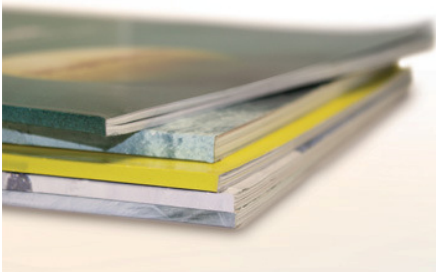


# New Code of Practice for Consumer Lending

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## New Code of Practice for Consumer Lending

Until the recent introduction of the **Supply of Goods and Services (Jersey) Law 2009**, Jersey had no consumer protection legislation. The new law includes some provisions relevant to consumer hire purchase contracts. However, there is no comprehensive consumer protection for borrowers in Jersey as the Island has no equivalent of the UK's consumer credit legislation.

To help address the issue, the Jersey Financial Services Commission (“JFSC”), which regulates deposit-taking under the **Banking Business (Jersey) Law 1991**, organised a meeting of representatives of local financial institutions, trading standards, the Citizens Advice Bureau and the Jersey Consumer Council aimed at establishing a ‘*cross-industry, voluntary code of practice in order to improve the consumer lending environment*’. A steering group was formed as a result which has agreed and issued this Autumn a user-friendly code of practice for consumer lending (the “Code”).

### The Code

The Code is a voluntary code of practice, the stated key aims of which are to:

- enable Jersey consumers to be fully aware of, and understand, the terms under which they are borrowing money;

- enable Jersey lenders, brokers and financial advisers to obtain the right information to ensure that credit is not advanced where the ability to meet repayment might be in doubt; and
- promote responsible lending.

The Code sets minimum standards of good lending practice which are to be followed by the lenders subscribing to it.

### Scope

The Code applies to formally agreed lending to Jersey consumers. This includes personal loans, mortgages, hire purchase agreements and overdrafts. The lenders must also apply the Code's standards to lending arranged via third parties, whether those parties are subscribers or not. The Code does not apply to lending to businesses, nor does it apply where the loan is £500 or less.

### Key Commitments

Under the Code lenders must inform borrowers of, and explain, key information when providing credit facilities or a written quotation so that borrowers have all the information required to make a properly informed choice. That includes details of: the amount of the loan; the term; repayment and interest provisions; other fees and charges; insurance costs;

and rights to and consequences of cancelling the agreement or repaying the loan earlier than planned.

The Code also provides that lenders should (amongst other commitments):

- indicate in all lending related advertising issued in Jersey that they abide by the Code;
- act fairly, reasonably and responsibly in all their dealings with borrowers and help them when they need information and guidance;
- provide written terms and conditions of the borrowing agreement and any other appropriate information on the borrower's indebtedness, setting out the borrower's rights and responsibilities clearly and in plain language;
- ensure that all advertising and promotional material is clear, fair and does not mislead and ensure that all applications are soundly and properly assessed;
- show clearly a typical Annual Percentage Rate in all forms of advertising and marketing material where repayments are quoted;
- have established procedures for dealing with complaints fairly, speedily and constructively.

Some of these key commitments reflect and to a certain extent overlap with existing legislation and codes of practice for regulated entities undertaking, for example, deposit-taking or investment business.

## **Credit Reference Agencies**

Specific commitments are included in relation to the use of credit reference agencies ("CRAs") by lenders which are described in the Code as organisations that hold personal credit records. When borrowers apply for an account, lenders subscribing to the Code must tell them that they may use a CRA to research credit history. Borrowers must be warned that the lender and other financial lenders may use that information, for example, to assess future applications and to prevent or detect fraud.

The Code also refers to the right of borrowers to apply to the CRAs for details of information held about them and to query such data if it is incorrect under existing data protection legislation.

## **Other Commitments**

Other commitments for lenders relating to guarantees, security and financial hardship apply under the code

The Code and the current list of lenders subscribing to it are available on the trading standards website at: [www.gov.je/tradingstandards/consumerlending](http://www.gov.je/tradingstandards/consumerlending).

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