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## Santander Consumer Finance

*Centralization only makes sense if the final result is better than the simple sum of the parts.*

— Magda Salarich, CEO, Santander Consumer Finance

### Introduction

On March 25, 2008, Magda Salarich Fernández de Valderrama, the Chief Executive Officer (CEO) of Santander Consumer Finance (SCF), a division of Grupo Santander, looked out across the bank's shining new campus, the Ciudad Financiera, just south of Madrid. Salarich had been appointed CEO in January 2008 after working for 28 years for the French car producer Citroën, where she had risen through the ranks to the position of international marketing and sales manager for Europe and CEO for Spain. SCF had grown rapidly in the past five years under its former CEO, Juan Rodríguez Inciarte. Salarich's job would be to chart the way forward for the next ten years.

While the United States remained the largest market in the world for consumer finance, the sector had also been growing in the last 20 years within Europe. Inciarte had captured this trend. Under his helm (2002-2008) SCF had grown from a small group of units operating in Spain, Germany and Italy, into one of the largest consumer finance companies. Also, since 2006, Inciarte had invested outside the EU: in the United States, Latin America and Eastern Europe.

In four months, Salarich would have to present a new strategy and direction for SCF to Santander's Chairman and Executive Director, Emilio Botín-Sanz de Sautuola y García de los Ríos, as well as to the other members of the group's Executive Committee, including Inciarte himself. Important decisions had to be made. Could the high profitability of the consumer lending activities be sustained? Was it time to focus more attention on consolidation, or should she further invest in new markets and products? There were also important questions of organizational strategy to address. Which functions should be led to national affiliates to decide, and which should be centralized at headquarters? What processes should be standardized, and which left to local initiatives? And all of these decisions would be set against a background of growing concern about the sustainability of household debt levels in Europe and the United States.

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Professor Gunnar Trumbull and from HBS Europe Research Center, Research Associate Elena Corsi and Research Assistant Andrew Barron prepared this case. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

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## History of the Santander Group

The Santander Group was founded in 1857, when the Queen of Spain authorized through Royal decree the creation of a bank in the city of Santander, in Cantabria, northern Spain. Seventy-two local businessmen subscribed to the bank's capital. Through the years the bank increased its business in Spain and in the 1950's it opened offices in a few Latin America countries and in London. Under the leadership of Emilio Botín, who succeeded his father as Chairman and CEO of the group in 1986, the bank reinforced its position in Spain launching products such as Supercuenta that doubled the bank's market share on deposits and with the 1994 acquisition of Banco Español de Crédito (Banesto) and the 1999 merger with Banco Central Hispano (BCH). Botín also expanded to foreign markets, acquiring banks and opening new offices in Latin America, Europe and the United States.

To keep pace with its rapid growth, in 2004 the Group re-located operations from downtown Madrid to the Ciudad Financiera Santander, a 160-hectare financial campus in the suburbs, with also education and training facilities, sports facilities including an 18-hole golf course, on-site childcare amenities and an art gallery. By 2007, when the Group celebrated its 150<sup>th</sup> anniversary, the Santander Group was one of the largest banks in the world in terms of market capitalization and net profit. It operated the largest network of retail banks in the western world. (See **Exhibit 1** for the Group's financials and breakdowns by business division.) The Group also operated in the wholesale banking, private banking, credit cards, asset management, and insurance businesses and, through SCF, in the consumer finance sector.

## The History of Santander Consumer Finance

Santander Consumer Finance had its roots in 1987, when Banco Santander acquired Bankhaus Centrale Credit AG (CC Bank), a German bank operating since the 1950s with 51 branches and specialized in the vehicle financing business. One year later, the Santander Group partnered with the Royal Bank of Scotland to jointly control, strengthen and expand CC Bank. New branches were opened and in 1994 CC Bank also launched Direkt Bank, a branchless, direct telephone bank that also offered credit card services. The shared ownership agreement with Royal Bank of Scotland continued until 1996, when Santander bought out its partner and assumed full control of CC Bank. Remembering those years, Inciarte, at the time CFO at Santander, explained:

Under the terms of the shared ownership agreement Emilio Botín and I sat on Royal Bank of Scotland's board. This partnership was very influential on the development of Santander's consumer finance business. It helped us to understand the growth of the consumer finance market in the United Kingdom and gave us many useful insights into this business. What was happening in the United Kingdom, we believed, could spread to the rest of Europe.

Subsequent mergers gave them more exposure to consumer lending. In 1997, Santander entered the Italian market by assuming joint control with the bank Banco San Paolo IMI of Finconsumo—a consumer finance company. In 1999, Santander's merger with BCH brought to the group Hispamer Banco Financiero and Hispamer Financieros. In the meantime, CC-Bank had expanded into Hungary and Austria. In 2002, the collection of national consumer lending groups was brought together under a new division within Santander, SCF.

## *Expansion of SCF*

Under the leadership of Inciarte, Santander Consumer Finance focused on growth. He recalled, “When our Chairman and Chief Executive asked me to head up the new division, I was afraid that the Group wanted to get rid of me because it was a very small business. It did not even have a common global brand.” Inciarte first moved to expand the business to the major European markets. He explained:

Germany, the United Kingdom, Spain, France, Italy, and Poland are the European markets that count in terms of GDP and population. It’s like in the United States: if you are not in Texas, Florida, New York, Chicago and California you are not there. We wanted to become European. All Europeans drink Coca Cola, buy furniture from IKEA, and like cars. It seemed relatively easy to create a pan-European franchise for financing consumers. We were already in Germany and Spain, we looked at Italy, and we bought a stake in San Paolo IMI in 2003.

Between 2003 and 2006, other acquisitions followed in other European countries. In 2006, SCF started investing outside the European Union (EU), first in the United States with the acquisition of Drive U.S., then, in 2007, in Mexico and Russia. In 2007 Inciarte also invested in a Greenfield operation in Chile, which started operations in 2008. (See **Exhibit 2** for a summary of SCF’s acquisitions.)

As SCF’s geographical coverage expanded, Inciarte turned his attention to the organization of the division and the impact of their brand. Javier San Félix, SCF’s former Chief Operating Officer and now the head of one of SCF’s business areas, explained:

When I joined in 2004, SCF was a mere sum of different units placed in different countries, with different business models, operations, IT platforms and marketing approaches. We wanted to make it worth more than the sum of the parts. First we integrated the different brands. The SCF brand was not known outside of the [Santander] Group as each affiliated company maintained its name. We changed their names into SCF. Secondly, we centralized the decisions concerning funding, and thirdly we centralized the customer data centers.

By June 2008, SCF operated in 20 countries. Within Santander, SCF accounted for 5% of the Group’s total workforce and generated almost 8% of the bank’s total profits. The largest market remained Germany. (See **Exhibit 3** for SCF’s financials.)

## **The European Market for Consumer Finance**

*There are still big differences between European countries in terms of consumer credit market size, consumer credit to GDP ratios (penetration) and consumer product mix. These differences are due to different levels of market maturity, economic developments, local regulations and cultural factors.*

— Salarich

Consumer finance included any kind of lending to finance consumer’s purchases outside of mortgage for real estate. It was certainly not an invention of the 20<sup>th</sup> century. Stores in the 19<sup>th</sup> century had offered sales credit to their regular customers; and pawn shops had been active in Europe since the middle Ages. But it was the growth of the consumer durables manufacturing sector in the interwar and post-World War II era that made consumer credit an accepted feature of modern society. Innovations in risk assessment, data processing, and financing all contributed to a boom in consumer lending starting in the late 1980s. By the end of 2007, retail lending to consumers—excluding mortgages—accounted for \$6 trillion in outstanding balances, of which 51.5% was in the

Americas, 30% in Europe and 18.6% in Asia.<sup>1</sup> The United States long had been and remained the largest market, with \$2.5 trillion in outstanding loans. (See **Exhibit 4** for U.S. market figures.)

Since the 1980s, Europe's consumer lending sector had grown in economic importance and sophistication.<sup>2</sup> (See **Exhibit 5** on consumer credit in Europe.) San Félix described this change, "The main driving force is that Europeans are becoming more like the Americans in terms of consumption patterns. We are consuming more and this leads to the growth of consumer credit. Yet, in Europe the penetration of consumer lending started from a much lower level than in the United States. It is hard to predict if we will reach 100% of America's levels". As SCF's Director of Investment Analysis, stressed, "The average American still has more than twice the amount of consumer debt than the average European (EU15)."

By the end of 2006, consumer lending in Europe represented roughly €1 trillion of outstanding loans.<sup>3</sup> While smaller than in the United States, the European consumer credit market also had distinctive features that made it qualitatively different. First, the average default risk on consumer loans in Europe tended to be lower. One area manager commented, "Compared to the United States we are like in a dreamland in Europe. We can sleep well every night because our risk is very predictable."

Second, consumer lending in Europe was based less on sub-prime borrowers. Interest rates were not commonly adjusted to account for individual risk, and a smaller share of lending was on revolving accounts.<sup>4</sup> An area manager explained, "Europeans do not play with interest rates. Revolving credit tends to be applied only to credit cards and to current accounts' overdraft facilities. Personal loans (and mortgages) tend to have fixed rates. This is fair to the client. We want to give the client who has to face 16 months of instalments a clear picture. We do not want surprises."

Institutional features of Europe's national credit markets also limited the possibilities for managing risky products. Credit bureaus worked at the national level, and each country imposed different standards about how data could be collected, processed, and distributed. None of the national bureaus offered credit scores. Some countries, like France, had centralized credit rating databases that recorded only negative credit episodes. New loans could be checked against this 'black list', but no centralized positive data, including total volume of outstanding loans, was available. Germany provided slightly more information, but not enough to assess the riskiness of new customers. An area manager said, "The agency tells you if the customer is overdue and if he has not finished paying his past loans. It does not give us current and positive information. It is thus hard for us to adjust the price of the loan to the customer's risk profile." In the United Kingdom, where consumer lenders provided credit to riskier borrowers than in most other European countries, three private credit reference agencies provided lenders with positive information.<sup>4</sup> Yet, by contrast, they were explicitly banned from creating a lending black list, and could not themselves process the raw data to generate a credit score. This left lenders to determine the riskiness of potential borrowers based on their own internal risk models.

Other features of national economies drove dramatic differences in national consumer credit markets.<sup>5</sup> The cost of credit varied from 6% in Finland to 12% in Portugal; outstanding loans to GDP ranged from 3% in Hungary, Switzerland, and the Check Republic to more than 10% in Germany, Norway, Sweden and the United Kingdom (2004);<sup>6</sup> default rates ranged from around 7% in Eastern Europe to around 1% in Germany, Denmark, Austria and the Netherlands.<sup>7</sup> While the German and

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<sup>i</sup> Sub prime lending was lending at a higher rate than the prime rate, a reference interest rate used by banks to lend to clients. Risk based pricing was the practice of determining the interest rate on a loan, also by looking at the credit risk profile of the borrower. Revolving credit was a type of credit which did not have a fixed number of payments.

the UK markets seemed to be approaching maturity, others markets, in Greece and Scandinavia, were now booming. (See **Exhibit 6** for country comparisons.) A former SCF Business Area Manager added:

European consumer credit markets are very different from each other also in terms of products. For example in Germany there are no credit cards and Germans tend to rely heavily on bank overdraft facilities, which are instead rare in Spain and France where credit cards are mostly payment cards. In the UK, where debt is more of the unsecured type (with variable rates), credit cards are mainly of the revolving type. Italy and Belgium instead are markets where credit cards are less used. Here people tend to buy less on credit and save more.

While the 1992 Single Europe Act formally removed barriers to capital flows within Europe, cross-border consumer lending remained tiny; it was estimated at between 2% and 5% of all European consumer loans in 2002.<sup>8</sup> Banks and institutions that operated in foreign markets had done so by acquiring local institutions, opening local branches, or through joint ventures.

The low level of intra-European lending had been attributed to cultural, natural and regulatory barriers.<sup>9</sup> On the demand side, customers seemed to place greater trust in national, proximate providers with which they shared the same language and culture. National differences in consumer protection standards and remedies across Europe reinforced customers' preference for local providers in so far as it raised the uncertainty of comparing credit offers across different countries.

On the supply side, cross country regulatory differences led to high market entry costs and complicated the organization of the business for consumer credit companies with global aspirations. One manager explained, "In some countries, like France, the government sets interest rate caps. Thus here we would not be able to aggressively promote our personal loans as we could not compensate for the higher risks. You need to adapt to the field."

## The Consumer Credit Directive

*The sooner the integration process advances the better for us. At present, we operate in several European countries and that positioning would allow us to offer... pan European products.*

— Salarich

In an effort to promote integration, in 1987, the European Commission introduced the first European Union (EU) consumer credit directive. Its goal was to set some basic standards regarding procedures and reporting. In January 2008, after six years of negotiation, a new and more complete EU directive on consumer credit was approved. Covering all types of consumer loans between €500 and €50,000,<sup>ii</sup> the directive made three steps toward market integration. It harmonized the method used for calculating the annual percentage rates (APR) applied to loans, thereby allowing consumers easily to compare the cost of one loan with another. It gave consumers the right to receive information on fees, monthly repayments and APR before signing the contract, and the right to withdraw from any credit contract within the first 14 days. It banned prepayment fees, which imposed an additional cost on consumers who wished to repay loans before they reached maturity. Finally, it gave consumers the right to withdraw from credit contracts if the purchase they were associated with was canceled.

The EU directive generated negative reactions. The Bureau Européen des Unions de Consommateurs (BEUC), a European consumer's organization, welcomed the steps taken in the

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<sup>ii</sup> Loans secured on property (house purchase or home improvement) were excluded as they would be dealt with separately in a Mortgage Credit Directive.

directive to improve transparency, but regretted that it did nothing to address consumer over-indebtedness.<sup>10</sup> Eurofinas, the European federation representing the national associations of consumer credit providers, claimed that the new EU Directive was a missed opportunity for integration.<sup>11</sup> The European Banking Federation criticized the new legislation as it introduced a heavy burden of bureaucracy but did not improve consumer choice.<sup>12</sup>

The EU directive also received a mixed reaction at SCF. They were disappointed that it did not do more to integrate Europe's credit markets. One manager remarked, "Since SCF operates in so many countries, an integrated market for consumer credit would deliver commercial, tax and operational benefits. We could establish a single platform for doing business." Transparency could only go so far. The head of the German operation noted:

Providing consumers with more information does not necessarily improve things. The consumer wants to know: the prices of his new and old car, the number of instalments, the interest rate, the amount of the loan, and perhaps the option of life insurance. Any other information does not increase protection, but generates confusion. You arrive at a situation where you need to trust that the Porsche you want has 6 cylinders if the salesperson says so.

For the near future, SCF would make its plans based on the assumption that Europe's credit markets would remain fragmented. One former business manager summarized:

An integrated market remains for now a distant reality. I would even question the figure that cross-border lending accounts for 2% of total consumer lending. It probably only reflects the lending of English people to buy homes in France or Spain. I am skeptical about how far European consumer credit markets can be integrated. Consumer credit companies need to be near their customers. Therefore, I really cannot see any capacity for cross-border activity.

## Santander Consumer Finance's Business Model

Santander Consumer Finance's largest lending activity was auto finance: the provision of loans for car dealer's clients to acquire cars (i.e. retail car loans), sometimes tied to loans for dealers to finance stock. (See **Exhibit 7** for a breakdown of SCF's sales by product.) In a few markets, SCF served also retailers by financing credit for their clients (i.e. durable loans)<sup>iii</sup> and, sometimes, for their stock.<sup>iv</sup> In addition to these core products, and depending on the market, SCF provided related financial services: payment-protection insurance, credit and debit cards, co-branded credit cards, on-line banking, personal loans, deposits, debt-consolidation services<sup>v</sup> and mortgages. (See **Exhibit 8** for SCF's product portfolio by country.)

SCF's approach to the market varied depending on the product. For the retail car and consumer durable loans, SCF used an indirect approach and relied on car dealers and retailers—including supermarkets, electronics shops, and jewelers—to attract new customers and market its credit. This point of sale (POS) strategy kept SCF one step removed from individual consumers, but it also placed a lot of emphasis on their POS clients. One , "It is very important for us to find good partnerships

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<sup>iii</sup> Consumer durable loans were loans to finance consumer products that were expected to last at least three years and to be purchased in a store (such as televisions, fridges and so on).

<sup>iv</sup> Stock finance loans were loans to finance dealers and retailers' inventories of cars or long term (i.e. durable) consumer goods.

<sup>v</sup> Debt-consolidation services enabled consumers to take out a new personal or secured loan to cover their several existing debts incurred for example from credit cards, store cards, or personal loans

with car dealers and retailers. First of all it is through them that we offer our car and durables loans. It's the car dealer or the retailer who proposes to the client our loans, not our sales team. POS clients do not even know that we are behind their loan."

For all of their other products, SCF had a direct approach that relied on its own sales teams. Their primary strategy was to sell direct products mainly to its indirect car loan and durable goods loan clients. (See **Exhibit 9** on SCF's business model.) SCF referred to this process as 'conversion'. "Once the first (indirect) contact is established," said José Luis Castañeda, former SCF's Director of Investment Analysis, "then we start contacting the customer to offer our other products."

SCF had developed a credit-approval system that car dealers and retailers could access online. The process worked in one of two ways. In the first arrangement, dealers entered information on line about the client, the purchased car or durable, and the desired loan. SCF then allowed dealers to view in real time the commission they would earn from different variation on loan contracts they might conclude with the client. In the second approach, SCF and the dealer agreed only on a baseline interest rate: if the dealers secured loan agreements with interest rates exceeding the set baseline, they received the difference as commission; if it was below, they paid the difference to SCF.

In both arrangements, SCF paid the commissions upfront. This created room for manipulation by dealers. Thomas Hanswillemenke, Director of Importer Business & Dealer Care Centers in Germany, commented, "If customers terminate their auto loans early we bear the losses. If dealers develop a business model that encourages customers to pay back early, we ask them to stop or we put an end to our collaboration."

Once dealers had filled out their customers' loan application, the data was sent to SCF for processing. Typically, an individual loan request could be approved or rejected by SCF in just over three minutes. Francisco J. Gimeno Jiménez, former SCF Chief Information Officer, explained, "Speed is crucial in the auto-loan business. If dealers cannot process loan requests quickly, customers will walk off their car lots and take their business elsewhere."

### *Converting Indirect to Direct business*

In a few cases, with the car or durable loan, the car dealer or retailer would also offer other complementary products, such as insurance. Yet, explained one area manager, "Auto dealers and retailers' sales personnel sell to their own interests and to their abilities. We provide them training, but dealer and lender interests are not always aligned. We need face-to-face contact with customers." In addition, the POS would ask for an extra commission to sell the other products which were also more profitable for SCF. (See **Exhibit 10** on the profitability of SCF's products.) Castañeda commented:

Competition in the POS business is very fierce, with dealers continually demanding higher commissions. This is why our margins are low there. Thus, once we have reached the clients through the POS and tested that they are good clients, we try to convert them from indirect to direct ones by proposing our other products with higher margins.

Once the customer signed the car or durable loan, SCF's would start sending promotional mailings about other products. The former head of the German operation explained:

Each car dealer or retailer is a multiplier, capable of providing us with up to 5,000 sales tickets per year. Through our indirect sales channels, we secure over 100,000 new clients every month. We have a clause in the car loan contract asking permission to send promotional mailings. If they agree, then we send letters every four to six weeks to inform the customers

about our other products. We send out around 30 million mailings per year. In the past, we preferred to have little contact with our clients, as we thought it increased costs. We were almost relieved when the loan reached maturity. Today, we see the typical 60-month lifespan of a car loan as an opportunity to build a relationship with our clients.

According to one area manager, it was often easy to decide which type of complementary products to offer indirect customers. He said, “For example, if customers borrow money to buy a TV, they automatically set themselves out as loan customers. Their behavior suggests that it would not make sense to offer them savings products.” Locally-engaged data analysts also mined the data collected by dealers and retailers to rate indirect customers as either prime, near-prime or sub-prime customers.

In Spain and Germany, SCF was also using their networks of branches to convert indirect clients to direct ones. The head of the German group explained, “It is very important to sit down with potential customers in one of our 81 branches and give them face-to-face contact with our sales personnel.” Other tools were developed to assist the conversion. In Germany, for example, the company developed the AutoDispoPlus, a co-branded credit-card, which provided auto-loan customers with credit facilities for spare parts, vehicle inspections, repairs, and insurance and could also be used to withdraw money. The card was offered as a gift by the dealer to the less risky clients. As one manager explained, “The dealer offers the card to the customers after having filled in the online loan request. The first time the clients use the card they become direct customers. We do not really make money with this card, but we establish a link. Dealers also see the advantage of distributing this card”.

Conversion rates differed depending on the business and the country. “For example, in Germany we manage to convert roughly three out of every 100 car-loan customers into direct ones. Among durables-loan customers, the conversion rate is closer to six out of 100”.

### *Main Competitors*

SCF’s main competitors in Europe were the American GE Money, and the French BNP Paribas (Cetelem), as well as the consumer-finance divisions of Crédit Agricole (Sofinco and Finaref). (See **Exhibit 11** on SCF’s competitors.) The division competed also with local banks and financial institutions and, in some countries, with Santander’s own network of retail banks. A former manager explained, “Nothing prevents a British consumer from obtaining a loan from Abbey, a bank part of Santander Group, and using that money to buy a car rather than securing auto financing from the British SCF. Similarly, Spanish customers are free to finance their auto purchases either through SCF España, or with loans from a Santander retail bank.”

In the auto financing business, the company operated in parallel with car manufacturer’s captives—finance companies usually wholly owned by the car manufacturers and used to provide credit to car dealers for acquiring stocks and financing customers (such as Volkswagen Bank, GMAC Bank, FordBank or Peugeot Financement). Hanswillemenke explained, “In the car industry, captives are marketing tools. For the car manufacturers it is very expensive to reduce capacity in production or to take back an unsold car. Captives thus provide dealers with incentives such as cheap loans or sales premiums to boost sales of new cars or less requested models.”

Another area manager explained, “Take a Ford dealer that sells around 500 new cars and 5,000 used cars per year. Each year Ford has to convince the dealer to buy its new cars and needs to come up with incentives. Through their captives, car manufacturers can offer very interesting stock-finance arrangements to the car dealers.”

Faced with this competition, SCF's goal was not to replace captives but to be the number two financer of new cars after captives, and the number one financer of used cars. One area manager explained, "We encourage dealers to take full advantage of car manufacturers' incentives to finance their stock of new cars if the offer is economically interesting. Dealers should turn to us only after having exploited such incentives, or if they are not interested in acquiring new cars". Similarly, SCF did not compete with captives in the new cars retail financing business. He continued:

In this business, captives can offer the POS client loans at very low rates. We cannot compete against them. This is a sort of subsidized credit. Yet these offers are usually limited to specific car models and ask the customer to provide a down payment. The dealer will present our offer to a customer who cannot afford the deposit or does not like that particular car.

In the used car business, SCF competed directly with the captives. "Car manufacturers are less interested in this market. Here captives use weapons similar to ours".

## SCF's Structure

To be close to the local markets, Santander Consumer Finance had adopted a decentralized structure. A manager explained:

We build on the strengths of diversity and avoid a business model that offers the same identical product to everyone. From a marketing and pricing perspective, we need to adjust to the local territory. Of course, we can supervise, give advice and provide capital and technology from Madrid. But a critical factor for success is having people who understand local needs. It's difficult to identify local needs from Madrid.

The importance of focusing on local needs was echoed by a former manager:

SCF's growth has been driven by acquisitions and joint ventures with local companies, with the result that our national teams are staffed by local employees. We would not have been able to grow so quickly if we had headed up our local operations with Spanish people who would have needed at least a year to get to grips with the local environment and regulations.

SCF was organized in four geographical areas, each headed by a manager: Spain, Portugal, Chile, and Italy; Eastern Europe and the Scandinavian countries, United Kingdom and Mexico; Germany and Austria; and North America. Still, the local branches enjoyed considerable autonomy.

Each local branch had a person in charge of legal issues to monitor local regulations and data collection centers. Recently, SCF had introduced in most of the local branches a manager in charge of promoting the insurance business. Local branches were also in charge of product development. If a new product entailed new risks, it needed the approval of a central committee. Collections were treated differently depending on the setting: "soft" collections were outsourced in Spain but kept in-house in Germany and Russia. "Hard" collections, for which national legal standards differed considerably, were always outsourced.

Despite the local branches' large autonomy, certain functions were centralized: risk management, cost control, the IT platform, monitoring of customer's (i.e. dealers') satisfaction and funding. Customer information databases had been partly centralized, but the process was complicated by differences in national data privacy standards. Gimeno remembered, "In 2004, SCF centralized the European data-center operations by relocating its 11 data centers to two new locations in Madrid and London. It took us quite a long time and lots of paper work." Provisions of the 1995 EU Data Privacy

Directive blocked European companies from sending customer data to countries without adequate data protections. This would make it hard for SCF's Latin American, U.S. and Russian databases.

## Funding

To finance its loans, Santander Consumer Finance drew on a number of sources, including senior debt, commercial paper, asset-backed securitization, and customer deposits. (See **Exhibit 12** on the sources of funding.) When possible, SCF encouraged funding from local deposits. By 2006, customer deposits—from banking operations in Germany, Spain, Portugal and Italy— represented the division's largest source of funding. SCF's Chief Financial Officer (CFO) explained that, "Local funding is cheaper because we can avoid doing currency swaps."

SCF also securitized pools of car loans, and this was becoming an increasingly important source of funding for the division. Here again, though, the European market remained fragmented. The CFO explained, "Owing to regulatory restrictions, loans can be securitized on a country-by-country basis only; we are not allowed to perform cross-country securitizations, even if this would be better for us as it would allow pooling risk across different countries."

SCF's country offices also obtained funding from the Santander Group. The CFO argued, "Securing funding from the Group provides SCF with an advantage over our local competitors in terms of cost of funding. The cost of funding would be higher for local operations if the branches did not belong to the Group". Interest rates for country branches were adjusted based on business and country risk criteria: whether it carried the Santander brand name; the size of the market in relation to SCF's business; per capita GDP; and the country's sovereign credit rating.

## SCF's Approach to New Countries

Santander Consumer Finance's wide geographical coverage allowed it to spread risk. In addition, SCF hoped to learn from its different businesses. San Félix gave the example of the United States:

We are exporting know-how from our U.S. operations to Europe. Not only do we learn how to price the product to the consumer's risk, a practice that Drive has been doing for years and that it is something that Europeans are starting to do just now. We also learn that the business model needs to be well aligned to the needs of the segment of risk that we are serving. If you build a business focused on a particular segment of risk-- if you have clear ideas about your likely rate of default, the number of cars you are going to repossess, and how you will remarket the cars—then you will make a lot of money. If your business model does not make sense, even if you price your products high, you stand to lose a lot, even in the United States.

SCF's approach had been to cover the main European countries in terms of GDP per capita and population. Castañeda explained, "SCF invests in countries with a large population or with high GDP per capita growth rates (or good expectations of growth). Of course countries that meet both of these prerequisites are better, but here competition is in general higher."

A former manager noted that the entrance into the new EU member states had not posed any major difficulties for SCF:

In Eastern Europe credit is something new. They still have the mentality that if you owe something you have to give it back. In addition, they want to be part of the EU. They want to

catch up and be good citizens. If you go to Poland or the Czech Republic today, you can see that they are less rich than Western European countries, but they've adopted a similar financial culture.

Yet, the fact that credit was new in former communist countries also meant that some institutions were missing. He continued, "Institutions as important as collection agencies did not exist or were less developed. So in some cases we had to do it in house, like for example in Poland or Russia. But just for the first years."

Efforts to gain a footing in countries outside the EU posed additional challenges. When Santander entered Russia, in 2007, the banking sector was still in transition. Under Russian financial regulation, the banking authorities had the right to revoke the license of any bank that lost money for three consecutive months. For a new consumer lender, this provision posed clear problems, and Santander chose to enter Russia as a financial firm rather than a bank.

Despite these challenges, SCF saw Russia as a market with strong potential. Most Russians owned their apartment in the wake of post-Communist privatizations. Salaries were still not high, but the property gave them a high level of wealth. And borrower risk seemed to be low.

One manager added, "Each European country presents SCF with its own specific set of regulatory constraints. We have to be extremely flexible: we cannot apply the exact same model in all countries. When deciding whether or not to enter a country, we consider what we can and cannot do, and then work out which business model to apply." (See **Exhibit 13** on SCF's product sales by country.) In Germany for example, SCF was less focused on mortgages. Hanswillemenke explained, "Mortgages are not convenient for us. Interest rates are low. Also, they limit our possibilities to sell other products as mortgage clients have to pay large installments and for a long time".

## Looking to the Future

*Consumer Finance is a cyclical business. You see that in the US and in Europe. The consumer business goes up and down. We are in a down period. We see liquidity problems worldwide, , automobile sales are flat or descending and we will soon have a new EU directive. There is a pressure on margins, decreasing financing volumes and worsening of credit. But SCF sees good opportunities vs. competitors in this environment due to know-how and belonging to a large and solid financial group.*

--Salarich

As Salarich contemplated the future of Santander Consumer Finance, three big questions laid ahead. The first dealt with expansion. New consumer credit markets were emerging around the globe. Should Santander move to operate in these new markets? A manager at SCF had noted both the promise and the challenge these new markets might pose for SCF:

Some people look at GDP per capita to understand where consumer finance will go. I look at cars per inhabitant. In Brazil you have 4 times the population than in Spain but the same number of cars. Growth will come from emerging countries such as Brazil, India, and China. [See **Exhibit 14** for some figures]. Yet they are very different from the countries where we are now. Before investing here we need to make sure that our core business is strong enough.

The second challenge was in consolidation. Which functions should be centralized in order to gain efficiencies, and which should be left decentralized? A manager noted:

Inciarte managed to find all these new opportunities and make the bank's board accept them. We identified four areas that need to be improved: stock finance, client's conversion, payments' collection, and insurance. The discussion is how do we do that? Do we set up a central department that tells local managers what to do or should we hire them locally? Some countries already complain that HQs exercise pressure on them. Yet, products succeed when you have someone dedicated to them and we have a lot to learn at a cross country level.

Finally, Salarich had to decide on SCF's product mix. Historically, its strength and competitive advantage was in the auto loan business, a low risk business but with lower margins. Yet recent experiences both in the United States and with non-auto consumer lending had shown potential for expanding into higher-return businesses. To what extent should they move into direct personal lending? And could they apply the loan pricing strategies they learned from their US subsidiary, Drive, to European car markets? Salarich had four more months to decide.

**Exhibit 1** Santander Group Key Dataa) *Santander Group's Balance Sheet, Income Statement and Employees 2005-2007*

<b>Data in € million unless otherwise specified</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Total assets	809 107	833,873	912,915
Customer loans	435 829	523,346	565,477
Customer funds under management	651 360	739,223	784,995
Shareholders' equity	35 841	40,062	51,945
Total managed funds	961 953	1,00,996	1,063,892
Net interest income	10,324	12,076	14,882
Commercial revenue	17,541	20,184	24,096
Gross operating income	19,076	22,333	27,095
Net operating income	8,765	11,218	14,842
Net profit from ordinary activity	5,411	6,674	8,518
Attributable profits to the group	6,220	7,596	9,060
Number of employees	120,047	123,731	131,819
N° Branches in Continental Europe	5,389	5,772	5,976
N° UK	712	712	704
N° Latin America	4,100	4,368	4,498
Total N° of branches	10,201	10,852	11,178

Notes: all data was in € million unless otherwise indicated.

b) *Santander Group Key Data by Geographical Area, 2007*

<b>Group Key Data by Geographical Area</b>	<b>Gross Operating Income (€million)</b>	<b>Net Operating Income</b>	<b>Profit to the Group</b>	<b>Employees</b>	<b>Branches</b>	<b>ROE</b>
Continental Europe	12,843	7,736	4,423	47,838	5,976	21.3
<i>Santander Branch Network</i>	4,747	2,863	1,806	19,392	2,887	22.7
<i>Banesto</i>	2,282	1,312	668	10,776	1,946	18.3
<i>Santander Consumer Finance</i>	2,638	1,867	719	7,221	285	34.1
<i>Portugal</i>	718	672	511	6,405	763	28.6
United Kingdom (Abbey)	3,780	1,913	1,201	16,827	704	32.3
Latin America	10,386	5,308	2,666	65,628	4,498	29.1
Financial Management and Equity Stakes	86	(665)	(180)	1,526		
<b>Total Group</b>		<b>14,842</b>	<b>8,111</b>	<b>131,819</b>	<b>11,178</b>	<b>19.61</b>

Source: Company data.

**Exhibit 2** Santander Consumer Finance's Key Dates

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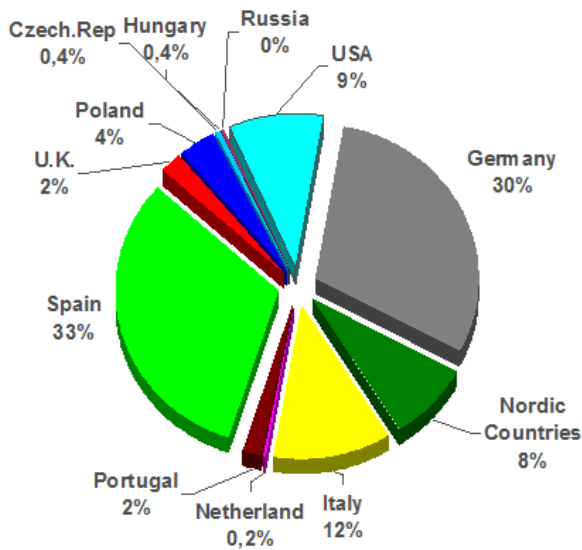
1987	Acquisition of Bankhaus Centrale Credit AG (CC-Bank)- Germany
1990	Acquisition of Hispamer following the merger Banco Santander / Banco Central Hispano
1996	Full control of CC-Bank
1997	Joint ownership of Fininconsumo- Italy- with Banco San Paolo IMI
2001	Creation of the Santander Consumer Finance Division from Hispamer, CC Bank and Finconsumo
2002	Acquisition of AKB-Germany
2004	Acquisition of Finconsumo – Italy (remaining 50%)
2004	Acquisition of Elcon & Bankia- Norway
2004	Acquisition of PTF-Poland
2004	Acquisition of Abfin- Netherlands
2005	Acquisition of SC-UK (start-up)
2006	Acquisition of Unifin-Italy
2006	Acquisition of Interbanco- Portugal
2006	Acquisition of Drive-USA
2007	Acquisition of Mexico (start-up)
2007	Acquisition of Extrobank- Russia
2007	Chile (start-up, operative 2008)

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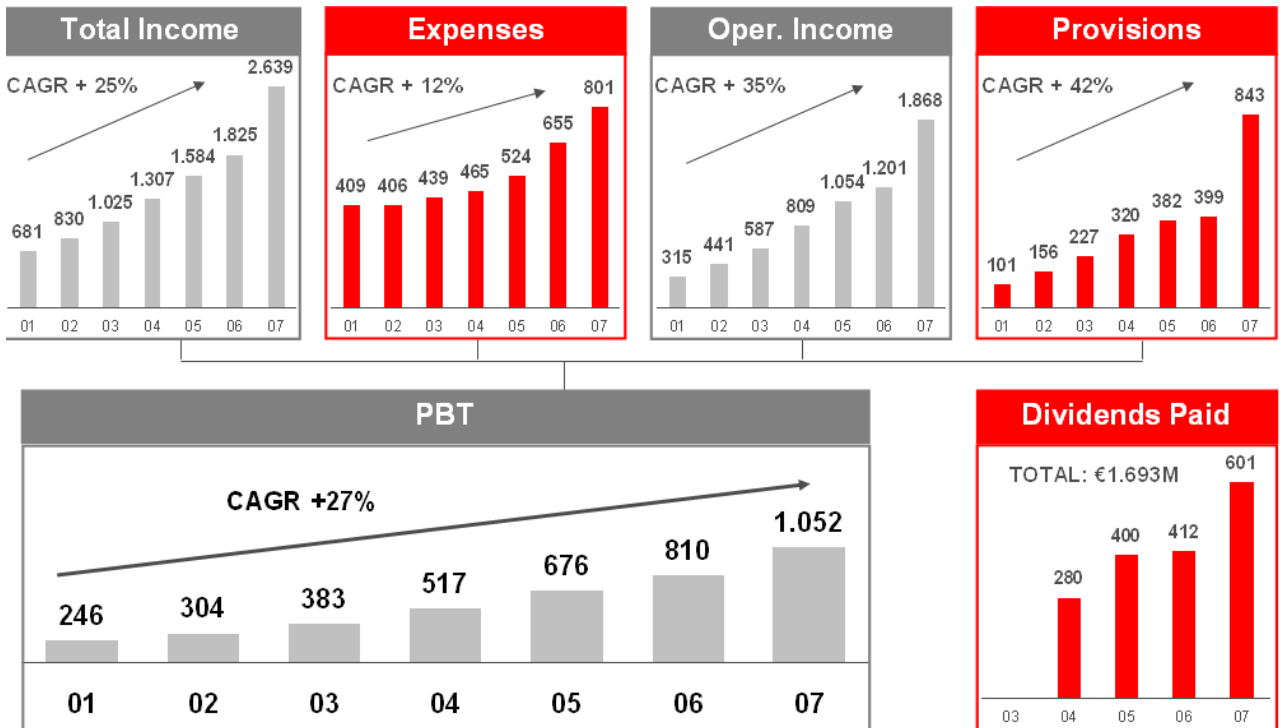
Source: Company data.

**Exhibit 3** Financial Information on Santander Consumer Finance (Total €26.7 billion)

*a) Distribution of Business by Geographical Area*



*b) SCF's growth*

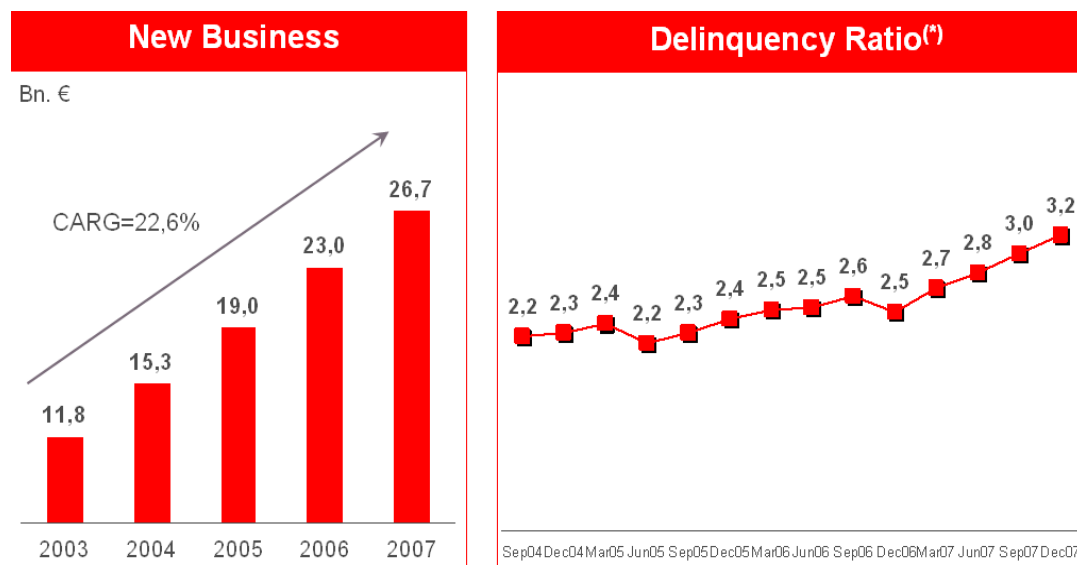


**Exhibit 3 (continued)***c) 2007 Balance Sheet and Income Statements (€ million)*

<b>Balance Sheet</b>	<b>2007</b>	<b>Income Statement</b>	<b>2007</b>
Loans and Credits	45,731	Net Interest Income	2,085
Due from credit institutions	2912	Gross Operating Income	2,638
Intangible Assets	839	Operating Costs	(803)
Other	1,781	Net Operating Income	1,867
Total Assets	51,263	Net Loan Loss Provisions	(842)
Customer Deposits	13,883	Income Before Taxes (ordinary)	1,052
Marketable debt securities	18,080	Net Consolidated Income (ordinary)	737
Due to credit institutions	14,493	Attributable Income to the Group	719
Shareholders' equity	2,079		
Other	2,728		
Total liabilities	51,263		

*d) Key Figures (December 2007)***Costumers**

Customers	More than 10 millions
Number of Dealers	106,904
Cars financed	1.3 million cars
Employees	6,573
Branches	282
Total Outstandings	€46 billion
PBT	1.05 billion
Net Profit	€737 million
Cost of Income	29.6%
ROA Before Taxes	2.42%



Source: Company data.

Note: Delinquency ratio stands for: Delinquency (90 days)/ Total Loans.

**Exhibit 4** Consumer Credit in the United States

	2003	2004	2005	2006	2007
<b>Consumer Credit Outstanding (seasonally adjusted)</b>					
% Change at annual rate					
Total	5.3	5.5	4.3	4.5	5.5
Revolving	2.9	3.8	3.1	6.1	7.6
Non-revolving	6.7	6.4	4.9	3.6	4.2
Amount:					
Total	2 078.0	2 191.3	2 284.9	2 387.5	2 517.6
Revolving	770.5	800.0	825.0	875.4	941.8
Non-revolving	1 307.5	1 391.3	1 459.9	1,512.1	1 575.7
<b>Terms of Credit at Commercial Banks and Finance Companies: not seasonally adjusted</b>					
Institution, terms and type of loan					
a) Commercial banks:					
Interest rates (in %) for:					
48-mo. New car	6.9	6.6	7.1	7.7	7.8
24 mo. Personal credit card plan	11.9	11.9	12.0	12.4	12.4
All accounts	12.3	12.7	12.5	13.2	13.4
Accounts assessed interest (%)	12.7	13.2	15.6	14.7	14.7
b) New car loans at auto finance companies					
Interest rates (%)	3.4	4.4	5.5	5.0	4.5
Maturity (months)	61.4	60.5	60.0	62.3	61.0
Loan to Value ratio	95	89	88	91	93
Amount financed (dollars)	26 295	24 888	24 133	25 958	27 911

Source: "Consumer Credit", U.S. Federal reserve statistical releases, Federal Reserve's Web site, <http://www.federalreserve.gov/releases/g19/Current/>, accessed on July 16, 2008.

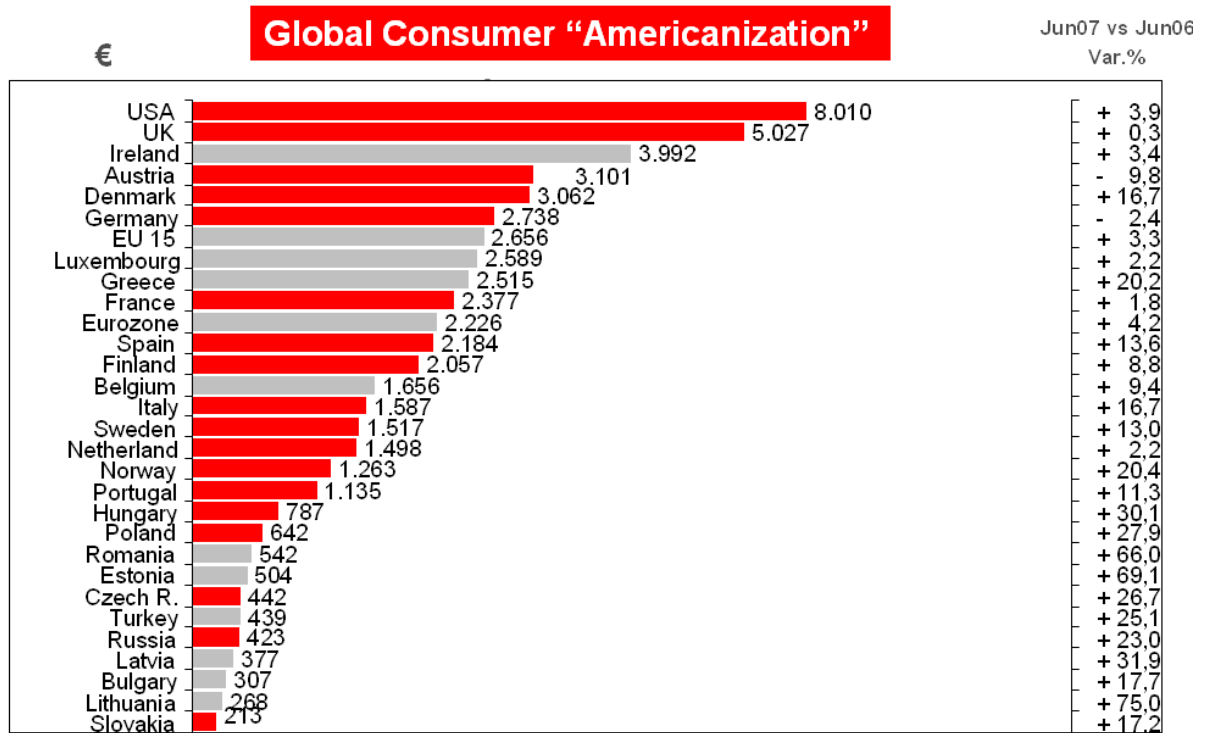
**Exhibit 5** Consumer Credit in Europea) *Development of Consumer Credit in Europe since 1995 (outstanding loans in € millions)*

	Dec 1995	Dec 1996	Dec 1997	Dec 1998	Dec 1999	Dec 2000	Dec 2001	Dec 2002	Dec 2003	Dec 2004
Austria				14,810	16,525	23,927	23,310	22,143	20,610	23,535
Belgium	9,321	9,532	10,149	11,180	11,958	12,739	13,231	13,505	13,723	14,078
Cyprus	499	604	675	729	875	964	952	960	925	936
Czech Republic			150	496	622	561	828	1,675	1,902	2,231
Denmark	9,103	9,363	9,862	10,855	11,308	12,496	12,243	11,877	12,339	13,084
Estonia			96	75	111	29	54	75	95	172
Finland			3,256	3,275	3,014	3,123	6,386	6,706	7,324	8,048
France	63,757	69,333	74,859	80,836	90,708	97,848	103,006	105,719	110,716	115,507
Germany	197,198	200,713	202,181	216,145	215,695	222,554	222,405	224,343	230,913	236,957
Greece						5,511	7,852	9,755	12,050	17,054
Hungary	658	565	619	724	1,131	1,546	2,209	2,883	3,190	4,431
Ireland	2,995	3,336	3,752	5,040	6,811	7,751	9,300	10,462	11,330	14,701
Italy		21,557	23,828	27,139	32,312	37,112	41,181	45,244	51,298	60,980
Latvia					51	84	107	148	220	282
Lithuania					31	30	29	41	94	218
Luxembourg			500	700	1,091	1,250	1,301	1,360	1,185	1,269
Malta	50	88	83	102	120	133	121	104	84	187
Netherlands	9,365	9,893	10,864	12,266	12,848	13,831	13,903	18,647	20,442	22,523
Poland		2,926	4,080	5,044	6,878	9,757	11,115	10,369	9,199	11,209
Portugal			5,013	6,191	6,770	8,177	8,074	7,872	8,691	9,059
Slovakia					91	75	119	160	217	509
Slovenia						1,100	1,086	1,073	1,174	1,410
Spain			29,182	36,652	43,326	48,498	48,739	53,733	55,529	62,269
Sweden	22,725	20,992	22,558	22,146	26,310	29,843	29,090	31,828	32,327	34,462
UK	79,186	101,954	130,585	146,134	183,016	209,506	225,388	244,558	239,063	259,987

Source: "Statistics, Consumer Credit in the EU25 by member states", European Savings Banks Group (ESBG) Web site, [http://www.esbg.eu/uploadedFiles/Publications\\_and\\_Research\\_\(ESBG\\_only\)/Statistics/08%20Consumer%20credit%20in%20the%20EU.xls](http://www.esbg.eu/uploadedFiles/Publications_and_Research_(ESBG_only)/Statistics/08%20Consumer%20credit%20in%20the%20EU.xls), accessed on July 15, 2008.

## Exhibit 5 (continued)

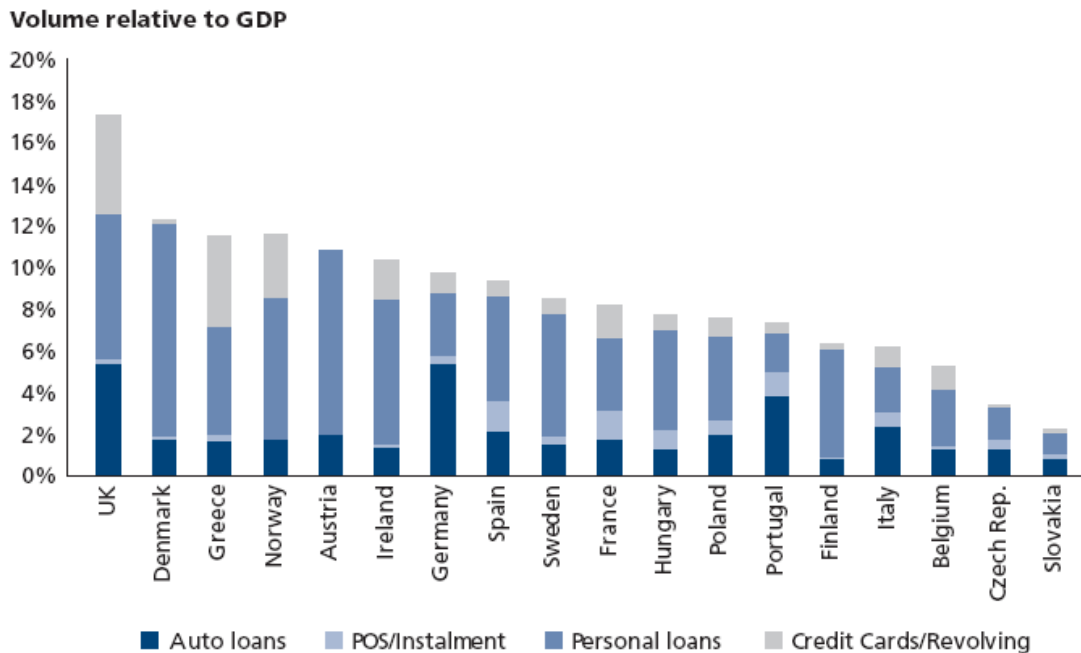
b) Consumer Credit per Capita in Selected Developed Countries in 2007



Source: Company data.

## Exhibit 6 Consumer Credit in Europe: Country Comparison

### a) 2006: Market Penetration per Consumer Credit Product in Europe



Source: Jean Coumaros, Enrico Sanna and Luca Zuccoli, *Consumer Finance in Europe: Back to Reality*, Oliver Wyman/Santander Consumer Finance/ EFMA: London, 2008, available at [http://www.oliverwyman.com/ow/pdf\\_files/OW\\_En\\_FS\\_2008\\_ConsumerFinanceInEurope.pdf](http://www.oliverwyman.com/ow/pdf_files/OW_En_FS_2008_ConsumerFinanceInEurope.pdf), accessed in September 2010.

### b) Country grouped by consumer finance growth rates and type of regulation

<b>Dynamic</b>	High level of innovation, competition and liberal regulation supporting high growth, even where markets are already highly developed	UK, Italy, Portugal, Spain, Hungary, Czech Republic, Poland
<b>Unrestrained</b>	Liberal regulation and good development potential	Greece, Turkey, Finland, Netherlands, Sweden, Ireland, Norway
<b>Constrained</b>	Tough (and well entrenched) regulation	France
<b>Saturated</b>	Little scope for development given cultural resistance to debt, weak macro-economic growth, low levels of competition and regulatory restrictions	Germany, Austria, Belgium
<b>Dormant</b>	Low level of competition, holding back market development	Switzerland, Denmark, Luxembourg

Note: These countries were classified as Dynamic, Unrestrained, Constrained, Saturated and Dormant according to their consumer finance market growth rates and regulations.

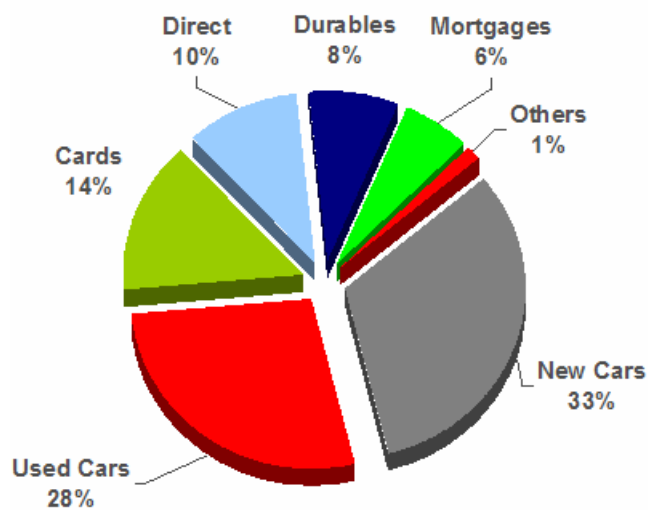
Source: Jean Coumaros, Enrico Sanna, Mark Weil and Luca Zuccoli, *Consumer Credit in Europe: Riding the Wave*, Mercer Oliver Wyman/ European Credit Research Institute: London, 2005, p.6, <http://www.ecri.be/new/system/files/Consumer+Finance+Report+MercerOliverWyman+ECRI.pdf>, accessed on July 16, 2008.

**Exhibit 7** Breakdown of SCF's Sales by Product

a) Santander Consumer Finance's Breakdown of Sales By Product Type from 2004 to 2006 (in € Million)

SCF's Sales by Product	2004	2005	2006
Auto finance	9,615.2	11,684.8	13,779.9
Consumer loans	1,582.4	1,750.0	2,010.3
Credit cards	2,080.3	2,727.8	3,252.8
Direct finance	1,243.3	1,695.7	2,299.3
Mortgages	631.3	981.1	1,393.8
Others	137.1	146.3	234.6
<b>Total new business</b>	<b>15,289.6</b>	<b>18,985.7</b>	<b>22,970.7</b>

b) Breakdown of Santander Consumer Finance's New Business by Product in 2007 (Total = €26.7bn)



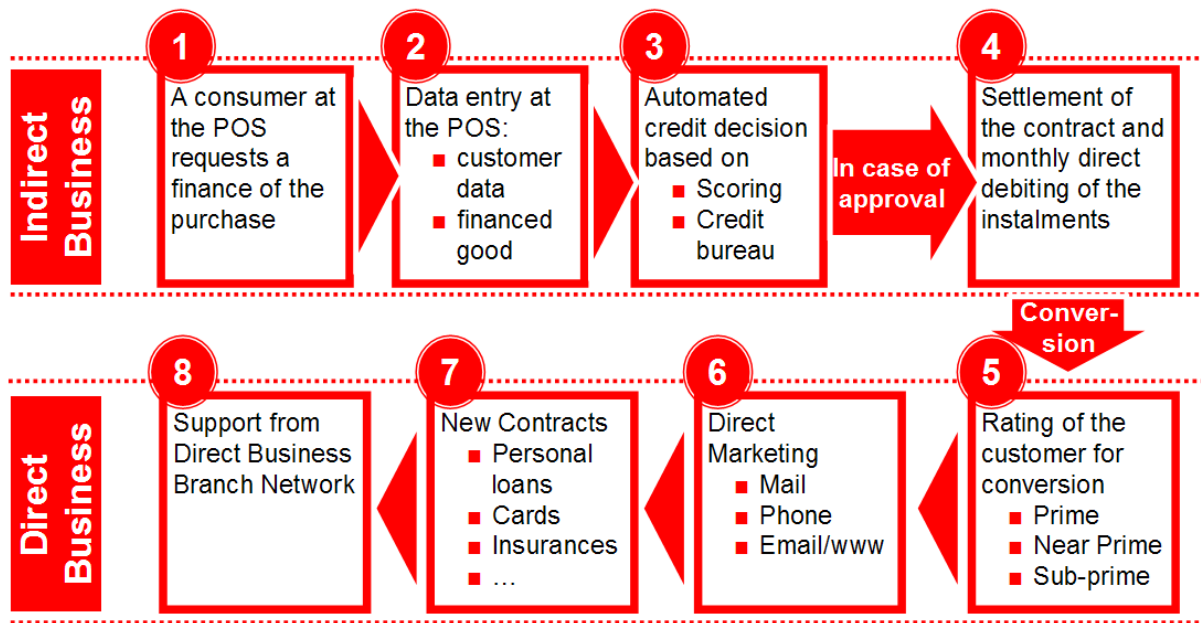
Source: Company data.

Exhibit 8 Santander Consumer Finance’s Product Portfolio in February 2008



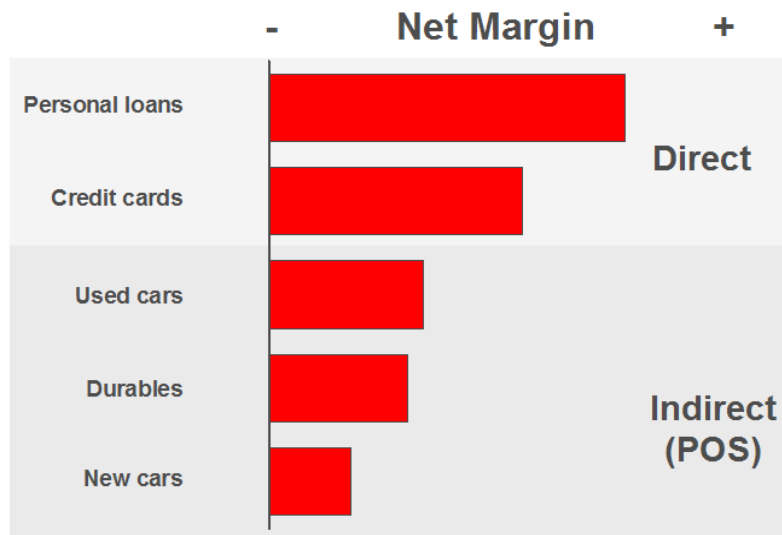
Source: Company data.

Exhibit 9 Business Model of Santander Consumer Finance



Source: Company data.

Exhibit 10 Profitability of Santander Consumer Finance’s Different Products



Source: Company data.

Exhibit 11 Comparison between Santander Consumer Finance and its Main Competitors, 1H'07

		Outstanding Loans	Net Income
<b>Santander (SCF)</b>	18 countries Europe EE.UU. Latam	€45 Bn.	€353 Mill.
<b>GE Money</b>	55 countries America, Europe (23 countries) Asia-Pacific	€118 Bn.	€1,326 Mill.
<b>BNP-Paribas (Cetelem)</b>	29 countries Latin America Europe (18 countries) Africa Asia-Pacific	€58 Bn.	€274 Mill.
<b>Credit Agricole (Consumer Finance)</b>	23 Countries Sofinco 16 countries (Europe & Africa) Finaref 6 countries (Europe) Lukas 1 country (Poland)	€59 Bn.	€275 Mill.



Source: Company data.

**Exhibit 12** Santander Consumer Finance's Sources of Funding*a) Breakdown of Deposits from Credit Institutions by Type and Currency (in € Thousands)*

	2006	2005
<b>Type:</b>		
Reciprocal accounts	593,494	113,989
Time deposits	8,948,628	9,143,656
Other demand accounts	175,582	54,385
	<b>9,717,704</b>	<b>9,312,030</b>
<b>Currency:</b>		
Euro	5,117,470	6,446,610
Foreign currency	4,600,234	2,865,420
Total financial liabilities	<b>9,717,704</b>	<b>9,312,030</b>

*b) Breakdown of Customer Deposits by Type, Geographical Area, and Currency (in € Thousands)*

	2006	2005
<b>Type:</b>		
Public sector – local government	11,833	263,788
Demand deposits		
Current accounts	6,578,928	7,655,314
Savings accounts	2,323,685	2,666,719
Other demand deposits	31,035	5,954
Time deposits		
Fixed-term deposits	4,350,917	2,811,435
Home-purchase savings accounts	65,743	55,673
Other financial liabilities associated with transferred financial assets	-	20,347
Other time deposits	1,893	2,353,707
	<b>13,364,034</b>	<b>15,832,937</b>
<b>Geographical area:</b>		
Spain and Portugal	4,001,418	3,843,275
Germany	8,787,073	11,415,178
Italy	490,656	492,855
Scandinavia	74,234	75,953
Rest of Europe	10,653	5,676
	<b>13,364,034</b>	<b>15,832,937</b>
<b>Currency:</b>		
Euros	13,284,141	15,750,255
Foreign currency	79,893	82,682
	<b>13,364,034</b>	<b>15,832,937</b>

**Exhibit 12 (continued)***c) Marketable Debt Securities by Type (in € Thousands)*

	2005	2006
<b>Type:</b>		
Bonds and debentures outstanding <sup>1</sup>	956,169	5,565,655
Mortgage bonds <sup>2</sup>	-	1,193,952
Notes and other securities <sup>2</sup>	4,731,556	5,737,974
	<b>5,687,725</b>	<b>12,497,581</b>
<b>Add – valuation adjustments</b>	46,368	122,103
<i>Of which:</i>		
<i>Accrued interest</i>	46,368	152,768
<i>Other items</i>	-	(30,665)
	<b>5,687,725</b>	<b>12,497,581</b>

Source: Company data.

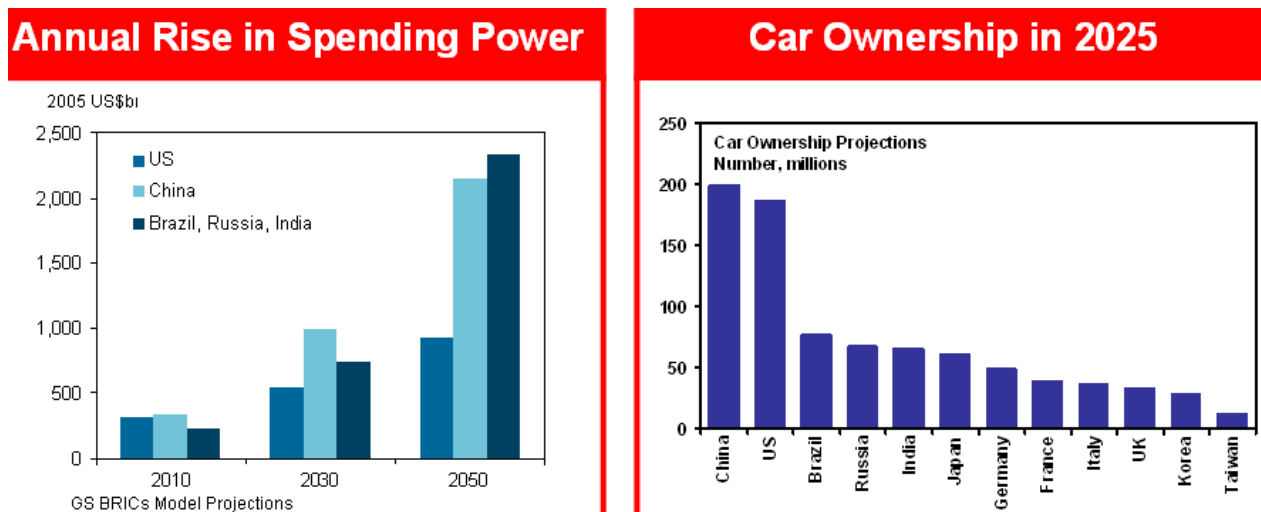
<sup>1</sup> Of this amount, €1.39 billion and €2.81 billion related to bonds and debentures issued by Santander Consumer Bank, S.p.A. and Santander Consumer Bank A.G., respectively, in 2006 (€996 million and €6.1 million, respectively, in 2005). Additionally, at December 31, 2006, €1,350,000 thousand and €13,125 thousand related to bonds and debentures issued by FTA Santander Consumer Spain Auto 06 and Altair Finance, plc, respectively (Appendix I).

<sup>2</sup> Securities admitted to listing on the Spanish AIAF bond market, fully issued by the Bank. The annual interest rate on the mortgage bonds is 3.875% and the notes, which were issued at a discount, bore average annual interest of 2.80% in 2006.

**Exhibit 13** Santander Consumer Finance's Lending per Country in 2006 (€ millions)

	Germany	Spain	Italy	Scandina via	USA	Poland	Portugal	Other Units	Total
Total Portfolio	15,988	10,950	5,033	2,831	2,230	1,529	883	1,219	40,663
Auto Finance	10,676	6,101	3,635	2,546	2,230	645	706	950	27,490
New vehicles	4,145	5,520	3,146	1,448	361	385	526	405	15,936
Used vehicles	6,531	581	488	1,098	1,869	261	180	545	11,553
Cons. Loans & Credit Cards	1,054	1,045	544	112	0	0	53	20	2,827
Consumer Loans	937	500	364	0	0	0	44	1	1,845
Credit Cards	117	545	180	112	0	0	9	19	983
Direct	2,631	565	768	18	0	51	0	31	4,065
Mortgages	3	2,478	0	0	0	787	0	38	3,305
Others	108	492	80	155	0	0	1	7	843
Stock Finance	1,517	269	6	0	0	46	123	172	2,133
% of the Total (in %)	39.3	26.9	12.4	7.0	5.5	3.8	2.2	3.0	100

Source: Company data

**Exhibit 14** Car sales and Purchasing Power in Emerging Markets

Source: Company data.

## Endnotes

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<sup>1</sup> “Global Consumer Finance”, Industry Profile, Datamonitor, April 2008, accessed via OneSource on June 8, 2008. The Americas comprised Argentina, Brazil, Canada, Chile, Colombia, Mexico, Venezuela and the United States. Europe comprised: Belgium, the Czech Republic, Denmark, France, Germany, Hungary, Italy, the Netherlands, Norway, Poland Russia, Spain Sweden and the United Kingdom. Asia comprised Australia, China, Japan, India, Singapore, South Korea, and Taiwan.

<sup>2</sup> ‘Paying the price of consumerism’, in *El Pais*, English Edition, *Herald Tribune*, 25 July 2005, accessed via Factiva on June 8, 2008.

<sup>3</sup> Jean Coumaros, Enrico Sanna, Mark Weil and Luca Zuccoli, *Consumer Credit in Europe: Riding the Wave*, Mercer Oliver Wyman/ European Credit Research Institute: London, 2005.

<sup>4</sup> These were Experian, Equifax, and Callcredi

<sup>5</sup> Karl Lannoo and Almudena de la Mata Muñoz (2003) *Integration of the EU Consumer Credit Market – Proposal for a More Efficient Regulatory Model*, Centre for European Policy Studies: Brussels

<sup>6</sup> Jean Coumaros, Enrico Sanna, Mark Weil and Luca Zuccoli, *Consumer Credit in Europe: Riding the Wave*, Mercer Oliver Wyman/ European Credit Research Institute: London, 2005

<sup>7</sup> *Ibid.*

<sup>8</sup> “Cross-border lending promoted by EU plans”, *International Herald Tribune*, January 14, 2008, at <<http://www.iht.com/articles/2008/01/14/business/credit.php>> , accessed April 9, 2008.

<sup>9</sup> Karl Lannoo and Almudena de la Mata Muñoz (2004) *Integration of the EU Consumer Credit Market – Proposal for a More Efficient Regulatory Model*, CEPS Working Document No 213/November 2004, Centre for European Policy Studies: Brussels, available at [http://aei.pitt.edu/6647/01/1174\\_213.pdf](http://aei.pitt.edu/6647/01/1174_213.pdf) , accessed July 2008.

<sup>10</sup> ‘BEUC Statement on Consumer Credit’, 18 January 2008, at <<http://www.beuc.eu/Content/Default.asp?PageID=701&LanguageCode=EN>>, accessed April 14, 2008.

<sup>11</sup> ‘Consumer credit’ *EurActiv*, January 21, 2008, at <<http://www.euractiv.com/en/financial-services/consumer-credit/article-146529>> , accessed April 14, 2008.

<sup>12</sup> *Ibid.*