

## Information release

# The Court of Justice of the European Union has ruled that banks cannot charge interest on costs associated with consumer credit

**Interest shall be charged solely on the amounts lent to the consumer, excluding other costs associated with the credit, such as insurance premiums or other related expenses.**

Madrid, 30 April 2026 – The Court of Justice of the European Union (CJEU) – in its judgment of 23 April in [Case C-744/24 \(Bank Polska Kasa Opieki\)](#) – has ruled on a request for a preliminary ruling submitted by a Polish court concerning the interpretation of [European Directive 2008/48/EC on consumer credit agreements](#).

In its ruling, the Court examines whether it is lawful to apply the interest rate to costs associated with a consumer credit agreement, such as the capital sum of an insurance premium. To this end, the European Court focuses its analysis on the interpretation of two concepts set out in the Directive:

- **“Total amount of credit”**: The capital that the bank makes available to the consumer under the consumer credit agreement (the actual amount lent).
- **“Total cost of the credit to the consumer”**: All costs associated with the agreement: interest rate, the cost of any insurance or other services, fees, taxes or any other associated costs.

Similarly, the Court refers to the Directive’s definition of the **“borrowing rate”**, according to which this interest rate is that applied to the “total amount of credit”.

Based on this interpretation of the concepts, the High Court concludes that the interest rate may only be applied to the capital actually made available to the consumer, which excludes any amount intended to cover costs associated with consumer credit that are not paid directly to the consumer, such as an insurance premium or other expenses arising from the credit. Therefore, applying the interest rate to costs arising from the loan would constitute a breach of European rules.

However, the Court of Justice of the European Union clarifies that, although the costs arising from the credit do not form part of the credit granted, this does not mean that they cannot be passed on by the bank through other means, provided that the regulations are complied with and it is ensured that the consumer receives clear information on the total cost of the transaction.

Furthermore, this interpretation helps to improve the transparency and efficiency of the internal market for consumer credit, reinforcing the role of the Annual Percentage Rate (APR) as an indicator of the actual cost of the loan. It also ensures that consumers have access to clear and accurate information before taking out a loan and can more easily compare the various credit offers from other financial institutions.

Source: [Court of Justice of the European Union](#)