

Interest rates on consumer loans reassessed in Romania

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The recent law 'on credit agreements for consumers' which came into force on 21 June 2010 significantly changed consumer rights with relation to credit agreements – read more on the new legislation [here](#).

One big impact it had on the banks and lending institutions in Romania was the fact that, according to the new legislation, banks should calculate the interest on all consumer loans (including those signed prior to the new legislation) according to international reference rates like EURIBOR.

Used to calculating interest according to their own internal reference rates plus the gaining margin, banks looked set to suffer tremendously as a result of the new legislation, estimating losses of several hundred million euros by the end of the year.

The National Authority for Consumers' Protection (NACP) has, however, changed its original position on this point and recently responded to the Romanian Bank Association's complaints with a letter, agreeing to allow banks to continue to use internal reference rates for consumer loans agreed before the new law came into play. It is only on consumer loans signed post 21 June that interest will be calculated according to international reference rates.

This apparent change of heart could considerably increase the banks' profit margins for some time to come, while huge numbers of consumers who expected their interest to be significantly reduced will now find themselves worse off.

We may see some consumers taking court action and claiming for the reduction of interest as the NACP's official position cannot overrule the existing legislation.