Republic of Latvia

Cabinet

Regulation No. 648

Adopted 21 October 2014

**Regulations Regarding Distance Contracts for the Provision of Financial Services**

*Issued pursuant to*

*Section 10, Paragraph two of the Consumer Rights Protection Law*

1. The Regulation prescribes the content of the information to be provided prior to the conclusion of a contract and to be included in a contract, the procedures for the provision thereof, the time periods and procedures for exercising the right of withdrawal provided for in Section 12 of the Consumer Rights Protection Law, the rights and obligations of a consumer and trader or service provider in the case of use of the right of withdrawal, and also exceptions in relation to use of the right of withdrawal.

2. This Regulation shall be applied to those distance contracts for the provision of financial services (hereinafter – the distance contract) which are concluded between a financial service provider (hereinafter – the service provider) and a consumer who is a natural person (hereinafter – the consumer).

3. For the purpose of this Regulation, a financial service shall be any service of a credit institution, any service of crediting (also crediting of consumers), insurance, private pension, investment or payment service which is provided by the service provider to the consumer within competence of its professional activity.

4. If subsequent transactions or a series of similar separate transactions follows an initial contract for the provision of financial services between the service provider and the consumer, this Regulation shall be applied only to the initial contract for the provision of financial services.

5. If initially the service provider and the consumer have not concluded a contract for the provision of financial services but the same contracting parties complete several subsequent transactions or similar separate transactions, Paragraphs 6, 7, 8, 9, 10, 11, 12, 13, 14, and 15 of this Regulation shall be applied after the completion of the first transaction. If the contracting parties have not completed any similar transactions for a time period longer than one year, the next transaction of the new series of transactions shall be regarded as the first transaction after the expiration of the time period specified, and Paragraphs 6, 7, 8, 9, 10, 11, 12, 13, 14, and 15 of this Regulation shall be applied accordingly.

6. Prior to the conclusion of a distance contract, the service provider shall provide the consumer with the following information about itself:

6.1. name of the service provider (firm name), main type of commercial activity, and the legal address and any other address which may be used so that the consumer may contact the service provider;

6.2. name of the representative of the service provider registered in the home country of the consumer (firm name) and the address which may be used so that the consumer may contact the representative of the service provider if there is such;

6.3. if transactions between the consumer and the service provider are performed with the intermediation of any other person – the name of the abovementioned person (firm name), given name, surname, status in which it operates as regards the consumer, and the address which may be used so that the consumer may contact this person;

6.4. a registration number if the service provider is registered in the commercial register, Enterprise Register or any other public register of the Member States of the European Union. If the service provider is registered in a public register of another Member State of the European Union, the registration number may be substituted with another equivalent means of identification;

6.5. if a permit is required for the provision of the relevant services – information about the relevant supervisory institution.

7. Prior to the conclusion of the distance contract, the service provider shall provide the consumer with the following information about the financial service:

7.1. a description of the financial service;

7.2. the total price to be paid by the consumer to the service provider for the provision of the relevant financial service including all related payments and expenses and all taxes to be paid with the intermediation of the service provider, or – when the exact price cannot be indicated – the basis for the calculation of the price enabling the consumer to verify it;

7.3. where relevant – information that the financial service is related to financial instruments involving special risks related to their specific features or the operations to be executed or whose price depends on fluctuations in the financial markets and that the service provider cannot control the abovementioned fluctuations and that previous performances or activity in financial market of the service provider are not indicators for further performances or activity;

7.4. information that other taxes and (or) costs may exist that are not paid with the intermediation of the service provider or are not imposed by the service provider;

7.5. the time period in which the information provided is valid and the limitations thereof;

7.6. the procedures for the payment and performance of financial services;

7.7. any additional payments for the consumer regarding using the means of distance communication if such additional payments are charged.

8. Prior to the conclusion of a distance contract, the service provider shall provide the consumer with the following information on the distance contract:

8.1. the existence or absence of the right of withdrawal in conformity with Paragraph 19 of this Regulation and – if the right of withdrawal exists – the time period of the right of withdrawal and the conditions for exercising it, information on the amount which the consumer may be required to pay on the basis of Paragraph 25 of this Regulation, and also the consequences of not exercising the right of withdrawal;

8.2. the minimum time period of the distance contract if it is anticipated to perform financial service permanently or recurrently;

8.3. information on the rights of contracting parties to terminate the distance contract early or unilaterally on the basis of the provisions of the distance contract, and also on the payment of penalties if such is provided for;

8.4. practical instructions regarding the exercising of the right of withdrawal, also the address to which a notification of the consumer regarding withdrawal should be sent;

8.5. a Member State of the European Union or Member States of the European Union whose regulatory enactments are applied to the relationship of the service provider and the consumer prior to the conclusion of the distance contract;

8.6. information on which law should be applied to disputes related to the execution of the distance contract in conformity with provisions of the contract and information on the court which shall have the jurisdiction to hear the abovementioned disputes;

8.7. information on the language or languages in which the provisions of the distance contract as well as the information referred to in Paragraphs 6, 7, 8, 9, 10, and 11 of this Regulation may be received, and also information on the language or languages in which, with the consent of consumer, the service provider undertakes to communicate during the validity period of such distance contract.

9. Prior to the conclusion of a distance contract, the service provider shall, in addition to the information specified in Sub-paragraph 8.6 of this Regulation, provide the consumer with the following information on the possibilities for the examination of disputes:

9.1. whether there is a possibility of an out-of-court examination of disputes, and if there is such a possibility – how the consumer can use it;

9.2. whether there are guarantee funds and other compensation arrangements, except for those covered by the requirements specified in the Deposit Guarantee Law, the Law on Insurance Companies and Supervision Thereof, and the Investor Protection Law.

10. The information referred to in Paragraphs 7, 8, and 9 of this Regulation, the commercial purpose of which shall be explained, shall be provided in a clear and comprehensible manner in any way appropriate to the means of distance communication used taking into consideration the principles of good faith in commercial transactions.

11. If, when concluding a distance contract or making an offer to the consumer, voice telephony is used as the means of communication, a representative of the service provider shall, at the beginning of the conversation, provide information regarding the name (firm name) of the service provider and the commercial intention of the relevant telephone call.

12. If in the case specified in Paragraph 11 of this Regulation the explicit consent of the consumer to continue the conversation is received, the service provider shall provide the following information:

12.1. the given name and surname of the person in contact with the consumer and the relation to the service provider;

12.2. a description of the financial service;

12.3. the total price to be paid for the financial service, including all taxes paid with the intermediation of the service provider, or the basis for the calculation of the price (if the exact price cannot be indicated) enabling the consumer to verify it;

12.4. information that other taxes and (or) costs may exist that are not imposed by the service provider or paid with the intermediation of the service provider;

12.5. the existence or absence of the right of withdrawal in conformity with Paragraph 19 of this Regulation and – if the right of withdrawal exists – the time period of the right of withdrawal and the conditions for exercising it, also information on the amount which the consumer may be required to pay on the basis of Paragraph 25 of this Regulation.

13. If the means of communication used in the concluding of the distance contract is voice telephony, the service provider shall inform the consumer on what additional information in respect of the offered service is available at the request of the consumer. If the information provided corresponds to the requirements of Paragraph 16 of this Regulation, it shall be considered that the service provider has fully informed the consumer regarding the service.

14. Information on the contractual obligations to be communicated to the consumer prior to the conclusion of the distance contract shall be in conformity with the requirements of laws and regulations which would be deemed to be applicable to the distance contract if the latter is concluded.

15. In addition to the information referred to in Paragraphs 6, 7, 8, and 9 of this Regulation, the service provider shall also provide the information required in other laws and regulations governing the provision of financial services.

16. The service provider shall communicate to the consumer all the provisions of the distance contract and the information referred to in Paragraphs 6, 7, 8, 9, and 15 of this Regulation in writing or by another durable medium available to the consumer before the consumer is bound by any distance contract or offer. The durable medium, which is in conformity with the purposes of information and allows the unchanged reproduction of the stored information, shall enable the consumer to store the information addressed personally to him or her so that it would be accessible for future reference.

17. If the distance contract has been concluded at the request of the consumer by using means of distance communication which do not give the possibility to receive provisions of the distance contract and the information in conformity with Paragraph 15 of this Regulation, the service provider shall provide the consumer with the information referred to in Paragraphs 6, 7, 8, 9, and 15 of this Regulation after concluding the distance contract.

18. During the validity period of the distance contract the consumer is entitled to demand and to receive the provisions of the distance contract in writing. The consumer is entitled to change the means of distance communication used, except for the case when it is not in conformity with the concluded distance contract or the provided financial service.

19. The consumer is entitled to use the right of withdrawal and unilaterally withdraw from the distance contract within a time period of 14 days. If a distance contract for life insurance and private pension transactions is concluded, the consumer may use the right of withdrawal and unilaterally withdraw from the distance contract within a time period of 30 days.

20. The time period for exercising the right of withdrawal referred to in Paragraph 19 of this Regulation shall be counted from:

20.1. the day the distance contract was concluded;

20.2. the day the consumer receives the provisions of the distance contract and information in conformity with Paragraph 16 or 17 of this Regulation if it is later than the day referred to in Sub-paragraph 20.1;

20.3. the moment when the consumer is informed that the distance contract is concluded – if a distance contract for life insurance is concluded.

21. If the contracting parties have not agreed otherwise, the consumer may not use the right of withdrawal in respect of:

21.1. financial services the price of which depends on fluctuations in the financial market, which the service provider is not able to control and which may occur during the withdrawal period for services related to:

21.1.1. foreign exchange;

21.1.2. money market instruments;

21.1.3. transferable securities;

21.1.4. investment certificates of investment funds;

21.1.5. financial-futures contracts as well as equivalent cash-settled instruments;

21.1.6. forward interest-rate agreements (FRA);

21.1.7. interest rates, currency and equity swaps;

21.1.8. options to acquire or dispose of any of the instruments referred to in this Paragraph (including cash-settled instruments, especially options on currency and on interest rates);

21.2. travel and baggage insurance policies or similar short-term insurance policies of less than one month’s duration;

21.3. contracts the execution of which has been fully completed after the explicit request of the consumer before the consumer exercises his or her right of withdrawal.

22. The consumer shall inform the service provider in writing (or using another durable medium available to the service provider) of the exercising of the right of withdrawal until the termination of the relevant time period in conformity with the practical instructions issued according to Sub-paragraph 8.4 of this Regulation. The time period is observed if the notification regarding the withdrawal is sent up to the end of the time period.

23. Paragraphs 19, 20, 21, and 22 of this Regulation shall not apply to the consumer credit agreements revoked in accordance with the conditions of Section 31, Paragraph one of the Consumer Rights Protection Law in respect of the distance contracts and contracts on the long-term use rights of holiday accommodations, long-term contracts on holiday services, resale contracts on long-term use rights of holiday accommodations or holiday services, or exchange contracts on long-term use rights of holiday accommodations.

24. If another distance contract regarding the services provided by the service provider or a third party on the basis of an agreement between the third party and the service provider is related to the distance contract of the given financial service, such additional distance contract regarding the services shall be cancelled without any payment of penalties if the consumer exercises his or her right of withdrawal in conformity with Paragraph 19 of this Regulation.

25. If the consumer exercises the right of withdrawal provided for in Paragraph 19 of this Regulation, the service provider is entitled to require the consumer to pay without any undue delay for the services actually provided which the consumer has received in conformity with the distance contract. Performance of the distance contract may only begin after the consumer has given his or her consent. In such case the amount to be paid:

25.1. shall not exceed the amount which is in proportion to the extent of the service already provided, comparing it with the execution of commitments provided for in the distance contract to the full extent;

25.2. is not an amount which can be regarded as a penalty.

26. The service provider is not entitled to require the consumer to pay the amount specified in Paragraph 25 of this Regulation unless it can prove that the consumer had been duly informed about the amount payable in conformity with Sub-paragraph 8.1 of this Regulation. The service provider is not entitled to require such payment if it has commenced the performance of the distance contract before the expiry of the withdrawal period provided for in Paragraph 19 of this Regulation without the prior request of the consumer.

27. The service provider shall reimburse to the consumer all the amounts received in conformity with the distance contract, except for the amount referred to in Paragraph 25 of this Regulation, within a time period of 30 days from the day when the notification of the consumer regarding execution of the right of withdrawal has been received.

28. The consumer shall return all those amounts and articles received from the service provider within a time period not longer than 30 days from the day when the notification regarding exercising of the right of withdrawal has been sent to the service provider.

29. The service provider shall not provide a financial service to the consumer, which envisages immediate or deferred payment, without his or her prior consent. This provision shall be applicable also if the validity period of the distance contract is silently prolonged in conformity with the conditions thereof. Absence of response from the consumer to the offer of the service provider shall not be regarded as the consent of the consumer.

30. In case of disputes, the duty of the service provider is to prove:

30.1. that it has provided the consumer with all the information specified in this Regulation;

30.2. that the consumer has consented to the conclusion of the distance contract;

30.3. that it has fulfilled the commitments specified in distance contract.

**Informative Reference to European Union Directive**

This Regulation contains legal norms arising from Directive 2002/65/EC of the European Parliament and of the Council of 23 September 2002 concerning the distance marketing of consumer financial services and amending Council Directive 90/619/EEC and Directives 97/7/EC and 98/27/EC.

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