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Réseau Financement
Alternatif
Ensemble, changeons la finance

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PART 1 CONTEXTUAL QUESTIONS

This chapter has been completed by every partner successively at a national level in order to compose one general contextual view.

1 Financial exclusion problems, public debate and data

1.1. Financial exclusion overview in Belgium

Financial exclusion is defined as “a process whereby people encounter difficulties accessing and/or using financial services and products in the mainstream market that are appropriate to their needs and enable them to lead a normal social life in the society in which they belong.”

There are some factors that reflect the existence of financial inclusion:

Regarding **bank accounts**, there might exist some problems for migrants and others small groups, but they are not much documented. The right to a basic bank account seems to be globally efficient. More information and communication about this possibility might help to improve a bit its use.

Regarding **savings**, Belgians are great savers, but no evidence demonstrates that low-income people have good saving practices. SILC data (e.g.: lack of capacity to face unexpected expenditures) or credit default or even extended use of credit revolving support the idea that many households do not save money, and are very much exposed to any life accident. Tax incentive for savings exist (tax discount on interest for a first amount of savings) but may not be so efficient for low-income people.

Concerning **credit**, there might be a lack of access to appropriate credits for low-income communities beside the fact that revolving credit (inappropriate in many cases) are very easy to get in supermarkets or other shops. This last type of credit is clearly an issue.

Concerning **insurances**, if we consider that home/family and health insurances, beside the compulsory car insurances, would be very much generalized, some evidence shows that some people remain uncovered (less than 5%). A solution should be developed for them.

1.2. Main reasons and main consequences observed

Non-exhaustive list:

- No access to a payment account

The remaining “non-users” may be explained by a lack of knowledge about their rights (because of other difficulties: language, literacy, fear, understanding,...) or maybe because they not fulfil the legal requirement OR oversize (too restrictive bank application) requirement, or finally, because they do not need them which then may question the way those persons are “integrated to the Belgian society” - in the way it can be a “philosophical statement” or a ”strongly marginalized public”.

- No access to electronic means of payment (transfer) : Related to basic bank account.
- No access to debit card : Related to basic bank account.
- No access to consumer credit even in a solvency position

This may be the reality for low-income consumers who may have difficulties to get small monthly instalments credit (under 3 or 5.000 €) that are generally replace by revolving credit.

- No access to a mortgage even if able to make appropriate repayments

Not documented, but for mortgage credit, the creditworthiness analysis is generally better analysed and studied. Besides the mainstream banks, there exists a range of social oriented mortgage providers (related to public bodies) that can provide solutions.

- Access and use of financial services but excessive costs or accumulation of fees following incidents (late repayments etc.)

This is a thoroughly studied issue by debt counselling services, in some case, a small debt can become a heavy amount to repay just because of penalties.

Access and use of credit but unsustainable overindebtedness

Overindebtedness exists in Belgium and some measures evaluate its size.

People with credit default – 4,13 % in 2010

People with legal debt settlement plan – 0,89 % in 2010

- No available data to count the amicable (beside the court) procedure.

In between these two rates, we may find the level of over-indebted people. But a significant part (+/- 30%) of the legal procedure do not include credit default.

1.3. Public debate on financial exclusion

1.3.1. A debate limited to specific topics

- ➔ Revolving credit and its availability in supermarket: type of credit available? Size? Amount? Reduce access to revolving credit, limit its duration / limit the risk of debt trap via a regular compulsory reimbursement (new law not yet assessed)
- ➔ Way to protect human dignity once debt settlement plan is implemented (minimum income protection) – new law that has been voted recently, which now does not allow to reduce the disposal amount under the minimum social benefit.
- ➔ Way to reduce risk of overindebtedness related to excess of penalties and fees (a common national database to register the “legal seizure”)

1.3.2 Players involved in the country's debate

Among the players involved, there are:

- ➔ Municipalities via Public social services
- ➔ Commercial, financial service providers and their associations which do strong lobbying
- ➔ Not-for-profit financial service providers, they are not much involved in the debate but are active to bring solutions on the field
- ➔ Consumer associations
- ➔ Money advice agencies

- ➔ Non governmental agencies
- ➔ Academics , but they are few
- ➔ Neither the National government nor the Regional government nor the Social housing providers do not take part in debate .

But others players are also involved:

- ➔ A great initiative was the creation, some years ago, of the “Creditless day – Journée sans crédit” which is designed and implemented by a platform of debt counselling services + researchers + lawyers + agencies + consumer protection association + etc. which work together to build, on the one hand, an annual report about the situation and the legal recommendations necessary to improve the regulation (credit, debt settlement, income protection, trade,...) and, on the other hand, action to target the public in the street and in many public area (train station..) where animations, actions are proposed during one day (in French: www.journeesanscredit.be). One positive effect is that now, the Platform is regularly invited to present its view at the Parliament on the matters, and by other policy-makers...

1.4 . Affordable Personal Inclusive Credit political agenda

- ➔ At the national level, the place of Affordable Personal Inclusive Credit in the political agenda is very low.
- ➔ At a regional level, it seems to be high for Walloon region, but low for Flanders.
- ➔ In the Walloon region, social credit has first been “studied”, then implemented within a pilot project since (2004-2005). Even with a good qualitative success and internal growth, it remains at a size with no significant impact on a macro point of view.

This can be explain by the fact that Belgian bank market structure is almost completely composed by “profit-oriented” entities, no savings or cooperative banks remain. Thus finding a bank partner to develop social offers is not easy. (Details about the past involvement of the Postal bank in the social credit initiative will be given later).

2 Personal consumer credit legal framework and regulation

2.1 Regulations for credit institutions

Providing credit is easier than collecting savings in Belgium.

In order to- provide consumer credit, each provider needs to register to the economic administration, provide the credit contract sample that they are going to use (it should first be validated by the administration, to check if they comply with all the legal requirements) and get the approval. The providers have to consult the credit database before each credit and note on the contract the number of the consultation (which proves they checked it). This consultation has to be done in the 20 days before the contract signature. Once it is approved and accepted by the customer, the credit has to be registered in the credit database (within the 24h?).

An interesting characteristic is that “all the type of credit” not dedicated to business or mortgage are then considered to be “consumer credit” and have to respect the consumer credit law – there are no exceptions because of statutes,etc. Overdraft facilities are registered as well since 2011.

2.2 Law enforcement / effectiveness

Illegal lenders are not a “common” / documented issue in Belgium. Social workers, debt counselling services do not reporting such difficulties. Of course, in some communities, private loans (family / honour loans) occur and some might create difficulties, but it is not an important phenomenon and certainly not known to be a “public order threat”.

The Ombudsman, economic administration and courts decisions, illustrate the illegal practices from credit providers.

Number of claims for the Bank/Credit providers Ombudsman

	2005	2006	2007	2008	2009	2010
General	9	7	0	4	3	4
Mortgage	56	51	43	48	58	69
Consumer credit and withdrawal facilities	29	31	36	46	45	53
Negative registration to credit database	4	4	5	4	9	12
Other	3	8	5	4	9	7

Total number of claims	101	159	89	106	124	145
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The main reasons related to credit claim are:

- Complexity of the requested amount to be paid: penalties and fees calculation are too complex to be understood by the customers;
- The claims related to negative registration to Credit Database is due to a lack of knowledge about the rule every credit provider must respect regarding each 3 month arrears;
- Related to mortgage, the claims come from the different tax level in case of mortgage or in case of a "proxy for mortgage";
- Related to consumer credit, claims are sometimes related to credits provided nevertheless a reduced budget prevails.

2.3 Consumer credit legislation and exceptions

2.3.1 Interest rate cap applicable to personal consumer credit

There is a maximal interest rate for consumer credit, it differs from the type of credit and the amount.

➔ See Appendix 1 for details

2.3.2 Illustration

APIC conditions

Minimum amount: € 500 (no calculation for a € 200 credit)

For a €500 credit – 5% APR – 18 months – € 28,87 per month – Total interest cost: € 19,66

For a €1.000 credit – 5% APR – 24 months - €43,82 per month - Total interest cost: € 51,68

Maximal legal interest rate for equivalent credit:

For a €500 credit – **19,5% APR** – 18 months – €**31,89** per month – Total interest cost: **€74,02**

For a €1.000 credit – **19,5% APR** – 18 months – €**49,90** per month – Total interest cost: **€197,60**

2.3.3 The specifics of legislation concerning credits

All the credit providers are submitted to the same rule. No competition distortion from this part of the law between providers.

2.3.4 Special regulation of hire purchase in comparison with personal consumer credit

Such regulation does not exist.

2.4 Risk assessment, financial capacity assessment, responsible practices

2.4.1 Regulation on credit risk and/or creditworthiness assessment?

The regulation of credit risk has been transcribed in Article 10 as follows:

Article 10:

The lender and the credit intermediary must ask the consumer seeking a credit agreement and, where appropriate, people who act as collateral, accurate and complete information as they deem necessary in order to assess their financial situation and their ability to repay and, in any event, their outstanding financial commitments. The consumer and the person who acts as collateral are required to answer accurately and completely.

"The Court considers that the lending organisation commits an offence if it grants a credit when the inquiry form on consumer resources has not been fully completed (e.g. J.P., Courtrai, June 28, 2005, Ann. Crédit, 2005 , 34)."

2.4.2 Positive or negative credit check databases: Belgian's overview.

There is a check database for both positive and negative credits: the “Centrale des crédits aux particuliers / National database for consumer credit” (broad “Belgian” understanding).

In this database:

- There are no minimum amount, no minimum duration, even withdrawal facilities are included since last year – all credits and mortgage, except for commercial loans are recorded within the whole credit supply
- Data collected defers from data published (of course): The name + first name / date of birth + sex+ address of the consumer + co-signature if any + ID number (each Belgian resident get an ID number)
- For **credit**: total amount / first instalment / number of instalments / rhythm (month,...) / last instalment date.
- For **revolving credit**: amount of the credit / date of signature / and, if any, date of the end of the contract;
- For **Mortgage**: total amount / amount first instalment / number of instalment / rhythm / first and last instalment date
- In case of default: date and amount of the default / if the credit become “due”, the total amount due + the date

The database is provided by **all** credits providers ; these one are allowed to consult the database via internet by entering the customer ID number or its name, address and date of birth .

A negative recording lasts for 12 months after regularisation, and maximum 10 years after the first "default", whatever the situation is (regulated or not)

In case of positive or negative registration, the credit provider is responsible, considered as a professional (providing access to credit or not): therefore, he might decide to allow credit even if a default is registered if he is able to prove that this decision is wise. Nevertheless, the main response is negative once a default is registered.

My opinion is that, as such, the Belgian credit database is effective but improvements are necessary to increase its use as a tool against over-indebtedness.

Examples:

- Annual up-date of the credit on-going amounts,
- Detailed number of people with 6, 7, ..., X credits,
- Public information about default rate per providers;

Some accuracies about:

- “Fichier non régis”: credit not covered by the credit consumer law: leasing, professional credits; ... this file is completed and used only by the effective participants (a large range of credit providers, but not all)
- “Centrale des saisies”: a new centralised register includes all seizures (attachment / once an effective debt remains and no amicable solutions was possible). This register is available (not for free) for interested credit providers. This file is managed by the National Bank, it is an official/judicial tool. It is a very recent measure, we have no feedback about its use so far.

2.4.3 APIC and overindebted people

Credit access is in general impossible during debt relief schemes BUT an APIC credit can be granted as a solution. Indeed, such a context makes the procedure long, there is a need to contact the debt counsellor (agreement with the creditors for amicable or with the judge if judicial). An APIC credit is appropriate to maintain mobility (replace a broken car), to maintain a job, otherwise the income might be further reduced...

2.5 Risk assessment, financial capacity assessment, responsible practices

Savings collection is a bank monopoly. Registered cooperative with credit activities (to the National Council for cooperation) are allowed to propose “shares” to the public and can receive a very limited number of “loans” from individuals. In this regulatory framework, these cooperatives can not access or implement public campaign to collect savings. What they are proposing is therefore considered as an investment (risked one), with no guarantee on the amount (capital) and/or the income/interest to be distributed. This limits the size of this kind of cooperative and may impact the supply of APIC based on its funds.

Credit intermediaries registration is rather simple to access for a not-for-profit organisation. Therefore, a “credit provider” should collaborate with a intermediary to provide the funds and / or the credits proposed. In this case, the challenge is to identify a “credit provider” that will collaborate on a APIC activity. In *Belgium*, there is a lack of socially-oriented banks it is thus almost impossible to finalize an agreement.

2.6 Final conclusions, comments and lessons learned from your legal environment

The legal environment is globally protective against bad practices and irresponsible behaviours.

- Some improvements could be made in order to:
 - ✗ Make more “objective” the obligation of information and advise in the pre-contractual time (standard budget table to be fulfilled);
 - ✗ Develop a consumer friendly procedure to act against irresponsible attitude from credit providers, etc. to few cases although the consumer law is protective and effective once activated via a Court.
- The national credit database should collect some more informations, should share more information with research and experts to develop knowledge and prevention strategy. So far, the data is under exploited and credit providers have a too much representation in the board. The board should be managed by an equal representation of providers on one side and users on the other side.
- Credits (revolving credit) should be proposed via a same responsible way in every place they are proposed (by any kind of credit providers), supermarket included...

3 Belgian credit market structure overview

3.1 Credit providers diversity

- Alternative bank:

Triodos Bank – Savings bank for individuals – Retail bank for organisations

- Social (public) mortgage providers (3 regional networks)

To facilitate property access for low-income families and “big” families, there are social mortgage providers that may propose low rate mortgage, but also credit related to the improvement of the dwelling, investments to save energy,... plus special conditions for people over 65 to keep their home in a good shape. Requirements exist: maximum income, maximum price for the house/apartment, maximum monthly instalment related to the income (1/3), geographical situation,... are the main ones¹.

- Commercial bank and credit providers (profit-oriented): all.

The Credit providers Federation represent 60 institutions which are covering 95% of consumer credit market share and 90% of the mortgage market share. BNP Paribas Fortis, ING, KBC and Belfius (ex-Dexia) represent the big 4.

Based on the balance sheet 2005 (million Euro), the ranking in EUR is:

- 1 BE Fortis Banque 593.896
- 2 BE KBC Bank 269.425
- 3 BE Dexia Banque Belgique 218.422
- 4 BE ING Belgique 157.596
- 5 BE Argenta Spaarbank 22.698
- 6 BE AXA Bank Belgium 16.761

- Microfinance institutions (business-oriented)

Crédal, Hefboom, Brusoc, Fonds de Participation, Microstart

- APIC providers

Crédal “credit social accompagné”

3.2 Deprived consumers – purchase resources for low income consumers

- Public support

¹<http://www.swcs.be/index.php/bienvenue-sur-le-site-de-la-societe-wallonne-du-credit-social/qui-sommes-nous/la-swcs.html>

The public social net (via benefits, emergency help, ...) remains efficient in many circumstances, but it appears (more and more?) that sometimes no appropriate solution exists.

- Revolving credit

In this situation, the individual may try to get “revolving credit” or use their on-going one. This type of credit is proposed with a very limited creditworthiness study in shops or even sometimes in the street during “promotional actions” (only CitiBank so far has done so).

- Private loan to friends or family members

Savings or, better to say “lack of savings” is one relevant indicator of the material deprivation and risk exposure of a household. For this reason, we consider here people with lack of savings.

- Generate arrears on usual expenditures (rent, energies,...)

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3.3 Existing credit available to/used by low-income people

3.3.1 Specific dynamics of the low-income market

- **Credit card credit / Revolving credit / overdraft facilities**

The level of use and default regarding personal credit increased since 2008. Revolving credit is the most prevalent type within the credit market and within the defaults. This type of credit is proposed to anyone in supermarkets without respecting the information and advice obligations. Moreover, the credit size offer usually exceeds the household budget capacity.

At the end of 2011, 6.636.527 contracts – 221.281 contracts in default (3,3%)

The total amount proposed: 15.029.061 € (2.265 € average amount) and 414.300 € are in arrears (1.872 € average arrears).

A survey has been implemented in 2011 about the use of such credits by low-income people (250 interviews from people receiving social benefit).

Some relevant information:

→ The more the income is low, the more the credit revolving amount is proportionally high

Income of the respondent	Revolving credit average amount	Revolving credit average amount/ Maximal income of the sample
Less than 800€	1.625,00 €	2,03
Between 800€ up to < 1000€	1.707,69 €	1,71
from 1000€ to < 1500€	1.775,00 €	1,18
From and over 1500€	2.099,44 €	1,05 ²
Do not want to answer	1.500,00 €	--

Main recommendations related:

- Avoid standardized credit amounts (1.900€, 2.500€, 5.000€) because they are not appropriate to low-income people. In more than 41%, people answer they received an oversized amount.
- Implement an effective budget sample to be completed by the client to assess its creditworthiness (here again to propose a “tailor-made” amount).
- To avoid to pass over an appropriate ratio between monthly income and cumulated amount of on-going credit (on-going consumer credit)

→ Revolving credit more risky for low-income people

It has been documented as well that revolving credit reduces the budget management capacity of many users. A significant amount of respondents have no clear ideas on: the remaining amount to pay, the monthly instalment, the number of remaining payments.

Despite this lack of clear vision, a majority expressed their will to increase the use of the credit during the next 12 months.

² Among the 10 people with incomes above € 1500, 7 reported having incomes below € 2000, which is why this figure was taken as a basis.

Informal borrowing

This type of borrowing is not documented, so we have no idea of the extent of such practices and if they are generating difficulties. Nevertheless, social workers dedicated to budget advice or debt counselling, from the public local authorities, do not report any significant problems regarding this subject.

3.3.2 Bad practices / toxic products which create a high level of use difficulties

Beside the revolving credit already mentioned, the credit market remains globally safe. The authorities (market/competition regulation) are very active to avoid that “new” products or marketing practices reduce the consumer protection existing in Belgium. So far, SMS credit, Internet abuses are limited or forbidden, because they do not respect the whole legal frame.

We can not guarantee that this protection will resist to all new approaches, but so far it is working.

High cost credit are very rare since the interest cap exists in the “professional consumer credit market”, but also because citizens do not consider credit as a right. If they do not access credit, they wait until they can. It is clearly a trend, otherwise an illegal market would have developed.

Moreover, the idea to propose a credit interest rate over 25-30% would be generally considered as criminal/unacceptable by the people.

3.4 Credit and saving culture / practices / data

3.4.1 Savings

Since 2000, the number of savings accounts increased by 0.11% per year while the savings collected via the savings accounts increased by 10.1% per year. However, the data collected do not allow a deeper analysis in terms of financial inclusion: does everyone open a savings account? Does everyone save money?

	1993	2000	2005	2008	2009
Nb savings	18.581.000	17.670.000	17.400.00	18.672.000	18.746.000

account (with tax deduction)			0		
Amounts on these accounts (billion Euros)	48,5	94,1	158,8	149,8	188,7
Belgian population	nd	10.239.085	10.445.852	10.666.866	10.753.080
Average number of savings accounts per person	nd	€1.725	€1.666	€1.750	€1.743
Average of savings amount/person		9.190,27 €	15.202,21 €	14.043,49 €	17.548,46 €

Sources: Febelfin Vademeicum 2009 – Statbel (population)

3.4.2 Credits

	Number			
	2003	2007	2010	2011
Person with 1 credit	1.914.772	1.913.427	1.913.803	2.223.538
Person with 2 credit	1.114.498	1.227.832	1.285.206	1.478.532
Person with 3 credit	597.679	725.859	804.246	1.023.203
Person with 4 credit	307.987	401.576	465.142	653.311
Person with 5 credits or more	325.175	415.538	495.244	802.877
Total	4.260.111	4.684.232	4.963.641	6.181.461

Sources – BNB – CCP (2003-2010)

From these figures, we observe the following evolution:

- The credit market is developing, but so far, not all Belgian citizen access a credit. Nevertheless, when the "overdraft facilities" were introduced in the data (since 2011), due to a change in the law), the credit penetration is really increasing.
- The number of people with more than 2 credits increase more quickly than the others.
- In average, people with credit have 1,83 contracts in 2011.

3.4.3 Number of credit per type and related defaults

Number of contract by type, % of the market share per type.

Number of default per type, % of default per credit type, 2003-2010.

Consumer credit (regular instalment)					
	2003	2004	2008	2010	2011
Defaults	205.988	201.693	180.049	189.304	163.462
Defaults share	40,6%	39,7%	36,4%	36,0%	35,5%
Dedicated consumer credit (in shop-car,...)					
All	300.934	346.712	415.187	384.381	358.632
Market share	4,7%	5,2%	5,3%	4,7%	3,2%
Defaults	59.957	56.603	54.115	55.750	46.716
Defaults share	11,8%	11,1%	10,9%	10,6%	11,5%
Revolving credit/Credit cards					
All	2.818.936	3.019.868	3.704.609	3.801.638	6.636.527
Market share	44,1%	45,2%	46,9%	46,1%	58,6%
Defaults	190.226	200.908	220.388	238.429	221.281
Defaults share	37,5%	39,6%	44,5%	45,3%	48,1%
Mortgage					
All	1.824.522	1.913.034	2.287.533	2.501.787	2.689.587

Market share	28,5%	28,6%	28,9%	30,3%	23,7%
Defaults	45.215	43.867	37.809	41.860	28.974
Defaults share	8,9%	8,6%	7,6%	8,0%	6,3%

Sources: BNB, Bulletin statistique, Centrale des crédits aux particuliers, 2006-2010

Calculation: Réseau Financement Alternatif

Default numbers (2010):

1. Revolving credit:	238.429
2. Consumer credit:	189.304
3. Dedicated credit (car, ...):	55.750
4. Mortgage:	41.860

3.5 Impact of loan interest rate on credit supply in low-income communities.

Interest cap has been implemented in Belgium to reduce the risk of irresponsible credit provision. The highest the rate is, the more easily you can sell contracts and limit research on creditworthiness. Because interest cap exists for years now, the size of the credit market in Belgium is such that not every adult uses credit or thinks it is a right to get a credit. It is more natural to consider that credit providers know their job and will not provide a credit if the consumer may not be able to repay it.

Consumer protection organisations, researchers in the field insist on the economic situation of low-income people: a credit is not a solution to compensate “poverty”, or an unbalanced budget. At the contrary, credit fees and interest reduce the purchasing power of the people once they reimburse a credit.

Credit access should be limited for people who can use it without risk of overindebtedness.

Nevertheless, it does not mean that things are perfect in Belgium. Indeed, appropriate credit (type, amount, duration,...) for low-income households are too few and then, the only opportunity for these people is to access revolving credit which can cause many trouble.

An alternative provision of “social-oriented” credit is still needed so far and the development of Crédal activities shows its relevancy.

3. 6 Responsible credit practices illustrations based on legal history

The elements listed below are non-responsible practices concerning credit granting.

The lender had the duty to gather information as an obligation of means until 2003 and since then it has become an obligation of results. Which implies:

- To ask all the necessary questions to assess the consumer creditworthiness (identification data, consulting the Central Individual Credit Register, credit purpose, current and occasional income, family situation, expenses (rent, household composition, food obligations), outstanding loans, debts (tax debts, energy debts, alimony arrears, ...)): *a judge engaged the responsibility of a lender who granted a credit when the consumer inquiry form was not fully completed. Another judge estimated that, a lender who simply looks at income without worrying about debts or who does not ask about current charges such as rent, committed an offence.*
- To have a much more individualized approach than the statistical approach offered by credit scoring: it is just a tool available to the banker, by itself it is not enough.
- To check and analyse the information the lender receives and therefore ask for additional information if necessary or if the lender finds inconsistencies or omissions. The lender's liability was involved in a case where the lender had not requested additional information while in the form the consumer had left the heading "Other Credits" blank .
- To examine own databases and compare the data with the information provided by the consumer;
- To oblige the consumer to justify his/her statements by producing evidence (recent payslip, lease agreement, tax certificate (notice of assessment) ...). In practice, in the records gathered by the Support Centre of the Brussels' Region, there are few lenders that actually request the needed documents. They usually grant the credits based on mere statements of the borrowers, which is a mistake a prudent and responsible banker would normally not commit (this criteria being THE assessment criteria for judges!)
- To identify inconsistencies among asked questions;
- To identify omissions;

- To be more careful if the credit is used to pay off another credit: *the debt mediation service of the CPAS of Brussels sent a folder where the lender's liability could have been jeopardized if the consumer would have accepted to go to court litigation. It is a file where the granted credit's goal was to repay two other loans (agreed with the same lender) for which the borrowers encountered repayment difficulties due to their charges. The borrowers' income consisted exclusively of family allowances (for 5 children) and from mutual benefits. They also had five other consumer credit contracts and a mortgage. Once all credits were reimbursed, they had to live with €800 for 5 children. For the moment, the lender is completely deaf to the arguments exposed, claiming that the customers' credit scoring was good and so he had the freedom to extend the litigious credit ...*
- To be more careful if the consumer claims a credit far away from home;
- Obviously, to be more careful if payment transfers are already done, hence carefully analyse the payslips;

Duty of counsel involves:

- To question the consumer on the credit purpose
- To propose the credit best adapted to the needs of the customer
- To deny the credit (or reduce the amount requested) if the lender considers that the consumer will not be able to meet his contract obligations;
- Not to grant the credit if the lender does not have the most suitable credit to propose;
- The lender is not required to grant credit to the best market conditions, but a judge ruled that a lender had failed to his duty by granting a credit with an APR 3% above the prevailing rate on the market.
- Guarantees can only play a minor role in assessing the credit appropriateness: it is considered as a mistake if the lender grants the credit based almost exclusively on the creditworthiness of guarantors and not on the creditworthiness of the borrower.

3.7 National specific research : 2011 survey on the use of revolving credit by low-income people

General recommendations from the 2011 survey on revolving credit and low-income people³:

- ➔ **The legal obligation to provide advice to the consumer before finalising a credit contract has not been observed in shopping malls, supermarkets or shops. This reinforces the fact that in a significant number of answers, there is a lack of adjustment between the amount received and the effective needed:**
 - To make the market more safe, an objective element in the credit procedure should be implemented to guarantee that the credit fits the household budget.
 - Adjustment of the amount of the credit (cumulated total if the households already have other credits) to the monthly income of the households. In case of higher amounts, a specific and appropriate file/budget analysis needs to be implemented to check the creditworthiness;
 - Dedicated expenditures (specific goods) should only be financed in supermarkets via consumer credit (fix duration, fix monthly instalment,...). Complementary to this, an annual update of the ongoing credit (remaining amount to reimburse) should be implemented in the Central credit database.
- ➔ **In bank branches, revolving credit / credit card are proposed to consumers in a VERY pro-active way, and the amounts proposed are not adjusted to low-income people.** Despite the fact that banks do have a detailed information on income and budget management from their clients, the studied participants' answers do not illustrate a better practice in banks than in supermarkets.
- ➔ **A smooth use for a majority, but a real risk of bad budget management for low-income people or people with numeracy difficulties.** Revolving credit may create some confusion in budget management: the total amount can vary, the monthly instalment as well, and the total duration. All these elements do not facilitate budget management for low-income people. Some change in the use procedure should be designed to increase budget check before new demand.

³ Olivier Jérusalmy, "Les ouvertures de crédit: pour quoi faire?", Réseau Financement Alternatif, Bruxelles. Belgique, juin 2011.

➔ **Poverty increase the risk of misuse of revolving credit.** Unbalanced budget due to lack of income may lead to an oversized use of revolving credit, or a never ending use of it. Both cases are considered as an issue, because they increase risk of overindebtedness and risk of financial exclusion.

3.8 Final conclusions

- Credit market in Belgium is increasing, credit access and use are becoming more and more regular for the people. Nevertheless, credit access is not considered as a right for everyone;
- Credit regulation, responsible practices, positive and negative database have a positive impact on the level of credit default, which has remained reasonably low despite the financial and economic crisis;
- The main issues are related to “bad practices” of easy credit, credit card in shops and supermarkets, mainly because creditworthiness is not assessed properly.
- The second main issue, for low income people, is a lack of choice on the “credit” available for them. Mainly an expensive and over-sized revolving credit rather than a small “tailor-made” credit with regular and fix monthly instalments.

4 Other external relevant elements that impact the CAPIC project or APIC activities

Examples of information that could be relevant here:

- **Political / academic / other support;** In the Walloon Region (WR), a first input came from the government⁴ who requested an exploratory study about the potential need for consumer social credit. Based on the conclusion of this study, and in order to complete the existing actions to combat and prevent overindebtedness, a pilot project was then designed.
- **Knowledge and data, documentation (research release,...)** about issues related to credit access and use, APIC,....

⁴ Demand from Minister of Social Affairs Thierry Detienne. Study realised by the Observatoire du crédit et de l'Endettement, « Le crédit accessible aux personnes à revenus modestes », 2001

- *Existing guarantee fund organisations, National foundations, the role of national and/or local government in providing loan guarantee funds to support lending (in low-income communities)*
No existing guarantee fund or equivalent accessible for “APIC” providers to facilitate initiative in the field.
- *Other official facilitating structures, funds, national/regional/local involvement by authorities, companies,....*
Public social services in all municipalities, with social workers doing budget guidance and debts counselling are the structured network on which APIC activities will rely on for the “identification” of potential beneficiaries...

5 APC integration in the local environment

5.1 The dissemination plan

Launching period:

One important “fear” was to face a never-ending amount of demands. In order to keep some control on the demand, it was decided to exclusively work with some identified and limited number of social structures. No advertising. Each “contacted” social worker who accepted to collaborate had the mission to present the APIC solution if he/she considered that no better / costless solution where available. Based on his/her analysis, he/she recommended the person to contact Crédal.

Beneficiaries from social benefit, emergency support, are generally considered as low-income people, migrants, elderly, single parents, unemployed, handicapped, young people who leave the family house,...

During the first two years, almost all demands have been transmitted by a social intermediary (GAS- debt counselling provincial structure, CPAS Soignies (public centre for social action), asbl Faim et Froid – (charity for poor people) + 3 branches (in Liège, Mons and Louvain-la-Neuve). Year after year, the social workers network extends.

5.2 The CAPIC origin of the demand

Most of the time, demands come from people who had contact with a social service (public/private), and who are invited by the social worker to ask for a social credit because it seems to be an appropriate solution.

- Social services (45% all together):
- Social support from Municipalities (CPAS): 21%
- Debt counselling: 13%
- Support for unemployed: 7%
- Migrants/refugees supports: 4%
- Belfius (bank foundation partner): 3%
- Friends and family: 17%
- Second application (or more): 13%
- Others (not specified): 12%
- Web: 10%

5.3 Links with the other financial inclusion initiatives

So far, no other CAPIC project is active in Belgium. There exists no supply in the Flemish region. CAPIC is more and more related to overindebtedness treatment procedures (amicable and non-amicable).

CAPIC is increasingly seen as a complementary element in the social network to prevent social exclusion / financial exclusion.

5.4 Actions implemented to detect credit applications and promote the project

The project is promoted via the social workers informed of Crédal activities. The second way is word of mouth and the third is the website.

PART 2 NATIONAL CAPIC PROJECT

6 Description

- **Type of loans**
- **Purposes : the credit should support social and economic development of the beneficiary**
- **Amounts:** Minimum: 500 € - Maximum: 10.000 €
- **Maximal duration for reimbursement:**
 - 18 months for 500 €
 - 24 months from 501 € to 2.500 €
 - 30 months from 2.501€ to 3.700 €
 - 36 months from 3.701€ to 5.600 €
 - 42 months from 5601€ to 7.500 €
 - 48 months from 7501€ to 10.000€
- **APR = 5 %** for all the credit
- **Illustrations** for 5% APR:

Credit amount	Nb monthly instalment	Monthly instalment	Total cost
500 €	12	42,78 €	513,36 €
500 €	18	28,87 €	519,66 €
970 €	24	42,51 €	1.020,24 €
1.000 €	18	57,73 €	1.039,14 €
1.500 €	24	65,73 €	1.577,92 €
2.000 €	24	87,64 €	2.103,36 €
3.000 €	30	106,44 €	3.193,20 €
4.000 €	36	119,68 €	4.308,48 €
5.000 €	36	149,61 €	5.385,96 €
7.500 €	42	194,65€	8.175,30 €
10.000€	48	229,79€	11.029,92€

- **No Fees**
- **Access conditions:**

- ✗ To access CAPIC credit, some formal conditions are required, to guarantee it is exclusively used by low-income / excluded from appropriate credit people.

To access to such credit, people should be:

- ✗ Social allowances beneficiaries (for a minimum of living, unemployed, on health/handicapped benefits, pension,...);
- ✗ or on low professional income (low wages, part time, short term working contract, ...) that are under the following "maximum" The net disposal income should be under:
 - 1051,10€ for a single
 - 1433,60€ for a couple
 once deducted:
 - the rent and/or the monthly instalment of a mortgage
 - 186,48€ per child and or other adult of the household
 - the amount dedicated to pay the debts once a debt settlement plan has been implemented in a amicable out-of-debt procedure.

- **Requirements to complete a credit application**

Some **essential documents** are requested to **fulfil the credit demand**. Here there are:

- ✗ ID card copy
- ✗ Income: 3 last salary slip / or unemployed attestation or other proof of social allowances of any kind (pension, health,...)
- ✗ Budget: fulfil the budget sample provided in order to assess the creditworthiness.
- ✗ The bank statements from the last 3 months, included the one for the potential wife or husband to estimate precisely and confidentially the budget.
- ✗ Households official composition (by the Municipality)
- ✗ Central national credit database own situation (provided for free at the National Bank).
- ✗ Any other document like invoice, order note,...
- ✗ In case amicable debt settlement plan, a copy of the plan is required.

- **Treatment process of the application (work flow):**

✗ First contact (by phone): to check the requirement conditions are fulfilled. If so, a postal mail is sent will explain how to complete and prepare the interview + link with downloadable documents.

✗ Interview (effective meeting): once the documents and budget is completed, contact Crédal to fix an appointment (in one of the local branches). The credit adviser will finalise the budget and complete the credit demand.

✗ Credit committee: Once finalised, the credit demand is presented to the Committee to decide.

- If positive decision, another appointment is fixed to sign the contract;
- If negative, a letter will be sent to explain the reasons.

The process all together takes around 4 weeks.

- **Credit risk analysis** (criteria – more details to be provided by the effective lender of the partnership); Answer based on the original practice (first two years), that may have included new elements, but no up date available with Crédal.

✗ **confidence**: is based on the capacity to get a clear view, answers to questions and all the documents requested – on the coherence between speeches and facts (about information related to family structure, incomes, debts,...)

✗ **budgeting capability**: based on the analysis of the bank statements form the last 3 months (remain over zero? No penalties? Default? Arrears,...) - the good understanding by the client of its financial capacity and the adjustment of the amount demanded to this financial capacity.

✗ **financial capacity**: the financial analysis of the households' budget is realistic, clear and sufficiently sustainable. There is a sufficient remaining amount to dedicate to a credit repayment.

- **Description and analysis of the use of credit reference agencies**

- ✗ In Belgium, every credit provider must consult the national credit database (DB) within 20 days before the credit signature. This DB include all the current “private” credit signed by the client (regular or in arrears, in default). Each client, to build its demand form, should provide its statement of this DB (before a second check once the credit file is presented to the credit committee).
- ✗ Crédal do not use any other kind of credit reference agencies
- **Social purpose validation** (if any): YES
- **Impact for the borrower in term of sustainability** for his/her **budget**
 - ✗ This is a key element of the credit analysis – indeed, APIC should not become a tool for generate over-indebtedness, which is potentially easy with low-income people.
 - ✗ A complementary element is the appropriate size, duration and then monthly instalment of the credit proposed.
 - ✗ As much as possible, a better / more sustainable solution than credit are studied, credit remain the solution once all the other opportunities were not appropriate.
- **Relevancy of what is founded**
 - ✗ The credit should financed goods or services that will improve the living conditions of the beneficiaries
- **Details on credit decision process and credit provision**
 - ✗ The credit advisor will have to finalise a credit demand with all the required documents, data and a clear budget. He should be able to answer questions on all the dimension of the demand. It is necessary to remind here that the requirements are rather high and have a “filter” function, for people who not be agree to play this “transparent” role.

- ✗ The credit committee is composed by 16 persons (divided in two, so each external member participate to one committee per month). They are representatives from Crédal (the credit adviser does not vote), for the public and the private partner, and external experts (debt counsellors, social workers,...)
- ✗ 2011 data: 397 demands presented – 350 demands accepted (88% accepted – 86% accepted in average for the last 5 years)
- ✗ In case of agreement, the client is contacted and invited to sign the contract. In case of refusal, a letter is sent to explain the reason of the decision: the idea is to provide a pedagogical support for the people to increase they chance to get a credit a next time. Sometime, the credit decision is slightly different from the demand: the most general change is an agreement BUT on a reduced amount (more sustainable). This may lead to an abandon, but generally, the reason is well explained and this is generally a way to learned about creditworthiness, about priorities, about the fact that it is a good way to build a confident relationship,...
- ✗ Credit contract provision and signature
- ✗ Once the credit is accepted, the credit contract is finalised and the beneficiary is invited to sign it. The amount is generally paid on its bank account, or can be use to pay directly a provider,...
- **Financial follow-up**
 - ✗ After a very short period, a very close financial follow-up has been implemented. As much as possible, within the days following the contractual repayment date. This method is the best one to take care of the relation as much as the...money. Is there any problem with the income (the date fixed to pay the credit is chosen to follow the income's one)? With the bank order? Will it be fixed within the 2 days? Etc.
 - ✗ When the client meet financial difficulties, a reimbursement plan is designed or fractional payments are proposed to fit the new situation in order to avoid a credit notice – nevertheless, when the condition of a credit default are encountered, the credit should be mentioned as such in the national DB.
- **Social follow-up**

- ✗ Most of the time, the social follow-up is provided by the various partners which may have identified the client and propose to him a contact with Crédal. A collaboration can be implemented with the agreement of the client, when a stronger support is necessary than the one provided by Crédal.
- **Arrears and/or debt collection procedures**
 - ✗ As long as the relation is based on confidence (because the contact is maintain, the information is clear and transparent,...), amicable solution, delay, new plan will be proposed, even if the reimbursement will take a very long time. But all this is not true if there is no more confidence: in this case, Crédal will pass by the traditional collection proceeding and use a lawyer. This is essential to maintain a clear message to any client that may believe that “social credit” is a grant...
- **Debt waiver procedure (if any) when particular severe circumstances occur?**
 - ✗ Since 2003, 1.445 credits have been delivered, 31 had/have led to a debt waiver procedure...
 - 3 files because of legal debt settlement plan
 - 4 files where all procedures have been done, a court decision remain effective for the next 10 years...
 - 7 deaths
 - 7 because the amount remaining was not any more relevant or proportionate to procedural costs
 - 5 clients who leave the country
 - 1 client has been “excused” via a bankruptcy procedure which has included the personal credit.

7 Procedure timeline illustration (average)

We have not the precise information to provide a detailed procedure timeline, but we have the main steps of it.

- The credit committee meet every two weeks.

- Once a credit file is finalised (just after the interview, when no data or document is missing), the procedure last generally a maximum of 4 weeks, before to get the money. This is not designed for “emergency” needs. On the other hand, it is considered inappropriate to treat in a hurry credit demand of low income people.

8 Outputs, performance and reporting

Each partners may have some specific objectives, indicators and monitoring tools that will be extensively studied in the next section, but some general outputs, performance indicators, reporting data are probably common to all partners. This section is dedicated to them.

- Expected results (social, economical, financial) originally planned: Part one: quantitative and qualitative objective for the institution, Part two: impact for the beneficiaries (did we reach them?, did they change) – Any change to be expected at a regional or national level...)
- Outputs (quantitative data) – per year, for the last 3 years (or less if the project is younger)

	2009	2010	2011
Number of 1st contacts	1.403	1.606	1.950
Number of interviews	481	503	643
Number of completed files (with a credit committee decision)	336	366	493
Number of abandons - from 1st contact to interview - from interview to completed files	922 (65%) 145 (30%)	1.103 (69%) 137 (27%)	1307 (67%) 150 (23%)
Number of positive decision Number of negative decision Number of reported/delaid decision	298 35 3	322 40 4	429 56 11
Number of paid contracts			
Number of loans delivered (see	261	293	362

details in further tables)			
Number of contracts with a minimum of 3 months arrears	19	19	5
Total amount due at that time	€ 41.367	€ 65.764	€17.534
Amount collected so far (31/12/2011)	€ 9.225	€ 3.161	€ 200
Number of contracts with “amicable” debt collection procedures (+total amount),			
Number of contracts with final loss (no more on-going collecting procedure) procedures (+total amount),	3 € 6.322	4 € 14.807	1 € 1.279
Number of repaid loans (and amounts related).			

Credit portfolio detailed information

General data (from 2004 to 2011)

Total number of credits: 1.445 - Average amount: € 3.795
 Average monthly instalment: € 116 – Average duration: 31 months

	2009	2010	2011
Average amount (€)	3.710	4.414	4.408
Average monthly instalment (€)	111	121	123
Average duration in months	35	34	33

Amounts of the credits provided

	Number of credits	%
< 2.000 €	325	22.5%
between 2.000 € and 3.000 €	296	20.5%
between 3.000 € and 4.000 €	228	15.8%

between 4.000 € and 5.000 €	175	12.1%
between 5.000 € and 7.500 €	253	17.5%
Over 7.500€	168	11.6%
Total	1.445	

Credits paid and on-going amounts

	Number of credits paid by Crédal	Total amount paid €	On-going amount (31/12/2011)	Repaid loans (= total amount – on-going - default)
2004-2006	222	646.128	0	623.912
2007	140	425.446	0	415.633
2008	167	561.432	2.379	543.469
2009	261	950.679	197.532	721.005
2010	293	1.278.664	613.199	602.872
2011	362	1.573.525	1.313.165	243.026
31/12/2011	1.445	5.435.874	2.126.275	3.149.917

End 2011, the amount due in arrears is: € 172.467

The on-going amount from all the credits paid since the start of the activities: € 2.126.275

The arrears ratio is: 8,1%

- Other “qualitative” evaluation: do you measure /assess the situation of beneficiaries who do not receive a loan but for whom the contact / work on money management and budgeting has.. improved in some way the situation... (loan request cancelled because the person realised that other actions were more appropriate...)
- Social performance
- Social indicators used, and / or in development

What we learn in the Crédal annual report about the 2011 users (643 interviews, 825 persons)

■ Gender

- 51% male
- 49% female

■ Age

0-25 year = 7%
25 – 30 year = 13%
30 – 40 year = 29%
40 – 50 year = 23%
> 50 year = 21%
unknown = 7%

■ Marital status

- Single: 37%
- Single with child or other people in charge: 23%
- Couple: 10%
- Couple with child or other people in charge: 24%
- Live together with.. (part of another households): 6% (young adult at parent place,...)

■ Housing

- Social / Public rent: 21%	Average rent: € 258
- Private rent: 66%	Average rent: € 439
- Owner: 13%	Average mortgage: € 423
- Average housing cost: € 390	
- Average part of the housing in the main income: 37%	

■ Main income origin (beside complementary allowances)

- 25%: unemployment allowances
- 17%: long term contract full time
- 15%: minimum social income

- 8%: long term contract part time
- 7%: health allowances
- 7%: art 60 = one year contract for people on minimum social income benefit who can access, afterwards, to unemployment allowances
- 5%: short term contract full time
- 5%: short term contract part time
- 5%: pension
- 3%: handicapped allowances and last 3% unknown

■ **Main income average: €1.061**

- with a work contract: € 1.298
- without work contract: € 894

■ **Complementary income**

- 54%: children allowances
- 13%: alimony
- 9%: ticket restaurant
- 9%: “other” secondary resources
- 8%: complementary allowances (unemployed,...)
- 4%: ADEL = financial support to cover expenditures related to a moving
- 3%: training support

■ **Complementary income average: €301**

- € 383: children allowances
- € 206: alimony
- € 345: complementary allowances

■ **Credit and debt penetration:**

- 21%: no credit no debt
- 14%: at least one credit
- 14%: at least one debt
- 22%: at least one credit and one debt
- 29%: budget guidance / debt counselling / debt settlement plan

■ **Credits type:**

- revolving credit / credit card: 51%
- personal credit (fix instalment): 37%
- overdraft facilities: 10%

- not specified: 2%

■ **Average monthly instalment related to these credits and debts: € 200**

- Social results

✗ Does APIC help to increase financial inclusion in the mainstream sector (ie: It is a “first step” to build credit history / financial skills useful to make possible an access to mainstream products?)

✗ Indicators developed (please detail) on general living conditions?

The credit purpose and potential impact on the living conditions is part of the credit decision...

In the annual report, we find the following details of the purposes:

Impact on mobility and employability

Purpose	Number	Average amount	Average monthly instalment
Car (new/second hand)	252	€6.306	€ 151
Motorbike-scooter	3	€1.867	€76
Tax related	7	€300	€9
Insurances	13	€ 612	€16
Car repairs	6	€1.495	€42
Driving licence	13	€881	€45
Training/study	4	€2.161	€71
Computer	7	€707	€26
	305		

Impact on housing (access / quality / basic comfort)

Purpose	Number	Average amount	Average monthly instalment
Security deposit	2	€501	€15

Heating	1	€6.189	€147
Thermal insulation	2	€9.443	€197
Other works	27	€2.790	€82
Furnitures	31	€1.853	€55
Electric goods	25	€886	€32
	90		

Others various purposes

Purpose	Number	Average amount	Average monthly instalment
Health	4	€863	€32
Family regroup (when parents/children are abroad)	41	€2.260	€95
Others – non specified	11	€759	€31
	48		

Debt or credit consolidation

Purpose	Number	Average amount	Average monthly instalment
Debt consolidation	9	€2.602	€63
Credits consolidation	19	€2.031	€56
	28		

- Indicators to measure the impact on poverty / on income?
- Indicators to measure the impact on improved dignity?
- Indicators to measure the impact on the capacity for the beneficiaries to access a job?

2005 – ONE SHOT SURVEY, on the 48 beneficiaries of a credit dedicated to mobility (4 on-going cars to be bought, 5 cars completely destroyed, 39 cars remaining)

18 households had kept their job – 5 persons get a job, 6 access to inclusive contract and / or temporary work.

All together, 29 households access or keep their jobs.
To compare: an unemployed cost 25.681€/year to public authority
If we consider that 29 beneficiaries avoid /reduce 6 months of unemployment, it means a saving of: 29 persons X (25.681 € / 2) = 372 374€

- How poor or excluded are the beneficiaries? Indicators?
See indicators about incomes level of the beneficiaries
- Do you measure the impact of your activities (beside the credit offer),... budget counselling, increase of income,... improve the budget management skills,... NO
- Economic performance: NO
 - ✗ Economic indicators used, and / or in development?
 - ✗ Economic results?
 - ✗ Quantitative? Qualitative? Elements used in the common reporting
- General reporting (and the one required by law, if any)
 - ✗ What is the added value of your project?
 - ✗ It answers a financial and social need not meet yet by any other practitioners
 - ✗ It is prevention of overindebtedness
 - ✗ It reduces public expenditures (for unemployed / for social workers who provide budget skills, debts counselling,...)
 - ✗ It provides knowledge on low-income capability to manage credit and on what type of credit they can handle
 - ✗ How can your project be developed on a larger scale?

- Via a larger partnership, probably via banks, which could dedicated some CSR to support and develop this action

- Via a larger use of volunteers

- Via various public supports

What is your long term development strategy?

How does the partnership in place help to multiply the effect of the project?

9 Some financial information

The following information is available:

- Support from Walloon Region (per year): € 150.000
- Support from Belfius Foundation (per year): € 150.000
- Guarantee funds (WR): up to € 100.000

PART 3 NATIONAL CAPIC PROJECT ACTIVITIES ANALYSIS

10 “Crédal – crédit accompagné”

10.1 Description

10.1.1 Legal entity status

Not-for-profit association (Association sans but lucratif).

10.1.2 Business model

It is a not-for-profit model.

The resources from the activities (difference between interest rates paid to cooperators (inflation) and received by credit) are minimal because credit rate is very low (5%).

All operational as well as staff costs are covered by public and private subsidies (€300.000/year).

The credit default is covered by the WR up to €100.000.

10.1.3 Link between pre-existing and APIC activities

Before the implementation of the APIC activities, Crédal was specialised in credit for not-for-profit association and cooperatives which had not an easy/appropriate access to credit. Beside this original credit activity, Crédal was the first “business” micro-credit provider in French-speaking Belgium.

At the end of 2004, Crédal created the APIC activities.

10.1.4 Budget description

Expenditures	Full Time equivalent		Ressources
Staff			
Coordination	0,3	19.000	Public subsidies and staff
Credit advice senior	2,8	140.000	cost reduction
Debt collection	0,2	11.000	Complementary
Administrative tasks	0,2	11.000	
Over costs		35.000	
	3,5	216.000	216.000

10.1.5 Human resources available

- 3.5 Full Time Equivalent - 6 people
- Volunteers: some members of the Credit committee, but they are, in majority, paid by their own organisation. Their participation is therefore supported by their organisations.

10.1.6 IT and other material necessary to support APIC activities

- Usual IT
- A particular program developed by Crédal for the credit activities and follow-up.

10.1.7 Organisation's institutional position

Crédal remains the only operator in Belgium which offers social consumer credit for low-income people. The activity is more and more known by professionals, but the limited size of its means is a strong restriction to a massive communication. So far, the development is under control. Another protection against a demand overflow is the request procedure (from 4 calls, 1 demand is finalised).

10.1.8 Conclusion: Key elements that make APIC possible

- The political input as well as the financial support to cover staff, other costs and assume credit risk: the WR is involved in fight against overindebtedness since more than 20 years and the public support for this action is significant. Therefore, the WR is very aware of the preventive aspect of APIC credit and its relatively lower cost compared to a debt counselling procedure.

- A voluntary not-for-profit credit provider that was not “afraid” to act in the legal environment of consumer credit, which is very regulated and formatted in Belgium, and who shares the idea that affordable credit could play a “vaccination” role for low-income people as well as reduce the risk of overindebtedness.
- Human and significant financial support by a Bank Foundation is essential to achieve the financial balance of the activities, which does not generate significant income to cover its costs.
- The missing partner? Bank – In Belgium, there are no more cooperative or savings banks with significant corporate socially responsible actions. To develop this practice, partnerships with bank(s) seem necessary (to benefit from the back-office, the network, the funds,...), but so far, no open option is visible.

10.2 Organisations' experience/knowledge on APIC needs and from APIC practices

10.2.1 Lessons learned from the pre-existing activities carried out

From traditional Crédal credit activities, it was obvious that:

- Many low-income people do not access appropriate credit;
- Within this category, many people had the financial capability (sufficient understanding)
- Within this category, many people had an adequate creditworthiness although limited, the issue was therefore to provide “tailor-made” credit – small amount credit.
- It is possible to reduce the credit risk by an original approach (more demanding), which analyses the effective creditworthiness in detail via a budget analysis and a bank statement check.
- Confidence and respect is a key element to reduce credit risk with the public.

10.2.2 Elements that have played a role in the awareness of this issue

A feasibility study dedicated to social credit has been made by the “Observatory for credit and indebtedness” in the WR in 2001, ordered by the current Social Affairs Minister. This study aimed to learn, among others, about particular “credit/help” proposed by some debt counselling services in the general objective to fight against overindebtedness and reduce financial/social exclusion that can emerge when one has no access to credit.

10.2.3 Key elements / reasons for the organisation in deciding to participate to an APIC project

Based on this study (see previous section), the WR decided to implement a pilot to create and test the idea. Crédal's ongoing activities have been developed from this experimental start.

10.2.4 Main lessons learned from the APIC practices

- Within low-income people, a significant part of them has a sufficient financial capability and creditworthiness to manage an appropriate credit (in size, in duration, in cost);
- Within low income people who do not access appropriate credit in the classic credit market, a significant part of them should access it IF – some more detailed budget analysis is made,- if amount and duration are adjusted. For these beneficiaries, the credit market should adjust some products to meet their demand and treat it in an “industrial BUT adapted process”.
- Within low-income people who do not access appropriate credit in the classic credit market, another significant part of them should never be able to access “classic” credit, because if the credit is appropriate, this should be considered as a “social tool” rather than a “financial tool” but adapted to low-income people. In this social perspective, the benefit for the society (reduce or avoid the risk of overindebtedness – budget management training – budget advice,...)…is high because it generates “savings” for the public authorities' budget – the cost to avoid overindebtedness is clearly lower than the one to solve an overindebtedness situation.

11 The Walloon Region (WR)

11.1 Description

11.1.1 Legal entity status

Regional government – the Walloon Region (WR).

11.1.2 Business model

Public authority

11.1.3 Link between pre-existing and APIC activities

The will to financially support a private initiative (not-for-profit) of “social credit” dedicated to vulnerable people.

11.1.4 Contribution to CAPIC project

The WR provides funding and contributes to the implementation frame.

11.1.5 Budget description

Annual budget dedicated to cover the costs : € 150.000 + Guarantee for the credit default, with € 100.000 as a maximum.

Default costs are partially financed (25%) a banking actor: Belfius Foundation.
The Walloon government supports thus part of the costs.

11.1.6 Human resources available

In the Walloon government, 2 public workers for 0,2 full time equivalent.

11.1.7 Organisation's institutional position

The partnership is organised via a contract. From 2013, the partnership will fit public services contract requirements.

11.1.8 Conclusion: Key elements that make APIC possible

- Financial support by public authorities (politic decision).
- The Walloon Region's involvement in the fight against overindebtedness: the will to improve the living conditions of deprived and underprivileged people.

11.2 Organisations' experience/knowledge on APIC needs and from APIC practices

11.2.1 Lessons learned from the pre-existing activities carried out

Some people experience a cut in their income or a deprived situation. These circumstances are seen as a threat for personal projects and reduce opportunities. The credit demands are mainly oriented on mobility (car, motorbike,...) to access or keep a job, financial means to support family settlement, to access IT, etc.

11.2.2 Elements that have played a role in the awareness of this issue

The fight against financial and social exclusion – the targeted public do not access mainstream / classic credit.

11.2.3 Key elements / reasons for the organisation in deciding to participate to an APIC project

The WR decides to support this action to fight social exclusion – it is considered internally as a “public services mission”.

11.2.4 Main lessons learned from the APIC practices

- Improve the living conditions of the beneficiaries via the credit granted and the financial education impact of the credit procedure (the procedure includes advice to avoid bad budget management);
- If credit risk is carefully assessed (all demands are not automatically accepted), the number of credit default is not higher than in the mainstream market.

12 Belfius Foundation

12.1 Description

12.1.1 Legal entity status

Private foundation.

12.1.2 Business model

Corporate philanthropy. Disinterested purpose.

12.1.3 Link between pre-existing and APIC activities

Since its inception, the Foundation has chosen to support microfinance activities in Belgium, which includes the Belgian CAPIC project.

12.1.4 Budget description

Via corporate philanthropy, the Foundation supports (operating subsidies and provision of 22 volunteers) the microfinance activities of Crédal and Hefboom. The total Foundation budget is € 670,000 including the € 150,000 annual indexed amount allocated to support the APIC activities of Crédal.

The Foundation does not sponsor risk – but operational costs and volunteer help. The total patronage budget in favor of microcredit stands at 420,000 euros annually indexed. The rest of the budget is spent on other philanthropic projects. Less than 20% of the budget is allocated to the operating costs of the Foundation. The Foundation has no income other than the annual donation granted by the bank Belfius.

12.1.5 Human resources available

- 2 FTE for the daily management of Belfius Foundation
- 7.5 FTE funded by the Foundation (as operating subsidies) in total at Crédal and Hefboom, of which 3 (active in Crédal) are assigned to the APIC.
- 13 French-speaking volunteers helping Crédal (around 0,2 FTE for APIC activities so mostly for professional microcredit).

12.1.6 Organisation's institutional position

The only existing link is between the Belfius Foundation and the credit cooperatives Crédal and Heboom.

Through these qualitative partnerships, the Foundation has acquired some knowledge of microfinance activities in Belgium. A volunteer from Belfius (with financial and social competencies) is involved in all of Crédal's APIC credit committees. This volunteer's skills take part in the professional aspect of the credit committees.

12.1.7 Conclusion: Key elements that make APIC possible

- Existence of public and private subsidies, since both parties are aware of microcredit issues.
- Existence of credit institutions with a social purpose that have an ethical approach to the sustainable development of the individual to whom the credit

is granted. The approach needs to include counseling and personalized support to ensure the credit purpose success and avoid debt.

11.2 Organisations' experience/knowledge on APIC needs and from APIC practices

11.2.1 Lessons learned from the pre-existing activities carried out

In times of crisis APIC activites are all the more needed. 55% of APIC credit requests are related to access employment and mobility.

11.2.2 Elements that have played a role in the awareness of this issue

Each year, people excluded from traditional bank loans are denied small loans by banks (including Belfius Bank) which is socially unfortunate. The bank wanted, through its Foundation, to support the requests of these customers that are eligible for a social consumption credit. The choice of microfinance as a line of action is related to the identity of the bank.

11.2.3 SWOT analysis

Strengths: The Foundation's patronage is a long-term, qualitative commitment (volunteering, etc.). It is consistent with the bank's identity. The Foundation considers Crédal and Hefboom as partners. The latter know they can count on the Foundation. Sponsorship budgets have not been affected by the crisis.

Weaknesses: APIC exists only in French-speaking Belgium for the moment, although it is also needed in Flanders. Therefore our support is not completely balanced among Flanders and Wallonia is not completely balanced. Crédal is perhaps not sufficiently known.

Threats: The activity is not profitable, therefore the operators operated on public and private credit grants, which is always likely to be questioned.

Opportunities: The operator Hefboom carried out a feasibility study of the APIC activities in Flanders and the result was positive. This operator must nevertheless find sufficient financial support to start the activity and especially sustain them, which is not the case to date.

13 Appendix 1

Maximal interest rate for consumer credit (APR – annual percentage rate)

http://economie.fgov.be/fr/consommateurs/Credit_consommation/Kredietkosten/Tarifs_maximaux/

Credit cost is limited by the law. The maximal annual rate differs from the type of credit and the amount.

Interest rate due in case of arrears and indemnities are limited by the law as well (art 27bis credit consumption law)

In case of non respect

The consumer does not need to pay any credit cost related to interest!

This can happen when some fees has not been integrated in the APR calculation (which should include all interest rate and fees related to the credit).... Other reasons of possible non respect are detailed on the administrative website...

Maximal interest rate calculation

End of March and end of September, it is check if any significant variation from the reference (minimum 0.75 point) occur. The reference index is, for the revolving credit, the monthly average of Euribor (3 months). The reference index for other types of credits are the ones used for mortgage credit (A, B or C). The new rate should be effective the first day of the second month which follows they issue in the Legal reference publication (Moniteur belge)

Maximum Interest rate since first December 2011

Credit amount	All Consumer credit (but not the other types)	Leasing	Revolving credit	
			With card(*)	Without card(*)
				Since 1 ^{er} December 2011
Up-to 1.250 €	Since 1st June 2009		16,00%	12,00%
	19,5%	13,5%		
From 1.250 €	Since 1st June 2011		14,00%	11,00%

to 5.000 €				
	15,5%	11,5%		
Over 5.000€	Since 1st June 2011		13,00%	11,00%
	12,5%	10,5%		

Consumer / debts settlement service can complain to the DG Mediation and control

http://economie.fgov.be/fr/litiges/plaintes/Ou_comment_introduire_plainte/index.jsp

Disputes and complaints

http://economie.fgov.be/fr/litiges/plaintes/Ou_comment_introduire_plainte/plainte_en_ligne/index.jsp

Regulatory texts (in FR and NL)

http://economie.fgov.be/fr/modules/regulation/arrete_royal/20061019_ar_mod_ar19920804_co_ts_taux_credit_consommation.jsp

Arrêté royal du 19 octobre 2006 relatif aux coûts, aux taux, à la durée et aux modalités de remboursement du crédit à la consommation (MB 31.10.2006)

http://economie.fgov.be/fr/modules/regulation/arrete_royal/19920804_ar_co_ts_taux_duree_mod_remb_cred_consom.jsp

Arrêté royal du 4 août 1992 relatif aux coûts, aux taux, à la durée et aux modalités de remboursement du crédit à la consommation (coordination administrative le 01/02/2007)

http://economie.fgov.be/fr/modules/regulation/loi/19910612_1_relative_au_credit_a_la_consommation.jsp

Loi du 12 juin 1991 relative au crédit à la consommation

More information

on the CAPIC project here:

www.fininc.eu

http://economie.fgov.be/fr/modules/regulation/loi/20020717_1_operations_instruments_transfert_electr_fonds.jsp

Loi du 17 juillet 2002 relative aux opérations effectuées au moyen d'instruments de transfert électronique de fonds. (MB. 17.08.2002)