

# Consumer Credit Act

Promulgated, SG No. 18/5.03.2010, effective 12.05.2010, amended and supplemented, SG No. 58/30.07.2010, effective 31.08.2010, SG No. 91/20.11.2012, effective 1.01.2013, amended, SG No. 30/26.03.2013, effective 26.03.2013, amended and supplemented, SG No. 35/22.04.2014, effective 23.07.2014, SG No. 61/25.07.2014, effective 25.07.2014, amended, SG No. 14/20.02.2015, SG No. 57/28.07.2015

Text in Bulgarian: Закон за потребителския кредит

## Chapter One

### GENERAL PROVISIONS

**Article 1.** This Act regulates:

1. the requirements to credit agreements for consumers, including where the latter has been concluded through an intermediary, as well as the advertising concerning this type of agreement;
2. the requirements for the pre-contractual information and the method of calculating of the annual percentage rates of charge for agreements referred to in point 1;
3. the right of consumers to withdraw from the consumer credit agreement concluded as well as the right of early repayment of the credit;
4. the right of access to out-of-court procedures for solving disputes related to consumer credit agreements.

**Article 2.** This Act aims at providing protection to consumers by establishing equal conditions for obtaining consumer credits as well as by promoting a responsible behaviour on the part of creditors when providing consumer credits.

**Article 3.** (1) The provisions of this Act shall also apply in the events where several credit agreements are concluded between the consumer and the creditor and their total amount exceeds the maximum amount specified in Article 4, paragraph 1, sub-paragraph 1, or where the conclusion of these agreements aims at or has as a result circumventing of the law.

(2) The provisions of this Act shall also apply to credit agreements in the form of an overdraft facility, where the credit must be repaid within a deadline longer than three months.

(3) The provisions of this Act shall also apply to hiring or leasing agreements, providing for an opportunity to purchase the goods - subject of the agreement.

**Article 4.** (1) The provisions of this Act shall not apply to:

1. (amended, SG No. 35/2014, effective 23.07.2014) credit agreements involving a total amount of more than BGN 147,000 or their equivalent in another currency based on the exchange rate of the Bulgarian National Bank as at the date on which the agreement was concluded;

2. (amended, SG No. 58/2010, effective 31.08.2010, SG No. 35/2014, effective 23.07.2014) credit agreements or agency agreements for providing credits, which are secured either by a mortgage or by another comparable security on immovable property; in connection with this type of agreement the provisions of Articles 5 and 6, Article 9, paragraphs 3 and 4, Articles 10 and 10a, Article 11, paragraph 1, sub-paragraphs 1 - 7, 9 - 20 and 22 - 27 and paragraphs 2, 3 and 4, Articles 14, 16, 17, 18, 25, Article 32, paragraphs 1 and 2, paragraph 3, sub-paragraphs 1 and 2 and paragraphs 5 - 8, Articles 33 and 33a, and § 1 of the Additional Provisions shall apply;

3. (amended, SG No. 58/2010, effective 31.08.2010, SG No. 35/2014, effective 23.07.2014) credit agreements and/or agency agreements for providing credits the purpose of which is to acquire or retain property rights in land or in another immovable property, including an existing or projected building; in connection with this type of agreement the provisions of Articles 5 and 6, Article 9, paragraphs 3 and 4, Articles 10 and 10a, Article 11, paragraph 1, sub-paragraphs 1 - 7, 9 - 20 and 22 - 27 and paragraphs 2, 3 and 4, Articles 14, 16, 17, 18, 25, Article 32, paragraphs 1 and 2, paragraph 3, sub-paragraphs 1 and 2 and paragraphs 5 - 8, Articles 33 and 33a, and § 1 of the Additional Provisions shall apply;

4. hiring or leasing agreements where an obligation to purchase the subject of the agreement is not laid down either by the agreement itself or by any separate agreement between the parties; such an obligation shall be deemed to exist if the agreement envisages that the creditor may decide unilaterally to transfer ownership;
5. credit agreements under which no interest or any other expenses to the consumer are charged;
6. credit agreements with a deadline for repayment of the credit within three months and under which only insignificant charges are payable;
7. credit agreements where the credit is granted by an employer to his employees, the said agreements being outside the main scope of the employer's activities, free of interest or at annual percentage rates of charge lower than those prevailing on the market and which are not offered to the public generally;
8. credit agreements which are concluded with investment intermediaries in the meaning of the Markets in Financial Instruments Act or with credit institutions in the meaning of the Credit Institutions Act for the purposes of allowing an investor to carry out a transaction relating to one or more financial instruments in the meaning of the Markets in Financial Instruments Act, where the investment intermediary or credit institution granting the credit is involved in such transaction;
9. credit agreements which are the outcome of a settlement reached in court or before another statutory authority;
10. credit agreements which relate to the deferred payment of an existing debt, for which the consumer does not owe charges;
11. credit agreements upon the conclusion of which the consumer is requested to deposit an item as security in the creditor's safe-keeping and where the liability of the consumer is strictly limited to that pledged item;
12. credit agreements which relate to loans granted to a restricted public under a statutory provision with a general interest purpose, and at lower interest than those prevailing on the market or free of interest or at interest rates not higher than those prevailing on the market or on other terms which are more favourable to the consumer than those prevailing on the market;
13. credit agreements where the credit is granted by mutual aid funds and co-operatives to their members, free of interest or at lower interest rates than those prevailing on the market;
14. credit agreements in the form of an overdraft facility where the credit has to be repaid within one month, except for the cases specified in Article 8, paragraph 7.

(2) (Amended, SG No. 35/2014, effective 23.07.2014) The provisions of this Act, except for the provisions of Article 1, item 14, and Articles 1, 2, 3, 7, 8, Article 9, paragraph 1, Article 10, Article 11, paragraph 4, Article 12, Articles 15 - 24, Article 25, paragraph 1, sub-paragraphs 1 - 3, Articles 2, 3, 5 and 6, Articles 26 - 28, Articles 36 - 48, 50, 52 - 55 and § 1, items 1 - 11 of the Additional Provisions, shall not apply to credit agreements in the form of an overdraft facility, where the credit must be repaid on demand or within three months.

(3) The provisions of this Act, except for the provisions of Articles 1, 2, Article 3, paragraph 2, Articles 9 - 13, 20 - 24, 37 - 44, 46, 52 - 55 and § 1, points 1 - 11 of the Additional Provisions, shall not apply to agreements for opening an account related to the credit, where the consumer can exceed the balance in the account or the agreed overdraft limit.

## **Chapter Two**

### **PROVISION OF PRE-CONTRACTUAL INFORMATION**

#### **Section I**

##### **General Requirements**

**Article 5.** (1) Before the consumer is bound by any offer or credit agreement, the creditor or the credit intermediary shall provide the consumer, on the basis of the preferences expressed by the consumer and the credit terms and conditions offered by the creditor, with the information needed to compare different offers in order to take an informed decision on whether to conclude a credit agreement.

(2) The information referred to in paragraph 1 shall be provided by means of the Standard European Consumer Credit Information form set out in Annex No. 2.

(3) In the cases specified in Article 4, paragraph 1, sub-paragraphs 2 and 3 the creditor or the credit intermediary shall provide the consumer with pre-contractual information with the contents specified in Annex No. 4.

(4) (Amended and supplemented, SG No. 35/2014, effective 23.07.2014) The information referred to in paragraphs 1, 2, 3, 9 and 13 shall be provided to the consumer free of charge, on paper or on another durable medium, in a clear and comprehensible manner, and all components of the information and the general terms and conditions shall be provided with the same font type, format and size - not smaller than 12.

(5) The forms containing the pre-contractual information referred to in paragraphs 2 and 3 shall be completed entirely by the creditor.

(6) The creditor shall provide the pre-contractual information in the Bulgarian language.

(7) All additional information the creditor may wish to give to the consumer, shall be provided in a separate document which may be annexed to the Standard European Consumer Credit Information form referred to in paragraph 2.

(8) The creditor shall be obliged to display in a visible place in the premises where clients are serviced, at the disposal of all interested individuals, intelligible information in a written form about the general terms and conditions, the tariffs and the procedures in accordance with which the creditor provides consumer credits.

(9) Where the consumer credit is provided using a means of distance communication, the creditor shall provide the consumer with the Standard European form set out in Annex No. 2.

(10) In the case where a telephone or another means of voice communication is used as a means of communication, the creditor shall provide the consumer, in addition to the information specified in Article 9 of the Distance Financial Services Act, information about:

1. the total amount of credit and the conditions governing the drawdown;

2. the duration of the credit agreement;

3. the good or service and its cash price - in the case of a credit in the form of deferred payment for a specific good or service and linked credit agreements;

4. the borrowing interest rate, the conditions governing the application of the borrowing interest rate and any index or reference interest rate applicable to the initial interest rate, as well as the periods, conditions and procedure for changing the interest rate; if different interest rates apply in different circumstances, the abovementioned information shall be provided on all the applicable rates;

5. the amount, number and frequency of payments to be made by the consumer and, where appropriate, the order in which payments will be allocated to different outstanding balances charged at different interest rates for the purposes of reimbursement;

6. the annual percentage rate of charge, illustrated by means of a representative example;

7. the total amount owed by the consumer.

(11) At the consumer's request the creditor shall supply him/her in advance free of charge with a copy of the draft credit agreement. If the creditor is at the time of the request unwilling to proceed to the conclusion of the credit agreement with the consumer, it may refuse to supply such a copy.

(12) In the case of a credit agreement under which payments made by the consumer do not give rise to an immediate corresponding repayment of the total amount of credit, but are used to constitute funds with the creditor during periods and under conditions laid down in the credit agreement or in an ancillary agreement, the pre-contractual information shall include a clear and understandable statement that such credit agreements do not provide for a guarantee by a third party of repayment of the total amount of credit drawn down under the credit agreement, unless such a guarantee is given.

(13) If the credit agreement for the consumer has been concluded at the consumer's request using a means of distance communication in the meaning of the Distance Financial Services Act which does not enable the pre-contractual information to be provided on paper or on another durable medium, as well as in the cases specified in Article 10, the creditor or the credit

intermediary shall provide the pre-contractual information using the form referred to in paragraph 2 immediately after the conclusion of the credit agreement.

(14) (New, SG No. 61/2014, effective 25.07.2014) The creditor or, where applicable, the credit intermediary shall also have the obligations specified in Article 8, paragraphs 2 - 5, before the consumer is bound by any offer or consumer credit agreement, providing for deferred payments or another mechanism for repayment of liabilities stemming from the original consumer credit agreement, under which a default already exists, if the offer or agreement achieves out-of-court settlement of the relationships and the terms and conditions offered to the consumer are not more unfavourable than these under the original consumer credit agreement.

**Article 6.** Creditors and credit intermediaries shall provide adequate explanations to the consumer, in order to place the consumer in a position enabling him to assess whether the proposed credit agreement is adapted to his needs and to his financial situation, and shall explain the pre-contractual information to be provided in accordance with Article 5, the essential characteristics of the products proposed and the specific effects they may have on the consumer, including the consequences in case of default in payment by the consumer.

**Article 7.** (1) The provisions of Articles 5, 6 and 8 shall not apply to suppliers of goods or services acting as credit intermediaries, where their activity as credit intermediaries is not the main subject of their commercial or professional activities.

(2) In the cases referred to in paragraph 1 the creditor shall provide the consumer with the full pre-contractual information.

## **Section II**

### **Providing of pre-contractual information concerning overdraft agreements**

**Article 8.** (1) Before the consumer is bound by any offer or agreement concerning an overdraft facility, the creditor and, where applicable, the credit intermediary shall provide the consumer in a timely manner, on the basis of the preferences expressed by the consumer and the credit terms and conditions offered by the creditor, with the information needed to compare different offers for overdraft agreement in order to take an informed decision.

(2) The information referred to in paragraphs 1 shall be provided by means of the Standard European Overdraft Information form set out in Annex No. 3.

(3) The information referred to in paragraphs 1, 2, 6 and 10 shall be provided to the consumer free of charge, on paper or on another durable medium, in a clear and comprehensible manner, and all components of the information shall be provided with the same font size, type and format.

(4) The form containing the pre-contractual information referred to in paragraph 2 shall be completed entirely by the creditor.

(5) The creditor shall provide the pre-contractual information in the Bulgarian language.

(6) Where the overdraft facility is provided in the form of a distance financial service, the creditor shall provide the consumer with the Standard European form referred to in paragraph 2.

(7) In the case where a telephone or another means of voice communication is used as a means of communication, and the consumer wishes to obtain an overdraft facility immediately, the supplier shall provide the consumer, in addition to the information specified in Article 9 of the Distance Financial Services Act, information about:

1. the total amount of the credit;
2. the borrowing interest rate, the conditions governing the application of that rate, any index or reference interest rate applicable to the initial interest rate, the charges applicable from the time the overdraft agreement is concluded, and, where applicable, the conditions under which those charges may be changed;
3. the annual percentage rate of charge, illustrated by means of representative examples mentioning all the assumptions used in order to calculate that rate;
4. an indication that the consumer may be requested to repay the amount of credit in full at any time;
5. the duration of the overdraft agreement.