

20 November  
8:45- 15:30 Place du Congrès 1, 1000 Brussels

## Household over-indebtedness:

### Drivers and remedies

#### Introduction

The ratio of EU household debt to income rose in 2017. Albeit small, this increase was the first noted in six years. In that context, several observers are already warning of an increase in the risk of household over-indebtedness. While it is too early to assess if this risk will materialise, a review of the effectiveness of existing rules aimed at tackling the issue should give us a better understanding of whether further policy actions are needed.

The European Commission recently launched a revision of the Consumer Credit Directive (CCD) and will soon review the Mortgage Credit Directive (MCD). These policies have been designed to, among others, reduce the risk of household over-indebtedness. However, there might be more effective and efficient measures to reach this objective. In order to identify the right policy mix for household credit an in-depth understanding of the main drivers behind over-indebtedness is necessary.

The purpose of this event is to focus attention on three drivers in particular: Unexpected income shocks, financial illiteracy and the lack of relevant data on creditworthiness. Expert panellists will focus on each of these three factors, with the aim of answering the following questions:

- How and to what extent does each driver raise household over-indebtedness?
- What are the related good and bad practices?
- Should regulators and supervisors intervene, and if so, at what stage in the lending process?

These issues will be debated with senior practitioners, distinguished academics, high-level officials and influential representatives from consumer associations.

**THINK FORWARD**  
**INITIATIVE**



# Agenda

08:45 Registration

09:15 Opening remarks

09:20 Opening keynote address

**Renatas Mažeika**, Head of Consumer Policy, DG Justice and consumers, European Commission

09:50 **Session I – Life changing events and over-indebtedness: Breaking the link**

Income shocks that cannot be anticipated remain a core driver behind the risk of over-indebtedness. At the micro-level, these shocks can result from job loss, divorce, health issues, death of a partner, etc. Macro-level factors, such as cycles observed in the labour market and the generosity of social protection, can impact the nature and scale of individual income shocks. Against that background, questions remain on the best options for addressing this issue. Can well-calibrated debt advice be the all-round solution? What about algorithms detecting risks of future missed payments over the life-span of the loan? Should insurance products be the ultimate solution, at the risk of raising interest rates? What about the existence of automatic new repayment schemes?

Keynote: **Caroline Siarkiewicz**, Head of Debt Advice, Money Advice Service  
**Francesco Gaetano**, Policy Officer, DG Justice and Consumers, European Commission  
**Olivier Jérusalmy**, Senior Research and Advocacy Advisor, Finance Watch  
**Merike Kukk**, Associate Professor, Tallinn University of Technology

11:15 Coffee break

11:30 **Session II – Financial literacy: The solution to over-borrowing?**

Proper financial literacy is generally considered a key pre-condition allowing households to make sound financial choices. In obtaining credit, consumers must understand the implications of interest rates and related fees and be able to compare different types of credit, choose the one that best fits their needs and benefit from the available terms and conditions of the contract, such as early repayment. Given the large volume of credit that is offered online, consumers must also develop robust digital skills. Moreover, in order to achieve strong financial literacy, there is a need to reach agreement on several central questions. For example, should courses of financial education be made mandatory or optional in schools? Should financial education programmes cover behavioural biases? What is the role of lenders in financial education: adviser or teacher? Can Fintech help boost financial literacy?

Keynote: **Stéphane Tourte**, Director of Individuals, Banque de France  
**Frank Conway**, Founder of MoneyWhizz.org  
OECD (speaker to be confirmed)  
**Julie Perrin**, Head of the programme Dilemme, Crésus  
Moderator: **Anna Ludwinek**, Research Manager, Social Policies, Eurofound

13:00 Lunch break

14:00 Session III – Creditworthiness and over-indebtedness: What set of data to use?

Until recently, creditworthiness was almost exclusively based on traditional financial data, which was often provided by credit bureaus that had previously collected it from other financial firms. In recent years, the fast growth in the volume, variety and velocity of non-financial data collected online (social media data, behavioural data, etc.) is bringing this traditional model into question. In particular, it remains unclear to what extent the combination of financial data and non-financial data can eventually result in lower over-indebtedness. Even if such an approach can decrease financial risks, in theory, many questions remain however concerning the technical feasibility of generalising such practices, their compliance with privacy rules and the type of households that can most benefit from them. In the end, what should supervisors and regulators do: encourage this trend, limit it or adopt a wait-and-see approach?

Keynote: **Jonathan Crook**, Professor of Business Economics, Deputy Dean and Director of Research, Business School, University of Edinburgh

**Maxime Pekkip**, President of ACASA, Crésus

**Anna Buchta**, Head of Policy and Consultation, European Data Protection Supervisor

**Panajotis Papazoglou**, Head of Solutions, Schufa Holding AG

15:30 End of the conference

Cocktail