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Sweden – Swedish Consumer Agency's General Guidelines on Consumer Credit (KOVFS 2011:1)



Full title	Swedish Consumer Agency's General Guidelines on Consumer Credit (KOVFS 2011:1) https://www.konsumentverket.se/globalassets/publikationer/produkter-och-tjanster/finansiella-tjanster/kovfs-2011-01-allmanna-rad-konsumentkrediter-v3--konsumentverket.pdf
Relevant Section	2.2 Re Sections 7-10 of the Swedish Consumer Credit Act on marketing and information before a credit agreement is made
2.2.1	<p>Content and presentation of marketing</p> <p>The concept of marketing comprises information that is provided in order to promote sales, regardless of the channels used to present the message. However, information as outlined in 2.2.3-2.2.5 below does not need to be provided if the marketing only supplies the information that credit is provided. If the marketing contains specific features such as arguments about the beneficial nature of the credit or factual information about the credit, the information must, however, be provided.</p> <p>Good credit granting practice dictates that information that is provided should be clear and easy for consumers to take note of. Moreover, the credit should be presented objectively, correctly and in neutral terms. The information must be complete in respect of anything that can be assumed to be of particular importance to the consumer.</p>
2.2.2	<p>Restraint and moderation</p> <p>The requirement for good credit granting practice means that the trader should display restraint and moderation in its marketing. This includes the following:</p> <ul style="list-style-type: none"> - The credit may not be described in a manner that may mislead the consumer about the financial consequences, or give the impression that the credit offered does not entail any, or only a small, burden on the consumer's finances. - When credit can be obtained fast, this must not, in itself, be emphasised as a decisive argument in relation to other credit terms. The possibility of obtaining fast credit must not be given a prominent place in the marketing. - In connection with running credit or overdrafts, consumers should not be offered purchases on credit or cash with the explicit reference that they have unused available credit. - If a credit is marketed as interest-free or equivalent, this should be assessed as meaning that zero per cent (0%) interest is charged for the credit, which is subject to the information requirements in Section 7, Subsection 2, of the Swedish Consumer Credit Act.

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- If the consumer has made use of a payment-free month, the credit provider should, in its next advice, inform the consumer that a payment-free month has been used and that the balance has therefore increased with interest and any charges for the payment-free month.

Moderation and neutral information are extremely important when designing marketing measures for credit when a credit application form is attached or when offering to increase a previously agreed credit limit. Moderate and neutral information is also particularly important in connection with telephone sales (2.2.5 below).

2.2.3

Information in connection with marketing

Under Section 7 of the Swedish Consumer Credit Act, a trader must, when marketing a credit agreement, provide information on the effective interest rate for the credit by providing a representative example.

To be considered representative, an example must concern the most common credit situation that is applied or can be anticipated by the trader. The effective interest rate must be specified as an annual interest rate in per cent with at least one decimal place. Information on the effective interest rate should be provided with a date. Appendices 1 and 2 show how the effective interest rate must be calculated.

If an interest rate or figure other than the effective interest rate appears in the marketing, the trader must provide information as specified in Section 7, Subsection 2, 1-6, of the Swedish Consumer Credit Act, giving a representative example.

In accordance with good credit granting practice, a trader should refrain, in marketing, from emphasising, for example, minimum interest rates or credit terms that only a limited number of consumers can be granted unless the marketing expressly states that this is directed at a specifically designated group.

If a consumer is under an obligation to make an agreement on a supplementary service, for example insurance, to be granted credit, or if credit is granted on the terms specified in the marketing, this must be specified in the marketing, in pursuance of Section 7, Subsection 3, of the Swedish Consumer Credit Act, in connection with the information on the effective interest rate.

Information on the effective interest rate, other figures or interest rates that occur in the marketing or the obligation to make an agreement on a supplementary service must be provided clearly, concisely and conspicuously. The consumer must be able to understand and acquire the information without difficulties. For example, the information must not be provided with a reduced font size in relation to other information that occurs in the body text of the marketing. The information must be provided directly in the marketing. Consequently, it is not sufficient to refer, in the marketing, to another place at which the information is available, for example a website. Even in marketing that has space restrictions, for example advertising banners, the effective interest rate should be stated with a representative example.

If a credit provider finances a purchase of a product or service that another trader provides or markets and also provides marketing material for this product or service, the credit provider is responsible for the marketing. Even if the credit provider does not provide the marketing material, the credit provider should ensure that the trader, in its marketing of the credit, meets the existing regulations on marketing and information (cf. also the provisions on credit intermediaries in 2.2.4 and 2.9 below).

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2.2.4

Information before a credit agreement is made

The trader must, in reasonable time before a credit agreement is made, give the consumer information in pursuance of Section 8 of the Swedish Consumer Credit Act.

Where the credit is organised by a credit intermediary that does not have credit granting as its primary activity, the credit provider is responsible for ensuring that the consumer receives full information in advance. The information must be provided by the credit intermediary or in some other suitable manner.

The information must be designed in such a way that the consumer, by reading it, has the opportunity to understand the substance of the credit agreement, assess the benefit of making the credit agreement, compare different options and understand the financial consequences that may proceed from the credit agreement.

Reasonable time means sufficient time for the consumer to familiarise himself or herself with and consider the information. What time is reasonable is determined on the basis of the circumstances in each case, in terms of both the properties of the credit agreement and the prior knowledge of the consumer.

Good credit granting practice dictates that the trader must also, where necessary, explain the substance of the information, answer any questions the consumer may have and ensure that the consumer has understood the information. Without the consumer demanding it, the trader should explain what happens in the event of any delay in payment, if the credit terms are then changed in a far-reaching manner. This is the case, for example, when an agreement stipulates that an interest-free credit starts to bear interest after a delay in payment.

In the information, the effective interest rate must be specified with a representative example.

Information on how interest-difference compensation will be calculated, where appropriate, must be provided.

The information must be given in writing using the 'Standard European Consumer Credit Information' form. The form can be found in Appendix 3. All fields in the form that are relevant in the case in question must be correctly completed.

The form must be provided in a document or in another written, durable form which is accessible to the consumer. The information must, therefore, be provided either in a document or in some other way in which it is ensured that the consumer can retain the information in its original, unchanged condition as long as it is relevant. This may, for example, be via a PDF file but not via a website, which may be subject to changes. Accessible to the consumer means that the information must be provided in a way that allows the consumer to have access in each case.

If, at the consumer's request, the agreement is to be made using a means of distance communication which does not permit the information to be provided in this form before the agreement has been made, the trader must provide the consumer with the information in this form as soon as possible after the agreement has been made. Two examples of such situations are credit agreements that are made via an exchange of SMS messages or credit agreements that are made by means of a telephone conversation.

If the consumer so requests, the trader must provide a draft credit agreement at no charge. Such a draft should clearly state whether the draft represents a binding offer for the trader or not. Where the trader does not intend to make a credit agreement with the consumer, a draft

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agreement does not need to be prepared. However, where a credit application is not granted, the consumer must be told why this has happened in accordance with 2.3.3 below.

2.2.5

Special provisions for telephone sales of credit

With telephone sales of credit, the trader must, in pursuance of Section 10 of the Swedish Consumer Credit Act, provide information in pursuance of Chapter 3, Section 4, Subsection 1, of the Swedish Distance and Door-to-door Sales Act (now called: the Act (2005:59) on Distance and Off-premises contracts – following the implementation of the Consumer Rights Directive 2011/83/EC via SFS 2014:14¹) instead of the information prescribed in Section 8, Subsection 1, and Section 9, Subsection 1, of the Swedish Consumer Credit Act. The description of the main features of the financial service that must be provided under that subsection must contain information on:

1. The credit amount and the terms for using the credit,
 2. the term of the credit agreement,
 3. the product or service and its cash price in connection with credit purchases,
 4. the credit interest rate, the terms for the credit interest rate, with an indication of the reference index or reference interest rates, and times, procedures and other terms for changing the credit interest rate,
 5. the effective interest rate, with a representative example, and the total amount to be paid by the consumer, and
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¹ The Guidance note dates back to 2011 and so does not incorporate the change to the Act. Irrespective of this, Section 10 of the Consumer Credit Act upon which 2.2.5 of this guidance is based is replicated word for word save the last two paragraphs. Please refer back to website text for translation of that section.

Ref: Act (2005:59) on Distance and Off-Premises Contracts;

Chapter 3: Contracts relating to financial services and financial instruments;

Sect. 4 (1) – Special rules for telemarketing: In the case of telemarketing/ telesales, the trader must at the start of each call provide consumers with information about their identity and the name of the person in contact with the consumer and their relationship to the trader. The trader must then inform about the commercial purpose of the call. If the consumer expressly agrees to it, the trader does not have to provide all of the information specified in Section 3, para. 1 (Chap. 3 of Distance and Doorstep Sales Act), but only the information in accordance with Sect. 3, para. 1, points 3-6, 8 and 15 – i.e. info before signing a financial contract. The trader shall inform the consumer that further information is available upon request and indicate what nature this information is. The provisions of section 3, para.2 also apply to telemarketing (namely, the information shall be provided in a clear and comprehensible manner in any way appropriate to the means of distance communication used. The trader must pay particular attention to the need for protection of minors.)

For ref (Sect. 3, para.1, points 3-6,8,15):

Point 3: The financial service or financial instrument's main characteristics

Point 4: The financial service or financial instrument price, including fees, taxes

Point 5: notice of the possibility that other taxes and/or costs may exist that are not paid via the supplier or imposed by him

Point 6: The specific risks associated with the financial instruments covered by the contract, including a statement that the previous value growth and yield does not provide any safe guidance on the future development and yield.

Point 8: The issue of what happens with the right of withdrawal under this Act, including information on what the consumer according to § 11 may pay in order to exercise the right of withdrawal.

Point 15: the language in which the contract terms and information are provided and the language in which the trader undertakes to communicate during the contract period

Sect. 4 (2) for reference: As soon as possible after the conclusion of the contract, the trader must provide the consumer with all the information referred to in § 3, para. 1 and all contractual terms in a document or in any other legible and durable medium available and accessible to the consumer.

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6. the amount, number and due dates of the instalments and how the payments are to be allocated to credits with different credit interest rates.

Where credit agreements are offered to consumers via telephone sales, it is extremely important for the trader to observe the provisions above on good credit granting practice, for example in respect of restraint and moderation.

In these sales situations, the trader should, in particular, make absolutely sure that the consumer understands the information provided in the marketing.

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