

G-Regs™

## Germany – Consumer Credit



Full title: Price Indication Regulation/ Ordinance (*Preisangabenverordnung - PAngV*)  
Version published on 18 October 2002 (Federal Law Gazette I p. 4197)

Relevant amendments

- Act of 29/07/2009 implementing the Consumer Credit Directive, the civil part of the Payment Services Directive and the reorganisation of the rules governing the cancellation and return policy (Federal Law Gazette I. p.2355) Entry into force: 11/06/2010.  
*Gesetz zur Umsetzung der Verbraucherkreditrichtlinie, des zivilrechtlichen Teils der Zahlungsdiensterichtlinie sowie zur Neuordnung der Vorschriften über das Widerrufs- und Rückgaberecht (VerbrKredRLUG k.a.Abk.)*  
Article 6 of VerbrKredRLUG k.a.Abk inserted Section 6A and 6B into the Price Regulation (PAngV)
- Act of 11 March 2016 implementing Residential Credit Directive (known as EU Mortgage Credit Directive – 2014/17/EU<sup>1</sup>) and amending commercial regulations<sup>2</sup> (Fed. Law Gazette I. 2016/ 396) (*Gesetz zur Umsetzung der Wohnimmobilienkreditrichtlinie und zur Änderung handelsrechtlicher Vorschriften vom 11. März 2016*)  
  
Article 11 has amended Section 6A

Title of relevant section: § 6 (a) Advertising for Credit Agreements  
§ 6 (b) Overdraft facilities

Section 6 (a) Advertising for Credit Agreements

(1) Any advertising and marketing communications concerning credit agreements must meet the criteria of being clear, fair and not misleading. In particular, wording/ phrases that may create false expectations for a consumer regarding the availability or the cost of a credit shall be prohibited.

(2) Anyone advertising the conclusion of a credit agreement to end users/ consumers with interest rates of other figures concerning the costs (*of credit*) must state in a clear, unambiguous/ concise and prominent way:

1. The identity and address of the lender/ creditor or where applicable, the credit broker/ intermediary.
2. The net loan amount<sup>3</sup>

<sup>1</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014L0017>

<sup>2</sup> In German: <http://dipbt.bundestag.de/dip21/brd/2016/0084-16.pdf>

<sup>3</sup> This means the net payment of the lender to the borrower, i.e. the amount the borrower must repay excluding interest and other associated services to a lender – such as commissions, taxes and any other kind of fees which the consumer is required to pay.

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3. The borrowing rate, indicating whether this is fixed or variable or a combination of both, together with particulars/ details of any charges included in the total cost of the credit to the consumer.

4. The APR – the annual percentage rate of charge (or APRC)

In the advertisement, the APR should be at least as prominent as any other interest rates

(3) In advertisements pursuant to paragraph 2, where applicable, the following additional information must be provided:

1. The total amount payable by the consumer

2. The duration/ term of the credit agreement

3. The amount of each instalment

4. The number of instalments

5. For credit agreements relating to property, reference that the credit agreement will be secured by a mortgage or land charge

6. For credit agreements in foreign currency which are related to property, a warning regarding the fact that possible fluctuations of the exchange rate could affect the amount payable by the consumer.

(4) The information in paragraphs 2 and 3 shall be specified by means of a (representative) example, with the exception of the information in Point 1 of the 1<sup>st</sup> sentence of Para. 2, and Points 5 and 6 of Para. 3<sup>4</sup>. When determining the (representative) example, the advertiser must base it on an APRC which it expects to apply to at least two-thirds (or 66%) of the agreements concluded/ entered into as a result of the advertisement, at or below the specified APRC.

(5) Where the advertiser requires the conclusion of an insurance contract or a contract for other additional services, and the cost of that service cannot be determined in advance, the obligation to enter into that contract shall also be stated in a clear, concise and prominent way, together with the annual percentage rate of charge.

(6) The information referred to in paragraphs 2, 3 and 5 must be clearly audible (*lit.* acoustically understandable) or easily legible depending on the medium that is chosen for advertising.

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#### Section 6 (b)

#### Overdraft Facilities

In overdraft facilities within the meaning of § 504 para. 2 of the Civil Code, (*where it is agreed, following disbursement that the term is at most 3 months and the lender can terminate without complying with a notice period*), the lender shall disclose the borrowing rate (nominal interest rate) per year and the interest charge period instead of the APR, provided that this is not less than three months and the lender does not require any further costs besides the borrowing rate (*nominal interest*)

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<sup>4</sup> Meaning that a representative example does not have to include the name/ address of the lender, or the information relating to real estate credit agreements.

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