

# Interest Payment in Turkey

Interest payments in Turkey is governed by the Code on Legal Interests and Default Interests dated 4 December 1984 law numbered 3095 and Code of Obligations and Turkish Commercial Code.

## Types of the interests

Types of interest are listed on the Law Regarding Legal Interests and Default Interests as follows:

- Legal interest
- Default interest
- Compound interest
- Interest of foreign exchange

### Legal Interest:

The amount of interest rate that is allowed to be changed by code. For instance; the debtor is liable for compensation to the amount of the legal interest due from the day of delay. The legal interest is determined by the Central Bank of the Republic of Turkey. Council Ministers are allowed to determine the annual legal interest rate. The annual rate is 9 percent and is used if it is not determined in an agreement.

### Default Interest:

A higher interest rate payable after defaulting past the determined payment date. The annual rate is used if it is not determined in an

agreement. In the event that the default interest is not determined in an agreement and the conventional interest higher than annual rate of interest, default interest cannot be less than conventional interest.

## Compound Interest:

The amount of interest is an interest earned from prior investment. It is not navigable to calculate legal interest and default interest.

## Interest of Foreign Exchange:

In case of an agreement on conventional interest and default interest, one year timed maximum interest on deposit account of government bank's for interest of exchange shall apply.

## Commencing date of interest

Commencing dates of interests are regulated in Turkish law as follows:

- The date determined in an agreement
- The date of default
- Notice date or advice date
- The date determined in the notice or advice note
- Filing date or executive process date
- The date of intervention or claim of intervention
- Due date
- Balance fixation date
- The date determined in laws
- The date of tortious act
- Termination date
- Recovery of capital date

# Interest stop

Interests that begin from the date of default or filing date or advice date or the date determined in an agreement, stops with some of legal facts as listed below:

- Evidence of insolvency
- Composition agreement without interest
- Limitation
- Decision
- The bankruptcy of a debtor

# Cessation of interest

Interests that begin from the date of default or filing date or advice date or the date determined in an agreement, ends with legal facts as fulfillment, renewal, clearing, advice note. With cessation of interest, all accrued interests will disappear. This is the difference between interest stop and cessation of interest.

The reasons of the cessation of interests listed under the Code of Obligations as follows:

- Fulfillment of obligation
- Advice
- Renewal
- Designations of creditor and debtor combination
- Objective impossibility
- Clearing
- Strict time limit

# Interest and guarantees

In Turkish law system pledge, contract of bailment and bank guarantee

letters are accepted as a guarantee of receivables and accessory rights. They have strict form requirement that regulated various laws. For example contract of bailment should be written and guarantor's responsibility should be written. Guarantee letter should be paid in due time, if not default interest will come up.

# Limitation

Code of Obligations explained that limitation starts the date of the maturity of obligation. Advice and notice are not needed for running of the statute of limitations.

Limitation stop is a circumstance that holds the time of the legal status and to pauses previous period. Reasons of limitation are as guardianship, usufruct right of debtor, deprivation of right to sue.

In a condition to cessation of limitation, all accrued times will be disappeared except of acknowledgement and holding with court decision. Cessation of limitation gives the opportunity to collect and proceed with the claim.

As per Article 154 of the Code of Obligations and Article 750 of the Turkish Commercial Code, the grounds of cessation of limitations are as follows:

- Acknowledgement of liabilities
- Payment of interest
- Partial performance
- Giving pledge
- Appointment of a guarantor
- Filing an action to sustain of receivable interest
- Executive proceeding
- Registration of the credit to bankruptcy assets

Depending on the type of due, legal interest and default interest are subject ten (10) years limitation period.

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