



**A case initiated with respect to a norm, which will define, as of 1 July 2019,  
restrictions on the maximum interest rate in consumer credit contracts**

On 26 March 2019, the 2<sup>nd</sup> Panel of the Constitutional Court initiated the case “On Compliance of Section 1 (1) of the Law of 4 October 2018 “Amendments to the Consumer Rights Protection Law” with Article 1 and Article 105 of the *Satversme* of the Republic of Latvia”.

**The Contested Norm**

Section 1 (1) of the law of 4 October 2018 “Amendments to the Consumer Rights Protection Law” envisages expressing Part 2<sup>3</sup> of Section 8 of the Consumer Rights Protection Law in the following wording:

“(2<sup>3</sup>) Such total costs of the credit to a consumer shall be considered not conforming to the requirements referred to in Para 2<sup>2</sup> of this Section, which exceed 0.07 per cent per day of the credit sum. Restriction to the total credit costs to a consumer shall not be applicable to such 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 limited only to that pledged item.”

**The Norms of Higher Legal Force**

Article 1 of the *Satversme* of the Republic of Latvia (hereinafter – the *Satversme*):

“Latvia is an independent democratic republic.”

Article 105 of the *Satversme*: “Everyone has the right to own property. Property shall not be used contrary to the interests of the public. Property rights may be restricted only in accordance with law. Expropriation of property for public purposes shall be

allowed only in exceptional cases on the basis of a specific law and in return for fair compensation.”

### **The Facts of the Case**

The case has been initiated on the basis of an application by a limited liability company “ONDO”. In accordance with the issued licence, the applicant is engaged in providing consumer credit services. The applicant holds that the contested norm, which will enter into force on 1 July 2019 and which sets a restriction on the minimum daily interest rate of the credit sum, will deny the possibility to receive proper payment for the use of capital from the credits that have been issued. Allegedly, the contested norm will significantly decrease the applicant’s income and, thus, will prohibit it from continuing business activities in the chosen field.

The applicant expressed the opinion that the restriction on fundamental rights included in the contested norm had not been established by a law adopted in due procedure because the law had not been duly considered. Although the legitimate aim of this restriction on fundamental rights could be protecting the rights of other persons and public welfare, it is alleged that this restriction is not proportionate. I.e., the restriction included in the contested norm is said not to be appropriate for reaching this aim. Moreover, the legislator had not considered applying a measure that would be less restrictive on a person’s fundamental rights. Hence, the applicant notes that the contested norm is incompatible with the principle of legal expectations enshrined in Article 1 of the *Satversme* and restricts the right to property enshrined in Article 105 of the *Satversme*.

### **The Legal Proceedings**

The Constitutional Court has requested *Saeima* to submit written responses presenting the facts of the case and the legal substantiation by **27 May 2019**.

The term for preparing the case is **26 August 2019**. The Court shall decide on the procedure for hearing the case and the date after the case has been prepared.

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The press release was prepared with the aim to facilitate understanding of cases heard by the Constitutional Court. It shall not be regarded as part of the ruling and is not binding to the Constitutional Court. The judgements, decisions and other information regarding the Constitutional Court are available at the homepage of the Constitutional Court [www.satv.tiesa.gov.lv](http://www.satv.tiesa.gov.lv).

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