STATUTORY INSTRUMENTS

1977 No. 327

CONSUMER CREDIT

The Consumer Credit (Total Charge for Credit) Regulations 1977

Made - - - -	28*th February* 1977
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The Secretary of State, in exercise of powers conferred on him by sections 20 and 182(2) of the Consumer Credit Act 1974**(a)** and of all other powers enabling him in that behalf, hereby makes the following Regulations:—

PART I

GENERAL

Citation, commencement and interpretation

1.—(1) These Regulations may be cited as the Consumer Credit (Total Charge for Credit) Regulations 1977 and shall come into operation on 1st April 1977.

(2) In these Regulations—

"the Act" means the Consumer Credit Act 1974;

"agreement" means a consumer credit agreement;

"credit period" means, in the case of an agreement under which the period for which credit is to be provided is ascertainable at the date of the making of the agreement, the period beginning with the relevant date and ending with the end of the period for which credit is to be provided and, in any other case, the period of one year referred to in regulation 17;

"period rate of charge" has the meaning assigned to it by regulation 8(2);

"the relevant date" means, in a case where a date is specified in or determinable under the agreement at the date of its making as that on which the debtor is entitled to require provision of anything the subject of the agreement, the earliest such date and, in any other case, the date of the making of the agreement; and

"transaction", except in regulation 5(1)(*c*), means an agreement, any transaction which is a linked transaction by virtue of section 19(1)(*a*) of the Act, any contract for the provision of security relating to the agreement and any other contract to which the debtor or a relative of his is a party and which the creditor requires to be made or maintained as a condition of the making of the agreement;

and, except where the contrary intention appears, other expressions used in these Regulations have the same respective meanings as in the Act.

(a) 1974 c. 39.

(3) References in these Regulations to repayment of the credit under an agreement and of the total charge for credit include references to any repayment or payment, as the case may require, of any part of the credit and of the total charge for credit.

(4) The Interpretation Act 1889(a) shall apply for the interpretation of these Regulations as it applies for the interpretation of an Act of Parliament.

General provisions about calculation

2.—(1) Any calculation under these Regulations shall be made on the following assumptions—

(*a*) the assumption that the debtor will not be entitled to any income tax relief relating to the transaction;

(*b*) (i) in the case of a transaction which provides for repayment of the credit or of the total charge for credit at or not later than a specified time or times, the assumption that the creditor will not exercise any right under the transaction to require repayment at any other time or times; and

(ii) in any other case, the assumption that the creditor will not exercise any right under the transaction to require repayment;

the debtor, in any case, performing all his obligations under the transaction; and

(*c*) in the case of a transaction which enables the creditor to vary the rate or amount of any item included in the total charge for credit in consequence of the occurrence after the relevant date of any event, the assumption that the event will not occur; and, in this sub-paragraph, "event" means an act or omission of the debtor or of the creditor or any other event (including, where the transaction makes provision for variation upon the continuation of any circumstance, the continuation of that circumstance) but does not include an event which is certain to occur and of which the date of occurrence, or the earliest date of occurrence, can be ascertained at the date of the making of the agreement.

(2) For the purposes of these Regulations—

(*a*) subject to (*b*) below and regulation 19, in the case of any agreement each provision of credit and each repayment of the credit and of the total charge for credit shall be taken to be made—

(i) at the earliest time provided under the transaction,

(ii) in a case where any such provision or repayment is to be made at or not later than a specified time, at that time,

and, where any such repayment is to be made before the relevant date, it shall be taken to be made on the relevant date; and

(*b*) where under an agreement for running-account credit a constant period rate of charge in respect of periods of equal or of nearly equal length is charged, it shall be assumed for the purposes of calculations under these Regulations that—

(i) the amount of credit outstanding at the beginning of a period is to remain outstanding throughout the period;

(ii) the amount of any credit provided during a period is provided immediately after the end of the period; and

(a) 1889 c. 63.

(iii) any repayment of credit or of the total charge for credit made during a period is made immediately after the end of the period.

(3) In determining the amount of the total of the interest on the credit which may be provided under the agreement, any subsidy receivable by any person under Part II of the Housing Subsidies Act 1967(a) shall be deducted.

PART II

TOTAL CHARGE FOR CREDIT

Total charge for credit

3. For the purposes of the Act, the total charge for the credit which may be provided under an actual or prospective agreement shall be the total of the amounts determined as at the date of the making of the agreement of such of the charges specified in regulation 4 as apply in relation to the agreement but, subject to regulation 6, excluding the amount of the charges specified in regulation 5.

Items included in total charge for credit

4. Except as provided in regulations 5 and 6, the amounts of the following charges are included in the total charge for credit in relation to an agreement—

(*a*) the total of the interest on the credit which may be provided under the agreement, and

(*b*) other charges at any time payable under the transaction by or on behalf of the debtor or a relative of his whether to the creditor or any other person,

notwithstanding that the whole or part of the charge may be repayable at any time or that the consideration therefor may include matters not within the transaction or subsisting at a time not within the duration of the agreement.

Items excluded from total charge for credit

5.—(1) The amounts of the following items are not included in the total charge for credit in relation to an agreement—

(*a*) any charge payable under the transaction to the creditor upon failure by the debtor or a relative of his to do or to refrain from doing anything which he is required to do or to refrain from doing, as the case may be;

(*b*) any charge—

(i) which is payable by the creditor to any person upon failure by the debtor or a relative of his to do or to refrain from doing anything which he is required under the transaction to do or to refrain from doing, as the case may be, and

(ii) which the creditor may under the transaction require the debtor or a relative of his to pay to him or to another person on his behalf;

(*c*) any charge relating to an agreement which is an agreement to finance a transaction of a description referred to in paragraph (*a*) or (*b*) of section 11(1) of the Act, being a charge which would be payable if the transaction were for cash;

(a) 1967 c. 29.

(*d*) any charge not within (*c*) above—

(i) of a description which relates to services or benefits incidental to the agreement and also to other services or benefits which may be supplied to the debtor, and

(ii) which is payable pursuant to an obligation incurred by the debtor under arrangements effected before he applies to enter into the agreement, not being arrangements under which the debtor is bound to enter into any personal credit agreement;

(*e*) subject to paragraph (2) below, any charge under arrangements for the care, maintenance or protection of any land or goods;

(*f*) a premium payable before the date of the making of the agreement under a contract of insurance made before the debtor applies to enter into the agreement;

(*g*) subject to paragraph (2)(*b*) below, a premium under a contract of insurance other than a contract of insurance where the policy monies payable under the contract are, under the transaction, to be used for the repayment of the credit or of the total charge for credit.

(2) Paragraph (1) has effect only—

(*a*) in the case of a charge within sub-paragraph (*e*), where, in pursuance of the arrangements—

(i) the services are to be performed if, after the date of the making of the agreement, the condition of the land or goods becomes or is in immediate danger of becoming such that the land or goods cannot reasonably be enjoyed or used, and

(ii) the charge will not accrue unless the services are performed; and

(*b*) in the case of any other charge within sub-paragraph (*e*) and of any charge within sub-paragraph (*g*)—

(i) where provision of substantially the same description as that to which the arrangements or contract of insurance relate is available under comparable arrangements from a person who is not the creditor or a supplier or a credit-broker who introduced the debtor and the creditor, and

(ii) where the arrangements or contract of insurance are made with a person chosen by the debtor, and

(iii) if, in accordance with the transaction, the consent of the creditor or of a supplier or of the credit-broker who introduced the debtor and the creditor is required to the making of the arrangements or contract of insurance, where the transaction provides that such consent may not be unreasonably withheld whether because no incidental benefit will or may accrue to the creditor or to the supplier or to the credit-broker or on any other ground,

and references in this paragraph to the creditor, a supplier and a credit-broker include references to his near relative, his partner and a member of a group of which he is a member, to any person nominated by him or any such person in relation to the arrangements or the contract of insurance, and to a near relative of his partner; and "near relative" means the husband, wife, father, mother, brother, sister, son or daughter of any person and "group" means the person (including a company) having control of a company together with all the companies directly or indirectly controlled by him.

Apportionment of certain life insurance premiums

6. If—

(*a*) apart from this regulation a premium under a contract of life insurance falls to be included in the total charge for credit in respect of any agreement, and

(*b*) any part of the policy monies under the contract is, under any transaction, to be used for repayment of the credit or of the total charge for credit under that agreement and any other agreement,

then (except where regulation 16 has effect in relation to any such agreement) for the purposes of these Regulations the premium shall be apportioned in the proportion which the amount of the credit under the agreement bears to the sum of the credit under all such agreements; and only so much of the premium so apportioned as corresponds with the amount of the credit shall be included in the total charge for credit.

PART III

RATE OF TOTAL CHARGE FOR CREDIT

Rate of total charge for credit

7. The rate of the total charge for credit in the case of an actual or prospective agreement shall be the annual percentage rate of charge determined in accordance with the following provisions of this Part of these Regulations and such determination shall be to one decimal place, further decimal places being disregarded.

Calculation where a period rate is charged

8.—(1) In the case of—

(*a*) an agreement for fixed-sum credit where the credit is not repayable at specified intervals or in specified amounts;

(*b*) an agreement for fixed-sum credit repayable at the end of a specified period in a single lump sum being repayment of the credit and of the total charge for credit; and

(*c*) an agreement for running-account credit;

under which a constant period rate of charge in respect of periods of equal length is charged, the annual percentage rate of charge is given by the following formula—

$$100\left[\left(1+\frac{x}{100}\right)^{y}-1\right]$$

where x is the period rate of charge expressed as a percentage; and

y is the number of periods in a year in relation to which the period rate of charge is charged.

(2) For the purposes of these Regulations, "period rate of charge" means a percentage rate of charge for a period, comprising all charges included in the total charge for credit determined in accordance with Part II of these Regulations.

Calculation where fixed-sum credit is provided and repayable in single lump sum

9. In the case of an agreement for fixed-sum credit provided in a single lump sum repayable at the end of a specified period in a single lump sum being repayment of the credit and of the total charge for credit, the annual percentage rate of charge is given by the following formula—

$$100\left[\left(1+\frac{C}{P}\right)^{\frac{1}{t}}-1\right]$$

where C is the total charge for credit;

P is the amount of the credit; and

t is the period beginning with the relevant date and ending with the date of repayment expressed in years.

Calculation applicable to any agreement

10.—(1) In relation to any agreement, the annual percentage rate of charge is a rate per annum compounding annually expressed as a percentage such that—

(*a*) the sum of the present values as at the relevant date of all repayments of credit and of the total charge for credit, and

(*b*) the sum of the present values as at the relevant date of all credit under the agreement,

would, when calculated at that rate, be equal.

(2) For the purposes of this regulation, the present value as at the relevant date—

(*a*) of a sum to be paid on or before that date, is that sum, and

(*b*) of a sum to be paid at a later date, is such a value as is given by the following formula—

$$\frac{A}{\left(1+\frac{r}{100}\right)^{t}}$$

where A is the sum to be paid;

r is the rate per annum expressed as a percentage; and

t is the period beginning with the relevant date and ending with the date of payment of the sum expressed in years.

(3) No account shall be taken under paragraph (1)(*a*) above of any repayment of credit to be made out of the policy monies payable under a contract of life insurance where, under the agreement, that repayment is to be made out of those monies.

(4) In a case where more than one rate per annum is given under the foregoing provisions of this regulation, the annual percentage rate of charge determined under this regulation is the positive rate per annum nearest to zero or, if no positive rate is so given, the negative rate nearest to zero.

Consumer credit tables

11. In the case of an agreement to which an entry in a table contained in "Consumer credit tables" (Parts 1 to 15) published in 1977 by Her Majesty's Stationery Office (being tables calculated in accordance with the principles set out in the foregoing regulations) exactly applies, the applicable rate set out in that table shall be taken to be the rate determined in accordance with these Regulations.

Computation of time

12.—(1) This regulation has effect for determining the length of any period for the purposes of calculations under this Part of these Regulations.

(2) A period which is not a whole number of calendar months or a whole number of weeks shall be counted in years and days.

(3) Subject to paragraph (4), a period which is a whole number of calendar months or a whole number of weeks shall be counted in calendar months or in weeks, as the case may be.

(4) Where a period is both a whole number of calendar months and a whole number of weeks and—

(*a*) one repayment only is to be made, the period shall be counted in calendar months, or

(*b*) more than one repayment is to be made—

(i) if all such repayments are to be made at intervals from the relevant date of one or more weeks, the period shall be counted in weeks, and

(ii) in any other case, the period shall be counted in calendar months.

(5) A period which is to be counted—

(*a*) in calendar months shall be taken to be of a length equal to the relevant number of twelfth parts of a year, and

(*b*) in weeks, shall be taken to be of a length equal to the relevant number of fifty-second parts of a year.

(6) A day shall be taken to be one three hundred and sixty-fifth part of a year.

PART IV

ASSUMPTIONS FOR CALCULATIONS

Effect of Part IV

13. The provisions of this Part of these Regulations shall have effect as the case may require for the purpose of the calculation of the total charge for credit under Part II and of the rate of such charge under Part III in relation to any actual or prospective agreement in respect of matters necessary for the calculation which cannot be ascertained by the creditor at the date of the making of the agreement.

Assumption about index-linked rates and amounts

14. Where the rate or amount of any item included in the total charge for credit or the amount of any repayment of credit under a transaction falls to be ascertained thereunder by reference to the level of any index or other factor in accordance with any formula specified therein, the rate or amount, as the case may be, shall be taken to be the rate or amount so ascertained, the formula being applied as if the level of such index or other factor subsisting at the date of the making of the agreement were that subsisting at the date by reference to which the formula is to be applied.

Assumption about changes in charges

15. Where—

(*a*) the period over which the credit or any part thereof is to be or may be provided cannot be ascertained at the date of the making of the agreement; and

(*b*) the rate or amount of any item included in the total charge for credit will change at a time provided in the transaction within one year beginning with the relevant date;

the rate or amount shall be taken to be the highest rate or amount at any time obtaining under the transaction in that year.

Assumption about amount of credit

16. Where the amount of the credit which may be provided under the agreement cannot be ascertained at the date of the making of the agreement, that amount shall be taken to be £100.

Assumption about period over which credit is provided

17. Where the period for which credit is to be provided is not ascertainable at the date of the making of the agreement, it shall be assumed that credit is provided for one year beginning with the relevant date.

Assumption about time of provision of credit

18. Where the earliest date on which credit is to be provided cannot be ascertained at the date of the making of the agreement, it shall be assumed that credit is provided on that date.

Assumptions about time of payment of charges

19. In the case of any transaction it shall be assumed—

(*a*) that a charge payable at a time which cannot be ascertained at the date of the making of the agreement shall be payable on the relevant date or, where it may reasonably be expected that a debtor will not make payment on that date, on the earliest date at which it may reasonably be expected that he will make payment; or

(*b*) where more than one payment of a charge of the same description falls to be made at times which cannot be ascertained at the date of the making of the agreement, that the first such payment will be payable on the relevant date (or, where it may reasonably be expected that a debtor will not make payment on that date, at the earliest date on which it may reasonably be expected that he will make payment), that the last such payment will be payable at the end of the credit period and that all other such payments (if any) will be payable at equal intervals between such times;

as the case may require.

John Fraser,
Minister of State,
28th February 1977. Department of Prices and Consumer Protection.

EXPLANATORY NOTE

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

These Regulations make provision for ascertaining the true cost to debtors of credit provided or to be provided under actual or prospective consumer credit agreements.

In Part II (Total Charge for Credit), they prescribe the items which are to be treated as entering into the true cost of the credit to the debtor and, in Part III (Rate of Total Charge for Credit), they provide for the calculation of the rate of the total charge as an annual percentage rate.

Part IV contains provisions dealing with assumptions which must be made for calculations in cases where relevant factors cannot be quantified at the time the calculations are to be made.

The "Consumer credit tables" (Parts 1 to 15) referred to in regulation 11 may be obtained from Her Majesty's Stationery Office or through booksellers.

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