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Summary of CONC Appendix 1: Total Charge for Credit Rules and Certain Exemptions

# Overview

This document provides comprehensive rules for calculating the total charge for credit in regulated credit agreements, with separate methodologies for agreements secured on land versus other agreements. It also outlines specific exemptions for high net worth individuals and business-related credit agreements, including required declaration forms and procedures.

# Key Points and Main Findings

## Total Charge for Credit Calculation

* Two distinct calculation frameworks:  
    
  Section 1.1: Rules for agreements secured on land  
  Section 1.2: Rules for other agreements (not secured on land)
* Section 1.1: Rules for agreements secured on land
* Section 1.2: Rules for other agreements (not secured on land)
* Annual Percentage Rate (APR) must be calculated using specified mathematical formulas
* Rounding rules: APR rounded to one decimal place (round up if second decimal ≥5)
* Section 1.1: Rules for agreements secured on land
* Section 1.2: Rules for other agreements (not secured on land)

## Items Included in Total Charge

* Interest on credit
* Other charges payable by borrower to lender or third parties
* Insurance premiums required by lender for credit protection
* Credit broker fees (if known to lender)
* Account maintenance costs
* Payment transaction costs

## Items Excluded from Total Charge

* Default or penalty charges
* Charges for services available for cash transactions
* Money transmission service charges that vary with use
* Certain insurance premiums not required for credit protection
* Abnormally high transfer fees where borrower lacks choice

## Calculation Assumptions

* Standard assumptions required:  
    
  Agreement remains valid for agreed period  
  Both parties fulfill obligations as specified  
  For variable rates: assume initial rate continues unless variation is certain  
  For uncertain credit amounts: use credit limit or £100  
  For uncertain periods: assume one year
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## Exemptions for High Net Worth Individuals

* Qualification criteria:  
    
  Annual net income ≥ £150,000, OR  
  Net assets ≥ £500,000 (excluding primary residence)
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* Net assets ≥ £500,000 (excluding primary residence)
* Required documentation:  
    
  Statement of high net worth signed by qualified person  
  Declaration by borrower acknowledging loss of protections  
  Statement must be made within one year of agreement
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* Statement of high net worth signed by qualified person
* Declaration by borrower acknowledging loss of protections
* Statement must be made within one year of agreement

## Business Exemption Requirements

* Agreement must be wholly or predominantly for business purposes
* Requires specific declaration acknowledging loss of consumer protections
* Declaration must be prominently displayed in agreement

# Important Details and Conclusions

* Consumer Protection Trade-offs: Both high net worth and business exemptions require borrowers to explicitly waive consumer protection rights under the Financial Services and Markets Act 2000 and Consumer Credit Act 1974.
* Court Powers Preserved: Declarations do not affect courts' ability to review unfair credit relationships under section 140B of the Consumer Credit Act 1974.
* MCD Considerations: Special provisions apply to MCD article 3(1)(b) credit agreements, with modified declaration requirements that preserve certain Mortgage Credit Directive protections.
* Extensive List of Exempt Bodies: Appendix includes detailed lists of insurance companies, friendly societies, charities, and other bodies whose agreements may qualify for exemptions under specific conditions.
* Calculation Precision: The mathematical formulas and assumptions ensure standardized APR calculations across the industry, promoting transparency and comparability of credit offerings.

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