

IN THE MATTER BEFORE THE BOARD Case No. CCPC/KTW/CO/018

OF THE COMPETITION AND CONSUMER
PROTECTION COMMISSION

BETWEEN

MR. ROBERT KAWAMA

COMPLAINANT

AND

ZAMBIA NATIONAL COMMERCIAL BANK PLC

RESPONDENT

BEFORE:

Commissioner Chishala Kateka
Commissioner Frederick Imasiku
Commissioner Chenga Chisha
Commissioner Aubrey Chibumba
Commissioner Georgina Kasapatu

- Chairperson
- Member
- Member
- Member
- Member

DECISION

1. Below is a summary of the facts and findings presented by the the Competition and Consumer Protection Commission ("the Commission") to the Board following investigations it carried out in the above mentioned case.

Introduction and Relevant Background

It was submitted that:

2. On 5th September, 2018, the Competition and Consumer Protection Commission ("the Commission") through its Kitwe office received a complaint from Mr. Robert Kawama ("the Complainant") against Zambia National Commercial Bank PLC ("the Respondent"). Specifically, the Complainant alleged that in November, 2013, he obtained a loan of K60,000.00 from the Respondent in order to purchase a house. The Complainant alleged that the repayment period was sixty (60) months and the monthly repayment amount was K1,516.00. The Complainant alleged that the loan was scheduled to be paid off in April, 2019, but the Respondent extended the loan repayment period to November, 2020. The Complainant alleged that he engaged the

Respondent over the increase of the repayment period and the Respondent informed him that it was due to the rise in the interest rates over the course of the loan. The Complainant alleged that the increase in the repayment period was too long and he wanted it to be reduced.

Legal Contravention and Assessment Tests

Legal Contravention

It was submitted that:

3. The alleged conduct appeared to be in contravention of Section 49(5)(6) of the Competition and Consumer Protection Act, No. 24 of 2010 ("the Act").
4. Section 49(5) of the Act read stated that; *"A person or an enterprise shall supply a service to a consumer with reasonable care and skill or within a reasonable time or, if a specific time was agreed, within a reasonable period around the agreed time."*
5. Section 49(6) of the Act stated that; *"A person who, or an enterprise which, contravenes subsection (5) is liable to pay the Commission a fine not exceeding ten percent of that person's or enterprise's annual turnover"*
6. Section 5(d) of the Act stated that; *"The functions of the Commission are to investigate unfair trading practices and unfair contract terms and impose such sanctions as may be necessary."*

Assessment Tests

It was submitted that:

7. To prove violation of Section 49(5) of the Act, the following elements have to be proved;
8. Whether Zambia National Commercial Bank PLC was a "person" or an "enterprise";
9. Whether Zambia National Commercial Bank PLC supplied a particular service to Mr. Robert Kawama;
10. Whether Zambia National Commercial Bank PLC, supplied the service to Mr. Robert Kawama with reasonable care and skill; or within a reasonable time or; if a specific time was agreed, within a reasonable period around the agreed time.

Investigations conducted

It was submitted that:

11. The Commission served a Notice of Investigation (NoI) on the Respondent on 21st September, 2018, at their registered office in Lusaka. The Respondent responded to the NoI in a letter dated 25th September, 2018, and was received by the Commission on 27th September, 2018. The Commission also reviewed the scheme loan offer letter

from the Respondent that was received and signed by the Complainant and also the Complainant's loan account.

Findings

The Parties

The Complainant

It was submitted that:

12. The Complainant was Mr. Robert Kawama, a resident of Kitwe and a consumer pursuant to Section 2 of the Act.

The Respondent

It was submitted that:

13. The Respondent was Zambia National Commercial Bank PLC, a company whose core business was the provision of banking and financial services. The Respondent's registered physical address was Plot No. 2118/2119, Cairo Road, Lusaka, Zambia. The Respondent was incorporated as a company (Company Registration No. 119690005387) with the Patents and Companies Registration Agency (PACRA).

Submissions from the Respondent

It was submitted that:

14. The Respondent made submissions to the NOI in a letter dated 25th September, 2018. The Respondent submitted that they availed a loan to the Complainant in November, 2013, scheduled to run for 60 months at a floating rate of 17.75% per annum. The Respondent submitted that the loan was initially scheduled to mature in November, 2018 had the rate remained at 17.75% during the tenure of the loan. The Respondent submitted that the interest rates kept increasing with the highest being 34% as at March, 2017.
15. The Respondent submitted that the increase in interest rates resulted in the tenure of the loan being extended as opposed to increasing the loan monthly repayment amount. The Respondent submitted that this meant that a lesser amount was going towards payment of the principal amount and much of the monthly deduction was covering the interest component, hence the extended tenure of the loan. The Respondent submitted that as per terms and conditions for Government of the Republic of Zambia (GRZ) loans¹, every time interest rates were adjusted upwards, respective loan tenures were extended whilst maintaining scheduled equated monthly loan repayments constant. The Respondent submitted that this

¹ The Complainant is an employee of GRZ

consequently led to the loan extension to November, 2020, based on the prevailing rate of 25.75% per annum as of October, 2018.

16. The Respondent further submitted that written advices of the changes in interest rates were being sent through the customers (in this case the Complainant's) employers each time there was an interest rate adjustment.
17. The Respondent submitted that given the above, there were no irregularities on the Complainant's loan account.²

Further Submissions from the Respondent

It was submitted that:

18. On 1st October, 2018, the Commission requested for the changes in interest rates over the course of the loan thus far. The Respondent submitted the changes in interest rates as indicated in the table below-³

Table 1-Effective Rates Applicable on Schemes

Month	Bank of Zambia Policy Rate %	Respondent's Margin %	EFFECTIVE RATE
June, 2013	9.50	8.00	17.50%
July, 2013 – February, 2014	9.75	8.00	17.75%
March, 2014	10.25	8.00	18.25%
April, 2014 – May, 2015	12.00	8.00	20.00%
June, 2015 – October, 2015	12.00	8.50/10.00	20.50%/22.00%
November, 2015 – October, 2015	12.50	8.50/10.00	21.00%/22.50%
November, 2015 – March, 2016	15.50	8.50/10.00	24.00%/25.50%
April, 2016 – June, 2016	15.50	15.50	31.00%
July, 2016 – March, 2017	15.50	18.50	34.00%
April, 2017 – May, 2017	14.00	18.50	32.50%
June, 2017 – August, 2017	12.50	18.50	31.00%
August, 2017	12.50	15.50	28.00%
September, 2017- October, 2017	11.00	15.50	26.50%

² Letter from the Respondent dated 25th September, 2017

³ E-mail from Ms. Kate Musana the Respondent's Litigation Specialist dated 2nd October, 2018.

November, 2017- To Date	10.25	15.50	25.75%
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Further submission from the Complainant

It was submitted that:

19. The Commission availed the Respondent's response to the Complainant on 28th October, 2018. The Complainant submitted that he had noted the interest rate changes and that he would wait for the Commission's findings and conclusions.

Review of the Scheme Loan Offer Letter

It was submitted that:

20. The Complainant submitted to the Commission the scheme offer letter dated 27th November, 2013, containing the terms and conditions of the loan facility. Some key clauses pertinent to the matter at hand were as follows-

5. Bank Charges a) *Interest*

Interest shall be charged at a variable Bank of Zambia Policy Rate plus a margin of 8% per annum (current and initial effective rate of 9.75% + 8% = 17.75%) per annum. Bank of Zambia Policy Rate is currently at 9.75% per annum and is subject to change from time to time.

Interest will be calculated on the daily debit balances outstanding at close of business and charged monthly to your account. Any interest that is not paid monthly will be compounded at the aforesaid rate

Bank of Zambia Policy Rate is currently at 9.75% per annum and is subject to change from time to time which changes are announced by Bank of Zambia. Zanaco reserves the right to amend and/or vary the interest rate, including the chargeable margin above the Bank of Zambia Policy Rate and the method of calculating the effective interest rate at any time in line with market conditions including but not limited to rise in inflation scarce financial resources etc., changes in the law of regulatory requirements of whatsoever nature howsoever arising and / or any other reasons that the Bank may find as reasonable grounds. If we do so, written advice of the amendment and its effective date will be sent to you or your employer within a reasonable time.

8. INCREASED COSTS

If during the currency of this agreement, any new law, rule or regulation is adopted or there are any changes made to any present or future law, rule or regulation (including the Income Tax Act, CAP 323 of the Laws of Zambia as the same maybe amended from time to time) or should any changes occur in the interpretation or administration of such law, rule or regulation by any relevant fiscal or monetary authority, or if any compliance by the Bank with any directive or request, whether or not having the force of law, from any authority, which:

- a) Subjects the Bank to any new or increased tax, duty, penalty or other charge in respect of or arising directly or indirectly from this agreement; or
- b) Imposes on the Bank any other obligation concerning this agreement; and as a consequence the costs of the Bank are increased or income reduced, then the amount to be repaid by the Borrower to the Bank under this agreement shall increase by such amount as is necessary to place the Bank in the same position as it would have been in had such increase not occurred.

9. Other Terms:

- a) The Bank reserves the right to review the pricing on the loan or recall the facility at any time, at its sole discretion.
- f) In the event that there is a change in the interest rates and in the unlikely event of missed instalments, your current loan tenure can be amended to ensure that loan repayments remain constant for the duration of your loan. For this reason, extra loan instalments will be added to the approved tenure.

Model Amortization of the Complainant's Loan

It was submitted that:

21. Given the changes in the interest rates as submitted by the Respondent and assuming that the Complainant's employer was remitting the monthly loan repayments instalments at the end of each month as required, the Commission worked out an indicative amortization of the Complainant's loan. Refer to Table 2 below.

Table 2-Indicative Loan Amortization

Period		Payment				Balance	
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Board Decision on the Allegations of Unfair Trading Practices against Zambia National Commercial Bank PLC by Mr. Robert Kawama of Kihwa District

	Beginning Amount		Interest Rate	Interest Amount	Repayment Principle		Effective Interest Rate
Nov-13	60,000.00	-	0.0148	887.5	887.50	60,887.50	17.75
Dec-13	60,887.50	1,516.00	0.0148	900.63	615.37	60,272.13	
Jan-14	60,272.13	1,516.00	0.0148	891.53	624.47	59,647.65	
Feb-14	59,647.65	1,516.00	0.0148	882.29	633.71	59,013.94	
Mar-14	59,013.94	1,516.00	0.0152	897.50	618.50	58,395.44	18.25
Apr-14	58,395.44	1,516.00	0.0167	973.26	542.74	57,852.70	
May-14	57,852.70	1,516.00	0.0167	964.21	551.79	57,300.91	
Jun-14	57,300.91	1,516.00	0.0167	955.02	560.98	56,739.93	
Jul-14	56,739.93	1,516.00	0.0167	945.67	570.33	56,169.59	
Aug-14	56,169.59	1,516.00	0.0167	936.16	579.84	55,589.75	
Sep-14	55,589.75	1,516.00	0.0167	926.50	589.50	55,000.25	20.00
Oct-14	55,000.25	1,516.00	0.0167	916.67	599.33	54,400.92	
Nov-14	54,400.92	1,516.00	0.0167	906.68	609.32	53,791.60	
Dec-14	53,791.60	1,516.00	0.0167	896.53	619.47	53,172.13	
Jan-15	53,172.13	1,516.00	0.0167	886.20	629.80	52,542.33	
Feb-15	52,542.33	1,516.00	0.0167	875.71	640.29	51,902.04	
Mar-15	51,902.04	1,516.00	0.0167	865.03	650.97	51,251.07	
Apr-15	51,251.07	1,516.00	0.0167	854.18	661.82	50,589.26	
May-15	50,589.26	1,516.00	0.0167	843.15	672.85	49,916.41	22.00
Jun-15	49,916.41	1,516.00	0.0183	915.13	600.87	49,315.54	
Jul-15	49,315.54	1,516.00	0.0183	904.12	611.88	48,703.66	
Aug-15	48,703.66	1,516.00	0.0183	892.90	623.10	48,080.56	
Sep-15	48,080.56	1,516.00	0.0183	881.48	634.52	47,446.04	
Oct-15	47,446.04	1,516.00	0.0183	869.84	646.16	46,799.88	22.50
Nov-15	46,799.88	1,516.00	0.0188	877.50	638.50	46,161.38	
Dec-15	46,161.38	1,516.00	0.0213	980.93	535.07	45,626.31	25.50

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Jan-16	45,626.31	1,516.00	0.0213	969.56	546.44	45,079.87	
Feb-16	45,079.87	1,516.00	0.0213	957.95	558.05	44,521.82	
Mar-16	44,521.82	1,516.00	0.0213	946.09	569.91	43,951.91	
Apr-16	43,951.91	1,516.00	0.0258	1,135.42	380.58	43,571.33	
May-16	43,571.33	1,516.00	0.0258	1,125.59	390.41	43,180.92	31.00
Jun-16	43,180.92	1,516.00	0.0258	1,115.51	400.49	42,780.43	
Jul-16	42,780.43	1,516.00	0.0283	1,212.11	303.89	42,476.54	
Aug-16	42,476.54	1,516.00	0.0283	1,203.50	312.50	42,164.05	
Sep-16	42,164.05	1,516.00	0.0283	1,194.65	321.35	41,842.69	
Oct-16	41,842.69	1,516.00	0.0283	1,185.54	330.46	41,512.24	
Nov-16	41,512.24	1,516.00	0.0283	1,176.18	339.82	41,172.42	34.00
Dec-16	41,172.42	1,516.00	0.0283	1,166.55	349.45	40,822.97	
Jan-17	40,822.97	1,516.00	0.0283	1,156.65	359.35	40,463.62	
Feb-17	40,463.62	1,516.00	0.0283	1,146.47	369.53	40,094.09	
Mar-17	40,094.09	1,516.00	0.0283	1,136.00	380.00	39,714.09	
Apr-17	39,714.09	1,516.00	0.0271	1,075.59	440.41	39,273.68	32.50
May-17	39,273.68	1,516.00	0.0271	1,063.66	452.34	38,821.34	
Jun-17	38,821.34	1,516.00	0.0258	1,002.88	513.12	38,308.22	31.00
Jul-17	38,308.22	1,516.00	0.0258	989.63	526.37	37,781.85	
Aug-17	37,781.85	1,516.00	0.0233	881.58	634.42	37,147.43	28.00
Sep-17	37,147.43	1,516.00	0.0221	820.34	695.66	36,451.77	26.50
Oct-17	36,451.77	1,516.00	0.0221	804.98	711.02	35,740.74	
Nov-17	35,740.74	1,516.00	0.0215	766.94	749.06	34,991.68	
Dec-17	34,991.68	1,516.00	0.0215	750.86	765.14	34,226.54	
Jan-18	34,226.54	1,516.00	0.0215	734.44	781.56	33,444.99	25.75
Feb-18	33,444.99	1,516.00	0.0215	717.67	798.33	32,646.66	
Mar-18	32,646.66	1,516.00	0.0215	700.54	815.46	31,831.21	

Board Decision on the Allegations of Unfair Trading Practices against Zambia National Commercial Bank PLC by Mr. Robert Kawama of Kitui District

Apr-18	31,831.21	1,516.00	0.0215	683.04	832.96	30,998.25
May-18	30,998.25	1,516.00	0.0215	665.17	850.83	30,147.42
Jun-18	30,147.42	1,516.00	0.0215	646.91	869.09	29,278.33
Jul-18	29,278.33	1,516.00	0.0215	628.26	887.74	28,390.60
Aug-18	28,390.60	1,516.00	0.0215	609.21	906.79	27,483.81
Sep-18	27,483.81	1,516.00	0.0215	589.76	926.24	26,557.57
Oct-18	26,557.57	1,516.00	0.0215	569.88	946.12	25,611.45
Nov-18	25,611.45	1,516.00	0.0215	549.58	966.42	24,645.03
Dec-18	24,645.03	1,516.00	0.0215	528.84	987.16	23,657.87
Jan-19	23,657.87	1,516.00	0.0215	507.66	1,008.34	22,649.53
Feb-19	22,649.53	1,516.00	0.0215	486.02	1,029.98	21,619.55
Mar-19	21,619.55	1,516.00	0.0215	463.92	1,052.08	20,567.47
Apr-19	20,567.47	1,516.00	0.0215	441.34	1,074.66	19,492.82
May-19	19,492.82	1,516.00	0.0215	418.28	1,097.72	18,395.10
Jun-19	18,395.10	1,516.00	0.0215	394.73	1,121.27	17,273.83
Jul-19	17,273.83	1,516.00	0.0215	370.67	1,145.33	16,128.49
Aug-19	16,128.49	1,516.00	0.0215	346.09	1,169.91	14,958.59
Sep-19	14,958.59	1,516.00	0.0215	320.99	1,195.01	13,763.57
Oct-19	13,763.57	1,516.00	0.0215	295.34	1,220.66	12,542.91
Nov-19	12,542.91	1,516.00	0.0215	269.15	1,246.85	11,296.06
Dec-19	11,296.06	1,516.00	0.0215	242.39	1,273.61	10,022.46
Jan-20	10,022.46	1,516.00	0.0215	215.07	1,300.93	8,721.52
Feb-20	8,721.52	1,516.00	0.0215	187.15	1,328.85	7,392.67
Mar-20	7,392.67	1,516.00	0.0215	158.63	1,357.37	6,035.31
Apr-20	6,035.31	1,516.00	0.0215	129.51	1,386.49	4,648.82
May-20	4,648.82	1,516.00	0.0215	99.76	1,416.24	3,232.57
Jun-20	3,232.57	1,516.00	0.0215	69.37	1,446.63	1,785.94

Jul-20	1,785.94	1,516.00	0.0215	38.32	1,477.68	308.26
Aug-20	308.26	1,516.00	0.0215	6.61	1,509.39	- 1,201.12

22. The indicative amortization of the loan showed that the loan is supposed to be fully paid in August, 2020, instead of in November, 2018, based on the changes in the interest in the interest rates and the prevailing rate of 25.75% per annum as of October, 2018. This left a difference of about three (3) months from the Respondent's indicated maturity date of 30th November, 2020.

Further Submissions from the Respondent

It was submitted that:

23. Given the difference between the end of the loan as calculated by the Commission in the indicative amortization and the Respondent's indicated maturity date, the Commission requested the Respondent to explain the difference. On 23rd October, 2018, the Respondent submitted that the difference was arising from the fact the Complainant's employer, GRZ, was behind by a month in remitting payments.

Review of the Complainant's Loan Account

It was submitted that:

24. The Commission reviewed the Complainant's loan account as at 23rd October, 2018. The account showed that the loan was disbursed on 29th November, 2013. The account also showed that the monthly loan repayment instalment amount was K1,516.00 and the Complainant's employer had so far remitted the instalment amount to the Respondent on 56 occasions. Ideally, the monthly instalment is supposed to be remitted to the Respondent on the last day of the month or a few days below but a detailed analysis of the loan account shows that only 18 out of 56 instalments were paid on time. Refer to **Table 3** below which shows when the instalment was received by the Respondent for each given month. The detailed analysis for example showed that the Complainant's employer was yet to remit the instalments for August, 2018 and September, 2018 as at 23rd October, 2018.

Table 3-Analysis of Remittance of Instalments

Key-Shaded areas indicate late payments

2013		2014		2015	
Month	Date Paid	Month	Date Paid	Month	Date Paid
December	20-Jan-14	January	26-Jan-14	January	31-Jan-15
		February	21-Feb-14	February	28-Feb-15
		March	28-Mar-14	March	31-Mar-15
		April	28-Apr-14	April	04-May-15
		May	29-May-14	May	31-May-15
		June	27-Jun-14	June	03-Jul-15
		July	30-Jul-14	July	31-Jul-15
		August	26-Aug-14	August	01-Sep-15
		September	30-Sep-14	September	09-Oct-15
		October	28-Oct-14	October	31-Oct-15
		November	30-Nov-14	November	16-Dec-15
		December	31-Dec-14	December	18-Jan-16
2016		2017		2018	
Month	Date Paid	Month	Date Paid	Month	Date Paid
January	18-Feb-16	January	23-Mar-17	January	31-Mar-18
February	21-Mar-16	February	19-Apr-17	February	02-May-18
March	19-Apr-16	March	31-May-17	March	30-May-18
April	20-May-16	April	30-Jun-17	April	28-Jun-18
May	20-Jun-16	May	31-Jul-17	May	31-Jul-18
June	19-Jul-16	June	31-Aug-17	June	31-Aug-18
July	25-Aug-16	July	21-Sep-17	July	30-Sep-18
August	28-Sep-16	August	30-Oct-17	August	yet to be paid
September	30-Oct-16	September	29-Nov-17	September	yet to be paid
October	23-Nov-16	October	29-Dec-17	October	Due 31
November	20-Dec-16	November	26-Jan-18		
December	28-Feb-17	December	02-Mar-18		

25. The late remittance of instalments to the Respondent by the Complainant's employer also contributed to the extension of the tenure of the loan as interest is calculated on a daily basis on the outstanding principal amount plus the accrued unpaid interest.

Submissions to the Commission's Report

It was submitted that:

26. The Report was availed to the Complainant on 7th November, 2018 and to the Respondent on 11th November, 2018. On 7th November, 2018, the Complainant submitted that he was satisfied with the Commission's investigations, findings and recommendations. The Respondent did not make any comments on the Report.

Relevant Findings

It was submitted that:

27. The Commission established from the Complainant's loan statement and from submissions by both parties that the Complainant obtained a K60,000.00 loan from the Respondent in November, 2013, scheduled to run for 60 months at a floating rate of 17.75% per annum.
28. The Commission established that the interest rate had been fluctuating during the course of the loan thus far as contained in **table 1** above. Since the repayment instalment remained at K1,516.00, the loan tenure was extended to November, 2020, assuming the floating rate remained at the current rate of 25.75%
- ~~29. The Commission noted that the Scheme Loan Offer letter provided for an amendment of the loan tenure in case there were changes in the interest rates or missed payments so that the monthly loan repayments remained constant. This is contained under 'Other Terms' specifically (f) which states that "In the event that there is a change in the interest rates and in the unlikely event of missed instalments, your current loan tenure can be amended to ensure that loan repayments remain constant for the duration of your loan. For this reason, extra loan instalments will be added to the approved tenure."~~
30. The Commission established through an indicative amortization based on the changes in the interest rates that the loan is supposed to end in August, 2020. The indicative amortization was calculated under the assumption that the Complainant's employer was remitting the instalments to the Respondent on time. However, this was not the case as only 18 out of the 56 instalments remitted to the Respondent were remitted on time. Refer to **Table 2**. The delayed remittances have also contributed to the extension of the tenure of the loan as interest is calculated on a daily basis on the outstanding principal amount plus the accrued unpaid interest. The delayed remittances explained the difference between the end of the loan in August, 2020 as calculated by the Commission and the Respondent's indicated maturity date of 30th November, 2020. Therefore, the Respondent's calculation that the loan will end in November, 2020 is reasonable given the changes in the interest rates and the late remittance of instalments by the Complainant's employer.
31. The Commission reviewed the scheme loan offer letter and established that the Respondent had the right to communicate the changes in the effective rates to either

the Complainant or his employers. The Respondent submitted that they communicated the changes in the effective rates to the Complainant's employer.

Previous Cases Involving the Respondent

It was submitted that:

32. A review of the Respondent's Consumer Complaints case file held by the Commission revealed that there was one prior case in which the Respondent was fined for violating Section 49(5) of the Act. The Complainant in the said case was Mr. Kabwe Kasonde.

Analysis of Conduct and Observations

It was submitted that:

33. The following analysis was with regard to Section 49(5) of the Act.

Whether Zambia National Commercial Bank PLC was a "person" or an "enterprise";

It was submitted that:

34. See paragraph 13 above.

Whether Zambia National Commercial Bank PLC supplied a particular service to Mr. Robert Kawama;

It was submitted that:

35. Pursuant to Section 2 of the Competition and Consumer Protection Act, No. 24, of 2010 ("the Act"), "Services" includes the carrying out and performance on a commercial basis of any agreement, whether professional or not, other than the supply of goods, but does not include the rendering of any services under a contract of employment.³⁴
36. The Respondent was a provider of banking and financial services and issued a loan to the Complainant. The Respondent therefore, supplied credit services to Mr. Robert Kawama ("the Complainant").

Whether Zambia National Commercial Bank PLC supplied the service to Mr. Robert Kawama with reasonable care and skill; or within a reasonable time or; if a specific time was agreed, within a reasonable period around the agreed time;

³⁴ CCPA No. 24 of 2010

It was submitted that:

37. According to the Black's Law dictionary, reasonable means "*Fair, proper, or moderate under the circumstances*" and care means "*Serious attention, heed, under the laws of negligence or of obligation, the conduct demanded of a person in a given situation*".⁵
38. In the matter at hand, the end of the loan tenure for the Complainant's loan was extended from November, 2018, to November, 2020, due to the changes in the interest rates. The Complainant alleged that the extension was too long and he wanted it to be reduced. The Commission's investigations established that the Respondent had the right to vary the loan tenure if there were changes in the interest rates and also in the unlikely event of missed payments as contained in the Scheme loan offer letter.
39. The Commission conducted an indicative amortization of the loan using the applicable interest rates over the tenure of the loan thus far and assuming that the Complainant's employer remitted the monthly loan repayment instalments on time. The indicative amortization of the loan showed that the loan was expected to end in August, 2020 if the current interest rate of 25.75% remained in effect till the end of the loan as contained at **Table 2**. The Commission's investigations however revealed that the Complainant's employer has not been remitting the instalments to the Respondent on time and this explained the difference between the end of the loan as calculated by the Commission, that is, August, 2020 and the Respondent's maturity date of 30th November, 2020. Refer to **Table 3**. The Commission therefore established that the Respondent's calculations were reasonable.
38. Therefore, the Respondent supplied the service to the Complainant with reasonable care and skill and thus was not in violation of Section 49(5) of the Act.
39. The Commission however was of the view that the Respondent needs to be communicating the changes in interest rates to its individual clients (like the Complainant) under scheme loans and should be allowing these clients to either increase the monthly loan repayment instalment or extend the loan tenure in the event that the interest rates rose.

Board deliberation

40. Having considered the facts, evidence and submissions in this case, the Board resolves that the Respondent did not violate Section 49(5) of the Act as their loan calculations were reasonable. The Board resolves however, that the Respondent needs to be communicating the changes in interest rates to its individual clients under scheme loans and should be allowing the clients to either increase the

⁵ Black's Law Dictionary, 8th Edition, Bryna A. Garner Editor in Chief

monthly loan repayment instalment or extend the loan tenure in the event that the interest rates rise.

Board Determination

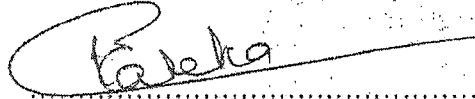
41. The Board determined that the Respondent did not violate Section 49(5) of the Competition and Consumer Protection Act No. 24 of 2010 ("the Act").

Board directive

42. The Board hereby directs that;
- (i) In accordance with Section 5(d) of the Act, the Respondent starts communicating the changes in interest rates to its individual clients under scheme loans as well, immediately; and should be allowing these clients to either increase the monthly loan repayment instalments or extend the loan tenure in the event that the interest rates rose.
 - (ii) The case is closed.
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Note: any party aggrieved with this order or direction may, within ten (10) days of receiving this order or direction, appeal to the Competition and Consumer Protection Tribunal.

Dated this 21st December, 2018



Chairperson
Competition and Consumer Protection Commission