



### **BANKING & FINANCE | Bank of Portugal Instruction on the maximum rates applicable to consumer loan agreements – Instruction No. 26/2009**

Decree-Law No. 133/2009 of 2 June ("Decree-Law") transposed the Directive on consumer credit facilities, establishing new rules in relation to such agreements.

Pursuant to the provisions of Article 28, paragraph 2, of the Decree-Law, the Bank of Portugal ("BoP") published Instruction No. 26/2009 (which enters in force on 1 January 2010), which discloses data on the average Annual Percentage Rate of Charge (APRC - *TAE*) prevailing in the various segments (defined for this purpose) of the consumer credit market, also setting forth, pursuant to the Decree-Law, the maximum APRC for each of the referred segments.

Under Article 28, paragraph 1, of the Decree-Law, the applicable maximum APRCs are determined based on the average APRC charged in each market segment by credit institutions in the previous quarter, accrued by a third. The maximum APRCs represent a limit to the rates that can be charged in each segment of consumer credit facilities, but in no case should be referred to as "legal rates of charge". The freedom of contract financing conditions remains, subject to compliance with these limits. Disclosure is made on a quarterly basis by BoP for the different types of consumer credit facilities, applying to agreements entered into during the following quarter.

Therefore, contracts on consumer credits covered by the Decree-Law and executed from January 2010 will observe the rules on maximum rates set out in Article 28, the maximum APRC applicable for the first quarter of 2010 having already been determined.

