

## **Consumer credit: Banco de Portugal establishes information to be provided by institutions during the lifetime of credit agreements**

On 3 December the Official Gazette published Notice of Banco de Portugal No 10/2014, on "Duties of information during the lifetime of consumer credit agreements", that enters into force on 1 July 2015.

This Notice requires institutions to send their customers a regular statement on the evolution of the consumer credit agreements, covering credit cards, personal credit and car credit.

The Notice also establishes that customers have the right to information on the situation of their credit in case of arrears, settlement of arrears or early repayment, in part or in full, of the credit agreement.

The Notice also sets out in detail the information to be included in the statements.

From 1 July, bank customers may permanently monitor the evolution of the credit agreements they enter into. A right that already existed in relation to housing credit and deposit accounts is thus extended to consumer credit.

### **Scope**

The Notice covers the various relevant credit segments in terms of maximum rates, applying to the following contract types:

- Personal credit (with or without specific purpose);
- Car credit (including financial leasing and LTH);
- Credit cards (including the universally accepted cards and privately issued cards ("store cards" etc.));
- Credit lines;
- Current bank accounts.

The duties of information laid down in this Notice apply to the credit agreements entered into by all the institutions subject to Banco de Portugal's supervision and authorised to carry out consumer credit operations (credit institutions, financial companies, payment institutions and electronic money institutions), irrespective of the date on which those credit agreements were entered into.

In order to give the information contained in the statements greater comparability and clarity, the Notice standardises the terms and expressions to be used.

Overdraft facilities and credit overruns are types of consumer credit agreements in which the regular provision of information has already been laid down in Decree-Law No 133/2009.

**Notice content: information to be provided in the statements, periodicity and support**

The type of information to be provided depends on the different characteristics of the credit agreements, such that the items to be included in the statements differ according to whether they are for credit cards, credit lines and current bank accounts (revolving credit) or personal credit and car credit.

In the case of **credit cards, credit lines and current bank accounts**, the statements must include the following information:

- Credit limit;
- Amount outstanding on the date of the previous statement;
- Annual nominal rate applicable, identifying its components;
- Description of the bank customer's transactions with the credit card or of the credit usage, in the case of credit lines and the current bank account;
- Identification and amount of interest, fees and any expenses demanded of the customer in the period covered by the statement;
- Payments made by the bank customer in the period covered by the statement, with a breakdown of the principal and interest and, where applicable, the fees and expenses;
- Amount outstanding on the date of the current statement;
- Defined payment option, amount payable and payment deadline;
- Form of payment agreed and other forms of payment available.

In **personal credit agreements and car credit agreements**, the statements must contain information on the following:

- Amount outstanding on the date of the statement;
- Number, settlement date, amount (principal and interest) and annual nominal rate (identifying its components) for the next instalment;
- Fees and expenses payable by the customer in the next instalment.

The information must also identify and provide detail on arrears situations and their settlement and early repayment, in part or in full. In case of arrears situations, the institutions are also obliged to inform the customers on the possibility of access to the Assistance Network for Indebted Consumers, and on where they may be able to obtain more information on this Network.

Where the default situation is covered by the Out of Court Arrears Settlement Procedure (PERSI), the information set out in the Notice for arrears situations only applies after the completion of the PERSI, since, during this process, specific rules apply that are designed for the management of arrears on credit agreements.

**As a rule, information must be sent on a monthly basis.** In any case, where customers do not use the credit card or the instalments are not charged monthly, that information must be sent when transactions associated with the card exist or with a periodicity equivalent to that set for the payment of the instalments. In any case at least one statement must be sent per year. The information must be provided on paper or on another durable medium. The customer always has the right to the information on paper when this is expressly requested.

### **Preparation of the Notice**

The legal context for the Notice published today is given by Article 14 (4) of Decree-Law No 133/2009 of 2 June 2009, introduced by Decree-Law No 42-A/2013 of 28 March 2013. Under this legislation, Banco de Portugal became expressly responsible for defining the terms, periodicity and support on which that information must be provided.

In preparing this Notice, Banco de Portugal consulted with the associations representing the credit institutions and consumer protection.

The draft Notice, which had already benefited from these first contributions, was put out for public consultation on 27 May 2014 (Public Consultation of Banco de Portugal No 1/2014).

The contributions received under Public Consultation No 1/2014 were also analysed, and where they deserved inclusion by Banco de Portugal, were included in the final wording of the Notice now published.

The public consultation report is also published by Banco de Portugal.

Lisbon, 4 December 2014