

Public consultation on the review of the Mortgage Credit Directive

Fields marked with * are mandatory.

Introduction

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Background for this consultation

The [Mortgage Credit Directive](#) (Directive 2014/17/EU, hereinafter “MCD”) applies to loans to consumers for the purpose of buying residential property (hereinafter, “mortgage loans” or “mortgages”).

Article 44 of the MCD requires the Commission to undertake a review of the MCD considering the effectiveness and appropriateness of the provisions on consumers and the internal market. The Commission started the work on the MCD review with the publication of a [report on the review of the MCD](#) (hereinafter, “MCD report on the review”) assessing its implementation and functioning for 4 years after its transposition deadline. The report was based on a [dedicated study on the evaluation of the MCD](#) (hereinafter, “MCD evaluation study”). It highlighted that the MCD has been effective in raising the standard of consumer protection and has helped harmonise mortgage-lending practices across the Member States. Nevertheless, the level of protection still differs across Member States, and some limitations, in particular in terms of scope and information disclosure requirements for digital delivery, seem to hinder the full effectiveness of the rules. The report also stressed that the MCD had a limited impact on the creation of a single market for mortgages and pointed to the need to ensure that the MCD remains fit for purpose as the market develops and new challenges arise notably from digitalisation and the sustainable finance agenda.

For instance, digitalisation enables new market players to offer new forms of financial intermediation such as peer-to-peer mortgage lending. The industry is progressively getting digitalised, using automated decision-making systems, non-traditional data to assess the creditworthiness, robotic advisors, etc. Consumer habits may also be changing with increasing use of comparison websites to compare mortgage offers and non-traditional means to apply for mortgages. Digitalisation may bring many benefits to the consumers, in particular in terms of easier access to products and lower costs. It may also play an important role for the development of the Single Market. But, digitalisation may also entail new challenges for consumer protection. For instance, digitalisation may facilitate new ways of providing mortgage credit (e.g. through crowdfunding, peer-to-peer lending) without necessarily in all cases being subjected to the safeguards of the MCD. Information disclosures which are not adapted to a digital environment, may make it more

difficult for consumers to fully understand the offer. There may be also a risk of discrimination linked to credit decisions based on algorithms (use of Artificial Intelligence). The recently made [artificial intelligence \(AI\) proposal](#) suggests that AI systems used to evaluate the credit score or creditworthiness of natural persons should be classified as high-risk as they may pose significant risks to the fundamental rights of persons.

Furthermore, buildings in the EU are collectively responsible for 40% of our energy consumption and 36% of greenhouse gas emissions. Improving energy efficiency and ensuring the use of sustainable materials in buildings therefore has a key role to play in achieving the ambitious goal of carbon-neutrality by 2050, as set out in the [European green deal](#).

Also, the COVID-19 crisis has disrupted the EU economy and had a major impact on the credit market and consumers, making many consumers more financially vulnerable. Member States adopted a series of relief measures, such as loan repayment moratoria, to alleviate the financial burden on consumers. It will be necessary to assess whether lessons need to be drawn from the COVID experience.

Finally, the Commission adopted a [proposal revising the Consumer Credit Directive \(CCD\)](#) in June 2021. Given the important similarities between the two Directives, and the need to ensure overall consistency in credit markets, the Commission will need to take the amendments suggested in the CCD proposal and the on-going negotiation of them EU legislator into account.

Responding to this consultation and follow up

In this context, the Commission is launching the present public consultation to complement the information gathered in the MCD evaluation study and to collect further evidence to assess, in line with Better Regulation principles, the effectiveness, efficiency, coherence, relevance and EU value-added of the MCD. The stakeholders are also consulted on the possible problems and measures to improve the MCD.

The results of the consultation will inform a formal MCD evaluation and impact assessment accompanying a possible proposal for the revision of the MCD. The aim is to make sure that the MCD continues to meet its objectives in terms of consumer protection, competitive internal market and financial stability and that it is adapted to new challenges.

The respondents will be invited at the end of the questionnaire to include studies or other analytical material on mortgage credit, which may concern any issues discussed in this consultation paper and might help the Commission services in shaping future EU policies on mortgage credit.

The questionnaire targets all stakeholder groups, but not all questions are relevant for all stakeholders and respondents do not need to reply to every question. It is thus possible for respondents to leave some questions unanswered.

Please note: In order to ensure a fair and transparent consultation process **only responses received through our online questionnaire will be taken into account** and included in the report summarising the responses. Should you have a problem completing this questionnaire or if you require particular assistance, please contact fisma-mortgage-credit-review-2021@ec.europa.eu.

More information on

- [this consultation](#)
- [the consultation document](#)
- [mortgage credit](#)
- [the protection of personal data regime for this consultation](#)

About you

* Language of my contribution

- Bulgarian
- Croatian
- Czech
- Danish
- Dutch
- English
- Estonian
- Finnish
- French
- German
- Greek
- Hungarian
- Irish
- Italian
- Latvian
- Lithuanian
- Maltese
- Polish
- Portuguese
- Romanian
- Slovak
- Slovenian
- Spanish
- Swedish

* I am giving my contribution as

- Academic/research institution
- Business association
- Company/business organisation
- Consumer organisation

- EU citizen
- Environmental organisation
- Non-EU citizen
- Non-governmental organisation (NGO)
- Public authority
- Trade union
- Other

* Who's interests are you representing?

- Credit institutions
- P2p / crowdfunding services providers
- Credit intermediaries
- Insurance undertakings
- Pension providers
- Other

* First name

Eeva

* Surname

Lahikainen

* Email (this won't be published)

eeva.lahikainen@finanssiala.fi

* Organisation name

255 character(s) maximum

Finance Finland

* Organisation size

- Micro (1 to 9 employees)
- Small (10 to 49 employees)
- Medium (50 to 249 employees)
- Large (250 or more)

Transparency register number

255 character(s) maximum

Check if your organisation is on the [transparency register](#). It's a voluntary database for organisations seeking to influence EU decision-making.

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* Country of origin

Please add your country of origin, or that of your organisation.

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- Bolivia
- Bonaire Saint Eustatius and Saba
- Bosnia and Herzegovina
- Botswana
- Bouvet Island
- Brazil
- British Indian Ocean Territory
- British Virgin Islands
- Brunei
- Bulgaria
- Burkina Faso
- Burundi
- Cambodia
- Cameroon
- Canada
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- Gibraltar
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- Greenland
- Grenada
- Guadeloupe
- Guam
- Guatemala
- Guernsey
- Guinea
- Guinea-Bissau
- Guyana
- Haiti
- Heard Island and McDonald Islands
- Honduras
- Hong Kong
- Hungary
- Iceland
- India
- Indonesia
- Iran
- Iraq
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- Tonga
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| <input type="radio"/> Denmark | <input type="radio"/> Liberia | <input type="radio"/> Saint Lucia | |

The Commission will publish all contributions to this public consultation. You can choose whether you would prefer to have your details published or to remain anonymous when your contribution is published. **For the purpose of transparency, the type of respondent (for example, 'business association', 'consumer association', 'EU citizen') country of origin, organisation name and size, and its transparency register number, are always published. Your e-mail address will never be published.** Opt in to select the privacy option that best suits you. Privacy options default based on the type of respondent selected

*** Contribution publication privacy settings**

The Commission will publish the responses to this public consultation. You can choose whether you would like your details to be made public or to remain anonymous.

Anonymous

Only organisation details are published: The type of respondent that you responded to this consultation as, the name of the organisation on whose behalf you reply as well as its transparency number, its size, its country of origin and your contribution will be published as received. Your name will not be published. Please do not include any personal data in the contribution itself if you want to remain anonymous.

Public

Organisation details and respondent details are published: The type of respondent that you responded to this consultation as, the name of the organisation on whose behalf you reply as well as its transparency number, its size, its country of origin and your contribution will be published. Your name will also be published.

I agree with the [personal data protection provisions](#)

1. General questions

Question 1. To which extent do you agree that the MCD has been effective in achieving its 3 objectives i.e.:

	1 (fully disagree)	2 (rather disagree)	3 (neutral)	4 (rather agree)	5 (fully agree)	Don't know - No opinion - Not applicable
Increase consumer protection	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Contribute to an efficient and competitive single market for mortgages	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Promote financial stability	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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Please explain your answer to question 1 and provide suggestions on what can be improved to increase its effectiveness:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Regarding the MCD's objective to increase consumer protection, the effect of the directive on the Finnish mortgage market has been limited since the provisions based on the Consumer Credit Directive were already applied in Finland to all credits granted to a consumer, including mortgages.

The MCD has harmonised the legislative framework for mortgages across the EU, but since the mortgage markets in the different Member States are domestic by nature, the MCD's contribution to an effective and competitive single market has in practice been limited. The development of a cross-border mortgage market is hindered by obstacles which cannot be tackled by a single piece of EU legislation. It is a much broader issue related to, for example, cultural, language and legal differences as well as differences between mortgage and housing markets in Member States.

Concerning financial stability, our understanding is that it has not been primarily the result of the MCD provisions. However, provisions such as the creditworthiness assessment requirements are factors that can indirectly contribute towards financial stability.

In Finance Finland's opinion, there is room for improvement in the MCD articles related to the provision of information to consumers. The information requirements should be simplified in order to avoid information overload. Furthermore, the provisions should allow the supply of mortgages through digital channels. The provisions should be better aligned to the digital environment, and the different customer information requirements should better take into account the different digital formats such as smartphones and other digital instruments available.

Question 2. To which extent do you agree that:

a) The EU-intervention (MCD) was more effective in achieving those objectives than leaving it to Member States acting at national or regional level

- 1 - Fully disagree
- 2 - Rather disagree
- 3 - Neutral
- 4 - Rather agree
- 5 - Fully agree
- Don't know / no opinion / not applicable

Please explain your answer to question 2 a):

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The MCD has contributed more than what could have been achieved by Member States acting by themselves to develop a common framework for mortgages.

b) The overall **benefits (such as increased consumer protection, level playing field) of introducing the EU MCD have outweighed the overall costs linked to its implementation**

- 1 - Fully disagree
- 2 - Rather disagree
- 3 - Neutral
- 4 - Rather agree
- 5 - Fully agree
- Don't know / no opinion / not applicable

Please explain your answer to question 2 b):

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We have no such data about the overall benefits or costs of the MCD. It is also challenging to separate the costs of transposing the MCD from the costs of numerous additions by national law or other simultaneous regulations on the topic.

However, we recognise that the introduction of the MCD has created high costs with regard to system development (e.g. IT system adaption) to adapt to e.g. the creditworthiness and pre-contractual information requirements.

We have not observed corresponding benefits for the consumers. On the contrary, information overload has become a problem since the introduction of the MCD.

c) The MCD continues to be **relevant, i.e. addresses current needs and problems in society and in the mortgage credit market**

- 1 - Fully disagree
- 2 - Rather disagree
- 3 - Neutral
- 4 - Rather agree
- 5 - Fully agree
- Don't know / no opinion / not applicable

Please explain your answer to question 2 c):

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In general, the MCD continues to be relevant, but there are issues especially related to information overload and digitalisation that need to be carefully considered.

d) The MCD is coherent with other EU policies and interventions

- 1 - Fully disagree
- 2 - Rather disagree
- 3 - Neutral
- 4 - Rather agree
- 5 - Fully agree
- Don't know / no opinion / not applicable

Please explain your answer to question 2 d):

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Finance Finland has not observed inconsistencies or overlaps between the MCD and other relevant pieces of EU legislation.

Question 3. Do you consider that the MCD could be **simplified to reduce compliance costs without undermining its effectiveness?**

- Yes
- No
- Don't know / no opinion / not applicable

Question 3.1 If you do consider that the MCD could be simplified, please specify in which areas and explain your answer:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Finance Finland sees room for simplification in the requirements of the provision of customer information. The emphasis should primarily be on avoiding information overload and improving the way customer information is provided in order to ensure the supply of mortgages also through digital channels. Currently, the consumers receive the same information multiple times at different stages of the credit process, which makes understanding relevant information difficult. In Finance Finland's view, the European Standardised Information Sheet (ESIS) provides consumers with all the information they need for the comparison of offers, and further general information should therefore not be required. The ESIS in itself could be also simplified. For instance, the large number of warnings seems redundant. The information in the ESIS should therefore be rationalised and adapted for digital communication channels. With regard to advertisement, the large amount of disclosure requirements for advertising in the current

MCD has resulted in a situation where lenders advertise their products without specifying interest rates or borrowing costs at all, in order to circumvent these requirements. Therefore, it would be sensible to limit the requirements to certain key figures such as the annual percentage rate of charge. A large volume of mandatory advertising content is also unsatisfactory for consumers, because it makes it difficult to compare. Furthermore, we also question the need for the MCD Article 13 on general information. Finance Finland considers the article inefficient and problematic since the same information is presented to the customers in many forms and sources. In practice, the consumers have not found the general information provided according to Article 13 to be useful.

The current definition of foreign currency loans also requires re-evaluation. It is important to clarify that a mortgage in euros is not considered a foreign currency loan in any case.

Question 4. Are you aware of possible discrimination (e.g. on gender, nationality, medical history) for consumers taking mortgage loan?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 4:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Discrimination based on gender or nationality is prohibited, and we are not aware of such practices in the context of mortgages.

However, sometimes discrimination is brought up in the context of non-resident clients. In Finance Finland's view, banks need to be able to assess the risk related to the residence of a prospective borrower. Debt recovery, for example, may become a lot more complicated in the case of a non-resident consumer.

Consideration must also be given to Article 6 of the Rome I Regulation, which may lead to the application of foreign law under certain conditions.

Furthermore, it may well be part of the business model of creditors to only be active in certain regions or countries. The MCD should not interfere with the business choices of such creditors. To be clear, no credit institution should be obliged to develop an activity in a region or country in which it chooses not to, nor should there be an obligation for a bank to conclude a mortgage contract with a consumer when there are objective reasons not to.

Question 5. Are you aware of practices by credit providers exploiting consumer's situation and patterns of behaviour (e.g. pre-ticket boxes, cross-selling of an additional product, sale of tied insurance policies)?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 5:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We are aware of no such practices.

Question 6. To what extent do you agree that enforcement of the MCD provisions by national competent authorities (NCAs) is satisfactory?

- 1 - Fully disagree
- 2 - Rather disagree
- 3 - Neutral
- 4 - Rather agree
- 5 - Fully agree
- Don't know / no opinion / not applicable

Please explain your answer to question 6:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 7. Are you aware of shortcomings in the enforcement action of MCD provisions by NCAs?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 7:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We are aware of no such shortcomings.

Question 8. Do you consider that Article 38 of the MCD regarding sanctions and the empowerment of NCAs to apply them is satisfactory?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 8 (including whether MCD provisions should be improved):

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Finance Finland considers Article 38 of the MCD to be adequate.

Question 9. To what extent do you agree that the out-of-court complaint and redress procedures set up on the basis of Article 39 MCD are effective?

- 1 - Fully disagree
- 2 - Rather disagree
- 3 - Neutral
- 4 - Rather agree
- 5 - Fully agree
- Don't know / no opinion / not applicable

Please explain your answer to question 9 (including whether participation for creditors/intermediaries in such procedures is mandatory and the decisions of the relevant bodies are binding):

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Finance Finland considers that the out-of-court complaint and redress procedures set up on the basis of Article 39 MCD are effective.

In Finland, the alternative dispute resolution body is the Finnish Financial Ombudsman Bureau (FINE) that works in the same manner as courts of law. At request, it may issue solution recommendations of banking disputes. In its examination of the case, FINE follows the general principles of fair trials and civil procedure. In dispute cases under the ADR Law, FINE complies with the obligations imposed on these issues.

FINE examines the disputes and issues recommendation solutions through its advisory office and the Banking Complaints Board. The solutions issued by FINE for disputes between the customer and the service provider are recommendations by nature. The recommendation solutions are generally complied with by the service providers. According to FINE, the compliance rate in 2020 was 98%.

Question 10. Do you consider that Article 6 of the MCD on financial education has contributed to increasing the financial education of consumers?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 10:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

2. Specific questions

Please click on the "Next" button to answer the specific questions.

2.1 Market structure / scope

Question 11. To which extent do you agree with the following statements:

	1 (fully disagree)	2 (rather disagree)	3 (neutral)	4 (rather agree)	5 (fully agree)	Don't know - No opinion - Not applicable
Consumers have enough mortgage credit providers to choose from in all Member States	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
There is sufficient competition						

among mortgage credit providers so that consumers are able to get competitive offers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
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Please justify your answers to question 11:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Please attach below any relevant study(ies)/evidence supporting your answers to question 11. **Please make sure you do not include any personal data in the file you upload if you want to remain anonymous.**

The maximum file size is 1 MB.

You can upload several files.

Only files of the type pdf,txt,doc,docx,odt,rtf are allowed

Question 12. Are you aware of barriers to the offer of and/or demand for cross-border mortgage loans that could be addressed in the MCD review?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 12:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The MCD has harmonised the legislative framework for mortgages across the EU, but since the mortgage markets in the different Member States are domestic by nature, the MCD's contribution to an effective and competitive single market has in practice been limited. The development of a cross-border mortgage market

is hindered by obstacles which cannot and should not be tackled by single piece of EU legislation, such as the MCD. It is a much broader issue related to, for example, cultural, language and legal differences as well as differences between mortgage and housing markets in Member States.

Question 13. Depending on their business models, crowdfunding and peer-to-peer lending platforms may only be partly covered by the MCD rules.

Are you aware of any existing or likely challenges for consumer protection or financial stability arising from mortgage loans granted through crowdfunding and peer-to-peer lending platforms (including mortgages obtained by individuals from other individuals)?

	Yes	No	Don't know - No opinion - Not applicable
For consumer protection	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
For financial stability	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

Please explain your answers to question 13:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 14. Peer-to-peer and crowdfunding platforms are already active in EU markets to provide consumer credit to natural persons, and business loans. The [Regulation for European crowdfunding service providers for business \(ECSPR\)](#) allows platforms to apply for an EU passport based on a single set of rules. However, the Regulation does not apply if the project owner is a consumer.

To which extent do you agree that encouraging peer-to-peer service providers (e.g. clearer rules and applicability of the MCD to providers / aligned rules across the EU on mortgage issuance / cross-border provision of services) to intermediate between consumers in their capacity as borrowers and non-professional investors/consumers/businesses for issuing mortgage loans has a potential to:

	1 (fully disagree)	2 (rather disagree)	3 (neutral)	4 (rather agree)	5 (fully agree)	Don't know - No opinion - Not applicable
Increase the choice of consumers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Increase competition between mortgage credit providers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Contribute to the integration of mortgage markets in the EU	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

Please justify your answers to question 14:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 15. Some credit agreements are specifically excluded from the scope of the MCD (e.g. equity release credit agreements). The [MCD report on the review](#) highlighted that the current level of regulation of equity release schemes may be insufficient and may pose a risk in terms of consumer protection.

Are you aware of problems for consumer protection stemming from equity release schemes or other types of credit agreement that are specifically excluded from the scope of the MCD?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 15:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We are aware of no such problems. Reverse mortgages are excluded from the scope of mortgage loans because their objective is to finance people who have real estate assets but no sufficient repayment capacity or resources to settle mortgage payments. The legislative framework is unsuitable for reverse mortgages and they should not be included in the scope to allow this type of financing to continue.

Question 16. In other cases, Member States have an option not to apply the MCD or certain of its provisions (e.g. to certain secured credit agreements; to “buy-to-let” credit agreements for immovable properties bought as an investment and not as a place to live).

Are you aware of specific problems stemming from areas where the MCD (or certain of its provisions) may not apply?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 16:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We are aware of no such problems.

2.2 Information to consumers / digitalisation

The MCD requires creditors to provide to consumers standard pre-contractual information through an European Standardised Information Sheet (ESIS) on paper or on durable medium. The MCD evaluation report concluded that consumers are sometimes overloaded with pre-contractual information contained in the ESIS that they may not read or understand.

Question 17. Do you consider that MCD rules on pre-contractual information ensure that the consumer receives appropriate and timely information to compare the credits available on the market, assess their implications and make an informed decision?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 17:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Finance Finland considers that current MCD rules on pre-contractual information ensure that the consumer delivers timely information to compare the credits available on the market, assess their implications and make an informed decision.

However, the high volume of pre-contractual information can hinder full awareness and understanding of this information which is necessary for an informed choice, especially if the credit is supplied through a digital channel.

Should the MCD be amended, it should be noted that pre-contractual information provided to the customer is currently too detailed and the volume of information makes it difficult for the consumers to understand the information received. Please see our answer to question 18 for more information.

Question 18. In your view, what would facilitate consumers' understanding and comparison of the pre-contractual information, including the information received through digital means?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Finance Finland believes that the simplification of the pre-contractual information and its adaptation to the digital environment would ensure that customers are easily able to find and to understand important information. Finance Finland also believes that limiting the pre-contractual information only to some key information on the loan would be enough to enable the customer to compare mortgage offers.

Question 19. To which extent do you agree that, in addition to ESIS, the provision of a summary of simplified information on the key features of the mortgage credit offer could address information overload and help understanding and comparing offers (even on digital devices with small screens)?

- 1 - Fully disagree
- 2 - Rather disagree
- 3 - Neutral
- 4 - Rather agree
- 5 - Fully agree
- Don't know / no opinion / not applicable

Please explain your answer to question 19:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Finance Finland believes that the simplification of the current pre-contractual information would help to address information overload and help the consumers to better understand and compare the mortgage offers and make informed decisions. The amount of information should not be increased but decreased. Introduction of a new information form, a summary in addition to the ESIS, would not contribute to the aim of simplification, but would on the contrary just add another unnecessary layer of information without increasing the quality of information. According to our view, the consumer would not benefit from a summary that just repeats the same information, sometimes in different terms, probably just creating confusion with information overload.

Ideally, it would be desirable to limit the pre-contractual information only to a few bits of relevant key information of the ESIS.

Question 19.1 Please select which pre-contractual information should be included in the key summary:

Please select as many answers as you like

- the total amount of credit

- the duration of the credit agreement
- borrowing rate
- APRC (Annual percentage rate of charge)
- bundled services required to be purchased separately
- monthly installment
- costs to be incurred by consumers due late payment
- total amount to be paid back by consumer for the credit
- other

Question 20. If credit providers were required to provide a consumer with a summary of simplified information on the key features of the mortgage credit (in addition to the ESIS):

a) How would you rate the expected benefits to consumers?

- 1 - Negligible
- 2 - Low
- 3 - Medium
- 4 - Large
- Don't know / no opinion / not applicable

Please explain your answers to question 20 a):

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

For more details, see our answer to question 19.

b) What would be the total estimated one-off and recurring costs for credit providers (in monetary terms)?

	Costs
One-off costs	
Recurring costs	

Please explain your answers to question 20 b):

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 21. The [MCD evaluation study](#) has shown that consumers often do not have sufficient time to select the best offer of mortgage credit available in the market (e.g. because the consumer may only have a period of 7 days for reflection / withdrawal).

In your view, which of the following measures would be adequate to help improve the situation?

Please select as many answers as you like

- to increase the minimum reflection/withdrawal period from 7 days to 14 days
- to make a reflection period mandatory (thus excluding the possibility of a withdrawal period)
- to require that a certain minimum amount of time elapses between the provision of the ESIS/binding offer and the conclusion of the contract
- other

Please specify to what other measure(s) you refer in your answer to question 21:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Finance Finland believes that the current MCD provisions are adequate and balanced. We have not recognised any need for improvements in the Finnish market.

Please explain your answer to question 21:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 22. Are you aware of problems for consumers or creditors linked to mortgage advertising via specific channels (radio, TV, printed media, social media etc.)?

	Yes	No	Don't know - No opinion - Not applicable
Radio	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
TV	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Printed media	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Social media	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please explain your answer(s) to question 22:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 23. Do you consider that the MCD advertising requirements should be adapted to the specific medium on which the advertising is displayed (e.g. radio, TV, social media etc.)?

	Yes	No	Don't know - No opinion - Not applicable
Radio	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
TV	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

Printed media	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Social media	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please specify to what other medium(a) you refer in your answer to question 23:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Digital devices, such as smartphones, for example.

Please explain your answer(s) to question 23:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The information on advertising and pre-contractual information requirements needs to be better suited for the digital environment.

Question 24. The [MCD evaluation study](#) indicates that creditors are increasingly relying on robo-advisors (e.g. automated chats) to provide for instance some basic information to consumers.

Do you consider that the use of robo-advisors poses problems in terms of consumer protection?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 24, indicating possible solutions:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Finance Finland finds robo-advisors, for example automated chats, to be useful tools for improving customer experience and for providing them with basic information regarding mortgages. In practice, consumers are well aware of the fact that robo-advisors provide only basic information and that there are usually other

options available for additional information, if needed. Robo-advisors do not replace the human advisors, who know the individual and their circumstances better.

Question 25. To date, very few mortgage credit agreements are concluded fully digitally.

Can you describe the main difficulties/problems you experience in this area?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In Finland, the digitalisation related to, for example, housing company and apartment information and real property transactions is progressing at a good pace, and in this regard the development towards fully digital mortgage credit process is on the right track. However, the main problems regarding the digitisation of the credit processes relate to the pre-contractual information requirements and disclosure obligations regarding pledge and guarantee obligations both at EU and national level. Legislation should provide appropriate mechanisms to ensure end-to-end fully digital mortgage credit agreements.

One of the obstacles to fully digital processes is the customer demand for face-to-face customer service. Even if the legislative framework would enable a digital process, occasions such as buying a home and concluding a mortgage agreement, for example, are still often considered so important that many customers would prefer to meet the representative of a bank personally.

Question 25.1 If available, please also provide practical examples/solutions to such problems that enable the digital conclusion of mortgage credit agreements:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

2.3 Tying and bundling

Under the MCD, the bundling practices are allowed but tying practices are prohibited (with few exceptions under Article 12(2)). Also, tying practices may be allowed when the creditor can demonstrate to its competent authority that the tied products or categories of product offered, on terms and conditions similar to each other, which are not made available separately, result in a clear benefit to the consumers taking due account of the availability and the prices of the relevant products offered on the market (Article 12(3)).

Question 26. Are you aware of existing problems related to tying or bundling practices?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 26:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 27. To what extent do you agree that the exceptions to the prohibition of tying practices are still relevant?

	1 (fully disagree)	2 (rather disagree)	3 (neutral)	4 (rather agree)	5 (fully agree)	Don't know - No opinion - Not applicable
open or maintain a payment or a savings account, where the only purpose of such an account is to accumulate capital to repay the credit, to service the credit, to pool resources to obtain the credit, or to provide additional security for the creditor in the event of default;	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
purchase or keep an investment product or a private pension product, where such product which primarily offers the investor an income in retirement serves also to provide additional security for the creditor in the event of default or to accumulate capital to repay the credit, to service the credit or to pool resources to obtain the credit	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
conclude a separate credit agreement in conjunction with a shared-equity credit agreement to obtain the credit	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please explain your answers to question 27:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Finance Finland considers especially the exception regarding the opening and maintaining of a bank account to be relevant. An account enables the provision of digital services which are clearly beneficial also from the mortgage customer's point of view. With direct payments, the repayments will be debited from the customer's account on the due date without invoices in paper form.

2.4 Creditworthiness assessment

Credit providers are increasingly relying on automated decision-making systems where the consumer is subject to a credit decision based solely or partially on automated processing of his/her data. The [recently made artificial intelligence \(AI\)](#) proposal suggests that AI systems used to evaluate the credit score or creditworthiness of natural persons should be classified as high-risk as they may pose significant risks to the fundamental rights of persons. The credit institutions would be subject to requirements inter alia concerning data and data governance, documentation and record keeping, transparency, human oversight, robustness, accuracy and security.

However, the AI proposal does not propose specific rights for consumers. The [General Data Protection Regulation \(GDPR\)](#) provides the right for consumers to obtain human intervention to express his or her point of view and to contest the decision. Yet this only applies in case the decision is based **solely** on automated decision making, not if the decision, involving automated processing, is taken by a human, as is often the case in mortgage credit processes.

Question 28. Do you consider that the consumer should have specific targeted complementary rights and information in the creditworthiness assessment process where it involves the use of automated processing of personal data?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 28:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Finance Finland considers the current legislative framework to be sufficient and does not recognise any need to introduce further provisions in addition to, for example, the rights provided by the General Data Protection Regulation.

Question 29. Do you consider that the consumer ought to have the following specific rights in the case where the creditworthiness assessment involves the use of automated processing of personal data?

	Yes	No	Don't know - No opinion - Not applicable
To obtain from the creditor clear explanation of the assessment of the creditworthiness (e. g. logic and risks involved in the automated processing of personal data, as well as its significance and effects on the decision)	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
To obtain human intervention on the part of creditor to review the credit decision	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
To contest the assessment of the creditworthiness and the decision	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
No specific protection is needed	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please explain your answer(s) to question 29:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Finance Finland does not see any need for specific protection beyond the current requirements included, for example, in the GDPR.

Regarding the above-mentioned right to contest the creditworthiness assessment and the decision, it is important to note that banks grant loans based on their own risk policies and business decisions taken at the banks' own discretion. Customers do not have an undisputable right to obtain credit.

Question 30. The MCD requires a creditworthiness assessment to be based only on information on the consumer's income and expenses and other financial and economic circumstances which is necessary, sufficient and p r o p o r t i o n a t e .

Do you consider that this requirement may not be sufficiently granular to assess the creditworthiness of consumers in all cases, in particular of consumers with "thin credit files" (i.e. consumers for whom not a lot of economic and financial data is available)?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 30:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Finance Finland believes that the provisions regarding creditworthiness assessment should be principle-based and not excessively prescriptive.

Question 31. Do you consider that, in clearly defined cases (e.g. thin credit files), it should be possible to take other specific information/factors into account for the creditworthiness assessment?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 31, including the possible cases and possible other specific information/factors that should be allowed to be taken into account for the creditworthiness assessment:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Finance Finland does not recognise a need for specific requirements in the MCD in this regard. The MCD should remain principle-based and not excessively prescriptive.

It should be noted that the creditworthiness assessment is closely supervised by the supervisory authorities and the EBA, for example, has recently issued guidelines on loan origination and monitoring, the objective of which is to improve banks' practices and associated governance arrangements, processes and mechanisms in relation to credit granting, and to ensure that the banks' practices are aligned with consumer protection rules and respect the fair treatment of consumers.

Question 32. Do you consider it appropriate to set out some key indicators to be used for creditworthiness assessments (e.g. loan-to-value, debt-to-income ratios, loan maturity, length of time during which the interest is fixed)?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 32:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Finance Finland does not support the inclusion of key indicators in the MCD. Banks already have their own internal key indicators in use, and they should remain free to set the ratios based on specific circumstances of each bank (for example, regarding their credit risk appetite). Taking into account the differences in the mortgage markets in the EU, it would be extremely difficult to apply harmonised indicators across Member States. In addition, there is a risk of overlapping or double regulation as many Member States have already introduced limits to LTVs, DTIs, loan maturities, etc. as part of their macro-prudential policy toolkits.

Question 33. The MCD requires Member States to provide non-discriminatory access for all creditors from all Member States to credit databases for assessing the creditworthiness of consumers.

Are you aware of any discrimination in accessing public and private databases/registers to assess the creditworthiness including for the cross-border provision of mortgages?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 33:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 34. The MCD evaluation study showed that creditors could access databases in other countries as long as they respect the principle of r e c i p r o c i t y .

In your view, does this affect the provision of cross border services?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 34:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 35. Is there scope for improving public and private credit registers /databases, in terms of their capacity to provide relevant information for creditworthiness assessments while protecting personal data?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 35:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The credit databases in different Member States vary from each other, but Finance Finland does not recognise a need for improvement at EU level. The barriers for granting credit to non-residents are rather related to the difficulty of understanding and reading the information provided (language and format, for example), the possible gold-plating practices in different Member States, as well as cultural and legal differences. Access to a credit database does not also provide knowledge of local laws and practices which are essential in creditworthiness assessment.

2.5 Early repayment

The MCD has granted consumers the right to early repayment. This right makes it easier for consumers to switch to another provider, which is important to foster competition. The MCD evaluation report has, however, indicated that only a minority of consumers has exercised the right of early repayment since the MCD entered into force. This seems to be in particular due to a lack of consumer awareness, their inability to assess how much they could save, the possible conditions attached to early repayment and the possible amount of compensation to be paid.

Question 36. Which are in your view the main obstacles for the consumers to exercise the right of early repayment?

	1 (not important)	2 (slightly important)	3 (neutral)	4 (rather important)	5 (very important)	Don't know - No opinion - Not applicable
lack of consumer awareness	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
inability to assess how much they could save	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
unclear conditions attached to early repayment	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
too high amount of compensation to be paid	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please explain your answers to question 36:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 37. Do you consider that further measures should be taken to further facilitate the early repayment of mortgage credit?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 37:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Finance Finland considers the current regulatory framework regarding early repayment to be adequate.

Question 38. The credit providers may be entitled to fair and objective compensation, where justified, for possible costs directly linked to the early repayment but shall not impose a sanction on the consumer. The compensation shall not exceed the financial loss of the creditor.

Do you consider that the MCD leaves too much discretion for the calculation of compensation to the possible detriment of consumers?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 38:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Finance Finland considers the current regulatory framework regarding the compensation to be fair and adequate.

Question 39. The MCD report on the review suggested that there is scope to increase the level of mortgage switching by consumers, which could potentially unlock substantial benefits for consumers while increasing competition and innovation in the market.

Do you have any further suggestions to foster competition in the market and further facilitate the switching of providers?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 39:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Finance Finland is of the view that mortgage switching is relatively easy and the competition in the market is active.

2.6 Foreign currency loans

Question 40. Do you agree that the MCD has been effective in protecting consumers from exchange rate risks posed by foreign currency loans?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 40:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Finance Finland agrees that the MCD has been effective in protecting consumers from exchange rate risks posed by foreign currency loans. However, we believe that the definition of foreign currency loans should be improved. The current framework is quite complex and causes high development costs for the banks. It should be also be noted that when consumers receive their income in another currency than euro, they usually acknowledge the risks related to

loans in euro quite well.

The current definition is very broad and can include the currency of the Member State in which the consumer is resident if the consumer receives income or holds assets in another currency. To ensure a better alignment of the rules with the real risk for the consumer, we suggest further consideration to the definition of “foreign currency loan” so that it would not include the currency of the Member State in which the consumer is resident. For example in Finland, a euro-denominated mortgage should not under any circumstances be considered as a foreign currency loan in the context of the MCD.

Question 41. As a result of the MCD rules foreign currency loans, lenders may have significantly reduced the offer of such loans or stopped offering foreign currency loans. This situation could lead to problems in specific cases where the risks of foreign currency loans are limited e.g. for some cross-border workers.

Are you aware of specific cases where the MCD provisions on foreign currency loans may have had unintended or undesirable consequences?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 41:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The current definition of foreign currency loan is very broad and can include the currency of the Member State in which the consumer is resident if the consumer receives income or holds assets in another currency. In Finland this means that a loan in euros can be considered a foreign currency loan.

2.7 Mortgage lending by non-credit institutions

The MCD also applies to credit granted by non-credit institutions (which means creditors that are not a credit institution in the sense the [Capital Requirements Regulation 575/2013](#)). The Commission MCD report on the review highlights that the share of mortgages granted by non-credit institutions generally remains limited in the EU. However, in a few Member States, their market share seems non-negligible.

On the basis of Article 35 of the MCD, non-credit institutions need to be subject to an adequate admission process, including entering the non-credit institution in a register and arrangements for supervision by a competent authority. In its [2017 report, the ECB](#) suggested that the growing role of non-credit institutions in the mortgage market poses some challenges in terms of financial stability. The ECB report explained that the growing market share of non-bank providers may limit the effectiveness of some macro-prudential measures that apply only to banks.

Question 42. Do you consider that further regulation of non-credit institutions providing mortgage loans would be necessary?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 42:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Finance Finland considers the MCD provisions as such to be fit for purpose. However, in order to ensure a level playing field, both the regulatory and the supervisory expectations at national level should be the same for credit and non-credit institutions.

Question 43. The MCD does not provide a passport for non-credit institutions. Do you believe that a passport for non-credit institutions providing mortgage loans should be introduced in order to further the single market for mortgages?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 43:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 44. Do you see any potential risks stemming from the introduction of a passport for the non-credit institutions?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 44:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

2.8 Credit intermediaries

Question 45. One of the main changes brought about by the MCD was to create an EU passport for credit intermediaries. This enables credit intermediaries to offer their services in other Member States, while consumers benefit from easier access to mortgages from other Member States. However, the MCD report on the review indicated that only few credit intermediaries offer their services cross-border.

Are you aware of problems for credit intermediaries to exercise their activity in another Member State?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 45, specifying what the issues are related to (e.g. to the application of the MCD provisions) and how those issues could be overcome to foster cross-border provision of intermediation services:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

2.9 Arrears and foreclosure

Question 46. Article 28 of the MCD (arrears and foreclosure) requires Member States to adopt measures to encourage creditors to exercise reasonable forbearance before foreclosure proceedings are initiated but leaves flexibility for Member States as to the measures to protect consumers experiencing financial difficulties.

Do you believe that the MCD's provisions on arrears and foreclosure have been effective in terms of reducing the risk of foreclosure?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 46:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Finance Finland believes that the current legislative framework is effective and sufficient and that any overlaps or inconsistencies between the MCD and the EBA guidelines on the treatment of forbearance exposures should be avoided. The final decision of the application of forbearance measures based on the appropriate risk assessment should remain within the powers of the creditors.

Question 47. The [Directive on credit servicers, credit purchasers and the recovery of collateral](#) will strengthen Article 28 of the MCD clarifying the forbearance obligations and introducing reinforced information duties on credit purchasers and servicers. Do you consider that further measures would be required to protect consumers falling in arrears?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 47:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In Finance Finland's opinion, no further measures are needed.

Question 48. The MCD does not include specific additional rules to protect consumers who backed their mortgage loans by their first residency.

Do you consider that a specific protection for such cases would be warranted?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 48:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Finance Finland does not recognise a need for specific additional rules at EU level to protect consumers who backed their mortgage loans by their first residency.

Question 49. During the COVID-19 pandemic, Member States and industry put in place a broad range of differing relief measures in particular payment moratoria. The MCD does not provide specific rules for such exceptional situations.

Do you consider that any lessons need to be drawn from the COVID experience and specific measures should be provided for in the MCD?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 49:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In Finance Finland's view, the specific relief measures related to the COVID-19 pandemic should not serve as a general rule after the pandemic. An abstract rule established at the EU level would not allow to take into consideration situations specific to individual Member States. Many EU countries have already implemented some kind of national insolvency legislation regarding credit moratoria, or can take from other legislative texts (e.g., commerce law) that may be used in case of non-performance like force majeure.

We consider that it is essential that consumers are adequately informed of the legal and financial implications of any measure adopted by credit providers in situations of exceptional and systemic economic

disruption, such as payment moratoria. However, moratoria can only be granted on a case-by-case basis, in particular because a crisis has different impact on consumers and due to the additional costs incurred by consumers.

Therefore, it is not necessary to introduce such measures in the MCD and the necessity of such kind of propositions should be carefully envisaged, especially considering the existence of other forms of borrower protection. It seems very ambitious to anticipate legal rules for exceptional situations, such as the corona crisis. It would be preferable to find appropriate rules on a case by- case basis when these unforeseen situations arise.

If relief measures are used in the future, it should be guaranteed by EBA Guidelines that the treatment of these measures in prudential regulation and supervision is symmetric and there is a level playing field. This was not the case during the pandemic when part of the payment moratoria was excluded from the scope of EBA Guidelines (e.g. moratoria which were based on banks' own initiatives without industry-level cooperation).

2.10 Green mortgages

Some mortgage providers already offer “green mortgages” (under possible preferential terms and conditions) for instance to improve the energy efficiency of a building or to acquire highly energy efficient property. Green mortgages are an important possible avenue of development for an inclusive sustainable finance framework, as acknowledged in the [strategy for financing the transition to a sustainable economy](#).

Question 50. Is there a need to create an EU-wide definition of green mortgages?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 50:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Finance Finland believes that green mortgages have an important role in supporting climate change mitigation. Currently green development in mortgage lending is hampered by the lack of harmonisation of what is considered as green mortgage in practice, and from that perspective, an EU-wide definition could be useful and level the playing field for credit provision. It is important to ensure that the overall legislative framework regarding green mortgages is coherent and consistent.

However, should such a common definition to be introduced in the EU, in our view it should not be placed in the Mortgage Credit Directive. The MCD is about consumer protection, not the green transition. We find the original plan of the Commission, as laid out in the Sustainable Finance Strategy, to ask the European Banking Authority for an opinion on the definition and possible supporting tools for green retail loans and green mortgages to encourage green retail lending a more suitable approach.

Finance Finland also recognizes certain challenges and risks in relation to an EU-wide definition of “green

mortgages”. On one hand, there is a major risk that the common definition would be difficult to create and apply due to differences in Member State climates, housing building codes, energy utilisation, energy sources, etc. We are concerned for the equality between households in different geographical locations. The common definition should not prevent the provision of green mortgages in Northern Europe where the heating of homes is energy-intensive.

On the other hand, an EU-wide definition would require that no Member State amendments or additions should be allowed that would water down the purpose of a common definition. As the changes to the MCD have to be transposed into national law of the Member States, this would add additional complexity and fragmentation. This is another reason why Finance Finland believes that the MCD revision is not the correct place to consider the formal definition of green mortgages.

Lastly, should a common definition be created, to ensure consumer protection, the acquisition of the data and /or documentation needed to meet the common criteria should also be cost-efficient.

Question 51. What would be the benefits/advantages for consumers and/or lenders of an EU-wide definition of green mortgages?

Please select as many answers as you like

- to ensure common requirements and possible incentives
- to ensure high level of confidence into the greenness of the mortgages
- to facilitate securitisation and refinancing of mortgages through green bond issuances
- to facilitate disclosure obligations under [Taxonomy Regulation](#)
- other

Please explain your answer to question 51:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 52. Do you consider that a possible common definition of green mortgage should be based on the EU taxonomy criteria (construction of a new building or acquisition or renovation of an existing one)?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 52:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In Finance Finland's view, the common EU-wide definition of green mortgages needs to be based on the EU Taxonomy in order to avoid additional complexity. For example, the proposed EU legislative framework for Green Bonds (EUGBS) is built upon EU Taxonomy and requires issuers to demonstrate that they are funding legitimate green projects aligned with the taxonomy. If the definition of green mortgages would not be based on the EU Taxonomy, these mortgages could not be used as collateral of the covered bonds based on EUGBS.

Simultaneously the relevant technical criteria for green mortgages of the EU Taxonomy is ambitious and demanding with regards to the quality of the housing stock. Currently, sufficient data is not available to verify taxonomy alignment, especially with regards to the DNSH criteria. This makes it very difficult to find eligible projects or buildings to qualify for taxonomy-aligned funding.

To ensure that green mortgages can be used to incentivise green transition at scale in the current building stock, the definition of green mortgage could include a broader definition than the EU Taxonomy that could be used when data for taxonomy alignment cannot be attained or when there is a potential for significant improvements in the energy efficiency of the building, even if taxonomy alignment cannot be achieved.

The data to identify the green mortgages should be easily verifiable and available to the property owners and the mortgage providers.

Question 53. In your view, which measures could be considered to encourage the uptake of green mortgages?

Please select as many answers as you like

- obligation for credit providers to inform the consumer if such product can be provided
- ensure that mortgage credit providers and/or consumers taking a mortgage obtain an Energy Performance Certificate (EPC) for the residential property that the consumer will acquire using the mortgage loan
- create a label for green mortgages offered at preferential terms and conditions
- other

Question 53.1 Please specify to what other measure(s) you refer in your answer to question 53:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

To encourage the uptake of green mortgages, there needs to be some benefit to the consumer compared to normal mortgages. However, the assessment of which benefits are relevant for their clientele needs to be left to each bank to decide on their own. The benefits could be linked to the price of the green mortgages, but also to other banking or insurance-related benefits. The banks could also offer altruistic benefits for

consumers, such as donating to green actions relative to the use of green mortgages. The uptake could also be encouraged by governmental measures (e.g. tax reliefs, energy efficiency renovation grants, state guarantees).

Please explain your answer to question 53:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

With regard to the possible obligation for credit providers to inform the consumer if such product can be provided, Finance Finland considers the already existing provisions on general information in the MCD to be sufficient.

Finance Finland believes that preferential loan terms and conditions need to remain optional and therefore does not support the creation of a label for green mortgages. Mortgage providers must be able to decide themselves whether they want to offer green mortgages and if yes, under which conditions.

Question 54. Do you consider that the knowledge and competence requirements for the staff of creditors and credit intermediaries should specifically cover knowledge on green mortgages?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 54:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Finance Finland agrees that the knowledge and competence requirements of staff should cover basic information on green mortgages amongst other things. However, we consider the current provisions to be adequate in this regard and see no need to introduce any specific requirements in the context of the MCD. It should be left to the banks to decide what kind of training best fits the needs of their staff, since it is also in the banks' own interest to ensure a sufficient level of staff knowledge and competence.

2.11 Other

Question 55. Are there any other issues that have not been raised in this questionnaire that you think would be relevant for the MCD revision?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 55:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In Finland, the MCD has been applied since the beginning of 2017 and the provisions concern long-term financing. In Finance Finland's view, it is too early to fully review the directive because its application currently seems balanced and, for example, certain points related to the treatment of arrears have not yet been sufficiently tested in practice. Thus, Finance Finland primarily supports non-legislative measures in relation to the legislative framework regarding mortgage credits.

However, should the MCD be amended, Finance Finland proposes rather limited legislative amendments that would especially focus on the simplification of the requirements of the provision of customer information. The emphasis should primarily be on avoiding information overload and improving the way customer information is provided in order to ensure the supply of mortgages also through digital channels. Legislation should provide appropriate mechanisms to ensure end-to-end fully digital mortgage credit agreements. For more details, see also our answer to questions 3 and 25.

Furthermore, unnecessary substantive differences between the Consumer Credit and the Mortgage Credit Directives should be avoided in order to ensure the clarity and coherence of the overall legislative framework.

Additional information

Should you wish to provide additional information (e.g. a position paper, report) or raise specific points not covered by the questionnaire, you can upload your additional document(s) below. **Please make sure you do not include any personal data in the file you upload if you want to remain anonymous.**

The maximum file size is 1 MB.

You can upload several files.

Only files of the type pdf,txt,doc,docx,odt,rtf are allowed

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Contact

fisma-mortgage-credit-review@ec.europa.eu