S&Ds lead a new vote to reduce risks in the EU banking sector on non-performing loans

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The Socialists and Democrats led today a vote in the economic and monetary affairs committee to tackle non-performing loans (NPLs) and thereby made a new significant step to reduce risk in the banking sector. NPLs or 'bad' loans refer to bank loans whose payment is delayed or is unlikely to happen. The S&Ds expressed concerns over the historically high levels of bad loans which can negatively affect investments and the economy.

On Tuesday, the Parliament made sure that there will be a prudential backstop. Thanks to these efforts, banks will own enough funds to cover for own losses and for loans that might turn non-performing in the future. Tackling bad loans is vital to restoring trust in the European financial system.

S&D MEP Roberto Gualtieri, chair of the economic and monetary committee in the European Parliament, said:

"Today we adopted a balanced text, which will improve the proposal of the European Commission and mark another decisive step in the process of risk reduction in the European banking system, which should now be followed by adequate risk sharing. The proposal will ensure adequate provisioning of non-performing loans in banks' balance sheets, in line with the general approach adopted by the Council. At the same time, more gradual provisioning in the first years will reduce potential negative impact on the real economy.

"For us Socialists and Democrats, strengthening the secondary market and enhancing consumer protection is paramount. To this end, we will work hard to swiftly conclude this file before the end of the year and to adopt the directive before the 2019 EU elections."

S&D Group spokesperson on economic and monetary affairs, Pervenche Berès, said:

"We are worried about the high NPL levels in Europe and their impact on investments and the real economy. Despite a drop in the overall NPL levels from nearly €1 trillion at the end of 2016 to €82 billion, they remain at historically high levels in Europe. In addition to this, we are concerned at the slow progress in some member states where NPL ratios are nearing 45%.

"NPLs are a legacy of the financial crisis. A decade later, Europe must act to reduce their levels and prevent an accumulation in the future. This is why we S&Ds are calling for effective banking supervision, a reform of the insolvency and debt recovery frameworks and the development of secondary markets."