Simplified information sheet

prepared under the law on the accessibility
of products and services

Consumer credit

This simplified information sheet is intended for you as an interested person. You are either a customer of the bank or-would like to become one.
The **ABBL** has prepared this leaflet together with its members. The ABBL is the **A**ssociation des **B**anques et **B**anquiers, **L**uxembourg, (Luxembourg Bankers' Association).

The information sheet explains:

- What a consumer credit is
- How the credit agreement works
- Your rights as a client
- Your obligations as a client

Consumer credit is also called a consumer loan**.**

The information provided here is not legally binding. It does not create any obligation for you. It also does not oblige the bank to offer this service to you.

Some words are explained in the text. **Underlined** words are explained in a **glossary** at the end of this sheet.

By providing this information, the bank complies with Article 15 of **the Luxembourg law of 8 March 2023 on the accessibility of products and services** offered by companies.

This means that companies must provide clients with **easy access** to the products and services they offer. Clients should be able to understand and use the products and services, without assistance.
The aim is to enable **everyone to participate in social life**.

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1. What is a consumer credit?

A consumer credit is an agreement between the lender (the bank) and the borrower (the client: you alone or with one or more other people). The bank lends you money, **for private purchases** such as: furniture, cars, household appliances, or financing a personal project like a trip.
In exchange for the money advanced, you agree to repay the bank the loan amount plus interest.
Attention: You cannot use a consumer credit for buying a house or land, for construction work, or business purposes, for example, to start a company or to buy work equipment for your business.

In the **following text,** the consumer credit will simply be referred to as a "credit".

2. What happens BEFORE signing the credit agreement?

Before signing the contract, the bank must explain you how the credit works.
This information is called **pre-contractual information**. The information is provided through a document called **Standard European Consumer Credit Information (SECCI)**

The SECCI contains, among other information about:

- the duration of the credit
- the total cost of the credit
- the interest rate
- how you repay the money (e.g., monthly instalments)
- the conditions for early repayment
- the right of withdrawal
- what happens if you do not pay

The form is the same for all banks, so you can compare offers easily.

The bank must also assess your **financial solvency.** This means the bank **must verify if you** are able to **repay the credit**.

For this, the bank asks for information about:

- your income (salary, pensions, etc.)
- your expenses (rent, bills, other loans)
- your assets (money, real estate etc)
- any debts.

If you live in a country other than Luxembourg, the bank may check a database in that country. This database contains information about individuals' financial situation.
The bank then does a **credit analysis** and decides whether you will be granted the credit.

3. Do you have a reflection period?

The Luxembourg **Consumer Code** does not provide for a reflection period for consumer credits.
However, the bank **may voluntarily** offer a reflection period. If this is the case, the period will be described in detail in the Standard European Consumer Credit Information (SECCI) form.
This **means:**

- When you receive the credit offer, you have time to decide whether to accept it.
- During this reflection period, the bank cannot change the terms of its offer.

If you are a resident of a country other than Luxembourg, other rules may apply.

4. How is the credit agreement concluded?

The bank determine the terms and conditions of the credit, such as:

- Loan amount
- Duration
- Collateral (if needed)
- Interest rate
- Repayment method

The contract is then concluded in **writing a**nd **signed.**

5. How does the bank pay you the loan amount?

The contract states the conditions for payment**.**
The bank may require **collateral** before paying the money (see point 6). In this case, the loan amount is disbursed to you once the required collateral has been put in place.

6. Does the bank require collateral?

As part of a consumer credit agreement, the bank may decide that the loan is secured by collateral. This allows the bank **to protect** itself in case you do not repay the loan.
The collateral will be adapted:

- to the amount of the loan
- and to your repayment capacity

The collateral is described in the pre-contractual information, you receive before signing the contract.
Examples of collateral include:

- a car as **security**
- an insurance policy
- or a **guarantee** (another person pays if you do not)

If you do not repay the loan as agreed, the bank may use the collateral, for example, by selling the car.
However, the bank will always contact you before starting this procedure.

7. What interest will you pay?

When you **borrow money**, you must pay interest to the bank on the amount borrowed. This interest is called **debit interest**. The amount of this interest depends on the interest rate applied also known as the **debit interest rate.**

There are two types of interest rates:

- Fixed interest rates
- Variable interest rates

Consumer credits usually have a **fixed interest rate**.

8. What is a fixed interest rate?

A **fixed interest rate** (or fixed rate) remains the same for a specified period of time. This means that the amount of your repayments (monthly, quarterly, etc.) does not change during this period.
This duration is called the **fixed-rate period**.

The fixed-rate period can be shorter than the total duration of the contract. When this period ends, the bank agrees with you on a new borrowing rate and a new repayment plan for the remaining amount to be paid.

9. What is the Annual Percentage Rate (APR)?

The APR (in French: Taux Annuel Effectif Global - TAEG) represents in percentage the total cost of a consumer loan that you have to pay under the credit agreement.
Its purpose is to allow you to **easily compare different credit offers.**

10. How do you repay the credit?

You are required to repay the loan according to the terms of the credit agreement.
The credit agreement may provide for repayment through **regular payments**, for example every month, or for repayment of the loan **at the end of the contract**.

11. What happens if you do not repay the credit as agreed?

If you do not repay the loan as agreed, the bank may charge you late **interest and additional fees.**
The bank usually **contacts you first** to find a solution.

If delays continue or you do not react, the bank may take further measures, for example deduct money from your salary **(salary assignment)** (if agreed in the contract).

The bank always informs you in advance of what it intends to do to recover the amounts owed.

12. Can you repay the credit earlier than planned?

You can repay your loan **partially or in full before the end** of the contract — that is, before the agreed repayment date. This is called **early repayment**. However, you must first inform the bank in writing.

Attention: if you have a fixed-rate loan and you repay it early, the bank may charge an early repayment fee, because this could cause them costs.

The amount of this fee is regulated by the Luxembourg Consumer Code or, where applicable, by the law of your country of residence.

13. Do you have a right of withdrawal?

You have the right to withdraw from the contract **within 14 days after signing it** — this is called the right of withdrawal.

The 14-day period starts from the moment when:

- the contract is signed, and
- you have received all the required legal information.

The 14 days include weekdays as well as **Saturdays, Sundays, and public holidays.**

Before signing the contract, the bank must clearly explain your right of withdrawal and how to exercise it.

14. Can you end the credit agreement BEFORE the agreed date?

In principle, you can terminate the credit agreement at any time by repaying the borrowed amount plus any interest due**.**

If you want to repay the credit **before the end of the contract**, you must comply with the **notice period** stated in your credit agreement.

For a credit with a **fixed interest rate**, the bank may charge **compensation** for early repayment, as explained in point 12.

The bank may also terminate the credit agreement in specific cases, provided that it gives prior notice. These cases are defined in the contract — for example, if you stop repaying your loan, fail to meet your obligations, or in the event of death.

Glossary

- **Consumer Code :** A set of laws that protect customers' rights, for example in loan contracts.
- **Collateral :** The borrower gives a movable item as security (e.g., car, artwork). If the borrower doesn't repay the loan, the bank can sell the item to get its money back. This is called real security.
- **Debt interest:** The amount of money paid in addition to the borrowed amount. Example: Marie borrows €1000. She must repay €1,000 plus €50 in interest.
- **Debit interest rate:** The percentage (%) of the loan amount that the client must pay as interest. It represents the cost of borrowing the money.
- **Guarantee:** A person (called the guarantor) agrees to pay on behalf of the borrower if the borrower does not repay the loan.
- **Notice Period :** The time between the announcement of termination (e.g., ending a contract) and the date when the termination becomes effective (when the contract ends).
- **Security:** A contract in which the borrower (the customer) offers a movable item as security for a credit (for example, a car or a piece of art). If the credit is not repaid, the lender (the bank) can seize and sell the item to recover the money.
- **Pre-contractual information :** Information that the bank must provide to the client before signing the credit agreement. This helps the client understand the conditions of the loan.

- **Salary Assignment:** An agreement signed with the loan contract that allows the bank to deduct directly from your salary if you don't pay your instalments.
- **Standard European Consumer Credit Information (SECCI):** An official document containing all the key information about a credit (e.g., cost, interest rate, duration). All banks use the same document, making it easier to compare different credit offers.

A glossary is also available on the OSAPS website (www.osaps.lu)
You will find other banking terms explained there.