



BANK OF ZAMBIA

OFFICE OF THE DEPUTY GOVERNOR - ADMINISTRATION

BOZ/EXEC/DGA/banksup/nc

4th November, 2015

CB Circular No: 19/2015

To: All Financial Service Providers

REMOVAL OF INTEREST RATE CAPS AND CONSUMER PROTECTION MEASURES

The Bank of Zambia hereby informs all financial service providers that interest rate caps have been removed with effect from 4th November 2015.

Consequently, CB Circular No. 25/2012 and NB Circular No. 08/2012, which introduced effective interest rate caps for commercial banks and non-bank financial institutions and all other related circulars in which the Bank of Zambia revised effective interest rate caps based on changes to the margins or the factors have been withdrawn.

With the removal of interest rate caps, the Bank of Zambia expects financial service providers to be transparent in the pricing of credit products and to engage in responsible lending practices that are fair to both the credit providers and the borrowers.

A. Introduction of Consumer Protection Measures

Further, the Bank of Zambia hereby informs all financial service providers that in order to protect consumer borrowers (natural persons) from being disadvantaged by the financial services industry and also to ensure that consumers have sufficient information which will assist them in making borrowing decisions, the following measures have been introduced:

1. A financial service provider shall ensure that the would be borrower understands the key terms and conditions of the credit agreement before this is concluded with the borrower;
2. A financial service provider shall disclose the interest and all related costs of the borrowing to the potential borrower;
3. A financial service provider shall base any fees charged to the borrower on the actual cost of the underlying service or operational activity and shall display such fees at all its branches; and

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4. The borrower's understanding of the credit agreement will be signified by the borrower signing off on the Key Facts Statement for Consumer Credit (see template in Annex 1). These statements will be subject to review by the Bank of Zambia from time to time.

B. Review of Unreasonable Fees by the Bank of Zambia


The Bank of Zambia shall review fees being charged by the financial service providers for reasonableness and being reflective of the actual cost of providing the underlying service or operational activity. Where the Bank of Zambia concludes that the fees are unreasonable and/or not reflective of the actual cost of providing the service, it shall consider such incidences as constituting unsafe and unsound practices as provided for under Section 77 of the Banking and Financial Services Act.

C. Sanctions

A financial service provider or an officer of a financial service provider who breaches the provisions of this Circular shall be liable to the sanctions contained in the Banking and Financial Services Act.

D. Effective Date

The withdrawal of CB Circular No. 25/2012 and NB Circular No. 08/2012 shall be effective on 4th November, 2015. Consequently, the measures stipulated in this Circular shall apply to all new credit facilities granted from 4th November, 2015 onwards.



Dr Tukiya Kankasa-Mabula
DEPUTY GOVERNOR – ADMINISTRATION

Cc Governor
Deputy Governor -- Operations
Senior Director – Supervisory Policy

ANNEX 1

KEY FACTS STATEMENT FOR CONSUMER CREDIT

Review carefully before agreeing to a loan.

You have the right to get a copy of the full loan agreement.

SECTION I: KEY TERMS					
LOAN SUMMARY		COST OF CREDIT		REPAYMENT SCHEDULE	
1. Amount of Loan <i>Amount you are borrowing</i>	ZMW _____	4. Interest <i>Interest you will be charged on the loan</i>	ZMW _____	8. Date First Payment Due	__ / __ / __
2. Duration of Loan Agreement	_____	5. Other Fees and Charges <i>See details in Section III</i>	ZMW _____	9. Number of Payments	_____
3. Amount Received <i>Amount you actually receive from the lender</i>	ZMW _____	6. Annual Percentage Rate <i>Total Cost of Credit as a comparable annual percentage</i>	7. Total Cost of Credit <i>All costs for the loan, including interest and fees</i>	10. Payment Frequency	_____
		%	ZMW _____	11. Amount Per Payment <i>Includes capital, interest, and recurring fees</i>	ZMW _____

1. Amount of Loan <i>Amount you are borrowing</i> - ZMW _____	+	7. Total Cost of Credit <i>All costs for the loan, including interest and fees</i> ZMW _____	=	12. TOTAL AMOUNT YOU PAY <i>Total amount you pay after making all payments</i> ZMW _____
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SECTION II: RISKS TO YOU

- * Late or missing payments may be reported to a credit reference bureau and may severely affect your financial situation, collateral, and ability to reborrow. **
- * Your interest rate will change based on changes in the Bank of Zambia's Policy Rate. This change will affect the duration of your loan and your repayment amount. **

SECTION III: YOUR RIGHTS AND OBLIGATIONS

- **Any questions or complaints?** Call [TELEPHONE], email [EMAIL ADDRESS], or write to [MAILING ADDRESS] to contact us regarding your question or complaint.
- **Unsatisfied with our response to your question or complaint?** Contact the Bank of Zambia for help at [TELEPHONE] or [EMAIL], write to [ADDRESS], or visit [WEBSITE].
- **Want to pay off your loan early?** You can do so without any penalties or fees. For more information please call [TELEPHONE].
- **You are required to make payments on your loan according to your loan agreement and to notify us of any important changes in your situation.**

SECTION IV: UPFRONT AND RECURRING FEES

UPFRONT FEES	UPFRONT FEES	RECURRING FEES
Arrangement fee <input type="checkbox"/> ZMW _____	Collateral appraisal <input type="checkbox"/> ZMW _____	Credit life insurance <input type="checkbox"/> ZMW _____ per _____
Documentation fee <input type="checkbox"/> ZMW _____	Drawdown fee <input type="checkbox"/> ZMW _____	Management fee <input type="checkbox"/> ZMW _____ per _____
Other (list all): <input type="checkbox"/> ZMW _____ _____ _____		
TOTAL UPFRONT AND RECURRING FEES AND CHARGES (EXCLUDING INTEREST)		ZMW _____

SECTION V: IMPORTANT TERMS AND CONDITIONS TO CONSIDER

LATE PAYMENT PENALTIES	TERMS AND CONDITIONS	TERMS AND CONDITIONS
<input type="checkbox"/> Late fees if payment is more than [] days late: ZMW _____	<input type="checkbox"/> Cash deposit/ mandatory savings: ZMW _____	Variable interest rate applies <input type="checkbox"/>
<input type="checkbox"/> Default interest if payment is more than [] days late: _____ % per _____	COLLATERAL: You are committing the following as collateral: _____	Other: _____ <input type="checkbox"/>

SECTION VI: REPAYMENT SCHEDULE

Payment Number	Payment Due Date	Payment Amount	Principal	Interest and Other Fees and Charges	Remaining Balance
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
TOTAL					

** This information is not final until signed by all parties, and does not replace the loan agreement.**

** This information is valid for [TIME PERIOD]. **

CERTIFIED CORRECT:

I ACKNOWLEDGE RECEIPT OF THIS STATEMENT PRIOR TO SIGNING THE LOAN AGREEMENT:

I ACKNOWLEDGE RECEIPT OF THIS STATEMENT PRIOR TO SIGNING THE GUARANTEE:

Credit provider representative

Borrower

Guarantor (if applicable)

Name of Borrower:	Application No:	Date prepared:
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