

1999 No. 1956

CONSUMER CREDIT

**The Consumer Credit (Exempt Agreements) (Amendment)
Order 1999**

<i>Made - - - -</i>	<i>8th July 1999</i>
<i>Laid before Parliament</i>	<i>9th July 1999</i>
<i>Coming into force</i>	<i>1st August 1999</i>

The Secretary of State, in exercise of the powers conferred upon him by sections 16(5)(b) and 182(2) and (4) of the Consumer Credit Act 1974(a), hereby makes the following Order:—

1. This Order may be cited as the Consumer Credit (Exempt Agreements) (Amendment) Order 1999 and shall come into force on 1st August 1999.

2. The Consumer Credit (Exempt Agreements) (Amendment) Order 1998(b), except for article 3, is revoked.

3. The Consumer Credit (Exempt Agreements) Order 1989(c) is amended by substituting the following for article 4—

“**4.**—(1) The Act shall not regulate—

(a) a debtor-creditor agreement where the creditor is a credit union and the rate of the total charge for credit does not exceed 12.7 per cent;

(b) (subject to paragraph (2) below) a debtor-creditor agreement—

(i) which is an agreement of a type offered to a particular class, or particular classes, of individuals and not offered to the public generally; and

(ii) under the terms of which the only charge included in the total charge for credit is interest which cannot at any time exceed the sum of one per cent and the highest of the base rates published by the banks named in paragraph (3) below, being the latest rates in operation on the date 28 days before any such time; or

(c) (subject to paragraph (2) below) a debtor-creditor agreement—

(i) which is an agreement of a type offered to a particular class, or particular classes, of individuals and not offered to the public generally;

(ii) under which there can be no increase after the relevant date in the rate or amount of any item which is included in the total charge for credit or which would be included but for regulation 14 of the Total Charge for Credit Regulations; and

(a) 1974 c. 39.

(b) S.I. 1998/1944.

(c) S.I. 1989/869, to which the relevant amendment is S.I. 1998/1944.

(iii) in respect of which the rate of the total charge for credit does not exceed the sum of one per cent and the highest of the base rates published by the banks named in paragraph (3) below, being the latest rates in operation on the date 28 days before the date on which the agreement is made.

(2) Paragraph (1)(b) and (c) above does not apply to an agreement 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 a formula which is specified in the agreement and which has effect by reference to movements in the level of any index or to any other factor.

(3) The banks referred to in paragraph (1)(b) and (c) above are—

Bank of England
Bank of Scotland
Barclays Bank PLC
Clydesdale Bank PLC
Co-operative Bank Public Limited Company
Coutts & Co
Lloyds TSB Bank plc
Midland Bank Public Limited Company
National Westminster Bank Public Limited Company
The Royal Bank of Scotland p.l.c.

(4) In this article—
“credit union” means—

- (a) a society registered under the Industrial and Provident Societies Act 1965^(a) by virtue of section 1 of the Credit Unions Act 1979^(b); or
- (b) a society registered under the Credit Unions (Northern Ireland) Order 1985^(c) or a society registered under the Industrial and Provident Societies Act (Northern Ireland) 1969^(d) as a credit union;

“interest” means interest at a rate determined in accordance with the formula set out in regulation 7(1) of the Total Charge for Credit Regulations, and in that formula as applied by paragraph (1)(b) above;

“period rate of charge” has the meaning given in regulation 7(2) of those Regulations;

“the relevant date” has the meaning given in regulation 1(2) of the Total Charge for Credit Regulations; and

“the Total Charge for Credit Regulations” means the Consumer Credit (Total Charge for Credit) Regulations 1980^(e).”.

Kim Howells,
Parliamentary Under-Secretary of State for
Competition and Consumer Affairs,
Department of Trade and Industry

8th July 1999

^(a) 1965 c. 12.

^(b) 1979 c. 34; section 1 was amended by article 3 of the Deregulation (Credit Unions) Order 1996 (S.I. 1996/1189).

^(c) S.I. 1985/1205 (N.I. 12), to which the relevant amendments are S.I. 1987/2203 (N.I. 22); the Friendly Societies Act 1992 (c. 40), Schedule 21, paragraphs 28 and 29; S.I. 1997/2984 (N.I. 22).

^(d) 1969 c. 24 (N.I.).

^(e) S.I. 1980/51, amended by S.I. 1985/1192, 1989/596.

EXPLANATORY NOTE

(This note is not part of the Order)

This Order amends the Consumer Credit (Exempt Agreements) Order 1989 (“the principal Order”), as amended by the Consumer Credit (Exempt Agreements) (Amendment) Order 1998 (“the 1998 Order”). The 1998 Order, apart from article 3, is revoked.

Article 3 of this Order replaces article 4 of the principal Order (which was added by the 1998 Order). The new article 4 exempts three types of consumer credit agreement from regulation under the Consumer Credit Act 1974. The first exemption applies to debtor-creditor agreements where two conditions are satisfied. The first condition is that the creditor is a credit union. The second condition is that the rate of the total charge for credit is 12.7 per cent or less.

The second exemption applies to debtor-creditor agreements where two conditions are satisfied. The first condition is that the agreement is of a type offered to a particular class, or to particular classes, of individuals and not to the public generally. The second condition is that the only charge included in the total charge for credit is interest which cannot during the life of the agreement exceed one per cent above the highest of a number of specified banks’ base rates.

The third exemption applies to debtor-creditor agreements where three conditions are satisfied. The first condition is that the agreement is of a type offered to a particular class, or to particular classes, of individuals and not to the public generally. The second condition is that there can be no increase in the rate or amount of any item which is included in the total charge for credit (or which would be included but for the operation of the assumption in regulation 14 of the Consumer Credit (Total Charge for Credit) Regulations 1980). The third condition is that the rate of the total charge for credit does not exceed one per cent above the highest of a number of specified banks’ base rates on the date 28 days before the agreement is made.

Neither the second nor the third exemption applies if the agreement provides that the principal sum repayable by the debtor may vary according to a formula which operates by reference to movements in the level of an index or by reference to some other factor.

A Regulatory Impact Assessment of the costs and benefits which will result from this Order has been prepared. Copies have been placed in the libraries of both Houses of Parliament and can also be obtained from the Consumer Affairs Directorate of the Department of Trade and Industry, Room 407, 1 Victoria Street, London SW1H 0ET.

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