

Lending (Regulation) Bill

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Impose requirements on lenders relating to the calculation of interest rates; to regulate the promotion of lending; and for connected purposes.

BE IT ENACTED by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

1 Unsolicited offers of credit

- (1) It is an offence for a consumer credit business to—
- (a) send an unsolicited credit card cheque to an individual offering credit;
 - (b) provide an increase to an existing customer's credit limit on an unsolicited basis. 5
- (2) For the avoidance of doubt, no offence is committed under this section if the actions of a consumer credit business are in response to a request or inquiry about its products from an individual.
- (3) A consumer credit business guilty of an offence under subsection (1) is liable, on summary conviction, to a fine not exceeding level 3 on the standard scale. 10

2 Unsecured loans: duty to provide information

- (1) A consumer credit business shall have a duty, when offering to provide an unsecured loan, to inform the prospective debtor about the provisions of the Charging Orders Act 1979 (c. 53) relating to the powers of lenders to obtain a court judgement or order relating to the repayment of any outstanding debt. 15
- (2) In particular, the information provided under subsection (1) must specify the powers available to the courts to issue an order of sale in respect of the debtor's property in the event of the debtor's failure to make the agreed repayments or to repay the credit when demanded by the creditor.
- (3) A consumer credit business must fulfil its duties under this section by— 20
- (a) including such information in any advertising material relating to the loan;

- (b) referring to such information in any conversations relating to the loan; and
 - (c) ensuring that no loan is agreed without the debtor providing a written indication that they have understood the information required under this section. 5
- (4) A consumer credit business that does not comply with its duties under this section commits an offence.
- (5) A consumer credit business found guilty of an offence under this section shall be liable, on summary conviction, to a fine not exceeding level 3 on the standard scale. 10

3 Standard method of calculating interest rates

- (1) The Secretary of State must, within six months of this Act coming into force, make regulations providing for a standard method of calculating interest rates on credit cards provided by consumer credit businesses.
- (2) Before making regulations under subsection (1) the Secretary of State must consult— 15
- (a) the Office of Fair Trading;
 - (b) organisations representing consumer credit providers;
 - (c) organisations representing consumers of financial services; and
 - (d) any other organisation he considers appropriate. 20
- (3) Regulations made under subsection (1) may make provision about—
- (a) the way in which interest rates should be expressed in promotional material, including information relating to the periods in which they apply;
 - (b) the circumstances in which alternative methods of interest rate calculation may be used; and 25
 - (c) penalties for failure to comply with the requirements of the regulations.
- (4) Regulations under this section shall be made by statutory instrument.
- (5) Regulations under this section are subject to annulment in pursuance of a resolution of either House of Parliament. 30

4 Interpretation

For the purposes of this Act—

- “advertise” and “advertising material” shall be construed in accordance with the definition of “advertisement” in the Consumer Credit Act 1974 (c. 39); 35
- “consumer credit business” means a consumer credit business as defined in the Consumer Credit Act 1974;
- “credit” includes a cash loan and any other form of financial accommodation;
- “credit card” means a card which is a credit-token within the meaning of section 14(1) of the Consumer Credit Act 1974; 40
- “credit card cheque” means a cheque provided by a consumer credit business that is drawn against a consumer’s credit card account;
- “creditor” means the person providing credit;

“debtor” means the individual receiving credit;
“regulated credit agreement” has the same meaning as in the Consumer
Credit Act 1974.

5 Short title, commencement and extent

- (1) This Act may be cited as the Lending (Regulation) Act 2009. 5
- (2) This Act comes into force six months after the date on which it is passed.
- (3) This Act extends to England and Wales, Scotland and Northern Ireland.

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To impose requirements on lenders relating to the calculation of interest rates;
to regulate the promotion of lending; and for connected purposes.

*Presented by Mr Russell Brown,
supported by
Gordon Banks, Miss Anne Begg,
Mr Ian Davidson, Mrs Sharon Hodgson,
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*Ordered, by The House of Commons,
to be Printed, 21 January 2009.*

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LONDON – THE STATIONERY OFFICE LIMITED
Printed in the United Kingdom by
The Stationery Office Limited
£x.xx