



COMMISSION OF THE EUROPEAN COMMUNITIES

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COMMUNICATION FROM THE COMMISSION
TO THE EUROPEAN PARLIAMENT

pursuant to the second subparagraph of Article 189 b (2) of the EC-Treaty

Common Position (EC) N° 7313/97 CONSOM 33 CODEC 206 adopted by the Council on 10.4.1997 for the adoption of Directive 97/---/EC of the European Parliament and of the Council amending Directive 87/102/EEC (as amended by Directive 90/88/EEC) for the approximation of laws, regulations and administrative provisions of the Member States concerning consumer credit.

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1. BACKGROUND TO THE FILE

Transmission to the Council:	25.4.1996
Transmission to the Parliament by the Commission:	15.4.1996
Opinion of the Economic and Social Committee:	26.9.1996
Opinion of the Parliament in the first reading:	20.2.1997
Transmission of the amended proposal:	21.3.1997
Adoption of Common Position:	10.4.1997

2. OBJECT OF THE COMMISSION PROPOSAL

Proposal of a technical nature, made pursuant to Article 1a paragraph 5(b) of Directive 87/102/EEC as amended by Directive 90/88/EEC, the main element of which is the requirement to use a single mathematical formula ("the EC formula") for calculating the Annual Percentage Rate of Charge, APR, for consumer credit.

3. COMMENTS ON THE COMMON POSITION

3.1 Brief general remarks on the Common Position

The key points of the Common Position are:

- adoption of "the EC formula"
- introduction of an additional recital on the appropriateness of studying without delay to what extent a further degree of harmonisation of the cost elements of consumer credit is necessary;
- rejection of the proposal for a symbol (logo) accompanying the APR figures;

- expressing the intervals between dates used in the calculations in years or fractions of a year, a year being presumed to have 365 days or 365.25 days or (for leap years) 366 days, 52 weeks or 12 equal months of 30.41666 days, i.e. 365 divided by 12;
- accuracy of the calculation of the APR to at least one decimal;
- transposition within two years.

In other words the Common Position joins the Parliament in rejecting the idea of a logo for the APR; and it includes positions close to those expressed by the Parliament in its amendments on harmonisation of the cost elements and on the intervals for calculating the APR. The Council is more in line with the Commission on the number of decimals (at least one), whereas it wants an even longer transposition period than the Parliament (two years).

3.2 Fate of the amendments of the European Parliament in the 1st reading

3.2.1 *Not accepted by the Commission*

The Commission has not accepted amendments n° 1 (insertion of a new recital concerning the adoption of a standard definition of the components of the APR), n° 4 (part concerning suppression of representative example) and n° 8 (deletion of the obligation to show the APR with a certain number of decimals) and neither has the Council.

3.2.2 *Accepted by the Commission and integrated into the Common Position*

The table in Annex 1 contains a list of amendments which were integrated into the Common Position.

3.2.3 *Accepted by the Commission and not integrated into the Common Position*

The Commission had accepted *amendment n° 6* which stipulated a transposition period till 1 January 1999 i.e. shorter than the one stipulated in Article 7(1) of the Common Position.

3.2.4 *Other points of difference between the Amended Proposal of the Commission and the Common Position of the Council*

The points of difference between the Commission's Amended Proposal and the Council's Common Position are as follows:

Issue	Amended Proposal	Common Position
accuracy	two decimals	at least one decimal
time basis for the calculation of the APR	a calendar, 365 (or for leap years 366) day year, or a standard 365 day year comprising 12 equal months	same time basis with the inclusion of a 365.25 day year

of 30.41666 days each

degree of harmonisation of the cost elements of consumer credit	-----	recital n° 11
homogeneity of results	-----	new technical remark (e) in Annex I whereby Member States shall ensure that the methods of resolution used give a result equal to that of the examples presented in Annex II
examples of calculation	Annex II: examples of calculation of the APR on the basis of a calendar year	Annex II: same examples complemented with additional examples of calculation of the APR on the basis of standard and 365.25 day years

4. CONCLUSION

The outcome of the discussions of the Council is that the Commission has accepted:

- a recital regarding the opportunities and necessity for further harmonisation of the cost elements; the Commission shall convene an ad hoc experts group to prepare a communication to the Council on this issue;
- suppression of the idea of the logo for the APR;
- an optional approach to the time basis for calculation of the APR;
- some softening of the provisions regarding the transposition period and the precision in the presentation of APR figures (number of decimals).

Regarding the issue of further harmonisation, the Commission is unconvinced of the absolute need for increased harmonisation; but it welcomes the opportunity provided by the Common Position to study the issue further.

Regarding the time basis, the Common Position introduces an optional approach to the issue of intervals which is very close to the Commission's amended proposal and includes the standard year option preferred by the European Parliament as well as the calendar year option originally proposed by the Commission.

As a result, the Commission (a) considering that the solutions found by the Council take into account in a balanced way the points of view of both the European Parliament and the Member States and (b) wishing to contribute to the Directive's expeditious entry into force regards the Common Position as very satisfactory and supports it.

Annex 1

ASSESSMENT OF PARLIAMENT'S AMENDMENTS

Number of the recital or of the article in the Common Position	Amendment of the European Parliament accepted by the Commission	Appears in the Common Position
Recital 9	2	Yes
-	3	Yes (former Article 1 deleted)
Article 4	4	Yes (except part concerning suppression of representative example)
-	5	Yes (former Article 6 deleted)
Annex I, Remark (c)	7	Yes