
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.