

**Uniform Law  
Conference of Canada**

***Uniform Cost of  
Credit Disclosure Act***

# UNIFORM COST OF CREDIT DISCLOSURE ACT

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# Uniform Cost of Credit Disclosure Act

## PART 1

### Interpretation and Application

#### Definitions

1(1) In this Act:

“**advance**” means value received by the borrower within the meaning of section 2(3); « avance »

“**APR**” means the annual percentage rate determined in accordance with section 2(1) and the Schedule; « TAP »

“**associate**” has the meaning set out in subsection (2); « personnes liées »

“**borrower**” means the party to a credit agreement or prospective credit agreement who receives or will receive credit from the other party, but does not include a guarantor; « emprunteur »

“**broker**” means a person who, for compensation, assists a person in obtaining credit; « courtier »

“**brokerage fee**” means an amount that a borrower pays or agrees to pay to a broker in consideration of the broker’s services in arranging or attempting to arrange a credit agreement, and includes an amount deducted from an advance and paid to the broker by the credit grantor; « frais de courtage »

“**business day**” means a day on which the credit grantor is open for business; « jour ouvrable »

“**cash customer**” means a person who buys a product and pays for it in full before or at the time of receiving the product; « consommateur payant comptant »

“**cash price**” of a product, means:

(a) for a sale by a credit grantor or an associate of the credit grantor who sells the product to cash customers in the ordinary course of business, an amount that fairly represents the price for which the credit grantor or associate sells the product to cash customers, unless the parties agree on a lower price;

(b) for a sale where paragraph (a) does not apply, the price agreed on by the parties;

(c) for an advertisement, the price for which the advertiser currently offers to sell the product to cash customers or, if the advertiser does not currently offer the product to cash customers, the price stated in the advertisement, and, for the purpose of determining the amount advanced under a credit agreement, includes taxes and any other charges payable by a cash customer; « prix au comptant »

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“**Court**” means [as determined by jurisdiction]; “credit agreement” means an agreement under which credit is extended and, without limiting the generality of the foregoing, includes:

- (a) a loan of money;
- (b) a credit sale; and
- (c) an agreement under which loans of money or credit sales may occur in the future; « tribunal »

“**credit card**” means a card or device that can be used to obtain advances under a credit agreement for open credit; « carte de crédit »

“**credit grantor**” means:

- (a) the party to a credit agreement or prospective credit agreement who extends or will extend credit to the other party; or
- (b) an assignee of the rights of the original credit grantor, if the borrower has been given notice of the assignment; « prêteur »

“**credit sale**” means a transaction under which the purchase of a product is financed by the seller or manufacturer of the product or by an associate of the seller or manufacturer; « vente à crédit »

“**default charge**” means a charge imposed on a borrower who fails to make a payment as it comes due under a credit agreement or who fails to comply with any other obligation under a credit agreement, but does not include interest on an overdue payment; « frais de défaut de paiement »

“**fixed credit**” means credit under a credit agreement that is not for open credit; « crédit à taux fixe »

“**floating rate**” means an interest rate that bears a specified mathematical relationship to an index rate, and includes an interest rate that:

- (a) is subject to a minimum or maximum; or
- (b) is determined at the beginning of a period for the whole period, regardless of changes in the index rate during the period; « taux variable »

“**grace period**” means a period in which interest accrues but will be forgiven if the borrower satisfies conditions specified in the credit agreement; « délai de grâce »

“**index rate**” means a rate that meets criteria prescribed by the regulations; « taux indiciel »

“**initial disclosure statement**” means the disclosure statement described in section 23 for fixed credit, section 29 for open credit, or section 40 for a lease; « document d’information initial »

“**interest**” means charges that accrue over time and are determined by applying a rate to an amount owing from time to time under a credit agreement; « intérêt »

“**interest-free period**” means a period following the making of an advance during which interest does not accrue on the advance; « période sans intérêt »

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**“lease”** means any agreement for the hire of goods, except an agreement for the hire of goods in connection with a residential tenancy agreement; « bail »

**“mortgage loan,”** except where otherwise prescribed by regulation, means a loan of money secured by an interest in real property; « prêt hypothécaire »

**“non-interest finance charge”** means any charge that a borrower is required to pay in connection with a credit agreement other than:

- (a) interest;
- (b) a prepayment or default charge;
- (c) a charge for an optional service;
- (d) a charge referred to in section 2(3)(e) or (f) or designated by regulation under section 2(3)(g); or
- (e) for a credit sale, any charge that would also be payable by a cash customer; « frais financiers autres que l'intérêt »

**“open credit”** means credit under a credit agreement that:

- (a) anticipates multiple advances, to be made when requested by the borrower in accordance with the agreement; and
- (b) does not establish the total amount to be advanced to the borrower under the agreement, although it may impose a credit limit; « contrat d'avance à découvert »

**“optional service”** means a service that is offered to a borrower in connection with a credit agreement, and that the borrower does not have to accept in order to enter into the credit agreement; « services facultatifs »

**“outstanding balance”** means the total amount owing at a particular time under a credit agreement; « solde impayé »

**“payment”** means value given by a borrower within the meaning of section 2(5); « versement »

**“product”** means goods, services or goods and services, but does not include the extension of credit; « produits »

**“scheduled-payments credit agreement”** means a credit agreement for fixed credit under which the amount advanced is to be repaid in accordance with a specified schedule of payments, which may be subject to adjustment to accommodate contingencies including, but not limited to, the possibility of changes in the interest rate; « contrat de crédit à remboursement à échéances fixes »

**“security interest”** means any interest in property that secures the borrower's obligations under a credit agreement; « garantie »

**“term”**, in relation to the duration of a credit agreement, means the period between the first advance and the last payment anticipated by the agreement; « durée »

**“total cost of credit”** has the meaning set out in section 2(2); « coût total du crédit »

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- (2) For the purposes of this Act, two persons are associates of each other if:
- (a) one of them is the spouse, child, sibling or partner of the other; or
  - (b) one of them is a corporation and a sufficient number of shares to elect a majority of its directors are owned by:
    - (i) the other person;
    - (ii) one or more associates of the other person; or
    - (iii) the other person and one or more associates of the other person.  
« coût total du crédit »

### **Concepts relating to determination of cost of credit**

**2(1)** The annual percentage rate:

- (a) is an annual rate, expressed as a percentage, that relates the amount and timing of value received or to be received by the borrower in connection with a credit agreement to the amount and timing of value given or to be given by the borrower in connection with the credit agreement, disregarding the possibility of prepayment or default;
  - (b) is calculated in accordance with the Schedule; and
  - (c) is used to calculate the outstanding balance only if the credit agreement implies that it is to be used for that purpose.
- (2) The total cost of credit is the difference between the value given or to be given by the borrower in connection with a credit agreement and the value received or to be received by the borrower in connection with the credit agreement, disregarding the possibility of prepayment or default.
- (3) Subject to subsection (4), the following constitute value received or to be received by a borrower in connection with a credit agreement:
- (a) money transferred by the credit grantor to the borrower or to the order of the borrower;
  - (b) the cash price of a product purchased by the borrower from the credit grantor;
  - (c) the payment, discharge or consolidation by the credit grantor of a pre-existing monetary obligation of the borrower, the value received by the borrower being the amount of the obligation so paid, discharged or consolidated;
  - (d) the use of a credit card to obtain money or a product, the value received by the borrower being the money obtained or the cash price of the product;
  - (e) a charge for any of the following expenses, if the credit grantor incurs the expense for the purpose of arranging, documenting, insuring or securing a credit agreement and then charges the expense to the borrower:
    - (i) a fee paid to a third party to record or register a document or information in, or to obtain a document or information from, a public registry of interests in real or personal property;

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- (ii) a fee for professional services required for the purpose of confirming the value, condition, location or conformity to law of property that serves as security for a credit agreement, if the borrower is given a report signed by the person providing the professional services and is free to give the report to third persons;
  - (iii) a premium for insurance that protects the credit grantor against the risk of default on a high ratio mortgage, as defined by regulation;
  - (iv) a premium for casualty insurance on the subject matter of a security interest, if the borrower is a beneficiary of the insurance and the insured amount is the full insurable value of the subject matter;
  - (f) a fee charged by the credit grantor for maintenance of a tax account on a high-ratio mortgage, as defined by regulation;
  - (g) anything designated by the regulations as value received by the borrower for the purposes of this subsection;
- (4) The following do not constitute value received by the borrower unless they relate to an optional service, to an expense or fee referred to in subsection (3)(e) or (3)(f) or to something designated by regulation under subsection (3)(g):
- (a) insurance provided or paid for by the credit grantor in connection with a credit agreement;
  - (b) money paid, an expense incurred or anything done by the credit grantor for the purpose of arranging, documenting, securing, administering or renewing a credit agreement.
- (5) The following constitute value given by a borrower in connection with a credit agreement:
- (a) money or property transferred from the borrower to the credit grantor for any purpose in connection with the credit agreement;
  - (b) money or property transferred from the borrower to a person other than the credit grantor in respect of a charge for services that the credit grantor requires the borrower to obtain or pay for in connection with the credit agreement, unless the charge:
    - (i) is for an expense to which subsection (3)(e) or regulations under subsection (3)(g) would have applied if it had been incurred initially by the credit grantor and then charged by the credit grantor to the borrower;
    - (ii) is for services provided by a lawyer [or notary] chosen by the borrower; or
    - (iii) is for title insurance provided by an insurer chosen by the borrower.
- (6) Notwithstanding subsections (3) and (5), amounts paid into or out of a tax account for a mortgage loan are ignored when calculating the APR and total cost of credit.

### **Application**

**3(1)** In this section, “borrower”, “credit grantor” and “credit agreement” include a lessee, lessor and lease, respectively.

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- (2) Subject to subsections (3) and (4) and the regulations, this Act applies to a credit agreement if:
- (a) the borrower is a natural person who enters into the credit agreement primarily for personal, family or household purposes; and
  - (b) either:
    - (i) the credit grantor enters into the agreement in the course of carrying on a business; or
    - (ii) the credit agreement is arranged by a broker.
- (3) This Act does not apply to a credit sale that:
- (a) anticipates payment in full for the product in a single payment within a certain period after a written invoice or statement of account is delivered to the buyer;
  - (b) is unsecured, apart from any lien on the product that may arise by operation of law;
  - (c) is not assigned in the ordinary course of the credit grantor's business otherwise than as security;
  - (d) does not provide for any non-interest finance charges; and
  - (e) is unconditionally interest-free during the period for payment referred to in paragraph (a).
- (4) A credit grantor is entitled to rely on a statement in a credit agreement or other document regarding the purpose for which a borrower enters into a credit agreement if the statement is signed by the borrower and the credit grantor believes in good faith that the statement is true.
- (5) The [Regulation making authority] may make regulations respecting the exemption of any class of advertisement, credit agreement, credit grantor or broker from the application of this Act or from the application of any provisions of this Act or the regulations.

### **PART 2**

#### **GENERAL**

##### **Division 1**

##### **Disclosure**

###### **Definition**

**4** In this Division, “borrower”, “credit grantor” and “credit agreement” include a lessee, lessor and lease, respectively. Requirement to disclose.

###### **Requirement to disclose**

**5** Every credit grantor must, in the form and manner provided by this Act and the regulations, disclose to borrowers the information required to be disclosed by this Act and the regulations. Form of disclosure statements



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### **Form of Disclosure Statements**

**6(1)** Where a disclosure is required by this Act or the regulations to be made in a disclosure statement, the disclosure statement:

- (a) must be in writing or, with the borrower's consent, in any form that will allow the borrower to retain the disclosure statement for future reference; and
- (b) must express the required information clearly, concisely, in a logical order and in a manner that is likely to bring the information to the borrower's attention.

(2) A disclosure statement may be a separate document or part of another document.

### **Estimates**

**7** A credit grantor may base a disclosure on an estimate or assumption where:

- (a) the disclosure depends on information that is not ascertainable by the credit grantor at the time of disclosure; and
- (b) the estimate or assumption is reasonable and is clearly identified as an estimate or assumption.

### **Time at which disclosure statement to be delivered**

**8(1)** The credit grantor must deliver the initial disclosure statement for a credit agreement other than a mortgage loan to the borrower before the earlier of the following:

- (a) the borrower enters into the credit agreement;
- (b) the borrower makes any payment in connection with the credit agreement.

(2) The credit grantor must deliver the initial disclosure statement for a mortgage loan to the borrower at least 2 business days before the earlier of the following:

- (a) the borrower incurs any obligation to the credit grantor in connection with the mortgage loan, other than an obligation in respect of a charge referred to in section 2(3)(e) or prescribed by regulation for the purposes of this paragraph;
- (b) the borrower makes any payment to the credit grantor in connection with the mortgage loan, other than a payment in respect of a charge referred to in section 2(3)(e) or prescribed by regulation for the purposes of this paragraph.

(3) The [regulation-making authority] may by regulation prescribe conditions under which the time period referred to in subsection (2) may be waived by the borrower.

### **Delivery of disclosure statements**

**9(1)** Where there is more than one borrower under a credit agreement, a disclosure statement or other document that is required to be delivered to the borrowers may be delivered to any of the borrowers, and it is unnecessary to deliver a separate copy to each borrower.

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(2) A document sent by ordinary mail to the borrower at the mailing address provided by the borrower to the credit grantor is considered, in the absence of evidence to the contrary, to have been delivered to the borrower five days after it was sent.

### **Disclosure in advertisements**

**10** Where an advertisement contains information that under section 21, 22, 28 or 39 requires disclosure of the APR or other information in the advertisement:

- (a) the APR must be as prominent as any of the information that required the APR to be disclosed; and
- (b) any other information required to be disclosed must be conspicuous.

### **Additional requirements**

**11** In addition to the requirements set out in this Division, the [Regulation making authority] may make regulations:

- (a) respecting the form of disclosure statements or the form of disclosure in advertisements;
- (b) respecting additional information to be disclosed in a disclosure statement or advertisement.

## **Division 2 Credit Arranged by Brokers**

### **Non-business credit grantors**

**12(1)** This section applies where a broker arranges a credit agreement involving a credit grantor who does not enter into the credit agreement in the course of carrying on a business.

(2) Any provision of this Act or the regulations that imposes a duty on a credit grantor is to be read as imposing the duty on the broker, rather than the credit grantor.

(3) Where the borrower pays or is liable to pay a brokerage fee, the initial disclosure statement for the credit agreement must:

- (a) disclose the amount of the brokerage fee; and
- (b) account for the brokerage fee in the APR and total cost of credit.

### **Business credit grantors**

**13(1)** This section applies where a broker arranges a credit agreement involving a credit grantor who enters into the credit agreement in the course of carrying on a business.

(2) Where the credit grantor deducts a brokerage fee from an advance, the credit grantor's initial disclosure statement must:

- (a) disclose the amount of the brokerage fee; and
- (b) account for the brokerage fee in the APR and total cost of credit.

(3) A broker who takes a loan application from a borrower and forwards it to a credit grantor must give the borrower a disclosure statement containing the information referred to in subsection (2) and any other information required by this Act to be disclosed in an initial disclosure statement.

(4) Where a broker is required by subsection (3) to give the borrower a disclosure statement, the credit grantor may adopt the disclosure statement given by the broker as its own disclosure statement or may elect to deliver a separate disclosure statement to the borrower in accordance with this Act.

### **Division 3**

#### **Fees, Charges and Optional Services**

##### **Required insurance**

**14(1)** A borrower who is required by a credit grantor to purchase any insurance may purchase it from any insurer who may lawfully provide that type of insurance, except that the credit grantor may reserve the right to disapprove, on reasonable grounds, an insurer selected by the borrower.

(2) A credit grantor who offers to provide or to arrange insurance referred to in subsection (1) must at the same time clearly disclose to the borrower in writing that the borrower may purchase the required insurance through an agent and from an insurer of the borrower's choice.

##### **Cancellation of optional services**

**15(1)** A borrower may cancel an optional service of a continuing nature that is provided by the credit grantor or an associate of the credit grantor on giving 30 days' notice, or such shorter period of notice as is provided for by the agreement under which the service is provided.

(2) A borrower who cancels an optional service in accordance with subsection (1):

- (a) is not liable; and
- (b) is entitled to a refund of any amount already paid for charges relating to any portion of the service that has not been provided at the time of cancellation.

(3) The [Regulation making authority] may by regulation determine the manner in which a refund referred to in subsection (2)(b) is to be determined.

##### **Prepayment of non-mortgage credit**

**16(1)** This section does not apply to mortgage loans. (2) A borrower is entitled to pay the full outstanding balance of a credit agreement at any time without any prepayment charge or penalty.

(3) Where a borrower prepays the full outstanding balance of a credit agreement for fixed credit, the credit grantor must refund or credit to the borrower a portion of any non-interest finance charge that was paid by the borrower or added to the outstanding balance of the credit agreement.

(4) The portion of each non-interest finance charge that must be refunded or credited to the borrower under subsection (3) is determined in accordance with the Schedule.

(5) A borrower is entitled to prepay a portion of the outstanding balance of a credit agreement for fixed credit on any scheduled payment date or at least monthly without any prepayment charge or penalty, but is not thereby entitled to a credit for any non-interest finance charges.

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### **Default charges**

**17(1)** The only default charges that may be provided for by a credit agreement are:

- (a) reasonable charges in respect of legal costs incurred in collecting or attempting to collect a payment on a credit agreement;
- (b) reasonable charges in respect of costs, including legal costs, incurred in realizing a security interest or protecting the subject matter of a security interest after default; and
- (c) reasonable charges that reflect costs incurred by the credit grantor because a cheque or other payment instrument given by the borrower to the credit grantor was dishonoured.

(2) The [regulation-making authority] may by regulation prescribe what constitutes a reasonable charge for the purposes of subsection (1).

### **Invitation to defer payment**

**18(1)** Where a credit grantor invites a borrower to defer making a payment that would otherwise be due under a credit agreement, the invitation must clearly disclose whether or not interest will accrue on the unpaid amount during the period during which payment is deferred.

(2) Where an invitation referred to in subsection (1) does not disclose whether or not interest will accrue on the unpaid amount during the period during which payment is deferred, the credit grantor is deemed to waive the interest that would otherwise accrue during that period.

## **PART 3**

### **FIXED CREDIT**

#### **Division 1**

#### **General**

### **Application of this Part**

**19** This Part applies only to credit agreements that extend fixed credit.

### **Credit sales**

**20** A credit sale to which this Part applies must be a scheduled- payments credit agreement.

### **General disclosure requirements in advertisements**

**21(1)** This section applies only to advertisements that offer credit and state the interest rate or amount of any payment.

(2) Every advertisement to which this section applies must disclose:

- (a) the APR; and
- (b) the term.

(3) An advertisement for a credit sale in relation to a specifically identified product must disclose the cash price.

(4) An advertisement for a credit sale in connection with which any non-interest finance charge would be payable must disclose:

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- (a) the cash price; and
  - (b) the total cost of credit, except that an advertisement in any medium prescribed by regulation is not required to disclose the total cost of credit.
- (5) Where any of the information required to be disclosed by subsection (2), (3) or (4) would not be the same for all credit agreements to which the advertisement relates, the information must be for a representative transaction and must be disclosed as such.

### **Advertising interest-free periods**

**22(1)** An advertisement that states or implies that no interest is payable in respect of a transaction for a certain period must disclose prominently whether:

- (a) the transaction is unconditionally interest-free during the period; or
  - (b) interest accrues during the period but will be forgiven under certain conditions.
- (2) If interest accrues during the period but will be forgiven under certain conditions, the advertisement must also disclose:
- (a) the conditions; and
  - (b) the APR for the period, assuming the conditions for forgiveness of the interest are not met.

(3) An advertisement to which subsection (1) applies that does not prominently disclose the information mentioned in subsections (1) and (2) is deemed to represent that the transaction is unconditionally interest-free during the relevant period.

## **Division 2 Disclosure statements**

### **Initial disclosure statement for fixed credit**

**23(1)** The initial disclosure statement for a scheduled-payments credit agreement must disclose the effective date of the statement and as much of the following information as is applicable:

- (a) for a credit sale, a description of the product;
- (b) the outstanding balance as of the effective date of the disclosure statement, accounting for every payment made by the borrower on or before the effective date;
- (c) the nature and amount of each advance, charge or payment accounted for in the outstanding balance disclosed under paragraph (b);
- (d) the term;
- (e) the amortization period, where it is longer than the term;
- (f) the date upon which interest begins to accrue and the particulars of any grace period;
- (g) the interest rate and the circumstances in which interest is added to principal;

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- (h) where the interest rate may change during the term:
    - (i) the initial interest rate and compounding period;
    - (ii) the method of determining the interest rate throughout the term;  
and
    - (iii) unless the amount of scheduled payments is adjusted automatically to account for changes in the interest rate, the lowest annual interest rate, based on the initial outstanding balance, at which the payments would not cover the interest that would accrue between payments;
  - (i) the nature and amount of any charges, other than interest, that are not disclosed under paragraph (c) but that will be payable by the borrower in connection with the credit agreement;
  - (j) the amount and timing of any advances to be made after the effective date of the disclosure statement;
  - (k) the amount and timing of any payments to be made after the effective date of the disclosure statement;
  - (l) the total of all advances made or to be made in connection with the credit agreement;
  - (m) the total of all payments to be made in connection with the credit agreement;
  - (n) the total cost of credit;
  - (o) the APR;
  - (p) the nature of any default charges provided for by the credit agreement;
  - (q) a description of the subject matter of any security interest;
  - (r) for a mortgage loan, a statement of the conditions, if any, under which the borrower may make prepayments, and any charge for prepayment;
  - (s) for a credit agreement other than a mortgage loan, a statement that the buyer or borrower is entitled to prepay the entire outstanding balance at any time without penalty and is entitled to make partial payments without penalty on any scheduled payment date;
  - (t) the nature of, and the amount and timing of payments for, any optional services purchased by the borrower for which payment is to be made to or through the credit grantor.
- (2) The initial disclosure statement for a credit agreement that is not a scheduled-payments credit agreement must:
- (a) disclose as much of the information mentioned in paragraphs (1)(a) to (c), (f) to (i), (l) and (o) to (t) as is applicable; and
  - (b) either disclose the circumstances in which the outstanding balance, or any portion of it, must be paid or refer to the provisions of the credit agreement that describe those circumstances.

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### **Changes in interest rate**

**24(1)** Where the interest rate on a credit agreement is a floating rate, the credit grantor must, at least once every twelve months, deliver to the borrower a disclosure statement containing the following information for the period covered by the statement:

- (a) the annual interest rate at the beginning and end of the period;
- (b) the outstanding balance at the beginning and end of the period;
- (c) for a scheduled-payments credit agreement, the amount and timing of all remaining payments, based on the annual interest rate at the end of the period.

(2) Where the interest rate may be changed but is not a floating rate, the credit grantor must, within 30 days after increasing the annual interest rate to a rate that is at least 1% higher than the rate most recently disclosed to the borrower, deliver to the borrower a disclosure statement containing:

- (a) the new annual interest rate;
- (b) the date the new rate takes effect; and
- (c) how the amount or timing of any payment will be affected by the change in the interest rate.

### **Disclosure regarding amendments and negative amortization**

**25(1)** If information disclosed in an earlier disclosure statement changes because of an amendment to a credit agreement, the credit grantor must deliver a supplementary disclosure statement to the borrower within 30 days after the amendment is made.

(2) The supplementary disclosure statement must provide the changed information but need not repeat any information that is unchanged from the earlier disclosure statement.

(3) Where an amendment consists only of a revision to the schedule of payments, the supplementary disclosure statement need not disclose any change to the APR or any decrease in the total cost of credit or total payments.

(4) Where, as a result of an increase in the outstanding principal because of a missed or late payment or the imposition of a default charge, the scheduled payments under a scheduled-payments credit agreement will not cover interest that accrues between payments, the credit grantor must give the borrower notice in writing to that effect within 30 days after the outstanding principal increases.

(5) This section does not apply to changes effected by a renewal agreement to which section 26 or 27 applies.

### **Disclosure where mortgage loan renewed**

**26(1)** Where the amortization period for a mortgage loan under a scheduled-payments credit agreement is longer than its term the credit grantor must, at least 21 days before the end of the term, deliver to the borrower a written notice stating whether or not the credit grantor is willing to renew the loan for a further term.

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(2) A credit grantor who is willing to renew a mortgage loan must include with the notice referred to in subsection (1) a disclosure statement that contains the following information for the renewed agreement, based on the assumption that the borrower will make any payments that are due under the original agreement up to the renewal date:

- (a) the renewal date;
- (b) the outstanding balance as of the renewal date;
- (c) any non-interest finance charges payable in connection with the renewal;
- (d) the relevant interest rate information referred to in section 23(1)(g) or (h);
- (e) the APR;
- (f) the amount and timing of all payments to be made in connection with the renewed agreement;
- (g) the total of all payments to be made in connection with the renewed agreement;
- (h) the total cost of credit;
- (i) the term;
- (j) the amortization period;
- (k) a statement of the conditions, if any, under which the borrower may make prepayments, and any charge for prepayment.

(3) Where the terms of the renewal agreement differ from the terms contemplated in the disclosure statement because:

- (a) the outstanding balance on the renewal date differs from what was stated in the disclosure statement because of one or more missed, late, early or extra payments;
- (b) the interest rate under the renewal agreement is lower than was stated in the disclosure statement; or
- (c) the amortization period or frequency of payments under the renewal agreement differs from what was stated or assumed, or because of any combination of such events, the credit grantor must deliver a revised disclosure statement to the borrower within 30 days after the effective date of the renewal agreement.

(4) Subject to subsection (3), where a credit grantor does not provide a disclosure statement that reflects the actual terms of the renewal agreement to the borrower at least 21 days before the effective date of a renewal agreement, the borrower:

- (a) is entitled to prepay the outstanding balance of the renewed mortgage loan without penalty at any time within 21 days after receiving the disclosure statement; and
- (b) on exercising that right, is entitled to a refund of any non-interest finance charges imposed in connection with the renewal.



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### **Renewal of non-mortgage credit**

**27** When fixed credit other than a mortgage loan is renewed, the credit grantor must deliver to the borrower on or before the renewal date a disclosure statement containing the information referred to in paragraphs 26(2)(a) to (j).

## **PART 4**

### **OPEN CREDIT**

#### **Division 1**

#### **Open Credit Generally**

### **Advertising for open credit**

**28(1)** An advertisement that gives any specific information about the cost of open credit that is not associated with a credit card must disclose the APR for the open credit.

(2) An advertisement that gives any specific information about the cost of open credit that is associated with a credit card must disclose the current annual interest rate and any initial or periodic non-interest finance charges for the open credit.

(3) An advertisement that states or implies that no interest is payable for a certain period in respect of a transaction under a credit agreement for open credit must disclose prominently whether:

- (a) the transaction is unconditionally interest-free during the period; or
- (b) interest accrues during the period but will be forgiven under certain conditions.

(4) If interest accrues during the period but will be forgiven under certain conditions, the advertisement must also disclose:

- (a) the conditions; and
- (b) the annual interest rate for the period, assuming the conditions for forgiveness of the interest are not met.

(5) An advertisement to which subsection (3) applies that does not prominently disclose the information mentioned in subsections (3) and (4) is deemed to represent that the transaction is unconditionally interest-free during the relevant period.

### **Contents of initial disclosure statement**

**29(1)** The initial disclosure statement for open credit must disclose as much of the following information as is applicable:

- (a) the credit limit;
- (b) the minimum periodic payment or the method of determining the minimum periodic payment;
- (c) the initial annual interest rate and the compounding period;
- (d) if the annual interest rate may change, the method of determining the annual interest rate at any time;

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- (e) when interest begins to accrue on advances or different types of advances, and the particulars of any grace period;
  - (f) the nature and amount, or the method of determining the amount, of any non-interest finance charges that may become payable under the agreement;
  - (g) for open credit that is not associated with a credit card, the APR;
  - (h) any optional services purchased by the borrower for which payments are to be made to or through the credit grantor, and the charges for such services;
  - (i) a description of the subject matter of any security interest;
  - (j) the nature of any default charges provided for by the agreement;
  - (k) how often the borrower will receive statements of account; and
  - (l) a telephone number in accordance with section 30(3).
- (2) Notwithstanding subsection (1):
- (a) the credit limit may be disclosed:
    - (i) in the initial disclosure statement;
    - (ii) in the first statement of account; or
    - (iii) in a separate statement delivered to the borrower no later than when the borrower receives the first statement of account; and
  - (b) information:
    - (i) about optional services and charges for those services; or
    - (ii) that relates to a specific transaction under the credit agreement may be provided in the initial disclosure statement or a separate statement delivered to the borrower before the services are provided or the transaction occurs.

### **Statement of account**

**30(1)** Subject to subsection (2), the credit grantor must deliver a statement of account to the borrower at least monthly.

(2) A credit grantor is not required to send a statement of account to a borrower at the end of any period during which there have been no advances or payments and:

- (a) the outstanding balance is zero; or
  - (b) the borrower is in default and has been notified that the privilege of obtaining advances under the agreement has been cancelled or suspended and the credit grantor has demanded payment of the outstanding balance.
- (3) The credit grantor must provide a telephone number at which the borrower can make enquiries about the borrower's account during the credit grantor's ordinary business hours without incurring any charges for the call.

### **Contents of statement of account**

**31** A statement of account for open credit must disclose as much of the following information as is applicable:

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- (a) the period covered by the statement;
- (b) the outstanding balance at the beginning of the period;
- (c) the amount, description and posting date of each transaction or charge added to the outstanding balance during the period;
- (d) the amount and posting date of each payment or credit subtracted from the outstanding balance during the period;
- (e) the annual interest rate or rates in effect during the period or any part of the period;
- (f) the total of all amounts added to the outstanding balance during the period;
- (g) the total of all amounts subtracted from the outstanding balance during the period;
- (h) the outstanding balance at the end of the period;
- (i) the credit limit;
- (j) the minimum payment;
- (k) the due date for payment;
- (l) the amount that the borrower must pay on or before the due date in order to take advantage of a grace period;
- (m) the borrower's rights and obligations regarding the correction of billing errors;
- (n) a telephone number in accordance with section 30(3).

### **Description of transactions**

**32** A transaction is sufficiently described for the purposes of section 31(c) if the description in the statement of account, along with any transaction record included with the statement of account or made available to the borrower at the time of the transaction, can reasonably be expected to enable the borrower to verify the transaction.

## **Division 2 Credit Cards**

### **No unsolicited credit cards**

**33(1)** A credit card issuer shall not issue a credit card to a person who has not applied for the card.

(2) Subsection (1) does not apply to a credit card that is issued to a person to replace or renew a card that was applied for and issued to that person.

### **Application for credit card**

**34(1)** Subject to subsection (2), a credit card issuer must disclose in an application form for a credit card:

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- (a) either:
    - (i) the annual interest rate, if the interest rate is not a floating rate; or
    - (ii) the index and the relationship between the index and the annual interest rate, if the interest rate is a floating rate;
  - (b) the grace period, if any;
  - (c) the amount of any non-interest finance charges; and
  - (d) the date as of which the information referred to in paragraphs (a) to (c) is current.
- (2) Instead of disclosing the information mentioned in subsection (1), the application form may disclose a telephone number provided in accordance with section 30(3) at which the borrower may obtain that information.
- (3) Notwithstanding subsection (2), where a borrower applies for a credit card in person, or by telephone or any electronic means the card issuer must disclose the information referred to in paragraphs (1)(a) and (c) when the borrower makes the application.
- (4) A person who applies for a credit card without signing an application form is considered to enter into a credit agreement in relation to that card upon using the card for the first time.
- (5) Nothing in this section relieves the credit card issuer from the requirement to deliver an initial disclosure statement in accordance with sections 8 and 29.

### **Additional disclosure for credit card**

- 35(1)** In addition to the applicable information mentioned in section 29, a card issuer must disclose in the initial disclosure statement for open credit associated with a credit card the card holder's maximum liability for unauthorized use of the credit card if it is lost or stolen.
- (2) The card issuer must give the card holder at least 30 days prior notice of any change in the information disclosed in a disclosure statement.
- (3) Subsection (2) does not apply to:
- (a) a change in the credit limit;
  - (b) a decrease in the interest rate or the amount of any other charge;
  - (c) an increase in the length of an interest-free period or grace period; or
  - (d) a change in a floating rate, but the relevant information must be disclosed in the next statement of account following the change or in a document that is given to the borrower with the next statement of account.

### **Limitation of liability**

- 36(1)** A card holder is not liable for a debt incurred through the unauthorized use of a lost or stolen credit card after the card issuer receives notice of the loss or theft.

- (2) A notice under subsection (1) may be oral or in writing.
- (3) The maximum total liability of a card holder arising from unauthorized use of a lost or stolen credit card before the issuer receives notice under subsection (1), is the lesser of:
  - (a) \$50; and
  - (b) the amount fixed or agreed to by the card issuer as the maximum amount for which the card holder is liable in the event of the unauthorized use of the card after its loss or theft.
- (4) Subsection (3) does not apply to a transaction prescribed by regulation.

## PART 5

### LEASES OF GOODS

#### Definitions

37(1) In this Part and the Schedule:

**“assumed residual payment”** means:

- (a) for an option lease under which the option price at the end of the term is less than the estimated residual value, that option price;
- (b) in any other case, the estimated residual value plus any amount that the lessee will be required to pay in the ordinary course of events at the end of the term; « versement résiduel présumé »

**“capitalized amount”** means:

- (a) the cash value of the leased goods; plus
- (b) the amount of any other advances made to the lessee at or before the beginning of the term; minus
- (c) the amount of any payments made by the lessee at or before the beginning of the term, not including:
  - (i) any refundable security deposit; or
  - (ii) any periodic payment that is paid at or before the beginning of the term; « montant capitalisé »

**“cash value”** of leased goods means:

- (a) where the lessor offers like goods to cash customers in the ordinary course of business, an amount that fairly represents the price for which the credit grantor sells such goods to cash customers, unless the parties agree on a lower cash value; and
- (b) where the lessor does not in the ordinary course of business offer like goods to cash customers, the lessor’s reasonable estimate of the amount that cash customers would pay to buy such goods, unless the parties agree on a lower cash value; « valeur au comptant »

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**“estimated residual cash payment”** means the amount that the lessee will be required to pay to the lessor at the end of the term of a residual obligation lease if the realizable value of the leased goods at the end of the term equals their estimated residual value; « versement comptant résiduel estimatif »

**“estimated residual value”** means the lessor’s reasonable estimate of the wholesale value of the leased goods at the end of the lease term; « valeur résiduelle estimative »

**“implicit finance charge”** means the sum of all non-refundable payments required to be made by the lessee at or before the beginning of, or during, the term, plus the assumed residual payment, minus the total amount advanced to the lessee; « frais financiers implicites »

**“option lease”** means a lease that gives the lessee the right to acquire title to or retain permanent possession of the leased goods by making a payment in addition to the payments required under the lease or by satisfying other specified conditions; « bail avec option »

**“option price”** means the amount of the additional payment that the lessee must make in order to exercise the option under an option lease; « prix de l’option »

**“payment period”** means one of the equal intervals into which the term of a lease is divided for the purpose of determining the amount and timing of payments; « période de versement »

**“periodic payment”** means the payment to be made in respect of each payment period; « versement périodique »

**“realizable value”** has the meaning determined by section 7 of the Schedule; « valeur marchande »

**“residual obligation lease”** means a lease under which the lessee may be required at the end of the lease term to pay the lessor an amount based wholly or partly on the difference, if any, between the estimated residual value and the realizable value of the leased goods; « bail à obligation résiduelle »

**“term”**, in relation to the duration of a lease, means the period during which the lessee is entitled to retain possession of the leased goods; « durée »

**“total lease cost”** means the total of any non-refundable payments that the lessee will be required to make in the ordinary course of events. « coût total du bail »

(2) A definition in Part 1 that uses the term “borrower”, “credit grantor”, “credit agreement”, “cash price” or “purchased” applies in this Part as if the definition used the term “lessee”, “lessor”, “lease”, “cash value” or “leased”.

### Application of this Part

**38** This Part applies to a lease if the lease:

- (a) is for a fixed term of 4 months or more;
- (b) is for an indefinite term or is renewed automatically until one of the parties takes positive steps to terminate it; or
- (c) is a residual obligation lease.

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### Advertisements

**39(1)** Subject to subsection (2), an advertisement that gives any specific information about the cost of a lease must disclose the following information:

- (a) that the transaction is a lease;
- (b) the term of the lease;
- (c) any payments that would be required at or before the beginning of the term;
- (d) the amount and timing of the periodic payments;
- (e) the amount of any other payments that a lessee would be required to make in the ordinary course of events;
- (f) the lease APR;
- (g) where required by regulation, prescribed information regarding extra charges based on usage of the leased goods.

(2) An advertisement in any medium prescribed by regulation that gives any specific information about the cost of a lease must disclose the information referred to in subsection (1)(a), (c) and (d) and either:

- (a) the information referred to in subsection (1)(b) and (f); or
- (b) a telephone number where a person can obtain the information referred to in subsection (1)(b) and (f) without incurring any charge for the call.

(3) Where any of the information required to be disclosed by subsection (1) would not be the same for all leases to which the advertisement relates, the information must be for a representative transaction and must be disclosed as such.

### Disclosure statement for lease

**40(1)** The initial disclosure statement for a lease must disclose as much of the following information as is applicable:

- (a) that the transaction is a lease;
- (b) a description of the leased goods;
- (c) the term;
- (d) the cash value of the leased goods;
- (e) the nature and amount of any other advances received or charges incurred by the lessee at or before the beginning of the term;
- (f) the amount and purpose of each payment made by the lessee at or before the beginning of the term;
- (g) the capitalized amount;
- (h) the amount, timing and number of the periodic payments;
- (i) the estimated residual value of the leased goods;
- (j) for an option lease:

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- (i) how and when the option may be exercised;
  - (ii) the option price if the option is exercised at the end of the term; and
  - (iii) the method of determining the option price if the option is exercised before the end of the term;
- (k) for a residual obligation lease:
- (i) the estimated residual cash payment; and
  - (ii) a statement to the effect that the lessee's maximum liability at end of the lease term, is the sum of the estimated residual cash payment plus the difference, if any, between the estimated residual value and the realizable value of the leased goods;
- (l) the circumstances, if any, under which the lessee or the lessor may terminate the lease before the end of the term and the amount, or method of determining the amount, of any payment that the lessee will be required to make on early termination of the lease;
- (m) if there are circumstances in which the lessee will be required to make a payment that is not disclosed under paragraphs (a) to (l):
- (i) the circumstances; and
  - (ii) the amount of the payment or the method of determining its amount;
- (n) the implicit finance charge;
- (o) the lease APR;
- (p) the total lease cost.
- (2) The circumstances referred to in paragraph (1)(m) include, without limitation, unreasonable wear or excess use.

### **Residual obligation leases**

**41** The lessee's maximum liability at the end of the term of a residual obligation lease after returning the leased goods to the lessor is to be calculated in accordance with the Schedule.

### **Early termination**

**42** [The Regulation making authority] may make regulations governing early termination of leases and, in particular, limiting the compensation or penalties payable by a lessee upon early termination of a lease.

## **PART 6**

### **COMPLIANCE**

### **Definitions**

**43(1)** In this Part, "borrower", "credit grantor" and "credit agreement" include a lessee, lessor and lease, respectively, and "credit grantor" also includes a broker.



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- (2) For the purposes of this Part:
- (a) a credit grantor is considered to have a compliance procedure if the credit grantor:
    - (i) requires its employees and agents to follow procedures, or has implemented automated procedures, designed to ensure that borrowers receive the information to which they are entitled at the time and in the form required by this Act; and
    - (ii) monitors the effectiveness of the measures mentioned in subparagraph (i) and promptly remedies any deficiencies it discovers in their design or implementation;
  - (b) a reference to a contravention of this Act includes a contravention of the regulations under this Act.

### **Recovery of payments and compensation**

**44(1)** Notwithstanding any agreement to the contrary, where a borrower makes a payment to a credit grantor that by virtue of this Act the credit grantor is not entitled to receive, the credit grantor must refund the payment to the borrower or, if the parties agree, credit the payment against the outstanding balance of the relevant credit agreement as of the time the payment was made.

(2) A credit grantor who contravenes this Act must compensate a borrower for any loss the borrower suffers because of the contravention, and the compensation to which the borrower is entitled may be set off against the outstanding balance of the relevant credit agreement or recovered in an action.

### **Inconsistency between disclosure statement and contract**

**45** If information in a disclosure statement is inconsistent with any information or term set out in the credit agreement, the credit agreement is presumed to incorporate the information or term that is more favourable to the borrower, unless it is proved that the less favourable information or term reflects the borrower's actual understanding of the terms of the agreement.

### **Statutory damages**

**46(1)** A contravention of this Act by a credit grantor is an excusable error for the purposes of this section if:

- (a) the credit grantor had a compliance procedure when the contravention occurred;
  - (b) the contravention was accidental or the result of an employee's or agent's failure to follow the compliance procedure; and
  - (c) on discovering the contravention, the credit grantor promptly took steps to minimize its effect on any affected borrower.
- (2) Where a credit grantor contravenes this Act in relation to a credit agreement and the contravention is not an excusable error, the borrower is entitled, in addition to any other remedy to which the borrower may be entitled under this Part, to recover from the credit grantor in an action the statutory damages provided for by this section.

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- (3) Subject to subsection (4), the statutory damages for a contravention of this Act are the lesser of \$500 and five percent of:
- (a) the maximum outstanding balance under a credit agreement for fixed credit;
  - (b) the capitalized amount under a lease; or
  - (c) the credit limit under a credit agreement for open credit, except that the statutory damages are \$500 for open credit that does not specify a credit limit.
- (4) Where a contravention of this Act relates to a statement of account for open credit, the statutory damages are equal to the interest and any non-interest finance charges for the period covered by the statement of account.
- (5) The Court may reduce the statutory damages to which a borrower would otherwise be entitled under this section if the Court is satisfied in view of all the circumstances, including any undertakings as to future compliance with this Act that are given by the credit grantor, that it would be just and equitable to do so.
- (6) Statutory damages to which a borrower is entitled may be set off against any amount otherwise payable by the borrower to the credit grantor.

### **Exemplary damages**

**47** The Court may award exemplary damages against a person who has deliberately contravened this Act or in any case where the Court considers that the conduct of a person who has contravened this Act justifies an award of exemplary damages against that person.

### **Assignee**

- 48(1)** Except as otherwise provided in this section, a borrower may assert against a person to whom the rights of a credit grantor have been assigned any rights or remedies under section 44, 45 or 46 that the borrower could have asserted against the original credit grantor immediately before receiving notice of the assignment.
- (2) The assignee's maximum liability under any of the provisions mentioned in subsection (1) is limited to the outstanding balance at the time of the assignment, or the proportion of the outstanding balance that is assigned to the assignee.
- (3) An assignee incurs no liability under this section for a credit grantor's contravention of this Act unless:
- (a) the assignee knew of the contravention before the borrower received notice of the assignment;
  - (b) the contravention consists of the credit grantor's failure to deliver a disclosure statement to the borrower when required by this Act; or
  - (c) the contravention is apparent on the face of a disclosure statement, or by comparing the disclosure statement with the written terms of the credit agreement.
- (4) An assignee is entitled to rely in good faith on a borrower's signed acknowledgment of receipt of a disclosure statement.

**Other remedies**

**49** Any remedy under this Part is in addition to and does not derogate from any other legal, equitable or statutory remedy.

**PART 7**

**REGULATIONS AND TRANSITIONAL PROVISIONS**

**Regulations**

**50** The [regulation-making authority] may make regulations: [specific regulation-making powers to be inserted by jurisdictions]

**Transitional**

**51(1)** Subject to subsections (2) to (4), this Act applies only to credit agreements and leases entered into after [insert date].

(2) This Act applies after [insert date] to all credit agreements for open credit, whether they are entered into before or after that date.

(3) This Act applies to credit agreements for fixed credit and leases that are renewed or amended after [insert date].

(4) The [Existing] Act does not apply to any credit agreement or lease to which this Act applies.

**SCHEDULE**

**CALCULATIONS**

**APR for certain mortgage loans**

**1** Where the interest rate for a mortgage loan is disclosed in accordance with section 6 of the *Interest Act* (Canada), the APR is the annual discount rate (expressed as a percentage) such that the sum of the present values of all anticipated advances equals the sum of the present values of all anticipated payments when the present values are calculated in accordance with that section.

**APR for other credit agreements**

**2(1)** This section applies to credit agreements to which section 1 of this Schedule does not apply.

(2) The APR for a credit agreement is the annual interest rate stated in the credit agreement if:

- (a) there are no non-interest finance charges;
- (b) the same interest rate will apply for the whole term, or the same interest rate would apply for the whole term using the assumption set out in section 5(2) of this Schedule; and
- (c) the stated annual interest rate is a multiple of the interest rate for an interest compounding period that is at least as long as the period between required interest payments.

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(3) The APR for a credit agreement to which subsection (2) does not apply is  $r \times 100$ , where the value of  $r$  is such that :

$$C = r \sum_{x=1}^n L_x P_x$$

where

$C$  is the total cost of credit, as defined in section 2(2) of the Act;  
 $r$  is the annual rate, expressed as a decimal fraction;  
 $n$  is the number of calculation periods in the term;  
 $L_x$  is the length of calculation period  $x$ , as a fraction of a year;  
 $P_x$  is the principal outstanding during calculation period  $x$ ;

and the following calculation rules are applied:

- (a) the principal outstanding during the first calculation period is the total of all advances made to the borrower at or before the beginning of the term minus the total of all payments made by the borrower at or before the beginning of the term;
- (b) each advance or payment during the term ends one calculation period and starts another;
- (c) the calculated cost of credit for calculation period  $x$  is  $r L_x P_x$ ;
- (d) the accumulated cost of credit at the end of a calculation period, before the application of a payment, is the accumulated cost of credit at the beginning of the period plus the calculated cost of credit for the period;
- (e) accumulated cost of credit is never added to the outstanding principal;
- (f) each payment is applied first against the accumulated cost of credit and then, to the extent that the payment exceeds the accumulated cost of credit, against outstanding principal.

### **Rebates**

**3** Where a borrower must decline a rebate or portion of a rebate in order to enter into a credit sale at a particular interest rate, the APR and total cost of credit are calculated on the assumption that the value received by the borrower is the cash price of the product, as determined without regard to the rebate, less the amount of the declined rebate.

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### APR and implicit finance charge for leases

4(1) The APR for a lease is  $m \times i \times 100$  where  $m$  is the number of payment periods in a year, and the value of  $i$  is such that:

$$C = P \left[ \frac{1 - (1+i)^{x-n}}{i} + x \right] + \frac{R}{(1+i)^n}$$

where:

$C$  is the capitalized amount;

$P$  is the amount of each periodic payment;

$R$  is the amount of the assumed residual payment;

$n$  is the number of payment periods in the lease; and

$x$  is the number of periodic payments that are paid at or before the beginning of the term.

(2) For the purposes of calculating the APR and implicit finance charge for a lease:

(a) an amount payable by the lessee in respect of a tax is regarded as a payment only if an amount in respect of the tax was treated as an advance in calculating the capitalized amount; and

(b) a charge payable by the lessee is regarded as an advance if an equivalent charge would be payable by a cash customer.

(3) If there is any irregularity in the amount or timing of payments required during the term, the equation in subsection (2) must be modified as necessary to calculate the value of “ $i$ ” in accordance with actuarial principles.

(4) For the purpose of calculating the APR and implicit finance charge for a lease referred to in section 38(b) of the Act, the term of the lease is assumed to be one year.

### Assumptions and tolerances

5(1) Where a credit agreement or lease calls for payments to be made at intervals measured by reference to weeks or months, the APR may be calculated on the assumption that each week is 1/52 of a year long or that each month is 1/12 of a year long.

(2) If the APR or any other value that depends on the interest rate for a credit agreement must be calculated when the interest rate for any period during the term is unknown, the APR or other value must be calculated as if the interest rate for that period was to be determined on the basis of the circumstances existing at the time of the calculation.

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(3) The APR for fixed credit that is not a scheduled-payments credit agreement is calculated on the assumption that the outstanding principal will be repaid in a single payment one year after the effective date of the relevant disclosure statement.

(4) When a credit agreement is renewed, the outstanding balance as of the renewal date is regarded as an amount advanced to the borrower for the purposes of determining the APR and total cost of credit for the renewed agreement.

(5) A disclosed APR is considered to be accurate if it is within one eighth of one percent of the actual APR for the credit agreement, as calculated in accordance with this Schedule.

(6) The Regulations may prescribe additional assumptions for calculating the APR or other values for credit agreements and leases.

### Calculation of prepayment refund

**6** The portion of each non-interest finance charge that must be credited to the borrower under subsection 16 (3) of the Act is determined by the equation:

$$C = \frac{U}{T} \times F$$

where:

*C* is the amount to be credited;

*U* is the length of the unexpired portion of the term at the time of prepayment;

*T* is the length of the period between the time the non-interest finance charge was imposed and the end of the term;

*F* is the amount of the non-interest finance charge.

### Maximum liability under residual obligation lease

**7(1)** The lessee's maximum liability at end of the term of a residual obligation lease after returning the leased goods to the lessor is determined by the equation:

$$M = C + (E - R)$$

where:

*M* is the lessee's maximum liability;

*C* is the estimated residual cash payment;

*E* is the estimated residual value;

*R* is the realizable value, as determined in accordance with subsections (2) and (3).

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- (2) Subject to subsection (3), the realizable value of leased goods at the end of the lease term is deemed to be the greater of:
- (a) the price for which the lessor disposes of the goods;
  - (b) if so prescribed, the appraised wholesale value of the leased goods, as determined in accordance with the regulations;
  - (c) 80% of the estimated residual value; and
  - (d) the estimated residual value minus three times the average monthly payment.
- (3) If the greater of the amounts determined under paragraphs (2)(a) and (b) is less than the greater of the amounts determined under paragraphs (2)(c) and (d), the realizable value is reduced to the extent that the difference in the amounts is attributable to unreasonable or excessive wear or use, or to damage for which the lessee is responsible under the terms of the lease.