



## Legal Alert

### STATUTORY INTEREST RATE REDUCTION– A FINANCIAL RELIEF TO BUSINESS AND INDIVIDUAL DEBTORS

With the continuous spread of Coronavirus disease 2019 (“COVID-19”), the economy overall is widely impacted and the statutory interest rate specified in the Civil and Commercial Code (“CCC”) does not correspond with the ongoing pandemic and economic situation, resulting in increasing burden of debt for business as well as individuals in the country. Accordingly, on 10 April 2021, an Emergency Decree Amending the CCC was published in the Government Gazette to amend the interest rate by replacing Sections 7 and 224 and adding 224/1 to the CCC.

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The amendments are aimed to aid SMEs and individual debtors by (i) reducing the interest rate from 7.5% per year to 3% per year (the interest amount may be amended through a Royal Decree upon review by the Ministry of Finance in every 3-year period), (ii) reducing the interest rate during default from 7.5% per year to 5% per year, and (iii) setting an appropriate method for calculation of the rate of default interest, that is, debt which are to be paid in installments, interest rate will apply only on the defaulted installment, as oppose to interests on the whole principle amount. Any agreement that is contrary to the foregoing statement shall be null and void.

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30 April 2021

These amendments will not apply retrospectively but will apply on interest charges which are due from 11 April 2021 onwards, which is the day this Emergency Decree came into effect.

### DELOITTE'S OBSERVATION

These amendments regarding the interest rate reduction would be an advantage to debtors in the agreement, either businesses or individuals to relieve and ease their financial difficulties. Understanding of statutory interest rate must be re-set to fully enjoy the benefits of this Emergency Decree during the pandemic, while the creditors could ensure validity of the interest rate being applied under the CCC.

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