

Regulatory Update: New Interest Rate Caps for Consumer Credit Announced

Statutory Maximum Interest Rate for Consumer Credit to Decrease as of 1 January 2026

On 31 October 2025, the Federal Department of Justice and Police (DFJP) has announced a reduction of the statutory maximum interest rate applicable to consumer credit agreements in Switzerland. Effective 1 January 2026, the maximum permissible rate will decrease by one percentage point to:

- 10 % for cash loans (*crédits au comptant*), and
- 12 % for overdraft facilities (*découverts*), including credit card balances.

This adjustment follows several consecutive decreases in interest rate levels and is based on the calculation method set out in the Ordinance on the Federal Consumer Credit Act (*Ordonnance relative à la LCC, OLCC / Verordnung zum Konsumkreditgesetz, VKKG*), which links the annual percentage rate (APR) cap to the three-month compounded SARON (SAR3MC), plus a statutory margin. The SAR3MC stood at 0.0054 % at the end of August 2025, prompting the adjustment to the minimum threshold provided by the ordinance.

As a reminder, under Swiss law, any consumer credit agreement stipulating an interest rate above the statutory maximum is void. In such cases, the borrower is only required to repay the principal, with no interest or ancillary charges.

Impact on Consumers and Lenders

Consumers will benefit directly from this reduction in borrowing costs. However, the decrease also narrows lending margins, particularly for providers whose models rely on higher-yield consumer credit products. These lenders may therefore need to reassess pricing and risk management frameworks. In practice, and given that the statutory APR cap under the LCC/OLCC encompasses all borrower-payable costs and cannot be circumvented by additional fees, this adjustment is more likely to translate into more selective underwriting and stricter borrower eligibility criteria.

The combined effect of reduced maximum rates and persistently low reference rates underscores the importance for lenders of ensuring not only legal compliance but also commercial sustainability within the framework of the Swiss Consumer Credit Act. In practice, this may require a review of internal processes and consumer credit documentation to ensure compliance with the revised APR caps as of 1 January 2026, particularly where automated pricing or disclosure systems are used.

While this measure applies specifically to consumer credit, other lenders should remain alert to the broader trend of downward pressure on maximum permissible interest rates across other forms of credit in a declining rate environment.

Should you require any further information on this subject, please do not hesitate to contact the authors or your usual contact person at Borel & Barbey. Our specialists will be pleased to assist you.

