



National Loans Act 1968

1968 CHAPTER 13

Government lending

[^{F15} Rates of interest.

- (1) This section has effect as respects any rate of interest—
 - (a) which under any provision in Schedule 1 to this Act is to be determined in accordance with this Act, or
 - (b) which is to be determined by the Treasury under section 3 of this Act,and, where any enactment passed after this Act provides for the payment of interest on advances or loans made out of the National Loans Fund, and for the rate at which that interest is to be payable to be determined or approved by the Treasury, then, except as otherwise expressly provided, this section has effect as respects that rate of interest.
- (2) For any loan or class of loans the Treasury may determine or approve either—
 - (a) a fixed rate of interest, that is to say a specified rate or a formula rate which is to be applied, throughout the period of the loan or any loan of that class, with the value which it has when the loan is made, or
 - (b) a variable rate of interest, that is to say a formula rate which is to be applied, for each of the successive periods of the loan or any loan of that class which are of a length specified in the determination or approval (in this section referred to as interest periods), with the value which it has at the beginning of that period; and in this subsection “formula rate” means a rate which is so expressed (whether by means of a formula or otherwise) that it will or may have different values at different times.
- (3) The Treasury shall, on each occasion when they determine or approve a fixed rate of interest for a loan or class of loans, satisfy themselves that the rate would be at least sufficient to prevent a loss if—
 - (a) the loan, or any loan of that class—
 - (i) were made forthwith, and
 - (ii) were met out of money borrowed by the Treasury at the lowest rate at which the Treasury are for the time being able to borrow money (of

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whatever amount) for a comparable period, and on other comparable terms, and

(b) the interest on the money so borrowed, together with the Treasury’s expenses of borrowing, were set off against the interest received on the loan.

(4) The Treasury shall, on each occasion when they determine or approve a variable rate of interest for a loan or class of loans, satisfy themselves that the rate would be at least sufficient to prevent a loss if—

- (a) the loan, or any loan of that class,—
 - (i) were made forthwith,
 - (ii) were to be repaid at the end of its first interest period, and
 - (iii) were met out of money borrowed by the Treasury at the lowest rate at which the Treasury are for the time being able to borrow money (of whatever amount) for a comparable period, and
- (b) the interest on the money so borrowed were set off against the interest received on the loan.

(5) If at any time the Treasury are satisfied that a rate of interest determined or [^{F2}approved for a class of loans] would not meet the requirements of subsection (3) or, as the case may be, subsection (4) above if it were determined or approved at that time, that determination or approval shall be [^{F2}withdrawn at the earliest convenient time, and, subject to subsection (5A) below, from that or such later time as may be convenient another rate determined or approved in accordance with subsection (3) or, as the case may be, subsection (4) above shall come into force for further loans of that class.]

[If, in the case of a loan of any class,—

- ^{F3}(5A) (a) an undertaking was given to the person to whom the loan was to be made that the rate of interest which would apply to that loan would be that which, at a time specified in or determined in accordance with the undertaking, was or would be in force for loans of that class, and
- (b) before the loan was in fact made, the determination or approval of that rate of interest was withdrawn by virtue of subsection (5) above or otherwise ceased to be effective,

the rate of interest which applies to that loan shall be that which was in force for loans of that class at the time specified in, or as the case may be determined in accordance with, the undertaking.

(5B) In subsection (5A) above “undertaking” means an undertaking given by the person by whom the loan in question was to be made and, where that person is not the Treasury, given by that person with the consent of the Treasury.]

(6) The Treasury may in determining or approving a rate of interest take into account any consideration justifying a rate higher than that required by sub-section (3) or (4) above.

(7) Different fixed rates of interest may be determined or approved in respect of loans which are to be made for the same length of time, and different variable rates of interest may be determined or approved for loans which are to have interest periods of the same length.

^{F4}(8)]

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Textual Amendments

- F1** S. 5 substituted by [Finance Act 1982 \(c. 39, SIF 99:3\)](#), **s. 153(1)**
- F2** Words substituted by [Finance Act 1983 \(c. 28, SIF 99:3\)](#), **s. 44(2)**
- F3** Words inserted by [Finance Act 1983 \(c. 28, SIF 99:3\)](#), **s. 44(3)**
- F4** S. 5(8) repealed (16.7.1992) by [Finance \(No. 2\) Act 1992 \(c. 48\)](#), ss. 80(1)(2), 82, **Sch. 18 Pt. XII**.

Modifications etc. (not altering text)

- C1** S. 5 applied by [Pensions Act 2007 \(c. 22\)](#), Sch. 6 para. 18(3) (as substituted (26.11.2008) by [Pensions Act 2008 \(c. 30\)](#), **ss. 82**, 149(2))
- C2** S. 5 applied (5.7.2010) by [Pensions Act 2008 \(c. 30\)](#), s. 149(1), **Sch. 1 para. 18(3)**; S.I. 2010/10, art. 2(a)
- C3** S. 5 applied (E.W.) by [National Health Service and Community Care Act 1990 \(c. 19, SIF 113:2\)](#), s. 9(9), **Sch. 3**, para. 1(5)
- C4** S. 5 applied (E.W.) by [National Health Service and Community Care Act 1990 \(c. 19, SIF 113:2\)](#), s. 9(9), **Sch. 3**, para. 1(5)
S. 5 applied (1.12.1998) by [1998 c. 38](#), **s. 87(2)** (with ss. 139(2), 143(2)); S.I. 1998/2789, **art. 2**
S. 5 applied (1.1.1999) by [1998 c. 46](#), **ss. 68(1)**, 130 (with s. 126(3)-(11)); S.I. 1998/3178, **art. 2(1)**
- C5** S. 5 applied by [Government Trading Funds Act 1973 \(c. 63, SIF 99:1\)](#), **s. 2B(4)** (as substituted (26.7.1990) by [Government Trading Act 1990 \(c. 30, SIF 99:1\)](#), **s. 1(1)** (with s. 5(3))
- C6** S. 5(2) excluded by [Coal Industry Act 1973 \(c. 8\)](#), **s. 1(6)** and [Crown Agents Act 1979 \(c. 43\)](#), **ss. 17(8)**, 20(5)
- C7** S. 5(5)–(5B) applied (E.W.) by [National Health Service and Community Care Act 1990 \(c. 19, SIF 113:2\)](#), s. 9(5), **Sch. 3**, para. 1(5)
- C8** S. 5(5)–(5B) applied (S.) by [National Health Service \(Scotland\) Act 1978 \(c. 29, SIF 113:2\)](#), **Sch. 7B para. 1(5)** as substituted by [National Health Service and Community Care Act 1990 \(c. 19, SIF 113:2\)](#), s. 32, **Sch. 6**

Changes to legislation:

There are currently no known outstanding effects for the National Loans Act 1968, Section 5.