codes, including a Code of Conduct with regard to GDPR. However, not all of the debt collection agencies in Europe are members of the national industry associations. So we are aware that there are still lots of black sheep active on the debt collection market, and we will need to address this further.

Q: *What is next for ECDN and FENCA?*

MdM: ECDN and FENCA will continue the work that we have started and use the good examples of cooperation between debt advisors and collectors as models for other jurisdictions. FENCA has been planning to put together an event focussing on consumer policies and activities, where the provision of debt advice will play a central role. Unfortunately, COVID-19 has meant that we had to postpone several times since I think it is important that we meet face-to-face.

More than anything the exchange with Sandy Madar and other members of ECDN has shown, that the cornerstone for our intended cooperation to become a success is to deconstruct stereotypes on both sides and to start building trust. This is only possible when you sit around an actual rather than a virtual table. So, we look forward to having the event next year with ECDN as one of the main stakeholders.

Debt Advice in Slovakia

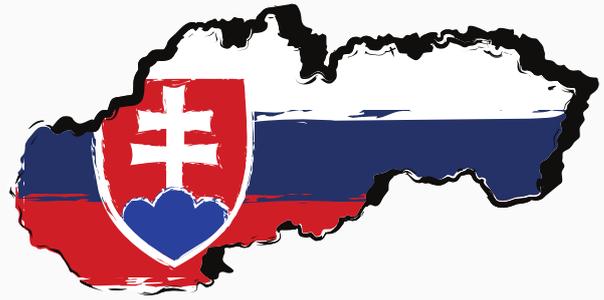
For this issue of the newsletter, and for the coming issues, there will be a new focus on debt advice services in EU countries. In this issue, the country in question is Slovakia. Therefore, an interview was conducted with Peter Daniel, Accounting Director at IQVIA.

Alongside other colleagues, Peter Daniel has founded a national Free Debt Advisory project in Slovakia. While it is possible to find financial and legal advice in Slovakia, there are no free offers that are specific to debt.

Additionally, most legal advice in Slovakia is commercialized, which excludes marginalized citizens that do not have the financial resources to pay for legal services.

Therefore, the Free Debt Advisory has been established. The goal of the advisory is to create offices in 46 cities around Slovakia. Each office will have the same structure, consisting of one administrator and three advisors – the advisors will consist of three people each specializing in financial advice, legal advice, and psychological and social advice.

This structure is created to ensure a well-rounded advisory that can benefit marginalized citizens in several aspects.



While this project is new and still in its beginning stages, two offices have already opened, while the hiring process has begun for seven other offices.

With nearly 50.000 people undergoing personal bankruptcy in Slovakia, the purpose of the free debt advisory initiative is to prevent personal bankruptcy. Additionally, considering that more than 200.000 Slovakian households live below the official EU level of poverty, this initiative is extremely important to help marginalized citizens in Slovakia.

This initiative is not only unique to Slovakia but to many other EU countries, as it collaborates with the Slovakian government. Working closely with the ministry of labor, social affairs, and family, the aim is to open a free debt advisory office in each of the local labor, social affairs, and family offices in 46 cities.

The governmental and political support of the free debt advisory initiative in Slovakia is truly inspiring and invites reflection over our own debt advisory models in our respective countries.

New Faces at the Office

At the ECDN coordination office, we welcome our two new political interns. They both look forward to contributing to ECDN's fight against over-indebtedness and help spread awareness on the necessity of accessible debt management in Europe.

Our first new political intern at the ECDN coordination office is Jessica. Jessica has a bachelor's degree in sociology and is currently studying for a master's degree in International Studies. She is interested in inequality and looks forward to using her expertise within both social science and international encounters.

Our second new political intern at the office is Nadin. Nadin has a bachelor's degree in International Business Communication in English and is currently studying Intercultural Studies. She is interested in cultural perceptions and -differences, and how they manifest themselves. She is looking forward to using her expertise surrounding culture and communication to contribute to the objectives of the ECDN.

Where to find us

Remember if you want to be sure to stay 100% updated on everything that happens within the ECDN please follow us on either Facebook, LinkedIn, or Twitter – or all of them, and remember to like and share our posts, to ensure that the messages of the ECDN reach a wider audience.



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