

# Consumer Credits Related to Immovable Property Act

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Text in Bulgarian: Закон за кредитите за недвижими имоти на потребители

## Chapter One GENERAL PROVISIONS

**Article 1.** (1) This Act regulates the requirements for providing immovable property credit to consumers, the conditions and procedures for registration of credit intermediaries, as well as the supervision of credit intermediaries.

(2) Within the meaning of this Act, immovable property credits are credits secured by a mortgage or another comparable security related to immovable property and credits aimed to acquire or retain the right in rem in respect of immovable property.

**Article 2.** This Act is aimed to:

1. ensure the protection of consumers by creating conditions for consumers to make informed decisions when taking out immovable property credit;
2. provide conditions for creditors and credit intermediaries to act responsibly when providing immovable property credit to consumers;
3. encourage the responsible behaviour of consumers when taking out immovable property credit in order to prevent their excessive indebtedness.

**Article 3.** The provisions of this Act shall not apply in respect of:

1. equity release agreements, where the creditor provides the consumer with a lump sum, periodic payments and/or other forms of disbursement in return for a sum deriving from the sale of immovable property or a right relating to immovable property and where the creditor will not seek repayment of the credit until the occurrence of one or more specified life events of the consumer, unless the consumer breaches his contractual obligations which allows the creditor to terminate the credit agreement;
2. credit agreements, where the credit is granted by an employer to its workers and employees – as an activity which is outside the employer's scope of business - and offered free of interest or at annual percentage rate of charge (APRC) which is lower than that prevailing on the market and not offered to persons other than his workers and employees;
3. credit agreements, where the credit is granted free of interest and without any other charges for the consumer except those that recover costs directly related to the securing of the credit;

4. credit agreements in the form of an overdraft facility, whereby the credit has to be repaid within one month;

5. credit agreements which result from a settlement reached in court or before another statutory authority;

6. credit agreements which relate to the deferred payment – free of charge for the consumer – of an existing debt and which are not secured by a mortgage or another comparable security related to immovable property;

7. credit agreements to be concluded with a restricted public under statutory provisions with a general interest purpose which are free of interest or at interest lower than that prevailing on the market or on other terms and conditions which are more favourable to the consumer than those prevailing on the market and at interest not higher than that prevailing on the market;

8. credit agreements which are concluded by credit unions and cooperatives with their members and which are interest free or at interest lower than that prevailing on the market.

**Article 4.** In the case of credit agreements under Article 3, Paragraph 7 and 8, at the stage of pre-contractual relations, creditors are required to provide consumers with timely information about the main characteristics, risks, and costs associated with the granting of credit.

## **Chapter Two PROVISION OF INFORMATION**

### **Section I Provision of general information**

**Article 5.** (1) Creditors shall ensure that general information is made available to consumers about credit agreements related to immovable property (hereinafter referred to as "credit agreement(s)" in order to guide the consumer in making informed decisions when taking out an immovable property credit (hereinafter referred to as "credit").

(2) The creditor or the tied credit intermediary shall make sure that the consumer is provided with general information, at all times, about credits offered, including:

1. data identifying the creditor or the tied credit intermediary, as the case may be, including permanent address or seat and registered office, respectively;

2. the purposes for which the credit may be used;

3. the types of security, including, where applicable, the possibility for the security to be located in a different Member State;

4. the possible duration of the credit agreement;

5. a statement that the consumer has at least 14 days, from the date of receiving the draft credit agreement, to take a decision to enter into the credit agreement;

6. the type of borrowing rate (fixed and/or variable) applicable to the credit, along with a short description of the characteristics of the fixed and/or variable rate, including related implications for the consumer;

7. where applicable to the credit, an indication of the foreign currency or currencies, including an explanation of the risks arising for the consumer from any possible fluctuations in the exchange rate of the foreign currency or currencies which may affect the amount of the total amount to be paid by the consumer; this requirement does not apply to credits offered in euro to consumers whose income is Bulgarian lev and to credits offered in Bulgarian lev to consumers whose income is in euro.

8. a representative example of the total amount of the credit, the total cost of the credit for the consumer, the total amount payable by the consumer, and the APRC;

9. an indication of possible further costs associated to the credit which are not included in the total cost of the credit for the consumer, to be paid in connection with the credit agreement;

10. the different options for repaying the credit, including the number, frequency, and amount of the regular repayment instalments;

11. in the case of interest-only credits, a clear and precise statement that compliance with the terms and conditions of the credit agreement does not guarantee repayment of the total amount of credit;

12. the conditions directly relating to early repayment of the credit;

13. where a valuation of the property is necessary, who is responsible for ensuring that the valuation is carried out and whether any costs arise for the consumer;

14. the ancillary services that the consumer is obliged to acquire in order to obtain the credit or to obtain it on the terms and conditions marketed and, where applicable, a clarification that the ancillary services may be purchased from a provider that is not the creditor;

15. a warning concerning possible consequences of non-compliance with the commitments associated with the credit agreement.

(3) The information under Paragraphs 1 and 2 shall be provided to consumers on paper or on another durable medium in clear and comprehensible terms, or access shall be provided to this information in electronic form, whereby all information elements shall be presented in the same font type, format, and font size (at least 12).

## **Section II**

### **Provision of pre-contractual information**

**Article 6.** (1) The creditor or the credit intermediary shall provide the consumer with personalised information about the credit offer needed to compare it with other credits available on the market and to also assess the possible implications for the consumer and make an informed decision on whether to conclude a credit agreement.

(2) The information referred to in Paragraph 1 shall be provided to the consumer:

1. without undue delay after the creditor or credit intermediary has obtained the necessary information about the consumer's needs, financial situation, and preferences and in good time before the consumer receives a binding offer or is bound by a credit agreement;

2. on paper or on another durable medium;

3. using the European standardised information sheet, as set out in Appendix No. 2.

4. in the Bulgarian language or another language, if agreed upon by the parties.

(3) The creditor shall fill in all the applicable information in the European standardised information sheet, as set out in Appendix No. 2.

(4) When granting a credit under a distance credit agreement within the meaning of the Distance Marketing of Financial Services Act, the creditor or the credit intermediary shall provide the consumer with the European standardised information sheet, as set out in Appendix No. 2, prior to the conclusion of the credit agreement.

(5) Any additional information which the creditor or the credit intermediary may provide to the consumer shall be given in a separate document to be annexed to the European standardised information sheet, as set out in Appendix No. 2.

(6) The creditor must post – at a prominent place in the customer service areas and on its website – accessible written information about the creditor's general terms and conditions and tariffs for the granting of credit.

(7) When using a telephone or another type of voice telephony communications, the creditor shall provide the consumer both with the information referred to in Article 9 of the Distance Marketing of Financial Services Act and with the information specified in Part A, sections 2 – 5 of Appendix No. 2.

(8) Where a credit agreement has been concluded via a device for remote communication within the meaning of the Distance Marketing of Financial Services Act, Article 10, Paragraph 2 of that Act shall not apply. In this case, the creditor or credit intermediary shall provide the consumer with the European standardised information sheet, as set out in Appendix No. 2 of this Act.

### **Section III**

#### **Provision of information by credit intermediaries**

**Article 7.** (1) In good time before providing any of its services, the credit intermediary shall provide the consumer with at least the following information, on paper or on another durable medium:

1. data identifying the credit intermediary, including permanent address or seat and registered office, respectively;

2. the register in which the credit intermediary has been included, the registration number, where applicable, and the means for verifying such registration;

3. whether the credit intermediary is tied to or works exclusively for one or more creditors, the names of the creditors for which it is acting; the credit intermediary may state that it acts as an independent advisor where it meets the conditions laid down in Article 32;

4. whether the credit intermediary offers advisory services;

5. the fees payable by the consumer to the credit intermediary for its services or, where it is not possible to indicate the fees, the method for calculating them;

6. the procedures for consumers or other interested parties to file complaints and the mechanisms for alternative dispute resolution;

7. commissions or other payments and their amount, where such are payable by the creditor or third parties to the credit intermediary for its services in relation to the credit agreement; where that amount is not known at the time of disclosure, the credit intermediary shall inform the consumer that the actual amount will be disclosed in the European standardised information sheet, as set out in Appendix No. 2.

(2) Credit intermediaries who are not tied but who receive commission payments from one or more creditors shall inform the consumer that the consumer is entitled to receive information on the variation in levels of commission payable by the different creditors under the credit agreements offered to the consumer.

(3) Where the credit intermediary charges fees to the consumer and additionally receives commission from the creditor or a third party, the credit intermediary shall inform the consumer whether the fee will be paid, either in part or in full, by the creditor.

(4) The fees payable by the consumer to the credit intermediary for its services, as well as their amount must be indicated in the agreement with the credit intermediary.

(5) For the purposes of calculating the APRC, the credit intermediary shall provide information to the creditor about the fees collected by the credit intermediary from the consumer.

## **Section IV**

### **Provision of explanations**

**Article 8.** (1) The creditor or the credit intermediary shall provide explanations to the consumer on the proposed credit agreement and any ancillary services related to the credit agreement which enable the consumer to assess whether the proposed credit agreement or ancillary services correspond to his needs and financial situation.

(2) The creditor or the credit intermediary, as the case may be, shall explain:

1. the pre-contractual information to be provided under Articles 6 and 7;