

July 16, 1980

Dear

You have requested a Ruling from the Bureau concerning the method of assessing a finance charge on open-end accounts as provided in Section 2-402 of the Maine Consumer Credit Code.

Specifically, you have requested whether or not a finance charge can be assessed when an average daily balance (calculated in accordance with the 25-day grace period rule of §2-402(4)) is paid in full, according to the following example:

December 31	Balance:	\$100.00
January 15	Payment:	\$ 10.00
January 31	Balance:	\$ 91.42 (ADB \$95 + \$1.42 finance charge)
February 15	Payment in full	

Your client wants to assess a finance charge on an ADB of \$45.71 for February because the January 31 statement does not reflect purchases in January and your client wishes to charge for the consumer's use of the \$91.42 for 15 days. You also plan to follow the same procedure if the consumer made a \$10 purchase in January, but will assess the finance charge on that portion of the January 31 new balance which is not attributable to purchases made in the January billing cycle.

The Bureau finds nothing in Section 2-402 which would prohibit this procedure. As long as the consumer is given 25 days in which to pay the previous month's purchases prior to incurring a finance charge, there is no statutory prohibition on assessing a finance charge in the manner outlined previously.

The contract would, of course, also control whether or not this manner of assessing the finance charge is allowable.

Sincerely,

Barbara R. Alexander
Superintendent

BA:as