STATUTORY INSTRUMENTS

1983 No. 1562

CONSUMER CREDIT

The Consumer Credit (Rebate on Early Settlement) Regulations 1983

Made - - - -	*24th October* 1983
Laid before Parliament	*3rd November* 1983
Coming into Operation	*19th May* 1985

ARRANGEMENT OF REGULATIONS

Regulation

1. Citation, commencement and interpretation.

2. Entitlement to rebate.

3. Items included in the calculation of rebate.

4. Formulae for calculating rebate.

5. Deferment of settlement date.

6. Settlement date.

7. Variation of rates and amounts.

8. Old agreements.

SCHEDULES:

Schedule 1— PRO RATA RULE
Formula for calculation of rebate where fixed-sum credit is provided and repayable in a single lump sum at the end of a specified period.

Schedule 2— RULE OF 78

Part I— Simple formula for calculation of rebate where credit is repayable in equal instalments at equal intervals.

Part II— General formula for calculation of rebate where credit is repayable in unequal instalments or in instalments at unequal intervals.

Schedule 3— Formula for calculation of rebate where settlement takes place between two instalment dates and credit is repayable by instalments at other than monthly or shorter intervals.

Schedule 4— Formula for calculation of rebate where a sum less than the total remaining indebtedness of the debtor is required to be paid early.

Schedule 5— Provisions relating to determining whether repayments of credit are in equal instalments or at equal intervals for the purpose of calculation of rebate.

The Secretary of State, in exercise of the powers conferred on him by sections 95, 182(2) and 189(1) of the Consumer Credit Act 1974 (**a**) and of all other powers enabling him in that behalf, hereby makes the following Regulations:—

Citation, commencement and interpretation

1.—(1) These Regulations may be cited as the Consumer Credit (Rebate on Early Settlement) Regulations 1983 and shall come into operation on 19th May 1985.

(2) In these Regulations—

"the Act" means the Consumer Credit Act 1974;

"early settlement" shall be construed in accordance with Regulation 2(1) below;

"rebate" means a rebate of charges for credit included in the total charge for credit;

"the relevant date" shall be determined in accordance with the Total Charge for Credit Regulations;

"settlement date" has the meaning given by Regulation 6 below;

"total charge for credit" shall be determined in accordance with the Total Charge for Credit Regulations, subject to Regulations 3(2) and 7 below; and

"the Total Charge for Credit Regulations" means the Consumer Credit (Total Charge for Credit) Regulations 1980 (**b**).

(3) The length of any period for the purposes of calculations under these Regulations shall be determined in accordance with Regulation 11 of the Total Charge for Credit Regulations, other than paragraph (5)*(a)* of that Regulation.

(4) In these Regulations, references to repayment of credit are references to repayment of credit with any amount included in the total charge for credit payable at the same time.

Entitlement to rebate

2.—(1) Subject to the following provisions of this Regulation, the creditor shall allow to the debtor under a regulated consumer credit agreement a rebate at least equal to that calculated in accordance with the following provisions of these Regulations whenever early settlement takes place, that is to say whenever, under section 94 of the Act, on refinancing, on breach of the agreement, or for any other reason, the indebtedness of the debtor is discharged or becomes payable before the time fixed by the agreement, or any sum becomes payable by him before the time so fixed.

(2) Paragraph (1) above does not apply in the case of agreements of the following descriptions—

(a) agreements under which no payments of items included in the total charge for credit are required to be made in respect of the period of time commencing on the settlement date; or

(b) agreements for running-account credit.

(**a**) 1974 c.39. (**b**) S.I. 1980/51.

(3) Paragraph (1) above does not apply where a hire-purchase or conditional sale agreement is terminated by the debtor under section 99 of the Act.

(4) Where a sum less than the total remaining indebtedness of the debtor is required to be paid before the time fixed by the agreement, no consequential payment of any subsequent instalment required to be paid under the agreement, or under a modifying agreement not relating to the provision of additional credit or an increase in the total charge for credit, shall entitle the debtor to a rebate.

Items included in the calculation of rebate

3.—(1) Subject to paragraph (2) below, the rebate shall be calculated by reference to all sums paid or payable by the debtor or a relative of his under or in connection with the agreement (whether to the creditor or any other person) and included in the total charge for credit.

(2) There may be excluded from the calculation of the rebate—

(a) taxes, duties, fees and charges payable under or by virtue of any statute or payable to the Secretary of State or any other Minister or government department (including for this purpose the Civil Aviation Authority and a Minister or department of the Government of Northern Ireland or of any country outside the United Kingdom) or to a local authority or similar body outside the United Kingdom;

(b) sums paid or payable under linked transactions, except sums paid before the settlement date in respect of cash, goods or services to be supplied under the transaction wholly or partly after that date;

(c) sums payable under linked transactions excluded under Regulations made under section 96(3) of the Act from the operation of section 96(1).

Formulae for calculating rebate

4.—(1) In the case of an agreement for fixed-sum credit provided, and to be repayable, in a single lump sum at the end of a specified period, the amount of the rebate shall be given by the formula set out in Schedule 1 to these Regulations.

(2) Subject as hereinafter mentioned, in the case of agreements under which credit is repayable by instalments, the amount of the rebate shall be as follows—

(i) where credit is repayable in equal instalments at equal intervals, the amount of the rebate shall be given by the formula set out in Part I of Schedule 2 to these Regulations;

(ii) where credit is repayable in unequal instalments or in instalments at unequal intervals, the amount of the rebate shall be given by the formula set out in Part II of Schedule 2 to these Regulations.

(3) In the case of agreements under which credit is repayable by instalments to be made at other than monthly or shorter intervals and where early settlement takes place between two instalment dates for the repayment of credit under the agreement, the amount of the rebate shall be given by the formula set out in Schedule 3 to these Regulations.

(4) Where a sum less than the total remaining indebtedness of the debtor is required to be paid before the time fixed by the agreement, the amount of the rebate shall be given by the formula set out in Schedule 4 to these Regulations.

(5) The provisions of Schedule 5 to these Regulations shall have effect for the purpose of determining whether repayments of credit under the agreement may be regarded as being in equal instalments or at equal intervals for the purpose of any formula set out in Schedules 2 to 4 to these Regulations.

(6) The examples set out in Schedules 1 to 4 to these Regulations shall have effect only for illustrating the use of the formulae in those Schedules, and in the case of conflict between any example and any other provision of these Regulations, that other provision shall prevail.

Deferment of settlement date

5. The settlement date for calculation of the rebate in Schedules 1 to 4 to these Regulations may be deferred as follows—

(a) where the agreement provides for the credit to be repaid over, or at the end of, a period of 5 years or less, by 2 months;

(b) where the agreement provides for the credit to be repaid over, or at the end of, a period of more than 5 years, by 1 month.

Settlement date

6.—(1) Subject to paragraph (3) below, where the agreement provides for the credit to be repaid by instalments to be made only at monthly or shorter intervals and early settlement takes place between two instalment dates for repayment of credit under the agreement, the settlement date shall be taken to be the date of the instalment due under the agreement immediately following—

(a) the date of service of a notice on the creditor under section 94 of the Act, if accompanied by payment of the amount due on early settlement (less any rebate allowable under these Regulations), or any later date specified as the date for early settlement in the notice, if the debtor pays the amount in question not later than that date;

(b) the date specified as the date for payment of any sum by the debtor involving early settlement in any notice served under section 76(1) of the Act, any default notice or any notice served under section 98(1), if the debtor pays the amount in question (less any rebate allowable under these Regulations) not later than that date;

(c) in any other case, the date on which the debtor pays any sum involving early settlement.

(2) Subject to paragraph (3) below, where the agreement provides for the credit to be repaid by instalments to be made at other than monthly or shorter intervals and early settlement takes place between two instalment dates for repayment of credit under the agreement, the settlement date shall be taken to be 14 days after the date referred to in paragraph (1)*(a)*, *(b)* or *(c)* above, as the case may be.

(3) Where the creditor has given the debtor a statement under section 97 of the Act indicating the amount of the payment required to discharge the debtor's indebtedness under the agreement, the settlement date shall be taken to be the date specified in Regulation 3 of the Consumer Credit (Settlement Information) Regulations 1983 (**a**), if the debtor pays the amount (less any rebate allowable under these Regulations) not later than that date.

(4) In any other case, the settlement date shall be the date on which the debtor pays any sum involving early settlement.

(**a**) S.I. 1983/1564.

Variation of rates and amounts

7. Where, under a power contained in the agreement, the rate or amount of any item included in the total charge for credit, the amount of any instalment of repayment of credit or the time fixed by the agreement for the debtor's indebtedness to be discharged is or can be varied, the rate or amount, as the case may be, of any item to be included in the total charge for credit or the amount of any instalment of repayment of credit or the time fixed by the agreement for the debtor's indebtedness to be discharged for the purpose of calculation of the rebate shall be taken to be, in respect of any period of time commencing on or after the settlement date, the rate or amount or time subsisting at that date.

Old agreements

8. Any sums paid or payable by the debtor or a relative of his under or in connection with an agreement made before 1st April 1977 to a person other than the creditor may be excluded from the calculation of the rebate under these Regulations, and in this paragraph "creditor" has the same meaning as in Regulation 5(2) of the Total Charge for Credit Regulations.

Alexander Fletcher,
Parliamentary Under-Secretary of State,
Department of Trade and Industry.

24th October 1983.

Regulation 4(1) SCHEDULE 1

PRO RATA RULE

FORMULA FOR CALCULATION OF REBATE WHERE FIXED-SUM CREDIT IS PROVIDED AND REPAYABLE IN A SINGLE LUMP SUM AT THE END OF A SPECIFIED PERIOD

The rebate of charges is given by the following formula, whereby it is calculated pro rata to the period of the agreement outstanding at the settlement date:

$$\frac{d}{e} \times K$$

where d = period beginning with the settlement date and ending with the date for the repayment of credit under the agreement (the settlement date being deferable in accordance with Regulation 5)

e = period beginning with the relevant date, as defined in the Total Charge for Credit Regulations, and ending with the date for the repayment of credit under the agreement

K = total charge for credit on which rebate is to be allowed

EXAMPLE

Facts

A loan of £160 is agreed to be repaid by 1 repayment of £185 after 273 days. The consumer settles the loan on 131st day (ie on 1st May when 142 days are outstanding)

Calculation of Rebate

d = (142 – 61) = 81 where the settlement date is deferred by 2 months (in this case by a month of 31 days followed by a month of 30 days) in accordance with Regulation 5*(a)*

e = 273

K = £25 (ie £185 – £160)

$$\textit{Rebate} = \frac{81}{273} \times £25$$

= £7.42

SCHEDULE 2 Regulation 4(2)

RULE OF 78

PART I

SIMPLE FORMULA FOR CALCULATION OF REBATE WHERE CREDIT IS REPAYABLE IN EQUAL INSTALMENTS AT EQUAL INTERVALS

Where credit is repayable in equal instalments at equal intervals, the rebate of charges is given by the following formula:

$$\frac{m(m + 1)}{n(n + 1)} \times K$$

where m = total number of instalments not yet due at the settlement date (deferable in accordance with Regulation 5)

n = total number of instalments payable under the agreement after the relevant date, as defined in the Total Charge for Credit Regulations

K = total charge for credit on which rebate is to be allowed

EXAMPLE

Facts

A loan of £1000 is agreed to be repaid by 36 monthly instalments of £48 starting one month after the date of the loan and the consumer settles the loan at the end of the 30th month (ie when 6 monthly instalments are outstanding)

Calculation of Rebate

K = £728 (ie 36 x £48 – £1000)

m = (6 – 2) = 4 where the number of outstanding instalments is reduced by 2 because the settlement date is deferred by 2 months in accordance with Regulation 5*(a)*

n = 36

$$\textit{Rebate} = \frac{4\ (4 + 1)}{36\ (36 + 1)} \times £728$$

$$= \frac{20}{1332} \times £728$$

= £10.93

Regulation 4(2) SCHEDULE 2

PART II

GENERAL FORMULA FOR CALCULATION OF REBATE WHERE CREDIT IS REPAYABLE IN UNEQUAL INSTALMENTS OR IN INSTALMENTS AT UNEQUAL INTERVALS

Where credit is repayable in unequal instalments or in instalments at unequal intervals, the rebate of charges is given by the following formula:

$$\frac{B_1b_1 + B_2b_2 \ldots + B_mb_m}{A_1a_1 + A_2a_2 \ldots + A_na_n} \times K$$

where m = total number of instalments not yet due at the settlement date (deferable in accordance with Regulation 5)

n = total number of instalments payable under the agreement after the relevant date, as defined in the Total Charge for Credit Regulations

K = total charge for credit on which rebate is to be allowed

A = amount of instalment

B = amount of instalment not yet due at the settlement date (deferable in accordance with Regulation 5)

a = period of instalment from the relevant date

b = period of instalment from the settlement date counted on the same basis

EXAMPLE I

Facts

A loan of £1000 is agreed to be repaid by 1 monthly instalment after the date of the loan of £100, 22 monthly instalments thereafter of £50 and 1 monthly instalment thereafter of £40 and the consumer settles the loan at the end of the 18th month (ie when 6 monthly instalments are outstanding)

Calculation of Rebate

K = £240 (ie £100 + (£50 x 22) + £40 – £1000)

A_1 = £100, A_2 to A_{23} = £50, A_{24} = £40

B_1 to B_3* = £50, B_4* = £40

a_1 = 1, a_2 = 2, etc, a_{24} = 24

b_1 = 1, b_2 = 2, etc, b_4 = 4

m = 4*, n = 24

* (Where the number of outstanding instalments is reduced by 2 because the settlement date is deferred by 2 months in accordance with Regulation 5*(a)*)

$$\textit{Rebate} = \frac{£50\,(1 + 2 + 3) + £40\,(4)}{£100\,(1) + £50\,(2 + 3 + 4 + \ldots 21 + 22 + 23) + £40\,(24)} \times £240$$

$$= \frac{(£50 \times 6) + £160}{£100 + (£50 \times 275) + £960} \times £240$$

$$= \frac{£460}{£14810} \times £240$$

$$= £7.45$$

EXAMPLE II

Facts

A loan of £1000 is agreed to be repaid by 4 three-monthly instalments of £110, 4 two-monthly instalments of £110 and 4 monthly instalments of £110. The consumer settles the loan at the end of the 16th month (ie when 6 instalments are outstanding consisting of 2 two-monthly instalments and 4 monthly instalments)

Calculation of Rebate

K = £320 (ie (12 x £110) – £1000)

A_1 to A_{12} = £110

B_1 to B_5* = £110

$a_1 = 3$, $a_2 = 6$, $a_3 = 9$, $a_4 = 12$, $a_5 = 14$, $a_6 = 16$, $a_7 = 18$, $a_8 = 20$, $a_9 = 21$, $a_{10} = 22$, $a_{11} = 23$, $a_{12} = 24$

$b_1 = 2$, $b_2 = 3$, $b_3 = 4$, $b_4 = 5$, $b_5 = 6$

$m = 5^*$, $n = 12$

* (Where the number of outstanding instalments is reduced by 1 because the settlement date is deferred by 2 months in accordance with Regulation 5*(a)*)

$$\textit{Rebate} = \frac{£110\,(2 + 3 + 4 + 5 + 6)}{£110\,(3 + 6 + 9 + 12 + 14 + 16 + 18 + 20 + 21 + 22 + 23 + 24)} \times £320$$

$$= \frac{£110 \times 20}{£110 \times 188} \times £320$$

$$= £34.04$$

Regulation 4(3) SCHEDULE 3

FORMULA FOR CALCULATION OF REBATE WHERE SETTLEMENT TAKES PLACE BETWEEN TWO INSTALMENT DATES AND CREDIT IS REPAYABLE BY INSTALMENTS AT OTHER THAN MONTHLY OR SHORTER INTERVALS

$$R_1 - \frac{f}{g}(R_1 - R_2)$$

where R_1 = rebate if early settlement had taken place at the instalment date immediately before the settlement date

R_2 = rebate if early settlement had taken place at the instalment date immediately following the settlement date

f = inclusive period between the settlement date (determined by Regulation 6 and deferable in accordance with Regulation 5) and the instalment date immediately before it (in days)

g = period commencing on the instalment date immediately before the settlement date and ending on the day before the next instalment date (in days)

EXAMPLE

Facts

A loan of £1000 is agreed to be repaid by 36 quarterly instalments of £48, with repayment being made on the 1st day of each quarter. The consumer settles the loan on 1st April between the 30th payment made on 1st March and the 31st payment due on 1st June. Under Regulation 6(2) the settlement date is 15th April and under Regulation 5*(b)* it is deferred by 1 month (ie to 15th May when 6 quarterly instalments are outstanding)

Calculation of Rebate

R_1 = £22.95 (using in this case the formula in Part I of Schedule 2 on the basis that m = 6)

R_2 = £16.40 (using in this case the formula in Part I of Schedule 2 on the basis that m = 5)

f = 76 (31 days in March + 30 days in April + 15 days in May)

g = 92 (31 days in March + 30 days in April + 31 days in May)

Rebate $= £22.95 - \frac{76}{92}(£22.95 - £16.40)$

$= £22.95 - 0.826\ (£6.55)$

$= £22.95 - £5.41$

$= £17.54$

SCHEDULE 4 Regulation 4(4)

FORMULA FOR CALCULATION OF REBATE WHERE A SUM LESS THAN THE TOTAL REMAINING INDEBTEDNESS OF THE DEBTOR IS REQUIRED TO BE PAID EARLY

$$R_2 = R_1 \times \frac{A_1}{A_2}$$

where R_1 = rebate if total early settlement had taken place

R_2 = rebate on the sum required to be paid early

A_1 = amount of the sum required to be paid early

A_2 = amount of the repayments of credit not yet due under the agreement at the date when A_1 is paid

EXAMPLE

Facts

A loan of £1000 is agreed to be repaid by 36 monthly instalments of £48 and the consumer is required partly to settle the loan at the end of the 30th month (ie when 6 monthly instalments totalling £288 are outstanding) by a payment of £150

Calculation of Rebate

R_1 = £10.93 (see Example in Part I of Schedule 2)

A_1 = £150

A_2 = £288

$$\textit{Rebate} = £10.93 \times \frac{£150}{£288}$$

= £5.69

SCHEDULE 5 Regulation 4(5)

PROVISIONS RELATING TO DETERMINING WHETHER REPAYMENTS OF CREDIT ARE IN EQUAL INSTALMENTS OR AT EQUAL INTERVALS FOR THE PURPOSE OF CALCULATION OF REBATE

Where credit is repayable in nearly equal instalments

1. In the case of an agreement under which all repayments of credit but one are equal and that one repayment does not differ from any other repayment by more whole pence than there are repayments of credit, that one repayment may be regarded as equal to the other repayments.

Where interval between relevant date and first repayment of credit is greater than interval between repayments

2. In the case of an agreement under which—

(a) the credit is repayable by three or more repayments at equal intervals; and

(b) the interval between the relevant date and the first repayment of credit is greater than the interval between the repayments,

the interval between the relevant date, as defined in the Total Charge for Credit Regulations, and the first repayment of credit may be regarded as equal to the interval between the repayments.

EXPLANATORY NOTE

(This Note is not part of the Regulations.)

These Regulations provide that the debtor under a consumer credit agreement regulated by the Consumer Credit Act 1974 shall be allowed a rebate of charges for credit if he settles his indebtedness under the agreement or he is required to make any payment ahead of the time fixed by the agreement. The rebate must be at least equal to that calculated in accordance with the provisions of the Regulations.

By virtue of paragraph 35 of Schedule 3 to the Act, section 95 applies to existing agreements where the agreement would have been a regulated agreement if made on the date of coming into operation of that section.

The Regulations contain the following provisions:—

(a) The circumstances are specified in which a rebate is to be allowed to the debtor (Regulation 2).

(b) The credit charges to be included in the calculation of the rebate are identified (Regulation 3).

(c) The appropriate formula to be used in calculating the rebate is determined (Regulation 4) and the formulae are set out in Schedules 1 to 4 as follows:—

(i) Schedule 1 in the case of lump sum agreements;

(ii) Schedule 2 in the case of instalment agreements not covered by Schedule 3;

(iii) Schedule 3 where settlement takes place between two instalment dates and payments of instalments are made at other than monthly or shorter intervals;

(iv) Schedule 4 where a payment less than the total remaining indebtedness of the debtor is required to be made ahead of time;

(The provisions of Schedule 5 determine whether repayments of credit are in equal instalments or at equal intervals for the purpose of calculation of rebate.)

(d) The rebate may be reduced by adjusting the appropriate formula (Regulation 5).

(e) The date on which early settlement is deemed to take place for the purpose of the calculation of the rebate is determined subject to any adjustments to be made to the appropriate formula (Regulation 6).

(f) In the case of agreements where the credit charges, the payments or the duration of the agreement may be varied, the rate or amount or duration in question is assumed to be that subsisting at the settlement date for the purpose of calculation of the rebate in respect of any period beginning on or after that date (Regulation 7).

(g) A transitional provision is included in respect of agreements made before 1st April 1977 (Regulation 8).

A summary of the rebate provisions is included in the Table below.

TABLE

Summary of Rebate Provisions

Type of agreement	Rule	Deferment of settlement date	Settlement date where early settlement takes place between two instalment dates
Lump sum agreement	Pro Rata (Reg. 4(1))	In accordance with Reg. 5	
Agreements of up to 5 years, payments monthly or more often	Rule of 78 (Reg. 4(2))	2 months (Reg. 5*(a)*)	Next Instalment Date (Reg. 6(1))
Agreements of over 5 years, payments monthly or more often	Rule of 78 (Reg. 4(2))	1 month (Reg. 5*(b)*)	Next Instalment Date (Reg. 6(1))
Agreements of up to 5 years, payments less frequent than monthly	Rule of 78 (Reg. 4(2) and/or (3))	2 months (Reg. 5*(a)*)	Interpolation (+ 14 days) (Reg. 6(2))
Agreements of over 5 years, payments less frequent than monthly	Rule of 78 (Reg. 4(2) and/or (3))	1 month (Reg. 5*(b)*)	Interpolation (+ 14 days) (Reg. 6(2))

SI 1983/1562
ISBN 0-11-037562-9

