

European Commission seeks contract law solutions to smooth Single Market for consumers and businesses

Contracts are the basic building blocks for relationships between businesses and consumers. The European Union's Single Market is built on contract laws. However, businesses – particularly small and medium-sized companies – are hampered in cross-border sales because they must follow different contract laws for each of the EU's 27 Member States. Only 8% of consumers buy online from another Member State ([Consumer Scoreboard 3rd ed.](#)). In addition, 61% of cross-border sales are rejected because traders refuse to serve the consumer's country. This is largely due to regulatory barriers and legal uncertainty about the applicable rules. To address some of these problems and boost the potential of Europe's Single Market, the European Commission proposed today, in a strategic policy paper, several options for a more coherent approach to contract law. The goal is to bring more legal certainty for businesses and simpler rules for consumers. A public consultation on the policy paper will run until 31 January 2011.



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"I want a Polish, German or Spanish consumer to feel as safe when doing business with an Italian, Finnish or French company online as when they are at home. And I want Europe's small and medium-sized companies to offer their products and services to consumers in other countries without having to become experts in the national contract law systems of all other 26 EU countries," said Vice-President Viviane Reding, the EU's Justice Commissioner. *"I call on consumers and businesses from all 27 Member States to contribute actively to the Commission's public consultation. This is certainly a time of crisis for Europe's economy. But it is also a time where we have an historic opportunity to drive economic growth by easing the cost of cross-border transactions. It is therefore now the time to make a quantum leap towards a more European contract law."*

Contracts are essential for running businesses and making sales to consumers. They formalise an agreement between parties and can cover a broad range of matters, including the sale of goods and the provision of a service like the booking a flight or obtaining a loan. In a **business-to-consumer contract**, for example, an Irish consumer buys an MP3 player online from a French retailer. In this case, Irish contract law would apply if the French retailer has designed his website for Irish consumers

Europe's Single Market is based on a wide variety of contracts that are governed by different national contract laws. The co-existence of different rules can lead to additional transaction costs, increased legal uncertainty for businesses and lack of consumer confidence. Both consumers and businesses face significant barriers when they seek to take advantage of the EU's Single Market. Transaction costs (like adapting contractual terms and commercial policies or obtaining translation of the rules) and legal uncertainty involved in dealing with foreign contract laws make it particularly hard for small and medium-sized enterprises, which make up 99% of all enterprises in the EU, to expand within the Single Market.

The Commission, therefore, proposed different ways to make contract law more coherent in a Green Paper adopted today. Among the **policy options** considered are:

- The publication on the web of (non-binding) **model contract rules** which could be used in Europe's Single Market.
- A (binding or non-binding) **"toolbox" for EU lawmakers** when they adopt new legislation to ensure better and more coherent rules.
- A **Contract Law Recommendation** that would call on EU Member States to include a European contract law into their national legal systems, thereby partly following the model of the United States where all but one of the 50 states voluntarily adopted the Uniform Commercial Code.
- An **optional European Contract Law** (or a "28th system"), which could be chosen freely by consumers and businesses in their contractual relations. This optional law would be an alternative to the existing national contract laws and would be available in all languages. It could apply in cross-border contracts only, or in both cross-border and domestic contracts. It would have to guarantee a high level of consumer protection and legal certainty throughout the life cycle of a contract.
- **Harmonisation of national contract laws** by means of an EU Directive.
- **Full harmonisation of national contract laws** by means of an EU Regulation.
- The creation of a full-fledged **European Civil Code**, replacing all national rules on contracts.

Background

Under the [Europe 2020](#) strategy – launched by President José Manuel Barroso on 3 March 2010 ([IP/10/225](#)), the Commission is currently tackling bottlenecks in the Single Market to drive economic recovery. This includes working on harmonised solutions for consumer contracts, EU model contract clauses and making progress towards an optional European contract law. The creation of an optional contract law instrument is also one of the key actions in the Commission's [Digital Agenda for Europe](#) issued on 19 May 2010.

The European Parliament gave its backing to the idea of an optional European Contract Law in a [resolution](#) on 25 November 2009. Former Internal Market and Competition Commissioner Mario Monti also identified in his [Single Market Report of 9 May](#) the advantages that an optional "28th system" would bring for consumers and businesses.

On 12 May, the Commission convened a new expert group to transform the so-called "[Draft Common Frame of Reference](#)" – a first draft for a European contract law developed over the past years under the EU's Research Programme – into a simple, user-friendly workable solution adapted to the needs of consumers and the reality of the business environment ([IP/10/595](#)). The group, which is composed of legal experts and practitioners from all over Europe, is currently meeting once a month in Brussels. The public consultation started today will help ensure that the group addresses the most important problems faced today by consumers and businesses in the field of contract law.

The consultation will run until 31 January 2011. Its results will help the Commission prepare proposals before 2012.

For more information

The "**Green Paper on policy options for progress towards a European Contract Law for consumers and businesses**" adopted by the Commission today is published at:

http://ec.europa.eu/justice_home/news/consulting_public/news_consulting_public_en.htm

Justice and Home Affairs Newsroom:

http://ec.europa.eu/justice_home/news/intro/news_intro_en.htm

Homepage of Viviane Reding, Vice-President and Commissioner for Justice, Fundamental Rights and Citizenship:

http://ec.europa.eu/commission_2010-2014/reding/index_en.htm