



# LESOTHO

# Government Gazette

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LEGAL NOTICE NO. 23 OF 2023

**Revenue Services Lesotho (Amendment) Regulations, 2023**

Pursuant to section 5(3) of the Revenue Services Lesotho Act, 2022<sup>1</sup>, I,

**RETŠELISITSOE MATLANYANE**

Minister responsible for finance -

Amends the Schedule to the Revenue Services Lesotho Act by adding the following item after item 4.

“5. Tobacco and Alcoholic Products Levy Act, 2023<sup>2</sup>”

**DATED: 8TH FEBRUARY, 2023**

**RETŠELISITSOE MATLANYANE (DR.)  
MINISTER OF FINANCE AND DEVELOPMENT PLANNING**

**NOTE**

1. Act No. 12 of 2022
2. Act No. 1 of 2023

## LEGAL NOTICE NO. 24 OF 2023

**Financial Consumer Protection (Disclosure of Credit Information) Regulations, 2023**

In the exercise of the power conferred upon the Regulator by section 7(3) and 50(c) of the Financial Consumer Protection Act, 2022<sup>1</sup>, I,

**MALUKE LETETE**

The Governor of the Central Bank of Lesotho and on behalf of the Regulator, makes the following Regulations:

**PART I - PRELIMINARY PROVISIONS****Citation and commencement**

1. These Regulations may be cited as the Financial Consumer Protection (Disclosure of Credit Information) Regulations, 2023 and shall come into operation on the date of publication in the Gazette.

**Interpretation**

2. (1) In these Regulations, unless the context otherwise requires -

“Act” means the Financial Consumer Protection Act, 2022;

“arrangement fee or loan origination fee” means an administrative charge assessed by a financial service provider to a consumer for providing credit or any other term similar that may be used for fees or charges assessed by a financial service provider to a consumer for provision of credit;

“credit agreement” means a legally binding contract made between a consumer who borrows money and a financial service provider;

“credit reference bureau fee” means a charge by a financial service provider to a consumer during a loan origination process for obtaining information about a credit history of a consumer from a credit reference bureau;

“commission” means an amount of money paid to a person as compensation for selling of a product or service;

“disclosure preparation fee” means charges by a financial service provider to a consumer for providing a required disclosure to originate a loan;

“documentation fee” means a charge by a financial service providers to a consumer for filing the paperwork required for a sales contract and title registration;

“effective interest rate” means a real return on any interest paying investment when the effects of compounding over time are taken into account;

“finance charge” means a cost of consumer credit charged by a financial service provider;

“fixed term credit or term loan” means a credit agreement of a specific amount, generally repaid in regular payments over a set period of time;

“key fact statement” means a disclosure document describing the key features of a credit agreement in a simplified manner;

“maintenance fee or management fee” means a recurring charge imposed by a financial service provider to a consumer for the necessary acts of administration on an outstanding loan;

“pre-transactional stage” means a phase during a loan origination process where a consumer applies for a loan and furnishes his or her financial information to a financial service provider in order to learn about the cost of credit based on his or her personal profile;

“recurring fee” means a charge by a financial service provider to a consumer, on a periodic basis and throughout the life of a loan, including fees from bundled and ancillary services;

“shopping stage” means an initial phase characterized by gathering of information by a consumer about the lending options offered by different financial service providers before deciding to formally apply for a loan;

“up-front fee” means a one-time charge by a financial service provider to a consumer, usually before a loan disbursement, as a condition to originate a loan.

(2) All other words used have the same meaning ascribed to them under the Financial Consumer Protection Act, 2022.

### **Application**

3. These Regulations shall apply to consumer credit agreements issued by Financial Service Providers licensed by the Regulator.

### **Objective**

4. The objective of these Regulations is to establish a consistent disclosure regime of essential information on credit agreements on financial products and services.

## **PART II - MANAGEMENT AND OVERSIGHT**

### **Management and oversight**

5. (1) A financial service provider shall have formal written policies, procedures and frame works on consistent disclosure of essential information on financial products and services duly approved by its Board.

(2) The Board and management of a financial service provider shall be responsible for compliance with the requirements of these Regulations.

(3) The Board shall ensure that management is implementing policies on consistent disclosure of essential information on financial products and services.

## **PART III - ISSUANCE AND CONTENT**

### **Stages of lending**

6. (1) A financial service provider shall issue a Key Fact Statement to all consumers requesting information or seeking to obtain a consumer credit product.

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(2) The content of disclosure of Key Fact Statement in subregulation (1) shall be provided depending on the stage of service or product being offered.

### **Content of a Key Fact Statement**

7. (1) A Key Fact Statement for a credit product shall contain at a minimal the following essential general information:

- (a) a name of a financial service provider;
- (b) an address of a financial service provider;
- (c) a name of a consumer;
- (d) a contact information of a consumer;
- (e) disclosure or application number; and
- (f) a date of issuance of the Key Fact Statement.

(2) A Key Fact Statement for a credit product shall contain at a minimal the following key information regarding credit product:

- (a) a type of a loan whether secured or unsecured;
- (b) a loan summary which shall include -
  - (i) an amount of a loan;
  - (ii) duration of credit agreement; and
  - (iii) an amount received;
- (c) a cost of credit which shall include -
  - (i) an interest charged;
  - (ii) the total amount of other fees and charges; and
  - (iii) effective interest rate;

- (d) a repayment schedule which shall include -
  - (i) a date a first payment is due;
  - (ii) the number of payments due;
  - (iii) payment frequency; and
  - (iv) an amount per payment;
- (e) the total amount to be paid by a consumer as a result of the sum of the loan amount and the total cost of credit.

### **Format of Key Fact Statement**

- 8. A financial service provider shall issue a Key Fact Statement -
  - (a) in a generic format as prescribed in schedule 1;
  - (b) typed in a readable font of at least 11 points size; and
  - (c) only as a disclosure document.

### **Delivery of generic Key Fact Statement**

- 9. (1) A generic Key Fact Statement -
  - (a) issued during a pre-transactional stage shall be signed by a consumer and a financial service provider or its representative;
  - (b) shall not be treated as a binding document and shall be explained to a consumer that it is only an offer document;
  - (c) shall be made available through the following channels -
    - (i) a branch or agent office;



- 
- (ii) an institutional website;
  - (iii) a representative of a financial service provider if they advertise or extend a lending product outside of a branch office; or
  - (iv) any other channel approved by the Regulator.

(2) A financial service provider shall develop a generic Key Fact Statement to disclose key information of a credit product offered -

- (a) when a consumer inquires about a loan in person; and
- (b) when displaying information of a lending product through a website.

(3) A financial service provider shall deliver a Key Fact Statement in a printed format or in any other durable medium depending on the preference of a consumer.

### **Language of Key Fact Statement**

10. A financial service provider shall -

- (a) issue a Key Fact Statement in any of the official languages, according to the preference of a consumer; and
- (b) display a Key Fact Statement on any of the communication channels in all official languages.

### **Obligation to inform rights of consumers**

11. (1) A Key Fact Statement shall explicitly disclose a purpose for which it is made.

(2) A disclosure in subregulation (1) shall make a consumer aware of their right to shop for a best available option using a disclosure as a comparison tool.

(3) A Key Fact Statement shall indicate a right of a consumer to re-

tain and review it within a timeline of a validity of the terms of an offer made to a consumer.

### **Requirements to display warning on communication channels of a financial service provider**

12. A financial service provider that -
  - (a) advertises or displays information through a website, shall exhibit a generic Key Fact Statement through a hyperlink permanently displayed near a promotional advert with a warning “*Important Information About Your Consumer Loan*”; and
  - (b) allows a consumer to apply for a loan through online means, shall display a hyperlink with the warning “*Calculate the Cost of your Loan Before you Commit*”.

### **Requirements to enable simulated personalized Key Fact Statement through online channels**

13. (1) A financial service provider that offers an option to submit a loan application online, shall provide a simulator feature that allows a consumer to customize their Key Fact Statement at the shopping stage before submitting a formal loan application.
  - (2) A simulator feature in subregulation (1) shall have a hyperlink with the warning “*Calculate the Cost of your Loan Before you Apply*” and shall allow a consumer to provide a specific amount and duration of a loan.

### **Changes in Key Fact Statement issued at pre-transactional stage**

14. A financial service provider shall re-issue a Key Fact Statement before a credit agreement is signed where the information included in a credit agreement differs from a Key Fact Statement provided at a pre-transactional stage.

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**Requirements for a financial service provider who provides credit information by telephone**

15. (1) A financial service provider that advertises or offers information about credit product during the shopping stage by telephone, shall advise a consumer about items under subregulation (2).

(2) A financial service provider shall advise a consumer about their rights to -

- (a) receive a Key Fact Statement that contains key information about the terms and conditions of a loan;
- (b) compare the offers across different credit providers in the country; and
- (c) receive a free copy of Key Fact Statement by;
  - (i) requesting it at a branch office;
  - (ii) visiting an institutional website; and
  - (iii) any other means suitable to both a credit provider and a consumer.

(3) A financial service provider shall ensure that inquiries or transactions conducted in person or over the telephone, receive verbal explanations of the sections in which they appear to have difficulty understanding.

(4) A financial service provider shall ensure that transactions conducted over the telephone are recorded.

**Requirements for financial service provider who provide credit through digital channels**

16. (1) A financial service provider offering digital credit is required to present a simplified Key Fact Statement -

- (a) when a consumer is inquiring about loan information;

- (b) before a consumer provide their personal information; and
- (c) after a consumer applies for a loan and agrees to a loan offered.

(2) A financial service provider shall obtain consent of a consumer before they agree to the terms of a loan through the following means-

- (a) in writing;
- (b) via electronic signature;
- (c) voice recording;
- (d) one time pin verifications; or
- (e) by any other means that may be approved by the Regulator.

**Simplified Key Fact Statement for credit offered through digital channels.**

17. A simplified Key Fact Statement under these Regulations shall contain the following -

- (a) loan amount;
- (b) total cost of credit, calculated as outlined in Schedule II;
- (c) total amount that a consumer will pay;
- (d) duration of the credit agreement;
- (e) payment frequency;
- (f) installment amount of repayment;
- (g) effective interest rate;
- (h) understanding that late or missing payment may lead to -

- 
- (i) a charge of a fee and an increase of interest rate; and
  - (ii) severe consequences on a credit history of a consumer and its ability to obtain a loan from any financial service provider in the future.
- (i) a statement indicating -
- (i) where a complaint may be directed to internally;
  - (ii) how a complaint may be communicated; and
  - (iii) a right to appeal to the Consumer Complaints Unit of the Central Bank of Lesotho.

### **Finance charges**

18. (1) A financial service provider shall include up-front and recurring finance charges in the total cost of credit.

(2) A financial service provider shall, where applicable, disclose the following fees in the total cost of credit:

- (a) arrangement;
- (b) documentation;
- (c) collateral appraisal;
- (d) credit reference bureau;
- (e) credit life insurance;
- (f) maintenance;
- (g) charge imposed on a financial service provider for purchasing a loan which is passed onto a consumer;
- (h) disclosure preparation;

- (i) any type of insurance premium required by a credit provider;
  - (j) a cost related to service or product required to obtain a loan; and
  - (k) any other fees as may be specified by the Regulator.
- (3) A financial service provider shall, in the calculation of the total cost of credit, exclude the following:
- (a) a charge -
    - (i) payable in a comparable cash transaction;
    - (ii) imposed by a third party for items not required as a requisite to obtain a loan, where fees are not retained by a credit provider;
    - (iii) imposed by a third party that has not been required by a credit provider as a requisite to obtain a loan, and which fees are not retained by a credit provider; and
    - (iv) absorbed by a credit provider as a cost of doing business;
  - (b) a premium for any type of insurance not required by a credit provider, nonetheless, being disclosed and authorized by a consumer;
  - (c) a debt cancellation fee not required by a credit provider, nonetheless, being disclosed and authorized by a consumer;
  - (d) an itemized and disclosed filing fee for lien purposes and notary fee prescribed by law and payable to a public office;
  - (e) a fee for unanticipated late payment;

- 
- (f) an overdraft fee not agreed upon on writing;
  - (g) a participation or membership fee non mandatory to obtain a loan;
  - (h) an interest forfeited as a result of interest reduction required by law; and
  - (i) any other charge that may be prescribed by the Regulator.

### **Calculation of the effective interest rate**

19. A financial service provider shall calculate the effective interest rate on the actual and declining principal balance of a loan.

### **Calculation method of the effective interest rate**

20. (1) A financial service provider shall calculate the effective interest rate to express -

- (a) the equivalence of draw downs;
- (b) interest paid;
- (c) repayments; and
- (d) any other charges, required deposits or related products.

(2) A financial service provider shall calculate the effective interest rate by applying the formula prescribed in schedule II.

### **Assumptions**

21. A financial service provider shall maintain consistency when calculating effective interest rate across the industry by making the following assumptions:

- (a) A credit agreement shall remain valid for the period agreed and a consumer shall fulfill their obligation under the terms and by the dates specified in a credit agree-

ment;

- (b) An interest rate that is disclosed shall not vary over the term of the contract or, if a contract provides for a variable rate, that a variable rate applicable over the term for which it applies is the same as the equivalent variable rate as at the date on which an effective interest rate is disclosed;
- (c) For credit agreements containing variations to the borrowing rate, which are unquantifiable at the moment of the disclosure, it shall be assumed as in the preceding paragraph;
- (d) Unless otherwise specified, where a credit agreement provides for more than one repayment date, a credit is to be made available and the repayment made on the earliest date provided for in the agreement; and
- (e) There shall be no change in the fees and charges as disclosed and new fees or charges shall not be imposed.

#### PART IV - MISCELLANEOUS PROVISIONS

##### **Requirement to explain information to consumers**

22. A financial service provider shall make efforts to ensure that a consumer understand the terms and conditions as disclosed in the Key Fact Statement.

##### **Staff training**

23. A financial service provider shall ensure that the staff in charge of selling and marketing financial products is adequately trained about the content and purpose of the Key Fact Statement disclosure, in a manner that they can efficiently convey information to consumers.

##### **Exceptions to the requirement to provide Key Fact Statement**

24. A financial service provider shall not issue Key Fact Statement or complete calculation of effective interest rate in the following circumstances -



- (a) where a consumer has not provided or sufficiently specified information to calculate effective interest rate or issue a personalized Key Fact Statement in the pre-transactional and transactional stages;
- (b) if within one week, a credit provider has already provided a consumer with a Key Fact Statement for a particular credit and a new form would be the same except for the date of issuance;
- (c) in case of credit agreements where credit is granted free of interest and without any other charges; and
- (d) in cases of credit agreements where credit is granted by an employer to its employees as a secondary activity free of interest or at effective interest rates significantly lower than those prevailing in the market and which are not offered to the public generally.

## **Enforcement**

25. The Regulator shall apply any or all of the following actions to enforce the provisions of these Regulations:

- (a) Request the provision of monetary compensation to consumers for damage resulting from contravention of these regulations;
- (b) Request the refund of fees, charges, commission payments or interest which might have been erroneously charged by credit providers;
- (c) Develop and implement new policies and procedures or strengthen existing ones to comply with the provisions under these Regulations;
- (d) Implement or update controls to ensure the accuracy and timing of disclosure delivery;
- (e) Impose an administrative penalty of an amount not

exceeding M10,000.00 for initial non-compliance and M1,000.00 for daily continued non-compliance with the Act and these Regulations; and

- (f) Any other actions deemed pertinent by the Regulator.

### **Record keeping**

26. (1) A financial service providers shall keep information acquired for purposes of these regulations for at least ten years from date of collection thereof.

(2) The requirement for the record keeping in subregulation (1) is applicable to information issued in person, via electronic or any other means.

### **DATED:**

**MALUKE LETETE**  
**THE GOVERNOR OF THE CENTRAL BANK OF LESOTHO**

### **NOTE**

1. Act No.7 of 2022

**SCHEDULE I**

**Regulations 7 and 12**

**KEY FACT STATEMENT**

Lender's name and address: \_\_\_\_\_ Borrower's name and contact information: \_\_\_\_\_ Disclosure/ Application No. \_\_\_\_\_ Date of issuance: DD/MM/YYYY

**SECTION I : KEY INFORMATION OF CREDIT**

Type of loan: \_\_\_\_\_

<b>LOAN SUMMARY</b>	<b>COST OF CREDIT</b>	<b>REPAYMENT SCHEDULE</b>
<b>1. Amount of loan</b> (amount you are borrowing) _____	<b>4. Total interest</b> (amount in Maloti that you will pay during the life of the loan) _____	<b>7. Date first payment due</b> ___/___/___
<b>2. Duration of credit agreement</b> _____	<b>5. Other fees and charges</b> _____	<b>8. Number of payments</b> _____
<b>3. Amount you will</b>	<b>6. Effective interest</b>	<b>9. Payment Frequency</b> _____
		<b>10. Amount per</b>

**receive** (amount in \_\_\_\_\_ **rate** (total cost of \_\_\_\_\_ **Payment** \_\_\_\_\_  
 Maloti that you will actually receive from the lender) credit as a comparable annual percentage %)

**AMOUNT OF LOAN** + (the amount you are borrowing) + (all costs related to the loan, including interests and fees) = **TOTAL COST OF CREDIT** = **TOTAL AMOUNT YOU PAY**

## SECTION II: YOUR RIGHTS AS A CONSUMER

For questions or complaints, call [TEL. NUMBER], email [ADDRESS], visit [WEBSITE]. write to [ADDRESS] to contact us regarding your question or complaint.

If unsatisfied with our response to your question or complaint, contact the Central Bank of Lesotho for help at [TELEPHONE] or [EMAIL], write to [ADDRESS], or visit [WEBSITE].

Under this credit agreement you **WILL** **WILL NOT** be charged penalties [in the amount of \_\_\_\_\_] if you pay off your loan early.

You may cancel the loan agreement within a period of [XX] calendar days after signing the credit agreement.

\* Information from previous key facts statement disclosure has changed: YES NO

\* Late or missing payments may have severe consequences on your collateral and your credit history, hindering your ability to re-borrow.

SECTION III: UPFRONT AND RECURRING FEES

	UPFRONT FEES	UPFRONT FEES	RECURRING FEES	FEES
1. Arrangement fee	_____	3. Collateral Appraisal _____	5. Credit life insurance	* amount/week, month, etc. * total amount in loan term
2. Documentation fee	_____	4. Credit reference _____	6. Maintenance fee	* amount/week, month, etc. * total amount in loan term
7. Other Fees (list all):	Amount: -	8. TOTAL UPFRONT AND RECURRING FEES AND CHARGES (EXCLUDING INTEREST)	(amount in Maloti)	
	-			
	-			
	-			

SECTION IV: OTHER IMPORTANT TERMS AND CONDITIONS

LATE PAYMENT PENALTIES	TERMS AND CONDITIONS	TERMS AND CONDITIONS
<p><b>1.</b> Late fees can be charged if payment is more than ___ days late</p>	<p><b>3.</b> Security deposit/mandatory savings required:</p> <p style="margin-left: 40px;">Yes                      No</p>	<p><b>5.</b> Variable interest rate applies:</p> <p style="margin-left: 40px;">Yes                      No</p> <p>If YES: maximum percentage rate: _____ % per _____</p>

Fee amount:

- 2.** Default interest can be up to \_\_\_%  
per \_\_\_ if payment is more than \_\_\_ days late
- 4. COLLATERAL: You are committing the following as collateral:** \_\_\_\_\_
- 6.** Other important terms and conditions

**\*The information contained in this disclosure is not final until signed by all parties, and does not replace the loan agreement. You have the right to a copy of the full loan agreement.**

**\*This information is valid for [time period shall be at least through the end of cooling off period].**

**7. SIGNATURES OF ACKNOWLEDGEMENT:**

_____	_____	_____	_____	
Lender	Date	Borrower	Date	Guarantor (as applica-
ble)	Date			

\* Disclosure prepared by:

SCHEDULE II

CALCULATION OF EFFECTIVE INTEREST RATE

(Regulations 17 (2) (b) and 20 (2))

Effective Interest Rate =  $\frac{\text{Total Interest Payments} + \text{Total of other fees and charges}}{\text{Repayment period in months} + \text{Avg. closing balance of the loan}}$

