

The New Credit Advertising Rules

Aberdeenshire Council
Trading Standards



BACKGROUND

From October 31st 2004 the old Consumer Credit Advertising Regulations will cease to apply to credit advertisements. The old rules setting out information to be contained in Simple, Intermediate and Full adverts will go completely. In their place come the Consumer Credit (Advertisements) Regulations 2004.

The aim of these guidance notes is to guide retailers through the rules that will most often affect them.

BASICS

1. There will no longer be “categories” of adverts. Instead, certain pieces of credit information will trigger the appearance of other pieces of information.
2. The way a typical APR is calculated has fundamentally changed. Your credit provider should be able to assist you with the implications of the changes.
3. A business offering “sub-prime” credit (i.e. credit to those who consider their access to credit restricted) will ALWAYS have to state a typical APR.
4. Rules on layout of the advert and prominence of the APR have changed.
5. The best news for many retailers is that you can now state “finance available” without any other credit information being needed.

GENERAL REQUIREMENTS

Every advert must :

- Use plain and intelligible language
- Be easily legible (or clearly audible)
- Specify the name of the advertiser (i.e. normally the name on the licence)

CONTENTS OF ADVERTS - “IF” and “THEN”

If the **amount** of any one the items appearing in the “IF” column appears in your advert (the “triggers”), then ALL of those items in the “THEN” column also have to appear.

IF	THEN
<ul style="list-style-type: none">• Amount of repayments <p style="text-align: center;"><i>OR</i></p> <ul style="list-style-type: none">• Amount (or percentage) of other payments or charges (eg brokers fees) <p style="text-align: center;"><i>OR</i></p> <ul style="list-style-type: none">• Total amount payable	<ul style="list-style-type: none">• Amount of credit• Cash price• Advance payment (deposit)• Repayments (number, amount and frequency)• Other payments• Total amount payable• Postal address

CONTENT - WHEN AN APR IS NEEDED

The **typical APR** is needed if **any** of the following appear in the advert:

- Repayments (number, frequency or amount)
- Information on or amount of any other payments (eg “brokers fee payable”)
- Total amount payable
- Any other rate of charge
- That credit is available on favourable terms or with an incentive (“low rate finance available”, “no deposit”, “free gifts”)
- Any indication* that credit is available to those who might find access to credit difficult (“CCJs no problem”)

*Note that the term “indication” can include a trading name or website address (eg www.non-status-loans.co.uk)

WHAT IS THE TYPICAL APR?

It is the APR at or below which you expect to do 66% of your business as a result of the advert. Your finance providers should be able to help you with the correct typical APR for your adverts.

When this is stated in an advert it must be in the form “11.5% APR typical” or “typical 11.5% APR”.

CAN I SHOW A RANGE OF APRS ?

A range of APRs can only be shown if, with equal prominence, it includes both the lowest APR which is expected to apply to not less than 10% of the resulting agreements, and the highest APR expected to apply. This will also trigger the requirement to show the typical APR with the required prominence.

LAYOUT AND PROMINENCE

Most credit information now has to appear together and, unless the Regulations state otherwise, **with equal prominence**. If you have a website, then customers should not have to click on any links to see all the required information.

The typical APR has to be of **greater prominence** than any other rate of charge, indication* or incentive AND at least one and a half times the **size** of any of the remaining items of credit information that have been mentioned either above or in the table (with the exception of the address).

RESTRICTED EXPRESSIONS

- Statements about weekly equivalent payments are not allowed unless the agreement provides for them
- Statements such as “Loan guaranteed” or “pre approved” are only allowed where there will be no credit status check
- No deposit etc, means no advance payments
- Interest free etc requires the total amount payable to be equal to the cash price
- Gifts or presents are only allowed where there are no terms which would require the return of the credit or item that are the subject of the claim.

SECURED LOANS

Most mortgage advertising is now controlled by the Financial Services Authority. For guidance see their website at www.fsa.gov.uk

For other secured loans the general warning which must be shown is:

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

There are other warnings if the loan is for debt consolidation, equity release or a foreign currency mortgage. Please ask for details.

FURTHER ADVICE IS AVAILABLE FROM:

Aberdeenshire Council
Trading Standards.
Gordon House, Blackhall Road, Inverurie,
AB51 3WA
Tel: 01467 628323 Fax: 01467 628117

Aberdeenshire Council
Trading Standards.
10 Commerce Street, Fraserburgh
AB43 9AQ
Tel: 01346 510505 Fax: 01346 510484

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