

Annexe B

A report by Europe Economics for the OFT

**International research: Case studies on Ireland,
Germany and the United States**

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1 Executive summary

Introduction

- 1.1 This report provides the findings of a research study, commissioned by the Office of Fair Trading (the OFT), examining international case studies in high-cost credit. The study provides an input to the review of high cost consumer credit in the UK being undertaken by the OFT.
- 1.2 The case study locations chosen by the OFT are Ireland, Germany and three American states, Michigan, Pennsylvania and Wisconsin. We have also provided a short general introduction to the European and American consumer credit sectors to highlight the common elements across different countries and to clarify the regulatory picture.
- 1.3 The main research method employed has been desk-based research supplemented by a number of telephone interviews with stakeholders.

European market

Overview

- 1.4 Over €1 trillion of consumer credit was advanced to consumers in the EU in 2008, equivalent to 8.75 per cent of GDP. Germany and Ireland both have consumer credit levels slightly above the EU average. Sub prime lending is relatively highly developed in the UK, Ireland and Spain and much less developed in other major markets such as France and Germany.¹
- 1.5 The Consumer Credit Directive of 1987 set minimum rules for consumer credit agreements but there was considerable divergence in implementation between Member States. The Consumer Credit Directive of 2008 seeks to harmonise consumer credit legislation as part of the

¹ There is no standard definition of 'sub-prime'. It is generally taken to refer to lending to customers with a poor credit history or low credit rating who cannot access conventional bank lending.

