



Province of Alberta

## CONSUMER PROTECTION ACT

# **COST OF CREDIT DISCLOSURE REGULATION**

### **Alberta Regulation 198/1999**

With amendments up to and including Alberta Regulation 120/2015

#### Office Consolidation

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(Consolidated up to 120/2015)

**ALBERTA REGULATION 198/99**

**Consumer Protection Act**

**COST OF CREDIT DISCLOSURE REGULATION**

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#### **Interpretation**

**1(1)** For the purposes of Part 9 of the Act and this Regulation, 2 persons are associates of each other if

- (a) one of them is the spouse or adult interdependent partner, child, sibling or business partner of the other, or
- (b) one of them is a corporation and a sufficient number of shares to elect a majority of its directors is owned by
  - (i) the other person,
  - (ii) one or more associates of the other person, or
  - (iii) the other person and one or more associates of the other person.

**(2)** For the purposes of Part 9 of the Act and this Regulation, an index rate is a rate that is made public at least weekly in a publication that has general circulation in the Province.

**(3)** For the purposes of Part 9 of the Act and this Regulation,

- (a) “high ratio mortgage” means a mortgage loan under which the amount advanced, together with the amount outstanding under any other mortgage that ranks equally with or prior to the mortgage loan, exceeds 80% of the market value of the relevant real property;

- (b) “mortgage loan” means a loan of money secured by a charge against real property;
- (c) “spouse” means the husband or wife of a married person but does not include a spouse who is living separate and apart from the person if the person and spouse have separated pursuant to a written separation agreement or if their support obligations and family property have been dealt with by a court order.

(4) For the purposes of section 69 of the Act, reasonable charges in respect of legal costs include solicitor and client costs.

AR 198/99 s1;143/2003;184/2008

### **Exemptions from Act**

**2(1)** Part 9 of the Act does not apply to the following:

- (a) a sale of a service by a public utility as defined in the *Public Utilities Act*;
- (b) a loan made by a life insurance company under a life insurance policy to the insured or his assignee solely on the security of the cash surrender value of the policy;
- (c) a loan made under the *Student Loan Act*, the *Students Finance Act*, the *Student Financial Assistance Act*, the *Canada Student Financial Assistance Act* (Canada) or the *Canada Student Loans Act* (Canada);
- (d) the payment of taxes under the *Municipal Government Act* or the *Metis Settlements Act*;
- (e) overdraft protection on a deposit account.

(2) Section 71 of the Act does not apply to mortgage loans.

AR 198/99 s2;158/2007;254/2007

## **Part 1 Disclosure Information**

### **General**

#### **Estimates and assumptions**

**3** Where a disclosure is required by Part 9 of the Act or this Regulation, the credit grantor may base the disclosure on an estimate or assumption where

- (a) the disclosure depends on information that is not ascertainable by the credit grantor at the time of disclosure, and
- (b) the estimate or assumption is reasonable and is clearly identified as an estimate or assumption.

**Advertisements**

**4** Where an advertisement contains information that under section 6, 7(2), 12(1) or 18 requires disclosure of the APR or other information in the advertisement,

- (a) the APR must be as prominent, in relation to looking at it, listening to it, or both, as the case may be, as any of the information that required the APR to be disclosed, and
- (b) any other information required to be disclosed must be conspicuous.

**Waiver**

**5(1)** A borrower may waive the time period for delivery of a disclosure statement referred to in section 64(2) of the Act if

- (a) the borrower has received independent advice regarding the legal effect of the waiver and a statement to that effect, signed by the lawyer providing the advice, is attached to the waiver,
- (b) the mortgage loan to which the waiver relates provides the borrower with prepayment rights that are as favourable to the borrower as those provided by section 68 of the Act for credit agreements that are not mortgage loans, or
- (c) any obligation to which section 64(2)(a) of the Act applies will be extinguished and any payment to which section 64(2)(b) of the Act applies will be refunded to the borrower by the credit grantor if the borrower notifies the credit grantor within 2 days after receiving the disclosure statement that the borrower intends to withdraw from or does not intend to enter into the credit agreement.

**(2)** A waiver under this section is effective only if

- (a) it is in writing and signed by the borrower, and
- (b) in the case of a waiver under subsection (1)(c), the waiver document clearly and prominently discloses the borrower's rights referred to in subsection (1)(c).

- (3) Where a borrower has waived the time period referred to in section 64(2) of the Act, the credit grantor must deliver the disclosure statement at the time of or before the earlier of the events described in section 64(2)(a) and (b) of the Act.
- (4) Any charge that is prescribed as value received by the borrower for the purposes of section 59(3) of the Act is also prescribed for the purposes of section 64(2)(a) and (b) of the Act.
- (5) In subsection (1)(a), “independent advice” means advice given by a person who is independent of the credit grantor.

### **Fixed Credit**

#### **Advertisements**

- 6(1)** This section applies only to advertisements that offer credit and state the interest rate or amount of any payment.
- (2) The information required to be disclosed for the purposes of section 76(1) of the Act is
- (a) the APR, and
  - (b) the term.
- (3) In addition to the information required under subsection (2),
- (a) an advertisement for a credit sale of a specifically identified product must disclose the cash price, and
  - (b) an advertisement for a credit sale in connection with which any non-interest finance charge would be payable must disclose
    - (i) the cash price, and
    - (ii) the total cost of credit,except that an advertisement on radio, television or a billboard or other media with similar time or space limitations is not required to disclose the total cost of credit.
- (4) Where any of the information required to be disclosed by subsections (2) and (3) would not be the same for all credit agreements to which the advertisement relates, the information must be for a representative transaction and must be disclosed as such.

**Advertising interest-free periods**

**7(1)** The information required to be disclosed for the purposes of section 76(2) of the Act must disclose whether

- (a) the transaction is unconditionally interest-free during the period, or
- (b) interest accrues during the period but will be forgiven under certain conditions.

**(2)** If interest accrues during the period but will be forgiven under certain conditions, the advertisement must also disclose

- (a) the conditions, and
- (b) the APR for the period, assuming the conditions for forgiveness of the interest are not met.

**Initial disclosure statement for fixed credit**

**8(1)** The initial disclosure statement for the purposes of section 77 of the Act for a scheduled-payments credit agreement must disclose the effective date of the statement and as much of the following information as is applicable:

- (a) for a credit sale, a description of the product;
- (b) the outstanding balance as of the effective date of the disclosure statement, accounting for every payment made by the borrower on or before the effective date;
- (c) the nature and amount of each advance, charge or payment accounted for in the outstanding balance disclosed under clause (b);
- (d) the term;
- (e) the amortization period, where it is longer than the term;
- (f) the date on which interest begins to accrue and the particulars of any grace period;
- (g) where the interest rate will not change during the term,
  - (i) the interest rate,
  - (ii) the circumstances under which unpaid interest will be added to principal, and
  - (iii) the application of payments as between interest and principal;

- (h) where the interest rate may change during the term,
  - (i) the initial interest rate, the circumstances under which unpaid interest will be added to principal and the application of payments as between interest and principal,
  - (ii) the method of determining the interest rate throughout the term, and
  - (iii) unless the amount of scheduled payments is adjusted automatically to account for changes in the interest rate, the lowest annual interest rate, based on the initial outstanding balance, at which the payments would not cover the interest that would accrue between payments;
- (i) the nature and amount of any charges, other than interest, that are not disclosed under clause (c) but that will be payable by the borrower in connection with the credit agreement;
- (j) the amount and timing of any advances to be made after the effective date of the disclosure statement;
- (k) the amount and timing of any payments to be made after the effective date of the disclosure statement;
- (l) the total of all advances made or to be made in connection with the credit agreement;
- (m) the total of all payments to be made in connection with the credit agreement;
- (n) the total cost of credit;
- (o) the APR;
- (p) the nature of any default charges provided for by the credit agreement;
- (q) a description of the subject-matter of any security interest;
- (r) for a mortgage loan, a statement of the conditions, if any, under which the borrower may make prepayments, and any charge for prepayment;
- (s) for a credit agreement other than a mortgage loan, a statement that the borrower is entitled to prepay the entire outstanding balance at any time without penalty and is entitled to make partial prepayments without penalty on any scheduled payment date;

- (t) the nature of, and the amount and timing of payments for, any optional services purchased by the borrower for which payments are to be made to or through the credit grantor;
  - (u) the borrower's right to cancel optional services of a continuing nature in accordance with section 67 of the Act.
- (2)** The initial disclosure statement for a credit agreement that is not a scheduled-payments credit agreement must
- (a) disclose as much of the information referred to in subsection (1)(a) to (c), (f) to (i), (l) and (o) to (u) as is applicable, and
  - (b) either disclose the circumstances under which the outstanding balance, or any portion of it, must be paid or refer to the provisions of the credit agreement that describe those circumstances.

AR 198/99 s8;158/2007

**Changes in interest rate**

**9(1)** The information required to be disclosed for the purposes of section 78(1) of the Act is as follows:

- (a) the annual interest rate at the beginning and end of the period;
- (b) the outstanding balance at the beginning and end of the period;
- (c) for a scheduled-payments credit agreement, the amount and timing of all remaining payments, based on the annual interest rate at the end of the period.

**(2)** The information required to be disclosed for the purposes of section 78(2) of the Act is as follows:

- (a) the new annual interest rate;
- (b) the date that the new rate takes effect;
- (c) how the amount or timing of any payment will be affected by the change in the interest rate.

**Disclosure where mortgage loan renewed**

**10(1)** The information required to be disclosed for the purposes of section 80(2) of the Act is as follows:

- (a) the maturity date;
- (b) the outstanding balance as of the maturity date, assuming that the borrower makes all the payments due between the date of the disclosure statement and the renewal date;
- (c) the term of the renewed agreement;
- (d) the amortization period from the renewed date;
- (e) the relevant interest rate information referred to in section 8(g) or (h);
- (f) the nature and amount of any charges other than interest payable in connection with the renewed agreement;
- (g) the amount and timing of all payments to be made in connection with the renewed agreement;
- (h) the total of all payments to be made in connection with the renewed agreement;
- (i) the total cost of credit for the renewed agreement;
- (j) the APR for the renewed agreement;
- (k) a statement of the conditions, if any, under which the borrower may make prepayments, and any charge for prepayment.

(2) The disclosure statement may provide information regarding alternative renewal options offered to the borrower.

#### **Renewal of non-mortgage loan**

**11** The information contained in section 10(1)(a) to (j) is to be included in a disclosure statement referred to in section 81 of the Act.

#### **Open Credit**

##### **Advertising for open credit**

**12(1)** Repealed AR 184/2008 s3.

(2) The information required to be disclosed for the purposes of section 83(1) of the Act about the cost of open credit is the current annual interest rate and any initial or periodic non-interest finance charges for the open credit.

(3) The information required to be disclosed for the purposes of section 83(2) of the Act is whether

- (a) the transaction is unconditionally interest-free during the period, or
  - (b) interest accrues during the period but will be forgiven under certain conditions.
- (4)** If interest accrues during the period but will be forgiven under certain conditions, the advertisement must also disclose
- (a) the conditions, and
  - (b) the annual interest rate for the period, assuming the conditions for forgiveness of the interest are not met.

AR 198/99 s12;184/2008

**Contents of initial disclosure statement**

**13(1)** As much of the following information as is applicable is required to be disclosed for the purposes of section 84 of the Act:

- (a) the credit limit;
- (b) the minimum periodic payment or the method of determining the minimum periodic payment;
- (c) the initial annual interest rate and the compounding period;
- (d) if the annual interest rate may change, the method of determining the annual interest rate at any time;
- (e) when interest begins to accrue on advances or different types of advances, and the particulars of any grace period;
- (f) the nature and amount, or the method of determining the amount, of any non-interest finance charges that may become payable under the agreement;
- (g) repealed AR 158/2007 s4;
- (h) any optional services purchased by the borrower for which payments are to be made to or through the credit grantor, and the charges for such services;
- (i) a description of the subject-matter of any security interest;
- (j) the nature of any default charges provided for by the agreement;
- (k) how often the borrower will receive statements of account;

- (l) if the borrower is required to pay the outstanding balance on each statement of account in full on receiving the statement,
    - (i) a statement to that effect,
    - (ii) the period within which the borrower must pay the outstanding balance to avoid being in default, and
    - (iii) the annual interest rate that applies to any amount that is not paid when due;
  - (m) a telephone number in accordance with section 85(3) of the Act.
- (2) Despite subsection (1),
- (a) the credit limit may be disclosed
    - (i) in the initial disclosure statement,
    - (ii) in the first statement of account, or
    - (iii) in a separate statement delivered to the borrower no later than when the borrower receives the first statement of account,
- and
- (b) information
    - (i) about optional services and charges for those services, or
    - (ii) that relates to a specific transaction under the credit agreement

may be provided in the initial disclosure statement or in a separate statement delivered to the borrower before the services are provided or the transaction occurs.

AR 198/99 s13;158/2007

#### **Contents of statement of account**

**14(1)** As much of the following information as is applicable is required to be disclosed for the purposes of section 85(4) of the Act:

- (a) the period covered by the statement;
- (b) the outstanding balance at the beginning of the period;

- (c) the amount, description and posting date of each transaction or charge added to the outstanding balance during the period;
- (d) the amount and posting date of each payment or credit subtracted from the outstanding balance during the period;
- (e) the annual interest rate or rates in effect during the period or any part of the period;
- (f) the total of all amounts added to the outstanding balance during the period;
- (g) the total of all amounts subtracted from the outstanding balance during the period;
- (h) the outstanding balance at the end of the period;
- (i) the credit limit;
- (j) the minimum payment;
- (k) the due date for payment;
- (l) the amount that the borrower must pay on or before the due date in order to take advantage of a grace period;
- (m) the borrower's rights and obligations regarding the correction of billing errors;
- (n) a telephone number in accordance with section 85(3) of the Act.

**(2)** A transaction is sufficiently described for the purposes of subsection (1)(c) if the description in the statement of account, along with any transaction record included with the statement of account or made available to the borrower at the time of the transaction, can reasonably be expected to enable the borrower to verify the transaction.

#### **Application for credit card**

**15(1)** Subject to subsection (3), the information required to be disclosed for the purposes of section 87 of the Act is as follows:

- (a) either
  - (i) the annual interest rate, if the interest rate is not a floating rate, or

- (ii) the index and the relationship between the index and the annual interest rate, if the interest rate is a floating rate;
- (b) the grace period, if any;
- (c) the amount of any non-interest finance charges;
- (d) the date as of which the information referred to in clauses (a), (b) and (c) is current.

**(2)** Where a credit card issuer communicates directly with an individual, whether in person or by mail, telephone or any electronic means, for the purpose of inviting that individual to apply for a credit card, the credit card issuer must, subject to subsection (3), prominently disclose in the communication the information referred to in subsection (1).

**(3)** Instead of disclosing the information required by subsection (1) or (2), the application form or the communication, as the case may be, may disclose a telephone number provided in accordance with section 85(3) of the Act at which the borrower may obtain that information.

**(4)** Despite subsection (3), where a borrower applies for a credit card in person, or by telephone or any electronic means, the credit card issuer must disclose the information required by subsection (1) when the borrower makes the application.

### **Section 89(3)**

**16** Section 89(3) of the Act does not apply to the use of a credit card in conjunction with a personal identification number at a device commonly referred to as an automated teller machine or ATM.

**Part 1.1** Repealed AR 198/99 s31.

## **Part 2 Leases**

### **Definitions**

**17(1)** In this Part,

- (a) “assumed residual payment” means
  - (i) for an option lease under which the option price at the end of the term is less than the estimated residual value, that option price, and

- (ii) in any other case, the estimated residual value plus any amount that the lessee will be required to pay in the ordinary course of events at the end of the term;
- (b) “estimated residual cash payment” means the amount that the lessee will be required to pay to the lessor at the end of the term of a residual obligation lease if the realizable value of the leased goods at the end of the term equals their estimated residual value;
- (c) “estimated residual value” means estimated residual value as defined in section 90 of the Act;
- (d) “implicit finance charge” means the sum of all non-refundable payments required to be made by the lessee at or before the beginning of, or during, the term plus the assumed residual payment, minus the total amount advanced to the lessee;
- (e) “option lease” means a lease that gives the lessee the right to acquire title to or retain possession of the leased goods after the lease expires by making a payment in addition to the payments required under the lease or by satisfying other specified conditions;
- (f) “option price” means the amount of the additional payment that the lessee must make in order to exercise the option under an option lease;
- (g) “payment period” means one of the equal intervals into which the term of a lease is divided for the purpose of determining the amount and timing of payments;
- (h) “periodic payment” means the payment to be made in respect of each payment period;
- (i) “realizable value” has the meaning determined by section 29(2) and (3);
- (j) “residual obligation lease” means a residual obligation lease as defined in section 90 of the Act;
- (k) “term” means term as defined in section 90 of the Act;
- (l) “total lease cost” means the total of any non-refundable payments that the lessee will be required to make in the ordinary course of events.

**(2)** For the purposes of the definition “capitalized amount” in section 58(f) of the Act, the amount of any payment made by the lessee at or before the beginning of the term does not include

- (a) any refundable security deposit, or
- (b) any periodic payment.

**Advertisements**

**18(1)** As much of the following information as is applicable is required to be disclosed for the purposes of section 92 of the Act:

- (a) that the transaction is a lease;
- (b) the term of the lease;
- (c) any payments that would be required at or before the beginning of the term;
- (d) the amount, timing and number of the periodic payments;
- (e) the amount of any other payments that the lessee will be required to make in the ordinary course of events;
- (f) the APR;
- (g) for a motor vehicle lease, charges for exceeding the kilometre allowance set out in the lease, if the kilometre allowance is less than 20 000 kilometres per year.

**(2)** Despite subsection (1), an advertisement on radio, television or a billboard or other media with similar time or space limitations that gives any specific information about the cost of a lease must disclose the information referred to in subsection (1)(a), (c) and (d) and

- (a) the information referred to in subsection (1)(b) and (f),
- (b) a telephone number at which a person can obtain the information referred to in subsection (1)(b) and (f) without incurring any charge for the call, or
- (c) a reference to a publication containing the information referred to in subsection (1)(b) and (f) having general circulation in the area where the advertisement was broadcast or published.

**(3)** Where any of the information required to be disclosed by subsection (1) would not be the same for all credit agreements to which the advertisement relates, the information must be for a representative transaction and must be disclosed as such.

**Disclosure statement for lease**

**19(1)** As much of the following information as is applicable is required to be disclosed for the purposes of section 93 of the Act:

- (a) that the transaction is a lease;
- (b) a description of the leased goods;
- (c) the term of the lease;
- (d) the cash value of the leased goods;
- (e) the nature and amount of any other advances received or charges incurred by the lessee at or before the beginning of the term;
- (f) the amount and purpose of each payment made by the lessee at or before the beginning of the term;
- (g) the capitalized amount;
- (h) the amount, timing and number of the periodic payments;
- (i) the estimated residual value of the leased goods;
- (j) for an option lease,
  - (i) how and when the option may be exercised,
  - (ii) the option price if the option is exercised at the end of the term, and
  - (iii) the method for determining the option price if the option is exercised before the end of the term;
- (k) for a residual obligation lease,
  - (i) the estimated residual cash payment, and
  - (ii) a statement to the effect that the lessee's maximum liability at the end of the lease term is the sum of the estimated residual cash payment plus the difference, if any, between the estimated residual value and the realizable value of the leased goods;
- (l) the circumstances, if any, under which the lessee or the lessor may terminate the lease before the end of the term and the amount, or the method of determining the amount, of any payment that the lessee will be required to make on early termination of the lease;

- (m) if there are circumstances under which the lessee will be required to make a payment that is not disclosed under clauses (a) to (l),
  - (i) the circumstances, and
  - (ii) the amount of the payment or the method of determining the amount;
- (n) the implicit finance charge;
- (o) the APR;
- (p) the total lease cost.

(2) The circumstances referred to in subsection (1)(m) include, without limitation, unreasonable wear or excess use.

#### **Maximum liability**

**20** For the purposes of section 94 of the Act, the lessee's maximum liability at the end of the lease term is the sum of the estimated residual cash payment plus the difference, if any, between the estimated residual value and the realizable value of the leased goods.

### **Part 3 Calculations**

#### **Value received 59(3) of Act**

**21(1)** The price of shares of a credit union that a borrower must buy as a condition of entering into a credit agreement with the credit union is value received by the borrower for the purposes of section 59(3) of the Act.

**(2)** An application fee for insurance referred to in section 59(3)(f)(iii) of the Act is value received by the borrower for the purposes of section 59(3) of the Act.

#### **Calculation of APR**

**22** The APR

- (a) is an annual rate, expressed as a percentage, that relates the amount and timing of value received or to be received by the borrower in connection with a credit agreement to the amount and timing of value given or to be given by the borrower in connection with the credit agreement, disregarding the possibility of prepayment or default, and

- (b) is calculated in accordance with this Part.

**APR for certain credit agreements**

**23** Where the stated interest rate for a credit agreement is calculated yearly or half-yearly, not in advance, the APR is the discount rate, calculated yearly or half-yearly, not in advance, expressed as an annual percentage, such that the sum of the present values of all anticipated advances equals the sum of the present values of all anticipated payments.

**APR for other credit agreements**

**24(1)** This section applies to credit agreements to which section 23 does not apply.

**(2)** The APR for a credit agreement is the annual interest rate stated in the credit agreement if

- (a) there are no non-interest finance charges,
- (b) the same interest rate will apply for the whole term, or the same interest rate would apply for the whole term using the assumption set out in section 27(2), and
- (c) the stated annual interest rate is a multiple of the interest rate for an interest compounding period that is at least as long as the period between required interest payments.

**(3)** The APR for a credit agreement to which subsection (2) does not apply is the value of R such that

$$R = \frac{C}{T \times P} \times 100$$

where

- R is the annual percentage rate;
- C is the total cost of credit, as defined in section 59(2) of the Act;
- T is the length of the term, in years;
- P is the average principal outstanding over the term, being the sum of the principal outstanding during all calculation periods divided by the number of calculation periods in the term.

**(4)** The value of P in subsection (3) is calculated in accordance with the following rules:

- (a) the principal outstanding at the beginning of the term is the total of all advances made to the borrower at or before the beginning of the term minus the total of all payments made by the borrower at or before the beginning of the term;
- (b) the term is divided into calculation periods of equal length;
- (c) the cost of credit for any calculation period is

$$\frac{R}{100} \times L \times P$$

where

R is the APR,

L is the length of the period as a fraction of a year, and

P is the principal outstanding during the period;

- (d) accumulated cost of credit is never added to outstanding principal;
- (e) each payment is applied first against accumulated cost of credit and then, to the extent that the payment exceeds the accumulated cost of credit, against outstanding principal.

### Rebates

**25** Where a borrower must decline a rebate, or a portion of a rebate, in order to enter into a credit sale at a particular interest rate, the APR and the total cost of credit are calculated on the assumption that the value received by the borrower is the cash price of the product, as determined without regard to the rebate, less the amount of the declined rebate.

### APR and implicit finance charge for leases

**26(1)** The APR for a lease is  $m \times i \times 100$  where  $m$  is the number of payment periods in a year, and the value of  $i$ , which is the periodic interest rate, is such that

$$PMT = \frac{PV - FV (1+i)^{-N}}{\left[ \frac{1 - (1+i)^{-(N-A)}}{i} + A \right]}$$

where

- PMT is the amount of each periodic payment;
- A is the number of periodic lease payments that are paid at or before the beginning of the term;
- PV is the capitalized amount;
- FV is the amount of the assumed residual payment;
- N is the number of payment periods in the lease;
- i is the periodic interest rate.

(2) For the purposes of calculating the APR and implicit finance charge for a lease,

- (a) an amount payable by the lessee in respect of a tax is regarded as a payment only if an amount in respect of the tax was treated as an advance in calculating the capitalized amount, and
- (b) a charge payable by the lessee is regarded as an advance if an equivalent charge would be payable by a cash customer.

(3) If there is any irregularity in the amount or timing of payments required during the term, the equation in subsection (1) must be modified as necessary to calculate the value of “i” in accordance with actuarial principles.

(4) For the purposes of calculating the APR and implicit finance charge for a lease referred to in section 91(b) of the Act, the term of the lease is assumed to be one year.

#### **Assumptions and tolerance**

**27(1)** Where a credit agreement or lease calls for payments to be made at intervals measured by reference to weeks or months, the APR may be calculated on the assumption that each week is  $\frac{1}{52}$  of a year long or that each month is  $\frac{1}{12}$  of a year long.

(2) Where the interest rate for a credit agreement is variable during the whole term or any period during the term, the APR or any other value that depends on the interest rate must be calculated on the assumption that the interest rate for the term or the relevant period is fixed on the basis of the circumstances existing at the time of the calculation.

(3) The APR for fixed credit that is not a scheduled-payments credit agreement is calculated on the assumption that the

outstanding principal will be repaid in a single payment one year after the effective date of the relevant disclosure statement.

- (4)** When a credit agreement is renewed, for the purpose of calculating the APR and total cost of credit,
- (a) the outstanding balance immediately before renewal is regarded as an amount advanced to the borrower at the time of renewal, and
  - (b) advances and payments accounted for in that outstanding balance are otherwise disregarded.
- (5)** A disclosed APR is considered to be accurate if it is within 1/8 of 1% of the actual APR for the credit agreement, as calculated in accordance with this Part.

**Calculation of prepayment refund or credit**

**28** The portion of each non-interest finance charge that must be refunded or credited to the borrower under section 68(4) of the Act is determined by the equation

$$C = \frac{U}{T} \times F$$

where

- C is the amount to be credited;
- U is the length of the unexpired portion of the term at the time of prepayment;
- T is the length of the period between the time the non-interest finance charge was imposed and the end of the term;
- F is the amount of the non-interest finance charge.

**Maximum liability under residual obligation lease**

**29(1)** The lessee's maximum liability at the end of the term of a residual obligation lease after returning the leased goods to the lessor is determined by the equation

$$M = C + (E - R)$$

where

- M is the lessee's maximum liability;
- C is the estimated residual cash payment;

E is the estimated residual value;

R is the realizable value.

(2) Subject to subsection (3), the realizable value of leased goods at the end of the lease term is the greater of

- (a) the net proceeds for which the lessor disposes of the goods,
- (b) 80% of the estimated residual value, and
- (c) the estimated residual value minus 3 times the average monthly payment.

(3) If the amount determined under subsection (2)(a) is less than the greater of the amounts determined under subsection (2)(b) and (c), the realizable value is reduced according to the extent that the difference in the amounts is attributable to unreasonable wear or excess use, or to damage for which the lessee is responsible under the terms of the lease.

## **Part 4 Transitional Provisions, Repeals and Expiry**

### **Transitional**

**30** If the renewal date of a mortgage loan is earlier than October 15, 1999, the disclosure statement for the renewal may be forwarded to the borrower within 30 days after the borrower acknowledges acceptance of the terms of the renewal.

### **Repeal**

**31** Part 1.1 and the Schedule are repealed on August 31, 2000.

### **Expiry**

**32** For the purpose of ensuring that this Regulation is reviewed for ongoing relevancy and necessity, with the option that it may be repassed in its present or an amended form following a review, this Regulation expires on August 31, 2020.

AR 198/99 s32;68/2004;158/2007;184/2008;  
120/2015

**Schedule** Repealed by AR 198/99 s31.









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