

Amendments to the Regulation on Consumer Credit and Mortgage Credit

May 2018



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Important amendments to the Regulation on Consumer Credit and Mortgage Credit ("the Regulation") were adopted in April 2018 by means of Decision no. 27 of the Supervisory Council of the Bank of Albania. These changes will enter into force on 1 June 2018.

The amendments introduce new concepts and significant changes to the existing provisions for pre-contractual information, contractual information and the right to convert the credit currency.

Introduction of "tying practice" and "bundling practice"

The amendments include the following two new definitions:

- **"Tying practice"** is the provision of a credit in a package, together with other distinct financial products or services, linked to the offered credit, where the credit is not offered to the consumer separately from those products or other services
- **"Bundling practice"** is the provision of a credit in a package, together with other distinct financial products or services, where the credit can be offered to the consumer even separately from these products or services but not necessarily with the same terms and conditions that would be provided along with these complementary products and services.

Under the amendments, the bank is prohibited to offer a tying practice to consumers but is allowed to offer a bundling practice to its customers.

Collateral and currency changes as part of pre-contractual information

Article 6 of the Regulation sets out that before a consumer is bound by any credit agreement, the Bank shall provide the consumer with the written information needed to compare different offers in order to take an informed decision on whether to conclude a credit agreement. In addition to the information specified in Article 6 such as the type of

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credit, the duration of the credit agreement, the effective interest rate, etc., the bank should also include the following information:

- The consumer's right to replace the collateral securing the credit and the conditions that should be met for this right to be used
- The consumer's right to convert the credit currency into another currency
- The consumer's right to be notified when the credit installment is increased by more than 20% due to a change in the exchange rate between the currency of the credit and the currency in which the consumer generates income on the date the agreement was signed
- The options (if any) that the bank offers to the consumer to mitigate the exchange rate risk for loans in currencies other than the currency in which the consumer generates income, as well as the conditions that should be met in order to benefit from these opportunities
- A detailed example that aims to attract consumer attention in cases where the consumer's income is in a currency different from the credit currency.

The right to convert the credit currency

The amendments to the Regulation present a new right for consumers to request the conversion of the currency into the currency in which they generate their income. The conversion can be done, subject to the bank's agreement, based on the results of the bank's most recent analysis or assessment on the currency in which the consumer generates income.

In case of conversion of the credit currency into the currency in which the income is generated, the exchange rate at which the conversion of the credit currency will be made shall be the official exchange rate of the bank on the day the conversion is executed, unless otherwise specified in the credit agreement.

The amended provision also sets out obligations for the bank to notify the consumer for credits disbursed in a currency other than the currency in which the consumer generates their income, where, as a result of the exchange rate change, the value of the installments increases by more than 20% from the value that would have resulted if the exchange rate at the signing date of the agreement had been applied .

Collateral and currency changes as part of contractual information

In addition to the information specified in Article 7 of the Regulation such as the type of credit, credit maturity term, purpose of credit, etc., the bank shall also include in the credit agreement provisions relating to:

- The consumer's right to replace the collateral given as a guarantee for non-payments of the credit and the conditions that should be met in order to obtain this right
- The consumer's right to convert the credit currency into another currency
- The consumer's right to be notified when the credit installment is increased by more than 20% due to a change in the exchange rate between the currency of the credit and the currency in which the consumer generates income on the date the agreement was signed

- The options (if any) that the bank offers to the consumer to mitigate exchange rate risk for loans in currencies other than the currency in which the consumer generates income, as well as the conditions that should be met in order to benefit from these opportunities.

For further information about the amendments, please do not hesitate to contact us.



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