



## **RESTRICTION ON THE RATES OF CONTRACTUAL AND DEFAULT INTERESTS UNDER THE NEW TURKISH CODE OF OBLIGATIONS**

The New Turkish Code of Obligations numbered 6098 (the “**New TCO**”) and the Application Code of the Turkish Code of Obligations published in the Official Gazette numbered 27836 on 04.02.2011. The New TCO will take the place of the Code of Obligations numbered 818, published in the Official Gazette numbered 359 on 29.04.1926 which is still in use (the “**Current TCO**”). Article 648 sets forth that the New TCO will enter into force as of 01.07.2012.

Currently, no restriction exists as to the rate of the contractual and default interests, except for the default interest restriction set out in the Law Regarding the Protection of the Consumer numbered 4077 (the “**Consumer Law**”). Pursuant to Articles 10, 10/A and 10/B of the Law Regarding the Protection of the Consumer, the default interest rate can not exceed 30 % more of the contractual interest rate set out in a consumer loan agreement (including the credit card agreements).

The New TCO introduces a restriction on the rates of both contractual and default interests for all types of agreements. Pursuant to Article 88 of the New TCO, the annual rate of contractual interest can not exceed 50 % more of the annual interest rate determined in the relevant legislation, which is the Law on Legal Interest and Default Interest numbered 3095. Currently the legal interest rate is 9 %. Thus, if the New TCO was in full force and effect as of today, the maximum rate of contractual interest would be 13,5 %.

Pursuant to Article 120 of the New TCO, the default interest rate can not exceed 100 % more of the contractual interest rate. Thus, if the New TCO was in full force and effect as of today, the maximum rate of default interest would be 18 %.

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If you need any further assistance or seek for detailed information regarding the subject examined above please contact us. Gur Law Firm will be pleased to assist you.