

## The 'London Declaration' on the Global Credit Crisis

13 November 2008

We, the European Coalition for Responsible Credit and Debt on our Doorstep, with the support of our partners around the globe, call on our governments, financial regulators and central banks to take immediate action to support households with financial problems and to work with us and other consumer agencies, academics and the labour movement to establish new rules for the regulation of credit markets at international, European and national levels.

The current crisis is a product of the long-term neglect of consumer interests in the credit markets and inadequate regulation of the financial services industry. Over the past twenty years we have witnessed the continued weakening of consumer protections in the name of supporting free and efficient markets. The failure of this approach in the credit market is now self evident. This is not a crisis born from providing access to credit to low-income groups but one caused by providing them only with irresponsible credit products and failing to protect their long-term interests in the market.

We call on all governments across Europe to:

1. improve help available to households in mortgage arrears, by
  - a. establishing, with the financial services industry, a 'mortgage rescue fund' for households, which can be used to help borrowers reschedule mortgages at affordable rates of interest over the next five to ten years
  - b. providing courts with the power to halt the repossession of homes and to reschedule mortgages by accessing the 'mortgage rescue fund'
2. enhance court protection for borrowers with unsecured debts, by
  - a. providing for borrowers to obtain, on their own application, a temporary moratorium on recovery action for up to one year, subject to judicial discretion
  - b. preventing unsecured lenders from obtaining legal charges on homes
3. ensure adequate provision of debt advice services, by developing and implementing, with the active involvement of consumer agencies, a national debt advice plan. The plan should be developed following the commissioning of independent research into the demand for, and supply of debt advice provision and current funding levels for advice services.
4. include a duty in bank and credit licenses obliging lenders to ensure people on lower incomes have access to responsible credit products and requiring lenders to report in a standardised and public way on their performance in meeting this obligation

5. build and monitor a new regulatory framework with active consumer involvement, by
  - a. ensuring consumer agencies are represented on key policy making and supervisory bodies at global, European and national levels
  - b. providing financial support to enable consumer agencies to participate in an ongoing dialogue with regulators and the financial services industry at global, European and national levels
  
6. develop a new insolvency scheme for banks and financial institutions that incorporates features of current bankruptcy codes to exclude Company Directors from office in return for legal protection in respect of 'covered actions' after bank failure, while also guaranteeing the continuous well functioning of the bank in the market. Where this requires public financial assistance, this should be given only on condition that the institutions concerned agree to incorporate a clear principle to act with responsibility to consumers into their governing documents.

Signed this 13 November 2008

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London Declaration Supported By:

Names of organisations and signatures to be entered on 13 November