

EULIS – Removing Barriers to Cross-Border Lending in Europe

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SUMMARY

The aim of the European Land Information Service (EULIS) is to provide easy worldwide access to European land and property information, to underpin a single European property market. Although it is ultimately the citizens of Europe who have the most to gain from this new service, its target users are the professional intermediaries through which citizens act, such as lawyers, conveyancers and notaries, and service providers such as lenders and real estate agents. By making it easier for professionals to do business in other jurisdictions, EULIS aims to promote the economy of the European Community by:

- breaking down barriers to cross-border lending;
- enabling more competition in the secured credit and real property markets, bringing more choice for borrowers;
- providing links with non-EU countries; and
- encouraging the spread of best practice.

The EULIS vision is that all of the on-line land and property registration authorities of Europe will one day be linked together through a single portal, enabling customers of any connected service to have ready access to information about individual properties throughout Europe. Customers will also have access to the necessary “Reference Information” about the land and property registration services and the legal environment in each country. This is seen as key factor, because access to registered property information is useless if it cannot be understood.

EULIS began with a demonstrator project, partly funded by the European Commission, which was successfully completed in June 2004 by a consortium of land registration authorities from eight different European countries. Having demonstrated the feasibility of their idea, the consortium then embarked on a programme of work to develop and launch EULIS as an operational service. Developments are on track and live running is expected to start during 2006.

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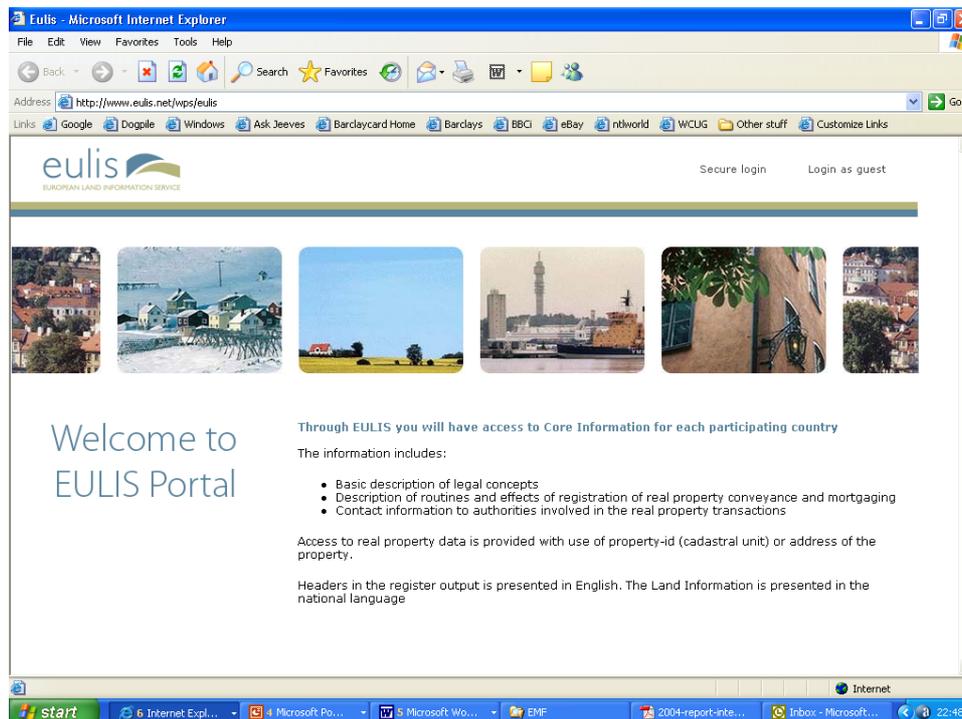
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1. INTRODUCTION

Despite integration in other areas of the economy, secured credit lending in Europe still takes place mainly within national boundaries. A number of reasons for this have been identified, including:

- language barriers;
- lack of knowledge of practices and procedures for protecting interests in property across borders;
- lack of access to land registration information; and
- legal barriers, including differences in national provisions on consumer protection, such as early repayment rules.

It is widely held that increasing the amount of cross-border lending would benefit the economy of Europe. Capital could flow to areas where it is needed most and increased competition between lenders would help to reduce the cost of borrowing. The European Land Information Service (EULIS) is an initiative by eight of Europe's national land registration authorities to remove some of these barriers.



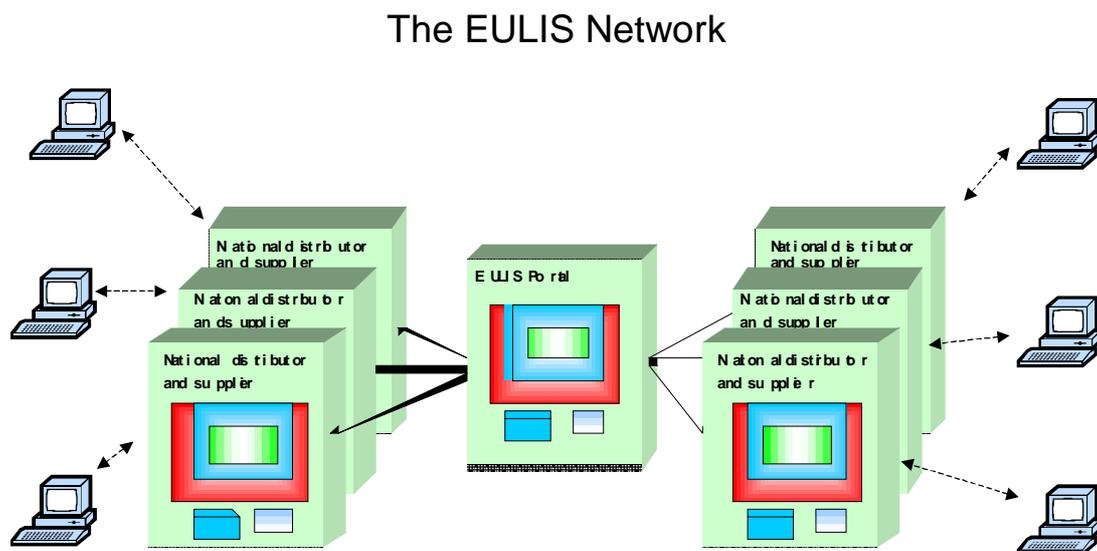
By linking together land registration systems across Europe through a single portal, EULIS will enable professional users of information about land and interests in land in their own countries to access, over the internet, similar information in other countries. It includes linguistic and semantic support to overcome language barriers, together with accessible information about the practices, procedures and legal differences necessary for confident cross-border activity.

This paper describes the service, how it will work and what it will include, and explains the business case for EULIS.

2. SERVICE DESCRIPTION

2.1 How does it Work?

Because of the number of diverse systems that need to be connected, the decision was taken early on that the EULIS technical design needed to be as simple as possible. The chosen design achieves this using portal technology. The EULIS portal acts as a hub through which the different land registration systems are linked.



The EULIS service will be provided only via the Internet and only via the national land information services connected to the EULIS portal. Customers will log-on to their national systems in the normal way, after which they will be able to access systems in other countries

through the EULIS portal. The national systems will take care of matters such as authentication, security, billing and firewalls. Front-line customer support will also be provided to customers by their own national providers.

The advantage of this for customers is that they do not need to make any special new arrangements. The advantage for the EULIS consortium is the simplicity of the solution. The only connections through the portal will be from the various national systems that are part of the EULIS network.

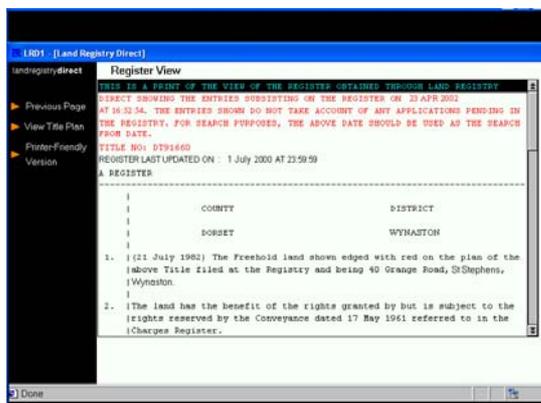
2.2 Service Content

The information provided through EULIS falls into two broad categories. First there is information from the official land registers themselves, information that has been registered about individual properties or loans. In EULIS, this is referred to as “Land Information”. Secondly however, and key to the success of EULIS, there is what has been called the “Reference Information”. This additional information enables users to understand the outputs they receive from other countries. It includes information on register contents, conditions for information usage, legal aspects, etc. The Reference Information is stored in the EULIS portal in accordance with an agreed standard framework and format, maintained and regularly updated by the participating organisations in an agreed and structured way.

2.2.1 Land Information from the National Land Registers

Information on individual properties from the official Land Registers of different European countries is presented on-line to users. This is done without changing or processing the information in any way, so what users see is the official registered information, unchanged and authentic.

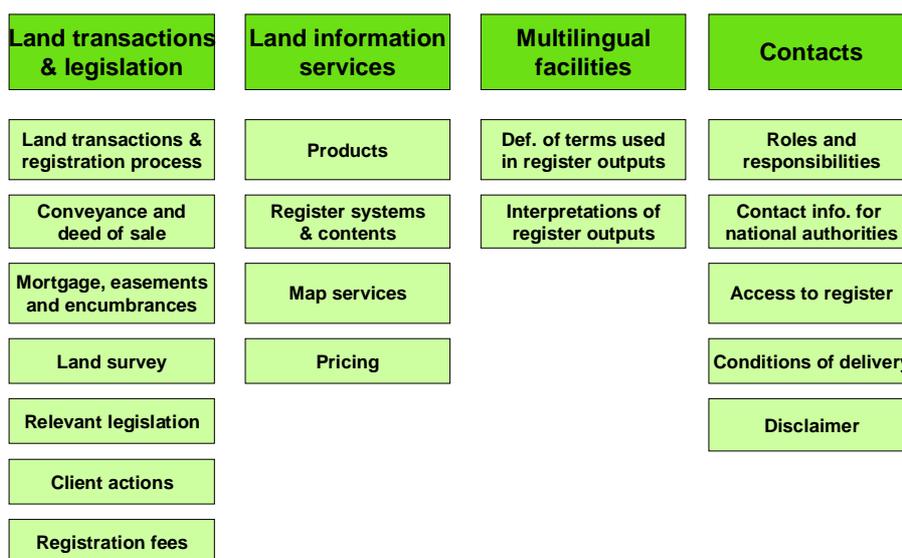
Initially, information from the Registers will be presented in the language of the originating service. The possibility of translating the information into other languages will be a matter for consideration in the future. Such a move would present some significant challenges because terms and concepts are not always directly comparable between one country and another, especially from the legal perspective.



2.2.2 Reference Information

The Reference Information in EULIS is a set of descriptions and definitions, presented in a defined framework. Although the content is different for every country, the structure and format is the same for all participating countries, which makes it easier for users to navigate. It also makes it possible to make comparisons between the different countries and simpler for new countries to join the service.

Structure of Reference information



- Descriptions of Land Transactions and Legislation – Basic descriptions of legislation and land transactions are provided for each country. Routines and qualifications for conveyancing and mortgaging are described, as well as legal effects of registration and information on land surveying and fees and charges.
- Descriptions of Land Information Services – The Register services, such as register contents, products offered, pricing, conditions for access and use, are also described. Contact details are provided of information providers and of authorities involved in the real property transactions.
- Explanation of Register Outputs and/or the National Service – Because the legal frameworks and the information contents in the registers of the participating countries differ, efforts have been made to make the registered information understandable and explained in English. The contents of standard outputs are explained in English, with examples.

- Common Terms Translation Tool – For the general understanding of the information in the registers, as well as the legal environment in the different jurisdictions, a list of more than 50 common terms has been developed. The meaning of each of these “EULIS terms” is defined in English. Alongside the list of EULIS terms, lists of the equivalent common terms of the countries represented in EULIS have been produced and any differences in meaning compared with the defined EULIS terms are explained in English. Based on these lists and definitions, a tool has been developed that enables common terms to be translated from one language to another and for any differences in meaning between one country and another to be explained. The common terms translation tool is an aid to understanding and does not require or create any new standards.

2.2.3 Adaptation of National Services to EULIS

To facilitate cross-border understanding, some national providers have in addition been developing multi-lingual versions of some parts of their service, including in particular headers and explanatory texts.

3. THE CASE FOR EULIS

3.1 The Strategic Case

3.1.1 Business Need

There is a need to link together the land and property information services of Europe for the benefit of its citizens and for economic growth. Successive studies have shown that despite the economic integration that has taken place in many other areas of activity in Europe, secured credit lending takes place almost entirely within national boundaries. According to the European Commission’s Forum Group on Mortgage Credit¹, at the end of 2002, outstanding residential mortgage loans in the then fifteen Member States stood at € 4 trillion, 40% of GDP. However, lending across borders without the need for any sort of establishment by the lender in the Member State where the consumer debtor resides, represents less than 1% of European mortgage credit activity. Furthermore, the cross-border lending that does take place is mostly by second home owners or those in border regions.

A recent study by Mercer Oliver Wyman² estimates that greater product availability could result in a market expansion of up to 10%, and an increase in mortgage balances. For consumers, further mortgage integration could bring greater choice of products and lower prices. Competition between lenders could also result in lower mortgage interest rates. For lenders, the creation of a deeper and more liquid secondary market in mortgage debt would

¹ Forum Group on Mortgage Credit, 2004, The Integration of the EU Mortgage Credit Markets, DG Internal Market, European Commission

² Mercer Oliver Wyman, 2003, Study on the Financial Integration of European Mortgage Markets, commissioned by the European Mortgage Federation.

act to lower funding costs. Integration would bring reductions in credit and risk management costs as a result of diversification and scale of activity, lower servicing costs as a result of the increase in lenders and servicers, and more effective capital flow. Citizens generally are therefore not benefiting from the range of choice and competitive pricing that increased cross-border lending would bring.

3.1.2 Barriers to Cross-Border Lending

Various barriers to cross-border lending have been identified, including:

- language barriers;
- lack of knowledge of practices and procedures for protecting interests in property across borders;
- lack of access to land registration information; and
- legal barriers, including differences in national provisions on consumer protection, such as early repayment rules

Demand for EULIS has arisen because European citizens are increasingly looking to purchase real estate in other countries and also looking for more choice of mortgages and other secured borrowing. At the same time, lenders are increasingly looking to market their products in other countries and the professional advisors who act for both buyers and lenders need better access to cross-border information.

3.1.3 The EULIS Aim and Vision

The strategic aim of the EULIS programme is to provide easy worldwide access to European land and property information, in order to underpin a single European property market. It is aimed at professional users, making it easier for them to do property related business in other countries, encouraging more cross-border activity in the secured credit market and bringing more choice for borrowers.

The EULIS vision is that all of the on-line land information services of Europe's land registration authorities will one day be linked together through a single portal, enabling customers of any connected service to have ready access to information about individual properties throughout Europe. Customers will also have access to the necessary "Reference Information" about the land and property registration services they can access and on the legal environment in each European country.

EULIS will promote the economy of the European Community by:

- breaking down barriers to cross-border lending;
- enabling more competition in the secured credit and real property markets;
- providing links with non-EU countries; and
- encouraging the spread of best practice.

3.1.4 Organisation of Land Registration in Europe

Every country in Europe has a register that, among other things, aims at securing tenure and other rights to or interests in real property/land. In many cases – and in an increasing number of jurisdictions – this also includes a computerised national land information service. The organisations responsible for this are mainly government agencies or departments, or state owned companies, all responsible to national or in some cases state governments. However, all jurisdictions are different. Until now, there has been no common system for providing access to information, nor anything to link them together.

The EULIS partners all have widely used information services, providing land and property information to society. They have aims in common besides securing tenure and interests in land; for example, facilitating dealings in real property and other interests in land; an essential service for a healthy financial market economy.

3.1.5 Contribution to key objectives

The EULIS programme contributes to the objectives of the European Community as well as to the objectives of its individual participants. The fact that the EULIS partners, although in different forms, are all public bodies performing broadly the same function means that their key objectives are broadly similar and contribute in similar ways towards EU objectives and policies.

The first EULIS project was partly funded by the European Commission's *eContent Programme*, which aimed to stimulate access to European digital content and to promote a more effective use of public sector information. It aimed to create favourable conditions for the reduction of market fragmentation and for the marketing, distribution and use of European digital content on the global networks to stimulate economic activity and employment. However, as the project progressed it also became clear that EULIS would also support other EU initiatives and policies. The integrated financial market, and especially increased competition in the market for mortgage lending – to the benefit of consumers – is something to which the EULIS programme contributes.

EULIS also contributes towards meeting the objectives of the partners themselves, who are all working to improve access for their customers and to see an increased use of corporate information.

3.1.6 Stakeholders

Although it is ultimately the citizens of Europe who have the most to gain from EULIS, its target users are the professional intermediaries through which citizens act, such as lawyers, conveyancers and notaries, and service providers such as lenders and real estate agents. Public sector organisations also have an increasing need to access land information across national borders. These professional stakeholders are interested in efficiency; ease of access

is important to these groups, as is the ability to understand the information received, in context and the implications.

3.1.7 Existing Arrangements

Currently, land information providers and their stakeholders work very much within national boundaries. This is due partly to the barriers³ mentioned above; partly because of the historical fact that land registration systems have developed differently in different countries in response to differing needs and conditions; and partly because, until recently, the opportunity for collaboration on a wide scale did not exist. In recent times however, an increasing number of land registers have been computerised and facilities for on-line access have been introduced. Take-up of on-line services has been rapid and the trend continues upward. Increasingly, users expect to be able to do more on-line and they expect service providers to provide access efficiently. The initial EULIS Demonstrator Project was a direct response to this challenge.

3.2 Weighing the Options

During the course of the EULIS Demonstrator Project, the EULIS partners identified a range of options, which considered in the widest sense, the question: *where could we go from here?* These “scoping options” ranged from the classic “do nothing” through to developing a worldwide service with maximum functionality. The partners also looked at what the opportunities might be for collaboration with others, service delivery options and implementation options. When appropriate, options are re-examined.

The outcome of all this analysis is the EULIS programme now in progress. The scope of the programme goes beyond the European Union but, for practical reasons, is limited to the continent of Europe. The service will start relatively modestly, with a range of key on-line services from the founding partners and other early adopters but will expand and extend over time in terms of land information services and countries.

3.3 Governance

Who will develop and operate EULIS? Initially, it has been developed by a consortium of land information authorities from eight countries – Austria, England and Wales, Finland, Lithuania, Netherlands, Norway, Scotland and Sweden. The consortium has also taken on the task of launching the service and operating it for the first three years. However, as EULIS expands to link up more and more countries in Europe, it will be necessary to develop a governance structure that will meet the practical requirements, and constraints, of all of the different organisations that will be involved. The overwhelming majority of these are governmental bodies of one form or another, each with their own set of rules for operation and governance with which they must comply.

³ The barriers to cross border lending are described at 3.1.2 above.

In discussion with prospective new partners, the consortium has considered a range of different types of corporate vehicle that might be appropriate to oversee EULIS in the longer term. Such a vehicle should not favour any of the participants and should be effective for managing, running and developing the service and business. It should also be easy to add and possibly remove members. The current favourite for this purpose is a “European Economic Interest Grouping”. European Council Regulation (EEG) 2137/85 (July 25 1985) regulates the formation and the principles of EEIGs.

3.4 Affordability

Funding has been an important consideration for the EULIS consortium because it is formed of public sector bodies, most of which have strict rules governing the sources and application of funds. Funding from the European Commission has therefore been a key enabler, initially to explore the feasibility of the concept and, subsequently, may be key to helping the consortium achieve “critical mass” and to help some of the poorer countries of Europe to participate. The on-going running costs of EULIS are relatively modest and are shared equitably between the participating organisations.

EULIS will generate income for the participants in two ways. First of all they will receive their usual fees for any information provided to customers in other countries. Secondly, they will be able to charge their own customers a surcharge for the information they purchase from other countries. The consortium’s analysis of likely cash-flow scenarios shows that, in the long-term, very modest transaction numbers are required to achieve break-even and to keep the operation viable. The keys to success will be achieving customer take-up and adequate European roll-out in the initial years of operation.

3.5 Achievability

The EULIS initiative began in January 2002, when the consortium embarked on a project to build a prototype demonstrator to show how such a service could work in practice. This provided the initial proof of concept and the business case for developing an operational service. Potential users and other stakeholders, including lending institutions and their representatives, academics and land registration authorities throughout Europe were consulted and provided input and validation of the approach.

The project was supported by the European Commission’s *eContent Programme* and, following its successful conclusion in June 2004, the EULIS programme was launched by the consortium to develop the service and to roll it out across Europe. Since then, eight more countries have joined the programme, including the remaining UK land registration authority, Land Registers of Northern Ireland, and a large part of the work to develop and the operational portal has been completed. It is expected that the portal will become operational in 2006, when roll-out across Europe will commence.

REFERENCES

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BIOGRAPHICAL NOTES

Jon Atkey is the Head of Strategy and Finance in HM Land Registry's E-Conveyancing Programme for England and Wales. He is also HM Land Registry's representative on the Programme Management Group of the European Land Information Service (EULIS). In this capacity, Jon has played a leading role in developing the strategy and business case for implementing EULIS throughout Europe, following the successfully completed EULIS Demonstrator Project. He has been part of Land Registry's E-Conveyancing Task Force for the past five years, helping to establish and manage the programme, developing its strategies and plans and in setting up the necessary management structures. More recently, he has been part of an international panel of experts advising the Irish Law Commission on the development of eConveyancing in Ireland. Jon is a Chartered Management Accountant and, before e-conveyancing, his experience included strategic planning, project and programme management and finance, including electronic payment systems and security.

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