

CONSUMER CREDIT (TOTAL CHARGE FOR CREDIT) INSTRUMENT 2016

Powers exercised

- A. The Financial Conduct Authority makes this instrument in the exercise of the following powers and related provisions in:
- (1) the following sections of the Financial Services and Markets Act 2000 (“the Act”):
 - (a) section 137A (The FCA’s general rules); and
 - (b) section 137T (General supplementary powers); and
 - (2) article 60M of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544).
- B. The rule-making powers above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 9 March 2017.

Amendments to the Handbook

- D. The Consumer Credit sourcebook (CONC) is amended in accordance with the Annex to this instrument.

Citation

- E. This instrument may be cited as the Consumer Credit (Total Charge for Credit) Instrument 2016.

By order of the Board
8 December 2016

Annex

Amendments to the Consumer Credit sourcebook (CONC)

In this Annex, underlining indicates new text and striking through indicates deleted text.

App 1 Total charge for credit rules; and certain exemptions

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1.2 Total charge for credit rules for other agreements

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Assumptions for calculation

1.2.5 R For the purposes of calculating the *total charge for credit* and the *annual percentage rate of charge*:

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- (c) where not all rates of interest are determined in the *regulated credit agreement*, a rate of interest shall, where necessary, be assumed to be fixed only for the partial periods for which the rate of interest is determined exclusively by a fixed specific percentage agreed when the agreement is made;
- (d) ~~where the duration of the *regulated credit agreement* cannot be determined at the date of calculation and~~ where different rates of interest and charges are to be offered for limited periods or amounts during ~~that agreement~~ the *regulated credit agreement*, the rate of interest and the charge shall, where necessary, be assumed to be at the highest level for the duration of the agreement;
- (e) where there is a fixed rate of interest agreed in relation to an initial period under a *regulated credit agreement*, at the end of which a new rate of interest is determined and subsequently periodically adjusted according to an agreed indicator, it shall, where necessary, be assumed that, at the end of the period of the fixed rate of interest, the rate of interest is the same as at the time of making the calculation, based on the value of the agreed indicator at that time;
- (f) where the *regulated credit agreement* gives the *borrower* freedom of drawdown, the *total amount of credit* shall, where necessary, be assumed to be drawn down immediately and in full;
- (fa) where the *regulated credit agreement* imposes, amongst the different ways of drawdown, a limitation with regard to the amount of *credit* and period of time, the amount of *credit* shall, where necessary, be assumed to be the maximum amount provided for in the agreement

and to be drawn down on the earliest date provided for in the agreement;

- (g) where the *regulated credit agreement* provides different ways of drawdown with different charges or rates of interest, the *total amount of credit* shall, where necessary, be assumed to be drawn down at the highest charge and rate of interest applied to the most common drawdown mechanism for the *credit* product to which the agreement relates;
- (h) for the purposes of (g), the most common drawdown mechanism for a particular *credit* product shall be assessed on the basis of the volume of transactions for that product in the preceding 12 months, or expected volumes in the case of a new *credit* product;
- (i) in the case of an *overdraft facility*, the *total amount of credit* shall, where necessary, be assumed to be drawn down in full and for the entire duration of the *regulated credit agreement*;
- (j) for the purposes of (i), if the duration of the *overdraft facility* is not known, it shall, where necessary, be assumed that the duration of the facility is three months;
- (k) in the case of an open-end *regulated credit agreement*, other than an *overdraft facility*, it shall, where necessary, be assumed that the *credit* is provided for a period of one year starting from the date of the initial drawdown, and that the final payment made by the *borrower* clears the balance of capital, interest and other charges, if any;
- (l) for the purposes of (k):
 - (i) the capital is repaid by the *borrower* in equal monthly payments, commencing one month after the date of initial drawdown;
 - (ii) in cases where the capital must be repaid in full, in a single payment, within or after each payment period, successive drawdowns and repayments of the entire capital by the *borrower* shall, where necessary, be assumed to occur over the period of one year;
 - (iii) interest and other charges shall be applied in accordance with those drawdowns and repayments of capital and as provided for in the *regulated credit agreement*;
- (m) in the case of a *regulated credit agreement*, other than an *overdraft facility*, or an open-end *regulated credit agreement*:
 - (i) where the date or amount of a repayment of capital to be made by the *borrower* cannot be ascertained, it shall, where necessary, be assumed that the repayment is made at the

earliest date provided for under the *regulated credit agreement* and is for the lowest amount for which the *regulated credit agreement* provides;

- (ii) where it is not known on which date the *regulated credit agreement* is made, the date of the initial drawdown shall, where necessary, be assumed to be the date which results in the shortest interval between that date and the date of the first payment to be made by the *borrower*;
- (n) where the date or amount of a payment to be made by the *borrower* cannot be ascertained on the basis of the *regulated credit agreement* or the assumptions set out in (i) to (m), it shall, where necessary, be assumed that the payment is made in accordance with the dates and conditions required by the *lender* and, when these are unknown:
 - (i) interest charges are paid together with repayments of capital;
 - (ii) a non-interest charge expressed as a single sum is paid on the date of the making of the *regulated credit agreement*;
 - (iii) non-interest charges expressed as several payments are paid at regular intervals, commencing with the date of the first repayment of capital, and if the amount of such payments is not known they shall, where necessary, be assumed to be equal amounts;
 - (iv) the final payment clears the balance of capital, interest and other charges, if any;
- (o) in the case of an agreement for *running-account credit*, where the *credit limit* applicable to the *credit* is not yet known, that *credit limit* shall, where necessary, be assumed to be £1,200.

1.2.5A G The assumptions set out in CONC App 1.2.5R are intended to ensure that the total charge for credit and the annual percentage rate of charge are calculated in a consistent way to promote the comparability of different offers. The use of the term ‘where necessary’ in assumptions (c) to (o) in that rule makes clear that these assumptions only apply where they are necessary in relation to the specific agreement, for example, where key features such as the amount or duration of credit are uncertain. In general, though, the total charge for credit and the annual percentage rate of charge calculation will depend on the terms of the individual regulated credit agreement.

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