

## Chapter 10A

# MCD Annual Percentage Rate of Charge



## 10A.1 Calculation of the APRC

**10A.1.1** **R** The *APRC* must be calculated for an *MCD regulated mortgage contract* in accordance with the mathematical formula in **MCOB 10A.2.2 R**.

[**Note:** article 17(1) of the *MCD*]

**10A.1.2** **R** Whenever the opening or maintaining of an account is obligatory to obtain the *credit*, or to obtain it on the terms and conditions marketed, the *total cost of credit to the consumer* must include the following costs:

- (1) opening and maintaining a specific account;
- (2) using a means of payment for both transactions and drawdowns on that account;
- (3) other costs relating to payment transactions;

[**Note:** article 17(2) of the *MCD*]

**10A.1.3** **R** The calculation of the *APRC* must be based on the assumption that the *MCD regulated mortgage contract* is to remain valid for the period agreed and that the *MCD mortgage lender* and the *consumer* will fulfil their obligations under the terms and by the dates specified in the *MCD regulated mortgage contract*.

[**Note:** article 17(3) of the *MCD*]

**10A.1.4** **R** If an *MCD regulated mortgage contract* allows variations in the:

- (1) *borrowing rate*; or
- (2) charges contained in the *APRC*;

and they are unquantifiable at the time the *APRC* is calculated, the *APRC* must be calculated on the assumption that the *borrowing rate* and other charges will remain fixed in relation to the level set when the contract is entered into.

[**Note:** article 17(4) of the *MCD*]

**10A.1.5** **R** If an *MCD regulated mortgage contract* contains a fixed *borrowing rate* in relation to the initial period of at least five years, at the end of which a negotiation on the *borrowing rate* must take place to agree on a new fixed

rate for a further material period, the calculation of the additional, illustrative *APRC* disclosed in the *ESIS* must:

- (1) cover only the initial fixed-rate period; and
- (2) be based on the assumption that, at the end of the fixed *borrowing rate* period, the capital outstanding is repaid.

[Note: article 17(5) of the *MCD*]

**10A.1.6** **R** If an *MCD regulated mortgage contract*:

- (1) allows for variations in the *borrowing rate*; and
- (2) it does not fall within **■** MCOB 10A.1.5 R,

the *ESIS* must contain an additional *APRC* which illustrates the possible risks linked to a significant increase in the *borrowing rate*. Where the *borrowing rate* is not capped, this information must be accompanied by a warning highlighting that the *total cost of the credit to the consumer*, shown by the *APRC*, may change.

[Note: article 17(6) of the *MCD*]

**10A.1.7** **R** The assumptions in **■** MCOB 10A.2 and, where applicable, in **■** MCOB 10A.3 must be used and applied in calculating the *APRC*.

[Note: article 17(7) of the *MCD*]