

This is an English translation.

The original Icelandic text, as published in the Law Gazette (Stjórnartíðindi), is the authoritative text. Should there be discrepancy between this translation and the authoritative text, the latter prevails.

(A consolidated version of Act No. 30/1993 on Consumer Credit and Act No. 101/1993 amending Act No. 30/1993)

CHAPTER I

Scope and definitions

Article 1

This Act applies to commercial credit agreements between creditors and consumers.

Article 2

This Act does not apply to the following credit agreements:

- a. Credit agreements valid for less than three months.
- b. Credit agreements without payment of interest or any other charge.

- c. Credit agreements where loans are granted at rates of charge below those prevailing in the market and are not offered to the public generally.
- d. Hiring agreements, except leasing agreements, cf. Act No. 19/1989.
- e. Credit agreements involving amounts less than ISK 15,000 or higher than ISK 1,500,000.
- f. Credit agreements secured by mortgage on immovable property.
- g. Credit agreements in the form of an advance on a current account.
- h. Credit agreements intended for the purposes of acquiring or retaining property rights in immovable property or of renovating or improving immovable property. The provisions of paragraph 1 do, however, not apply to agreements concluded with the intention of excluding them from the scope of this Act i.e. by dividing the amount between more than one credit agreement.

Article 3

Notwithstanding the exclusion provided for in paragraph g

of Article 2, where there is an agreement between a credit institution or a financial institution and a consumer for the granting of credit in the form of an advance on a current account, other than credit card accounts, the consumer shall be informed when the agreement is concluded:

- a. of the credit limit, if any,
- b. of the rate of interest and the charges applicable from the time the agreement is concluded and the conditions under which these may be amended,
- c. of the procedure for terminating the agreement,
- d. if the rate of interest or the relevant charges can be changed during the contract period. In that event the consumer shall be informed of the means by which he will receive information on any changes. Such information may be given in a statement of account, announcement in the media or in any other similar manner.

Article 4

For the purposes of this Act:

- a. Consumer means a natural person who, in loan transactions covered by this Act, is acting for purposes

which can be regarded as outside his trade or profession.

b. Creditor means a natural or legal person or a group of such persons who grants credit.

c. Credit agreement means an agreement whereby a creditor grants or promises to grant to a consumer a credit in the form of a deferred payment or other similar financial accommodation and which the consumer promises to repay according to the terms of the agreement.

d. Total cost of the credit to the consumer means all the costs of the credit to the consumer including interest.

e. Annual percentage rate of charge means the total cost of the credit due to the credit agreement expressed as an annual percentage of the amount of the credit granted and calculated according to Articles 10 to 12.

f. Title retention means that on purchase an agreement is made to the effect that a creditor remains the owner of goods until they are fully paid for according to the credit agreement and that the creditor can repossess the goods if the consumer does not fulfil his obligations according to the agreement.

CHAPTER II

Creditor obligation to provide information

Article 5

Credit agreements shall be made in writing and contain the information referred to in Articles 6 and 8. The consumer shall be given a copy of the credit agreement.

Article 6

On concluding a credit agreement the creditor shall provide the consumer with information on:

1. The principal, i.e. the credit granted without any charges.

When the creditor is at the same time a supplier of goods or services the principal shall equal the cash price of the goods or services. When only a part of the total value of the goods or services is in the form of a credit the down payment shall be subtracted from the principal.

2. The sum received, i.e. the principal excluding charges.

3. The rate of interest.

4. Total cost of the credit in ISK calculated in accordance with Article 7.

5. The annual percentage rate of charge, i.e. the total cost