



## PRESS RELEASE No 63/26

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Judgment of the Court in Case C-744/24 | Bank Polska Kasa Opieki

### **Consumer credit: a bank may not charge interest on sums used to pay costs associated with such credit**

In Poland, a consumer took out a consumer loan from a bank. Part of the loan amount was used to pay for credit insurance, described as 'voluntary'. Interest was charged not only on the amount made available under the loan agreement, but also on the insurance premium.

Before a national court, the consumer is seeking, in particular, repayment of the loan without interest or other charges, on the grounds that the bank applied interest to an amount that included, in addition to the loan amount drawn down, the cost of the insurance.

The national court has referred the matter to the Court of Justice to ask whether that practice by the bank complies with the Directive on consumer credit agreements. <sup>1</sup>

#### **The Court answers in the negative.**

It points out, <sup>2</sup> firstly, that the concepts of 'total amount of credit' and 'total cost of the credit to the consumer', within the meaning of that directive, <sup>3</sup> are mutually exclusive and that, consequently, the 'total amount of credit' cannot include any sums intended to meet the obligations agreed in respect of the credit in question, such as insurance costs and any other type of charge which the consumer is required to pay.

The Court further points out that the 'borrowing rate', as defined by Directive, <sup>4</sup> refers to the interest rate applicable to the amount of credit drawn down, which corresponds to the total amount of the credit. Thus, the interest rate applies to all sums made available to the consumer, excluding those allocated by the lender to the payment of costs associated with the credit in question and which are not actually paid to the consumer. Consequently, the bank cannot apply a contractual interest rate to those sums.

The fact that those costs are not included in the total amount of credit does not mean that they cannot be passed on to borrowers, for example through a proportionally higher interest rate. Such an approach serves the dual objective of the directive. On the one hand, it facilitates the emergence of an efficient internal market for consumer credit. On the other hand, the transparency of that market, thanks to the provision of adequate information, in particular on the annual percentage rate of charge (APR) throughout the European Union, will enable consumers to compare credit offers more easily.

**NOTE:** A reference for a preliminary ruling allows the courts and tribunals of the Member States, in disputes which have been brought before them, to refer questions to the Court of Justice about the interpretation of European Union law or the validity of a European Union act. The Court of Justice does not decide the dispute itself. It is for the national court or tribunal to dispose of the case in accordance with the Court's decision, which is similarly binding on other national courts or tribunals before which a similar issue is raised.

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The [full text and, as the case may be, the abstract](#) of the judgment is published on the CURIA website on the day of delivery.

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Pictures of the delivery of the judgment are available from "[Europe by Satellite](#)" ☎ (+32) 2 2964106.

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<sup>1</sup> [Directive 2008/48/EC](#) of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers.

<sup>2</sup> See the Court's judgment of 21 April 2016, *Radlinger and Radlignerová*, [C-377/14](#) (see also press release [No 43/16](#)).

<sup>3</sup> Article 3(g) and (l) of the directive.

<sup>4</sup> Article 3(j) of the Directive.