

A safer future of lending – what does the new Law on the Protection of Users of Financial Services bring?

In the Official Gazette of the Republic of Serbia No. 19 of 06.03.2025. the new Law on the Protection of Users of Financial Services ("Official Gazette of RS", No. 19/2025, hereinafter: "the Law") was published, which will be applied officially from 01.07.2025. (with certain deviations for certain provisions), on which date the previously adopted Law on the Protection of Users of Financial Services ("Official Gazette of RS", no. 36/11 and 139/14) ceases to be valid.

- **Interest rates**

The Law brings innovations in interest rate limits for all types of loans, digitization of services, pre-contractual notification, advisory services that the bank provides to its clients.

The law introduces a special provision that introduces a limit on interest rates for loans, credit cards and permitted overdrafts:

- In the case of **credit agreements**, the variable interest rate (interest rate that can be changed during the duration of the agreement) cannot be applied in a value higher than the average weighted interest rate for already existing credit agreements of the same type, i.e. purpose in the same

currency (indexation), increased by 1/4 of that rate.

- In housing loan contracts, the variable interest rate cannot be applied in a value higher than the average weighted interest rate for already existing housing loan contracts with a variable interest rate in the same currency (indexation), increased by 1/4 of that rate.

In both contracts, the stated provision means that the bank may not apply a variable interest rate that is too high, and the highest it can apply is a rate higher than 1/4 of the average weighted interest rate.

A fixed interest rate (an interest rate that remains the same throughout the entire loan repayment period) in housing loan contracts cannot be agreed at a value higher than the average weighted interest rate for new housing loan contracts with a fixed interest rate in the same currency (indexation) increased by 1/4 of that rate.

These restrictions are intended to prevent banks from unilaterally increasing interest rates to a level that would be unreasonably high and unsustainable for borrowers. At the same time, the aspiration is to prevent a sharp rise in interest rates.

Also, the effective interest rate (total cost of the loan) is subject to the limitation, which cannot be higher than the legal interest rate, and which, depending on the type of loan, is increased or decreased by a certain number of percentage points. In this way, banks are prevented from possibly circumventing these restrictions by increasing other credit fees to their customers.

- **Digitalization**

The Law keeps pace with digitization, so it stipulates that the contract on financial services can be concluded in written form and in electronic form, and that in addition to a handwritten signature, that is, a qualified electronic signature, at least two elements can be used to confirm the user's identity (authentication) or an electronic identification scheme with a high level of reliability. The contract does not have to be signed by hand only on paper, but it can also be done through other devices, such as permanent data carriers.

- **Pre-contractual notification**

Advertising of financial services, which the bank does to its clients, must be done in a clear and understandable way. The information that the bank publishes must not create a wrong idea for clients about the conditions, costs and total amount of the service.

The user has the right to request the necessary explanations from the financial service provider at any time, including the right to receive this information on paper.

If the service provider intends to change some element of the contract on financial services, he is obliged to submit a proposal of those changes to the user in writing, at least one month before the planned start of implementation.

- **Advisory services**

According to the new solution, the bank (not other service providers) can provide advisory services to its client, if he specifically requests it. Before providing advisory services, the bank is obliged to

provide the user in writing with: information about its offer and the amount of the fee, if a fee is charged for the given service.

For any additional consultation or legal assistance, you can contact the Tasić & Partners team by email at office@tasiclaw.com or by phone at +381116302233.