STATUTORY INSTRUMENTS

1982 No. 1029

CONSUMER CREDIT

The Consumer Credit (Exempt Agreements) (Amendment) Order 1982

Made - - - -	23*rd July* 1982
Laid before Parliament	4*th August* 1982
Coming into Operation	25*th August* 1982

The Secretary of State, after consulting in accordance with section 16(3) and (9) of the Consumer Credit Act 1974(**a**) the persons therein referred to, in exercise of powers conferred on him by sections 16(1), (4) and (5) and 182(2) and (4) of that Act and of all other powers enabling him in that behalf, hereby makes the following Order:—

1. This Order may be cited as the Consumer Credit (Exempt Agreements) (Amendment) Order 1982 and shall come into operation on 25th August 1982.

2. The Consumer Credit (Exempt Agreements) Order 1980(**b**) is hereby amended in accordance with the following provisions of this Order.

3. For Article 4 there shall be substituted the following Article:—

"4.—(1) The Act shall not regulate a consumer credit agreement which is an agreement of one of the following descriptions, that is to say—

(*a*) subject to paragraphs (2), (3) and (4) below, any debtor-creditor agreement in respect of which the rate of the total charge for credit does not exceed the rate referred to in paragraph (5) below,

(*b*) a debtor-creditor-supplier agreement for fixed-sum credit where—

(i) the creditor is the creditor under an agreement secured by a land mortgage on any land which either is an exempt agreement by virtue of section 16(1) of the Act or of article 2 above or is a personal credit agreement which would be an exempt agreement by virtue of either of those provisions if the credit provided were not to exceed £5,000;

(ii) the agreement is to finance a premium under a contract of life insurance which provides, in the event of the death before the credit under the agreement referred to in head (i) above has been repaid of the person on whose life the contract is effected, for

(**a**) 1974 c. 39. (**b**) S.I. 1980/52, amended by S.I. 1981/964.

payment of a sum not exceeding the amount sufficient to defray the sums which, immediately after that credit has been advanced, would be payable to the creditor in respect of that credit and of the total charge for that credit; and

(iii) there is no charge for the credit other than interest at a rate not exceeding the rate of interest from time to time payable under the agreement referred to in head (i) above,

and in respect of which the rate of the total charge for credit does not exceed the rate referred to in paragraph (5) below;

(*c*) subject to paragraph (4) below, a debtor-creditor agreement in respect of which the only amount included in the total charge for credit is interest which cannot under the agreement at any time exceed the higher of the following, that is to say—

(i) the sum of one per cent and the highest of any base rates published by the banks named in paragraph (6) below, being the latest rates in operation on the date 28 days before any such time; and

(ii) 13 per cent;

and for the purposes of this sub-paragraph, "interest" means interest at a rate determined in accordance with the formula set out in paragraph (1) of regulation 7 of the Consumer Credit (Total Charge for Credit) Regulations 1980(**a**), and in that formula as applied by this paragraph "period rate of charge" has the meaning assigned to it in paragraph (2) of that regulation.

(2) Subject to paragraph (3) below, sub-paragraph (*a*) of paragraph (1) above does not apply to agreements which provide for an increase in, or permit the creditor to increase, the rate or amount of any item which—

(*a*) is included in the total charge for credit; or

(*b*) would fall to be so included, apart from the operation of regulation 14 of the Consumer Credit (Total Charge for Credit) Regulations 1980,

after the relevant date of the agreement within the meaning of regulation 1(2) of those Regulations.

(3) Sub-paragraph (*a*) of paragraph (1) above does apply to agreements—

(*a*) in relation to which the debtor is an employee of the creditor or of an associate of his and which provide for an increase in, or permit the creditor to increase, the rate or amount of any item such as is mentioned in paragraph (2) above on the termination of the employment of the debtor with the creditor or such associate, as the case may be; or

(*b*) under which the rate or amount of any such item falls to be ascertained throughout the duration of the agreement by reference to the level of any index or other factor in accordance with any formula specified in the agreement;

(**a**) S.I. 1980/51.

and which do not provide for an increase in, or permit the creditor to increase, the rate or amount of any item mentioned in paragraph (2) above in any way other than those permitted by either or both of sub-paragraphs (*a*) or (*b*) of this paragraph.

(4) Paragraph (1) above does not apply to agreements under which the total amount to be repaid by the debtor to discharge his indebtedness in respect of the amount of credit provided may vary according to any formula specified in the agreement having effect by reference to movements in the level of any index or to any other factor.

(5) The rate mentioned in sub-paragraphs (*a*) and (*b*) of paragraph (1) above is the higher of the following, that is to say—

(*a*) the sum of one per cent and the highest of any base rates published by the banks named in paragraph (6) below, being the latest rates in operation on the date 28 days before the date on which the agreement is made; and

(*b*) 13 per cent.

(6) The banks referred to in paragraphs (1)(*c*) and (5) above are—

Bank of England

Bank of Scotland

Barclays Bank PLC

Central Trustee Savings Bank Limited

Clydesdale Bank PLC

Co-operative Bank Public Limited Company

Coutts & Co.

Lloyds Bank PLC

Midland Bank Public Limited Company

National Westminster Bank Public Limited Company

The Royal Bank of Scotland PLC

Williams & Glyn's Bank Public Limited Company.".

4. Part I of the Schedule is hereby amended in the list of Insurance Companies:—

(*a*) by the following changes in name, namely for the following entries:—

"Crusader Insurance Company Limited"

"The Mercantile and General Reinsurance Company Limited"

"Pearl Assurance Company Limited"

"Royal Insurance Company Limited"

there shall be substituted respectively:—

"Crusader Insurance PLC"

"The Mercantile and General Reinsurance Company plc"

"Pearl Assurance Public Limited Company"

"Royal Insurance Public Limited Company"; and

(*b*) by the insertion (at the appropriate place in alphabetical order) of the following entries:—

"Albany Life Assurance Company Limited"

"City of Westminster Assurance Company Limited"

"City of Westminster Assurance Society Limited"

"Oaklife Assurance Limited"

"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"

"Royal Reinsurance Company Limited".

5. Part II of the Schedule is hereby amended in the entries relating to Bodies corporate named or specifically referred to in a public general Act as follows:—

(*a*) (United Kingdom)

(i) by the omission of the entries relating to the Bracknell Development Corporation, the Herring Industry Board and the White Fish Authority; and

(ii) by the insertion (at the appropriate place in alphabetical order) of the following entries:—

"The Housing Corporation	Agreements of a description falling within section 16(2) of the Act, being agreements made pursuant to section 1(1) of the Housing Act 1980."(**a**)
"Sea Fish Industry Authority	Agreements of a description falling within section 16(2) of the Act, being agreements made pursuant to section 3(1)(*e*) and (*f*) of the Fisheries Act 1981."(**b**)

(**a**) 1980 c. 51. (**b**) 1981 c. 29.

"The South Eastern Electricity Board	Agreements of a description falling within Article 2(2)(*a*) to (*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."(**a**); and

(*b*) (Northern Ireland)

in the entry relating to the Northern Ireland Housing Executive, for the Description of Agreements and Enactments there shall be substituted the following:—

"Agreements of a description falling within section 16(2) of the Act, being agreements made pursuant to Article 9 of the Housing (Northern Ireland) Order 1981."(**b**)

23rd July 1982.

Gerard Vaughan,
Minister of State,
Department of Trade.

EXPLANATORY NOTE

(*This Note is not part of the Order.*)

This Order amends the part of the Consumer Credit (Exempt Agreements) Order 1980 (the principal Order) which provides that certain consumer credit agreements are exempt agreements for the purposes of the Consumer Credit Act 1974.

The Order substitutes a new article 4, making the following main changes in the principal Order:

(*a*) references to minimum lending rate are replaced by references to the highest of the London and Scottish Clearing Banks' base rates (new article 4(1)(*c*)(i) and (5));

(*b*) the exemption for certain agreements, where the only item in the total charge for credit is interest, is amended to allow creditors a period of 28 days following a change in the rates specified in article 4(1)(*c*)(i), in which to make the adjustments necessary to ensure that the rates charged under their exempt agreements do not exceed that rate (new article 4(1)(*c*)(i));

(*c*) the exemption is extended to cover certain employer-employee loans which provide for an increase in charges for credit on termination of the debtor's employment (new article 4(3)(*a*));

(**a**) 1947 c. 54.

(**b**) S.I. 1981/156 (N.I. 3).

(*d*) the Order makes it clear that the exemption for certain index-linked variable rate agreements applies only where the index is operative throughout the duration of the agreement (new article 4(3)(*b*)).

The Order also amends that part of the principal Order which provides for the exemption of certain consumer credit agreements secured on land where the creditor is a body specified in the Schedule to the Order, in that certain bodies are added to the Schedule, others are deleted and the names of four insurance companies are amended.

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