



INSTRUCTION OF BANCO DE PORTUGAL No 3/2018

Banco de Portugal, through Notice No 4/2017 of 22 September 2017, has set forth procedures and criteria to be complied with by institutions in the assessment of consumers' creditworthiness when granting credit relating to residential immovable property and other credit secured by a mortgage, in compliance with the provisions of Article 16 of Decree-Law No 74-A/2017 of 23 June 2017, and also consumer credit, implementing the obligation set forth in Article 10 of Decree-Law No 133/2009 of 2 June 2009, as amended.

In accordance with the provisions of Article 10(4) of Notice No 4/2017 of 22 September 2017, in the case of a variable interest rate credit agreement or a mixed interest rate credit agreement, institutions shall assess the impact of a rise in the applicable index on consumer creditworthiness.

Hence, Instruction No 15/2017 of 22 September 2017 set forth criteria to be applied by institutions when assessing the above-mentioned impact of a rise in the index and, consequently, in the interest rate.

In order to contribute to the financial system's resilience, promoting its capacity to absorb adverse shocks, it is deemed appropriate to adjust said rises in the index, ensuring consistency with the macroprudential measure adopted by Banco de Portugal on January 26, 2018 within the scope of new credit agreements.

Therefore, in the exercise of the powers conferred upon it by the provisions of Article 76(1) of the Legal Framework of Credit Institutions and Financial Companies (*Regime Geral das Instituições de Crédito e Sociedades Financeiras* – RGICSF), approved by Decree-Law No 298/92 of 31 December 1992, as amended, and of Article 16(7) of Decree-Law No 74-A/2017 of 23 June 2017, Banco de Portugal determines the following:

1. For the purposes of Article 10(4) of Notice No 4/2017 of 22 September 2017, the institution shall, before the conclusion of a variable interest rate credit agreement, consider the impact on the amount of charges associated with compliance with the obligations arising from the credit agreement, of a rise in the index of, at least,
 - (a) 1 percentage point, if the maturity of the credit agreement is up to and including five years;
 - (b) 2 percentage points, if the maturity of the credit agreement is more than five years and up to and including 10 years;
 - (c) 3 percentage points, if the maturity of the credit agreement is more than 10 years.

2. As regards the conclusion of a mixed interest rate credit agreement, for the purposes of Article 10(4) of Notice No 4/2017 of 22 September 2017, the institution shall consider:
 - (a) the amount of charges associated with compliance with the obligations arising from the credit agreement after the end of the fixed interest rate period, assuming a rise in the index of at least 1, 2 or 3 percentage points, depending on the credit agreement having respectively, a lifetime of up to and including five years, more than five years and up to and including 10 years, or more than 10 years; or
 - (b) the amount of charges associated with compliance with the obligations arising from the credit agreement during the fixed interest rate period, if the amount is higher than that resulting from implementation of the provisions of the foregoing sub-paragraph.
3. For the purposes of the foregoing paragraphs, it shall be used the index that is expected to be established in the credit agreement for the variable interest rate period.
4. The value of the index to be taken into account when implementing the provisions of the foregoing paragraph shall result from a simple arithmetic average of the daily prices in the month prior to the consumer's creditworthiness assessment.
5. Instruction No 15/2017 published in Official Bulletin of Banco de Portugal No 9/2017 of 22 September 2017 is hereby repealed.
6. This Instruction shall enter into force:
 - (a) on the day following that of its publication, for credit agreements within the scope of Decree-Law No 74-A/2017 of 23 June 2017;
 - (b) on 1 July 2018, for credit agreements within the scope of Decree-Law No 133/2009 of 2 June 2009, as amended by Decree-Laws No 72-A/2010 of 18 June 2010, No 42-A/2013 of 28 March 2013, and No 74-A/2017 of 23 June 2017.