MACROPRUDENTIAL RECOMMENDATION ON NEW CREDIT AGREEMENTS FOR CONSUMERS – PROGRESS REPORT

MAR 2024

BANCO DE PORTUGAL
EUROSYSTEM

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Data underlying the charts of the *Recommendation on new credit agreements for consumers – progress report* can be found in the attached file.

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Executive summary

In its capacity as macroprudential authority, in February 2018 the Banco de Portugal issued a Recommendation addressed to credit institutions on new credit agreements for house purchase and new consumer credit agreements with households. Its key objective is to promote the adoption of prudent credit standards, aiming to strengthen the resilience of financial institutions and mitigate potential future borrower default.

In October 2023, given the rise in key interest rates, the Banco de Portugal halved the interest rate shock considered in the assessment of the debt service-to-income (DSTI) ratio, with a distinct and proportionate impact depending on credit maturity.

In 2023 credit institutions continued to comply with the guidelines set forth in the Recommendation. Around 91% of the amount of new credit for house purchase and new consumer credit was granted to borrowers with a DSTI ratio (assessed taking the interest rate shock into account) of 50% or less. Use of the exceptions provided for in the Recommendation was maintained compared with 2022, namely for DSTI ratios of between 50% and 60%, and over 60%. Against a background of rising interest rates, the average actual DSTI ratio increased once again in 2023 compared with the previous year.

In 2023, 68% of new credit for house purchase had a loan-to-value (LTV) ratio of 80% or less. Almost all new business had an LTV ratio of 90% or less. The average LTV ratio of new credit for the purchase of own and permanent residence decreased by almost 10 percentage points (p.p.) from the third quarter of 2018 and by 6 p.p. from 2022, standing at 69%.

The risk profile of borrowers of new credit for house purchase continued to improve. The share of credit granted to high-risk borrowers (debtors with a DSTI ratio of over 60% and/or an LTV ratio of over 90%) decreased, while the share of credit granted to low-risk borrowers (debtors with a DSTI ratio of 50% or less and an LTV ratio of 80% or less) increased. This is mainly due to the increase in the share of new credit for house purchase with an LTV ratio of 80% or less, in a context of rising interest rates and housing prices.

In December 2023 the weighted average maturity of new credit for house purchase was 30.6 years, resulting from the institutions' almost broad-based compliance with convergence of the average maturity towards 30 years. In addition, institutions implemented measures allowing for the reduction to immaterial values of any overrunning of the maximum limits per borrower age bracket.

Within the scope of the Recommendation, the concept of new business includes the loans of borrowers who transfer their credit from one institution to another, where they are then recorded as new loans. In 2023 there was a considerable volume of this type of business compared to previous years. These transfers are included in the data analysed in this report, and therefore the borrower profile observed here is not directly comparable to that of previous years.

Macroprudential policy measures, which include the Recommendation and, more recently, the sectoral systemic risk buffer announced in 2023, have been assessed by the European Systemic Risk Board (ESRB) as appropriate and sufficient in view of the risks identified in the residential real estate sector.

1 Macroprudential Recommendation within the legal framework of new credit agreements for consumers

In its capacity as macroprudential authority, in February 2018 the Banco de Portugal issued a Recommendation on new credit for consumers (hereinafter referred to as the "Recommendation"). The Recommendation aims to promote the adoption of prudent credit standards, thus strengthening the resilience of credit institutions and mitigating future borrower default.

Table 1.1 • Summary of the macroprudential Recommendation on new credit agreements for consumers

Limits to the LTV [(a)]

- Up to 90% for own and permanente residence;
- Up to 80% for other purposes;
- Up to 100% for immovable property held by credit institutions.

Limit to the DSTI [(b)]

- 50% or less, with the following exceptions :
  - Up to 10% of the total amount of new credit may be granted with a DSTI ratio of up to 60%;
  - Up to 5% of the total amount of new credit may exceed the limit of the DSTI.

Regular payment requirement

- New credit agreements should have regular principal and interest payments.

Housing maturity limits:

- Maximum maturity:
  - 40 years for borrowers aged 30 or under;
  - 37 years for borrowers aged over 30 and up to and including 35;
  - 35 years for borrowers aged over 35.
- Average maturity of the set of new credit agreements, in each quarter of each year, less than or equal to 30 years.

Consumer credit maturity limits:

- Maximum maturity of 7 years for personal credit;
- Maximum maturity of 10 years for car credit and personal credit for healthcare, education or renewable energy.

Notes: (a) The LTV ratio is the ratio of the total amount of credit agreements secured by immovable property to the minimum between the purchase value and the appraisal value of the immovable property pledged as collateral. (b) The DSTI ratio is the ratio of the total amount of monthly instalments of a borrower's total debt to his/her monthly income less taxes and compulsory social security contributions. The calculation of the DSTI ratio should (i) assume that the instalments of the new credit agreement are constant; (ii) consider the impact of an interest rate rise according to maturity in the case of variable or mixed interest rate agreements; and (iii) consider a reduction in income in the case of a borrower aged 70 and over at the planned expiry of the agreement, except if at the time of the creditworthiness assessment the borrower is already retired, as follows: $Inc\_DSTI = x1 * Inc + x2 * Inc * (1 - \alpha)$, where: Inc = Current monthly net income of the borrower; x1 = number of years during the period of the agreement when the borrower is aged 70 or under divided by the number of years of the agreement; x2 = number of years during the period of the agreement when the borrower is aged over 70 divided by the number of years of the agreement; $\alpha \geq 0.2$ (as regards agreements with more than one borrower and in which information on aggregate income is only available for the group of borrowers, the age of the borrower with the earliest date of birth will be considered for the purpose of calculating the reduction in income). Since 16 October 2023 a shock on the interest rate of 0.5 p.p. should be considered for new business with a maturity of up to and including five years, of 2 p.p. for agreements with a maturity of five to ten years, and of 1.5 p.p. for agreements with a maturity of over ten years. In the case of credit agreements at a mixed interest rate, the institution should consider the heavier instalment for the customer between that resulting from applying the increase in the index, taking into account the maturity of the agreement in the variable interest rate period, and that resulting from the fixed rate period.

What is the Recommendation?

The Recommendation has set maximum limits to the loan-to-value (LTV) and debt service-to-income (DSTI) ratios and to the (maximum and average) maturity of new loans and has established a regular principal and interest payments requirement (Figure 1.1).

What is the economic rationale of the Recommendation?

The different limits should be applied simultaneously as they contribute differently to increasing the resilience of credit institutions and mitigating future borrower default:

- The limit to the LTV ratio contributes to (i) reducing losses for credit institutions in the event of possible borrower default, especially in a scenario of a sharp devaluation in the collateral value; (ii) limiting the indebtedness level of borrowers when signing the credit agreement, and (iii) promoting more responsible borrower behaviour, as the lower weight of the loan against the property's value implies the use of own capital;
- The limit to the DSTI ratio restricts the weight of the monthly instalment associated with debt servicing according to the borrowers' income level, mitigating their default. It also makes it possible to assess whether, at the time the credit is granted, borrowers have sufficient net income to accommodate any expected increases in their instalment in the event of an interest rate rise, since the DSTI ratio is calculated using an interest rate that includes a shock in the case of a variable or mixed rate;
- Limits to the maturity of new credit for house purchase aim to avoid situations where the limit to the DSTI ratio is circumvented by extending the agreement's maturity. They also allow for a future extension of the loan maturity in the event of borrowers' arrears, making sure that the loan is suited to the expected intertemporal income profile;
- Stabilising the average maturity of new credit agreements for house purchase at a lower level (30 years) reduces risk for institutions, which would otherwise be exposed to fluctuations in the economic and financial cycle over a very long period.

Credit for house purchase is characterised by long maturities, and therefore the impact of potential rises in key interest rates over the expected lifetime of the loan should be considered when making a decision to sign a variable or mixed rate credit agreement. The original calibration of the DSTI ratio took into account the historically low level of interest rates in 2018, in an environment conducive to the adoption of less tight credit standards by the financial sector. Against this background, the Recommendation considered a shock on the interest rate of 1 p.p. for new business with a maturity of up to and including five years, of 2 p.p. for agreements with a maturity of five to ten years, and of 3 p.p. for agreements with a maturity of over ten years.

What changed in the Recommendation in 2023?

In 2023, in view of the rise in key interest rates, the Banco de Portugal decided to halve the shock considered in the numerator of the DSTI ratio. Thus, with effect from 16 October 2023, the date of entry into force of Instruction No 23/2023, the Banco de Portugal reduced the interest rate shock considered in the numerator of the DSTI ratio, calculated according to the Recommendation's definition, to 0.5 p.p. for new business with a maturity of up to and including five years, 1 p.p. for agreements with a maturity of five to ten years, and 1.5 p.p. for agreements with a maturity of over ten years. The 1.5 p.p. shock now considered for new credit with a maturity of over ten years and a variable or mixed interest rate means that Euribor rates may rise to 1.5 p.p. in the future and might therefore reach similar levels to the peaks seen in the euro area to date.

In the context of a rapid and considerable rise in interest rates, other European macroprudential authorities have eased some of the limits when granting credit, particularly with regard to the DSTI ratio. In Czechia the upper limit of the DSTI ratio was abolished, while by contrast limits to the LTV and debt-to-income ratios remained unchanged. In Norway the interest rate shock used for calculating the DSTI ratio was reduced, as credit standards were assessed by the national macroprudential authority as being tighter than in 2017, when the measure was implemented.

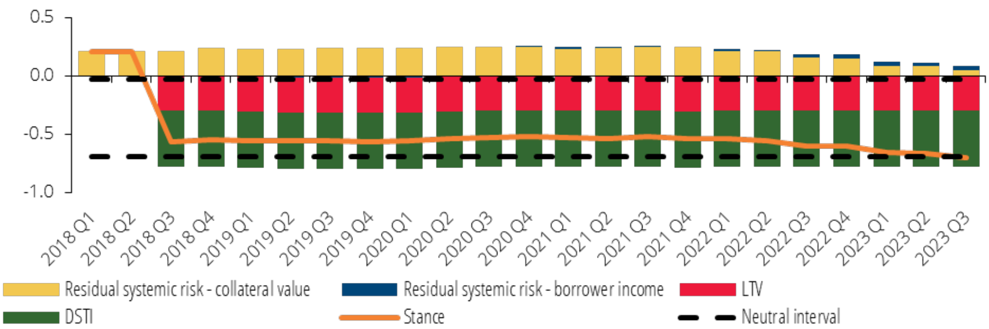
Although the assessment of all the impacts of the amendment to the Recommendation is conditioned by the time elapsed since its adoption, institutions reported an increase in credit granted in the last quarter of 2023, even if part of such growth might be influenced by credit transfers between institutions. Still according to said reporting, in 2023 there was no significant change in the amount taken out by borrower income class.

What benefits has the Recommendation had?

The European Systemic Risk Board (ESRB) has considered the macroprudential policy adopted by Portugal to be appropriate and sufficient to mitigate the systemic risks and vulnerabilities identified in the residential real estate market. In 2023 Portugal was assessed as medium risk, as in the previous assessments in 2019 and 2021. Portugal has not been the subject of any warning or recommendation by the ESRB, as the macroprudential policy adopted continued to be considered appropriate and sufficient to address the risks identified. The Recommendation played an important role in this assessment and, more recently, so did the introduction of a sectoral systemic risk buffer of 4% applicable to institutions using the internal ratings based approach, on the risk-weighted exposure amount of households' portfolio secured by residential property located in Portugal.

In January 2024 the ESRB updated its methodology for assessing the macroprudential stance. Nevertheless, the conclusion remains that, as of the third quarter of 2018, the Recommendation led to a change from "accommodative stance" to "neutral stance" (Chart 1.1). More recently, the reduction in systemic risk associated with the growth of credit for house purchase and the increase in resilience, as measured by a significant decline in the LTV ratio of new business, resulted in a stance slightly below the lower limit of the neutral range in the third quarter of 2023, signalling the stance's tightening trend over that period. However, the revision of the value of the interest rate shock with effect from 16 October 2023 makes the limit to the DSTI ratio less tight. This will lead to an easing of the macroprudential stance.

Chart 1.1 • Macroprudential policy stance



Sources: ECB, Banco de Portugal, ESRB (2024) and OECD. | Notes: Residual systemic risk in each segment (collateral value and borrower income) corresponds to the difference between gross systemic risk and resilience weighted by the share of each segment and already taking into account the effect of systemic importance. The LTV ratio component represents the effect of the 90% limit imposed by the Recommendation, while the DSTI ratio represents the effect of the 50% limit imposed by the Recommendation up to the end of the third quarter of 2023 (before the revision of the interest rate shock in October 2023). Residual systemic risk values after considering macroprudential policy above the neutral level imply an accommodative macroprudential policy stance, while values below the neutral level indicate a tight macroprudential policy stance. For a description of the indicators, see Table 1 in the Special issue "Assessing the impact of the macroprudential Recommendation on the macroprudential policy stance with regard to credit for house purchase" in the *Macroprudential recommendation on new credit agreements for consumers - progress report* March 2022.

2 Assessment of the degree of compliance with the Recommendation in 2023

The Banco de Portugal regularly monitors compliance with the limits set out in the Recommendation in order to prevent actions undermining its effectiveness or possible distortions of competition between institutions. The assessment was based on the monthly reporting of compliance with the Recommendation by a set of 13 credit institutions, representing around 91% of new credit to households in 2023, and on data available in the Banco de Portugal's Central Credit Register (CCR). In addition, institutions are asked for a self-assessment report on an annual basis, approved by their Board or branch management, where applicable.

This Report reviews compliance with the Recommendation in 2023, as well as in the period since July 2018, when it entered into force. Similarly to reports published in previous years, data for 2018 are used as a starting point to assess the evolution of the borrowers' risk profile throughout the period under review.

The sharp increase in 2023 in the volume of credit transfers between institutions may have a significant impact on the data analysed, as loans resulting from such transfers are classified as new business for the purpose of the Recommendation.

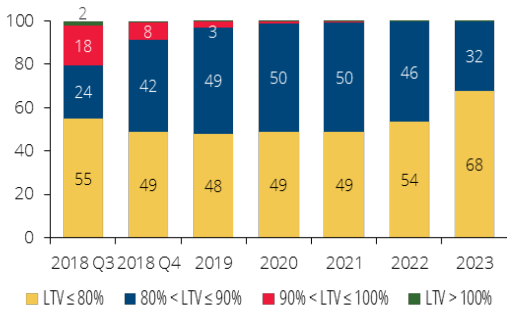
Loan-to-value (LTV) ratio

In 2023 almost all new credit for house purchase had an LTV ratio of 90% or less. As in previous years, the share of new credit for house purchase.[1] with an LTV ratio above 90% was residual (0.2%), reflecting a considerable reduction from the third quarter of 2018 (20.5%). Around 68% of new credit for house purchase had an LTV ratio below 80%, accounting for a significant increase from 2022 (54%) (Chart 2.1). This reflects tighter credit standards due to higher interest rates, which may lead to a reduction in the amounts of credit taken out by borrowers.

As the Recommendation applies only to new business, its influence on the stock of credit for house purchase is gradual, although a recomposition of the portfolio of credit for house purchase has been observed since December 2018 in terms of LTV ratios of 80% or less. In December 2023, around 95% of the stock of loans for house purchase had an LTV of 80% or less (Chart 2.2). There was also an increase in the share of credit for house purchase with lower LTV ratios. This reflects the higher number of new credit agreements with lower LTV ratios and an increase in partial early repayments as of the end of 2022. It translates into the increased capacity of institutions to absorb the impact of a potential unanticipated reduction in residential real estate prices, helping to mitigate future borrower default.

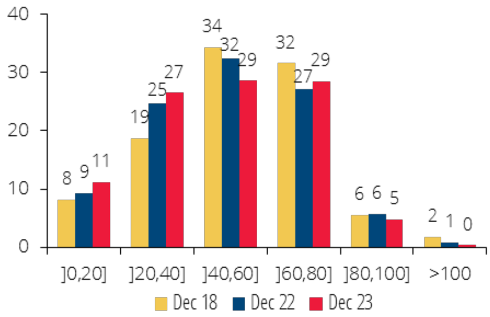
[1] New credit agreements for the purchase of own and permanent residence accounted for around 83% of total new credit for house purchase.

Chart 2.1 • Distribution of new credit for house purchase by LTV ratio | Per cent



Source: Banco de Portugal. | Note: Information reported by a sample of nine institutions that accounted for around 97% of the housing credit market in 2023.

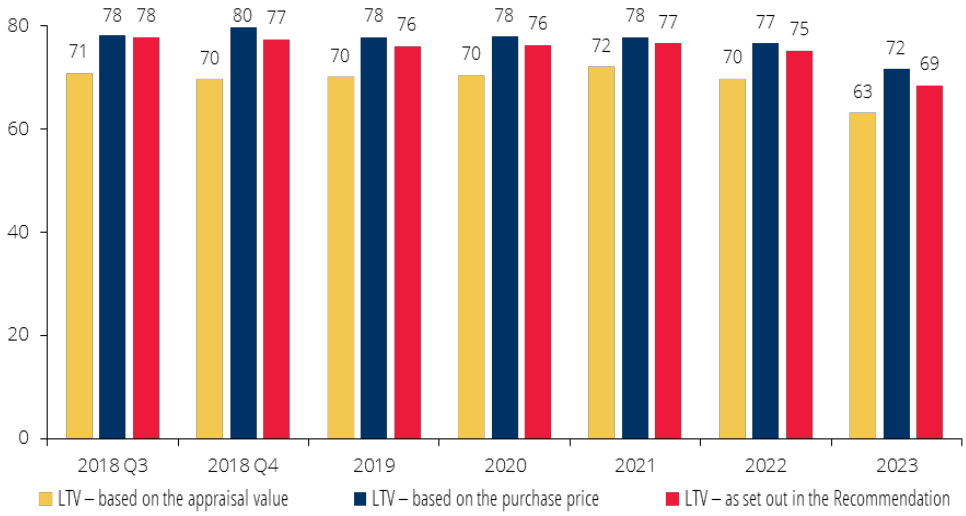
Chart 2.2 • Distribution of the stock of loans for house purchase by LTV ratio | Per cent



Source: Banco de Portugal. | Note: Indicator based on granular data at loan level (CCR).

In 2023 the weighted average LTV ratio of new credit for the purchase of own and permanent residence, as set out in the Recommendation, was 69%, i.e. declining significantly from 2022 (75%) (Chart 2.3). Specifically, this trend was observed in the LTV ratio, which is calculated using the minimum between two values: the appraisal value and purchase price. In 2023 the property's appraisal value is on average above the purchase price.

Chart 2.3 • Evolution of the weighted average LTV ratio of new credit for the purchase of own and permanent residence | Per cent



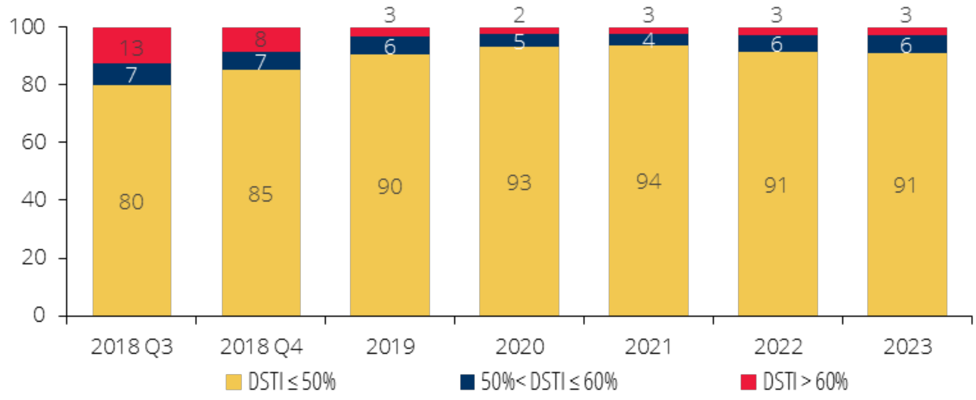
Source: Banco de Portugal. | Note: Information reported by a sample of nine institutions that accounted for around 97% of the housing credit market in 2023.

To prevent the use of personal credit to circumvent the limits to the LTV ratio set out in the Recommendation, the Banco de Portugal monitors the possibility of the same borrower simultaneously taking out personal credit and credit for house purchase. In 2023, as in previous years, the amount of credit for house purchase and personal credit granted to the same borrower simultaneously, whether with the same institution or through different credit institutions, for a value that could potentially be used to circumvent the limits to the LTV ratio set forth in the Recommendation, remained immaterial (less than 1% of the total amount granted in 2023).

Debt service-to-income (DSTI) ratio

In 2023 around 91% of new credit agreements for house purchase and consumer credit was granted to borrowers with a DSTI ratio of 50% or less (calculated according to the definition in the Recommendation, i.e. including the interest rate shock). Between 2018 and 2021 the share of new credit with a DSTI ratio above 50% decreased gradually. From 2022 onwards, as a result of a rise in interest rates, there was a slight increase in the share of new credit with a DSTI ratio of between 50% and 60% and over 60%. This share remained in 2023. However, new credit business with a DSTI ratio of between 50% and 60% and over 60% complied with the upper limits laid down as exceptions in the Recommendation, of 10% and 5% respectively of the volume of credit granted to borrowers (Chart 2.4). Financial institutions justified the use of exceptions mainly with the proven financial capacity of borrowers, the existence of security or guarantees given by the borrowers' parents, other real collateral, or the fact that these were loans to consolidate other loans in other credit institutions, not intended to prevent or address arrears situations.

Chart 2.4 • Distribution of new credit for house purchase and new consumer credit by DSTI ratio | Per cent



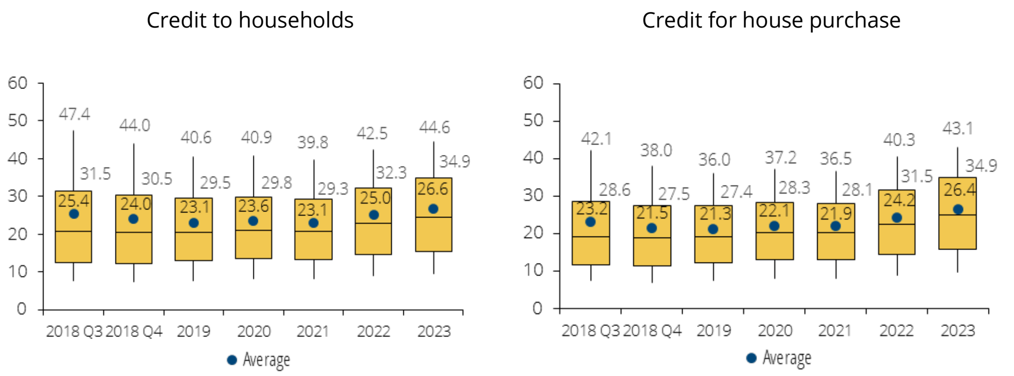
Source: Banco de Portugal. | Notes: Based on information reported by a sample of 13 institutions that accounted for around 91% of the household credit market in 2023. The DSTI ratio was calculated assuming shocks on the interest rate and on the borrower's income, as provided for in the Recommendation.

In 2023 the average actual DSTI ratio (i.e. with no simulation of an interest rate shock) of new credit to households continued to increase. The increase in the average actual DSTI ratio observed in 2022 and 2023 (to 25.0% and 26.6% respectively) was largely accounted for by the environment of high interest rates (Chart 2.5), given the preponderance of variable-rate credit for house purchase in Portugal. However, in 2023 there was a significant change in interest rate setting schemes in new credit for the purchase of own and permanent residence: in 2022 over 80% were variable-rate credit agreements, while less than 10% were mixed-rate credit agreements, compared to 25% and 71% respectively as at December 2023. For new fixed-rate credit agreements, the share remained relatively stable below 10%.

As in 2022, the higher percentiles of the actual DSTI ratio distribution increased in 2023, namely the 90th percentile (by around 2 p.p., from 42.5% to 44.6%). However, the 90th percentile of the actual

DSTI ratio distribution in 2023 remained below that of the third quarter of 2018 (47.4%) (Chart 2.5 – Credit to households). Considering only new credit for house purchase, the average actual DSTI ratio increased from 24.2% to 26.4% between 2022 and 2023, both above the value observed in the third quarter of 2018 (23.2%) (Chart 2.5 – Credit for house purchase).

Chart 2.5 • Distribution of the actual DSTI ratio for new credit | Per cent



Source: Banco de Portugal. | Notes: The chart represents the quartile distribution of the actual DSTI ratio, i.e. without taking into account the shocks on the interest rate and on the borrower's income set out in the Recommendation for new credit to households (left-hand side) and new credit for house purchase (right-hand side). The lower and upper ends correspond to the 10th percentile and the 90th percentile, while the bottom and top of the boxes correspond to the 25th and 75th percentiles. These distributions are based on data available in the CCR.

In 2023 the average actual DSTI on new credit to households remained on an upward trend for borrowers with monthly income of more than €2,400, corresponding to around one third of the total amount of new business. For the lowest income brackets the upward trend of the DSTI ratio observed in 2022 was partially reversed in 2023 (Table 2.1), which may be partly associated with credit transfers between institutions.

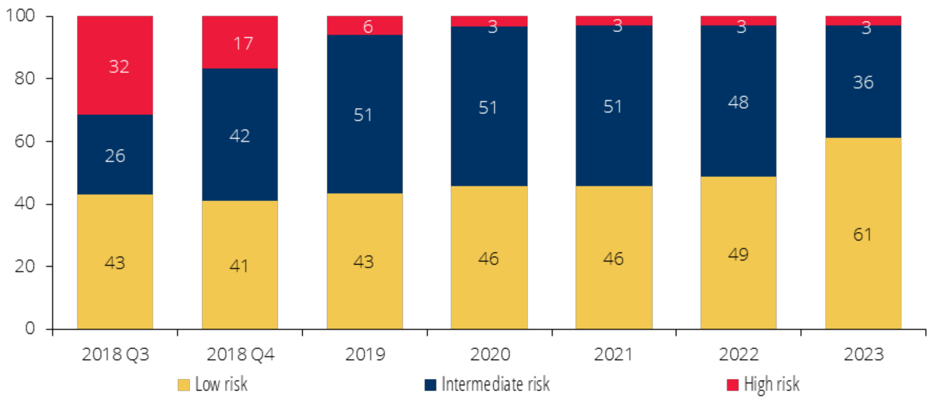
Table 2.1 • Average actual DSTI ratio by monthly income | Per cent

	2021				2022				2023			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
≤€1,200	30.6	31.9	31.6	32.3	32.6	33.4	35.3	36.6	35.9	35.1	34.0	32.1
]€1,200;€2,400]	25.8	26.7	26.4	26.8	27.1	27.9	30.0	32.2	32.0	31.7	30.8	28.9
]€2,400;€4,600]	20.4	21.3	20.9	21.2	21.2	22.6	23.9	26.5	26.4	27.2	27.4	26.9
≤€4,600	14.3	15.3	15.0	15.1	15.1	16.2	17.4	18.6	20.0	20.6	22.3	23.0

Source: Banco de Portugal.

Since 2018 the risk profile of borrowers of new credit for house purchase has improved. In 2023 there was a clear increase in the share of credit for house purchase classified as low risk, i.e. involving debtors with a DSTI ratio of 50% or less and an LTV ratio of 80% or less (around 61%) compared with previous periods (Chart 2.6). The share of credit granted to high-risk borrowers, i.e. debtors with a DSTI ratio of over 60% and/or an LTV ratio of over 90%, decreased from around 32% in the third quarter of 2018 to only 3% in 2023. This reduction was balanced in particular by an increase in the amount of credit granted to borrowers with a low risk profile (from 43% to 61%) and an increase in the total amount of new credit granted to borrowers with an intermediate risk profile (from 26% to 36%). The improved risk profile reflects an increase in the share of credit granted with an LTV ratio of 80% or less, as the distribution vis-à-vis the DSTI ratio remained unchanged from 2022 (Chart 2.4).

Chart 2.6 • Borrowers' risk profile in new credit for house purchase | Per cent



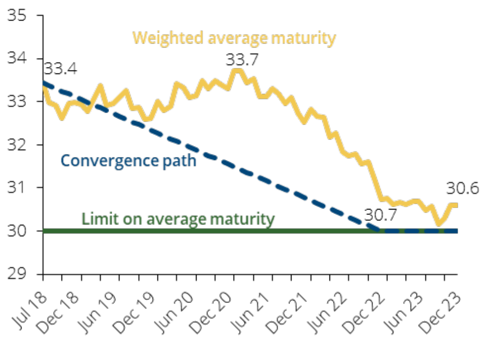
Source: Banco de Portugal. | Notes: Based on information reported by a sample of nine institutions that accounted for around 97% of the housing credit market in 2023. Low risk: DSTI≤50% and LTV≤80%; High risk: DSTI> 60% and/or LTV>90%; Intermediate risk: other cases.

Maturities

The weighted average maturity of new credit for house purchase was 30.6 years in December 2023, down by 2.8 years since July 2018. In 2023 almost all institutions kept the average maturity of new credit agreements for house purchase at 30 years (Chart 2.7). Thus, after reaching a peak (33.7 years) in January 2021, the average maturity resumed a downward path, albeit above that recommended, and thus in December 2023 it was still slightly above 30 years.

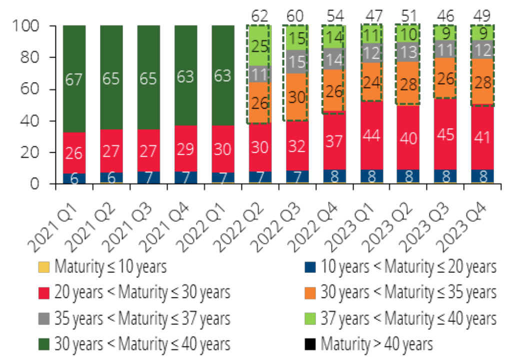
Following the change to maximum maturity limits, with effect from 1 April 2022, the share of credit for house purchase granted with a maturity of up to and including 30 years increased from 37% in the first quarter of 2022 to approximately 50% in the last quarter of 2023. The other maturity ranges had lower shares of credit amount: 28% between 30 and 35 years, 12% for maturities between 35 and 37 years and only 9% for maturities between 37 and 40 years (Chart 2.8).

Chart 2.7 • Weighted average maturity of new credit for house purchase | In years



Source: Banco de Portugal. | Notes: Based on information reported by a sample of nine institutions that accounted for around 97% of the housing credit market in 2023. The average maturity is weighted by the amount of credit granted.

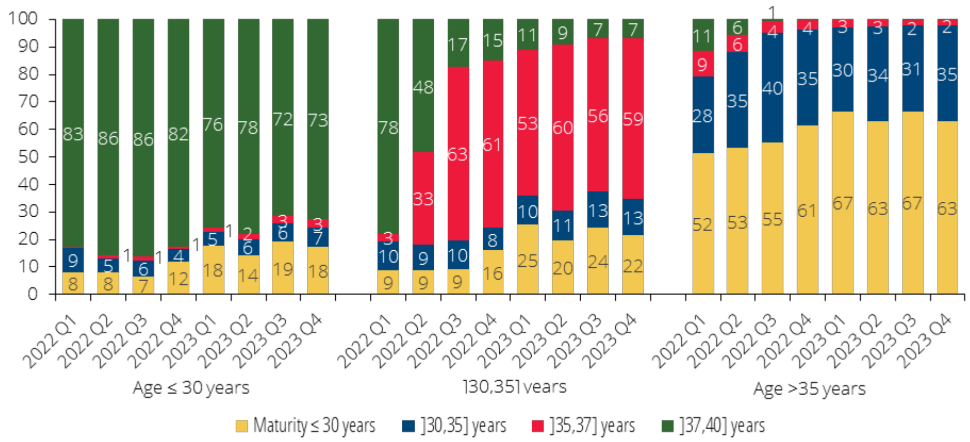
Chart 2.8 • Distribution of new credit for house purchase by maturity range | Per cent



Source: Banco de Portugal. | Notes: Based on information reported by a sample of nine institutions that accounted for around 97% of the housing credit market in 2023. As of the second quarter of 2022, the dashed box and its value correspond to the share associated with maturities of over 30 years, and up to and including 40 years.

Over the course of 2023 institutions tended to converge towards the reduction to immaterial values of any overrunning of the maximum limits per borrower age bracket. Borrowers aged over 35 increased their share of credit with a maturity of up to 35 years, with more than 60% of credit with a maturity of up to 30 years. In turn, borrowers aged 30 to 35 had a higher share of credit agreements with maturities between 35 and 37 years. (Chart 2.9). Overrunning still observed mostly reflected new credit granted at borrower age range thresholds and involved borrowers aged 30 to 35 in particular. Institutions implemented measures to reduce to immaterial values overrunning of the upper limits per borrower age bracket.

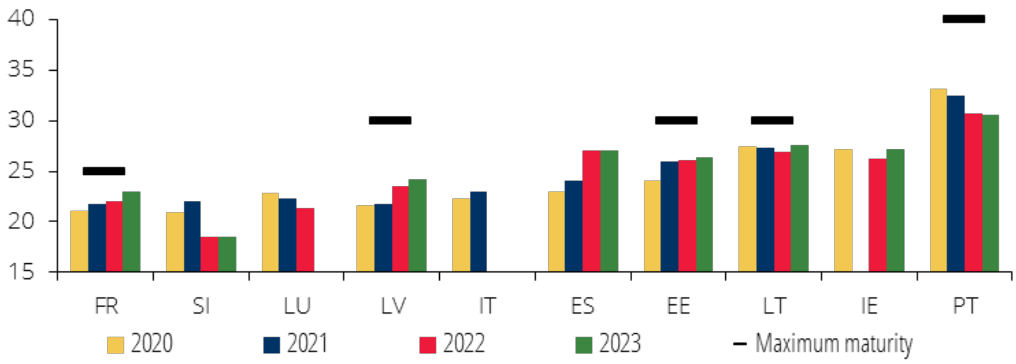
Chart 2.9 • Distribution of the amount of new credit for house purchase by maturity and borrower age group | Per cent



Source: Banco de Portugal. | Notes: Based on information reported by a sample of nine institutions that accounted for around 97% of the housing credit market in 2023. This distribution is based on data available in the CCR.

In the context of the European Union (EU), maturities for new credit for house purchase in Portugal were high. In 2023 the average maturity of new credit for house purchase in Portugal (30.6 years, i.e. around 30 years and 7 months) stood above that recorded in the EU countries for which information is available to date, where the average maturity ranged between 20 and 27 years (Chart 2.10).

Chart 2.10 • Annual maximum and average maturity of new credit for house purchase by country | In years



Source: Information published by the respective national authorities. | Note: In addition to Portugal, until early 2024 Malta was the only EU country that adopted a maximum maturity of 40 years.

In 2023, as in previous years, consumer credit with a maturity above the limits set out in the Recommendation was immaterial. New car credit agreements continued to be concluded mostly with a maturity between 7 and 10 years, a range that accounted for around 72% of the amount of credit taken out in the fourth quarter of 2023. The share of new car credit with a maturity above the ten-year threshold was nil. The proportion of new personal credit agreements with a maturity of more than 7 years was immaterial (around 1%). In the fourth quarter of 2023, around 83% of new personal credit had a maturity between 5 and 7 years.

The average maturity of consumer credit remained stable throughout 2023. The average maturity of personal credit has remained constant since January 2020, standing at around 6.5 years in 2023. Personal credit for healthcare, education and renewable energy, whose maximum maturity remained at 10 years, continued to have a residual weight in 2023 (around 3% of the amount of personal credit). Throughout 2023 the average maturity of car credit remained at around 8.6 years, as in the previous year.

Regular payments requirement

In 2023 there continued to be a high degree of compliance with the Recommendation's regular payments requirement. In that year, only around 2% of total new credit failed to comply with the regular payments requirement. In line with previous years, the explanations presented by institutions for not complying with this requirement were chiefly related with the granting of bridging loans (loans that only have a single capital payment, e.g. for down payments).

As in previous years, developments in credit falling outside the scope of the Recommendation were, on average, similar to those in consumer credit covered by the Recommendation. New business for an amount equal to or lower than tenfold the guaranteed monthly minimum wage and credit cards appear to have reached amounts slightly higher than those recorded before the pandemic crisis. These developments were similar to those in consumer credit granted within the scope of the Recommendation and mainly to the trend of personal credit, which in the first half of 2022 returned to values close to those in agreements signed before the pandemic. This pattern continued throughout 2023. By contrast, over the course of 2023 new business associated with overdraft facilities, credit lines and current bank accounts continued at around values lower than before the outbreak of the pandemic crisis.