

**BANQUE DU LIBAN**

**Basic Circular No 124**  
**Addressed to Banks**  
**and also to Financial Institutions and Leasing Companies**

Attached is a copy of Basic Decision No 10439 of May 17, 2010 relating to Credit Transparency, Terms and Conditions.

Beirut, May 17, 2010

The Governor of the Banque du Liban

Riad Toufic Salamé

## **Basic Decision No 10439**

### **Credit Transparency, Terms and Conditions**

**The Governor of the Banque du Liban,**

**Pursuant to the Code of Money and Credit, particularly Articles 70, 174, 182 and 184 thereof,**

**Pursuant to Law No 160 of December 27, 1999, particularly Article 20 thereof, and**

**Pursuant to the Decision of the Central Council of the Banque du Liban, taken in its meeting of May 12, 2010,**

#### **Decides the following:**

##### **Article 1: Definitions:**

For the purpose of implementing the provisions of this Decision, the following expressions shall mean:

**Institution:** Any bank, financial institution, leasing company, natural person or legal entity governed by the provisions of Article 183 of the Code of Money and Credit.

**Credit:** Retail loans, housing loans and facilities, including renewable ones and those available through credit cards.

**Cost:** All expenses, commissions, expenditure, charges and/or any other amounts, except for the interest, that the client has to pay.

**Indirect Advertisement:** Any Credit-related marketing which is published or broadcast in paper form, electronically, through audiovisual and/or print media, through SMS or voicemail, or displayed at banks' windows.

**Direct Advertisement:** Any Credit-related marketing taking place through means that are different from those used for Indirect Advertisement (private visit, public or private verbal exposé in the advertiser's presence, phone call or any other form of direct talk...)

Product: A Credit program or offer with specific characteristics that differentiate it from another Credit program or offer and is granted under specific conditions.

Credit Cards: Cards which enable the client to spend or withdraw an amount while having no account balance, whether the client has to reimburse on due date the whole amount spent through the Card or a portion thereof as set in the contract, so that interests or charges are computed on the remaining debit balance.

Annual Percentage Rate: A unit of measurement that represents interests and any other Cost imposed on the client through the Institution as a result of a Product contract, and computed in accordance with Annex 1 to this Decision and shortened under the acronym APR.

Billing Cycle: The period on the basis of which the amounts due periodically by the client are computed.

Application: The Application relating to the Product.

Contract: The Contract relating to the Product.

## **Section I- Credit Advertisement Conditions**

### **Article 2:**

Any Direct or Indirect Advertisement must be clear, comprehensive and accurate.

It must also be written and prepared in a clear and easy language, and must include the name of the party who has ordered the advertisement, and the contact or correspondence means with the latter.

### **Article 3:**

Whenever the Direct or Indirect Advertisement includes a variable rate (Annual Percentage Rate or interest rate) during the contract duration, the Institution must clearly insert, next to the Arabic word meaning “variable”, its English translation.

### **Article 4:**

The Institution is prohibited from using in the Direct or Indirect Advertisement the expressions or words that refer to the facilitation of a formality or to the provision of a service which is actually unavailable when benefiting from the Credit. For indicative purposes but not restrictively, the following expressions and words must not be used:

- 1- “overdraft” or “current account facilities” or the like, unless they are used under a contract that authorizes the client to withdraw an additional amount from its credit current account.
- 2- “no interest or “zero percent interest” or the like, unless the total amount to be actually reimbursed by the client does not exceed the initially borrowed amount.
- 3- “no advances” or “no down payment” or the like, unless no down payment or deposit is required.
- 4- “loan guaranteed” or “no prior approval” or the like, unless there is no condition imposed to obtain the Credit.
- 5- “spread installments as you like” or the like, if the Institution imposes a specific frequency or dates to pay the Credit installments.
- 6- “weekly installment” if the Credit conditions stipulate for a monthly reimbursement only, and in case installments are paid periodically, so that no periodic formula is used except for the one actually stipulated in the Credit contract.

## **Section II- Credit Contract Conditions**

### **Article 5:**

The Contract and Application Forms adopted by the Institution must be clear, comprehensive and accurate.

### **Article 6:**

The Institution must follow the following procedures before signing the Contract:

- 1- Ascertain that the client is meticulously reviewing all the Contract clauses, provided he/she is granted a sufficient time to do so.
- 2- In case the interest rate is linked to an indicator, inform the client in due time of the indicator's value or level.

### **Article 7:**

The Institution must allocate a special and separate contract to each Product for which it has entered into a contract/ **contracted upon** with the client, and must not mention or refer to any texts or documents that were not put at the client's disposal before the Contract's signature.

However, the Institution may regroup many debit or credit accounts or sub-accounts held by a single client in a unified contract, in case these accounts are linked or correlated due to the nature of operations, or in case the opening of a specific type of account requires or entails the opening of other accounts, provided the items of each account or each operation are disclosed separately, so as to enable the client to differentiate between their respective conditions.

### **Article 8:**

Whenever the Application or Contract Form includes a variable Annual Percentage Rate or variable interest rate during the contract duration, the Institution must clearly insert, next to the Arabic word meaning "variable", its English translation.

### **Article 9:**

The Institution must include in the Application Form the following information at least:

- 1- The maximum time limit for submitting the Application, with an indication stating clearly that the Product's characteristics and conditions apply only to applications submitted within this time limit, if any.
- 2- The value or the ceiling of the Credit.
- 3- The currency and duration of the Credit.

- 4- The Annual Percentage Rate in figures. In case it is variable, it shall be computed on the basis of the interest rate applied on the Application submission date.
- 5- The type of requested guarantees and documents to be submitted, with the maximum time limit set for that purpose.
- 6- The insurance policy cost, in case the client is bound to submit such a policy to obtain the Credit. The cost of the insurance policy available through the Institution, if any, must be indicated. It must also be stated that this cost shall be deducted from the Annual Percentage Rate specified in the Application Form, in case the client decides to purchase an insurance policy from a party other than the Institution.
- 7- The frequency and/or maturity dates of installments, and the reimbursement time limit and method.
- 8- A clear indication stating that any modification in the variable interest rate will affect the Annual Percentage Rate, thus leading to a change in the value and/or number of periodic installments due.
- 9- An application model compatible with the Credit type and currency. This paragraph shall not govern Credit Cards Application Form.

**Article 10:**

The Institution must insert in the Contract in a clear manner the following information at least:

- I- Concerning the Credit:
  - 1- Its value or ceiling
  - 2- Its duration
  - 3- Its currency
  - 4- Its reimbursement method as applied by the Institution (one payment, several installments) and the date of each installment.
  - 5- The way to determine balances subjected to the interest rate (average balance, ending balance ...) with the scale of balances subjected to the interest rate or to another Cost.
  - 6- An indication on the possibility or impossibility of an early reimbursement of the Credit or of a portion thereof. In case the early reimbursement is possible, its conditions must be mentioned.
  - 7- The time limit set for the client to start using the Credit, the interest and Cost that he/she will incur during this time limit, and their reimbursement method and dates.
  
- II- Concerning the interest:
  - 1- The interest rate and computing method, and an indication stating whether it is fixed or variable.
  - 2- The interest computing period (on a monthly, quarterly, annual basis...), the number of days adopted during that period (30, 90, 360...), and the number of days representing the denominator.
  - 3- The method and time limit for paying the interest amount, and the penalty interests, if any.

- 4- An indication on the existence or non-existence of a grace period, and its duration, if any.
- 5- The interest total amount, if possible.
- 6- The terms and conditions for modifying the interest rate, if it is variable.
- 7- In case of an indicator-linked interest rate, the spread, the indicator adopted, the source adopted for determining the indicator, and its computing dates and/or computing frequency must be stated.
- 8- In case of a variable interest rate, its threshold and/or ceiling where applicable.

III- Concerning the Annual Percentage Rate (APR):

- 1- The Annual Percentage Rate in figures. If its variable, it shall be computed on the basis of the interest rate applicable on the contract signature date.
- 2- A clear indication stating that any modification in the variable interest rate shall affect the Annual Percentage Rate, thus leading to a modification in the periodic installments due, whether in value or quantity or both.

IV- Other information:

- 1- The taxes and fees due.
- 2- The installments due by the client (computed as in Section II of Annex No1).
- 3- The installments frequency and/or maturity dates, their reimbursement time limit and method.
- 4- A explicit indication stating that the Institution will not terminate the contract, unless the client fails to meet his/her contractual obligations, and once he/she has been served a notice thereof.
- 5- An indication on whether the Institution is entitled to amend the contract in accordance with specific conditions and cases mentioned in the contract, provided such a procedure is not unfair to the client who shall be granted, in order to execute the amendment, a month starting from the moment he/she has taken cognizance thereof.
- 6- The currency adopted to pay the Credit installments and an indication on the possibility or impossibility to reimburse in another currency than the Credit's one.
- 7- The total amount due, i.e. the total amount of installments due.
- 8- The possibility or impossibility to renew the contract and the terms of such renewal.
- 9- Any Credit Cost, whether computed in or excluded from the installment. For that purpose, the Institution shall refer to the clauses of Sections II and III of Annex No 1.
- 10- The guarantees and their limits concerning the Credit value, where applicable.
- 11- The basis and method for computing the exchange rate, if the operation or the installment is in a currency other than the Product's one.
- 12- An explicit text according to which the client is entitled to withdraw from the contract or any of its clauses, within three working days from the signature date, and without incurring any kind of penalties,

provided the Institution has not disbursed to the client any portion of the Credit.

**Article 11:**

The Institution must state in the contract the following warnings, where applicable, in a clear and noticeable manner in order to distinguish them from all other information:

- 1- The expression “exchange rate fluctuations may affect the Credit Cost or its equivalent, if your income is in a currency other than the Credit’s one”.
- 2- The expression “you might lose the ownership of your house (or any other guarantee) offered as a collateral, in case you do not continue to pay your installments regularly”.
- 3- A clear and explicit indication on what the client and/or the guarantor or surety might incur, in case the contract clauses are infringed when the client is bound by the Contract to offer a guarantee or security.

**Article 12:**

The interest rate and the Annual Percentage Rate must be written in a bold format bigger than that of all other information required to be disclosed under the Contract.

**Article 13:**

In addition to paragraphs 1 and 5 of Article 9 and to the Contracts General Disclosure Terms specified in Article 10 of this Decision, the Institution must insert in the Application Form and the Credit Cards’ Contract, where applicable, the following information at least:

- 1- The Card Cost, upon its issuing.
- 2- The minimum amount due during the Billing Cycle and /or its percentage from the balance.
- 3- The method adopted to determine and compute the balance.
- 4- Any Cost imposed for a delayed reimbursement or for exceeding the authorized credit ceiling or upon a balance transfer.
- 5- A summary of the Card main characteristics, in accordance with Section I of Annex No 2.
- 6- A detailed table with its suppositions, as shown in Section II of Annex No 2.
- 7- An indication stating that the amount due must be paid within a specific period from the issuing date of the periodic statement of account.

**Article 14:**

The Institution must inform the client of any Cost that he/she might incur before the Contract’s signature.



### **Section III- Conditions of the Credit financial statements and statements of account**

#### **Article 15:**

When signing a term-loan contract with the client, the Institution must provide the client with a file comprising:

- 1- the Credit value, duration, and total amount (principal, interest and cost) due at the end of the Contract's duration, and the Annual Percentage Rate.
- 2- a detailed table showing the periodic installments due, as spread among the principal, interests and Cost, as well as the maturity dates and reimbursement time limits.

In case the applied interest rate is variable, the client shall be given, upon any change therein, another detailed table modified in accordance with the new interest rate.

In case the Credit is granted in the form of several advances of credit, the above-mentioned table must show the changes in the installments due by the client with every new advance, so as to provide the Client with the modified table.

- 3- The installments payment method to be followed by the client.
- 4- In case the client decides to take out a Credit insurance policy through the Institution, the method followed to pay its Cost must be specified (for instance: a portion of the installments due or separate payments).
- 5- An indication on the possibility or impossibility of an early reimbursement of the Credit initial value or a portion thereof, and the early reimbursement conditions.

#### **Article 16:**

Concerning term loans, the Institution must provide the client with a statement of account at the end of each Billing Cycle or on an annual basis, whichever is shorter, and must also insert therein:

- 1- the Credit total value (principal, interests and cost)
- 2- the balance at the start of the statement period
- 3- the amount and date of each installment maturing during the statement period
- 4- the amount and date of each installment reimbursed during the statement period
- 5- the interest rate(s) applied during the statement period, with their modification date(s), where applicable.
- 6- the amount of the interest due during the statement period
- 7- the balance at the end of the statement period
- 8- the period remaining from the Credit duration
- 9- the Cost of early reimbursement, where applicable
- 10- the Annual Percentage Rate, based on the data provided in the statement period

11- the time limit set for objecting the statement contents.

**Article 17:**

At the end of each Billing Cycle, the Institution must provide the client with a statement of account for each revolving credit, including Credit Cards. This statement shall comprise the following information, where applicable:

- 1- The Billing Cycle starting and ending dates.
- 2- The Credit ceiling and currency.
- 3- The account balance at the beginning of the Billing Cycle.
- 4- The details, currency and date of each operation performed during the Billing Cycle, separately.  
In case the difference between the date of the operation and its entry date affects the interest value or any other Cost, both dates must be inserted.
- 5- The installments paid by the client during the Billing Cycle, their currency and dates.  
In case the difference between the date of the operation and its entry date affects the interest value or any other Cost, both dates must be inserted.
- 6- The interest rate, with an indication stating that it is variable if it is so, and the scale of balances subjected thereto.  
The rate applied to each type of operation must be stated, in case the interest varies according to the operation type.
- 7- The balance subjected to the interest rate, with an explanation on how to determine this balance.
- 8- The amount of interest due during the Billing Cycle.
- 9- Any Cost due during the Billing Cycle, with an indication on its nature and type.
- 10- The account balance at the end of the Billing Cycle.
- 11- The value of the installment due, its payment date, and the penalty interests, if any.
- 12- The Annual Percentage Rate, based on the Billing Cycle data.
- 13- The amount pertaining to each operation or installment in a currency other than the account's one and the equivalent value in the billing currency.
- 14- The time limit set for objecting the statement of account's entries.
- 15- The means of contact available to notify any billing errors.
- 16- A specific date on which the Institution must issue the periodic statement of account, the time limit set to send it to the client, with an explanation stating that the latter may refer to the Institution in case he/she does not receive the statement within the said time limit.

**Article 18:**

The Institution must disclose on the back of the Credit Cards' periodic statement of account, and where applicable, the following information:

- 1- The duration of the grace period, with an explanation stating that no financial Cost is imposed on operations performed within the entries of the following

- cycle, when the current total balance is reimbursed before or on the date set for paying the installment.
- 2- In case the date set for paying the installment coincides with a public holiday, then the payment shall be postponed to the following working day.
  - 3- Whether the cash withdrawals are subjected to an agreed grace period, as well as the Cost of these cash withdrawals and the interest rate applied thereon.
  - 4- The annual Cost for renewing or issuing the Credit Card.
  - 5- The allocation of the installment paid by the Client so as to cover the amounts due by order of priority.
  - 6- How to determine the threshold of the installment due.

**Article 19:**

When the Institution mentions the information on the back of periodic statements of account, financial statements or reports, it must draw the client's attention to this fact by using the expression "refer to the information on the back".

**Article 20:**

The Institution must use all available means so as to ensure that the client will receive the periodic statement of account in due time.

**Article 21:**

The Institution must write in Arabic the expressions used in the periodic statements of account, financial statements and reports submitted to the client, together with their synonyms in the foreign language, if needed.

**Miscellaneous Provisions**

**Article 22:**

Any Credit issued or marketed by the Institution shall be governed by the provisions of this Decision.

**Article 23:**

The Institution must use the same expressions in the Direct and Indirect Advertisements, as well as in the Application Form, the Contract, the periodic statements of account, financial statements and reports submitted to the client, and any other communication means between the Institution and the client.

**Article 24:**

In case the Institution enters into a contract with a third party in order to enable the latter's clients to benefit from consumer loans that the Institution may grant them, the Institution must stipulate, in the contract concluded with the third party concerning these loans, the third party's obligation to comply with all the provisions of this Decision, where applicable, including the need to insert in the relevant advertisement issued by the third party all statements specified in this Decision.

**Article 25:**

Any party infringing the provisions of this Decision shall incur the administrative penalties specified in the laws and regulations in force, notably the penalties specified in Article 208 of the Code of Money and Credit.

**Article 26:**

The Banking Control Commission shall ascertain the Institution's compliance with the provisions of this Decision.

**Article 27:**

Concerning the provisions of Section I, this Decision shall come into force within six months from its issuing date, and within eighteen months concerning those of Sections II and III.

**Article 28:**

This Decision shall be published in the Official Gazette.

Beirut, May 17, 2010

The Governor of the Banque du Liban

Riad Toufic Salamé

## ANNEX No 1- Computing the Annual Percentage Rate

- I- The Annual Percentage Rate (APR) is computed according to the following equation:

$$\sum_{K=1}^{K=m} \frac{A_k}{(1+i)^{t_k}} = \sum_{K'=1}^{K'=m'} \frac{A'_{k'}}{(1+i)^{t_{k'}}$$

where:

- K** = is the number identifying a particular advance of the credit granted by the Institution.
- K'** = is the number identifying a particular installment due by the client.
- A<sub>k</sub>** = is the amount of the advance **K** made by the Institution.
- A'<sub>k'</sub>** = is the amount of the installment **K'** due by the client (the installment is computed in accordance with Sections II and III below)
- Σ** = represents the sum of all the terms included in the equation.
- M** = is the number of advances of credit.
- m'** = is the total number of installments.
- t<sub>k</sub>** = is the interval, expressed in years, between the date on which the Contract comes into force and the date on which the amount **A<sub>k</sub>** is disbursed.
- t<sub>k'</sub>** = is the interval, expressed in years, between the date on which the Contract comes into force and the date on which the amount **A'<sub>k'</sub>** is due.
- i** = is the Annual Percentage Rate.

II - The installment **A'<sub>k'</sub>** covers the portion reimbursed from the Credit, in addition to:

- 1- the Credit interest and other expenses, such as administrative expenses due by the client.
- 2- Any Cost that may be due, as imposed by the Institution and reimbursed through it, in accordance with the Credit.
- 3- The Cost falling due, following the performance of an operation linked to any of the Credit clauses.
- 4- The Cost falling due, as a result of another contract whose conclusion is a prerequisite to obtain the Credit.
- 5- The intermediation commission: the Cost paid by the client, according to an agreement concluded with an intermediary to obtain the Credit.
- 6- The Cost of any insurance policy concerning the Credit, that is imposed by the Institution and is purchased through the latter, including the insurance on installments, accident insurance, health insurance, business interruption insurance, life insurance, etc.
- 7- Any Cost imposed by virtue of the Credit and paid in advance.

III- The following costs are excluded from the installment:

- 1- the penalty in case of reimbursement failure.

- 2- the commission on the payment, withdrawal or transfer of any amount from the current credit account
- 3- any exceptional Cost that becomes due on the Credit.

## ANNEX No 2- Credit Cards Table

I- A summarized table with the main characteristics of the Credit Card:

<b>The information below do not constitute a substitute for any contract or contract clauses between the Institution and the client</b>			
<b>Annual Percentage Rate (APR)</b>			
<b>Interest rates applied by operation type</b>	<b>Type of operation</b> Procurement Cash withdrawal Transfer of current balance	<b>Annual Simple Interest Rate</b>	<b>Annual Percentage Rate</b>
<b>Grace period</b>			
<b>Interest rate implementation details</b>	The interest implementation date (from-to) by operation type		
<b>Installment allocation by order of priority</b>	The priority in distributing the installment paid		
<b>Minimum monthly installment</b>			
<b>Credit amount</b>	Credit limits		
<b>Cost for issuing/renewing the Card</b>			
<b>Cost for operation execution</b>	Cash withdrawal Transfer of the current balance Exchange operation		
<b>Penalties</b>	Late reimbursement Exceeding the credit limit Returned payments		

### II- Explanatory Table

This table supposes a purchasing operation with the Card, amounting to one million Lebanese pounds or one thousand foreign cash units, according to the Card currency. The Table determines also the APR and the minimum monthly installment. In this example, the client is supposed to have performed one operation at a specific date, that he/she will pay the installments on a monthly basis at the convened date, and that he/she has not exceeded the Credit ceiling.

Explanatory Table	Purchasing operation with the Card, amounting to one million Lebanese pounds or one thousand foreign cash units		
Case	Reimbursement of the minimum monthly installment	Reimbursement within 12 months	Other case
<b>Monthly Installment</b>			
<b>Interest due in the 1<sup>st</sup> year</b>			
<b>Interest due in the 2nd year</b>			
<b>The period needed to reimburse the whole balance</b>		<b>12 months</b>	