

Credit advertising

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1 INTRODUCTION

- 1.1 This guidance note provides a brief introduction and overview of the rules governing the form and content of credit advertisements under the Consumer Credit Act 1974 (the Act).
- 1.2 The rules are principally set out in the Consumer Credit (Advertisements) Regulations 2004 (the Regulations)¹ as amended.² They complement the more general principles-based rules in the Consumer Protection from Unfair Trading Regulations 2008 (the CPRs)³ which also apply to credit advertisements.
- 1.3 This guidance note includes a number of annexes. A separate annexe with sample advertisements and a flowchart illustrating the requirements is available on the OFT website.⁴
- 1.4 More detailed guidance in the form of answers to frequently asked questions (FAQs) is also available on the website.⁵
- 1.5 Specific queries regarding interpretation of the Regulations may be addressed to credit.guidance@oft.gsi.gov.uk.
- 1.6 This guidance note represents the OFT's view as an enforcer of the Regulations. It is not a determinative statement of the law and should
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¹ SI 2004/1484 – see www.opsi.gov.uk/si/si2004/uksi_20041484_en.pdf

² The Regulations were amended in 2004 and 2007 – see www.opsi.gov.uk/si/si2004/uksi_20042619_en.pdf and www.opsi.gov.uk/si/si2007/pdf/uksi_20070827_en.pdf

³ See paragraph 1.10 below

⁴ See www.oft.gov.uk/shared_oft/business_leaflets/consumer_credit/oft016a.pdf

⁵ See www.oft.gov.uk/shared_oft/business_leaflets/consumer_credit/oft746.pdf

not be relied upon as a substitute for legal advice. Only the courts can provide a definitive interpretation of the law.

Summary

- 1.7 The Regulations aim to ensure that credit advertisements give a clear and balanced view of the nature and costs of the credit on offer, and so enable consumers to compare different credit offers so they can shop around for the best deal⁶.
- 1.8 The Regulations extend to all forms of advertising, including in print, on television or radio, on the internet or by way of telephone canvassing.
- 1.9 In particular:
- advertisements must be clear and use language which is not difficult to understand
 - if an advertisement contains certain types of information about the credit on offer, other information must also be displayed
 - key information such as the typical APR, where triggered, must be easily identifiable and placed with other important information.
- 1.10 The Regulations no longer apply to hire advertisements. However, both credit and hire advertisements are subject to the CPRs.⁷
- 1.11 The CPRs prohibit unfair commercial practices, including misleading actions or omissions.⁸ These may occur, for example, if an advertisement contains false information or is likely to deceive consumers in relation to specified matters, or if it omits or hides material

⁶ Section 44 of the Act.

⁷ SI 2008/1277 – see www.opsi.gov.uk/si/si2008/uksi_20081277_en.pdf

⁸ The CPRs apply to commercial practices by traders which affect or may affect consumers – business-to-business commercial practices are covered by the Business Protection from Misleading Marketing Regulations 2008, SI 2008/1276.

information or provides such information in a manner which is unclear, unintelligible, ambiguous or untimely. The CPRs replace section 46 of the Act which previously prohibited false or misleading advertisements.⁹

1.12 Guidance on the CPRs is available on the OFT website.¹⁰

⁹ The CPRs require additional consideration to be given to the effect or likely effect of a commercial practice on vulnerable consumers, such as sub-prime borrowers.

¹⁰ See www.oft.gov.uk/advice_and_resources/small_businesses/competing/protection

2 SCOPE OF THE CREDIT ADVERTISING REGIME

What advertisements are covered by the Regulations?

2.1 The Regulations apply to most credit advertisements published by or on behalf of the following types of business:

- **Consumer credit** – businesses that lend money or offer any other form of credit or give people time to pay for goods or services. For example, banks, finance houses, credit card issuers or shops offering their own credit.¹¹
- **Credit brokerage** – businesses that introduce customers to lenders or other brokers, or arrange credit on their behalf. For example, financial advisers, retailers or motor dealers.¹²

Exempt advertisements

2.2 Certain credit advertisements are exempt from the Regulations. For example, if the advertisement indicates that credit is available only to bodies corporate (such as limited companies)¹³ or only for business purposes.¹⁴

2.3 The Regulations do not apply to advertisements to the extent that they are regulated under the Financial Services and Markets Act 2000 (FSMA)

¹¹ Section 43(1) of the Act

¹² Section 151(1)

¹³ Section 43(3)

¹⁴ Regulation 10(1) – but see footnote 8 above

by the Financial Services Authority (FSA).¹⁵ Such advertisements remain subject however to the CPRs.¹⁶

2.4 Some advertisements for mortgages or other loans secured on land may be subject to dual regulation under the Regulations and the FSMA. If so, they will need to comply with FSA rules as well as the Regulations. This may be the case if the advertisement covers both secured and unsecured credit, or if a broker is promoting secured loans offered by both FSA-authorized and non-FSA authorized lenders.

2.5 The OFT and FSA have jointly produced guidance¹⁷ to help firms identify when an advertisement may be dually regulated and to address some of the common issues that firms may encounter when creating a fully compliant advertisement.¹⁸

What is an advertisement?

2.6 The Regulations apply to advertising in any form.¹⁹ This includes:

- in print, e.g. newspapers, circular letters, flyers, catalogues, billboards
- on television or radio
- on the internet
- on teletext

¹⁵ Section 43(3A)

¹⁶ See paragraph 1.10 above

¹⁷ See www.oft.gov.uk/shared_of/business_leaflets/general/creditadvertisingfaq.pdf

¹⁸ For advice on the information requirements of the CPRs, see footnote 10 above

¹⁹ 'Advertisement' is defined in section 189(1)

- by way of telephone canvassing.
- 2.7 Any means by which consumers are told that credit is available is likely to be an advertisement.
- 2.8 An 'advertiser' is defined as anyone indicated by the advertisement as willing to enter into transactions to which it relates.²⁰ In the case of a brokerage advertisement, this would include the credit-broker and also any relevant lender identified in the advertisement.

Breach of the Regulations

- 2.9 It is a criminal offence to cause an advertisement to be published which breaches the Regulations²¹.
- 2.10 In addition, it is an offence for an advertisement to indicate a willingness to provide credit for the purchase of goods or services if the supplier of the goods or services is not also prepared to sell them for cash²².
- 2.11 Where an advertiser commits an offence against the Act or Regulations, the offence is also committed by:²³
- the publisher of the advertisement
 - any person who devised the advertisement
 - any other person who arranged for its publication.
- 2.12 This is subject to the possible defences under the Act, including (in the case of publishers) that the person did not know and had no reason to suspect that publication would be an offence.²⁴

²⁰ Section 189(1)

²¹ Section 167

²² Section 45

²³ Section 47(1)

- 2.13 Where an offence is committed by a limited company or other body corporate, with the consent or connivance of (or because of neglect by) any director or manager or other officer, that individual also commits an offence.²⁵
- 2.14 Breach of the Act or Regulations may also be taken into account by the OFT in considering fitness to hold a consumer credit licence.²⁶

Enforcement action

- 2.15 The OFT, Local Authority Trading Standards Services (TSS) and the Department of Enterprise, Trade and Investment in Northern Ireland (DETINI) can take enforcement action against any person who breaches the Act or Regulations.
- 2.16 This may include prosecution in the courts, possibly leading to a fine and/or imprisonment.
- 2.17 Breach may also be the subject of action under Part 8 of the Enterprise Act 2002 (Part 8). This gives certain enforcers power to seek court orders against businesses that infringe specified legal obligations to consumers, where this harms the collective interests of consumers. The OFT, TSS and DETINI are 'general enforcers' and the OFT also has a co-ordinatory role.
- 2.18 A summary of the provisions of Part 8, and the OFT's general approach to enforcement, can be found in *Enforcement of consumer protection legislation: Guidance on Part 8 of the Enterprise Act* (OFT512).²⁷ We have

²⁴ Sections 47(2) and 168

²⁵ Section 169

²⁶ The OFT has published general guidance on fitness – see www.of.gov.uk/shared_of/business_leaflets/credit_licences/oft969.pdf

²⁷ See www.of.gov.uk/shared_of/business_leaflets/enterprise_act/oft512.pdf

also issued a general statement of our enforcement principles in relation to consumer protection legislation.²⁸

- 2.19 The OFT and other enforcers have information-gathering powers, and powers of entry and inspection, under the 1974 Act. In addition, the 2002 Act enables the OFT to seek information in appropriate cases to enable it to exercise, or to consider whether to exercise, powers under Part 8. TSS and DETINI have equivalent powers.
- 2.20 For example, the OFT or another enforcer can request information in order to establish whether a typical APR²⁹ has been calculated correctly.

The OFT's approach to enforcement

- 2.21 The OFT is committed to good enforcement policies and procedures in line with the recommendations of the Hampton Report³⁰ as implemented by the Legislative and Regulatory Reform Act 2006 (LRRRA).
- 2.22 Part 2 of the LRRRA requires regulators to have regard to certain principles of good regulation, namely that regulatory activities should be carried out in a way which is transparent, accountable, proportionate and consistent, and should be targeted only at cases where action is needed. This has been elaborated through a Regulators' Compliance Code.³¹
- 2.23 The OFT acts in accordance with the Code and the Hampton principles in carrying out enforcement activities. In particular, we aim to ensure that enforcement action is taken only where necessary and proportionate, having regard to the risks of detriment to consumers. We seek to resolve any

²⁸ *Statement of consumer protection enforcement principles* (OFT 954), November 2007 – available on the OFT website.

²⁹ See paragraph 3.8 below

³⁰ *Reducing Administrative Burdens: Effective Inspection and Enforcement* (Philip Hampton, March 2005) – available from the HM Treasury website at www.hm-treasury.gov.uk

³¹ *Regulators' Compliance Code – Statutory Code of Practice for Regulators* (December 2007) – available from the BERR website at www.berr.gov.uk

problems by agreement with the business concerned where possible. Key elements in our enforcement decisions will be:

- the level of detriment caused – or likely to be caused – to consumers by advertisements that do not comply
- whether the breach was inadvertent or was a deliberate or wilful (or negligent) flouting of the legal requirements, and
- whether the breach is an isolated instance of non-compliance or forms part of a pattern, whether involving similar or different breaches.

3 CONTENT OF ADVERTISEMENTS

Basic requirements

- 3.1 This chapter describes the information that must be included in credit advertisements.³²
- 3.2 All advertisements must contain the name of the advertiser.³³ If there is more than one advertiser each must be named. The name must be a permitted trading name under the relevant consumer credit licence(s).
- 3.3 In certain cases the advertiser's postal address must also be stated.³⁴ This applies where the advertisement includes certain financial information as set out in Table 1 below. A postal address is not however required where the advertisement:
- is published by means of television or radio broadcast
 - is on the premises of a lender or a dealer (i.e. a retailer of goods or services on credit) and is not intended to be taken away, or
 - includes the name and address of a dealer or the name and postal address of a credit-broker.

Information triggers

- 3.4 Displaying certain financial information in an advertisement will trigger the requirement to display other key information, as set out in Schedule 2 to the Regulations.³⁵ The information triggers are summarised in Table 1 below.

³² The CPRs also contain specific information requirements – see footnote 10 above

³³ Regulation 3

³⁴ Regulation 4(1)(b)

³⁵ Regulation 4(1)(a)

3.5 The following definitions may help in interpreting the table:

- **Advance payment** – Any requirement to make up-front payments, and the amount or minimum amount (expressed as a sum of money or a percentage). Advance payments are commonly referred to as 'deposits'.
- **Amount of credit** – The amount of credit to be provided under the agreement, or the maximum and/or minimum amount.
- **Cash price** – The cash price of goods or services for which credit may be provided.
- **Deposit on account** – Any requirement to place money on deposit in an account.
- **Frequency, number and amounts of repayments** – A statement of the frequency, number and amounts of repayments of credit (or in the case of running-account credit such as credit cards, a statement indicating the frequency of repayments and the amount or minimum amount of each repayment or the manner in which it will be determined) – expressed as a sum of money and/or a specified proportion of a specified amount.
- **Other payments and charges** – A description and amount of any additional fees or charges (other than default charges) which may be payable under the transaction (or, where the liability to make a payment cannot be ascertained at the date the advertisement is published, a description of the payment and a statement of the circumstances in which liability will arise).
- **Total amount payable** – In the case of advertisements relating to fixed-sum credit (such as loans or hire-purchase), the total of any

advance payments, the amount of credit repayable and the total charge for credit.³⁶

³⁶ This part of Schedule 2 was amended by the 2004 amending SI, see footnote 2 above

Table 1 – Information triggers

When a credit advertisement includes:	It must include:
<p>Any one or more of the following:</p> <ul style="list-style-type: none"> • Amount of credit • Deposit on account • Cash price • Advance payment 	<ul style="list-style-type: none"> • The name of the advertiser (this is required in all credit advertisements)
<p>Any one or more of the following:</p> <ul style="list-style-type: none"> • Frequency of repayments • Number of repayments • Description (not amount) of any other payment or charge 	<ul style="list-style-type: none"> • The name of the advertiser • Typical APR
<p>Any one or more of the following:</p> <ul style="list-style-type: none"> • Amount of any repayment • Amount of any other payment or charge • Total amount payable 	<ul style="list-style-type: none"> • The name of the advertiser • A postal address (in most cases) • Typical APR • Amount of credit • Any deposit on account • Cash price of goods or services • Any advance payment • Frequency, number and amounts of repayments • Description and amount of any other payment or charge • Total amount payable

APRs

- 3.6 The APR (the annual percentage rate of charge) is an important piece of information for consumers shopping around for credit. It provides a yardstick for measuring the cost of credit under different types of agreement as, in addition to interest charges, the APR reflects any other charges that have to be paid to obtain the credit, even if they do not arise directly under the credit agreement.
- 3.7 The APR works best when comparing similar products or types of product. It is not, however, the only information consumers may need when shopping around. Other considerations include how long the agreement lasts for; how much it will cost in total; the amount of each repayment (and whether this may be varied); and any additional fees or charges including default charges.

The typical APR

- 3.8 The Regulations require most credit advertisements to include a 'typical APR'. This is defined as an APR at or below which the advertiser reasonably expects, at the date on which the advertisement is published, that credit will be provided under at least 66% of the agreements that will be entered into as a result of that advertisement.³⁷
- 3.9 The typical APR must be stated if the advertisement includes any of the following triggers:³⁸
- any rate of charge³⁹
 - certain financial information⁴⁰

³⁷ Regulation 1(2) – the definition of 'typical APR' was amended by the 2007 amending SI, see footnote 2 above

³⁸ Regulation 8(1)

³⁹ See paragraph 3.18 below

- a non-status indication⁴¹
- a comparative indication⁴²
- an incentive.⁴³

3.10 There are also rules on the presentation of the typical APR in an advertisement, and relative prominence – see Chapter 4.

Calculating the typical APR

3.11 The typical APR must be based on reasonable expectations of business likely to result from the advertisement. The advertiser should be able to justify the assumptions used if challenged. It makes sense therefore to document fully the basis for calculating a typical APR, so that the trader can demonstrate compliance with the Regulations.

3.12 The typical APR must relate to the particular advertisement. It should reflect the business expected to arise as a result of that advertisement, irrespective of any wider marketing campaign. The assessment should take into account the mix of products and likely customers and the rates applicable in each case. Information from past advertising campaigns may be relevant in assessing likely take-up, but cannot be the only consideration – the test is a forward-looking one.

3.13 An advertisement can have only one typical APR, even if it covers more than one product or type of product. For example, if a single advertisement is promoting different types of credit card, the typical APR must reflect at least 66 per cent of all agreements expected to be

⁴⁰ See paragraph 3.20 below

⁴¹ See paragraph 3.23 below

⁴² See paragraph 3.26 below

⁴³ See paragraph 3.31 below

entered into as a result of that advertisement. It is not permissible to show one typical APR for one credit card and one for another if they are part of the same advertisement.

- 3.14 A promotion may comprise more than one advertisement, in which case a typical APR may be shown in each. This may be the case where each advertisement is clearly separate and distinct, and each is self-contained (and complies on its own account with the Regulations).
- 3.15 The requirements also apply to brokerage advertisements. In calculating the typical APR, the broker should take into account credit agreements likely to be entered into as a result of introductions to lenders or other brokers. This includes where a lender is acting as a credit-broker by referring applicants to other lenders or brokers.
- 3.16 The assessment of the typical APR should be based on reasonable expectations at the time the advertisement is published. If an advertisement is published more than once, or on a continuing basis, the assessment should be repeated periodically to ensure that the typical APR remains correct.
- 3.17 There are special rules for the calculation of APRs in advertising for running-account credit such as credit cards – see Annexe B.

Typical APR: rate of charge trigger

- 3.18 If an advertisement specifies any rate of charge, this triggers a requirement to state the typical APR.⁴⁴ A rate of charge can comprise:
- the rate of interest under the credit agreement
 - the rate (not amount) of any fee or charge payable
 - any individual APR including 'from' and 'to' APRs.⁴⁵

⁴⁴ Regulation 8(1)(a)

⁴⁵ See paragraph 3.37 below

3.19 For example, the statement '3% above base rate' constitutes a rate of charge and so triggers the typical APR.

Typical APR: information triggers

3.20 The typical APR is required if the advertisement includes any of the following items of financial information:⁴⁶

- the frequency of repayments
- the number of repayments
- the amount of any repayment
- the amount of any other payment or charge
- a description of such payment or charge
- the total amount payable.

3.21 The typical APR is not however triggered by other financial information such as the amount of credit or any deposit or advance payment.

Typical APR: non-status, comparative and incentive triggers

3.22 The typical APR is required if the advertisement includes any of the following triggers:

Non-status indications

3.23 If an advertisement indicates in any way that credit is available to persons who might otherwise consider their access to credit restricted, then it must display a typical APR.⁴⁷ In this guidance note these are referred to as 'non-status indications'.

⁴⁶ Regulation 8(1)(b) – see also Table 1 above

⁴⁷ Regulation 8(1)(c)(i)

3.24 The following is a non-exhaustive list of examples of non-status indications which may trigger the typical APR:

- reference to arrears or default
- reference to county court judgments (CCJs)
- reference to employment or housing circumstances
- reference to credit history or adverse or low credit rating such as 'Poor credit history? We can help'
- reference to being turned down for credit or having problems obtaining credit such as 'Refused elsewhere?'

3.25 A non-status indication may be express or implied. An implied indication could appear, for example, as part of a business name or web address. It could also appear in a logo or a description of occupation, or an indication of the nature of the credit facilities available.

Comparative indications

3.26 If an advertisement indicates in any way that any of the terms on which credit is available are more favourable than corresponding terms applied in any other case or by any other lender, then it must display a typical APR.⁴⁸ This includes comparisons with the advertiser's other products or with any existing loan. In this guidance note these are referred to as 'comparative indications'.

3.27 The following is a non-exhaustive list of examples of comparative indications which may trigger the typical APR:

- 'low cost loans'
- 'our lowest rates'

⁴⁸ Regulation 8(1)(c)(ii)

- 'best buy'
- 'cheapest loans'
- 'we won't be beaten on rates'
- 'reduce your monthly payments'
- 'save money'
- 'have cash to spare'.

3.28 A comparative indication may be express or implied – for example, www.bestloansever.org.uk

3.29 In the OFT's view, comparative triggers may also, depending upon the nature and circumstances of the advertisement, include indications that no (or low) fees or charges are payable. For example:

- 'no annual fee'
- 'no fee for cash advances'
- 'low redemption charges'
- 'no arrangement fees'
- 'broker's fee only 1%'.

3.30 This would depend upon whether these are merely statements of fact, or whether they highlight (or purport to highlight) an advantage of the advertised product over those of competitors.

Incentives

- 3.31 If an advertisement includes any incentive to apply for credit, or to enter into an agreement under which credit is provided, then it must display a typical APR.⁴⁹
- 3.32 An incentive would include a gift or special offer such as 'Apply for our Platinum card and receive a free Walkman' or '£50 vouchers if you apply before 31 July'. It would also include reference to a cashback or other benefit associated with the product, such as Air Miles or reward points.
- 3.33 In the OFT's view, other examples of incentives which may trigger the typical APR would include the following:
- '2% off our usual rates'
 - 'low rates until 31 March'
 - 'nothing to pay for a year'
 - 'buy now, pay next June'
 - 'no fee on loans over £10,000'
 - 'no deposit on orders before 1 May'
 - 'cash within 24 hours of application'
 - 'drive away a car for under £100 a month'.
- 3.34 Some of the above statements may also constitute comparative indications. As above, this would depend upon the nature and circumstances of the individual advertisement.

⁴⁹ Regulation 8(1)(d)

Denoting the typical APR

- 3.35 The typical APR must be denoted as '%APR'⁵⁰ and accompanied by the word 'typical'⁵¹. For example, '12.9%APR Typical' or 'Typical 12.9%APR'. The Regulations do not permit '12.9% Typical APR'.
- 3.36 If the interest rate or charges used in calculating the APR for an agreement may change over the lifetime of the agreement, then the typical APR must also be accompanied by the word 'variable'.⁵²

'From' and 'to' APRs

- 3.37 An advertisement may indicate the range of APRs charged only by specifying, with equal prominence, both of the following⁵³:
- the APR which the advertiser reasonably expects, at the date on which the advertisement is published, will be the lowest APR at which credit will be provided under not less than 10% of the agreements that will be entered into as a result of that advertisement (the 'from APR'), and
 - the APR which the advertiser reasonably expects, at that date, will be the highest APR at which credit will be provided under any of the agreements that will be entered into as a result of the advertisement (the 'to APR').
- 3.38 If a 'from APR' is shown in an advertisement, the 'to APR' must also be shown, with equal prominence, with the typical APR being more prominent. Intermediate APRs may be included in addition. It is not

⁵⁰ Regulation 8(3)

⁵¹ Regulation 8(5)(a)

⁵² Regulation 8(4)

⁵³ Regulation 8(2)

however permissible to show any APR which is lower than the 'from APR' calculated on the 10% rule.

- 3.39 A statement such as 'rates as low as 4% APR' is an indication of the range of APRs charged, and so triggers the 'to' rate and the typical APR. This statement may be included only if 4% is the lowest APR at which credit is reasonably expected to be provided under not less than 10% of agreements resulting from the advertisement. The 'to APR' must be the highest APR charged, irrespective of the number of agreements entered into at that rate.

Security warnings

- 3.40 Where security is or may be required in relation to a credit agreement, the advertisement must state that fact **and** specify the nature of the security.⁵⁴ Typically this will be where loans are secured on the borrower's home, but the requirements also apply to other forms of security such as a guarantee provided by a third party.
- 3.41 In addition, certain warning statements must be included as set out below.⁵⁵ These must be shown in block capitals in each case.
- 3.42 In the case of an advertisement where the security comprises or may comprise a mortgage or other charge on the borrower's home (other than an equity release mortgage), the advertisement must include the following statement:

⁵⁴ Regulation 7(1)

⁵⁵ Regulation 7(2)-(4)

'YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE OR ANY OTHER DEBT SECURED ON IT'

- 3.43 Where the advertisement indicates that credit is available for the payment of debts due to other creditors, for example debt consolidation loans, the above warning must be preceded by the words:

'THINK CAREFULLY BEFORE SECURING OTHER DEBTS AGAINST YOUR HOME'

- 3.44 In the case of an advertisement for an equity release mortgage, under which borrowers can access money tied into the value of their home without paying interest until they cease to occupy the home as their main residence, the advertisement must include the following statement:

'CHECK THAT THIS MORTGAGE WILL MEET YOUR NEEDS IF YOU WANT TO MOVE OR SELL YOUR HOME OR YOU WANT YOUR FAMILY TO INHERIT IT. IF YOU ARE IN ANY DOUBT, SEEK INDEPENDENT ADVICE'

- 3.45 In the case of an advertisement for a mortgage or other loan secured on property under which repayments are to be made in a foreign currency, the advertisement must include the following statement:

'CHANGES IN THE EXCHANGE RATE MAY INCREASE THE STERLING EQUIVALENT OF YOUR DEBT'

- 3.46 The prescribed warning statements are not required in certain radio, television and film advertisements⁵⁶, but these must indicate that security is or may be required and specify the nature of the security.

⁵⁶ Regulation 7(8)

Restricted expressions

3.47 An advertisement may not include:⁵⁷

- The word 'overdraft' or any similar expression to describe an agreement for running-account credit, except where the agreement allows the borrower to overdraw on a current account.
- The expression 'interest free' or any similar expression indicating that customers buying on credit may pay no more than they would as cash buyers, except where the total amount payable does not exceed the cash price. This means that interest-bearing credit agreements with terms that waive interest charges if the cash price is paid within a certain period cannot be advertised as 'interest free'.
- The expression 'no deposit' or any similar expression, except where no advance payments are to be made.
- The expression 'loan guaranteed' or 'pre-approved' or any similar expression, except where there are no conditions in the agreement regarding the credit status of the borrower which could affect the lender's acceptance of the application.
- The expression 'gift' or 'present' or any similar expression, except where there are no conditions that would require the borrower to return the credit or the item in question.
- The expression 'weekly equivalent' or any similar expression (or indication of other periodical payments such as 'monthly') unless weekly payments or the other periodical payments are provided for under the agreement.

3.48 Use of the expressions 'Government licensed' or 'Licensed by the Office of Fair Trading' can be misleading as they may imply that the whole range of the trader's activities have been licensed or approved in some

⁵⁷ Regulation 9

way. An appropriately placed expression that merely reflects the trader's status – for example 'Licensed under the Consumer Credit Act 1974' or 'CCA Licence number 123456' – is however acceptable.

- 3.49 The OFT's logo is Crown copyright. It may not be reproduced in any advertisement or other material without the OFT's permission.

4 PRESENTATION OF INFORMATION IN ADVERTISEMENTS

Basic requirements

- 4.1 This chapter describes how information in a credit advertisement must be presented.
- 4.2 All advertisements must use plain and intelligible language and must be easily legible (or in the case of information given orally, easily audible).⁵⁸ This is not limited to information relating to credit – it applies to *all* wording in the advertisement.
- 4.3 Legibility must be judged by reference to the nature and location of the advertisement, taking into account the way in which information is presented and the intended audience. For example, an advertisement on a billboard should have lettering which can easily be read from a distance rather than merely close up.
- 4.4 In addition, the Regulations require that certain financial information must be shown together as a whole. There are also rules on prominence of the typical APR and security warnings.⁵⁹ The rules apply to all media including advertising in-store or on television or radio or via the internet.

Together as a whole

- 4.5 If any of the following items of information are displayed in an advertisement, then they must be shown 'together as a whole':⁶⁰
- amount of credit
 - any deposit on account

⁵⁸ Regulation 3

⁵⁹ See paragraphs 4.12-4.19 below

⁶⁰ Regulation 4(2)

- cash price of goods or services
- any advance payment
- frequency, number and amounts of repayments
- any other payment or charge
- total amount payable.

4.6 The OFT considers 'together as a whole' to mean more than simply appearing in the same advertisement. The items in question must be shown together in one place so that they are capable of being (and are likely to be) read as a whole. This will generally mean on the same page and in the same part of the page.

4.7 The requirement to show information together as a whole applies to each occurrence of the information. If an individual item is repeated elsewhere in the advertisement, it may need to be accompanied by a repetition of all of the other items.

4.8 The information must also be of equal prominence.⁶¹ It is not permissible to show one item with greater prominence than the others. In addition, all information in the advertisement must be easily legible. For these reasons 'small print' should be avoided.

4.9 In the OFT's view, advertisements on the internet, including homepages and banner or pop-up advertisements, will not satisfy 'together as whole' if information is presented on separate pages of a website, or if it is necessary to 'click' between items. A website should not be designed in such a way as to make it unlikely that the consumer will see all of the information together and with equal prominence. Information should not be hidden away or presented so that it is unlikely to be read.

⁶¹ Regulation 4(2)

- 4.10 Certain advertisements in dealers' publications, such as catalogues, are exempted from the 'together as a whole' requirement provided that they meet certain conditions – see Annexe A.
- 4.11 Where the typical APR is shown in an advertisement, it must be presented together with any of the items listed in paragraph 4.5 above.⁶² This is irrespective of whether such information triggers the typical APR. For example, the amount of credit does not trigger the typical APR, but if both are included in an advertisement they must be shown together. The typical APR may also be shown separately, provided that it accompanies each reference to paragraph 4.5 information.

Prominence

- 4.12 The typical APR and any security warnings must be given sufficient prominence relative to other items of information.⁶³
- 4.13 Information is shown more prominently if the consumer's attention is drawn more to it than to other items of information. The size of text is not the only factor – information may be in a larger font size but may be less prominent because of its positioning or relative colouring. Similarly, the fact that information is in bold type or underlined may not make it more prominent if it is positioned so that it is unlikely to be seen first.
- 4.14 Prominence must be judged by reference to the nature of the advertising medium and the way in which information is presented. In the case of television or film advertisements, the period of time for which information is presented on screen may make it more or less prominent. Prominence may also be affected by the speed with which information is read out, for example in a radio advertisement.

⁶² Regulation 8(5)(b)

⁶³ See paragraphs 4.15-4.19 below

Prominence of APR

4.15 The typical APR must be more prominent than:⁶⁴

- any other rate of charge⁶⁵
- any non-status or comparative indication⁶⁶
- any incentive.⁶⁷

4.16 The typical APR must also be more prominent than any of the following items of financial information:

- amount of credit
- any deposit on account
- cash price of goods or services
- any advance payment
- frequency, number and amounts of repayments
- any other payment or charge
- total amount payable.

4.17 In addition, in the case of an advertisement in printed or electronic form, the typical APR must be shown in characters at least one and a half times the size of any of the items in paragraph 4.16.⁶⁸

⁶⁴ Regulation 8(5)(c)

⁶⁵ See paragraph 3.18 above

⁶⁶ See paragraphs 3.23 and 3.26 above

⁶⁷ See paragraph 3.31 above

Prominence of security warnings

4.18 The prescribed warning statements must be in block capitals, and must be given greater prominence than:⁶⁹

- any rate of charge (other than the typical APR)
- any non-status or comparative indication
- any incentive.

4.19 The prescribed warning statements must be no less prominent than any of the following items of financial information:

- amount of credit
- any deposit on account
- cash price of goods or services
- any advance payment
- frequency, number and amounts of repayments
- any other payment or charge
- total amount payable.

⁶⁸ Regulation 8(5)(d)

⁶⁹ Regulation 7(6)

ANNEXES

A ADVERTISEMENTS IN DEALERS' PUBLICATIONS

A.1 Special provisions apply in the case of credit advertisements in dealers' publications. A 'dealer' is a retailer of goods or services which may be financed by a credit agreement.

A.2 In particular, information in such an advertisement can be taken to be shown 'together as a whole' if the advertisement clearly indicates in close proximity to each description of, or specific reference to, goods or services either⁷⁰:

- the cash price alone; or
- the cash price together with all of the following items:
 - any advance payment
 - frequency, number and amounts of repayments
 - any other payments or charges
 - total amount payable
 - the APR (except in the case of agreements under which the total amount payable does not exceed the cash price).

A.3 Except as mentioned above, no information relating to the provision of credit may be shown together with the cash price. In addition, the remaining information in the advertisement must be presented in a way that is readily comprehensible as a whole, and it must be clear that it relates to the goods or services in question.

⁷⁰ Regulation 6

- A.4 The above provisions apply only if the publication is published by or on behalf of the dealer and relates to goods or services sold or supplied by that dealer. They do not apply to advertisements published more generally, for example in a newspaper or magazine.
- A.5 In addition, credit advertisements in dealers' publications covering a calendar or seasonal period, or in a document issued with such a publication, do not have to comply with the rules on 'together as a whole' and 'equal prominence', provided that there is no information indicating a willingness to provide credit other than⁷¹:
- the name and postal address of the dealer, lender or credit-broker;
 - a statement of the person's occupation or of the general nature of occupation;
 - an indication that details of the terms on which the advertiser is prepared to do business are available on request.
- A.6 This means, for example, that a seasonal catalogue may include a list of cash prices for goods – together with an indication that these may be financed by credit and that the credit terms are available on request – without the cash prices having to be shown together as a whole and of equal prominence⁷².
- A.7 The Regulations also make special provision in cases where information in a book, catalogue, leaflet or other document is likely to vary from time to time⁷³. In such cases, the variable information may be set out in a separate document, provided that:
- it is set out together as a whole in that document;

⁷¹ Regulation 5

⁷² This is subject to the requirements of the CPRs, see footnote 7 above

⁷³ Regulation 4(3)

- the document is issued together with the principal document, and is clearly identified in it; and
- all other advertising information is shown together as a whole in the principal document.

B APR CALCULATION FOR RUNNING-ACCOUNT CREDIT

- B.1 As noted in Chapter 3 of this guidance note, the typical APR is determined by reference to the APRs for the individual agreements expected to result from the advertisement.
- B.2 The APR for each agreement must be calculated in accordance with the Consumer Credit (Total Charge for Credit) Regulations (the TCC Regulations)⁷⁴. The TCC Regulations specify the charges that must be included in the total charge for credit (and hence the APR) and the assumptions that must be made where appropriate.
- B.3 In the case of running-account credit, such as credit cards, the Advertisements Regulations set out additional assumptions for the calculation of APRs for advertising purposes.⁷⁵
- B.4 Where the assumptions in the Advertisements Regulations and the TCC Regulations cover the same subject matter, the Advertisements Regulations take precedence. Other than to that extent, the assumptions in the TCC Regulations apply fully.
- B.5 When advertising running-account credit, the advertiser should start by calculating an APR for each individual agreement expected to result from the advertisement. This is done by applying the assumptions in the Advertisements Regulations and, where applicable, the TCC Regulations. The 66% rule⁷⁶ can then be applied to the resulting APRs to determine the typical APR. 'From' and 'to' APRs can be calculated in a similar way⁷⁷.

⁷⁴ SI 1980/51 as amended

⁷⁵ Schedule 1

⁷⁶ See paragraph 3.8 above

⁷⁷ Additional guidance can be found in the OFT's FAQs, see footnote 5 above

B.6 Note that the APR for an agreement for advertising purposes may differ from the APR in the eventual agreement, which is calculated in accordance with the TCC Regulations and the Consumer Credit (Agreements) Regulations.⁷⁸

⁷⁸ SI 1983/1553 as amended by SI 2004/1482