

Appendix 1

Total charge for credit rules; and certain exemptions

1.1 Total charge for credit rules for certain agreements secured on land

Interpretation

- App 1.1.1 R** (1) For the purposes of this section, references to the period for which credit is provided:
- (a) in the case of a *credit agreement* under which the period for which *credit* is to be provided is ascertainable at the date of the making of the *credit agreement*, are references to the period beginning with the *relevant date* and ending with the end of the period for which *credit* is to be provided;
 - (b) in the case of a *credit agreement* under which the period for which *credit* is to be provided can be ascertained at the *relevant date* if the assumption in ■ CONC App 1.1.12 R is applied, are references to the period beginning with the *relevant date* and ending with the end of the period for which *credit* would be provided under the *credit agreement* if the amount given by that assumption were the amount of the *credit* so provided; and
 - (c) in any other case, are references to the period of one year referred to in ■ CONC App 1.1.13 R.
- (2) References in this section to repayment of the *credit* under a *credit agreement* and of the *total charge for credit* include references to any repayment or payment, as the case may require, of any part of the *credit* and of the *total charge for credit*.

Application

- App 1.1.2 R** This section applies to *regulated credit agreements* which are secured on *land* or to prospective *regulated credit agreements* which are to be secured on *land*, except to the extent that the Consumer Credit (Disclosure of Information) Regulations 2010 apply to such agreements.

General provisions about calculation

App 1.1.3 R

- (1) Any calculation under this section shall be made on the following assumptions
- (a) the assumption that the *borrower* will not be entitled to any income tax relief relating to the *transaction* other than relief under section 19 of the Income and Corporation Taxes Act 1970 and Schedule 4 to the Finance Act 1976 (which afford relief in respect of premiums under certain policies of insurance) without any deduction under section 21 of the said Act of 1970;
 - (b) the assumption that no assistance is given under the Home Purchase Assistance and Housing Corporation Guarantee Act 1978;
 - (c) (i) in the case of a *transaction* which provides for repayment of the *credit* or of the *total charge for credit* at, or not later than, a specified time or times, the assumption that the *lender* will not exercise any right under the *transaction* to require repayment at any other time or times;
 - (ii) in any other case, the assumption that the *lender* will not exercise any right under the *transaction* to require repayment;
- the *borrower*, in any case, performing all his obligations under the *transaction*;
- (d) subject to (e) below, in the case of a *transaction* which provides for variation of the rate or amount of any item included in the *total charge for credit* in consequence of the occurrence after the *relevant date* of any event, the assumption that the event will not occur; and, in this sub-paragraph, "event" means an act or omission of the *borrower* or of the *lender* or any other event (including where the *transaction* makes provision for variation upon the continuation of any circumstance, the continuation of that circumstance) but does not include an event which is certain to occur and of which the date of occurrence, or the earliest date of occurrence, can be ascertained at the date of the making of the *credit agreement*; and
 - (e) in the case of a *land-related agreement* which provides for the possibility of any variation of the rate of interest in consequence of the occurrence after the *relevant date* of any event (being an event which is certain to occur and of which the date of occurrence, or the earliest date of occurrence, can be ascertained at the date of the making of the *credit agreement*), the assumption that such a variation will, when the event occurs, take place.
- (2) For the purposes of this section
- (a) subject to (b) below and ■ CONC App 1.1.18 R, in the case of any *credit agreement* each provision of *credit* and each repayment of the *credit* and of the *total charge for credit* shall be taken to be made:
 - (i) at the earliest time provided under the *transaction*, and
 - (ii) in a case where any such provision or repayment is to be made at or not later than a specified time, at that time

and, where any such repayment is to be made before the *relevant date*, it shall be taken to be made on the *relevant date*;
 - (b) where under a *credit agreement* for *running-account credit* or a *credit agreement* for *fixed-sum credit* where the *credit* is not repayable at specified intervals or in specified amounts a constant *period rate of*

charge in respect of periods of equal or of nearly equal length is charged, it shall be assumed for the purposes of calculations under this section, notwithstanding ■ CONC App 1.1.17 R, that

- (i) the amount of *credit* outstanding at the beginning of a period is to remain outstanding throughout the period;
 - (ii) the amount of any *credit* provided during a period is provided immediately after the end of the period; and
 - (iii) any repayment of *credit* or of the *total charge for credit* made during a period is made immediately after the end of the period; and
- (c) the assumption that the amount of any repayment of *credit* or of the *total charge for credit* will, at the time when the repayment is made, be the smallest for which the agreement provides.
- (3) In determining the amount of the total of the interest on the *credit* which may be provided under the *credit agreement*, any subsidy receivable by any *person* under Part II of the Housing Subsidies Act 1967 shall be deducted.

Total charge for credit

App 1.1.4 ■ R For the purposes of the *Regulated Activities Order*, the total charge for the *credit* which may be provided under an actual or prospective *credit agreement* shall be the total of the amounts determined as at the date of the making of the *credit agreement* of such of the charges specified in ■ CONC App 1.1.5 R as apply in relation to the *credit agreement* but excluding the amount of the charges specified in ■ CONC App 1.1.6 R.

Items included in total charge for credit

App 1.1.5 ■ R Except as provided in ■ CONC App 1.1.6 R, the amounts of the following charges are included in the *total charge for credit* in relation to a *credit agreement*:

- (a) the total of the interest on the *credit* which may be provided under the *credit agreement*;
- (b) other charges at any time payable under the *transaction* by or on behalf of the *borrower* or a *relative* of his whether to the *lender* or any other *person*; and
- (c) a premium under a *contract of insurance*, payable under the *transaction* by the *borrower* or a *relative* of his, where the making or maintenance of the *contract of insurance* is required by the *lender*
 - (i) as a condition of making the *credit agreement*, and
 - (ii) for the sole purpose of ensuring complete or partial repayment of the *credit*, and complete or partial payment to the *lender* of such of those charges included in the *total charge for credit* as are payable to him under the *transaction*, in the event of the death, invalidity, illness or unemployment of the *borrower*,

notwithstanding that the whole or part of the charge may be repayable at any time or that the consideration therefor may include matters not within the *transaction* or subsisting at a time not within the duration of the *credit agreement*.

Items excluded from total charge for credit

App 1.1.6 R

- (1) The amounts of the following items are not included in the *total charge for credit* in relation to a *credit agreement*:
- (a) any charge payable under the *transaction* to the *lender* upon failure by the *borrower* or a *relative* of his to do or to refrain from doing anything which he is required to do or to refrain from doing, as the case may be;
 - (b) any charge
 - (i) which is payable by the *lender* to any *person* upon failure by the *borrower* or a *relative* of his to do or to refrain from doing anything which he is required under the *transaction* to do or to refrain from doing, as the case may be, and
 - (ii) which the *lender* may under the *transaction* require the *borrower* or a *relative* of his to pay to him or to another *person* on his behalf;
 - (c) any charge relating to a *credit agreement* which is a *credit agreement* to *finance* a transaction of a description referred to in (2)(a) or (b) of the definition of *restricted-use credit agreement*, being a charge which would be payable if the transaction were for *cash*;
 - (d) any charge (other than a fee or commission charged by a *credit broker*) not within (c) above
 - (i) of a description which relates to services or benefits incidental to the *credit agreement* and also to other services or benefits which may be supplied to the *borrower*, and
 - (ii) which is payable pursuant to an obligation incurred by the *borrower* under arrangements effected before he applies to enter into the *credit agreement*, not being arrangements under which the *borrower* is bound to enter into any *credit agreement*;
 - (e) subject to (2) below, any charge under arrangements for the care, maintenance or protection of any *land* or *goods*;
 - (f) charges for money transmission services relating to an arrangement for a *current account*, being charges which vary with the use made by the *borrower* of the arrangement;
 - (g) any charge for a guarantee other than a guarantee
 - (i) which is required by the *lender* as a condition of making the *credit agreement*, and
 - (ii) the purpose of which is to ensure complete or partial repayment of the *credit*, and complete or partial payment to the *lender* of such of those charges included in the *total charge for credit* as are payable to him under the *transaction*, in the event of the death, invalidity, illness or unemployment of the *borrower*;
 - (h) charges for the transfer of funds (other than charges within (f) above) and charges for keeping an account intended to receive payments towards the repayment of the *credit* and the payment of interest and other charges, except where the *borrower* does not have reasonable freedom of choice in the matter and where such charges are abnormally high; but this sub-paragraph does not exclude from the *total charge for credit* charges for collection of the payments to which it refers, whether such payments are made in *cash* or otherwise;

- (i) a premium under a *contract of insurance* other than a *contract of insurance* referred to in ■ CONC App 1.1.5R (c).
- (2) (1) above has effect only
 - (a) in the case of a charge within (e), where, in pursuance of the arrangements
 - (i) the services are to be performed if, after the date of the making of the *credit agreement*, the condition of the *land* or *goods* becomes, or is in immediate danger of becoming, such that the *land* or *goods* cannot reasonably be enjoyed or used, and
 - (ii) the charge will not accrue unless the services are performed; and
 - (b) in the case of any other charge within (e)
 - (i) where provision of substantially the same description as that to which the arrangements relate is available under comparable arrangements from a *person* who is not the *lender* or a *supplier* or a *credit broker* who introduced the *borrower* and the *lender*, and
 - (ii) where the arrangements are made with a *person* chosen by the *borrower*, and
 - (iii) if, in accordance with the *transaction*, the consent of the *lender* or of a *supplier* or of the *credit broker* who introduced the *borrower* and the *lender* is required to the making of the arrangements, where the *transaction* provides that such consent may not be unreasonably withheld whether because no incidental benefit will or may accrue to the *lender* or to the *supplier* or to the *credit broker* or on any other ground;

and references in this sub-paragraph to the *lender*, a *supplier* and a *credit broker* include references to his near relative, his partner and a member of a group of which he is a member, to any *person* nominated by him or any such person in relation to the arrangements, and to a near relative of his partner; and "near relative" means, in relation to any *person*, the husband, wife, father, mother, brother, sister, son or daughter of that person and "group" means the *person* (including a company) having control of a company together with all the companies directly or indirectly controlled by him.

Rate of total charge for credit

App 1.1.7 R The rate of the *total charge for credit* in the case of an actual or prospective *credit agreement* shall be the *annual percentage rate of charge* determined in accordance with the following provisions of ■ CONC App 1.1.8 R to ■ CONC App 1.1.10 R and (where it has more than one decimal place) rounded to one decimal place in accordance with ■ CONC App 1.1.8 R.

App 1.1.8 R The *annual percentage rate of charge* referred to in ■ CONC App 1.1.7 R shall be rounded to one decimal place as follows

- (a) where the figure at the second decimal place is greater than or equal to 5, the figure at the first decimal place shall be increased by one and the decimal place (or places) following the first decimal place shall be disregarded; and

- (b) where the figure at the second decimal place is less than 5, that decimal place and any decimal places following it shall be disregarded.

App 1.1.9 R

- (1) Subject to (4) below, the *annual percentage rate of charge* is the rate for i which satisfies the equation set out in (2) below, expressed as a percentage.
- (2) The equation referred to in (1) above is

$$\sum_{K=1}^{K=m} \frac{A_K}{(1+i)^{t_K}} = \sum_{K'=1}^{K'=m'} \frac{A'_{K'}}{(1+i)^{t_{K'}}$$

where

K is the number identifying a particular advance of *credit*;

K' is the number identifying a particular instalment;

A_K is the amount of advance K ;

$A'_{K'}$ is the amount of instalment K' ;

Σ represents the sum of all the terms indicated;

m is the number of advances of *credit*;

m' is the total number of instalments;

t_K is the interval, expressed in years, between the *relevant date* and the date of the second advance and those of any subsequent advances number three to m ;

and

$t_{K'}$ is the interval, expressed in years, between the *relevant date* and the dates of instalments numbered one to m' .

- (3) In (2) above, references to instalments are references to any payment made by, or on behalf of, the *borrower* or a *relative* of his which comprises
- (a) a repayment of all or part of the *credit* under the *credit agreement*;
 - (b) a payment of all or part of the *total charge for credit*; or
 - (c) both a repayment of all or part of the *credit* and a payment of all or part of the *total charge for credit*.
- (4) Where more than one rate is given under (1) above, the *annual percentage rate of charge* is the positive rate nearest to zero or, if no positive rate is so given, the negative rate nearest to zero.

Computation of time

App 1.1.10 R

- (1) This rule has effect for determining the length of any period for the purposes of calculations under ■ CONC App 1.1.7 R to ■ CONC App 1.1.9 R.
- (2) A period which is not a whole number of calendar months or a whole number of weeks shall be counted in years and days.
- (3) Subject to (4) below, a period which is a whole number of calendar months or a whole number of weeks shall be counted in calendar months or in weeks, as the case may be.

- (4) Where a period is both a whole number of calendar months and a whole number of weeks and
- (a) one repayment only is to be made, the period shall be counted in calendar months, or
 - (b) more than one repayment is to be made
 - (i) if all such repayments are to be made at intervals from the *relevant date* of one or more weeks, the period shall be counted in weeks, and
 - (ii) in any other case, the period shall be counted in calendar months.
- (5) A period which is to be counted
- (a) in calendar months shall be taken to be of a length equal to the relevant number of twelfth parts of a year, and
 - (b) in weeks, shall be taken to be of a length equal to the relevant number of fifty-second parts of a year.
- (6) A day may be taken to be either
- (a) one three hundred and sixty-fifth part of a year or, if it is a leap year, one three hundred and sixty-sixth part of a year; or
 - (b) $\frac{1}{365.25}$
- of a year.
- (7) Every day shall be taken to be a working day.

Assumptions for calculations

- App 1.1.11 R** (1) The provisions of ■ CONC App 1.1.11 R to ■ CONC App 1.1.18 R shall have effect as the case may require for the purpose of the calculation of the *total charge for credit* under ■ CONC App 1.1.4 R to ■ CONC App 1.1.6 R above and of the rate of such charge under ■ CONC App 1.1.7 R to ■ CONC App 1.1.10 R above in relation to any actual or prospective *credit agreement* in respect of matters necessary for the calculation which cannot be ascertained by the *lender* at the date of the making of the *credit agreement*.
- (2) In a case where apart from this paragraph ■ CONC App 1.1.12 R and one or more other provisions of ■ CONC App 1.1.11 R to ■ CONC App 1.1.18 R would fall to be applied, the said ■ CONC App 1.1.12 R shall be applied first.

Assumption about the amount of credit

- App 1.1.12 R** Where the amount of the *credit* to be provided under the *credit agreement* cannot be ascertained at the date of the making of the *credit agreement*,
- (a) in the case of a *credit agreement for running-account credit* under which there is a *credit limit*, that amount shall be taken to be such *credit limit*; and
 - (b) in any other case, that amount shall be taken to be £100.

Assumption about period for which credit is provided

App 1.1.13 R Where the period for which *credit* is to be provided is not ascertainable at the date of the making of the *credit agreement*, it shall be assumed that *credit* is provided for one year beginning with the *relevant date*.

Assumption about index-linked rates and amounts

App 1.1.14 R Subject to ■ CONC App 1.1.15 R, where the rate or amount of any item included in the *total charge for credit* or the amount of any repayment of *credit* under a *transaction* falls to be ascertained thereunder by reference to the level of any index or other factor in accordance with any formula specified therein, the rate or amount, as the case may be, shall be taken to be the rate or amount so ascertained, the formula being applied as if the level of such index or other factor subsisting at the date of the making of the *credit agreement* were that subsisting at the date by reference to which the formula is to be applied.

Assumptions about variations of interest rates in land-related agreements

App 1.1.15 R (1) This rule applies to any *land-related agreement* which provides for the possibility of any variation of the rate of interest if it is to be assumed, by virtue of ■ CONC App 1.1.3R (1)(e), that the variation will take place but the amount of the variation cannot be ascertained at the date of the making of the *credit agreement*.

(2) In this rule

"initial standard variable rate"	means	
	(a)	the standard variable rate of interest which would be applied by the <i>lender</i> to the <i>credit agreement</i> on the date of the making of the <i>credit agreement</i> if the <i>credit agreement</i> provided for interest to be paid at the <i>lender's</i> standard variable rate with effect from that date, or
	(b)	if there is no such rate, the standard variable rate of interest applied by the <i>lender</i> on the date of the making of the <i>credit agreement</i> in question to other <i>land-related agreements</i> or, where there is more than one such rate, the highest such rate,
		taking no account (for the avoidance of doubt) of any discount or other reduction to which the <i>borrower</i> would or might be entitled; and

“varied rate” means any rate of interest charged when a variation of the rate of interest is to be assumed to take place by virtue of CONC App 1.1.3R (1)(e).

- (3) Where a *land-related agreement* provides a formula for calculating a varied rate by reference to a standard variable rate of interest applied by the *lender*, or any other fluctuating rate of interest, but does not enable the varied rate to be ascertained at the date of the making of the *credit agreement* because it is not known on that date what the standard variable rate will be or (as the case may be) at what level the fluctuating rate will be fixed when the varied rate falls to be calculated, it shall be assumed that that rate or level will be the same as the initial standard variable rate.
- (4) Where a *land-related agreement* provides for the possibility of any variation in the rate of interest (other than a variation referred to in (3) above) which it is to be assumed, by virtue of ■ CONC App 1.1.3R (1)(e) will take place but does not enable the amount of that variation to be ascertained at the date of the making of the *credit agreement*, it shall be assumed that the varied rate will be the same as the initial standard variable rate.

Assumption about changes in charges.....

App 1.1.16 **R** Where

- (a) the period for which the *credit* or any part thereof is to be or may be provided cannot be ascertained at the date of the making of the *credit agreement*; and
- (b) the rate or amount of any item included in the *total charge for credit* will change at a time provided in the *transaction* within one year beginning with the *relevant date*,

the rate or amount shall be taken to be the highest rate or amount at any time obtaining under the *transaction* in that year.

Assumption about time of provision of credit.....

App 1.1.17 **R** Where the earliest date on which *credit* is to be provided cannot be ascertained at the date of the making of the *credit agreement*, it shall be assumed that *credit* is provided on that date.

Assumptions about time of payment of charges.....

App 1.1.18 **R** In the case of any *transaction* it shall be assumed

- (a) that a charge payable at a time which cannot be ascertained at the date of the making of the *credit agreement* shall be payable on the *relevant date* or, where it may reasonably be expected that a *borrower* will not make payment on that date, on the earliest date at which it may reasonably be expected that he will make payment; or
- (b) where more than one payment of a charge of the same description falls to be made at times which cannot be ascertained at the date of the making of the *credit agreement*, that the first such payment will be payable on the *relevant date* (or, where it may reasonably be expected that a *borrower* will not make payment on that date, at the earliest date on which it may

reasonably be expected that he will make payment), that the last such payment will be payable at the end of the period for which *credit* is provided and that all other such payments (if any) will be payable at equal intervals between such times,

as the case may require.

1.2 Total charge for credit rules for other agreements

Interpretation

- App 1.2.1** **R** (1) In this section
- (a) a reference to a rate of interest is a reference to the interest rate expressed as a fixed or variable percentage applied on an annual basis to the amount of *credit* drawn down;
 - (b) a reference to an open-end *regulated credit agreement* is to a *regulated credit agreement* of no fixed duration and includes credits which must be repaid in full within or after a period but, once repaid, become available to be drawn down again.

Application

- App 1.2.2** **R** This section shall not apply to *regulated credit agreements* which are secured on *land* or to prospective *regulated credit agreements* which are to be secured on *land* except to the extent that the Consumer Credit (Disclosure of Information) Regulations 2010 apply to such agreements.

Total charge for credit

- App 1.2.3** **R** (1) The *total charge for credit* which may be provided under an actual or prospective *regulated credit agreement* shall be the *total cost of credit to the borrower* determined in accordance with the requirements in (2) to (5) below.
- (2) Subject to (3), the following costs shall be included in the *total cost of credit to the borrower*:
- (-a) any fee or charge payable by the *borrower* to a *credit broker* in connection with the agreement (if the fee or charge is known to the *lender*);
 - (a) the costs of maintaining an account recording both payment transactions and drawdowns;
 - (b) the costs of using a means of payment for both payment transactions and drawdowns;
 - (c) other costs relating to payment transactions.
- (3) The costs at (2) shall not be included in the *total cost of credit to the borrower* where

- (a) the opening of the account is optional and the costs of the account have been clearly and separately shown in the *regulated credit agreement* or in any other agreement made with the *borrower*;
 - (b) in the case of an *overdraft facility* the costs do not relate to that facility.
- (4) Costs in respect of an ancillary service shall be included in the *total cost of credit to the borrower* if the conclusion of a service contract is compulsory in order to obtain the *credit* or to obtain it on the terms and conditions marketed.
- (5) The *total cost of credit to the borrower* shall not include
- (a) any charges payable by or on behalf of the *borrower* or a *relative* of his for non-compliance with his commitments contained in the *regulated credit agreement*;
 - (b) charges which, for purchases of *goods* or services, he or a *relative* of his is obliged to pay whether the transaction is effected in *cash* or on *credit*.
- (6) In (4), the reference to an ancillary service means a service that relates to the provision of *credit* under the *regulated credit agreement* and includes in particular an insurance or payment protection policy.
- (7) The *total cost of credit to the borrower* must not take account of any discount, reward (including 'cash back') or other benefit to which the *borrower* might be entitled, whether such an entitlement is subject to conditions or otherwise.

Total cost of credit

App 1.2.3A **G** The *total cost of credit to the borrower* includes fee or charge payable by the *borrower* to a *credit broker*, if the fee or charge is known to the *lender*.
 ■ CONC 4.4.2R(3) requires the *credit broker* to disclose their fee to the *lender*.
Lenders should take reasonable steps to ascertain whether a fee is payable to the *credit broker* and, if so, the amount of the fee.

Calculation of the annual percentage rate of charge

App 1.2.4 **R** The *annual percentage rate of charge* shall be calculated in accordance with the mathematical formula set out in ■ CONC App 1.2.6 R.

Assumptions for calculation

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

- (a) it shall be assumed that the *regulated credit agreement* is to remain valid for the period agreed and that the *lender* and the *borrower* will fulfil their obligations under the terms and by the dates specified in that agreement;
- (b) in the case of a *regulated credit agreement* allowing variations in
 - (i) the rate of interest, or
 - (ii) where applicable, charges contained in the *annual percentage rate of charge*,

where these cannot be quantified at the time of calculation, it shall be assumed that they will remain at the initial level and will be applicable for the duration of the agreement;

- (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 different rates of interest and charges are to be offered for limited periods or amounts during 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.

App 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*.

Calculation of the Annual Percentage Rate of Charge

App 1.2.6 R

(1) The *annual percentage rate of charge* ("APR") is calculated by means of the equation in (2) which equates, on an annual basis, the total present value of drawdowns with the total present value of repayments and payments of charges.

(2) The equation referred to in (1) is

$$\sum_{k=1}^m C_k (1 + X)^{-tk} = \sum_{l=1}^{m'} D_l (1 + X)^{-sl}$$

where

X is the APR;

m is the number of the last drawdown;

k is the number of a drawdown, thus $1 \leq k \leq m$;

C_k is the amount of drawdown k;

t_k is the interval, expressed in years and fractions of a year, between the date of the first drawdown and the date of each subsequent drawdown, thus $t_1 = 0$;

m' is the number of the last repayment or payment of charges;

l is the number of a repayment or payment of charges;

D_l is the amount of a repayment or payment of charges

S_l is the interval, expressed in years and fractions of a year, between the date of the first drawdown and the date of each repayment or payment of charges.

(3) For the purposes of (2)

- (a) the amounts paid by both parties at different times shall not necessarily be equal and shall not necessarily be paid at equal intervals;
- (b) the starting date shall be that of the first drawdown;
- (c) intervals between dates used in the calculations shall be expressed in years or in fractions of a year;
- (d) a year is assumed to have 365 days (366 days for leap years), 52 weeks or 12 equal months;
- (e) an equal month is assumed to have 30.41666 days (365/12) regardless of whether or not it is a leap year;
- (f) the result of the calculation shall be expressed with an accuracy of at least one decimal place; if the figure at the following decimal place is greater than or equal to 5, the figure at that particular decimal place shall be increased by one;
- (g) the equation can be rewritten as set out in (h) using a single sum and the concept of flows (A_k), which will be positive or negative, either paid or received during periods l to k, expressed in years;
- (h) the equation referred to in (g) is

$$S = \sum_{k=1}^n A_k (1 + X)^{-t_k}$$

S being the present balance of flows; if the aim is to maintain the equivalence of flows, the value will be zero.

1.3 Exemption of certain credit agreements secured on land

Interpretation

App 1.3.1 **R**

(1) This section specifies:

- (a) the *persons* or classes of *persons* to whom the exemption in article 60E(2) of the *Regulated Activities Order* applies; and
- (b) the agreements or classes of agreement to which the exemption in article 60E(2) of the *Regulated Activities Order* applies.

Paragraphs (2) to (5) do not apply where the applicable agreement is an *MCD article 3(1)(b) credit agreement*.

(2) Where the *lender* is a body specified in ■ CONC App 1.3.2 R or an *authorised person with permission to accept deposits*, article 60E(2) of the *Regulated Activities Order* applies only to

- (a) a *borrower-lender-supplier agreement* falling within (a) or (c) of the definition of *relevant credit agreement relating to the purchase of land*;
- (b) a *borrower-lender agreement* secured by any *legal or equitable mortgage on land to finance*
 - (i) the purchase of *land*; or
 - (ii) the provision of dwellings or *business premises* on any *land*; or
 - (iii) subject to (3) below, the alteration, enlarging, repair or improvement of a dwelling or *business premises* on any *land*;
- (c) a *borrower-lender agreement* secured by any *legal or equitable mortgage on land to refinance* any existing indebtedness of the *borrower*, whether to the *lender* or another *person*, under any agreement by which the *borrower* was provided with *credit* for any of the purposes specified in (b)(i) to (iii) above.

(3) (2)(b)(iii) above applies only

- (a) where the *lender* is the *lender* under
 - (i) an agreement (whenever made) by which the *borrower* is provided with *credit* for any of the purposes specified in (2)(b)(i) and (2)(b)(ii); or

- (ii) an agreement (whenever made) refinancing an agreement under which the *borrower* is provided with *credit* for any of the said purposes,
being, in either case, an agreement relating to the *land* referred to in (2)(b)(iii) and secured by a *legal or equitable mortgage* on that *land*; or
- (b) where a *borrower-lender agreement* to *finance* the alteration, enlarging, repair or improvement of a dwelling, secured by a *legal or equitable mortgage* on that dwelling, is made as a result of any such services as are described in section 4(3)(e) of the Housing Associations Act 1985 which are certified as having been provided by
 - (i) a *local authority*;
 - (ii) a housing association within the meaning of section 1 of the Housing Associations Act 1985 or article 3 of the Housing (Northern Ireland) Order 1992;
 - (iii) a body established by such a housing association for the purpose of providing such services as are described in the said section 4(3)(e) of the Housing Associations Act 1985;
 - (iv) a charity;
 - (v) the National Home Improvement Council;
 - (vi) the Northern Ireland Housing Executive; or
 - (vii) a body, or a body of any description, that has been approved by the Secretary of State under section 169(4)(c) of the Local Government and Housing Act 1989 or the Department of the Environment for Northern Ireland under article 103(4)(c) of the Housing (Northern Ireland) Order 1992.
- (4) Where the *lender* is a body specified in ■ CONC App 1.3.3 R, the exemption in article 60E(2) of the *Regulated Activities Order* applies only to an agreement of a description specified in that rule in relation to that body and made pursuant to an enactment or for a purpose so specified.
- (5) Where the *lender* is a body specified in ■ CONC App 1.3.4 R, the exemption in article 60E (2) of the *Regulated Activities Order* applies only to an agreement of a description falling within ■ CONC App 1.3.1R (2)(a) to ■ CONC App 1.3.1R (2)(c), being an agreement advancing money on the security of a dwelling-house.

App 1.3.2 R

Bodies whose agreements of the specified description are exempt agreements

INSURANCE COMPANIES

- Abbey Life Assurance Company Limited
- Abbey Life Pension and Annuities Limited
- Albany Life Assurance Company Limited
- Allchurches Life Assurance Limited
- Alliance Assurance Company Limited
- Allied Dunbar Assurance PLC
- Ambassador Life Assurance Company Limited
- American Life Insurance Company
- Ansvar Insurance Company Limited

Bodies whose agreements of the specified description are exempt agreements

Atlas Assurance Company Limited
Australian Mutual Provident Society
Avon Insurance PLC
Black Horse Life Assurance Company Limited
Bradford Insurance Company Limited
Britannic Assurance Public Limited Company
The British & European Reinsurance Company Limited
British Equitable Assurance Company Limited
The British Life Office Limited
The British Oak Insurance Company Limited
British Reserve Insurance Company Limited
Caledonian Insurance Company
The Cambrian Insurance Company Limited
The Canada Life Assurance Company
Cannon Assurance Limited
Car and General Insurance Corporation Limited
City of Westminster Assurance Company Limited
City of Westminster Assurance Society Limited
Clerical, Medical and General Life Assurance Society
Colonial Life (UK) Limited
The Colonial Mutual Life Assurance Society Limited
Commercial Union Assurance Company plc
Commercial Union Pensions Management Limited
Commercial Union Life Assurance Company Limited
Confederation Life Insurance Company
The Contingency Insurance Company Limited
Co-operative Insurance Society Limited
Cornhill Insurance Public Limited Company
Criterion Insurance Company Limited
Crown Life Assurance Company Limited
Crown Life Insurance Company Limited
Crown Life Pensions Limited
Crusader Insurance PLC
The Dominion Insurance Company Limited
Eagle Star Insurance Company Limited
Ecclesiastical Insurance Office plc
Economic Insurance Company Limited
English & American Insurance Company Limited
The Equitable Life Assurance Society
Equico International Limited
Equity & Law Life Assurance Society plc
Essex and Suffolk Insurance Company Limited

Bodies whose agreements of the specified description are exempt agreements

Excess Insurance Company Limited
 Federation Mutual Insurance Limited
 Fine Art and General Insurance Company Limited
 Friends' Provident Life Office
 FS Assurance Limited
 General Accident Fire and Life Assurance Corporation Public Limited Company
 General Accident Life Assurance Limited
 General Accident Linked Life Assurance Limited
 General Portfolio Life Insurance Public Limited Company
 Gisborne Life Assurance Company Limited
 Gresham Life Assurance Society Limited
 Guardian Assurance plc
 Guardian Royal Exchange Assurance plc
 Hill Samuel Life Assurance Limited
 The Ideal Insurance Company Limited
 The Imperial Life Assurance Company of Canada
 Irish Life Assurance plc
 The Iron Trades Employers Insurance Association Limited
 Legal and General Assurance Society Limited
 The Licenses and General Insurance Company Limited
 The Life Association of Scotland Limited
 London Aberdeen & Northern Mutual Assurance Society Limited
 London and Manchester Assurance Company Limited
 London and Manchester (Pensions) Limited
 London & Scottish Assurance Corporation Limited
 The London Assurance
 The London Life Association Limited
 The Manufacturers Life Insurance Company
 Marine and General Mutual Life Assurance Society
 Maritime Insurance Company Limited
 Medical Sickness Annuity & Life Assurance Society Limited
 The Mercantile and General Reinsurance Company plc
 Midland Assurance Limited
 The Motor Union Insurance Company Limited
 Minister Insurance Company Limited
 Municipal Life Assurance Limited
 Municipal Mutual Insurance Limited
 NALGO Insurance Association Limited
 National Employers' Life Assurance Company Limited
 National Employers' Mutual General Insurance Association Limited
 The National Farmers Union Mutual Insurance Society Limited
 National House-Building Council

Bodies whose agreements of the specified description are exempt agreements

The National Insurance and Guarantee Corporation PLC
The National Mutual Life Association of Australasia Limited
National Mutual Life Assurance Society
National Provident Institution
National Vulcan Engineering Insurance Group Limited
N.E.L. Pensions Limited
The New Zealand Insurance plc
North British & Mercantile Insurance Company Limited
The Northern Assurance Company Limited
Norwich Union Asset Management Limited
Norwich Union Fire Insurance Society Limited
Norwich Union Insurance Group (Pensions Management) Limited
Norwich Union Life Insurance Society
NRG London Reinsurance Company Limited
Oaklife Assurance Limited
The Ocean Accident & Guarantee Corporation Limited
The Orion Insurance Company P.L.C.
Pearl Assurance Public Limited Company
Pensions Management (SWF) Limited
Permanent Insurance Company Limited
Phoenix Assurance Public Limited Company
Pioneer Mutual Insurance Company Limited
Prolific Life and Pensions Limited
Property Growth Pensions & Annuities Limited
Provident Life Association Limited
Provident Mutual Life Assurance Association
Provincial Insurance Public Limited Company
The Prudential Assurance Company Limited
Railway Passengers Assurance Company
Refuge Assurance, public Limited company
Regency Life Assurance Company Limited
The Reliance Fire and Accident Insurance Corporation Limited
The Reliance Marine Insurance Company Limited
Reliance Mutual Insurance Society Limited
Royal Exchange Assurance
Royal Insurance Public Limited Company
Royal Insurance (Int.) Limited
Royal Insurance (U.K.) Limited
Royal Life Insurance Limited
Royal Life (Unit Linked Assurances) Limited
Royal Life (Unit Linked Pension Funds) Limited
The Royal London Mutual Insurance Society Limited

Bodies whose agreements of the specified description are exempt agreements

The Royal National Pension Fund for Nurses
Royal Reinsurance Company Limited
Schroder Life Assurance Limited
Scottish Amicable Life Assurance Society
Scottish Equitable Life Assurance Society
Scottish General Insurance Company Limited
Scottish Insurance Corporation Limited
The Scottish Life Assurance Company
The Scottish Mutual Assurance Society
The Scottish Provident Institution
Scottish Union and National Insurance Company
Scottish Widows' Fund and Life Assurance Society
Sentinel Life plc
Skandia Life Assurance Company Limited
Standard Life Assurance Company
Standard Life Pension Funds Limited
The State Assurance Company Limited
Suffolk Life Annuities Limited
Sun Alliance and London Assurance Company Limited
Sun Insurance Office Limited
Sun Life Assurance Company of Canada
Sun Life Assurance Society plc
Target Life Assurance Company Limited
Teachers Assurance Company Limited
Trident Investors Life Assurance Company Limited
Trident Life Assurance Company Limited
Trinity Insurance Company Limited
UK Life Assurance Company Limited
United British Insurance Company Limited
United Friendly Insurance plc
United Kingdom Temperance and General Provident Institution
United Standard Insurance Company Limited
The University Life Assurance Society
The Victory Reinsurance Company Limited
Wesleyan and General Assurance Society
The Western Australian Insurance Company Limited
The White Cross Insurance Company Limited
World-Wide Reassurance Company Limited
The Yorkshire Insurance Company Limited
Zurich Life Assurance Company Limited
FRIENDLY SOCIETIES
The Ancient Order of Foresters Friendly Society

Bodies whose agreements of the specified description are exempt agreements

Anglo-Saxons Friendly Society
 Blackburn Philanthropic Mutual Assurance Society
 British Benefit Society
 British Order of Ancient Free Gardeners' Friendly Society
 Brunel Assurance Society
 Cirencester Benefit Society
 Civil Servants' Annuities Assurance Society
 Colmore Friendly Society
 Coventry Assurance Society
 Dentists' Provident Society
 Devon and Exeter Women's Equitable Benefit Society
 The Exeter Equitable Friendly Society
 Grand United Order of Oddfellows Friendly Society
 The Hampshire and General Friendly Society
 Harvest Friendly Society
 Hearts of Oak Benefit Society
 The Ideal Benefit Society
 Independent Order of Oddfellows Kingston Unity Friendly Society
 The Independent Order of Odd Fellows Manchester Unity Friendly Society
 The Independent Order of Rechabites, Salford Unity, Friendly Society
 Leeds District of the Ancient Order of Foresters Investment Association
 Leek Assurance Collecting Society
 The Leicester District Foresters' Investment Society
 Liverpool Victoria Friendly Society
 The Manchester and Districts of the Ancient Order of Foresters Investment Association
 National Deposit Friendly Society
 National Equalized Druids Friendly Society
 National United Order of Free Gardeners Friendly Society
 New Tab Friendly Society
 Northumberland and Durham Miners' Permanent Relief Fund Friendly Society
 Nottingham Oddfellows Assurance Friendly Society
 The Order of Druids Friendly Society
 The Order of the Sons of Temperance Friendly Society
 Original Holloway Society
 Pioneer Benefit Society
 Preston Catholic Collecting Society
 Preston Shelley Assurance Collecting Society
 Provident Reliance Friendly Society
 Rational and County Assurance Society
 Royal Liver Friendly Society
 Scottish Friendly Assurance Society
 The Scottish Legal Life Assurance Society

Bodies whose agreements of the specified description are exempt agreements

- The Shepherds Friendly Society
- Sons of Scotland Temperance Friendly Society
- Stepney District Distressed Members' Pension Benevolent Fund
- The Sussex Widow and Orphans Society
- Teachers Provident Society
- Time Assurance Society
- Tunbridge Wells Equitable Friendly Society
- Tunstall and District Assurance Collecting Society
- United Ancient Order of Druids Friendly Society
- United Kingdom Civil Service Benefit Society
- United Patriots' National Benefit Society
- West Surrey General Benefit Society
- Widow and Orphan Fund of the Woolwich District of the Independent Order of Odd Fellows, Manchester Unity Friendly Society
- Widow and Orphans' Fund, Stepney District of the Independent Order of Odd Fellows, Manchester Unity Friendly Society
- Widow, Widowers and Orphans' Fund of the Godalming District of the Independent Order of Oddfellows, Manchester Unity, Friendly Society
- Wiltshire Holloway Benefit Society
- CHARITIES
- The Central Board of Finance of the Church of England
- Church Commissioners
- The Church of England Pensions Board
- The Church of Scotland
- The Church of Scotland General Trustees
- Church of Scotland Trust
- The Representative Body of the Church in Wales
- Timber Trades Benevolent Society
- The Winchester Diocesan Board of Finance
- York Diocesan Board of Finance Limited
- AGRICULTURAL CORPORATIONS
- The Agricultural Mortgage Corporation Public Limited Company
- The Scottish Agricultural Securities Corporation Public Limited Company
- OTHER BODIES
- General Practice Finance Corporation Limited

App 1.3.3 **R**

Bodies Corporate	Description of Agreement and Enactments
	LAND IMPROVEMENT COMPANIES
The Lands Improvement Company:	<i>Relevant credit agreements relating to the purchase of land, being agreements made pursuant to</i>
	(a) the Lands Improvement Company's Acts 1853 to 1969; or
	(b) the Improvement of Land Acts 1864 and 1899.

	BODIES CORPORATE NAMED OR SPECIFICALLY REFERRED TO IN A PUBLIC GENERAL ACT - UNITED KINGDOM
The Greater London Authority	<i>Relevant credit agreements relating to the purchase of land</i> , being agreements made under the Authority's power to give financial assistance under section 30 of the Greater London Authority Act 1999.
Homes and Communities Agency	<i>Relevant credit agreements relating to the purchase of land</i> , being agreements made under the Agency's powers to give financial assistance under section 19 of the Housing and Regeneration Act 2008.
The Eastern Electricity Board:	Agreements of a description falling within CONC App 1.3.1R (2)(a) to CONC App 1.3.1R (2)(c) , being agreements made between the Board and employees or prospective employees of the Board pursuant to section 2(5) of the Electricity Act 1947.
The Electricity Council:	Agreements of a description falling within CONC App 1.3.1R (2)(a) to CONC App 1.3.1R (2)(c) , being agreements made between the Council and employees or prospective employees of the Council pursuant to section 2(5) of the Electricity Act 1947, as applied in relation to the Council by section 3(6) of the Electricity Act 1957.
The London Docklands Development Corporation:	Agreements of a description falling within CONC App 1.3.1R (2)(a) to CONC App 1.3.1R (2)(c) , being agreements made pursuant to section 136 of the Local Government, Planning and Land Act 1980.
The London Electricity Board:	Agreements of a description falling within CONC App 1.3.1R (2)(a) to CONC App 1.3.1R (2)(c) , being agreements made between the Board and employees or prospective employees of the Board pursuant to section 2(5) of the Electricity Act 1947.
The North Eastern Electricity Board:	Agreements of a description falling within CONC App 1.3.1R (2)(a) to CONC App 1.3.1R (2)(c) , being agreements made between the Board and employees or prospective employees of the Board pursuant to section 2(5) of the Electricity Act 1947.
Sea Fish Industry Authority:	<i>Relevant credit agreements relating to the purchase of land</i> , being agreements made pursuant to section 3(1)(e) and (f) of the Fisheries Act 1981.
The South Eastern Electricity Board:	Agreements of a description falling within CONC App 1.3.1R (2)(a) to CONC App 1.3.1R (2)(c) , being agreements made between the Board and employees or prospective employees of the Board pursuant to section 2(5) of the Electricity Act 1947.
The South Western Electricity Board:	Agreements of a description falling within CONC App 1.3.1R (2)(a) to CONC App 1.3.1R (2)(c) , being agreements made between the Board and employees or prospective employees of the Board pursuant to section 2(5) of the Electricity Act 1947.
The Southern Electricity Board:	Agreements of a description falling within CONC App 1.3.1R (2)(a) to CONC App 1.3.1R (2)(c) , being agreements made between the Board and employees or prospective employees of the Board pursuant to section 2(5) of the Electricity Act 1947.

The Yorkshire Electricity Board:	Agreements of a description falling within CONC App 1.3.1R (2)(a) to CONC App 1.3.1R (2)(c), being agreements made between the Board and employees or prospective employees of the Board pursuant to section 2(5) of the Electricity Act 1947.
	NORTHERN IRELAND
Eastern Health and Social Services Board:	<i>Relevant credit agreements relating to the purchase of land</i> , being agreements made pursuant to article 59 of and Schedule 9 to the Health and Personal Social Services (Northern Ireland) Order 1972.
Northern Health and Social Services Board:	<i>Relevant credit agreements relating to the purchase of land</i> , being agreements made pursuant to article 59 of and Schedule 9 to the Health and Personal Social Services (Northern Ireland) Order 1972
Southern Health and Social Services Board:	<i>Relevant credit agreements relating to the purchase of land</i> , being agreements made pursuant to article 59 of and Schedule 9 to the Health and Personal Social Services (Northern Ireland) Order 1972.
Welsh Ministers	<i>Relevant credit agreements relating to the purchase of land</i> , being agreements falling within CONC App 1.3.1R (2)(a) to CONC App 1.3.1R (2)(c) which are made pursuant to section 36 of the New Towns Act 1981 and which related to property of the Commission for the New Towns transferred to them under a scheme made under section 51(1) of the Housing and Regeneration Act 2008.
Western Health and Social Services Board:	<i>Relevant credit agreements relating to the purchase of land</i> being agreements made pursuant to article 59 of and Schedule 9 to the Health and Personal Social Services (Northern Ireland) Order 1972.

App 1.3.4 **R**

BODIES CORPORATE NAMED OR SPECIFICALLY REFERRED TO IN AN ORDER MADE UNDER SECTION 156(4), 444(1) OR 447(2)(a) OF THE HOUSING ACT 1985

- Abbey Life Executive Mortgages Limited
- Abbey Life Funding Limited
- Abbey Life Home Loans Limited
- Abbey Life Home Services Limited
- Abbey Life Mortgage Finance Limited
- Abbey Life Mortgage Loans Limited
- Abbey Life Mortgage Securities Limited
- Abbey Life Residential Loans Limited
- Albion Home Loans Limited
- Alliance & Leicester Mortgage Loans Limited
- Alliance & Leicester Mortgage Loans (No. 2) Limited
- Alliance & Leicester Mortgage Loans (No. 3) Limited
- Alliance & Leicester Mortgage Loans (No. 4) Limited
- Bradford & Bingley Homeloans Limited
- Bradford & Bingley Homeloans Management Limited
- Bradford & Bingley Loans Limited
- Bradford & Bingley Management Limited

BODIES CORPORATE NAMED OR SPECIFICALLY REFERRED TO IN AN ORDER MADE UNDER SECTION 156(4), 444(1) OR 447(2)(a) OF THE HOUSING ACT 1985

Bradford & Bingley Mortgages Limited
Bradford & Bingley Mortgage Management Limited
Bradford & Bingley Secured Loans Limited
Bradford & Bingley Secured Loans Management Limited
Britannia Mortgage Company Number One Limited
Britannia Mortgage Company Number Two Limited
Chelsea Mortgage Services Limited
CIS Home Loans Limited
CIS Mortgage Finance Limited
CIS Mortgage Maker Limited
CIS Residential Mortgages Limited
CL Mortgages Limited
Darlington Mortgage Services Limited
Derbyshire Home Loans Limited
General Portfolio Finance Limited
Gracechurch Mortgage Finance (No. 2) PLC
Gracechurch Mortgage Finance (No. 3) PLC
Halifax Loans Limited
Halifax Loans (No. 2) Limited
Halifax Loans (No. 3) Limited
Halifax Loans (No. 4) Limited
HMC First Home National PLC
Home Loans Direct Limited
Home Loans Direct Funding PLC
Household Mortgage Corporation PLC
Ipswich Mortgage Services Limited
LBS Mortgages Limited
Leamington Mortgage Corporation Limited
Leeds & Holbeck Mortgage Corporation Limited
Leeds & Holbeck Mortgage Funding Limited
Legal and General Mortgage Services Limited
Lombard Home Loans Limited
London and Manchester (Mortgages) (No. 1) Limited
London and Manchester (Mortgages) (No. 2) Limited
London and Manchester (Mortgages) (No. 3) Limited
London and Manchester (Mortgages) (No. 4) Limited
London and Manchester (Mortgages) (No. 5) Limited
Market Harborough Mortgages Limited
The Mortgage Corporation Limited
The National Home Loans Corporation plc
National Mutual Home Loans plc
National Westminster Home Loans Limited

BODIES CORPORATE NAMED OR SPECIFICALLY REFERRED TO IN AN ORDER MADE UNDER SECTION 156(4), 444(1) OR 447(2)(a) OF THE HOUSING ACT 1985

Newbury Mortgage Services Limited
 Northern Rock Mortgage Services Limited
 North Yorkshire Mortgages Limited
 Norwich and Peterborough (LBS) Limited
 Norwich Union Mortgage Finance Limited
 Royal London Homebuy Limited
 Saffron Walden Mortgage Services Limited
 Secured Residential Funding PLC
 Stroud and Swindon Mortgage Company Limited
 Stroud and Swindon Mortgage Company (No. 2) Limited
 Sun Life of Canada Home Loans Limited
 Wesleyan Home Loans Limited
 West Bromwich Mortgage Company Limited

1.4 Exemption for high net worth borrowers and hirers and exemption relating to businesses

Exemption for high net worth borrowers and hirers

- App 1.4.1** **R** (1) For the purposes of articles 60H(1)(c) and 60Q(b) of the *Regulated Activities Order* and of **CONC 1.2.10R(2)**, a declaration made by the *borrower* or *hirer* which provides that the *borrower* or *hirer* agrees to forgo the protection and remedies that would be available to the *borrower* or *hirer* if the agreement were a *regulated credit agreement* or a *regulated consumer hire agreement* must comply with **CONC App 1.4.2R** and either **CONC App 1.4.6R** or, in the case of an *MCD article 3(1)(b) credit agreement*, **CONC App 1.4.6AR**.
- (2) For the purposes of articles 60H(1)(d) and 60Q(c) of the *Regulated Activities Order* and of **CONC 1.2.10R(2)**, a statement in relation to the income or assets of the *borrower* or *hirer* (referred to in this section as a statement of high net worth) must comply with **CONC App 1.4.3 R**, **CONC App 1.4.4 R** and **CONC App 1.4.7 R**.
- (3) For the purposes of articles 60H(1)(e) and 60Q(d) of the *Regulated Activities Order* and of **CONC 1.2.10R(2)**, the statement in (2) must be made during the period of one year ending with the day on which the agreement was made.

- App 1.4.2** **R** A declaration for the purposes of articles 60H(1)(c) and 60Q(b) of the *Regulated Activities Order* and of **CONC 1.2.10R(2)** shall

- (1) be set out in the *credit agreement* or *consumer hire agreement* no less prominently than other information in the agreement and be readily distinguishable from the background medium; and
- (2) be signed by the *borrower* or *hirer*, unless the agreement is so signed.

App 1.4.3 R

- (1) Subject to ■ CONC App 1.4.4 R, a statement of high net worth shall be signed by
 - (a) the *lender* or *owner*; or
 - (b) an accountant who is a member of any of the bodies listed in (2).
- (2) The bodies referred to in (1)(b) are:
 - (a) the Institute of Chartered Accountants in England and Wales;
 - (b) the Institute of Chartered Accountants of Scotland;
 - (c) the Institute of Chartered Accounts in Ireland;
 - (d) the Association of Chartered Certified Accountants;
 - (e) the Chartered Institute of Management Accountants;
 - (f) the Chartered Institute of Public Finance and Accountancy;
 - (fa) the Association of International Accountants; and
 - (g) a professional body for accountants established in a jurisdiction outside the United Kingdom.

App 1.4.4 R

A *person* who is

- (1) the *lender* or *owner*;
- (2) an employee or agent of the *lender* or *owner* or a *person* who otherwise acts on behalf of the *lender* or *owner* in relation to the *credit agreement* or *consumer hire agreement*; or
- (3) an *associate* of the *lender* or *owner*,

may only make a statement of high net worth if the *lender* or *owner* is a *person* who has *Part 4A permission to accept deposits*.

Declaration for exemption relating to businesses

App 1.4.5 R

A declaration for the purposes of articles 60C or 60O of the *Regulated Activities Order* shall

- (1) comply with ■ CONC App 1.4.8 R;
- (2) be set out in the *credit agreement* or *consumer hire agreement* no less prominently than other information in the agreement and be readily distinguishable from the background medium; and
- (3) be signed by the *borrower* or *hirer* or where the *borrower* or *hirer* is a *partnership* or unincorporated body of persons be signed by, or on behalf of, the *borrower* or *hirer*, unless the agreement is so signed.

Declaration by high net worth borrower or hirer

App 1.4.6 R The declaration for the purposes of articles 60H(1)(c) and 60Q(b) of the *Regulated Activities Order* must have the following form and content-

"Declaration by high net worth borrower or hirer**(articles 60H(1) and 60Q of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001)**

I confirm that I have received a copy of the statement of high net worth made in relation to me for the purposes of article 60H(1)(d) or article 60Q(c) of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001.

I understand that by making this declaration I will not have the benefit of the protection and remedies that would be available to me under the Financial Services and Markets Act 2000 or the Consumer Credit Act 1974 if this agreement were a regulated agreement under those Acts.

I understand that this declaration does not affect the powers of the court to make an order under section 140B of the Consumer Credit Act 1974 in relation to a credit agreement where it determines that the relationship between the lender and the borrower is unfair to the borrower.*

I am aware that if I am in any doubt as to the consequences of making this declaration then I should seek independent legal advice".

**This section should be omitted in the case of a consumer hire agreement*

App 1.4.6A R **Declaration by high net worth borrower under an MCD article 3(1)(b) credit agreement**

The declaration for the purposes of article 60H(1)(c) of the *Regulated Activities Order* and of ■ CONC 1.2.10R(2) must have the following form and content-

"Declaration by high net worth borrower under an MCD article 3(1)(b) credit agreement**(article 60H(1)(c) of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001)**

I confirm that I have received a copy of the statement of high net worth made in relation to me for the purposes of article 60H(1)(d) of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001.

I understand that by making this declaration I will not have the benefit of the protection and remedies that would be available to me under

- (a) the Financial Services and Markets Act 2000, except for those that transpose or implement the Mortgage Credit Directive, Directive 2014/17/EU on credit agreements for consumers relating to residential immovable property, or
- (b) the Consumer Credit Act 1974,

if this were a regulated agreement under those Acts.

I understand that this declaration does not affect the powers of the court to make an order under section 140B of the Consumer Credit Act 1974 in relation to a credit agreement where it determines that the relationship between the lender and the borrower is unfair to the lender.

I am aware that if I am in any doubt as to the consequences of making this declaration then I should seek independent legal advice."

Statement of high net worth

App 1.4.7 R A statement of high net worth for the purposes of articles 60H(1)(d) and 60Q(c) of the *Regulated Activities Order* must have the following form and content:

“Statement of High Net Worth

(articles 60H(1) and 60Q of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001)

I/We* (insert full name) of (insert address and postcode)..... confirm that I am/we* are a person qualified to make a statement of high net worth under rules made by the Financial Conduct Authority, by virtue of the fact that

In my/our* opinion (insert full name of borrower or hirer)

.....

of (insert address and post code of borrower or hirer)

.....

.....

is an individual of high net worth because he/she*

(a) received during the previous financial year net income totalling an amount of not less than £150,000*; and/or

(b) had throughout that year net assets with a total value of not less than £500,000*.

(insert one of the following declarations as appropriate)

I/We* declare that I am/we are* not connected to [insert name of the lender(s)/owner(s)][any person who is a lender/owner offering credit agreements/consumer hire agreements*].

I/We* declare that I am/we are* [connected to] [insert name of lender(s)/owner(s)] as I am/we are* [the lender(s)/owner(s)/an employee of/an agent of the lender(s)//owner(s)/a person who otherwise acts on behalf of the lender(s)//owner(s) in relation to the credit agreement/consumer hire agreement/an associate of the lender(s)//owner(s)].*

I/We declare that I am/we are*/[a/an] lender(s)/owner(s) offering credit agreements/ consumer hire agreements/ an employee of/an agent of/a person who otherwise acts on behalf of/ an associate of lender(s)/owner(s) offering credit agreements/ consumer hire agreements.*

In this statement-

(a) “associate” shall be construed in accordance with article 60L of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001;

(b) “financial year” means a period of one year ending with 31st March;

(c) “net assets” shall not include -

- (i) the value of the borrower's or hirer's primary residence or any loan secured on that residence;
 - (ii) any rights of the borrower or hirer under a qualifying contract of insurance within the meaning of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001; and
 - (iii) any benefits (in the form of pensions or otherwise) which are payable on the termination of the service of the borrower or hirer or on his retirement and to which he is (or his dependents are), or may be, entitled.
- (d) "net income" means the total income of the borrower or hirer from all sources reduced by the amount of income tax and national insurance contributions payable in respect of it; and
- (e) "previous financial year" means the financial year immediately preceding the financial year during which the statement is made".

**Delete as appropriate.*

Declaration for exemption relating to businesses

App 1.4.8 **R** A declaration for the purposes of articles 60C or 60O of the *Regulated Activities Order* must have the following form and content

"Declaration for exemption relating to businesses

(articles 60C and 60O of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001)

I am/We are* entering this agreement wholly or predominantly for the purposes of a business carried on by me/us or intended to be carried on by me/us.

I/We* understand that I/We* will not have the benefit of the protection and remedies that would be available to me/us* under the Financial Services and Markets Act 2000 or under the Consumer Credit Act 1974 if this agreement were a regulated agreement under those Acts.

I/We* understand that this declaration does not affect the powers of the court to make an order under section 140B of the Consumer Credit Act 1974 in relation to a credit agreement where it determines that the relationship between the lender and the borrower is unfair to the borrower.**

I am/We are aware that, if I am/we are in any doubts as to the consequences of the agreement not being regulated by the Financial Services and Markets Act 2000 or the Consumer Credit Act 1974, then I/we* should seek independent legal advice.".

**Delete as appropriate.*

***This section should be omitted in the case of a consumer hire agreement.*