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Inside this edition

New Rules For Loans And Consumer Credit

The Credit Contracts and Consumer Finance Act 2003 ("Act") came into effect on 1 April 2005. It replaces the Credit Contracts Act 1981 ("CCA") and is designed to simplify and update the laws relating to the provision of credit.

Why Change?

The provisions of the CCA were quite complicated and some of the concepts were not well understood. As a result, the purpose of the CCA, (to simplify the disclosure of financial terms such as the finance rate, interest rate and other charges to debtors), was often not achieved. Furthermore, the CCA did not provide any real means of redress for debtors with the result that its provisions tended to be disregarded by creditors.

The purpose of the new Act is to ensure that the interests of debtors who are entering into credit contracts are protected by ensuring that proper information is given to them as to the calculation of costs, fees, charges and interest charges in relation to the credit contract. Furthermore, it is designed to prevent oppressive terms or conduct by creditors.

Which Contracts Does The Act Apply To?

The Act is mainly concerned with "consumer credit contracts". The key requirements for a consumer credit contract are:

- The debtor must be a natural person and must enter into the contract primarily for "personal, domestic household purposes"; **and**
- Interest and/or credit fees are payable, and/or a security interest is being taken by the creditor; **and**
- The creditor must be in the business of providing credit or makes a practice of doing so in the course of another business.

The Act does not apply to companies, incorporated societies or family trusts.