

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which the Bank of Zambia revised effective interest rate caps based on changes to the margins or the factors have been withdrawn.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

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

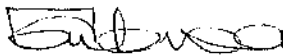
The Bank of Zambia shall review fees being charged by the financial service providers for reasonableness and being reflective of the actual cost of providing the underlying service or operational activity. Where the Bank of Zambia concludes that the fees are unreasonable and/or not reflective of the 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