

Non-performing loans: provisional agreement on selling credit to third parties

EU ambassadors today confirmed a provisional agreement reached between the Council presidency and the Parliament on a new directive harmonising rules for credit servicers and credit purchasers of non-performing loans issued by credit institutions.

The aim of the new rules is to **support the development of the secondary market** for non-performing loans in the EU in order to allow banks to clean their balance sheets of 'bad loans', while ensuring that the sale does not affect the rights of borrowers.



Efficient lending opportunities for our businesses and households are important for economic recovery in Europe. Making sure that credit institutions clean their balance sheets of non-performing loans will ensure better access to funding for citizens and entrepreneurs.

João Leão, Portugal's Minister for Finance

A bank loan is generally considered non-performing when more than **90 days** pass without the borrower paying the agreed instalments or interests, or when it becomes unlikely that the borrower will reimburse it. Efficient management of non-performing loans is particularly important in the aftermath of the COVID-19 crisis to **reduce risks in banks' balance sheets and enable banks to focus on lending** to businesses and citizens, thus supporting economic recovery in the EU.

The directive standardises the rules for credit servicers and credit purchasers across the EU and **facilitates the sales of non-performing loans**, including across national borders, while ensuring that borrowers' rights are not hampered in the process. A designated authority in the home member state will authorise and supervise credit servicers, in close cooperation with the authorities of other member states.

The Council presidency and the Parliament's negotiators have reached a provisional agreement on the following main issues discussed during the negotiations:

- authorising credit servicing activities, to ensure borrowers are treated fairly and diligently
- forbearance measures, to take into account the rights and interests of

consumers before starting enforcement proceedings

Next steps

The Parliament and the Council are expected to adopt the directive after legal-linguistic revision. After it is signed and published in the Official Journal of the EU, the text will be transposed into national law within 24 months of the date of entry into force.