

Chapter 10A

MCD Annual Percentage Rate of Charge

10A.3 APRC: additional assumptions

10A.3.1 R

- (1) If an *MCD regulated mortgage contract* gives the consumer **freedom of drawdown**, the *total amount of credit* must be deemed to be drawn down immediately and in full.
- (2) If an *MCD regulated mortgage contract* provides **different ways of drawdown with different charges or borrowing rates**, the *total amount of credit* must be deemed to be drawn down at the highest charge and *borrowing rate* applied to the most common drawdown mechanism for that type of *MCD regulated mortgage contract*.
- (3) If an *MCD regulated mortgage contract* gives the consumer **freedom of drawdown in general but imposes, amongst the different ways of drawdown, a limitation with regard to the amount of credit and period of time**, the amount of *credit* must be deemed to be drawn down on the earliest date provided for in the *MCD regulated mortgage contract* and in accordance with those drawdown limits.
- (4) If **different borrowing rates and charges are offered for a limited period or amount**, the highest *borrowing rate* and charges must be deemed to be the *borrowing rate* and charges for the whole duration of the *MCD regulated mortgage contract*.
- (5) For an *MCD regulated mortgage contract* for which a **fixed borrowing rate is agreed in relation to the initial period, at the end of which a new borrowing rate is determined and subsequently periodically adjusted according to an agreed indicator or internal reference rate** the calculation of the APRC must be based on the assumption that, at the end of the fixed *borrowing rate* period, the *borrowing rate* is the same as at the time of calculation of the APRC, based on the value of the agreed indicator or internal reference rate at that time, but is not less than the fixed *borrowing rate*.
- (6) If the **ceiling applicable to the credit has not yet been agreed**, that ceiling must be assumed to be EUR 170,000. In the case of an *MCD regulated mortgage contract* (other than an *MCD contingent liability or guarantee*) the purpose of which is not to acquire or retain a right in immovable property or land, an *overdraft facility*, a deferred debit card or a credit card, this ceiling must be assumed to be EUR 1,500.
- (7) **In the case of an MCD regulated mortgage contract that does not fall within ■ MCOB 10A.3.1R (9), ■ (10), ■ (11) or ■ (12):**
 - (a) if the date or amount of a repayment of capital to be made by the *customer* cannot be ascertained, it must be assumed that the repayment is made at the earliest date provided for in the credit

agreement, and is for the lowest amount for which the *MCD regulated mortgage contract* provides;

- (b) if the interval between the date of initial drawdown and the date of the first payment to be made by the *customer* cannot be ascertained, it must be assumed to be the shortest interval.

(8) Where the date or amount of a payment to be made by the consumer cannot be ascertained on the basis of the *MCD regulated mortgage contract* or the assumptions set out at ■ MCOB 10A.3.1R (7), ■ (9), ■ (10), ■ (11) or ■ (12), it must be assumed that the payment is made in accordance with the dates and conditions required by the *MCD mortgage lender* and, when these are unknown:

- (a) interest charges are paid together with the repayments of the capital;
- (b) non-interest charges expressed as a single sum are paid at the date of entering into the *MCD regulated mortgage contract*;
- (c) 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 payment is not known, they must be assumed to be equal amounts;
- (d) the final payment clears the balance of capital, interest and other charges, if any.

[Note: Annex I, Part II of the *MCD*]

(9) In the case of an *MCD regulated mortgage contract* that is an overdraft facility, the *total amount of credit* must be deemed to be drawn down in full and for the whole duration of the *MCD regulated mortgage contract*. If the duration of the *overdraft facility* is not known, the *APRC* must be calculated on the assumption that the duration of the *credit* is three months.

(10) In the case of an open-ended *MCD regulated mortgage contract*, other than an overdraft facility and an *MCD exempt bridging loan*: it must be assumed that:

- (a) the *credit* is provided for a period of time starting from the date of the initial drawdown, and the final payment made by the *consumer* clears the balance of capital, interest and other charges, if any, where that period of time is:
 - (i) 20 years for an *MCD regulated mortgage contract*, the purpose of which is to acquire or retain rights in immovable property;
 - (ii) 1 year for an *MCD regulated mortgage contract* the purpose of which is not to acquire or retain rights in immovable property or which is drawn down by a deferred debit card or a credit card.
- (b) the capital is repaid by the *consumer* in equal monthly payments, commencing one month after the date of the initial drawdown. However, in cases where the capital must be repaid only in full, in a single payment, within each payment period, successive drawdowns and repayments of the entire capital by the *consumer* must be assumed to occur over the period of one year. Interest and other charges must be applied in accordance with those

drawdowns and repayments of capital and as provided for in the *MCD regulated mortgage contract*.

For the purposes of this rule, an open-ended *MCD regulated mortgage contract* is an *MCD regulated mortgage contract* without 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.

- (11) In the case of an *MCD contingent liability or guarantee*, the total amount of credit must be deemed to be drawn down in full as a single amount at the earlier of:**
- (a) the latest drawdown date permitted under the *MCD regulated mortgage contract* being the potential source of the *MCD contingent liability or guarantee*; or
 - (b) for a rolling *MCD regulated mortgage contract*, at the end of the initial period prior to the rollover of the agreement.
- (12) In the case of a *shared equity credit agreement*:**
- (a) the payments by a *consumer* must be deemed to occur at the latest date or dates permitted under the *shared equity credit agreement*;
 - (b) percentage increases in value of the immovable property which secures the *shared equity credit agreement*, and the rate of any inflation index referred to in the agreement, must be assumed to be:
 - (i) a percentage equal to the higher of:
 - (aa) the current central bank target inflation rate; or
 - (bb) the level of inflation in the *EEA State* where the immovable property is located at the time that the *MCD regulated mortgage contract* is entered into; or
 - (ii) 0% if those percentages are negative.

[Note: Annex I, Part II of the *MCD*]

10A.3.2 G Articles 17(1) to (5), (7) and (8) and Annex I of the *MCD*, which ■ MCOB 10A transpose, are subject to maximum harmonisation.

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

10A.3.3 R In relation to a *retirement interest-only mortgage* where the *firm* chooses to provide an *ESIS* instead of an *illustration*, the period for which the credit is to be provided must be determined in accordance with ■ MCOB 5.6.6R(4).