

BOOK REVIEW

Cătălin-Gabriel Stănescu (2025). *EU Informal Debt-Collection Regulation. Failure by Design?* Oxford University Press, ISBN 978 0 19 896615 9

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The monograph written by Cătălin-Gabriel Stănescu, Associate Professor in Private International Law at the University of Southern Denmark, accurately depicts the current state of consumer debt collection at the European Union level with relevant arguments and a strongly critical voice. Through his writing, which is almost a manifesto, the clearly passionate consumer advocate raises awareness of the serious risks and harms that indebted consumers face on the social, economic, and psychological fronts.

If we were to clarify from the beginning what the author means by “informal” collection of debts, then we must resort to the explanations given by him, in the fourth chapter. According to him, when a debtor fails to make payments, the creditors can either use the state's coercive power by bringing legal action and formally collecting the debts, or they can take the informal route and outsource the debt recovery, typically to a debt collection agency or other specialized professional. Although informal debt collection is faster and less risky for the creditors, it can turn into an oppressive enforcement process for the consumer-debtors because there is no court oversight or fair trial procedures in place.

The book is structured in 16 chapters. At the end of each of these, a short summary helps the reader to highlight the main aspects discussed by the author. Each chapter comes with arguments that converge towards an affirmative answer to the question in the title: *A failure by design?*

With the information at hand, the author firmly contends that the EU's current legal and economic structures only serve to incentivize consumers to take on debt. Banks give out loans that are later sold for a small portion of their face value once they stop performing. Debt agencies then take these at face value, which enables banks to issue additional debt, putting consumers back in this vicious cycle and allowing debt investors to make substantial profits. This system is not only unsustainable, in the author's view, but also morally questionable. Although it should be strictly monitored and regulated, the European Union has a *laissez-faire* attitude.

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There are two possible explanations for this: either there is a lack of precise and clear information on debt collection activities at the EU level that would allow for the implementation of suitable social measures and sanctions, or the regulations are purposefully vague to benefit professionals engaged in debt creation and collection. The author leans towards the second option, contending that the financial sector, which benefits from the debt collection market, has a significant impact on how the market is regulated in the EU.

Although consumer protection, enshrined in the Treaty on the Functioning of the European Union in article 169, would claim the protection of consumer-debtors from unfair commercial practices, from abusive contractual clauses, in reality, the author says, the EU institutions are more concerned with supporting the interests of the informal debt collection industry than with the protection of consumer-debtors.

Debt collection is closely linked to the consumer credit market and to that of public utility services. When resorting to the judicial system, consumer-debtors are quite effectively protected, with rules in place in the EU Member States that ensure a fair trial. The case law of the ECHR comes to strengthen the right to a fair trial. When creditors sell debts, however, informal debt collection carries considerable risks for consumer-debtors, who are left unprotected against abusive practices by debt agencies. The book begins with an example of such practices in the Spanish debt collection market, which are not expressly prohibited. The author describes how debt collectors, dressed in undertaker garments, arrive at debtors' homes in fake hearses bearing the words "Undertaker of Debt-collection". This tactic was intended to shame and intimidate debtors into paying their debts.

The author argues that the regulation of abusive informal debt collection activities at EU and national level is affected by a systemic and intentional failure of the EU legislative mechanism. He explains the systemic failure by the development of fragmented, complex and ineffective legal rules for consumer protection, such as the Unfair Commercial Practices Directive, the Consumer Credit Agreements Directive, the Unfair Contract Terms Directive, and the General Data Protection Regulation (GDPR). The multitude of regulations makes them difficult to understand and difficult to use by consumers when they need protection. In addition, Directive (EU) 2021/2167 on credit servicers and credit purchasers contains few protective rules for consumers, which, moreover, the author says, lack specificity and seem ineffective considering a diverse and complicated institutional framework, which makes it almost impossible to recover damage in a cross-border context.

On the contrary, the provisions of the directive regulating the debt recovery profession facilitate, harmonize and stimulate development in the EU, from which the EU's favourable attitude towards debt investors can be deducted. In the absence of pan-European regulation, consumer protection remains mainly a national effort, the author believes. However, national legal frameworks are also dispersed, fragmented and ineffective in addressing systemic infringements or cross-border problems.

The intentional failure is explained by Cătălin-Gabriel Stănescu by the lack of adequate private remedies and by the EU's refusal to adopt sectoral regulation, a refusal determined by the opposition of the debt recovery industry. The substantial discrepancy between the benefits for debt collectors and debt buyers and the limitations of consumer protection is not only a matter of poor governance, but also the result of regulatory capture by the financial industry through powerful lobby groups, which manipulate EU and national institutions to serve their interests, the author believes. Directive (EU) 2021/2167 on credit servicers and credit buyers seems to have been deliberately designed to fail in achieving its purpose, further consolidating the industry's dominance. Dedicated to the cause of consumer-debtors, the author deplores the current situation, in which *millions of consumers are transformed into lifetime debtors, trapped in debt peonage and facing substantial social costs due to psychological damage, poverty, and homelessness*.

The monograph *EU Informal Debt- Collection Regulation. Failure by Design* provides a meticulous and comprehensive examination of informal debt collection in the EU by fusing a broad empirical investigation with a detailed examination of laws, judicial rulings, and the European policy environment. It includes quantitative and qualitative data on the EU's debt and non-performing debt markets, the consumer credit market, and the financial metrics of the debt collection sector. The book is written in a way that anyone interested in debt recovery may understand. By avoiding legal language as far as feasible, the author makes the subject understandable to both lawyers and non-lawyers. The author's writing style is straightforward, the sequence of ideas is logical and easy to follow and comprehend. The monograph represents a useful and indispensable tool in understanding the mechanisms of debt recovery in the European space, satisfying, at the same time, a need for those involved in the field of informal debt recovery. The variety of situations analysed and their impact on legal evolution are elements that will certainly make this book a landmark in scientific works on this topic.

The monograph was translated into Romanian by the author himself and published in Romania by TACT Publishing House, Cluj-Napoca.

The author's ultimate goal is to spur a meaningful legislative reaction that would provide consumer debtors with practical answers and offer them genuine protection in their unfair battle against creditors and debt collection organizations. It is our belief that Cătălin-Gabriel Stănescu's commitment, belief, and passion for the cause of consumers will not go unnoticed.