



Recommendations for the Consumer Credit Directive

This briefing raises five priority issues for the review of the Consumer Credit Directive (CCD):

1. Ensure a harmonized definition of green loans at EU level
2. Ensure that green loans are available
3. Ensure that green loans are affordable
4. Ensure simple access to green loans through one-stop-shop platforms
5. Ensure creditor knowledge on green loans.

Background

To achieve the 55% emission reduction target by 2030 set by the EU climate law, it is necessary to transition towards more environmentally-friendly lifestyles. For such a crucial transition to occur in practice, substantially increased investment in energy-efficient housing and sustainable transport is required.

However, such environmentally-friendly options can be synonymous with high upfront costs. Therefore, as highlighted by the Commission's EU Renovation Wave Strategy, it is essential to funnel private green financing on top of public funding. In addition, it is crucial for the transition to be effective to create the right financial incentives. In practice, this means that sustainable lending must be readily accessible and affordable for consumers. Thus, consumers need beneficial financing conditions to take up green projects.

This carries benefits for both lenders and borrowers alike, as evidenced by the fact that the majority of banks interviewed by the OECD highlight the growth of sustainability-linked loans as a positive development and an opportunity.¹

The review of the CCD is a significant opportunity to define and include green loans and create the right incentives to guarantee that they are available and affordable, while ensuring that related information is accessible.

¹ <https://www.oecd-ilibrary.org/sites/d5c54bd6-en/index.html?itemId=/content/component/d5c54bd6-en>.

1. Ensure a harmonized definition of green loans at EU level

There are multiple definitions of what constitutes a green loan, but not yet a harmonized one. This is showcased by the fact that Member States have adopted several diverging definitions, the European Parliament described green loans in a briefing², and a separate definition can be found in the Green Loan Principles. This carries the risk of incentivizing greenwashing practices, as what is 'green' under one classification will not necessarily be under another.

It is positive to see that in the 2021 Strategy for Financing the Transition to a Sustainable Economy, the Commission set out to improve the inclusiveness of sustainable finance by, inter alia, asking '*the EBA for an opinion on the definition of and support for green loans and mortgages, explore options to facilitate their uptake by 2022, and increase access of citizens and SMEs to sustainable finance advisory services*'³. This further proves the urgent need to develop harmonized definitions of "green loans", which are offered to consumers based on standardised criteria.

The CCD should include a definition of green loans, based on the EU taxonomy.

WWF Recommendation

WWF recommends the development of an EU-wide definition of green loans in the CCD:

- Include a definition of green loans at the EU level, consistent with the EU taxonomy, in Article 3 of the CCD.
- Mandate the EBA to develop more specific definitions for the distinct types of green loans.

2. Ensure that green loans are available

The conditions for consumers to access green loans, for instance to finance products such as energy efficient appliances or electric cars, vary greatly across Member States. In addition, the availability of green loans is generally limited across the EU. Current evidence suggests that while banks are increasingly developing green loans, in practice these are not always advertised nor issued at advantageous conditions for borrowers.⁴

To address this issue, it is necessary to ensure that banks offer a range of affordable standardised green loans in their product catalogue. Accordingly, banks should disclose all necessary related information and properly inform consumers of the existence and benefits of green loan products.

WWF Recommendation

WWF recommends that green loans be proposed in lenders' product catalogues:

- Include in the CCD the requirement for Member States to set up qualitative and where relevant quantitative targets to ensure the development of green loan offers.
- Include a best effort clause for creditors in the CCD to offer green consumer loans as part of their portfolios at favourable conditions for consumers, and to inform the latter of the existence of such products in the first place. The best effort clause should not only cover the development and offering but also the monitoring of such green loans.

² EP [briefing](#), February 2021.

³ Action 2 of the Commission's Strategy for Financing the Transition to a Sustainable Economy.

⁴ BEUC (2021), [Affordable green loans: getting consumers on board of the green transition](#).

3. Ensure that green loans are affordable

When green loans are proposed in the EU, the conditions to access them are not particularly advantageous for consumers. Moreover, potentially high capital costs for e.g. energy-efficiency equipment, combined with a lack of willingness to borrow against uncertain future returns, can act as a disincentive. As such, the green option should become more affordable and attractive, in order to guide consumers in the transition toward a more sustainable economy.

A solution is to incentivise the uptake of green consumer loans by applying lower Annual Percentage Rates of Charge (APRC) caps to green consumer credit products. APRC refer to the total cost of borrowing for a year. If one were to lower such cost, for instance for green loans to finance electric bike or car purchases, borrowers would have a facilitated access to affordable and attractive financing to fund green projects that carry long-term benefits.

In practice, this approach has already started to apply at national level. For example, [Portugal's central bank sets the cap for some green loans \(e.g. personal loans related to renewable energies\) at a lower level](#) than for other consumer credit products.

WWF Recommendation

WWF recommends to ensure that APRCs are lower for sustainable consumer credit products:

- This can be done by amending Art 31 CCD to require Member States to implement maximum APRCs caps for different types of consumer credit products, and require that a lower cap applies to environmentally and socially sustainable credit products.
- On this basis, the EBA shall develop draft regulatory technical standards specifying the method for calculating the APRC caps, adapted to national specificities, and define the main categories of credit products to which the caps should apply in each Member State.

4. Simple access to green loans through one-stop-shop platforms

In addition to available and affordable green loans, consumers should be proposed the right technical advice, assistance and support. In most cases, consumers do not have the technical tools or expertise required to conduct in-depth assessments of the loans they take out and evaluate the long-term consequences. At the least, consumers should have readily available, clear, transparent, accessible information regarding loans they aim to undertake, in order to help them conduct their own evaluation. Consumers shall be provided with guarantees and clear rules in terms of liability and with clear, burden-less processes to follow.

This should be provided through independent and impartial “one-stop shops”. As explained by BEUC, one-stop-shops are an integrated services hub, where borrowers are equipped with a ‘point of contact’ to navigate them through the specifics of their project, access to accredited and reliable installers, and tailor-made financial offers and information about the most up-to-date materials and appliances.⁵ Such one-stop-shops could be the same as those required in the Energy Efficiency Directive, to avoid duplication.

This would be very beneficial to consumers because it would enable them to undertake green investments with confidence. It is crucial for all consumers to have access to such services, including the most vulnerable ones who may not have access to conventional education, internet tools or information networks.

⁵ BEUC (2021), [Affordable green loans: getting consumers on board of the green transition](#).

Importantly, this would also carry benefits for lenders, as the additional technical assessment and support measures would strengthen the quality and reliability of their projects.

As a logical consequence of the above, where consumers directly engage with a creditor to obtain a green loan, the creditor should bear the clear-cut obligation to inform consumers of the existence of one-stop shops where they can obtain additional information before concluding the contract.

WWF Recommendation

WWF recommends to ensure that one-stop-shop platforms are available for consumers:

- In the CCD, Member States shall be asked to ensure that independent and impartial one-stop shop platforms are set up to provide independent technical advice, assistance and support to consumers on environmentally sustainable lending.
- In addition, creditors should inform consumers about the existence of such platforms when presenting them with green loan offers before the conclusion of a credit agreement.

5. Ensure creditor knowledge on green loans

The limited development of green loans means limited creditor knowledge on green loans. However, for such a product to work efficiently, [the OECD finds that it requires a certain investment in terms of staff time, information systems, credit and risk assessment procedures, eligibility checks, reporting procedures, and product marketing.](#)

It is therefore needed to ensure that creditors possess a minimum level of knowledge and competence on sustainable lending opportunities to allow them to land the best options for their consumer's preferences. This can be done through the promotion of specific trainings that can equip them with a minimum level of competence and/or certificates that testify their level of knowledge on the subject.

WWF Recommendation

WWF recommends to include a requirement for Member States to ensure minimum sustainability knowledge and competence for creditors on environmentally sustainable lending where relevant.



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