

LAW ON CONSUMER CREDITS

(OGM 35/13 of 23 July 2013 and 73/17 of 3 November 2017, 72/19 of 26 December 2019, 08/21 of 26 January 2021)

I. BASIC PROVISIONS

Subject matter

Article 1

This Law shall regulate conditions and the manner of concluding consumer credit agreement (hereinafter referred to as the “credit agreement”) and other matters relevant to the credit agreements.

Credit agreement

Article 2

- (1) For the purposes of this Law, credit agreement shall mean an agreement whereby a creditor grants or promises to grant to a consumer credit in the form of a deferred payment, loan or other similar financial accommodation, except for agreements for the provision on a continuous basis of services or for the supply of goods of the same kind, where the consumer pays for such services or goods for the duration of their provision by means of instalments.
- (2) For the purposes of this Law, consumer shall mean a natural person who, in transactions covered by this Law, is acting for purposes which are outside his profession or business.
- (3) For the purposes of this Law, creditor shall mean any person who grants or promises to grant credit in the course of his business or other commercial activity.

Cost of the credit and borrowing rates

Article 3

- (1) Total cost of the credit to the consumer shall mean interest, commissions, taxes and other costs which the consumer is required to pay in connection with the credit agreement and which are known to the creditor, except for notarial costs relating to the agreement and other documents, as well as the costs of ancillary services relating to the credit agreement, in particular insurance premiums, if the conclusion of a contract for ancillary services is compulsory in order to obtain the credit or to obtain it on market terms.

- (2) Borrowing rate shall mean the interest rate expressed as a fixed or variable percentage applied on an annual basis to the amount of credit obtained.
- (3) Fixed borrowing rate shall mean the interest rate that the creditor and the consumer agreed for the entire duration of the credit agreement or several borrowing rates for partial periods using exclusively a fixed specific percentage.
- (4) If not all borrowing rates for partial periods are determined in the credit agreement, the borrowing rate shall be deemed to be fixed only for such periods for which the borrowing rates are determined exclusively by a fixed specific percentage agreed in the credit agreement.

Linked credit agreement

Article 4

- (1) For the purposes of this Law, linked credit agreement shall mean a credit agreement which serves exclusively to finance an agreement for sales of specific goods or the provision of specific services, and those agreements form a commercial unit.
- (2) The commercial unit referred to in paragraph 1 of this Article shall be deemed to exist where the supplier of goods or service provider himself finances the credit for the consumer or, if the credit is financed by a third party, where the creditor uses the services of the supplier of goods or service provider in connection with the conclusion or preparation of the credit agreement, or where the specific goods or the provision of specific services are explicitly specified in the credit agreement.

Application of other laws

Article 5

The provisions of the Law governing consumer protection and laws governing obligations shall apply *mutatis mutandis* to the relations between a consumer and a creditor or a credit intermediary, unless otherwise prescribed by this Law.

Exemptions

Article 6

- (1) This Law shall not apply to the following:
 - 1) rental or leasing agreements where an obligation to purchase the object of the agreement is not laid down either by the main agreement or by any separate agreement, unless an obligation to purchase the object of the agreement is decided on unilaterally by the creditor, or the agreements which have not stipulated obtaining the right to purchase the object of the agreement, at the agreed price, during or at the end of the agreed period;

- 2) credit agreements in the form of an overdraft facility where the credit has to be repaid within one month;
- 3) credit agreements for a credit free of interest and without any other charges and credit agreements which the consumers have to repay within three months, and only charges amounting to not more than EUR 5 are payable;
- 4) credit agreements where the credit is granted by an employer, as a secondary activity, or by a Union, free of interest or at an annual percentage rate of charge lower than that prevailing on the market;
- 5) credit agreements which are concluded with investment firms in accordance with the law regulating the capital market, or with credit institutions in accordance with the law regulating business activities of such institutions, for the purposes of allowing an investor to carry out a transaction relating to one or more of financial instruments under the law regulating the capital market, where the investment firm or credit institution granting the credit is one of the contracting parties involved in the transaction;
- 6) credit agreements which relate to the deferred payment, free of charge, of an existing debt, and
- 7) credit agreements secured by chattel mortgage if the liability of the consumer is limited to the value of such pledged chattel.

(2) In the case of credit agreements in the form of an overdraft facility and where the credit has to be repaid on demand or within three months, the following shall not apply: Article 8 paragraph 1 points 4, 5 and 6 and paragraph 2, Articles 9 and 10, Article 16 paragraphs 3 and 5, and Articles 18, 20, 21, 23 and 25 of this Law.

(3) In the case of credit agreements in the form of tacitly accepted overdraft, Articles 8 to 24 of this Law shall not apply.

(4) In the case of credit agreements governing arrangements between the creditor and the consumer in respect of deferred payment or repayment methods, where the consumer is in default on the initial credit agreement if such arrangements would be likely to avert the possibility of legal proceedings concerning such default and if the consumer would not thereby be subject to terms less favourable than those laid down in the initial credit agreement, Articles 9, 10 and 14, Article 16 paragraphs 1 and 2 and paragraph 3 points 10 and 11, points 13 to 17 and points 19 to 22 and paragraph 5, Articles 17, 19, 21, 22 and 24 of this Law shall not apply.

(5) In case of the credit agreement referred to in paragraph 4 of this Article, where the credit has to be repaid on demand or within three months, only the provision of paragraph 2 of this Article shall apply.

Definitions

Article 7

The terms used in this Law shall have the following meanings:

- 1) *overdraft facility* means an amount of funds which exceeds the current balance in the account and which is made available by a creditor to a consumer on the basis of an account agreement concluded in written form;

- 2) *tacitly accepted overdraft* means an overdraft whereby a creditor makes available to a consumer funds which exceed the current balance in the account or the agreed overdraft facility;
- 3) *total amount of credit* means the ceiling or the total sums made available to the consumer under a credit agreement;
- 4) *total amount payable by the consumer* means the sum of the total amount of the credit and the total cost of the credit to the consumer referred to in Article 3 paragraph 1 of this Law;
- 5) *credit intermediary* means a natural or legal person who is not a creditor and who, in the course of his business or profession, for a fee in a pecuniary form or other agreed form of financial consideration, presents or offers credit agreements to consumers, assists consumers by undertaking preparatory work in respect of credit agreements or concludes credit agreements with consumers on behalf of the creditor;
- 6) *durable medium* means an instrument which enables the consumer to store information addressed personally to him in a way accessible for future reference for a period of time adequate for the purposes of the information and which allows the unchanged reproduction of the information stored (paper, CDs and DVDs, USB flash memory sticks, memory cards or computer hard disc, electronic mail, etc.).

II. INFORMATION

Content of advertising

Article 8

- (1) The creditor shall, in any advertising concerning credit agreements which indicates an interest rate or other figures relating to the cost of the credit to the consumer, provide in a clear, concise and prominent way by means of a representative example, particularly the following information:
 - 1) the borrowing rate, together with particulars of any charges included in the total cost of the credit to the consumer;
 - 2) the total amount of the credit;
 - 3) annual percentage rate of charge;
 - 4) the duration of the credit agreement;
 - 5) in the case of a credit in the form of deferred payment for a specific good or service, the cash price and the amount of any advance payment, and
 - 6) the total amount payable by the consumer and the amount of monthly instalments.
- (2) Where the conclusion of a contract regarding an ancillary service relating to the credit agreement, in particular insurance, is compulsory in order to obtain the credit or to obtain it on the terms and

conditions offered, and the cost of that service cannot be determined in advance, the obligation to enter into that contract shall also be stated in a clear, concise and prominent way, together with the annual percentage rate of charge.

Pre-contractual information

Article 9

- (1) Before accepting any offer or conclusion of any credit agreement, the creditor and the credit intermediary shall, on the basis of the credit terms and conditions offered by the creditor, provide the consumer in written form, on paper or on another durable medium, in good time, with the information on:
 - 1) the type of credit;
 - 2) the name, head office and identification number, or the given name and surname, unique identification number and address of the creditor and/or of the credit intermediary;
 - 3) the total amount of credit and the conditions governing the drawdown;
 - 4) the duration of the credit agreement;
 - 5) the name of the good or service and its cash price in the case of a credit in the form of deferred payment for specific goods or services, or in the case of linked credit agreements;
 - 6) the borrowing rate or different borrowing rates and the conditions governing the application of borrowing rates and, where available, any index or reference rate applicable to the initial borrowing rate, as well as the periods, conditions and procedure for changing the borrowing rate;
 - 7) the annual percentage rate of charge and the total amount payable by the consumer, illustrated by means of a representative example, together with all the elements used in order to calculate that rate, and, where the consumer has informed the creditor of one or more preferred conditions of the credit (the duration of the credit agreement, the total amount of credit, etc.), the creditor shall also take those conditions into account, as well as if a credit agreement provides different ways of drawdown with different charges or borrowing rates and if the creditor uses the assumption set out in Article 10 paragraph 3 of this Article, he shall indicate that other drawdown mechanisms for this type of credit may result in higher annual percentage rates of charge;
 - 8) the amount, number and frequency of payments to be made by the consumer and the order in which such payments will be allocated to outstanding balances charged at different borrowing rates for the purposes of credit reimbursement, if different borrowing rates have been agreed;
 - 9) the charges for maintaining one or several accounts clearly recording both payment transactions and drawdowns, unless the opening of an account is optional, together with the charges for using a means of payment for both payment transactions and drawdowns, and any other

charges deriving from the credit agreement and the conditions under which those charges may be changed;

- 10) the obligation regarding the notarial costs payable by the consumer on conclusion of the credit agreement;
 - 11) the obligation, if any, to enter into an ancillary service contract relating to the credit agreement, in particular an insurance policy, where the conclusion of such a contract is compulsory in order to obtain the credit or to obtain it on the terms and conditions offered;
 - 12) the rate of default interest applicable in the case of late payments and the arrangements for its adjustments, and any charges payable for default;
 - 13) a warning regarding the consequences of missing payments;
 - 14) the sureties required;
 - 15) the right of unilateral termination of the credit agreement and conditions for the exercise of such right;
 - 16) the consumer's right of early repayment of the credit and the creditor's right to compensation and the way in which that compensation will be determined in accordance with Article 23 of this Law;
 - 17) the consumer's right to be informed immediately and free of charge, pursuant to Article 15 paragraph 1 of this Law, of the results of a credit register consultation;
 - 18) the consumer's right to be supplied, on request and free of charge, with a copy of the draft credit agreement, unless the creditor is at the time of the request unwilling to proceed to the conclusion of the credit agreement with the consumer, and
 - 19) the period of time during which the creditor is bound by the pre-contractual information.
- (2) Information referred to in paragraph 1 of this Article shall be given in a form established and published in the *Official Gazette of Montenegro* by the Central Bank of Montenegro (hereinafter referred to as the "Central Bank").
 - (3) Any additional information which the creditor or the credit intermediary may provide to the consumer in respect of the information referred to in paragraph 1 of this Article shall be given separately, together with the form referred to in paragraph 2 of this Article.
 - (4) If the creditor or the credit intermediary provides information referred to in paragraph 1 of this Article by means of voice telephony communication, the description of the main characteristics of the credit shall include the items referred to in paragraph 1 points 3 to 6 and point 8 of this Article, together with the annual percentage rate of charge illustrated by means of a representative example and the total amount payable by the consumer.

- (5) If, in accordance with the law governing consumer protection, the agreement has been concluded at the consumer's request using a means of distance communication which does not enable the information to be provided as referred to in paragraphs 1 and 4 of this Article, the creditor shall provide the consumer with all the information referred to in paragraph 1 of this Article immediately after the conclusion of the credit agreement.
- (6) Upon consumer's request, the creditor shall, in addition to information referred to in paragraph 1 of this Article, supply a copy of the draft credit agreement to the consumer free of charge, unless the creditor is unwilling at the time of the request to proceed to the conclusion of the credit agreement with the consumer.

Additional pre-contractual information

Article 10

- (1) In the case of a credit agreement under which payments made by the consumer do not give rise to an immediate corresponding amortisation of the total amount of credit, but are used to constitute capital during periods and under conditions laid down in the credit agreement or in an ancillary agreement, the information referred to in Article 9 paragraph 1 of this Law shall include a clear and concise statement that such credit agreements do not provide for a guarantee of repayment of the total amount of credit drawn down under the credit agreement, unless a different guarantee is given.
- (2) The creditor and the credit intermediary shall provide adequate explanations to the consumer in order to enable assessment of whether the proposed credit agreement is adapted to his needs and to his financial situation and, where appropriate, by explaining the pre-contractual information to be provided in accordance with Article 9 paragraph 1 of this Law, the essential characteristics of the proposed types of credits and the specific effects they may have on the consumer, including the consequences of default in payment by the consumer.
- (3) In calculation of the annual percentage rate of charge for the credit agreements which provide for different ways of drawdown with different charges or borrowing rates, the creditor may use the assumption that the total amount of credit is drawn down at the highest charge and borrowing rate applied to the usual drawdown mechanisms for this type of credit.

Pre-contractual information for credit agreements in the form of an overdraft facility or an agreement governing arrangements between the creditor and the consumer regarding deferred payment or repayment method

Article 11

- (1) Before accepting any offer or conclusion of a credit agreement referred to in Article 6 paragraphs 2 and 4 of this Law, the creditor and the credit intermediary shall, on the basis of the credit terms and conditions offered by the creditor, the preferences expressed by the consumer and information supplied to the consumer, provide, in good time, the consumer with the following information needed to compare different offers in order to take an appropriate decision on whether to conclude a credit agreement:

- 1) the type of credit;
 - 2) the name, head office and identification number, or the given name and surname, unique identification number and address of the creditor and/or of the credit intermediary;
 - 3) the total amount of credit;
 - 4) the duration of the credit agreement;
 - 5) the borrowing rate, the conditions governing the application of that rate, any index or reference rate applicable to the initial borrowing rate, the charges applicable from the time the credit agreement is concluded and the conditions under which those charges may be changed;
 - 6) the annual percentage rate of charge illustrated by means of a representative example mentioning the assumptions used in order to calculate that rate, except in the case of the agreement referred to in Article 6 paragraph 2 of this Law;
 - 7) the conditions and procedure for terminating the credit agreement;
 - 8) in the case of agreements referred to in Article 6 paragraph 2 of this Law, an indication that the consumer may be requested to repay the amount of credit in full at any time;
 - 9) the rate of default interest applicable to late payments and the arrangements for its adjustment, and any charges payable for default in case of late payments;
 - 10) the consumer's right to be informed immediately and free of charge, pursuant to Article 15 paragraph 1 of this Law, of the results of a credit register consultation;
 - 11) in the case of credit agreements referred to in Article 6 paragraph 2 of this Law, information about the charges applicable from the time such agreements are concluded and the conditions under which those charges may be changed, and
 - 12) the period of time during which the creditor is bound by the pre-contractual information.
- (2) The creditor or the credit intermediary shall provide the information referred to in paragraph 1 of this Article in written form, on paper or on another durable medium in a clear, concise and easily noticeable manner, and all information shall be equally prominent.
 - (3) The creditor or the credit intermediary shall not be obliged to provide the information referred to in paragraph 1 of this Article if he has supplied information to the consumer pursuant to Articles 9 and 10 of this Law.
 - (4) In the case of voice telephony communications and where the consumer requests that the overdraft facility be made available with immediate effect, the description of the main characteristics of the credit shall include the items referred to in paragraph 1 points 3, 5, 6 and 8 of this Article, and, in the agreements referred to in Article 6 paragraph 4 of this Law, the description of the main characteristics shall also include information of the duration of the credit agreement.

- (5) Notwithstanding Article 6 paragraph 1 point 2 of this Law, the provision of paragraph 4 of this Article shall apply to credit agreements in the form of an overdraft facility and where the credit has to be repaid within one month.
- (6) Upon the consumer's request, the creditor or the credit intermediary shall, free of charge, in addition to the information referred to in paragraphs 2 to 5 of this Article, supply a copy of the draft credit agreement containing the information referred to in Article 16 or Article 17 of this Law, as applicable.
- (7) The creditor and/or the credit intermediary shall not be obliged to supply a copy of the draft credit agreement referred to in paragraph 6 of this Article if the creditor is unwilling to proceed to the conclusion of the credit agreement with the consumer.
- (8) If the credit agreement has been concluded at the consumer's request using a means of distance communication which does not enable the information to be provided in accordance with paragraphs 1 and 2 of this Article, including in the cases referred to in paragraph 4 of this Article, the creditor shall immediately after the conclusion of the credit agreement fulfil his obligations under paragraphs 1 and 2 of this Article and Article 16 or Article 17 of this Law as applicable.

Additional information for agreements governing arrangements between the creditor and the consumer regarding deferred payment or credit repayment methods

Article 12

- (1) In the case of the agreement referred to in Article 6 paragraph 4 of this Law, the creditor and/or the credit intermediary shall, in addition to the information referred to in Article 11 paragraphs 1 and 2 of this Law, provide the consumer with information on:
 - 1) the amount, number and frequency of payments to be made by the consumer and the order in which such payments will be allocated to different outstanding credit balances if charged at different borrowing rates for the purposes of reimbursement, and
 - 2) the consumer's right of early repayment and information concerning the creditor's right to compensation in the case of early repayment and the way in which that compensation will be determined.
- (2) In the case of agreements referred to in paragraph 1 of this Article subject to the provision of Article 6 paragraph 2 of this Law, the creditor and/or the credit intermediary shall provide the consumer only with the information referred to in Article 11 paragraph 1 of this Law.

Exemption from the pre-contractual information requirements

Article 13

- (1) The provisions of Articles 9 to 12 of this Law shall not apply to suppliers of goods or service providers acting as credit intermediaries in an ancillary capacity.

- (2) The suppliers of goods or service providers referred to in paragraph 1 of this Article shall act as credit intermediaries in an ancillary capacity if their activity as credit intermediaries is not their main business or other commercial activity.

III. ASSESSMENT OF CREDITWORTHINESS

Obligation to assess the creditworthiness

Article 14

- (1) Before the conclusion of a credit agreement, the creditor shall assess the consumer's creditworthiness on the basis of complete information obtained from the customer or, where necessary, on the basis of information from the available credit registers (database).
- (2) The creditor shall supply data and information on the credit granted to the consumer in accordance with this Law to the Credit Register maintained by the Central Bank, in accordance with the regulation governing the operation of the Credit Register.
- (3) The creditor shall reassess the consumer's creditworthiness before any significant increase in the total amount of credit.
- (4) If, after the conclusion of the credit agreement, the parties to the agreement agree to change the total amount of credit, the creditor shall update in the Credit Register the information at his disposal concerning the consumer's financial standing.

Notification of rejection

Article 15

- (1) If the credit application is rejected, the creditor shall inform the consumer immediately and without charge of the information from the credit register on which the decision to reject the application is based, in accordance with the legislation governing the protection of personal data, the secrecy of data and the protection of unpublished data.
- (2) The creditors from the European Union Member States can use the data from the credit registers available in Montenegro for assessing the creditworthiness of consumers.

IV. CREDIT AGREEMENT

Form and content of credit agreements

Article 16

- (1) Credit agreements shall be concluded in written form, on paper or on another durable medium.
- (2) The creditor and/or the credit intermediary shall provide the consumer with a copy of the credit agreement.
- (3) The credit agreement shall specify in a clear and concise manner the following items:
 - 1) the type of credit;
 - 2) the given name and surname and address of the consumer, as well as the name, the head office and registration number, or the given name, surname, unique identification number and address of the creditor and/or the credit intermediary;
 - 3) the duration of the credit agreement;
 - 4) the total amount of credit and the conditions governing the drawdown, and in case of credits indexed in a foreign currency – the currency in which the creditor indexed the credit, the type of exchange rate applied when granting and repaying the credit (official average exchange rate), and the date of calculation thereof;
 - 5) in case of a credit in the form of deferred payment for specific goods or services or in the case of linked credit agreements, the name of the good or service and its cash price;
 - 6) the borrowing rate or different borrowing rates, the conditions governing the application of such rate(s) and, where available, any index or reference rate applicable to the initial borrowing rate, as well as the periods, conditions and procedures for changing the borrowing rate;
 - 7) the annual percentage rate of charge and the total amount payable by the consumer, calculated at the time the credit agreement is concluded, and all the elements used in order to calculate that rate shall be mentioned;
 - 8) the amount, number and deadlines for payments to be made by the consumer and, where appropriate, the order in which those payments will be allocated to different outstanding balances charged at different borrowing rates for the purposes of credit reimbursement;
 - 9) where capital amortisation of a credit with a fixed duration is involved, the right of the consumer to request free of charge, throughout the duration of the credit agreement, to receive a repayment schedule which shall:
 - indicate the remaining payments, deadlines for payments and payment conditions;
 - contain a breakdown of each payment showing capital amortisation, the interest calculated on the basis of the borrowing rate and other costs, and
 - state, clearly and concisely, that the data will remain valid until such time as the borrowing rate or the additional costs are changed in accordance with the credit agreement, if the interest rate is not fixed or the additional costs may be changed under the credit agreement;

- 10) if the agreement provides that charges and interest are to be paid without capital amortisation, the repayment schedule showing the deadlines and conditions for the payment of the interest and of any associated recurrent and non-recurrent charges;
 - 11) the charges for maintaining one or several accounts clearly recording both payment transactions and drawdowns, unless the opening of an account is optional, together with the charges for using a means of payment for both payment transactions and drawdowns, and other charges deriving from the credit agreement and the conditions under which those charges may be changed, in the case of agreements where such charges are applicable;
 - 12) the rate of default interest applicable in the case of late payments as applicable at the time of the conclusion of the agreement and the arrangements for its adjustment, and other charges payable by the consumer for default under the credit agreement;
 - 13) a warning regarding the consequences of missing payments;
 - 14) information that notarial fees for the agreement and/or supporting documents will be payable;
 - 15) the given name and surname or the name of the guarantors and other types of sureties, if requested;
 - 16) the right of unilateral termination of the credit agreement, the period during which that right may be exercised and other conditions governing the exercise thereof, including information concerning the obligation of the consumer to pay the capital drawn down and the interest referred to in Article 21 paragraph 2 point 2 of this Law and the amount of interest payable per day;
 - 17) information concerning the right referred to in Article 22 of this Law, and the conditions for the exercise of that right;
 - 18) the right of early repayment and the procedure for early repayment, as well as information concerning the creditor's right to compensation and the way in which that compensation will be determined;
 - 19) the procedure for the exercise of the right of termination of the credit agreement;
 - 20) provisions on out-of-court or other types of consumer protection and the methods for having access to it;
 - 21) other contractual terms and conditions, and
 - 22) the name and head office of the competent authority for supervision of the creditors.
- (4) In the case of a credit agreement under which payments made by the consumer do not give rise to an immediate corresponding amortisation of the total amount of credit, but are used to constitute capital during periods and under conditions laid down in the credit agreement or in an ancillary agreement, the agreement shall, in addition to items referred to in paragraph 3 of this Article, unless a different guarantee is given, include a statement that such a credit agreement does not

provide for a guarantee of repayment of the total amount of credit drawn down under the credit agreement.

- (5) Pursuant to paragraph 3 point 9 of this Article, the creditor shall, upon the consumer's request, make available, free of charge and at any time throughout the duration of the credit agreement, a statement of account in the form of a repayment schedule.

Content of the credit agreements in the form of overdraft facilities

Article 17

Credit agreements in the form of overdraft facilities referred to in Article 6 paragraph 2 of this Law shall contain, in a concise and clear manner, the following items:

- 1) the type of credit;
- 2) the given name and surname and the address of the consumer, as well as the name, head office and identification number or the given name and surname and the unique identification number of the creditor and/or of the credit intermediary;
- 3) the duration of the credit agreement;
- 4) the total amount of the credit and the conditions governing the drawdown on the basis of the credit agreement;
- 5) the borrowing rate or different borrowing rates, the conditions governing the application of the borrowing rate(s) and, where available, any index or reference rate applicable to the initial borrowing rate, as well as the periods, conditions and procedure for changing the borrowing rate;
- 6) a warning that the creditor shall have the right to request the consumer to repay the amount of credit in full at any time;
- 7) conditions governing the exercise of the right of unilateral termination of the credit agreement, and
- 8) information concerning the charges applicable from the time such agreements are concluded and the conditions under which those charges may be changed.

Variable borrowing rate

Article 18

- (1) Where a variable borrowing rate is agreed, the creditor shall, before it is applied, inform the consumer in written form, on paper or on another durable medium, of the following:
 - 1) any change in that rate;

- 2) the amount of the payments to be made by the consumer after the commencement date of application of the new borrowing rate, and
 - 3) information on the number of or deadlines for the payments, if they change.
- (2) If the change in the borrowing rate is caused by a change in a reference rate that is made publicly available and kept available in the business premises of the creditor, the credit agreement may provide for the obligation of periodically giving the information referred to in paragraph 1 of this Article to the consumer.

Statement of account in respect of an overdraft facility

Article 19

- (1) The creditor shall keep the consumer regularly informed, at least once a month, by means of a statement of account, in written form, on paper or on another durable medium, of the credit in the form of an overdraft facility.
- (2) The statement of account referred to in paragraph 1 of this Article shall in particular contain the following particulars:
 - 1) the precise period to which the statement of account relates and the date of issue;
 - 2) the amounts and dates of drawdowns;
 - 3) the balance from the previous statement and the date of issue thereof;
 - 4) the new balance;
 - 5) the amounts and dates of payments made by the consumer;
 - 6) the borrowing rate applied;
 - 7) other charges involved, and
 - 8) the minimum amount payable by the consumer.
- (3) The consumer shall also be informed by the creditor, in the manner referred to in paragraph 1 of this Article, of increases in the borrowing rate or other charges, before they are applied.
- (4) The credit agreement in the form of an overdraft facility may provide that information concerning changes in the borrowing rate in the case referred to in Article 18 paragraph 2 of this Law is to be given in the manner provided for in paragraph 1 of this Article.

Open-end credit agreements

Article 20

- (1) The consumer may terminate an open-end credit agreement free of charge at any time unless the parties have agreed on a period of notice.
- (2) The period of notice referred to in paragraph 1 of this Article may not exceed one month.
- (3) The creditor may terminate the credit agreement referred to in paragraph 1 of this Article by giving the consumer at least two months' notice in written form, on paper or on another durable medium.
- (4) If agreed in the credit agreement referred to in paragraph 1 of this Article, the creditor may, for justified reasons, terminate the consumer's right to draw down a part of the amount of granted credit, and shall inform the consumer of the termination and the reasons for it in written form, on paper or on another durable medium, where the provision of such information is in accordance with the law, before the termination and at the latest immediately thereafter.
- (5) The termination of the right referred to in paragraph 4 of this Article may be effected in the cases of unauthorised or fraudulent use of the credit or of a significant increase in risk that the consumer will fail to fulfil his obligation to repay the credit.

Right of unilateral termination of the credit agreement

Article 21

- (1) The consumer shall have a right to terminate unilaterally the credit agreement, without giving any reason, within a period of 14 days and such period shall begin:
 - 1) from the day of the conclusion of the credit agreement, or
 - 2) from the day on which the consumer receives from the creditor the terms and conditions and information in accordance with Articles 16 and 17 of this Law, if such terms and conditions and information are received after the day on which the credit agreement was concluded.
- (2) If the consumer intends to terminate unilaterally the credit agreement, he shall:
 - 1) before the expiry of the deadline referred to in paragraph 1 of this Article, notify the creditor of the termination in line with the agreed right referred to in Article 16 paragraph 3 point 16 of this Law, and
 - 2) pay to the creditor the capital and the interest accrued thereon, calculated on the basis of the agreed borrowing rate, from the date the credit was drawn down on the basis of the credit agreement until the date the capital is repaid, without delay and no later than 30 calendar days after the date of despatch of notification of the termination.
- (3) In the event of unilateral termination of the credit agreement, apart from the amount referred to in paragraph 2 point 2 of this Article, the creditor shall not be entitled to any other compensation from the consumer, except compensation for notarial costs relating to the agreement and other supporting documents paid by the creditor.

- (4) The credit agreement shall be deemed terminated in a timely manner if the notification on the unilateral termination is dispatched in written form, on paper or on another durable medium that is available and accessible to the creditor before the deadline referred to in paragraph 1 of this Article expires.
- (5) If an ancillary service relating to the credit agreement is provided by the creditor or by a third party on the basis of an agreement between the third party and the creditor, the consumer shall no longer be bound by the ancillary service agreement if the consumer exercises his right of unilateral termination of the credit agreement in accordance with this Law.
- (6) If the consumer exercises the right of unilateral termination of the agreement referred to in paragraph 1 of this Article, the provisions of the law governing consumer protection in the part relating to the right of the consumer to unilateral termination of the agreement on financial services concluded by means of distance communication and an agreement of sales outside business premises of a trader shall not apply.

Relationship between a sales contract and a linked credit agreement

Article 22

- (1) The consumer who has exercised his right of unilateral termination of a sales contract for goods or services, in accordance with the law governing consumer protection, shall not be bound by the linked credit agreement.
- (2) If the obligations set out in the sales contract for the goods or services which are the subject of a linked credit agreement are not fulfilled or have not been duly fulfilled, the consumer may request compensation from the creditor, if the trader had failed to meet a contractual obligation on the basis of a final judgement in favour of the consumer.

Early repayment

Article 23

- (1) The consumer shall be entitled at any time to discharge early, fully or partially, his obligations under a credit agreement and, in such cases, he shall be entitled to a reduction in the total cost of the credit by the remaining amount of the interest and other costs for the remaining duration of the agreement.
- (2) In the event of early repayment of credit, the creditor shall be entitled to fair and objective compensation for justified costs directly linked to early repayment of credit, provided that the early repayment falls within a period for which a fixed borrowing rate has been agreed.
- (3) The amount of compensation referred to in paragraph 2 of this Article may not exceed 1 % of the amount of credit repaid early, if the period of time between the early repayment date and the due date under the credit agreement exceeds 12 months.

- (4) If the period referred to in paragraph 3 of this Article does not exceed 12 months, the amount of compensation may not exceed 0,5 % of the amount of credit repaid early.
- (5) The creditor shall not be entitled to compensation referred to in paragraph 2 of this Article:
 - 1) if the repayment has been made under an insurance contract intended to provide a credit repayment guarantee;
 - 2) in the case of overdraft facilities, or
 - 3) if the early repayment falls within a period for which a fixed borrowing rate has been agreed.
- (6) The creditor shall be entitled to compensation referred to in paragraph 2 of this Article if the amount of the early repayment exceeds EUR 10 000 within a period of 12 months.
- (7) The amount of compensation referred to in paragraphs 3 and 4 of this Article shall not exceed the amount of interest the consumer would have paid during the period between the early repayment date and the agreed date of termination of the credit agreement.

Assignment or transfer of rights

Article 24

- (1) In the event of assignment of a credit agreement or transfer of the creditor's rights under a credit agreement to a third party, the consumer shall be entitled, in addition to his objections against the new creditor, to raise the objections which were available to him against the original creditor.
- (2) The original creditor shall inform the consumer of the assignment of the agreement or the transfer of the rights referred in paragraph 1 of this Article, unless the original creditor continues to service the credit vis-à-vis the consumer on the basis of the agreement with the new creditor.

Tacitly accepted overdraft

Article 25

- (1) If in the case of an account agreement there is a possibility that the consumer is allowed an overrun (tacitly accepted overdraft), such agreement shall contain in addition the information referred to in Article 11 paragraph 1 point 5 of this Law.
- (2) The creditor shall provide the information referred to in Article 11 paragraph 1 point 5 of this Law in written form, on paper or on another durable medium on a regular basis.
- (3) In the event of a significant overrunning exceeding a period of one month, the creditor shall inform the consumer without delay, in written form, on paper or on another durable medium:
 - 1) of the fact that overrunning occurred;

- 2) of the amount of overrunning involved;
- 3) of the borrowing rate, and
- 4) of any penalties, charges or interest on arrears applicable.

Obligations of credit intermediaries

Article 26

A credit intermediary shall:

- 1) indicate in advertising or documentation intended for consumers the extent of his powers, in particular whether he represents one or more creditors or works as an independent broker;
- 2) indicate the amount of the fee provided for and payable by the consumer to the credit intermediary for his services and agree the fee with the consumer in written form, on paper or on another durable medium before the conclusion of the agreement, and
- 3) communicate to the creditor the amount of the fee provided for and payable by the consumer to the credit intermediary for his services for the purpose of calculation of the annual percentage rate of charge.

V. ANNUAL PERCENTAGE RATE OF CHARGE

Calculation of the annual percentage rate of charge

Article 27

- (1) Annual percentage rate of charge means the total cost of the credit to the consumer, expressed as an annual percentage of the total amount of credit, including the costs referred to in paragraph 3 of this Article.
- (2) The annual percentage rate of charge, equating, on an annual basis, to the present value of all commitments (drawdowns, repayments and charges), future or existing, agreed by the creditor and the consumer, shall be calculated in accordance with the regulation governing the elements used to calculate the annual percentage rate of charge.
- (3) For the purpose of calculating the annual percentage rate of charge, the creditor shall determine the total cost of the credit to the consumer, with the exception of any charges payable by the consumer for non-compliance with any of his commitments laid down in the credit agreement and charges other than the purchase price which, for purchase of goods or services, the consumer is obliged to pay whether the transaction is effected in cash or on credit.

- (4) The total cost of the credit to the consumer shall include the costs of maintaining an account clearly recording both payment transactions and drawdowns, the costs of using a means of payment for both payment transactions and drawdowns, and other costs relating to payment transactions, unless the opening of the account is optional and the costs of the account have been clearly and separately shown in the credit agreement or in another agreement concluded with the consumer.
- (5) The calculation of the annual percentage rate of charge shall be based on the assumption that the credit agreement is to remain valid for the period agreed and that the creditor and the consumer will fulfil their obligations under the terms and by the dates specified in the credit agreement.
- (6) In the case of credit agreements containing clauses allowing variations in the borrowing rate where charges contained in the annual percentage rate of charge are unquantifiable at the time of calculation, the annual percentage rate of charge shall be calculated on the assumption that the borrowing rate and other charges will remain fixed in relation to the initial borrowing rate and will remain applicable until the end of the credit agreement.
- (7) Additional assumptions may also be used for calculation of the annual percentage rate of charge.
- (8) Elements used for the calculation of the annual percentage rate of charge referred to in paragraphs 1 to 7 of this Article shall be specified by a regulation of the Central Bank which shall be published in the *Official Gazette of Montenegro*.

VI. REGISTER OF CREDITORS AND CREDIT INTERMEDIARIES

Entry in and maintenance of register

Article 28

- (1) The creditors or credit intermediaries may provide credit services or credit intermediary services respectively, provided that they are entered in a register of creditors and credit intermediaries.
- (2) The creditors entered in the register referred to in paragraph 1 of this Article may provide only restricted-use consumer credits for the purpose of strengthening their main business.
- (3) The creditors who have a licence issued by the Central Bank on the basis of the law governing banking shall not be entered in the register referred to in paragraph 1 of this Article.
- (4) The creditors granting credits only to their employees and the creditors who, as traders, when selling goods and services, provide a possibility to the consumers to pay for the goods or services in four or less than four instalments within 12 months from the day of purchase of the goods or payment for the service, shall not be entered in the register referred to in paragraph 1 of this Article.
- (5) The register of creditors and credit intermediaries referred to in paragraph 1 of this Article shall be maintained by the state administration body in charge of consumer protection (hereinafter referred to as the "Ministry").

- (6) The register of creditors granting financial leasing and of their credit intermediaries shall be maintained by the state administration body in charge of finance (hereinafter referred to as the "Ministry of Finance"). ***(repealed as from 12 May 2018 by Article 152 of the Law on Financial Leasing, Factoring, Purchase of Receivables, Micro-Lending and Credit-Guarantee Operations (Official Gazette of Montenegro 73/2017 of 3 November 2017))***
- (7) The register of credit intermediaries performing the activities for the creditors referred to in paragraph 3 of this Article shall be maintained by the Central Bank.
- (8) The content and method of maintaining the register referred to in paragraph 5 of this Article shall be prescribed by the Ministry.
- (9) The content and method of maintaining the register referred to in paragraph 6 of this Article shall be prescribed by the Ministry of Finance. ***(repealed as from 12 May 2018 by Article 152 of the Law on Financial Leasing, Factoring, Purchase of Receivables, Micro-Lending and Credit-Guarantee Operations (Official Gazette of Montenegro 73/2017 of 3 November 2017))***

VII. LEGAL PROTECTION OF CONSUMERS

Consumer's right to complain

Article 29

- (1) A consumer shall have the right to file a complaint to the creditor and/or to the credit intermediary, if he believes his right under this Law has been violated.
- (2) If the creditor or the credit intermediary referred to in paragraph 1 of this Article fails to make a decision on the consumer's complaint immediately or within eight days from the day of filing the complaint in more complex cases, or rejects the complaint, the consumer may file an application to the Central Bank to conduct supervision over the creditors and the credit intermediaries referred to in Article 28 paragraph 3 of this Law.
- (3) In the case referred to in paragraph 2 of this Article, the consumer may file to the administrative body in charge of inspection supervision (Market Inspectorate) an application for the protection of the rights set out in this Law with the creditor referred to in Article 28 paragraphs 5 and 6 of this Law, in accordance with the law governing consumer protection.
- (4) The provisions of the law governing consumer protection shall apply *mutatis mutandis* to the proceedings on the consumer's complaint in respect of the manner of filing a complaint, displaying information about the manner of and the place for filing complaints, burden of proof concerning displaying of information, maintaining records on consumers' complaints, obligations of the person authorised to receive complaints, obligation to issue a confirmation of receipt of complaint if such complaint is not resolved immediately, and the content thereof, unless otherwise provided in this Law.
- (5) In the case referred to in paragraphs 2 and 3 of this Article, the consumer may request out-of-court protection or the protection before the competent court.

Out-of-court dispute resolution

Article 30

- (1) In disputes between the consumer and the creditor or the credit intermediary, proceedings may be initiated before the Arbitration Board for out-of-court resolution of consumer disputes.
- (2) Notwithstanding paragraph 1 of this Article, in disputes arising between the consumers and the creditors licenced by the Central Bank and the credit intermediaries providing intermediary services exclusively for those creditors, a procedure may be initiated before the banking ombudsman. ***(to be repealed as from the commencement date of application of the provisions of Article 219 of the Law on Credit Institutions (Official Gazette of Montenegro 72/2019 of 26 December 2019)***

VIII. SUPERVISION

Supervision of creditors and credit intermediaries

Article 31

- (1) Supervision over the implementation of this Law shall be exercised by the Ministry and the Central Bank.
- (2) The Central Bank shall carry out the supervision over the implementation of this Law over the creditors to whom it issues licence and over their credit intermediaries, through the control procedure, in accordance with the law governing the operations of banks.
- (3) The supervision referred to in paragraph 2 of this Article shall be carried out by the persons authorised by the Central Bank to perform those tasks.
- (4) The inspection supervision over the creditors and the credit intermediaries, except for the creditors and the credit intermediaries referred to in paragraph 2 of this Article, shall be carried out by the Market Inspectorate.
- (5) Inspectors and other persons authorised to perform supervision shall keep confidential the information they obtain in the course of the supervision process.
- (6) The bodies referred to in paragraph 1 of this Article may adopt regulations for the exercise of supervision falling within their competences.

Obligations of supervised entities

Article 32

In addition to obligations laid down in the law governing inspection supervision, the creditors and the credit intermediaries shall enable a competent inspector or another person authorised to perform supervision to inspect the concluded agreements, provide copies of the agreements, and supply other data and documents needed for the carrying out of supervision.

Administrative measures

Article 33

- (1) In addition to the measures laid down in the law governing banking, the Central Bank shall, by means of a decision, temporarily prohibit the creditor or the credit intermediary to conclude credit agreements until irregularity is removed if it finds that:
 - 1) the advertising of a consumer credit does not contain information in accordance with the provisions of this Law (Article 8);
 - 2) they do not provide pre-contractual information in accordance with the provisions of this Law (Articles 9, 10, 11 and 12);
 - 3) the credit agreement has not been concluded on paper or on another durable medium, or a copy of the credit agreement was not provided, or the credit agreement does not specify the prescribed items in a concise and clear manner (Article 16 paragraphs 1 to 4 and Article 17);
 - 4) he failed to make available a statement of account in the form of a repayment schedule in accordance with this Law (Article 16 paragraph 5);
 - 5) in the case of change in the borrowing rate, he has not informed the consumer in the manner and under the conditions laid down by this Law (Article 18);
 - 6) in the case of the credit in the form of an overdraft facility he has not supplied a statement of account in the manner and of the content laid down by this Law (Article 19);
 - 7) he charges compensation in the event of early repayment of credit contrary to this Law (Article 23);
 - 8) in the case of agreement on tacitly accepted overdraft, the agreement does not include prescribed information or such information is not provided in the manner and under the conditions laid down by this Law, or in the event of a significant overrunning exceeding a period of one month, he has failed to inform the consumer in the manner laid down by this Law and to provide information specified by this Law (Article 25);
 - 9) the credit intermediary has failed to indicate and to communicate to the consumer and to the creditor the information laid down by this Law (Article 26);
 - 10) he calculates the annual percentage rate of charge or the total cost of the credit contrary to the provisions of this Law (Article 27);
 - 11) he provides consumer credit or credit intermediary services without prior registration in the register (Article 28);
 - 12) he provides consumer credit or intermediary services contrary to the provisions of this Law;
- (2) In addition to the administrative measures laid down in the law governing inspection supervision, the market inspector shall, by means of a decision, temporarily prohibit the creditor or the credit intermediary to conclude credit agreements until irregularities are removed in the cases referred to in paragraph 1 of this Article.
- (3) The market inspector or the Central Bank may, by means of a decision, temporarily prohibit the creditor or the credit intermediary to conclude credit agreements until irregularities are removed if

he/it established that the credit agreement contains unfair contract terms under the law governing consumer protection.

IX. PENAL PROVISIONS

Penal provisions

Article 34

- (1) A fine in the amount between 2 000 euros and 40 000 euros shall be imposed for a misdemeanour on a legal person – the creditor or the credit intermediary, if:
 - 1) advertising of a consumer credit does not contain all the information in accordance with Article 8 of this Law (Article 8);
 - 2) before the conclusion of the credit agreement referred to in Article 6 paragraphs 2 and 4 they do not provide information in accordance with the provisions of this Law (Article 11);
 - 3) the credit agreement has not been concluded on paper or on another durable medium, or a copy of the credit agreement was not provided, or the credit agreement does not specify the prescribed items in a concise and clear manner (Article 16 paragraphs 1 and 2, paragraph 3 points 1 to 8 and points 10 to 22, and paragraph 4);
 - 4) he fails to enable early repayment of credit to the consumer under the conditions laid down by this Law (Article 23 paragraph 1);
 - 5) he charges compensation for the costs directly linked to early repayment of credit contrary to the provisions of this Law (Article 23 paragraphs 2 to 7);
 - 6) he does not calculate the annual percentage rate of charge or the total cost of the credit in accordance with the provisions of this Law (Article 27 paragraphs 1 to 6);
- (2) A fine in the amount between 1 500 euros and 12 000 euros shall be imposed for a misdemeanour referred to in paragraph 1 of this Article on an entrepreneur.
- (3) A fine in the amount between 800 euros and 4 000 euros shall be imposed for a misdemeanour referred to in paragraph 1 of this Article on a natural person and on a responsible person in a legal person.
- (4) If by the misdemeanour referred to in paragraph 1 of this Article the creditor or the credit intermediary achieved material gain, the measure of confiscation of material gain obtained by the commission of misdemeanour shall be imposed in addition to the fine.
- (5) In addition to the fine referred to in paragraph 1 of this Article, a protective measure of prohibition to conclude a credit agreement in duration from two months to one year may be imposed.

Article 35

- (1) A fine in the amount between 1 000 euros and 20 000 euros shall be imposed for a misdemeanour on a legal person – the creditor or the credit intermediary, if:

- 1) they do not provide pre-contractual information in accordance with the provisions of this Law (Article 9 paragraph 1 points 1 to 9 and points 11 to 19 and paragraphs 2 to 6 and Article 10 paragraph 1);
 - 2) before the conclusion of the agreement referred to in Article 6 paragraph 4, they do not provide additional information in addition to the information referred to in Article 11 paragraphs 1 and 2 of this Law (Article 12);
 - 3) upon the consumer's request, he does not provide free of charge a statement of account in the form of a repayment schedule (Article 16 paragraph 5);
 - 4) the credit agreement in the form of an overdraft facility referred to in Article 6 paragraph 2 of this Law does not contain the prescribed items in a concise and clear manner (Article 17);
 - 5) in the case of agreed variable borrowing rate, he has not informed the consumer, before it is applied, of the items, in the manner and under the conditions laid down by this Law (Article 18);
 - 6) in the case of credit in the form of an overdraft facility, he has failed to provide a statement of account for the consumer's account, in the manner and under the conditions laid down by this Law (Article 19);
 - 7) he has not informed the consumer about the termination of an open-end credit agreement in the manner and within the period laid down by this Law (Article 20 paragraph 3);
 - 8) he terminates the consumer's right to draw down a part of the amount of granted credit without providing information thereon in the manner, under the conditions and within the period laid down by this Law (Article 20 paragraph 4);
 - 9) he fails to inform the consumer of the assignment of the credit agreement or of the transfer of the rights in accordance with this Law (Article 24 paragraph 2);
 - 10) the account agreement where there is a possibility that the consumer is allowed an overrun does not contain prescribed information, or does not provide such information in the manner and under the conditions laid down by this Law, or in the event of a significant overrunning exceeding a period of one month, he has failed to inform the consumer in the manner laid down by this Law and to provide information specified by this Law (Article 25);
 - 11) in advertising or document intended for the consumer he has not indicated the extent of his powers or he has not indicated the amount of the fee provided for and payable by the consumer or has not communicated to the creditor the amount of the fee provided for and payable by the consumer to the credit intermediary in accordance with this Law (Article 26);
 - 12) he provides consumer credit or credit intermediary services without prior registration in the register (Article 28);
- (2) A fine in the amount between 750 euros and 6 000 euros shall be imposed for a misdemeanour referred to in paragraph 1 of this Article on an entrepreneur.
 - (3) A fine in the amount between 400 euros and 2 000 euros shall be imposed for a misdemeanour referred to in paragraph 1 of this Article on a natural person and on a responsible person in a legal person.
 - (4) If by the misdemeanour referred to in paragraph 1 of this Article the creditor or the credit intermediary achieved material gain, the measure of confiscation of material gain obtained by the commission of misdemeanour shall be imposed in addition to the fine.
 - (5) In addition to the fine referred to in paragraph 1 of this Article, a protective measure of prohibition to conclude a credit agreement in duration from two months to one year may be imposed.

Article 36

- (1) A fine in the amount between 500 euros and 10 000 euros shall be imposed for a misdemeanour on a legal person – the creditor or the credit intermediary, if:
 - 1) he fails to warn the consumer of the notarial costs payable by the consumer on conclusion of the credit agreement (Article 9 paragraph 1 point 10);
 - 2) he fails to provide the consumer with adequate explanations in accordance with this Law (Article 10 paragraph 2);
 - 3) he fails to inform the consumer immediately and without charge of the information in accordance with this Law if the credit application is rejected (Article 15 paragraph 1), and
 - 4) upon the consumer's request, he fails to provide a statement of account in the form of a repayment schedule, free of charge and at any time throughout the duration of the credit agreement in accordance with this Law (Article 16 paragraph 3 point 9).
- (2) A fine in the amount between 375 euros and 3 000 euros shall be imposed for a misdemeanour referred to in paragraph 1 of this Article on an entrepreneur.
- (3) A fine in the amount between 200 euros and 1 000 euros shall be imposed for a misdemeanour referred to in paragraph 1 of this Article on a natural person and on a responsible person in a legal person.

X. TRANSITIONAL AND FINAL PROVISIONS

Time limit for adoption of implementing acts

Article 37

The implementing acts for the implementation of this Law shall be adopted within three months from the date of entry into force of this Law.

Aligning of operations

Article 38

Creditors and credit intermediaries shall align their operations with this Law within six months from the date of entry into force of this Law.

Credit agreements concluded before the date of entry into force of this Law

Article 39

- (1) The provisions of Article 23 of this Law shall apply to credit agreement concluded before the date of entry into force of this Law.
- (2) The provisions of Articles 18, 19, 20, 24 and 25 paragraphs 2 and 3 of this Law shall apply to open-end credit agreements concluded before the date of entry into force of this Law.

Delayed application

Article 40

The provision of Article 15 paragraph 2 of this Law shall apply from the date of accession to the European Union.

Repeal

Article 41

The provisions of Articles 33 to 36 and of Article 131 of the Consumer Protection Law (Official Gazette of the Republic of Montenegro 26/07) shall be repealed on the commencement date of the application of this Law.

Entry into force

Article 42

This Law shall enter into force on the eighth day following that of its publication in the *Official Gazette of Montenegro*, and shall apply after expiry of six months from the date of entry into force of this Law.