



CENTRAL BANK OF SEYCHELLES

FINANCIAL CONSUMER PROTECTION

Guidelines for Unfair Contract Terms in Financial Services



2026

Abbreviations and technical terms used in this guidance

A list of the main abbreviations used in this guidance is given below, with explanations for reference. The abbreviations are also defined when first used.

CBS	Central Bank of Seychelles
FCPA	Financial Consumer Protection Act 2022
FSP	Financial Services Provider

Advice and Complaints about Unfair Contract Terms

Advice about unfair terms can be sought from Central Bank of Seychelles on 428 2000 and choosing option 2.

If you wish to complain about an unfair contract term, please contact your respective Financial Services Provider (FSP) in the first instance.

The Financial Consumer Protection Act 2022

A copy of the Act is available at <https://www.cbs.sc/Downloads/legislations/Act%206%20-%202022%20-%20Financial%20Consumer%20Protection%20Act%202022.pdf>

Helpful Links

Central Bank of Seychelles website www.cbs.sc

Financial Institutions (Bank Charges and Fees) Regulations
[https://www.cbs.sc/Downloads/legislations/Consolidated%20Financial%20Institutions%20\(Bank%20Charges%20and%20Fees\)%20Regulations%202013-2018%20amd.pdf](https://www.cbs.sc/Downloads/legislations/Consolidated%20Financial%20Institutions%20(Bank%20Charges%20and%20Fees)%20Regulations%202013-2018%20amd.pdf)

Financial Consumer Protection (Complaint Handling) Regulations
[https://www.cbs.sc/Downloads/legislations/SI%20110%202024%20-%20Financial%20Consumer%20Protection%20\(Complaint%20Handling\)%20Regulations%202024.pdf](https://www.cbs.sc/Downloads/legislations/SI%20110%202024%20-%20Financial%20Consumer%20Protection%20(Complaint%20Handling)%20Regulations%202024.pdf)

1. Introduction

When you take out a loan, open a bank account, obtain a debit card or sign up for other financial services, you enter into a contract with your Financial Services Provider (FSP). These contracts are meant to protect both you and the FSP. However, some contract terms may be unfair or it may be difficult to understand.

This guide explains the following:

- What counts as unfair contract terms;
- How the Central Bank of Seychelles (CBS) deals with unfair terms in contracts in accordance with section 21 of the Financial Consumer Protection Act, 2022 (FCPA); and
- The procedures to be followed when disputing an unfair term.

These Guidelines apply to all FSPs regulated or supervised by the CBS that offer financial products or services to financial consumers in Seychelles, under applicable financial services legislation.

2. What is an Unfair Contract Term?

A contract term is considered unfair if:

- It gives one side (usually the FSP) much more power or advantage than you (the consumer).
- It harms you financially.
- It goes against the basic idea of honesty and fairness in making agreements.

To decide whether a term is unfair, the following are considered:

- a) What kind of financial product or service the contract is about – for example, a loan or an investment.
- b) All the other important parts of the contract that are connected to or affect the main agreement.
- c) The FSP's legitimate need to operate sustainably and profitably, as fairness involves striking a reasonable balance between the interests of both parties.
- d) The needs and situation of the group of consumers who are most likely to sign this kind of contract, for example, students, retirees, or low-income earners.

- e) Everything else that was going on at the time the contract was signed, like market conditions or the consumer's personal situation.

3. Automatically Unfair Terms

Some contract terms are always unfair, no matter the situation. These include terms that:

- Take away or limit your legal right to complain or get help if something goes wrong.
- Add charges or fees that are not allowed by law.
- Let FSPs avoid their basic responsibilities, like providing good service or acting with care.

These kinds of terms are not valid and cannot be enforced under any circumstances.

4. Terms That Might Be Unfair

Some contract terms are not automatically unfair, but they can be considered unfair after being reviewed using a Fairness Test. These are the kinds of terms that raise concerns:

- **Put all the risk on you**, even though the FSP is in a better position to handle it.
- **Punish you** (with unreasonable fees or penalties) but not the FSP.
- **Let the FSP change the contract** whenever they want, without your agreement.
- **Make you solely responsible for proving something went wrong**, instead of the FSP.
- **Let the FSP get out of doing what they promised**, while expecting you to keep your end of the deal.
- **Let the FSP transfer the contract** to a third party, without your consent.
- **Let the FSP decide on its own whether you have broken the contract without the opportunity for you to defend yourself.**
- **Let the FSP alone decide whether or not to renew** the contract, without your consent.
- **Let the FSP avoid taking responsibility for actions done by their employees or agents**, even when that is not fair.
- **Limit your ability to go to court.**

5. What do these unfair terms look like in a contract?

1

PUT ALL THE RISK ON YOU, EVEN THOUGH THE FSP IS IN A BETTER POSITION TO HANDLE IT

EXAMPLE 1 – ONLINE BANKING

“While the bank aims to provide security against fraud, hacking, and misuse, there is no guarantee against such incidents, and the customer must indemnify the bank against all risks arising from them.”

2

PUNISH YOU (WITH UNREASONABLE FEES OR PENALTIES) BUT NOT THE FSP

EXAMPLE 2 – CAR LOAN

“In the event of early repayment or termination of this loan agreement by the Borrower, the Borrower shall pay an early termination fee equal to 15% of the outstanding loan amount, in addition to any accrued interest and principal due. No such fee shall be payable by the Lender in the event of its early termination of the agreement.”

3

LET THE FSP CHANGE THE CONTRACT WHENEVER THEY WANT, WITHOUT YOUR AGREEMENT

EXAMPLE 3 – HOUSING LOAN

“Benchmark Rate: The Bank’s Prime Lending rate currently 6.5% compounded monthly (variable at our discretion).”

4

MAKE YOU SOLELY RESPONSIBLE FOR PROVING SOMETHING WENT WRONG, INSTEAD OF THE FSP

EXAMPLE 4 – OVERDRAFT AGREEMENT

“If a dispute arises regarding the calculation of the outstanding balance, the customer may bear the burden of proving any discrepancy in the bank’s statement.”

5

LET THE FSP GET OUT OF DOING WHAT THEY PROMISED, WHILE EXPECTING YOU TO KEEP YOUR END OF THE DEAL

EXAMPLE 5 – CREDIT CARD

“The Bank reserves the right to modify, suspend, or terminate the cardholder’s credit limit or account at any time without prior notice or justification. The cardholder, however, must provide 30 days’ written notice and settle all outstanding balances before closing the account.”

6	LET THE FSP TRANSFER THE CONTRACT TO A THIRD PARTY, WITHOUT YOUR CONSENT EXAMPLE 6 – PERSONAL LOAN “The Client shall not assign its right or transfer any of its rights and obligations under this Agreement. The Bank may, at any time, freely assign any of its rights or transfer all or any of its rights and obligations under this Agreement.”
7	LET THE FSP DECIDE ON ITS OWN WHETHER YOU HAVE BROKEN THE CONTRACT EXAMPLE 7 – LOAN AGREEMENT “The Bank may waive any of the above terms or conditions either unconditionally or on terms. Every such waiver by the Bank shall be without prejudice to the rights of the Bank hereunder which shall always remain exercisable as if such waiver had not been made and whenever the Bank thinks fit.”
8	LET THE FSP DECIDE WHETHER OR NOT TO RENEW ON THEIR OWN, WITHOUT YOUR CONSENT EXAMPLE 8 – FIXED DEPOSIT “The Bank reserves the sole right to renew or not renew the Fixed Deposit upon its maturity at its discretion. The Account Holder shall not have the right to demand renewal unless otherwise agreed in writing by the Bank.”
9	LET THE FSP AVOID RESPONSIBILITY FOR ACTIONS DONE BY THEIR EMPLOYEES OR AGENTS, EVEN WHEN THAT’S NOT FAIR. EXAMPLE 9 “The Bank shall not be liable for any acts, omissions, or representations made by its agents, independent contractors, or representatives, except to the extent that such acts, omissions, or representations were expressly authorised in writing by the Bank.”
10	LIMIT YOUR ABILITY TO GO TO COURT EXAMPLE 10 “Any dispute, claim, or controversy arising out of or relating to this Agreement, including the determination of the scope or applicability of this arbitration provision, shall be resolved by binding arbitration rather than through litigation in court. The parties waive their right to bring or participate in any class action lawsuit related to this Agreement.”

6. The Fairness Test

The Fairness Test is a structured framework that assesses whether a contract term is fair, reasonable, and lawful. It applies a scoring system across 10 criteria:

	CRITERIA	KEY CONSIDERATIONS
1	TRANSPARENCY AND CLARITY	• Use of plain, understandable language • Logical structure and easy-to-read layout • Visibility of key terms and conditions • Absence of hidden clauses or misleading fine print
2	MUTUAL BENEFIT AND RECIPROCITY	• Balanced allocation of rights and obligations • Equal benefit to both parties • Fair sharing of risks and responsibilities • No one-sided advantages for the FSP
3	EQUALITY AND NON-DISCRIMINATION	• No unfair targeting of vulnerable borrowers • Equal treatment of all customers • No discriminatory or exploitative provisions • No undue advantage or power imbalance for the FSP
4	RIGHT TO INFORMATION AND CONSENT	• Full disclosure of all material terms before agreement • Clear and simple explanation of terms and risks • Informed, voluntary, and uncoerced consent • Adequate time to review and understand the contract
5	EXIT AND MODIFICATION CLAUSES	• Reasonable termination rights for both parties • Adequate notice before any changes are made • Fair and proportionate exit fees (non-punitive) • No retrospective changes that harm the customer
6	DISPUTE RESOLUTION	• Accessible and affordable dispute resolution options • Impartial and independent decision-making • Right to escalate disputes • Access to courts and judicial recourse preserved
7	FINANCIAL/ LEGAL IMPLICATIONS	• Fees, charges, and penalties are transparent and justified • Proportionality of financial burdens and liabilities • No excessive, unfair, or punitive penalties • Clear allocation of liability and indemnity
8	GOOD FAITH & ETHICAL CONDUCT	• Honest, fair, and transparent dealings • No abuse of power or information asymmetry • No hidden agendas or opportunistic behaviour • Commitment to customer welfare and trust
9	LEGAL AND REGULATORY COMPLIANCE	• Consistency with applicable national laws • Compliance with consumer protection regulations • Alignment with global standards and best practices • Regular review to remain compliant and up to date
10	OVERALL FAIRNESS	• Holistic assessment of rights and obligations • Balance of interests for both parties • Whether a reasonable, neutral party would consider the contract equitable • Ensures the contract feels fair in practice

SCORING GUIDE:

- **Excellent (10/10):** Fully meets fairness standards with no concerns.
- **Good (7-9/10):** Mostly fair but has minor areas for improvement.
- **Average (4-6/10):** Some fair elements but notable imbalances exist.
- **Poor (1-3/10):** Significant unfair terms that heavily favour one party.
- **Unacceptable (0/10):** Entirely one-sided or exploitative agreement.

7. Procedures for Filing an Unfair Contract Term Complaint.

If you think a part of your contract is unfair, in the first instance, you should lodge your complaint directly with your FSP, like your bank, as per the Financial Consumer Protection (Complaint Handling) Regulations, 2024. The FSP must respond within 21 working days. If the complaint is complex and requires more time, the response period may be extended up to 90 working days, but the FSP must inform you of this in writing.

If you are not satisfied with the response from your FSP, you can take your complaint to the CBS. The CBS must respond within 30 working days, or inform you if more time is needed.

If a term is found to be unfair in the outcome of any complaint, the FSP must rectify the matter as soon as possible, but in any event, within 14 days of the decision.

8. What can the CBS do about unfair terms?

If the CBS determines that a contract term is unfair and it has impacted you, it may:

- Declare that the term is invalid and cannot be enforced;
- Require the FSP to change or remove the unfair term in your contract.

Once this is done, the rest of the contract will continue to apply without the unfair terms or with the necessary changes made. However, you may then decide whether or not you wish to continue with the contract, for which you should engage with your respective FSP to discuss your options, taking into consideration your legal obligations.

9. Review and Updates

These Guidelines may be revised periodically based on market developments, consumer feedback, international best practice and regulatory experience.

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