AN ORDINANCE
TO PROVIDE FOR THE LIBERALISATION OF
INTEREST RATES AND MATTERS CONNECTED
THEREWITH

T.W. RIMMER
ADMINISTRATOR


BE it enacted by the Administrator of the Sovereign Base Areas of Akrotiri and Dhekelia as follows:-

1. This Ordinance may be cited as the Interest Rates (Liberalisation) Ordinance 2001.

2. In this Ordinance, unless the context otherwise requires -

   "credit institution" means any body corporate which accepts deposits or any other permissible capital from, and grants loans to the public on its own account;

   "loan" includes any other credit facility;

   "standing housing loan" means an undischarged loan, granted by a credit institution at any time before commencement day, for the acquisition by the borrower of a dwelling as his only or main residence;

3. - (1) A credit institution shall –

   (a) notify each debtor to whom it grants a loan of the rate of interest charged or to be charged from time to time for such loan, the manner of calculating the interest charged or to be charged and the time that the interest charged or to be charged will be collected or debited to the debtor’s account;

   (b) provide to each debtor details of any other possible charges or expenses which may arise with regard to the loan;

   (c) inform its debtors generally by notices in daily newspapers or by written notices to debtors individually of any
proposed change in the rate of interest, the manner of calculating interest or the times of payment of interest or generally of any other proposed change;

(d) not compound interest more than twice per year.

(2) Any credit institution which contravenes any of the provisions of subsection (1) above, shall be guilty of an offence and shall be liable on conviction to a fine not exceeding three thousand pounds (£3,000).

(3) Where a credit institution commits an offence under subsection (2) above, every director and managing officer of the credit institution shall be guilty of a like offence and may be prosecuted accordingly and on conviction shall be liable to imprisonment not exceeding two years or to a fine not exceeding three thousand pounds (£3,000) or to both such penalties.

(4) For the purposes of this section “managing officer”, in relation to a credit institution, means any manager, secretary or similar officer of the credit institution or any person purporting to act in any such capacity or as a director.

4. Where two or more credit institutions have, before 1st January 2001 each granted a loan secured on the same immovable property, and the several loans in question remain undischarged on that date, the amount which either, or as the case may be, any one of the credit institutions concerned may recover by way of interest in the event of a forced sale of the immovable property on or after that date shall not exceed the amount of the principal debt which remains due to that credit institution at the time that it receives its share of the proceeds of the forced sale of the immovable property.

5. - (1) In the case of a standing housing loan the initial amount of which, together with the amount of any supplementary loan, does not exceed sixty thousand pounds, (£60,000) the debtor may, by a written notice to the creditor to be received by him within one month after 1st January 2001 opt for a fixed rate of nine per cent (9%) per annum instead of a fluctuating rate of interest:

Provided that when such an option is exercised it shall remain valid until the loan is fully discharged, but if it is not so discharged by 31st December 2002, the interest chargeable thereafter shall be on the basis of a fluctuating rate.

(2) If at any time during the period that the fixed rate of interest remains applicable under subsection (1) above, the average rate of the fluctuating rate of interest for housing loans should exceed nine per cent (9%) per annum, then the interest on the housing loans of a credit institution for which the aggregate of the amounts of the housing loans due to it on 1st January 2001 exceeds twenty five per cent (25%) of the aggregate of the amounts of all loans due to it on that date, shall be subsidised by the Republic through its budget by an amount equal to the difference between the amount chargeable by way of interest at the average fluctuating rate of interest on housing loans and the amount chargeable by way of interest at nine per cent (9%), on the average outstanding balance of the aggregate of the amounts of housing loans due to the credit institution on housing loans in relation to which the option described in subsection (1) above has been exercised.
(3) If at any time during the period that the fixed rate of interest remains applicable under subsection (1) above, the average rate of the fluctuating rate of interest for housing loans should fall below nine per cent (9%) per annum, then a credit institution for which the aggregate of the amounts of the housing loans due to it on 1st January 2001 exceeds twenty five per cent (25%) of the aggregate of the amounts of all loans due to it on that date, shall pay into the consolidated fund of the Republic an amount equal to the difference between the amount chargeable by way of interest at nine per cent (9%) and the amount chargeable by way of interest at the average fluctuating rate of interest on housing loans, on the average outstanding balance of the aggregate of the amounts of housing loans due to the credit institution on housing loans in relation to which the option described in subsection (1) has been exercised.

(4) For the purposes of this section, the average fluctuating rate of interest on housing loans shall be the amount of interest charged during the whole of the period commencing on 1st January 2001 and ending on 31st December 2002 on housing loans with a fluctuating rate of interest as a percentage of the average of the standing daily balances of such loans.

(5) A credit institution which is entitled to any subsidy under subsection (2) above or which is liable to make any payment under subsection (3) above, shall calculate the fluctuating rate of interest applicable to it in accordance with subsection (4) above and on the basis of its own data.

6. The provisions of this Ordinance shall not affect the application of the provisions of the Contracts Ordinance.

7. The Interest Ordinance is hereby repealed.

8. This Ordinance shall be deemed to have come into force on 1st January 2001.

6th September 2001
(104/16)
D.J. BONNER,
Chief Officer