

Position Paper - February 2013

European Commission's proposal for a Directive on credit agreements relating to residential property (COM(2011) 142)

The undersigned broadcast media associations (egta, AER and ACT) believe that protecting consumers from financial risk-taking by providing them with relevant information when conducting a credit agreement is a commendable political objective that deserves a proper policy response.

The broadcast media industry believes in the added value of advertising to society. Building brand awareness and value, advertising plays a key role in ensuring effective free competition and facilitating innovation to the benefit of industry, employers and consumers alike. However, as advertising professionals, television and radio operators represented by the aforementioned associations wish to highlight that advertising is not the appropriate channel to provide consumers with detailed technical information regarding the conditions of a credit agreement. There are, in fact, more appropriate and efficient communication channels available to reach consumers with the specific information they need at the time of taking their decision, such as the information sheets that accompany the offer provided by the credit body and contain all the details and obligations linked to the credit.

For this reason, regarding the proposal for a Directive on credit agreements relating to residential property, **the undersigned associations are strongly concerned about article 8 of the Commission's proposal, which calls for standard information to be included in any advertisement of the concerned credit agreements when it indicates an interest rate or any figures relating to the cost of the credit.**

Among other requirements, **the represented associations and their members strongly oppose**

- **the proposal for a warning message, stating that the consumer could lose his or her property in case of default of payment, to be displayed in advertisements for credit agreements relating to residential property on all media** (article 8 §2(i))

We would like to draw your attention to the fact that the Consumer Credit Directive does not foresee such a provision.

We would also urge you to exclude the reference to a representative example in the advertisement.

Furthermore, in that regard, the represented media associations wish to highlight the following considerations on behalf of their members:

- ⇒ Findings show that consumers, when searching for detailed information before making a purchase decision, do not seek such information in advertising. When specific information requirements apply to audiovisual advertising, as is already the case for financial services, studies demonstrate that supplier literature is regarded by consumers as the most appropriate means for delivering such information. This applies especially to information related to mortgage credit agreements, which is characterised by even higher levels of technicality and specifications. Regarding compulsory warning messages on financial services, a study conducted in the UK, where these messages are compulsory in advertising for financial services, demonstrates that, on the radio, these were considered as "oppressive", and lead listeners to "tune out" metaphorically, if not literally, in the worst case scenario (the Navigator for the UK Radio Advertising Bureau – Radio commercials and wealth warnings – February 2004).

- ⇒ Each medium has its own specificities that need to be taken into account. The short duration, the linear nature of the media and the need for highly creative content mean that **television and radio advertising are not well suited to carrying detailed technical information in an understandable way.**
- This is particularly true for radio, the only existing non-visual medium. The application of the above-mentioned requirements to radio would increase the duration of advertising spots and thus render this medium less attractive to advertisers, with serious consequences on broadcasters' main source of financing for quality content. European radios can only broadcast programmes free of charge to millions of European citizens thanks to the revenues they collect by means of advertising.
 - Any requirement on standard information and/or compulsory warnings applied to advertising would also have an economic impact on TV ads. At the time of the debate on the revision of the Television Without Frontiers Directive, the European Commission agreed that further restrictions on television advertising were not to be favoured considering that such restrictions would have wide-ranging negative impacts on broadcast media revenues, which are already strongly affected by the increasing competition coming from new media platforms.
- ⇒ **The Unfair Commercial Practices Directive (2005/29/EC) already establishes that advertising is fair, clear and not misleading** and applies this provision to all commercial communications. In addition, self-regulatory mechanisms complement the existing legislation at national level to ensure that broadcasters and sales houses are already committed to preventing advertising from making unsubstantiated claims (advertising codes of conducts cover financial services in 20 European countries and are in the process of being developed in some others).
- ⇒ The represented associations are willing to discuss more positive means for advertising and broadcasters to contribute to the increased protection of consumers against irresponsible lending and borrowing.

About egta

egta is the trade association of television and radio sales houses that commercialise the advertising space of both private and public TV/radio channels all over Europe:

- 83 TV members and 30 Radio members
- 28 European countries including 22 EU Member States
- More than 70% of the European TV advertising market and 50% of radio advertising market in countries represented by the egta members

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About the ACT

The Association of Commercial Television in Europe (ACT) is a trade association representing the interests of the commercial broadcasting sector in Europe. Formed in 1989, the ACT has thirty-three member companies active in 36 European countries. Our members are operating several hundred free-to-air and pay-tv channels and distributing several hundred channels and new services. The ACT members encompass several business models ranging from free-to-air television broadcasters and pay-TV players to digital platform operators and multimedia groups. By offering a wide range of choice and variety to the viewer, commercial broadcasters are a leading source of entertainment and information to millions of European citizens. *For more information, please contact Maxim Hauk, Legal Adviser, mh@acte.be, www.acte.be, tel +32 2 738 7611*

About AER

The Association of European Radios (AER) is a Europe-wide trade body representing the interests of over 4,500 private/commercial radio stations across the EU27 and in Switzerland. *For more information, please contact Vincent Sneed, Manager, vincent.sneed@aereurope.org, www.aereurope.org, tel. +32 2 736 9131*