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Riga, 18 October 2016
Our ref.: 02-08.1.1/2016/2665
Your ref.: LS/16/1114, 12 October 2016

Ms Chiara Zilioli
Chairperson of Legal Committee
European Central Bank

Members of Legal Committee
(Extended composition)

**Re: Questionnaire on assigning powers to the NCB to
assess competition and issue directions to lenders with
regard to interest rates**

Dear Chiara,

Dear Colleagues,

With a view to the questionnaire in relation to the draft Irish law which proposes to confer new powers on the Central Bank of Ireland we would like to provide you in the following with our answers in the order of appearance as set out below.

1. Has your central bank been assigned with tasks relating to the protection of competition? Has it been assigned similar powers to regularly assess the state of competition? Please describe briefly the scope of those tasks, also referring to the legal basis.

No, Latvijas Banka has not been assigned with tasks relating to the protection of competition, neither with tasks to regularly assess the state of competition.

2. Has your central bank been assigned with powers to regulate the interest rates charged by banks in respect of loans and/or the savings remuneration offered by banks in respect of deposits; and/or the application of usury laws in your respective jurisdictions? Please describe briefly the scope of those powers, also referring to the legal basis.

No, Latvijas Banka has not been assigned with tasks to regulate the interest rates charged by banks in respect of loans and/or the savings remuneration offered by banks in respect of deposits; and/or the application of usury laws.

According to Section 69 of the Credit Institution Law the amount of the interest rate and the procedures for the payment of interest shall be laid down in the contract upon mutual agreement of the bank and the client.

3. Has another public authority, such as the national competition or consumer protection authority, been conferred with such tasks to assess competition, or the regulate interest rates on loans or deposit rates offered by financial institutions? How do these authorities interact with the central bank and/or the prudential supervisor in carrying out such tasks? Please describe briefly the scope of those powers, also referring to the legal basis.


According to the legal acts of Latvia regulating consumer rights protection the costs of a consumer credit contract need to be commensurate and corresponding to fair transaction practice. The total costs of credit for a consumer need to be calculated in accordance with the procedures laid down in the laws and regulations regarding consumer credit (Section 8(2²) of the Consumer Rights Protection Law).



Section 8(2⁴) of the Consumer Rights Protection Law stipulates that the amount of any expenses related to credit in any consumer credit contract providing for that a consumer must repay the credit within a time period not exceeding three months, including the sum of interest, late interest, contractual penalties, commission fee, payments related to postponing the time period and other payments related to the fulfilment of the credit contract, must not exceed the sum of the credit provided. This provision does not apply to:

- 1) consumer credit contracts, upon entering into which an item is to be deposited as security in the creditor's safe-keeping and according to which the liability of the consumer is restricted only to that pledged item;
- 2) contract with overdraft;
- 3) contracts, according to which a creditor has agreed through the silence thereof that a consumer uses funds which exceed the current balance in the consumer's current account or granted overdraft credit.

The supervision and control of consumer rights protection determined in the Consumer Rights Protection Law is implemented by the Consumer Rights Protection Centre, and the observance of the prohibition against the abuse of dominant position and prohibited agreements by market participants in Latvia is within the competence of the Competition Council.

Yours sincerely,


 Member of Legal Committee
 Head of Legal Department
 Latvijas Banka


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