

THE CONGRESS OF LOCAL AND REGIONAL AUTHORITIES

Resolution 294 (2009)¹ Overindebtedness of households: the responsibility of regions

1. A growing number of households in Europe are experiencing a deterioration in their financial situation because of the recession, a worsening in their bargaining and purchasing power, an increasing use of credit to meet basic needs and above all the situation that they are increasingly faced with loans of low quality and high cost.² This and the increase in risks to a steady income sometimes leads them into a vicious spiral of overindebtedness. Others, lacking access to legal sources of credit, fall prey to unlawful usurers, who, in parallel to other illegal activities that threaten public security, take advantage of their vulnerability.

2. On the wave of market deregulation and in the absence of preventive measures, these phenomena extend and deepen levels of poverty and exclusion, and affect the whole of society, leaving the local and regional communities to manage the social consequences of evictions and family break-ups.

3. The Congress of Local and Regional Authorities of the Council of Europe recalls its recent work on responsible consumption and solidarity-based finance,³ emphasising that all the stakeholders in society share responsibility for this matter, and considers that it is urgent in the current context to deal with the issue of overindebtedness and usury, whether legal or not, and to guarantee the financial inclusion of the poorest households.

4. Considering that it is for the local and regional authorities to come to the assistance of groups in difficulty and to promote action at the local level, the Congress calls on regional governments to adopt measures to supplement the national provisions, and to lobby for credit regulations which address problems like credit card “flipping”, usurious linked products, kickback provisions and so on, possibly through legislative means within the framework of their powers, in order to combat these phenomena. More attention should be given to lending practices, control and social consequences.

5. To this end, the Congress invites the regions to create favourable conditions for networking competences, sharing know-how and concluding partnerships with the institutional and economic stakeholders in their areas in order to implement the following activities:

a. make lenders and credit intermediaries aware of their responsibilities by laying down rules and alerting their employees;

b. create, where they do not already exist, and financially support effective debt advice services and link this provision to other municipal and local services; monitor local demand for these services, provide technical assistance for them and training for their staff;

c. on a preventive basis, develop:

i. budgetary support for all population groups, as well as reception facilities and social, economic and legal aid for overindebted persons;

ii. an introduction to the banking and budgetary environment for the general public, individuals, recently recruited employees and vulnerable groups;

d. support organisations working to prevent overindebtedness which inform and support overindebted people and promote responsible access to specially adapted bank accounts and microcredit for people in insecure situations;

e. encourage access to responsible credit products, socially provided where this is required, in order to support people on low incomes to obtain or retain employment, secure mobility or occupational reintegration, or to facilitate access to housing;

f. combat usury on the ground by encouraging victims to report cases of illegal lending via confidential telephone hotlines, and set up specialised teams with the necessary powers to identify and prosecute perpetrators;

g. collect and evaluate data from credit and debt counselling, provide an annual report on overindebtedness, its causes and social effects in their region and effectively facilitate the reporting of cases of usury;

h. support conferences and meetings between the consumer, money advice activists and the banking industry in order to raise public awareness and inform professionals.

6. The Congress invites regional governments to draw inspiration from the Multipartite Social Contract designed by the European Committee for Social Cohesion (CDCS) when setting up mechanisms to support overindebted people. This type of contract brings together public authorities and different civil society organisations to offer various joint services thereby avoiding a dispersal of effort and encouraging the responsibility of the beneficiaries and their commitment to solidarity initiatives.

7. The Congress recalls Recommendation CM/Rec(2007)8 of the Committee of Ministers to member states on legal solutions to debt problems, and encourages regional governments to use their influence to ensure that their national authorities implement this text.

8. Lastly, the Congress requests its Committee on Social Cohesion to co-operate with its opposite number in the European Union Committee of the Regions on the issue of responsible consumption and credit, as well as on the consequences of the economic and financial crisis.

1. Debated and approved by the Chamber of Regions on 14 October 2009 and adopted by the Congress on 15 October 2009, 3rd Sitting (see Document CPR(17)3, explanatory memorandum presented by C.P. Muratore, Italy (R, ILDG), rapporteur).

2. Especially revolving loans at extremely high rates of interest which, together with other costs act to prevent the borrower from paying off the original capital sum.

3. Resolution 263 (2008) on responsible consumption and solidarity-based finance.