Deductions during December

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During special holiday periods, we tend to incur in extra expenses for graduation, Christmas shopping, Mother's Day and end of year vacations, among others, which is why it is very important to control these expenses in order to avoid our economy being affected by our being unable to pay all of our previously-acquired financial obligations.

In this sense, it is every important to bear in mind that many bank services users have a misconception on paying their obligations in December.

This happens because of the interpretation of the provisions of Law 64 dated 18 December 1961, whereby some deductions are suspended during December, and whose Article 1 states the following:

Article 1. From this year forward, all deductions to salaries of employees in the Republic, such as embargoes, loans, deductions on purchased goods as well as collections that would be made in December, will be postponed for an additional month in each case, in accordance with this law.

Proviso: This does not apply to deductions to cover Social Security and Income Tax contributions, Alimony, and Mortgages.

Please note that the intent of the Law is not to release, waive or forgive the monthly payment or installment for December. The Law does provide a benefit to the users by establishing that the fees, installments and monthly payments for December will be postponed for an additional month in each case. It follows that there is a requirement for banks to include the postponement of these monthly payments when setting the terms or period of the obligation. However, in many cases this is not properly addressed in the contract, resulting in non-payment and delinquency.

The terms or period of the obligations must be clearly set in the contract signed with a bank, as set forth in paragraph 5 of Article 196 of Executive Decree 52 dated 30 April 2008, which re-edited Decree Law 2 dated 26 February 2008 as a consolidated text providing all requirements that written contracts must contain, and which states:

ARTICLE 196. WRITTEN CONTRACTS. Banking contracts will contain, at the time of signing, at least the following basic information:

1. The complete name, nationality, domicile, and personal identification number or other valid personal identification document of each of the contracting parties. In the case of a legal entity, the information must include the corporate name, the registration data from the Public Registry or its legal equivalent, the corporate domicile and the complete personal identification data of its legal representative.

2. A detailed description of the contracted services.

3. The total amount of the contracted obligation or the transaction in question, expressed in monetary terms, when applicable.

4. Instructions regarding the timing of the payments or amortizations, their amount, and the place where such payments are to be made.

5. The maturity date of the obligation or term of the contract.

6. The nominal interest rate and the applicable effective rate, with an example of its calculation. In the case of lines of credit, the formula for determining the applicable effective interest rate must be shown.

7. If the contract or transaction contains exclusions, limitations, and/or causes for termination, these must appear in bold letters.

8. The date the contract or transaction is executed.

9. In the contract itself or in a separate document that must be delivered to the bank client, the bank must provide a detailed description of the amounts that will be charged to the bank client, indicating the reasons for the charges and their actual or estimated amounts in monetary terms. It is understood that these include the cost of credit investigations, handling of applications, delinquent interest charges, additional charges, commissions, notary fees, filing fees, insurance premiums, surcharges, and any others of a similar nature.

10. The manner and timing in which the bank will communicate to the bank client any changes or modifications to the terms and conditions agreed to in the contract.

11. Any other clause or provision that the parties consider convenient to include.

So, when signing an obligation with any of the banks of the market, we should remember, at the outset, that the installments and monthly payments corresponding to the month of December must be paid. Consequently, we need to make sure that they are duly agreed on both in contracts and promissory notes, as additional payments. If this was not properly agreed to, the customer should approach the Bank in order to set up the payment method for this obligation, either by voluntary payments at the bank teller or by requesting the extension of the loan, trying at all times to avoid the application of delinquency charges and interest to the transaction.