

## Exceptions

Consumer credit is not covered by the Consumer Credit Act if, in particular,

- it is mortgage-backed
- it is secured by the type of collateral usually accepted by banks
- it is secured by a sufficient amount of assets held by the borrower with the lender
- it amounts to less than CHF 500 or more than CHF 80,000 or
- it must be repaid within three months.

## 3. Maximum rate of interest

The Federal Council determines the maximum effective annual interest rate permissible for consumer credit. This is currently set at 10 percent for cash loans and 12 percent for credit cards<sup>1</sup>. Lenders set their interest rates individually within these parameters.

## 4. Creditworthiness check

Before a consumer credit agreement is concluded, the lender must first carry out a creditworthiness check. The Swiss Consumer Credit Information Office (IKO) was created to enable existing amounts owed by the borrower (current loans) to be taken into account when carrying out the creditworthiness check. Within Switzerland it administers all data on borrowers.

The IKO is subject to the supervision of the Swiss federal government and Switzerland's data protection legislation. Only lending institutions that are subject to the Consumer Credit Act have access to the data collected, insofar as they require the data to fulfil their obligations. A list of the authorised lending institutions is publicly available from the IKO secretariat (see point 8: "Further information")

While a detailed creditworthiness check is carried out for personal and other loans as well as leasing agreements, only a summary check is required for credit cards, customer cards with credit options and current account overdraft facilities.

The detailed creditworthiness check is based on repayment of the consumer credit within 36 months, even if the contract concerned specifies a longer period.

The "summary" check is based on information provided by the borrower regarding their income and assets as well as information obtained by the lender from the IKO on the lines of credit registered in its database. It is left to the lender's discretion as to which

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<sup>1</sup> Method of calculation: Reference rate plus flat-rate premium of 10 and 12 percentage points respectively (from July 1, 2016)