

SHORT SUMMARY OF MARKET WATCH FINANCE SURVEY

Pre-contractual information of the annualised percentage rate in the framework of the implementation of the European directive on credit agreements for consumers relating to residential immovable property.



MARKTWÄCHTER
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1. SUMMARY

Pre-contractual information on costs relating to financing real estate property and in particular the annualised percentage rate as the “price tag for real estate financing” is of significant value to consumers. They require this information in order to compare rates of different loan offers. The project “Market Watch Financial Markets”, a joint project of all 16 German state consumer organisations and the Federation of German Consumer Organisations (vzbv), investigated whether suppliers apply the legal obligations coherently and correctly.

The consumer organisation in Bremen, focusing on the topic of real estate financing, has studied annuity loans and combined housing finance. The experts of the project “Market Watch Financial Markets” have been evaluating a total of 94 loan offers and European standardised information sheets (ESIS) that have been provided by consumer advice centres (following consumer complaints) and asked for in a written survey amongst different suppliers. In addition to this, the survey has also been analysing supplier feedback to a number of questions relating to “consideration of costs for the land register” and “declaration of the total annualised percentage rate”.

The results show that suppliers do not have a consistent approach to providing essential pre-contractual information.

27 suppliers surveyed replied affirmatively to the question as to whether they publish a total annualised percentage rate as part of their non-secure interest rate combined housing finance offer. Three suppliers declared not to do so. It is the understanding of the authors that this is due to the lack of clarity and room for interpretation of the legal basis.

In the survey, particular attention has also been paid to whether the costs for a basic statutory lien is taken into account in the pre-contractual information and in the calculation of the annualised percentage rate. In ten out of 84 cases where those costs applied, suppliers did not publish them or declared to not take these costs into account as a general rule as they do not know them.

The report overall shows an inconsistent application of the legal provisions when it comes to declaring contractual incidentals in loan offers and the provision of the mandatory European

standardised information sheet (ESIS): Frequent and similar cost items have been labelled differently in different offers – in one case, the same cost item was named differently in the offer and the ESIS from the same supplier. In some cases, the cost items have been listed but without being estimated or displayed in a transparent manner. In our view, this is rooted in the lack of generic and clear legal requirements.

And finally the declared annualised percentage rate did in some cases not match the calculations of the “Market Watch Finance” experts. The differences noted in those cases were, however, – and to the best of our knowledge – is not due to the suppliers’ incorrect application of law. The research however shows that the declaration of the annualised percentage rate cannot always be understood on the basis of the information listed on ESIS or the contractual offer. For instance, this is the case when applicable costs for the land register have not been declared in the contractual offer and the ESIS.