

EU integration may affect commercial

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Harmonisation of mortgages across the EU will inevitably affect the commercial sector, warns Philip Ryley, head of financial services and markets at lawyers Michelmores LLP.

The strategy, mechanics and end game of European harmonisation and integration is extremely complex, tiresomely slow and somewhat confusing. It is also not particularly stimulating, despite the fact that what is decided on in Brussels can have a significant impact on our lives and on our businesses.

As far as commercial finance and commercial mortgages are concerned, we should be interested in monitoring and engaging in the debate about the development of the internal market in financial services and integration of EU mortgage markets.

Most commercial finance brokers may question the relevance of this subject to their currently non-regulated areas of business. However, to ignore the debate about the EU integration of mortgage markets may be a folly. Mortgage lenders, including the banks, are engaging in the debate and whatever action is taken by the European legislators to tackle the barriers that hinder cross-border trade in the European mortgage market, there is likely to be some indirect impact upon the non-regulated commercial finance market in the UK. Most commentators accept that the benefits of integration are unlikely to be delivered by consumers shopping across borders for their mortgages and the benefits are most likely to come from lenders (particularly the banks) entering new markets or by national lenders mimicking products available in other markets.

The European Commission's aim is to enable all EU citizens to have access to a full range of products, at the same price and in all countries, regardless of national borders. This means facilitating harmonisation of regulatory regimes and removing barriers such as problems with accessing consumer credit data.

In March 2003, the commission set up the Mortgage Forum Group, which reported its findings in November 2004. In June 2005, the commission published its green paper on mortgage credit in the EU and in November 2006 the European parliament produced a report on mortgage credit. The commission's white paper is expected before the end of this year and at that stage we will know a lot more about where we are heading. Although the proposals relate primarily to residential mortgages and consumer protection and should translate in the main to regulated mortgages, areas like disclosure and charges may be similarly adopted by lenders in connection with their non-regulated business as well. A European directive on mortgage credit is likely to lead to some changes in the way commercial brokers conduct their business.