

## Idea: The first Qualified Consumer Friendly Personal Loan

Number in the database: 160

Area number: 18

### General information (only if existing or planned)

<b>Country name:</b>	Hungary	
<b>Region:</b>	The territory of Hungary	
<b>City :</b>	n/a	
<b>Public organisation responsible</b>	<b>In national language</b>	Magyar Nemzeti Bank
	<b>In English</b>	Hungarian National Bank
<b>Department (if any)</b>	n/a	
<b>Address:</b>	1054 Budapest, Szabadság tér 9.	
<b>www:</b>	<a href="https://www.mnb.hu/mszh/">https://www.mnb.hu/mszh/</a>	
<b>Public organisation representative:</b>	n/a	

### Idea description

<b>Title:</b>	The first Qualified Consumer Friendly Personal Loan
<b>Idea objective</b>	The aim of the “Qualified Consumer-Friendly Personal Loan” rating system is to launch personal loans available from a wide range of customers: individuals and SMEs, with clear conditions, simple and fast administration.
<b>Sharing process (max 1000 characters)</b>	<p>To strengthen competition in the banking system, the Hungarian National Bank decided to extend the qualified consumer-friendly product family to personal loans. A consumer-friendly personal loan can only be taken out for credit redemption and free use. The amount of a free-purpose loan can be spent on anything, even to buy a car. General idea is to stimulate consumption and small investments in the small companies that can stimulate better and faster adaptation to change business reality (e.g. delivery in selling model on a local level).</p> <p>Although the system has been designed on the national level, it can be implemented (for example in other countries) on the local level as well. The system of financial support of individuals and SMEs (in particular – microenterprises), includes in many countries such kind of organisations as local co-operatives banks, local micro-loan funds, etc. offering financial products for local clients. Above mentioned institutions, considering necessary central regulations can enrich their regulation by introducing similar standardization of their loan product/s. It has to be highlighted, that this solution, addressing strongly clients expectations, can be – similarly to the Hungarian solution – marketed as “Consumer-friendly”.</p>
<b>Restrictions/rules (law, skills, time, other)</b>	<p>Technical infrastructure:</p> <ul style="list-style-type: none"> <li>• IT tools (laptop, internet, telephone)</li> <li>• Website operation</li> <li>• Creation of advertising, design</li> <li>• Online data sheet for personalized, free information</li> </ul> <p>Knowledge:</p> <p>The people on the executive team has to have the following competencies:</p> <ul style="list-style-type: none"> <li>• economic and financial knowledge and experience,</li> <li>• good communication skills (keeping in touch with customers),</li> <li>• problem-solving skills,</li> </ul>

	<ul style="list-style-type: none"> <li>• advisory skills,</li> <li>• marketing skills, enabling efficient communication of the product towards local Population</li> </ul> <p>Proceedings:</p> <ul style="list-style-type: none"> <li>• credible, comprehensive advice for entrepreneurs</li> </ul>
<b>Procedures (if applicable)</b>	n/a
<b>Costs for public institutions (if applicable)</b>	n/a
<b>Expected result (if possible)</b>	<ul style="list-style-type: none"> <li>• The initiative can benefit lower-income personal loan applicants in particular, as they are generally unable to take advantage of high-income interest rebates and can only borrow at higher interest rates. With newer consumer-friendly products, this could change and affordable loans would become available to a wider audience.</li> <li>• With the widespread use of qualified products, competition in the personal loan market may intensify, interest rate spreads may decrease, digital solutions may spread, i.e. customers may receive higher quality but cheaper services.</li> <li>• Also, consumer-friendly personal loans will be available to all customers through full online borrowing from July 2021, which will also support the spread of digital financial services.</li> <li>• Products available at favourable premiums may also offset the expected rise in market interest rates following the APR limit introduced at the end of 2020 as part of the economic measures to alleviate the coronavirus epidemic.</li> <li>• According to the expectations of the central bank, consumer-friendly personal loans can result in the strengthening of competition, promote the provision of adequate information to customers, shorten the deadlines related to the provision of loans, and further support the widespread use of comprehensive online borrowing processes.</li> <li>• Introduced on the local level, this kind of activity can significantly improve the capacity of the local population towards consumption' level maintenance, and as result – maintenance of demand on products/services delivered by local companies.</li> </ul>