

AER response to Consumer Credit Directive Roadmap – 01.09.2020

Commercial radio is funded almost entirely by advertising, enabling it to remain free-to-air and free-to access to millions of listeners. It relies on its advertising business model to be present on every platform, including online, enabling it to create content and innovate. Unnecessary restrictions on advertising should be avoided. Studies show long terms and conditions in radio and audio do not benefit consumers and fail to provide protection. Advertising limitations also severely impact radio's opportunities to remain a valuable European content provider by cutting off revenue.

The Association of European Radios (AER) is the Europe-wide trade body for commercial radio, representing the interests of companies operating over 5,000 commercial radio stations to the EU Institutions. AER promotes the development of commercially funded radio broadcasting in Europe, by ensuring a fair and sustainable economic framework for radio so it can continue to thrive.

More information at: www.aereurope.org.

- **Comments on the Inception Impact Assessment**

We, at AER, are happy to be able to comment on the Roadmap on the Revision of the CCD.

We have been really pleased with the positive thorough process the European Commission has been following to date, taking into account the radio industry's views and the significant amount of evidence provided. We understand that, following the evaluation, the Commission found¹ that the Directive does not fully achieve its objectives and aims at further harmonising consumer credit in the EU to ensure a consistently high level of consumer protection in all Member States. It does not even out the playing field for providers and improve the common framework for cross-border lending, especially in light of the increased digitalisation and the need for a EU-wide regulatory framework fit for the digital era.

The commercial radio industry fully agrees with the acknowledgment in the inception impact assessment that **“the information provided to consumers in accordance with the Directive is often too complex to be understood. Lengthy, jargon-laden text can confuse people, rather than enabling them to compare offers and select the most suited”**. We agree with the aim of carefully assessing options for simplification and reduction of unnecessary burden to better protect consumers and drawing on the information and evidence gathered in the context of the 2018-2019 REFIT evaluation. We look forward to answering any further queries as the impact assessment continues and provide access to commercial radio industry's research.

¹ Inception Impact Assessment, Review of the Consumer Credit Directive (2008/48/EC), Ref. Ares(2020)3256802 - 23/06/2020.

- **Revising Article 4**

The commercial radio industry fully supports the CCD's principles of facilitating a well-functioning internal market and ensuring consumers are adequately protected. The CCD requires at its **article 4** that standard information be provided in any advertising concerning credit agreements, which indicates an interest rate or any figures relating to the cost of the credit to the consumer in a "clear, concise and prominent way".

Adverts for the banking and insurance sector, cars and retail are covered by these mandatory information requirements. AER agrees with the aim of informing consumers regarding consumer credits they can contract on certain goods. **Whilst these requirements apply to all media, they have a particular impact on radio advertising, as the information has to be read out loud in real time.**

The radio industry believes that standard information requirements set in the CCD fail to provide listeners with the appropriate understanding of consumer credits, therefore not achieving a proper level of consumer protection. In that sense, in AER's opinion, consumers could only benefit from more focused and simpler terms and conditions set in advertising messages, which would ultimately enable them to make sensible decisions. More thorough information on the credit to be contracted should rather be found at the point of sale or online, where consumers can read it in their own time. As a principle, **AER is convinced that the most effective and relevant place for the consumer to be well informed is the point of sale where he/she takes his/her decision.**

Moreover, **mandatory information requirements read out loud in real time on radio advertising can result in over 25 words of technical financial jargon at the end of ads or, in the case of radio advertising, 12-15 seconds of additional airtime. This increases the length of a radio ad and hence cost to the advertiser.** It can also have a negative impact on creativity and damages the listener experience. For all these reasons advertisers can be put off using radio, including small and medium enterprises for whom radio can provide a valuable opportunity to reach consumers.

In that respect, **there is a significant amount of evidence that this regulation is negatively affecting** financial services, motors and retail businesses as well as **the radio industry.** **Research conducted in the United Kingdom and France² showed that when the additional information at the end of radio advertising (often referred to as Terms & Conditions) becomes too long it fails in its primary purpose which is to protect consumers:**

- Long and complex additional warning messages are more likely to result in the listener zoning out;
- Consumers struggle to absorb or retain complex figures;
- Less than 4% of listeners can spontaneously recall the total cost or total amount payable immediately after listening to a credit ad with a representative example.

Terms and conditions play an important role in protecting consumers but too much information too soon can have the opposite effect, and in the case of radio fails to acknowledge the way in which the medium is consumed or its ability to signpost to other sources for further information as part of the next stage of the consumer journey. When listeners were presented with a **shorter focused alternative** to the current requirement for standard information the recall rate improved dramatically.

² These studies show that less than 4% of listeners in the UK and in France recall the total amount payable after listening to an ad with a representative example. In particular, a majority of listeners (60% in the UK and 88% in France) believe that financial terms and conditions are there to protect the advertiser or the brand, rather than the consumer. Please see "[Financial terms and conditions and consumer protection](#)", study published by Radiocentre, January 2016, and "[Perception des mentions légales à la radio](#)", study conducted by IFOP France from les Indès Radios and le SIRTI, 26 October 2016.

- **Proposed alternative**

We, at AER, believe that **advertising in radio is not the right place to insert detailed information as it does not and cannot provide all information necessary for the final purchase decision.**

The current provisions set at article 4 confuse consumers who do not recall the information and believe it is meant to protect the brands rather than themselves. Furthermore, the provisions hinder commercial radio's access to the revenue associated with consumer credit-related advertising, putting their advertising-based model at risk.

We therefore call for the EU legislators to take into consideration radio as a unique medium, on which compulsory messages are especially burdensome due to its nature of audio medium:

- As a principle, we, at AER, are convinced that there should not be any warning messages on radio: the most effective and relevant place for consumers to access information is the point of sale or online where they take their decision.
- Advertising on radio is per se the wrong place³ for detailed and complex information as listeners tend to tune out.
- If warning messages are considered necessary, they should merely signpost to a point of sale or website.

The commercial radio industry believes that an alternative message informing consumer about the risks of taking a credit can be suggested: we, at AER, believe that **shorter and simpler warning messages focusing on clarity of critical messages could only benefit EU citizens.** In that sense, providing less but more focused information to the listener, is more audible for the consumers, consequently improving the amount of substantial information retained by the latter.

Commercial radios welcome the interest shown by the European Commission for a new consumer agenda, including the Consumer Credit Directive, and trust its Proposals will take their plea into account. We stand ready to help to ensure consumer protection is optimised in a workable manner for our sound-based advertising funded industry, providing free-to-air trusted information in all times, especially of crisis.

³ This has been taken into account by the EU legislators in other pieces of legislation: please see the [Unfair Commercial Practices Directive](#), the [energy labelling regulation](#) and the [tyre labelling regulation](#).