

1- Actual state of the debate and key players

The institutional landscape is a little complex in Belgium, but if we simplify to present actors on only three levels, we can speak about “national, regional and community, and local” institutions.

National level:

Central government: The Ministry for Economy (market control) and Consumer Protection, cabinet and administration are involved.

The National Bank is a main information provider about consumer credit and their disadvantages (national positive and negative database) and is an important tool in improving ‘responsible credit practices’.

The banks and credit sectors/professionals are acting on a national level and their lobbies, the Association Belge des Banques, Febelfin and Union Professionnelle du Crédit.

The Consumer Council is a central advisory structure for consumer problems and consumer protection. It has, as its main mission, to give opinions and recommendations to its Ministers (the Minister for Consumer Protection and the Minister for Economy). The Council is also a place of dialogue and co-operation between consumers and professionals. For example, it is the place where consumer protection organisation and lenders’ representatives have proposed new bases to fix the maximum APR and the way it can be updated.

The Mediation Service Banks-Credit-Investments. This service is an impartial mediator helping in settling disputes between a client and his financial institution. Since 2004, it has an equal representation: it is composed of the Ombudsman (nominated by the bank sector) and the Permanent representative of consumer interest.

The main consumer protection organisations (Test-Achats) and their federation (CRIOC). Some particular NGO active on those matters: not-for-profit organisations: Réseau Financement Alternatif and Observatoire du Crédit et de l'Endettement are particularly active on this matter.

Regional and community:

Government: Social affairs, Health and Equal opportunity. The matters they are dealing with are related to social welfare and over-indebtedness, curative and preventive policies.

Debt counselling regional federation and training centre: Grepa (Brussels), Observatoire du Crédit et de l'Endettement (Wallonia), Vlaams Centrum Schuldebemiddeling (Flanders), which are funded by regional government.

Social credit provider: Credal Plus (not for profit organisation), also supported by the regional government.

Local

CPAS - Social public services (municipalities) and some not for profit organisations, mainly private registered debt counselling services...

→ **What is the nature of the debate according to them? Is it a co-ordinated debate?**

Transaction Banking Services

Improving the law on the basic banking service so that it can achieve all its objectives, in particular by verifying that the sections of the population without access to banking services before the implementation of the law are no longer financially excluded.

Credit

Improving the measures to control that the law is correctly applied, with regard to aspects such as advertising, the information and advice requirements in the pre-contractual phase. Implementing a 'zero setting' (term by which the total amount of the credit facility must be reduced to zero) for credit lines of less than €5,000.00 and/or stricter minimum capital repayment rules in order to avoid 'lifelong' debt.

Enlarging the scope of application of the law of 1991 on consumer credit to all loans (even for amounts of less than €1,250.00) and overdrafts.

Improving the financing of the "Fund for Tackling Over-Indebtedness" so that it can finance awareness-raising and information campaigns regarding the proper use of credit.

Following the example of the insurance sector, introduce a 'standard contract' for consumer credit.

Savings

Making savings accounts more transparent: harmonising rules for the payment and calculation of the basic interest and bonuses.

The development by the banking sector of a yield calculator which would be made available to consumers free of charge.

In general:

Improving the use of legal redress open to consumers in the case of irregularities committed by professionals (the mediation service is under-used in certain aspects).

Improving the judicial organisation so that, on the one hand, staff can specialise in areas relating to consumer law and, on the other hand, to make available an appropriate, efficient procedure.

Refusing to allow the protection afforded to Belgian consumers to be levelled down by the proposed directive of the European Parliament and the Council of 11/09/2002 on the harmonisation of the laws, regulations and administrative provisions of Member States concerning consumer credit (2002/0222COD).

Improving access to the administrative data collected by the Central Individual Credit Register so that it can be used for research purposes with regard to borrowing behaviour and the prevention of the risk of over-indebtedness.

Improving and establishing objective 'solvency' criteria to be used by lenders when checking the solvency of customers in the pre-contractual phase.

→ What are the actual results of the debate?

Transaction Banking Services

The public authorities and the government have demonstrated their commitment to reducing as far as possible basic financial exclusion. An initial evaluation of the law on the basic banking service (BBS) was carried out in 2005; this resulted in various adaptations and improvements, in particular as regards the conditions of access which were too restrictive on certain points.

2- Future developments/possible participants in the debate

Transaction Banking Services:

Evaluation:

A second evaluation of the law on the BBS is due to be carried out in 2008 in order to ascertain whether it would be appropriate to put in place a Compensation Fund. Such a fund is intended to spread the burden of BBS opened in proportion to the market shares of the banks present on the market, in order to correct any imbalances (to avoid the Banque de la Poste, 50% State owned, having a burden far in excess of its market share).

Advertising:

A bigger effort needs to be made regarding advertising about the existence of the basic banking service. This need could be met by organising a large scale information campaign.

Recourse:

The complaints system available to consumers in the event of violations of the law seems to be under-used to date: it would be worthwhile making the procedure, which currently requires the intervention of an ombudsman, more consumer-friendly.

Proposed services:

The general trend towards the systematic use of IT and the Internet (home banking and Internet banking) entails risk of exclusion as a result of computer illiteracy for example. Care must be taken as regards society as a whole to avoid people being excluded as a result of the so-called technology gap.

Credit:

The studies, indicators and surveys developed to evaluate the problems of over-indebtedness and the use of credit and to identify the most dangerous financial products and the most vulnerable sections of society contribute to the debate and provide ideas for priorities to be established at political level. Several Belgian stakeholders, at national and regional level, contribute to this debate.

The Central Individual Credit Register managed by the National Bank of Belgium intends to improve gradually the use of the data collected in order to improve understanding of over-indebtedness situations resulting from the use of credit and to develop prevention tools. At the same time, access to the register's administrative data rendered anonymous is a key issue for research and prevention purposes.

The EU-SILC data, as well as the 2008 module relating to financial exclusion and over-indebtedness will also help to enhance knowledge in this area and facilitate a European interpretation and approach to these issues.

→ What are the future (known and possible) developments regarding the debate on financial inclusion?

Transaction Banking Services:

The possible implementation of the Compensation Fund for basic banc services.

Credit:

- enlarging the scope of application of the law of 1991 on consumer credit (credit lines of less than €1,250.00, overdrafts), since they play a significant role in the debt problems of low income households;
- improving the means and methods of controlling the correct application of the law by the competent administration. A simplified, cheaper recourse procedure would also considerably improve compliance by financial institutions with the relevant rules. In this regard, although the role played by the financial sector ombudsman has had a positive effect, there is still room for improvement. At the current time, customers very rarely consider that it would be worthwhile taking action against their financial institution where small amounts are involved;
- enlarging the scope of application of the law on collective debt settlement, not only to private individuals but also to self-employed people, who do not have access to an appropriate procedure to put their finances back on an even keel. This is a fairly sensitive issue in Belgium at the current time and also applies to farmers with difficulties. Plans to modify the relevant procedures are currently being examined/drawn up;
- finalising the creation of a central register for garnishment orders, powers of attorney, notices of assignment and collective debt settlement notices as provided for in the law of 20 May 2000. Subject to certain conditions, this register may be consulted by credit professionals, which could help to improve the solvency assessments that they are required to carry out during the pre-contractual phase.

B - GOVERNMENT RESPONSE FOR FINANCIAL INCLUSION (POLICY MEASURES, AS FACILITATOR AND AS LEGISLATOR)

1- Government commitment to tackle financial exclusion

Given the existing structures in Belgium, and the stakeholders, including both public social services and not for profit associations financed by the public authorities, which deal with, identify, report on and study these issues, the government is kept informed on an ongoing basis. Its awareness is also enhanced via action and information campaigns.

On the other hand, the way in which the data are taken into consideration by the government will obviously depend on the majorities in place and political priorities.

2- Political framework and agenda regarding FE prevention

The fight against financial exclusion is a Federal competence, under the responsibility of the Ministries for Economic Affairs and Consumer Protection.

BBS

The problem was raised in particular in 1994 in the general report on poverty and in 1996 by the Cooperative Centre for Consumer Affairs, in its study on the financial exclusion of those on low income. At the end of 1996, the Executive Board of the Belgian Bankers Association adopted a charter relative to basic banking services. In June 1999, the

Consumers Council officially recorded an improvement in the situation, although this is contradicted by less optimistic indicators.

In 2001, the Minister for Economic Affairs asked the Réseau Financement Alternatif to carry out a survey to take stock of the situation. The conclusions of that survey led the government to adopt a law (24 March 2003) introducing a basic banking service (BBS). An initial evaluation was carried out in 2005, i.e. two years after the law entered into force, which facilitated the implementation of certain improvements. A second evaluation may be carried out in 2008 to ascertain whether it would be appropriate to put in place a Compensation Fund.

Credit

Certain regions in the country have been very badly affected by the problem of over-indebtedness and the social stakeholders (public social services) began raising political awareness about the problem in the second half of the 1980s. Round tables were organised at regional level on the initiative of senior civil servants, with the support of regional branches of the National Bank, at which the various stakeholders (lenders, bailiffs, public social services, etc.) gradually learnt to work together to develop solutions. These issues were therefore taken up at federal level and other structures pursued the debate in greater depth: National Consumers Council, Cooperative Centre for Consumer Affairs, the creation of the Credit and Debt Observatory, which organised as soon as it was set up nationwide colloquiums on these subjects, and whose Board of Directors is composed of representatives of all the stakeholders (lenders, administrations, debt counsellors, judges and lawyers, consumer defence organisations, etc.).

Combating discrimination:

The law of 25 February 2003 to combat discrimination, which supplements the legal system putting in place a Centre for Equal Opportunities and Opposition to Racism, prohibits any discrimination based in particular on wealth. This law could be used in particular as the basis for controlling current credit scoring methods in order to check that they are not 'discriminatory'.

→ What has been the role of municipalities? What has been the role of other local or regional authorities?

CPAS

The Public Social Action Centres (CPAS), which exist in each municipality, are managed by a social welfare council which reflects the political representation of the municipality. The CPAS are the official providers of social welfare. In this framework, they are on the frontline of the social and economic problems encountered by the population. As a result of the politicisation of management structures, the body politic is generally aware of these issues.

The responsibilities of the CPAS include, in addition to providing welfare services, budget guidance and debt counselling. These centres are financed in a complex way, by federal, regional and municipal funding, as well as by the Energy Fund (provisioned by power companies). Problems regarding a lack of access to basic banking services and over-indebtedness are identified via their intermediary. However, the data they provide are not yet centralised, even if numerous other sets of data are now transmitted by the CPAS to the Crossroads Bank and the Department of Public Social Services.

Note: the surveys carried out by the Réseau Financement Alternatif in 2001 and 2005, on the basic banking service focused strongly on the CPAS as a source of data and information.

Debt counselling and other services

Questions concerning the problem of access to appropriate credit are dealt with by the organisations with responsibility for dealing with over-indebtedness. These organisations are organised differently from region to region. They do not all have the same type of financing, satisfy the same legal conditions of existence or use the same methodology. Moreover, they do not participate in an identical way in the collection of data and surveys. The vast majority of these structures are run by the CPAS at municipal level, but private welfare services can also operate them. They have support structures at regional level (which organise at least the training of debt counsellors: GREPA in Brussels, Vlaams Centrum Schuldebemiddeling in Flanders, Credit and Debt Observatory in Wallonia) and sometimes at sub-regional level (Reference Centre, exclusively in Wallonia).

The Credit Observatory has organised every year for the past ten or so years a survey among Walloon debt mediation services in order to understand and ascertain the specific socio-economic characteristics and debt profiles of the households calling on their services. The results of this survey are the main source of information on the question of debt and access to appropriate credit.

3- Government response

Government acting as a legislator

Law on consumer credit

Without claiming to be exhaustive, this presentation covers the aspects of this law which most concern the problem of access to appropriate credit:

As regards advertising:

All **advertising** regarding credit facilities is prohibited:

- where it encourages a consumer, who is unable to meet his or her debts, to use credit;
- where it improperly emphasises the ease or rapidity with which credit can be obtained;
- where it improperly encourages a consumer to group or centralise his or her outstanding loans;

As regards **information** and the ease with which credit offers can be compared:

Lenders and credit intermediaries must provide consumers with information in the form of a prospectus which must contain the financial data relative to credit facilities, in particular the amount and duration of the credit, the annualized percentage rate, if applicable, the interest rate payable and recurring and non-recurring costs and the payment arrangements.

As regards **advice**:

Lenders and the credit intermediary must attempt to provide, in the framework of credit facilities that they generally offer or for which they generally act as an intermediary, the most appropriate type and amount of credit, given the consumer's financial situation when he or she concludes the credit agreement and the purpose of the loan.

As regards checking the consumer's **solvency**:

The pre-contractual obligations of lenders, credit intermediaries and borrowers are as follows:

- lenders and credit intermediaries must check the financial situation and financial commitments of the potential borrower and ensure that he or she is solvent, which he or she will be able to meet his or her obligations pursuant to the proposed credit agreement and in particular his or her ability to make repayment;
- to that end, lenders must consult the Central Individual Credit Register and lenders and credit intermediaries must obtain full and accurate information in any areas that they deem necessary;
- potential borrowers must provide accurate and complete answers to the questions asked by lenders and credit intermediaries;

Annualized Percentage Rate (APR) and maximum legal rates:

Maximum interest rates are determined by law, depending on the type, amount and, possibly, the duration of the credit. The rules of adaptability were redefined in October 2006.

Central Individual Credit Register (positive and negative registration), implemented by the National Bank of Belgium. The operating costs of this register are fully financed by lenders and represent €4.2 million a year. The management is entrusted to a committee on which lenders are represented.

The law of 10 August 2001 put in place, in addition to the existing negative register, a positive register, that is to say which contains information relating to all consumer credit and mortgage loans.

Prior to concluding a new credit agreement, lenders must consult the register which will provide them with full information on the existence of other credit agreements already concluded by the potential borrower and any payment defaults.

The **judicial collective debt settlement procedure**, available for individuals, plays a positive role at several levels:

by making lenders more responsible during the pre-contractual phase:

- in the "non-negotiated" phase of the procedure, the obligations pursuant to the credit agreement can be reduced significantly, which affects the debt recovery policy and profitability and, indirectly, lending policy;
- the costs of this procedure are borne by the over-indebted person, provided that he or she can afford to pay them. When that is not the case, the courts may decide to seek payment from the Fund for Tackling Over-Indebtedness, which is provisioned by lenders. The latter contribute proportionally to the number of contracts on which borrowers have defaulted in relation to their market share; this plays an active role in encouraging lenders to adopt more responsible lending policies.

In terms of accessibility to financial services (banking or credit services):

- the procedure allows consumers to recover from extremely burdensome debt situations over a period of time that is compatible with human dignity (+/- 5years) and to start afresh.

→ **Do Government, municipalities or other public authorities act as a facilitator?**

The Belgian tradition is based, on the one hand, on a dialogue and consultation between the parties involved (numerous bodies can organise this type of meeting – National Consumers Council, Board of Directors of the Credit Observatory, etc.) and, on the other hand, on a fairly acute awareness by politicians of social problems.

In addition, Belgium has adopted a considerable volume of consumer protection laws, in particular when ‘soft law’ adopted by professionals has proved ineffective.

One of the legislator’s concerns, to date, has been to avoid creating a network of offerings reserved for excluded people, with the emphasis being placed instead on market operators developing and proposing products and solutions that are suitable for the population as a whole, without creating a “poor person’s bank”.

Local

The CPAS and the ‘social’ bank accounts offered by Dexia Bank to certain welfare recipients.

Dexia Bank is the leading banker to municipal authorities and the CPAS. In this framework, it has developed a ‘social’ bank account to facilitate relations between the CPAS and welfare recipients, in the case of recipients who do not have bank accounts. This account is free for welfare recipients (the account holder has access to a debit card, account statements and current banking transactions) and inexpensive for the CPAS in comparison to the cost of issuing circular cheques to pay welfare benefits in the absence of a bank account (€1.86 a year). Moreover, it is possible to open such bank accounts without ID papers or if the person in questions has a ‘negative’ registration in the Central Individual Credit Register (in this regard, it should be noted that a negative registration does not as such result in any restrictions in law on opening a bank account or granting credit. In the latter case, however, the lender may be held liable in the event of any default).

Consumer social credit: Credal Plus asbl

As regards consumer credit, an association (assistance at the time of credit applications, budget analysis, checking access criteria and the purpose of the credit, monitoring during the repayment phase), in collaboration with a bank (Banque de la Poste - lender) and the Walloon Region (Social Affairs – which funds staff costs and guarantees the loans granted) offers small loans to satisfy basic needs (mobility, furnishings, basic comfort, training, etc.) in order to avoid over-indebtedness: educational approach with regard to budget management, understanding contractual obligations, risks, etc.

Although things must be kept in perspective, this pilot project has been a clear success: good repayment rates, satisfying legitimate financing needs, a strong social impact through the financing provided (a better quality of life, enhanced self confidence and the enhanced employability of a substantial number of customers) and in terms of preventing over-indebtedness. Convincing other credit institutions to participate in the project and assume part of the risk is still the major challenge confronting the project.

→ Does Government, municipalities or other public authorities act as direct service provider?

In general, the public authorities do not act directly in this sector, although it should be borne in mind that certain parapublic bodies offer mortgage loans that promote social goals.

Furthermore, there are no public sector banks or savings banks as such. The Banque de la Poste, which is currently 50% owned by Fortis, with the remaining 50% owned by the public authorities, does not assume more obligations than any other private bank.

4- Future (known and possible) developments

→ What are the future known and possible developments regarding government commitment and/or response for financial inclusion and regarding the political framework and agenda on that issue?

The response is currently ‘on hold’ because, since the last elections in June, the government is dealing only with current affairs pending the formation of a new government. In addition, the main party active in these areas will not, in principle, be part of the future new governmental coalition (the socialist party).

C- MARKET RESPONSE FOR FINANCIAL INCLUSION (VOLUNTARY CHARTERS, PROVISION BY ALTERNATIVE PROVIDERS OR MAINSTREAM PROVIDERS)

1. Stakeholders commitment

a) Banking industry commitment

Credit

Non-access to credit is not seen as a problem having the same scope or similar in nature to the problem of non-access to the basic banking service. The Belgian approach is to promote healthy and responsible credit practices; In this context, consumer protection measures can sometimes be considered as reducing access to credit (e.g. the protection of a minimum level of monthly income against garnishment orders makes it almost impossible for households whose income does not exceed these thresholds to gain access to credit).

Case law has been built up gradually as regards the lender’s responsibility for checking the customer’s solvency, its obligation to provide information and advice in accordance with the law on consumer credit. This case law helps to determine more precisely the criteria to be applied in this area. This case law will no doubt drive analysis and further action which could result in more objective definitions of these concepts. The annual report published by the Credit and Debt Observatory (published for over 10 years) contains a selection of case law rulings in connection with consumer credit and the collective settlement of debts. This report plays a major role in assessing these laws and provides a basis for adapting them.

→ Is the commitment industry-wide or restricted either to particular banks or to particular types of banks (e.g. savings banks)?

We have noted that the Banque de la Poste’s customer policy differs from that of other banks. Without this difference being either really officialised or institutionalised, the Banque de la Poste is the bank which, even before the adoption of the law on the basic banking service, offered current accounts on particularly favourable conditions and which had a more open policy towards all sections of the population.

→ Do/Did the designed solutions meet the assigned objective or not, and why?

Transaction Banking Services

Despite the charter implemented at the end of 1996 by the Executive Board of the Belgian Bankers Association on the basic banking service, subsequent studies have revealed persistent shortcomings in this solution. It was in the light of such shortcomings that the government decided to adopt legislation giving every citizen the right to have access to a basic bank account.

→ What are the future (known and possible) developments regarding banking industry commitment in order to reduce the number of unbanked individuals (including both those lacking savings accounts and those lacking a transaction bank account) and provide access to credit?

To date, the problem of access to credit in Belgium has focused more on the question of appropriate credit offerings for potential borrowers with low/average incomes. Hire purchase transactions for small amounts have given way to credit lines which often prove to be a trap for certain types of customer (different money management habits, failure to estimate the real repayment cost, borrowing more than they strictly need, etc.). The ideal solution would be to succeed in reducing the default risks for these sections of the population through an even more effective risk and solvency analysis (more effective in terms of reducing the proportion of defaults, but also inexpensive or not very expensive for operators so that they do not pass the cost on to borrowers in a “dissuasive” way. This could be achieved by putting in place an official scoring system: it would be based on reliable, legitimate and non-discriminatory data.

Credit offerings seem likely to be enlarged through the emergence of new operators and new types of credit facilities, but is this really desirable if we take into account the additional risks that they entail in terms of over-indebtedness and/or impoverishment (very high cost of credit/tangible security to cover lending risks - mortgages)? The reverse mortgage is an example of this.

b) Not for profit sector commitment

→ What commitment is there from the not-for profit sector to tackle financial exclusion?

A first level of action is data collection, analysis and reporting about the particular issue. On this basis, government and public awareness can be increased.

Debt mediation services (local level, but above all the three regional organisations which are responsible in particular for the training of debt counsellors. Among them, the Credit Observatory has been publishing for more than 10 years a directory of case law with regard to not only the law on consumer credit but also the collective debt settlement procedure.

In addition, the Observatory carries out for the Walloon region a survey among debt mediation services which is used for assessing the types, amounts and numbers of loans involved in cases of over-indebtedness, details of non-credit debt and the socio-economic data of households.

These two sources of information, in addition to the administrative data provided by the Central Individual Credit Register, however much room for improvement they may have, provide sufficient input and data to put these types of questions on the political agenda.

→ Who are the key not-for-profit organizations that have developed solutions to meet the needs of people who are financially excluded?

Credal Plus not-for-profit organisation.

→ What areas of financial exclusion do they work in?

Providing people and households with a low income with access to appropriate instalment credit facilities for small amounts. The conditions of access include income ceilings. In addition applicants must not have access to an appropriate bank credit facility (in terms of the type of credit), as the idea is not to enter into competition with the traditional banking sector.

→ What solutions have they designed to meet the need of low income clients in these areas? (Develop services provided and programmes implemented in point C 2)

The methodology developed to meet the needs of this category of the population does not differ in substance from traditional lending practices. It is however far more exhaustive as regards certain aspects:

- credibility analysis: before the first meeting, a telephone interview, which can sometimes be very long, is used to establish the main lines of the applicant's situation and state of mind. On the basis of the documents sent to him or her, the applicant is requested to prepare for his or her meeting and to provide a certain number of supporting documents;
- the ID card or any other document showing a national registration number. This is indispensable in Belgium to obtain a loan, since this document is used in particular to consult the Central Individual Credit Register;
- proof of his or her income;
- account statements for the last three months (to check that current expenses are paid: rent, energy bills, insurance, maintenance payments, etc. and to check that the account is not overdrawn, subject to a garnishment order, etc.);
- solvency analysis: a blank comprehensive budget planner is provided, which the applicant is asked to complete as best he or she can. A large part of the work is based on completing this budget which will be used *in fine* to estimate the customer's ability to repay the loan. Given the fact that customers have low incomes, this budget panning is fundamental because the margins are often very small and the expenses which cannot be reduced should not be under-estimated.

This approach differs from the traditional approach in the following ways:

- the purpose of the proposed credit (does it fall within the scope of a basic need/a

constructive life project?) is checked;

- the educational approach inherent in the detailed budget planning;
- the active attempt to identify solutions other than a loan with a view to solving possible financial difficulties and helping applicants to balance their budget;
- adaptable debt recovery methods.

→ Do/did the designed solutions meet the assigned objective or not, and why? (Develop in point D)

Yes, the target public is reached by the project.

→ What are the future (known and possible) developments regarding not-for profit sector to tackle financial exclusion?

Ideally the project's development would involve integrating partnerships with other banks whereby they would also propose social credit and agree to cover a significant part of the default risk, since the way in which the default risk is currently covered by the public authorities is not sustainable.

c) Other organisations commitment

→ Which organisations have developed solutions to meet the needs of people who are financially excluded?

Credit

The Mont-de-Piété is an institution of Italian origin which was set up in Belgium in the 17th century to combat usurious practices.

This institution has a special status which enables it carry on what is commonly referred to as "pawnbroking": it has a monopoly over such transactions in Belgium.

→ What solutions have they designed to meet the needs of low income clients in these areas?

"Pawnbroking" enables borrowers to obtain a sum of money in exchange for an article which they "pawn", on the basis of an expert's valuation (maximum 70% of the estimated value, with a minimum of €30). This enables borrowers to retain the ownership of the item in question, provided that they pay the interest and reimburse the capital borrowed on the agreed terms and conditions.

The Mont-de Piété makes approximately 120,000 loans every year. On the other hand, because of the very discreet way in which it operates, it is difficult to estimate to what extent it deals in particular with people excluded from access to bank credit. Potential borrowers must provide proof of their identity, irrespective of nationality. Applicants must be a national of a European Union Member State.

d) Partnerships

→ Have any of these actors worked in partnership with one another or with the Government, municipalities or other public authorities to implement such solutions?

As we indicated in our brief presentation of the social credit offering of Credal Plus, this project was launched in the framework of a partnership on the following basis:

- Credal Plus asbl: coordinator, project operator, has the following responsibilities:
 - promoting social credit, contact with the associative network and social services;
 - processing applications (meeting applicants, analysing their applications, solvency, budget support, etc.):
- chairing the “credit committee” which decides whether the public authorities should provide a guarantee; this committee is composed of three equally represented parties: the public authorities (the Walloon Region), debt counsellors and representatives of Credal Plus asbl.;
- maintaining close contacts with borrowers during the repayment phase;
- recovery by mutual agreement or via judicial proceedings if necessary.
- The Banque de la Poste: lender and provider of back office services, produces a weekly repayments report. The bank follows the opinions of the credit committee but has not modified its banking products or monitoring procedures, with the notable exception of the favourable interest rate it charges. It has no default risk. Once default notice has been served in accordance with the usual legal requirements, it claims against the Guarantee Fund. Credal Plus then takes over the debt recovery procedure on behalf of the Walloon Region and the Guarantee Fund.
- The Walloon Region: it finances the staff costs of Credal Plus and guarantees the social loans granted.

2. Services provided and programmes implemented

This part of the report should describe the main relevant services and programmes that have been implemented (successfully or not) in order to play an important role in providing access to financial services to the most disadvantaged people.

The Credal Plus social credit project is still in its pilot stage. Despite the growth in its activity and the excellent repayment rate, after 4 years, fewer than 400 loans have been granted.

The Banque de la Poste recently withdrew from the partnership and Crédal SC now acts as the lender (a financial cooperative with a social objective). The aim of increasing the number of banked individuals is therefore no longer satisfied and at the present time there seems to be no other banking partnership in the pipeline. This aspect raises the question of the possibility of sufficiently expanding this experiment to have a significant impact on both:

- unsatisfied needs;
- the prevention of over-indebtedness caused by inappropriate debt.

Programme creation, development, support and perspectives

Social credit

The social credit project implemented by Crédal Plus was based on a study commissioned by the Minister for Social Affairs of the Walloon region on the relevance of proposing social credits for small amounts within the general framework of the fight against over-indebtedness. On the basis of the results of that study and following a feasibility study, Credal Plus was designated to implement the pilot project.

The project is therefore coordinated by Crédal Plus asbl and monitored and evaluated at the same time by the public partner, namely the Walloon Region (WR). This monitoring process is even more effective because the WR is a member of the credit committee which examines every application and is kept informed about the repayment status of outstanding loans.

It took a very long time to put a tripartite partnership in place. The main difficulty was convincing a bank to join the partnership. Banks were particularly hesitant about joining the partnership because of their potential liability under legislation to protect consumers and the target groups (low income groups and possibly those listed negatively in the Central Individual Credit Register), since in the framework of the project, only the lender (which is not the promoter in this case) has any such liability. Once the feasibility study had been carried out, it took a further 18 months to finalise the partnership agreements.

Although the lender provides the funds and lends them at preferential rates (from 4.5% to 6% on average), all the other costs are borne by the Walloon Region, namely the operating costs and staff expenses. The Walloon Region also guarantees the loans in the event of default. Since the start-up phase, financing sources have been diversified and now include other public authorities and foundations.

The project's objectives were numerous and included among others:

- to demonstrate that the target groups are reliable when the approach and product are adapted: OK
- to use social credit as a tool for preventing over-indebtedness: OK
- to improve the quality of life of the people participating in the programme (whether or not they have received a credit): OK, thanks in particular to the wide range of legal and social advice provided during the application processing phase (positive impact on income, reduction of expenses, etc.).

The unexpected positive effects include the fact that social credit has shown that it is capable of helping people to extricate themselves from existing financial problems before the situation becomes too serious. Prevention is therefore possible and people can be referred earlier to debt mediation services. Offering credit is a good 'active' means of preventing over-indebtedness, since households with difficulties are more willing to approach a social lender than the 'social services'.

→ What are the means to carry out the project?

In November 2007, the team was composed of five people (3.35 full-time equivalent basis). The 2007 budget is €280,000.00: €180,000.00 is provided by way of public grants and 100,000.00 is provided by a bank foundation. In three years, the volume of loans granted amounts to €1,000,000.00 for an average amount of €2,700.00.

→ What other kind of support would be welcomed/needed, and why?

In our view, in order to develop the project on a significantly wider scale, it is necessary:

- to develop a network of voluntary workers who could provide pre-contractual assistance and provide support during the recovery phase;
- to set up an official guarantee fund (following the French example) at federal level;
- logically, setting up such a fund would facilitate cooperation with the banks.

→ What are the future (known and possible) developments of the programme/service implemented?

Future developments for Credal Plus are focused at this moment on making social credit available Brussels in order to cover the whole of the French Community of Belgium and developing a financial product intended to finance energy saving home conversion work (this product would be reserved for groups that do not have access to traditional bank loans).

D- EVALUATION OF IMPACT

→ Has any attempt been made to monitor the impact or effectiveness of the developments above (government and market responses) in reducing levels of financial exclusion?

Transaction Banking Services:

The first part of the evaluation of the Basic Banc Service (BBS) law was carried out by the Réseau Financement Alternatif asbl and led to the text of the law being adapted.

A second evaluation may be carried out in 2008, but no definite decision has yet been taken.

The social credit project is assessed on an ongoing basis by the public authorities that participate financially in the project. Only the questions of an increase in the volumes and the sustainability of such a development have yet to be finalised. In all likelihood, this will take quite some time because the mentalities of not only bankers but also the general public need to change. Moreover, we must not forget the ongoing analysis and work on improving responsible lending practices carried out alongside this project are also improving access to appropriate credit.

→ What lessons are we able to learn from the evaluation(s) about what works and what doesn't?

Transaction Banking Services

The BBS law has made it possible to reduce significantly the number of financially excluded people, but not necessarily through the opening of basic bank accounts. Faced with this legal obligation, banks have in part stopped refusing to open accounts, but on the other hand they propose home banking services, rather than a basic bank account, which is less interesting for them. This market response is however fully in line with the spirit of the law.