

**2004 No.1484**

**CONSUMER CREDIT**

**The Consumer Credit (Advertisements) Regulations 2004**

*Made* - - - - *5th June 2004*

*Laid before Parliament* *9th June 2004*

*Coming into force* - - *31st October 2004*

The Secretary of State, in exercise of the powers conferred upon her by sections 44, 151(1), 182(2) and 189(1) of the Consumer Credit Act 1974(a), hereby makes the following Regulations:

**Citation, commencement and interpretation**

1.—(1) These Regulations may be cited as the Consumer Credit (Advertisements) Regulations 2004, and shall come into force on 31<sup>st</sup> October 2004.

(2) In these Regulations—

“the Act” means the Consumer Credit Act 1974;

“advance payment” does not include a repayment of credit or any insurance premium or any amount entering into the total charge for credit;

“APR” means the annual percentage rate of charge for credit determined in accordance with the Total Charge for Credit Regulations and Schedule 1 to these Regulations;

“authorised deposit taker” means—

(a) a person who has permission under Part 4 of the Financial Services and Markets Act 2000(b) to accept deposits, or

(b) an EEA firm of the kind mentioned in paragraph 5(b) of Schedule 3 to that Act which has permission under paragraph 15 of that Schedule (as a result of qualifying for authorisation under paragraph 12(1)) to accept deposits,

but sub-paragraph (a) does not include a person who is a credit union within the meaning of the Credit Unions Act 1979(c) or the Credit Unions (Northern Ireland) Order 1985(d), or a specially authorised friendly society within the meaning of section 7(1)(f) of the Friendly Societies Act 1974(e);

“cash price” in relation to any goods, services, land or other things means the price or charge at which the goods, services, land or other things may be purchased by, or supplied to, persons for cash, account being taken of any discount generally available from the dealer or supplier in question;

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(a) 1974 c. 39; section 189(1) is cited for the definition of “regulations”.

(b) 2000 c. 8.

(c) 1979 c.34.

(d) S.R. (N.I.) 1985 No.12.

(e) 1974 c. 46.

“cash purchaser” means, in relation to any advertisement, a person who, for a money consideration—

- (a) acquires goods, land or other things, or
- (b) is provided with services,

under a transaction which is not financed by credit;

“credit advertisement” means an advertisement to which Part 4 of the Act applies by virtue of it falling within section 43(1)(a), or which falls within section 151(1) of the Act in so far as section 44 is applied to such an advertisement;

“current account” means an account under which the customer may, by means of cheques or similar orders payable to himself or to any other person or by any other means, obtain or have the use of money held or made available by the person with whom the account is kept and which records alterations in the financial relationship between the said person and the customer;

“dealer” means, in relation to a hire-purchase, credit sale or conditional sale agreement under which he is not the creditor, a person who sells or proposes to sell goods, land or other things to the creditor before they form the subject matter of any such agreement and, in relation to any other agreement, means a supplier or his agent;

“hire advertisement” means an advertisement to which Part 4 of the Act applies by virtue of it falling within section 43(1)(b), or which falls within section 151(1) of the Act in so far as section 44 is applied to such an advertisement;

“hire payment” means any payment to be made by a person in relation to any period in consideration of the bailment to him of goods, other than an advance payment;

“identified dealer” means, in relation to an advertisement—

- (a) a dealer who is named in the advertisement or is identified in it by reference to a business connection he has with the advertiser, or
- (b) a dealer upon whose premises the advertisement is published;

“premises” includes any place, stall, vehicle, aircraft or hovercraft at which a person is carrying on any business (whether on a permanent or temporary basis);

“relevant date”, in relation to an advertisement relating to credit to be provided under a consumer credit agreement, means—

- (a) 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
- (b) in any other case, the date of the making of the agreement;

“supplier” has the meaning assigned to it by section 189(1) of the Act, except that it does not include, in relation to a hire-purchase, credit sale or conditional sale agreement, a creditor to whom goods, land or other things are sold or proposed to be sold by a dealer before becoming the subject matter of such an agreement;

“the total charge for credit” means the total charge for credit determined in accordance with the Total Charge for Credit Regulations and Schedule 1 to these Regulations;

“the Total Charge for Credit Regulations” means the Consumer Credit (Total Charge for Credit) Regulations 1980(a), and

“the typical APR” is an APR at or below which an advertiser reasonably expects, at the date on which an advertisement is published, that credit would be provided under at least 66% of the agreements he will enter into as a result of the advertisement.

(3) The definition of “authorised deposit taker” in paragraph (2) must be read with—

- (a) section 22 of the Financial Services and Markets Act 2000;

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(a) S.I. 1980/51, amended by S.I. 1985/1192, 1989/596, 1999/3177.

- (b) any relevant order under that section; and
  - (c) Schedule 2 to that Act.
- (4) In these Regulations as they apply to Scotland—
- (a) any reference to bailment is a reference to hiring;
  - (b) any reference to a mortgage or charge on land, or any other security on land, is a reference to a standard security over land within the meaning of the Conveyancing and Feudal Reform (Scotland) Act 1970<sup>(a)</sup>.
- (5) In these Regulations, references to repayment of credit are references to repayment of credit with or without any other amount.
- (6) In these Regulations, any reference to the name of any person is—
- (a) in the case of any person covered by a standard licence, a reference to any name of his specified in the licence; and
  - (b) in the case of any other person, a reference to any name under which he carries on business.
- (7) Where any expression is used in these Regulations and in the Act, for the purposes of these Regulations that expression shall be construed as if, in the Act (except section 8), references to consumer credit agreements and to regulated agreements (being consumer credit agreements) included references to personal credit agreements.

### **Duty to comply**

2. A person who causes a credit advertisement or a hire advertisement to be published shall ensure that the advertisement complies with all applicable requirements of these Regulations.

### **General requirements**

3. Every credit advertisement or hire advertisement shall—
- (a) use plain and intelligible language;
  - (b) be easily legible (or, in the case of any information given orally, clearly audible), and
  - (c) specify the name of the advertiser.

### **Content of advertisements**

4.—(1) Where a credit advertisement includes any of the amounts referred to in paragraphs 5 to 7 of Schedule 2 to these Regulations, and where a hire advertisement includes any of the amounts referred to in paragraph 4 or 5 of Schedule 3 to these Regulations, the advertisement shall also—

- (a) include all the other items of information (other than any item inapplicable to the particular case) listed in the relevant Schedule, and
- (b) specify a postal address at which the advertiser may be contacted, except—
  - (i) in the case of advertisements published by means of television or radio broadcast;
  - (ii) in the case of advertisements in any form on the premises of a dealer or creditor (not being advertisements in writing which customers are intended to take away);
  - (iii) in the case of advertisements which include the name and address of a dealer, and
  - (iv) in the case of advertisements which include the name and a postal address of a credit-broker.

(2) The items of information listed in Schedule 2 in the case of a credit advertisement, and the items of information listed in Schedule 3 in the case of a hire advertisement, shall be given equal prominence and shall be shown together as a whole.

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<sup>(a)</sup> 1970 c.35.

(3) Any information in any book, catalogue, leaflet or other document which is likely to vary from time to time shall be taken for the purpose of paragraph (2) to be shown together as a whole if—

- (a) it is set out together as a whole in a separate document issued with the book, catalogue, leaflet or other document;
- (b) the other information in the credit advertisement or hire advertisement, as the case may be, is shown together as a whole in the book, catalogue, leaflet or other document, and
- (c) the book, catalogue, leaflet or other document identifies the separate document in which the information likely to vary is set out.

#### **Credit advertisements in dealers' publications covering a calendar or seasonal period**

5.—(1) Regulation 4 shall not apply to a credit advertisement contained in, or in a separate document issued with, a publication published by or on behalf of a dealer which relates to goods or services which may be sold or supplied by him in a calendar or seasonal period specified in the publication if the advertisement contains the information specified in paragraph (2) and no other indication that a person is willing to provide credit.

(2) The information referred to in paragraph (1) is—

- (a) the name of the creditor, credit-broker or dealer and a postal address of his with or without his occupation or a statement of the general nature of his occupation, and
- (b) an indication that individuals may obtain on request details of the terms on which the advertiser is prepared to do business.

#### **Advertisements in dealers' publications relating to credit under a debtor-creditor-supplier agreement**

6. Information contained in a credit advertisement relating to credit to be provided under a debtor-creditor-supplier agreement, being an advertisement contained in a publication published by or on behalf of a dealer which relates to goods or services which may be sold or supplied by him, shall be taken for the purpose of regulation 4(2) to be shown together as a whole if—

- (a) the advertisement clearly indicates—
  - (i) the cash price alone, or
  - (ii) the cash price, any advance payment and the information specified in paragraphs 5 to 7 of Schedule 2, and (except in the case of agreements for credit under which the total amount payable by the debtor is not greater than the cash price of the goods or services the acquisition of which is to be financed by the credit under the agreement) the APR,

in close proximity to every description of, or specific reference to, goods or services to which the information in the publication relates, and

- (b) the remaining information in the advertisement is so presented as to be readily comprehensible as a whole by a prospective debtor and an indication is given in close proximity to any of that information that it relates to all or specified descriptions of goods or services, and
- (c) except as mentioned in paragraph (a), no information relating to the provision of credit is shown together with the cash price.

#### **Security**

7.—(1) Where the subject-matter of a credit advertisement or hire advertisement is a facility for which security is or may be required, the advertisement shall—

- (a) state that security is or may be required, and
- (b) specify the nature of the security.

(2) Where, in the case of a credit advertisement, the security comprises or may comprise a mortgage or charge on the debtor's home—

(a) except where sub-paragraph (c) applies, the advertisement shall contain a warning in the form—

“YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE OR ANY OTHER DEBT SECURED ON IT”;

(b) where the advertisement indicates that credit is available for the payment of debts due to other creditors, the warning in sub-paragraph (a) shall be preceded by the words—

“THINK CAREFULLY BEFORE SECURING OTHER DEBTS AGAINST YOUR HOME.”

(c) where the credit agreement is or would be an agreement of a kind described in paragraph (3), the advertisement shall contain a warning in the form—

“CHECK THAT THIS MORTGAGE WILL MEET YOUR NEEDS IF YOU WANT TO MOVE OR SELL YOUR HOME OR YOU WANT YOUR FAMILY TO INHERIT IT. IF YOU ARE IN ANY DOUBT, SEEK INDEPENDENT ADVICE”.

(3) The kinds of agreement referred to in paragraph (2)(c) are—

(a) any credit agreement under which no instalment repayments secured by the mortgage on the debtor's home, and no payment of interest on the credit (other than interest charged when all or part of the credit is repaid voluntarily by the debtor), are due or capable of becoming due while the debtor continues to occupy the mortgaged land as his main residence; and

(b) any credit agreement—

(i) which is secured by a mortgage which the creditor cannot enforce by taking possession of or selling (or concurring with any other person in selling) the mortgaged land or any part of it while the debtor continues to occupy it as his main residence, and

(ii) under which, although interest payments may become due, no full or partial repayment of the credit secured by the mortgage is due or capable of becoming due while the debtor continues to occupy the mortgaged land as his main residence.

(4) Where a credit advertisement is for a mortgage or other loan secured on property and repayments are to be made in a currency other than sterling, the advertisement shall contain a warning in the form—

“CHANGES IN THE EXCHANGE RATE MAY INCREASE THE STERLING EQUIVALENT OF YOUR DEBT”.

(5) Where, in the case of a hire advertisement, the security comprises or may comprise a mortgage or charge on the hirer's home, the advertisement shall contain a warning in the form—

“YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON A HIRE AGREEMENT SECURED BY A MORTGAGE OR OTHER SECURITY ON YOUR HOME”.

(6) The warnings provided for in paragraphs (2) and (4)—

(a) shall be given greater prominence in a credit advertisement than is given to—

(i) any rate of charge other than the typical APR, or

(ii) any indication or incentive of a kind referred to in regulation 8(1)(c) or (d), and

(b) shall be given no less prominence in a credit advertisement than is given to any of the items listed in Schedule 2 to these Regulations that appear in the advertisement.

(7) The warning provided for in paragraph (5) shall be given no less prominence in a hire advertisement than is given to any of the items listed in Schedule 3 to these Regulations that appear in the advertisement.

(8) Paragraphs (2) - (7) do not apply in the case of an advertisement which—

- (a) is published by means of television or radio broadcast in the course of programming the primary purpose of which is not advertising;
- (b) is published by exhibition of a film (other than exhibition by television broadcast), or
- (c) contains only the name of the advertiser.

## **APR**

- 8.—(1)** A credit advertisement shall specify the typical APR if the advertisement—
- (a) specifies any other rate of charge;
  - (b) includes any of the items of information listed in paragraphs 5 to 7 of Schedule 2 to these Regulations;
  - (c) indicates in any way, including by means of the name given to a business or of an address used by a business for the purposes of electronic communication, that—
    - (i) credit is available to persons who might otherwise consider their access to credit restricted, or
    - (ii) any of the terms on which credit is available is more favourable (either in relation to a limited period or generally) than corresponding terms applied in any other case or by any other creditors, or
  - (d) includes any incentive to apply for credit or to enter into an agreement under which credit is provided.
- (2) A credit advertisement may not indicate the range of APRs charged where credit is provided otherwise than by specifying, with equal prominence, both—
- (a) the APR which the advertiser reasonably expects, at the date on which the advertisement is published, would be the lowest APR at which credit would be provided under not less than 10% of the agreements he will enter into as a result of that advertisement, and
  - (b) the APR which the advertiser reasonably expects, at that date, would be the highest APR at which credit would be provided under any of the agreements he will enter into as a result of that advertisement.
- (3) An APR shall be denoted in an advertisement as “%APR”.
- (4) Where an APR is subject to change, it shall be accompanied by the word “variable”.
- (5) The typical APR shall be—
- (a) accompanied by the word “typical”;
  - (b) presented together with any of the items listed in Schedule 2 that are included in the advertisement;
  - (c) given greater prominence in the advertisement than—
    - (i) any other rate of charge;
    - (ii) any of the items listed in Schedule 2, and
    - (iii) any indication or incentive of a kind referred to in paragraph (1)(c) or (d), and
  - (d) in the case of an advertisement in printed or electronic form which includes any of the items listed in Schedule 2, shown in characters at least one and a half times the size of the characters in which those items appear.
- (6) In the case of an advertisement relating to a debtor-creditor agreement enabling the debtor to overdraw on a current account under which the creditor is the Bank of England or an authorised deposit taker, there may be substituted for the typical APR a reference to the statement of—
- (a) a rate, expressed to be a rate of interest, being a rate determined as the rate of the total charge for credit calculated on the assumption that only interest is included in the total charge for credit, and
  - (b) the nature and amount of any other charge included in the total charge for credit.

## **Restrictions on certain expressions in credit advertisements**

9.—(1) A credit advertisement shall not include—

- (a) the word “overdraft” or any similar expression as describing any agreement for running-account credit except an agreement enabling the debtor to overdraw on a current account;
- (b) the expression “interest free” or any similar expression indicating that a customer is liable to pay no greater amount in respect of a transaction financed by credit than he would be liable to pay as a cash purchaser in relation to the like transaction, except where the total amount payable by the debtor does not exceed the cash price;
- (c) the expression “no deposit” or any similar expression, except where no advance payments are to be made;
- (d) the expression “loan guaranteed” or “pre-approved” or any similar expression, except where the agreement is free of any conditions regarding the credit status of the debtor, or
- (e) the expression “gift”, “present” or any similar expression except where there are no conditions which would require the debtor to return the credit or items that are the subject of the claim.

(2) A credit advertisement shall not include in relation to any repayment of credit, and a hire advertisement shall not include in relation to any hire payment, the expression “weekly equivalent” or any expression to the like effect or any expression of any other periodical equivalent, unless weekly payments or the other periodical payments are provided for under the agreement.

## **Exclusions**

10.—(1) These Regulations do not apply to any advertisement which—

- (a) whether expressly or by implication indicates clearly that a person is willing—
  - (i) to provide credit, or
  - (ii) to enter into an agreement for the bailment of goods, for the purposes of another person’s business, and
- (b) does not indicate (whether expressly or by implication) that a person is willing to do either of those things otherwise than for the purposes of such a business.

(2) References in paragraph (1) to a business do not include references to a business carried on by the advertiser or any person acting as a credit-broker in relation to the credit or hire facility to which the advertisement relates.

(3) These Regulations do not apply to any advertisement in so far as it is a communication of an invitation or inducement to engage in investment activity within the meaning of section 21 of the Financial Services and Markets Act 2000, other than an exempt generic communication.

(4) An “exempt generic communication” is a communication to which subsection (1) of section 21 of the Financial Services and Markets Act does not apply, as a result of an order under subsection (5) of that section, because it does not identify a person as providing an investment or as carrying on an activity to which the communication relates.

(5) These Regulations do not apply to any advertisement in so far as it is a communication of an invitation or inducement to enter into a regulated mortgage contract within the meaning of article 61 of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001(a).

## **Revocation of superseded provisions**

11. The Consumer Credit (Advertisements) Regulations 1989(b), Part III of the Consumer Credit (Content of Quotations) and Consumer Credit (Advertisements) (Amendment) Regulations

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(a) S.I. 2001/544; relevant amending instruments are S.I. 2001/1777 and 2001/3544.

(b) S.I. 1989/1125, amended by S.I. 1999/2725 and 1999/3177.

1999(a) and regulation 2 of the Consumer Credit (Advertisements and Content of Quotations) (Amendment) Regulations 2000(b) are hereby revoked.

**Transitional provisions**

**12.**—(1) Subject to paragraph (2), a person shall not be guilty of an offence under section 47(1) or 167 of the Act for contravention of these Regulations in the case of an advertisement that would have complied with the requirements of the Consumer Credit (Advertisements) Regulations 1989 if those Regulations had not been revoked by these Regulations.

(2) Paragraph (1) only applies to advertisements published in a catalogue, diary or work of reference comprising at least 50 printed pages—

- (a) copies of which are first published, or made available for publication in the ordinary course of business, before 31<sup>st</sup> May 2005, and
- (b) which, in a reasonably prominent position either contains the date of its first publication or specifies a period, being a calendar or seasonal period, throughout which it is intended to have effect.

*Gerry Sutcliffe,*  
Parliamentary Under Secretary of State for Employment  
Relations, Competition and Consumer Affairs,  
Department of Trade and Industry

5th June 2004

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(a) S.I. 1999/2725.  
(b) S.I. 2000/1797.



## PROVISIONS RELATING TO CALCULATION AND DISCLOSURE OF THE TOTAL CHARGE FOR CREDIT AND ANY APR

### Assumptions about running-account credit

1. In the case of an advertisement relating to running-account credit, the following assumptions shall have effect for the purpose of calculating the total charge for credit and any APR, notwithstanding the terms of the transaction advertised and in place of any assumptions in Part 4 of the Total Charge for Credit Regulations that might otherwise apply—

- (a) the amount of the credit to be provided shall be taken to be £1,500, or, in a case where credit is to be provided subject to a credit limit of less than £1,500, an amount equal to that limit;
- (b) it shall be assumed that the credit is provided for a period of one year beginning with the relevant date;
- (c) it shall be assumed that the credit is provided in full on the relevant date;
- (d) where the rate of interest will change at a time provided in the transaction within a period of three years beginning with the relevant date, the rate shall be taken to be the highest rate at any time obtaining under the transaction in that period;
- (e) where the agreement provides credit to finance the purchase of goods, services, land or other things and also provides one or more of—
  - (i) cash loans
  - (ii) credit to refinance existing indebtedness of the debtor's, whether to the creditor or another person; and
  - (iii) credit for any other purpose,and either or both different rates of interest and different charges are payable in relation to the credit provided for all or some of these purposes, it shall be assumed that the rate of interest and charges payable in relation to the whole of the credit are those applicable to the provision of credit for the purchase of goods, services land or other things;
- (f) it shall be assumed that the credit is repaid—
  - (i) in twelve equal instalments, and
  - (ii) at monthly intervals, beginning one month after the relevant date.

### Permissible tolerances in disclosure of an APR

2. For the purposes of these Regulations, it shall be sufficient compliance with the requirement to show an APR if there is included in the advertisement—

- (a) a rate which exceeds the APR by not more than one, or
- (b) a rate which falls short of the APR by not more than 0.1,

or in a case to which paragraph 3 or 4 of this Schedule applies, a rate determined in accordance with those paragraphs or whichever of them applies to that case.

### Tolerance where repayments are nearly equal

3. In the case of an agreement under which all repayments 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, there may be included in an advertisement relating to the agreement a rate

found under regulation 7 of the Total Charge for Credit Regulations as if that one repayment were equal to the other repayments to be made under the agreement.

**Tolerance where interval between relevant date and first repayment is greater than interval between repayments**

4. In the case of an agreement under which—
- (a) three or more repayments are to be made at equal intervals, and
  - (b) the interval between the relevant date and the first repayment is greater than the interval between the repayments,

there may be included in the advertisement relating to the agreement a rate found under regulation 7 of the Total Charge for Credit Regulations as if the interval between the relevant date and the first repayment were shortened so as to be equal to the interval between repayments.

**SCHEDULE 2** Regulations 4(1), 7(6), 8(1) and (6)

**INFORMATION TO BE CONTAINED IN A CREDIT  
ADVERTISEMENT**

**Amount of credit**

1. The amount of credit which may be provided under a consumer credit agreement or an indication of one or both of the maximum amount and the minimum amount of credit which may be provided.

**Deposit of money in an account**

2. A statement of any requirement to place on deposit any sum of money in any account with any person.

**Cash price**

3. In the case of an advertisement relating to credit to be provided under a debtor-creditor-supplier agreement, where the advertisement specifies goods, services, land or other things having a particular cash price, the acquisition of which from an identified dealer may be financed by the credit, the cash price of such goods, services, land or other things.

**Advance payment**

4. A statement as to whether an advance payment is required and if so the amount or minimum amount of the payment expressed as a sum of money or a percentage.

**Frequency, number and amount of repayments of credit**

5.—(1) In the case of an advertisement relating to running-account credit, a statement of the frequency of the repayments of credit under the advertised transaction and of the amount of each repayment stating whether it is a fixed or minimum amount, or a statement indicating the manner in which the amount will be determined.

(2) In the case of other credit advertisements, a statement of the frequency, number and amounts of repayments of credit.

(3) The amount of any repayment under this paragraph may be expressed as a sum of money or as a specified proportion of a specified amount (including the amount outstanding from time to time).

### **Other payments and charges**

6.—(1) Subject to sub-paragraphs (2) and (3) below, a statement indicating the description and amount of any other payments and charges which may be payable under the transaction advertised.

(2) Where the liability of the debtor to make any payment cannot be ascertained at the date the advertisement is published, a statement indicating the description of the payment in question and the circumstances in which the liability to make it will arise.

(3) Sub-paragraphs (1) and (2) above do not apply to any charge payable under the transaction to the creditor or any other person on his behalf upon failure by the debtor or a relative of his to do or refrain from doing anything which he is required to do or refrain from doing, as the case may be.

### **Total amount payable by the debtor**

7.—(1) Subject to sub-paragraph (2) below, in the case of an advertisement relating to fixed-sum credit to be provided under a consumer credit agreement which is repayable at specified intervals or in specified amounts and other than cases under which the sum of the payments within sub-paragraphs (a) to (c) below is not greater than the cash price referred to in paragraph 3, the total amount payable by the debtor, being the total of—

- (a) advance payments;
- (b) the amount of credit repayable by the debtor, and
- (c) the amount of the total charge for credit.

(2) Sub-paragraph (1) above does not apply in the case of an advertisement relating to a consumer credit agreement where the advertisement does not specify goods, services, land or other things having a particular cash price, the acquisition of which may be financed by credit.

## **SCHEDULE 3**

Regulations 4(1) and 7(7)

### **INFORMATION TO BE CONTAINED IN A HIRE ADVERTISEMENT**

#### **Deposit of money in an account**

1. A statement of any requirement to place on deposit any sum of money in any account with any person.

#### **Advance payment**

2. A statement as to whether an advance payment is required and if so the amount or minimum amount of the payment, expressed as a sum of money or as a percentage.

#### **Duration of hire**

3. In a case where goods are to be bailed under an agreement for a fixed period or a maximum or minimum period, a statement indicating that this is the case and the duration of that period.

#### **Frequency and amount of hire payments**

4. The frequency and amount of each hire payment stating, if it be the case, that it is a minimum amount and, in the case where the amount of any hire payment will or may be varied, a statement indicating that the amount will or may be varied and the circumstances in which that would occur.

**Other payments and charges**

5.—(1) Subject to sub-paragraphs (2) and (3) below, a statement indicating the description and amount of any other payments or charges which may be payable under the transaction advertised.

(2) Where the liability of the debtor to make any payment cannot be ascertained at the date the advertisement is published, a statement indicating the description of the payment in question and the circumstances in which liability to make it will arise.

(3) Sub-paragraphs (1) and (2) above do not apply to any charge payable under the transaction to the creditor or any other person on his behalf upon failure by the debtor or a relative of his to do or refrain from doing anything which he is required to do or refrain from doing, as the case may be.

**Variable payments and charges**

6. Where any payment or charge referred to in paragraph 4 or 5 may be varied under the hire agreement, except to take account only of a change in value added tax (including a change to or from no tax being charged), a statement indicating that this is the case.

## **EXPLANATORY NOTE**

*(This note is not part of the Regulations)*

These Regulations impose requirements concerning the form and content of advertisements that relate to the provision of credit and the hiring of goods. They replace the Consumer Credit (Advertisements) Regulations 1989 (“the 1989 Regulations”), which are revoked. By virtue of regulation 10, these Regulations do not apply in relation to advertisements for loans or the hire of goods to businesses, to financial promotions or to advertisements for mortgages which are a first charge on the borrower’s home.

Whereas the 1989 Regulations provided for simple, intermediate and full credit and hire advertisements, each subject to different requirements regarding the information to be included, these Regulations contain a single list of items of information for inclusion in credit advertisements (in Schedule 2) and a corresponding list for inclusion in hire advertisements (in Schedule 3). Regulation 4 provides that an advertisement containing particular items in the relevant Schedule must include all of the other items listed.

Regulations 5 and 6 re-enact regulations 4 and 5 of the 1989 Regulations.

Regulation 7 provides for warnings previously required only in the case of full and intermediate credit or hire advertisements to appear in the case of any credit or hire advertisement which relates to a facility for which security is required. Paragraph (2)(b) of this regulation, relating to advertisements for credit to discharge debts owed to other creditors, is a new provision.

Regulation 8 sets out new provisions relating to the annual percentage rate of charge for credit (“APR”). Advertisers are required to specify a typical APR in any advertisement that contains particular financial information, makes particular claims or offers incentives. The typical APR is the rate the advertiser expects to charge in at least two-thirds of the transactions he will enter into as a result of the advertisement. In advertisements for running-account credit, such as is provided by way of credit cards, the APR must be calculated on assumptions set out in paragraph 1 of Schedule 1; these differ from the assumptions applied by the 1989 Regulations as regards the amount of credit taken as having been advanced, the interest rate applied and the manner in which credit is repaid.

Regulation 9 extends the restrictions on the use of particular expressions in credit advertisements to include expressions indicating that the provision of credit is not subject to status requirements or that it attracts a gratuitous benefit.

A full regulatory impact assessment of the effect that this instrument will have on the costs to business is available from the Consumer and Competition Policy Directorate of the Department of Trade and Industry, 1 Victoria Street, London SW1H 0ET.





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STATUTORY INSTRUMENTS

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**2004 No.1484**

**CONSUMER CREDIT**

The Consumer Credit (Advertisements) Regulations 2004

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