

# The 'London Declaration' on the Global Credit Crisis

## *Introduction*

On 13th November 2008, two hundred delegates drawn from twenty six countries gathered in London to discuss the global credit crisis. The conference recognised that taxpayers all over the world are now being required to foot a mounting bill to rescue banks and financial institutions. Yet, it is households who are feeling the worst effects of the meltdown in the global financial system. Consumers, who have been encouraged to take on excessive housing and consumer debt, are now struggling to avoid repossession and insolvency, savings and pensions are threatened, and unemployment is rising.

Our discussions were informed by the Council of Europe's Recommendation (Rec/(2007)8) concerning legal solutions to debt problems, which sets out a framework for Member States to

- Provide measures that will prevent over-indebtedness
- Alleviate the effects of debt recovery, and
- Rehabilitate over-indebted individuals and families

There was widespread support for the Council of Europe's framework at the conference, but also recognition that in many Member States the measures that were currently in place failed to take account of the crisis situation now facing households. Delegates therefore supported the making of the following declaration<sup>1</sup>.

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<sup>1</sup> The list of signatories to the declaration can be found on pages 4 & 5. This contains signatures from 20 countries. A number of additional signatures were made in a personal capacity pending formal organisational processes to express support for the declaration in Bulgaria, Portugal, Israel, and Cyprus. Representatives from the Turkish Government were also present.

## ***The London Declaration***

We, the European Coalition for Responsible Credit, 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 in financial problems and to work with us and other consumer and social agencies, academics, and the labour movement to establish a new framework for the governance of credit markets at the 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 borne from providing access to credit to low income groups, but it is a product of providing them with *irresponsible* credit products and failing to protect their long term interests in the market.

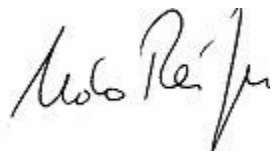
### **We call on all governments across Europe to**

1. **Improve help available to households in mortgage arrears**, by
  - a. Establishing, with the financial services industry, 'mortgage rescue funds' for households that can be used to help borrowers restructure 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 restructure mortgages by accessing 'mortgage rescue funds'
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 and social 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 which requires lenders to report in a standardised and public way on their performance in meeting this obligation
5. **Improve governance of credit markets by actively involving consumers**
  - a. Ensure that consumer and social agencies are represented on key policy making and supervisory bodies at the global, European, and national levels
  - b. Provide financial support to enable consumer and social agencies to participate in an ongoing dialogue with regulators and the financial services industry at the global, European, and national levels
6. **Develop a quasi bankruptcy procedure for banks** which instead of just applying the principle of "too big to fail" provides the intervening State with the right to replace management, to adjust claims and to protect public interest in failing financial institutions without harming the well-functioning of the bank's systems with regard to the markets. Public guarantees and subsidies to banks should be given only with the obligation to act responsibly towards consumers and to return the money after it is no longer necessary to keep the bank from failure.

**Signed this 13<sup>th</sup> November 2008**



**Professor Udo Reifner**

**Chair, European Coalition for Responsible Credit**

## ***List of Signatories***

<b>Name</b>	<b>Organisation</b>	<b>Country</b>
Michal Kebort	Consumers Protection Association	Czech Republic
Nenad Maljkovic	Personal Finance Counselling Association	Croatia
Harro Norder Jan Tingen	NVVK	Netherlands
Marcel Warnaar	Nibud	
Walter Moura	Brasilcon	Brazil
Cinara Palhares	University of Sao Paolo	
John Taylor Lee Beaulac Hubert Van Tol Maryellen Lewis	National Community Reinvestment Coalition	U.S.A
Matthew Lee	Fair Finance Watch	
Paul Joyce	Free Legal Advice Centres	Republic of Ireland
Caroline Corr	Combat Poverty Agency	
Professor Udo Reifner Michael Knobloch Sebastien Clerc- Renaud	Insitut fur Finanzdienstleistungen	Germany
Johann Magerman	You and Your Money	South Africa
Peter Setou	National Credit Regulator	
Dave Simmonds	Centre for Economic & Social Inclusion	U.K
Damon Gibbons	Debt on our Doorstep	
Professor Iain Ramsay Professor Toni Williams	University of Kent	
Lesley Rann John Fairhurst	Payplan	
Karl Dayson	Salford University	
Barbara Hann	ACE Credit Union Services	
Dawn Elgar Julie Hamilton	Eaga Plc	
Johanna Montgomerie	University of Manchester	
Tope Teniola	Barnet CAB Money Advice Unit	
Moby Farrands	Nottingham Credit Union	
Maggie Bartlett Alison Davies	PWS NetCUDA Ltd	

Trish Martin	William Sutton Homes	
Edward Watts	Pillgwenlly Millenium Centre	Wales
Nicholas McNelis Anne Feeney	Money Matters, Inverclyde	Scotland
Bernard Vorms	ANIL	France
Benoit Granger	MicFin	
Fernando Herrero	ADICAE	Spain
Elena Perez Carillo	University of Santiago de Compostella	
Professor Florin Ciutacu	University of Bucharest	Romania
Rodica Diana Apan	North University, Baia Mare	
Marco Pierani	Altroconsumo	Italy
Soogeun Oh	Ewha Womens University	South Korea
Kiyohito Wada	Kohjimachi Citizens Law Office	Japan
Saya Oyama	Kinjo Gakuin University	
Professor Saul Schwartz	Carleton University	Canada
Hans Grohs	ASB Schuldnerberatung	Austria
Michaela Moser	European Consumer Debt Network	
Eniko Tass	Hungarian Financial Supervisory Authority	Hungary