

CONSUMER CREDITS LAW  
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Adopted unanimously at the Sixty-first Convention of the Turkish Republic of Northern Cyprus Assembly on June 29, 2020, "Consumer Credits Law" shall be announced by the President of the Turkish Republic of Northern Cyprus in accordance with paragraph (I) of Article 94 of the Constitution after being published in the Official Gazette.

No: 31/2020

## CONSUMER CREDITS LAW

The Assembly of the Turkish Republic of Northern Cyprus enacts the following Law:

Short Title 1. This Law shall be cited as the Consumer Credits Law.

### PART ONE General Provisions

Interpretation 2. In this law, unless the text otherwise requires;  
62/2017 "Ministry" means the Ministry, to which the Department of Trade is affiliated.  
"Bank" means the banks operating under the Banking Law of the Turkish Republic of Northern Cyprus.  
"Fixed-Term Consumer Credits" means the credits of which expiry date is clearly agreed upon by the parties on the date of signing of the consumer credit agreement.  
"Indefinite-Term Consumer Credits" means the credits of which expiry date is not agreed upon by the parties on the date of signing of the consumer credit agreement.  
"Association" means the Banks Association of Northern Cyprus.  
"Durable Medium" means any tool and/or medium which enables the consumer to store the sent or received information in such a way that it is easily accessible in the future, and allows access to stored information without making any changes.  
"Variable Interest Rate" means the credit interest rate calculated by adding the margin rate to be applied by the institutions to the reference interest during the term of the consumer credit agreement.  
"Non-performing Credits" means the expression in the Notification on the Qualifications of Banks' Credits and Other Receivables, and Provisions effective in accordance with paragraph (2) of Article 74 of the Turkish Republic of Northern Cyprus Banking Law in banks on the other hand, for creditors, it means the receivable, of which principal or interest payment is overdue for more than 90 (ninety) days from the due date.  
Chapter 149 "Guarantor" means the natural and/or legal person who gives the guarantee of fulfilling the promise or liability of the consumer regarding the credit under the Contracts Law.  
6/1959 "Credit Interest Rate" means the rate expressed as a fixed or variable percentage applied annually to the credit amount, which is included in the consumer credit agreement and forms the basis for the payment plan.  
21/1989 "Creditor" means the legal persons, excluding banks, who are engaged in the business of granting credit in the course of their permanent profession.  
"Total Cost of the Credit" means the total amount to be paid, excluding the certification fee, including interest, taxes, fees, commissions, insurance and similar legal liabilities and, if any, all kinds of fees under different names.  
"Institution" means the banks and creditors.  
"Central Bank" means the Central Bank of the Turkish Republic of Northern Cyprus.

“Payment Plan” means the table, which is an integral part of the agreement, in which the instalments and terms to be taken as a basis for the repayment of the consumer in the consumer credit agreement, together with the principal, interest, taxes, fees and similar legal liabilities and fees, if any, are separately specified.

“Reference Interest Rate” refers to the interest rate to be taken as a basis in the calculation of interest on variable interest rate credits extended by institutions.

“Fixed Interest Rate” means the interest rate included in the consumer credit agreement that cannot be changed to the detriment of the consumer during the term of the agreement.

“Instalment” means each payment amount, which is the sum of the principal, interest, taxes, fees and similar legal liabilities calculated for each maturity in the payment plan.

“Instalment Date” means the date on which the instalments determined in the payment plan will be paid.

“Consumer” means a natural person acting for commercial or non-professional purposes.

“Consumer Credit” refers to credits used by natural persons for commercial or non-professional purposes.

“Consumer Credit Agreement” means the agreement in which the institution provides a credit or undertakes to provide a credit to the consumer in return for interest or a similar benefit, through the deferral of payment, lending, or similar financing forms.

“Fees” means any monetary amount demanded from the consumer under any name, such as fees, commissions, expenses, etc., excluding interest, taxes, funds and similar legal expenses.

“Annual Cost Rate” means the annual percentage rate to the total credit amount, excluding the certification fee, including interest, taxes, fees, commissions, insurance and similar legal liabilities and, if any, all kinds of fees under different names.

Aim 3. The purpose of this Law is to regulate the application procedures and principles of consumer credits and to ensure the protection of consumer rights by determining the obligations and liabilities of institutions providing consumer credits.

Scope 4. This Law covers consumer credits and parties to consumer credit agreements.

## PART TWO

### Principles and Procedures of Consumer Credit Agreements

Consumer Credit Agreements 5. (1) Consumer credit agreements shall be made in writing. On the day the consumer credit agreement is signed, a signed copy must be given to the consumer and, if any, to the guarantor or guarantors.

(2) The institution that has not concluded a valid consumer credit agreement cannot later claim the invalidity of the agreement to the detriment of the consumer. The conditions stipulated in the consumer credit agreement cannot be changed to the detriment of the consumer.

(3) The language used in consumer credit agreements shall be Turkish. Upon the request of foreign consumers whose native language is not Turkish, an English translation of the agreement signed in accordance with the original is given to them in return for their signature. A true copy of the translation signed by the consumer shall be kept in the credit file.

- (4) The minimum mandatory details to be included in consumer credit agreements are as follows:
  - (A) Name, surname/title, identity and address information of the consumer and the guarantor or guarantors, if any, as well as the title, full address, telephone number of the institution, and other contact information, if any,
  - (B) Principles and procedures regarding the notification of address changes,
  - (C) Type and amount of the credit,
  - (Ç) In addition to the credit interest rate type and annual cost rate;
    - (a) The interest rate for fixed-rate credits,
    - (b) In variable interest rate credits, the reference interest rate that will form the basis of the interest rate and the margin interest rate to be calculated by the institution,
  - (D) Information on all kinds of fees to be requested from the consumer and the rules for amending them,
  - (E) In fixed-term credit agreements, the period of the credit agreement,
  - (F) Total cost, payment plan and/or repayment amount of the credit in fixed-term credit agreements,
  - (G) For indefinite-term credits, the time and method of notification of the credit limit, the conditions for increasing or decreasing the credit limit,
  - (H) Type of collateral, procedure, cost and validity period of collateral,
  - (I) The consumer's right to make early payment in fixed-term consumer credits, the liability of the institution to make a discount based on the amount paid, and early repayment charge,
  - (İ) In case that the consumer does not make the payments on the payment date and/or in case of delay, the legal consequences, including the default interest rate, if any, and
  - (J) Procedures and terms regarding the termination of the credit agreement.
- (5) Debt securities are issued in accordance with the consumer credit agreement and cannot be different from the consumer credit agreement. In the case of issuing only debt security, the security shall contain all the elements that must be included in the consumer credit agreement.

Preliminary  
Information

6. (1) Before signing any consumer credit agreement, the necessary preliminary information is provided to the consumer in writing and/or in other durable medium. The burden of proof rests with the institution that the preliminary information has been given to the consumer.
- (2) The minimum mandatory details that must be included in the credit preliminary forms are as follows;
  - (A) The type of credit and the credit amount requested by the customer, including the purpose of use of the credit,
  - (B) Information in subparagraphs (Ç), (D), (E), (F), (G), (H), (I) and (İ) of paragraph (4) of Article 5 of this Law,
  - (C) Detailed information on the documents to be requested during the credit allocation process.

- (3) The period when the information given to the consumer will be binding for the parties is written on the preliminary information forms in a way that leaves no doubt.

Right of  
Withdrawal

7. (1) The consumer has the right to withdraw within 14 (fourteen) days from the date of signing the consumer credit agreement without any justification and without paying any penalty. The consumer shall submit his/her withdrawal request to the institution in writing and/or in another durable medium accessible to the institution with a certified mail within due time.
- (2) Pay to the institutions the capital and the interest accrued thereon from the date the credit was drawn down until the date the capital is repaid, without any undue delay and no later than 30 (thirty) days after the despatch by him to the institution of notification of the withdrawal. The interest shall be calculated on the basis of the agreed borrowing rate. The institution shall not be entitled to any other compensation from the consumer in the event of withdrawal, except compensation for any non-returnable charges paid by the organisation to any public administrative body.

Consumer  
Solvency

8. Institutions cannot extend credit to the consumer without the consumer's request in a written and/or in a durable medium. Before extending consumer credits, institutions have to research the solvency of the consumer and, if any, the guarantor or guarantors.

### PART THREE

#### Principles and Procedures on Interest and Fees

Principles of  
Variable Interest  
Rate

9. (1) The reference rates to be taken as a basis by the institutions in the application of variable interest rates in consumer credits shall be determined by the Central Bank, taking into account the generally accepted interest rates in the markets.
- (2) Institutions are obliged to include the current reference interest rates, if any, on their official web pages in order to ensure that the consumer can easily access them.
- (3) In consumer credits with a variable interest rate, the margin to be added to the reference interest rate determined in the consumer credit agreement cannot be changed to the detriment of the consumer during the term of the agreement.
- (4) In consumer credits with a variable interest rate, the credit interest rate is updated every three months at the instalment maturity and is applied from the date of the next instalment maturity. However, excluding the interest rate changes in favour of the consumer, the first interest rate change on the credit is made at the end of the twelfth month following the effective date of the agreement.
- (5) In case of a change in the credit interest rate in consumer credit agreements with variable interest rates, the consumer and the guarantor or guarantors, if any, are notified in writing and/or in a durable medium at least thirty days before the change becomes effective. This notice includes details on the amount and number of payments to be made after the new credit interest rate becomes effective. If the credit interest rate is increased, the new credit interest rate cannot be applied retrospectively.

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| Interest Rate and Fees in Fixed-Term Consumer Credit Agreements      | <p>10. (1) In fixed-term consumer credit agreements, the interest rate can be fixed or variable. Institutions have to offer both alternatives to consumers.</p> <p>(2) In the event that only credit-related transactions are made from the deposit account opened for the transactions related to fixed-term consumer credits, the consumer cannot be charged any fees for this account. This account is closed upon the payment of the credit.</p> <p>(3) In fixed-term consumer credit agreements, the period for which no default interest will be applied is clearly stated.<br/>                 However, this period cannot be less than fifteen days.</p>   |
| Interest Rate and Fees in Indefinite-Term Consumer Credit Agreements | <p>11. (1) For indefinite-term consumer credits, if the whole credit is paid off and no longer used by the consumer within sixty days at the latest from the date of notification of the interest rate change to the consumer, the credit is not affected by the interest increase. In the event that if the whole credit is paid off and no longer used by the consumer during this period, the old interest rate is applied to the period between the date of notification and the date of credit pay-off. The over-charged interest shall be refunded to the consumer.</p> <p>(2) Unless the consumer requests otherwise, for indefinite-term consumer credits, the consumer is informed at least once every three months in writing or another durable medium.</p> <p>(3) In cases arising from indefinite-term consumer credit agreements and where the institution allows exceeded limit, no default interest or any interest rate different from the rate specified in the agreement, cannot be applied.</p> |
| Annual Percentage Rate Table   | <p>12. The annual percentage rate of charge, equating, on an annual basis, to the present value of all commitments (drawdowns, repayments and charges), future or existing, agreed by the institution and the consumer, shall be calculated in accordance with the mathematical formula set out in the table attached to this Law.</p>  |

#### PART FOUR

##### Special Provisions Regarding Consumer Credit Agreements

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|-----------------|--|
| Early Repayment | <p>13. (1) The consumer shall be entitled at any time to discharge fully or partially his obligations under a credit agreement. In such cases, he shall be entitled to a reduction in the total cost of the credit, such reduction consisting of the interest and the costs for the remaining duration of the agreement.</p> <p>(2) Compensation for early repayment shall not be claimed in the case of variable borrowing rates.</p> <p>(3) In the event of early repayment of credit the organisation shall be entitled to fair and objectively justified compensation for possible costs directly linked to early repayment of credit provided that the early repayment falls within a period for which the borrowing rate is fixed and the first twelve-month period for which the borrowing rate variable. This early repayment may not exceed 1 % of the amount of credit repaid early if the period between the early repayment and the agreed termination of the credit agreement exceeds one year. If the period does not exceed one year, the compensation may not exceed 0.5 % of the amount of credit repaid early.</p> |
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- (4) This early repayment charge can only be claimed by the institution if the early repayment amount exceeds twenty (20) times the monthly minimum wage within every twelve months.
- (5) Any compensation shall not exceed the amount of interest the consumer would have paid during the period between the early repayment and the agreed date of termination of the credit agreement.

Credit Insurance 14. In consumer credits, an insurance contract relevant to the credit may be requested by the institutions. If the consumer demands the insurance to be issued by another insurance company, the guarantee provided by this insurance company must be accepted by the institution which provided the credit. This insurance must be compatible with the credit subject, remaining debt amount and maturity.

Linked Credit Agreements 15. (1) A linked credit agreement is an agreement in which consumer credit is given exclusively for financing a contract for the purchase of a particular housing, good or service, and these two agreements objectively form an economic union.

(2) An economic union is considered to exist if at least one of the following conditions exists:

- (A) The institution's use of the service of the provider of housing, goods or services during the signing or preparation of the consumer credit agreement.
- (B) A clear indication of the provision of a particular housing, goods or services in the consumer credit agreement.

However, without a specific contract between the institution and the provider of housing, goods or services, credits provided by the institution by making the payment of the housing, goods or services determined by the consumer, shall not be considered as linked credits.

(3) If the consumer withdraws from the contract regarding the purchase of housing, goods or services and the withdrawal is notified to the institution within the withdrawal period stipulated in Article 7 of this Law, the linked credit agreement terminates without any liability to pay any early repayment charge or any other penal obligation.

(4) For linked credits, in case the housing, goods or services are not delivered or are not delivered or performed properly, the consumer has the right to terminate the sales contract or demand a reduction in the price. In case of exercising these rights, the first institution that provides housing, goods or services will be solely and severally liable to the consumer.

- (A) If the consumer uses his/her right to demand a reduction in the price, the linked credit is also reduced and the payment plan is changed accordingly.
- (B) If the consumer exercises his/her right to terminate the agreement, the payment made until that day is returned.

(5) Liability of the institution within the scope of paragraph (4) of this article shall be for,

- (A) 1 (one) year upon the date on which the housing or goods specified in the sales contract and the linked credit agreement must be delivered or the services must be performed, in cases where the housing or goods are not delivered or the services are not performed,



- (B) 1 (one) year, limited to the amount of credit used upon the date on which the housing or goods specified are delivered or the services are performed, in cases where the housing or goods are delivered or the services are performed.

- Transfer of Rights 16. (1) If the institution's rights under a credit agreement or this agreement are transferred to a third party, the consumer and the guarantor or guarantors, if any, have the right to use any defence they have against the first institution, against the transferee.
- (2) The institution is obliged to inform the consumer and the guarantor or guarantors, if any, in writing and/or in a durable medium, regarding the consumer credits transferred to a third party.

## PART FIVE

### Announcements and Advertisements Related to Consumer Credits

- Principles of Announcements and Advertisements 17. (1) Institutions are obliged to act honestly and realistically, in accordance with legal regulations, in their announcements, advertisements and promotions on consumer credits, and the promotion and marketing of their products and services.
- (2) Institutions cannot include expressions or phrases in their announcements, promotions and advertisements that disparage other institutions and organizations or the products and services of other institutions and organizations, and that may cause unfair competition.
- (3) Written advertisements and announcements for consumer credits containing any credit interest rate and/or fee must contain the minimum and standard information specified. This standard information should be clear, precise, concise and conspicuous, and should be elaborated with examples.
- (4) In cases where insurance and similar peripheral service related to consumer credits are obligatory, this obligation shall also be included clearly and visibly.

## PART SIX

### Supervisory Authority

- Supervisory Authority 18. (1) Within the scope of the provisions of this Law, the Central Bank is authorized to carry out all kinds of audits in the institutions upon complaints and/or on its motion.
- (2) Institutions shall provide all kinds of information and documents requested on paper or computer and/or in any medium, in a timely, complete and direct manner during the audits carried out by the Central Bank, and to provide any support requested for audit purposes.
- (3) Institutions shall submit all kinds of information, documents and, if available, reports and financial statements to the Central Bank in a timely, complete and accurate manner.
- (4) Central Bank may request the implementation of the necessary precautions and elimination of the contradictions within the period it has determined, and without prejudice to the criminal proceedings to be carried out.

- (5) The institutions shall take the measures requested by the Central Bank and the relevant measures to the Central Bank.

PART SEVEN  
Miscellaneous Provisions

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| Liability of the Banks Association                 | 19. Banks Association is obliged to publish on its official website the system that enables the calculation of the annual percentage rate in the Table attached to this Law and the reference interest rates determined by the Central Bank.  |
| Liability of the Institutions Regarding Complaints | 20. Institutions are obliged to review the complaints received from consumers and their guarantor or guarantors, if any, within 30 (thirty) days at the latest and give feedback to the consumer in writing and/or in a durable medium.   |
| Record Keeping                                     | 21. Institutions are obliged to keep the originals of the documents related to this Law or their true copies or duplicates in a way that it can be submitted upon request, for 12 (twelve) years.   |
| Authority to Issue Notification                    | 22. (1) (A) Details and exceptions on the practices, including the principles and procedures and obligations regarding agreements, preliminary information, announcements and advertisements regarding consumer credits, reference interest rate, credit interest rate and fees, annual percentage rate, right of withdrawal, early repayment, transfer of rights, insurance, linked credit and notification,<br>(B) Principles and procedures related to the credit amount, maturity, collateral and the institution's liabilities regarding the credit provided to the consumer, and principles and procedures for determining the solvency of the consumer shall be regulated with a notification issued by the Central Bank.<br>(2) The Central Bank may also introduce various criteria, standards and limitations in order to ensure that the consumer credits are offered in a transparent, comparable, understandable, and accessible manner. |

PART EIGHT  
Administrative Fines, and Offences and Penalties

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| Authority and Method in Administrative Fines and Penalties | 23. (1) (A) Central Bank shall request a written defence from the concerned party in case of a violation of this Law. This defence shall be given in writing to the Central Bank within 1 (one) month from the date of the notification.<br>(B) If the defence is not submitted within the period specified in subparagraph (2) above, the relevant party shall be deemed to waive its right of defence.<br>(C) (a) If the defence is not submitted within the specified period or the submitted defence is not deemed sufficient, the relevant institution, natural or legal person shall be imposed an administrative fine by the Central Bank in accordance with the provisions of this Law. |
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- (b) The administrative fines imposed by the Central Bank shall be notified in writing to the related party by giving justification.
- (2) (A) An administrative fine amounting to 10 (ten) times the monthly minimum wage is imposed on the relevant institution, natural or legal person who violates the rules of Article 7, Article 13, Article 14, Article 15, paragraph (2) of Article 16 and Article 20 of this Law.
- (B) An administrative fine amounting to 25 (twenty-five) times the monthly minimum wage is imposed on the relevant institution, natural or legal person who violates the rules of Article 5, Article 6, Article 8, Article 9, Article 10 and Article 11 of this Law.
- (C) In case of non-compliance with the notifications, decisions taken and other regulations issued by the Central Bank under this Law, an administrative fine amounting to 80 (eighty) times the monthly minimum wage is imposed on the relevant institution, natural or legal person.
- (3) Administrative fines that banks are obliged to pay within the scope of this Law are recorded in the Savings Deposit Insurance and Financial Stability Fund as income, and administrative fines that creditors are obliged to pay are recorded to the Treasury as income.
- (4) Administrative fines imposed in accordance with the procedure specified in this Law shall be paid within 1 (one) month following the notification date. The administrative fines not paid within the period shall be considered as public receivables and collected in accordance with the Law on Procedures of Collection of Public Receivables.
- (5) The right of institutions and other relevant persons to resort to the jurisdiction is reserved for the administrative fines imposed in accordance with the rules of this Article.
- (6) An administrative fine, which is foreseen to be imposed and/or an imposed administrative fine in accordance with the rules laid down in this Article shall not remove the criminal liability of a violation which is defined as a crime under this Law or any other Law.

48/1977  
 28/1985  
 31/1988  
 31/1991  
 23/1997  
 54/1999  
 35/2005  
 59/2010  
 13/2017

Offences and Penalties

- 24. (1) In case of violation of paragraphs (1) or (2) or (3) or (4) of Article 17 of this Law, executives of the institution who instruct the unlawful action shall be considered to have committed a crime and in case of conviction, they may be sentenced with a fine of up to 50 (fifty) times the monthly minimum wage or up to three years of imprisonment or both. In addition, the court may decide to recall and seize all kinds of documents, announcements and advertisements used during the criminal investigation phase.
- (2) Persons who do not provide the information and documents requested by the Central Bank or prevent the fulfilment of the audit task and/or executives of an institution who instructed the relevant persons, shall be considered to have committed a crime and in case of conviction, may be sentenced with a fine of up to 50 (fifty) times

the monthly minimum wage or up to three years of imprisonment or both.

- (3) Persons who violate the obligation to keep documents pursuant to this Law and/or the executives of the institution who gave instructions to the person in question shall be considered to have committed a crime and in case of conviction, may be sentenced with a fine of up to 50 (fifty) times the monthly minimum wage or up to three years of imprisonment or both.
- (4) Persons who do not fulfil and/or continue not to fulfil their obligations despite the administrative fines imposed in accordance with this Law shall be considered to have committed a crime and in case of conviction, may be sentenced to a fine of up to 80 (eighty) times the monthly minimum wage or up to seven years of imprisonment or both.
- (5) If the act or acts that constitute a criminal offense under this Law requires a penalty under other laws, it shall not prevent the proceedings under the relevant laws. The articles which require the responsibility of the Criminal Procedure Law shall be reserved.

#### Chapter 154

3/1962  
43/1963  
15/1972  
20/1974  
31/1975  
6/1983  
22/1989  
64/1989  
11/1997  
20/2004  
41/2007  
20/2014  
45/2014  
26/2018  
14/2020

### PART NINE Transitional Provisions

Transitional  
Article  
Provision on  
Consumer Credit  
Agreements  
Concluded Before  
the Effective Date  
of This Law

1. Regarding consumer credit agreements concluded before the effective date of this Law, which is not considered as non-performing credits and/or has not been the subject of litigation, if requested by the consumers from the relevant institution in writing and/or in a durable medium within 6 (six) months from the executive date of this Law, the provisions of this Law shall apply. Additional agreements to be made under any name regarding the implementation of this provision are exempt from all kinds of taxes, duties and charges.

Transitional  
Article  
Penalty for  
Violation of  
Transitional  
Article 1

2. Persons who don't apply the provisions of this Law to consumer credit agreements or prevent the implementation of this Law, don't fulfil its obligations or prevent it from being fulfilled, in violation of the Provisional Article 1 of this Law, despite the consumer's request in written and/or in durable medium and/or executives of an institution who instructed the relevant persons, shall be considered to have committed a crime and in case of conviction, may

be sentenced with a fine of up to 50 (fifty) times the monthly minimum wage or up to three years of imprisonment or both.

PART TEN  
Final Provisions

Executive Power      25. This Law shall be conducted by the relevant Ministry.

Effective Date        26. This Law shall enter into force on the 90th day following its publication in the Official Gazette.

TABLE  
(ARTICLE 12)

CALCULATION OF ANNUAL PERCENTAGE RATE

The annual percentage rate is a percentage rate that is the total cost calculated by adding to the credit interest rate to all fees paid for the credit requested by the consumer from the institutions. It is a legal obligation of the institutions such as banks to notify the annual percentage rate of the credit as the credit interest rate is notified to the consumers.

$$\sum_{k=1}^m C_k (1+X)^{-t_k} = \sum_{l=1}^{m'} D_l (1+X)^{-S_l}$$

Annual percentage rate calculations should be made based on the formula above.

The definitions of the letters and symbols used in the formula;

X = Annual percentage rate (the ratio equal to the annual sum of the present value of the liabilities, including interest, fees, taxes, and similar liabilities accepted to be paid by the consumer)

m = Number of the last instalment of the credit

k = number of any payments made by the institution (  $1 \leq k \leq m$  )

C<sub>k</sub> = the amount of the payment specified in k

t<sub>k</sub> = Number of years between the first payment date and each subsequent payment date and the number of intervals expressed as fractions of a year (t<sub>1</sub>=0)

m' = Number of last repayment or fee payment made by the consumer

l = number of any repayments or fees paid by the consumer

D<sub>l</sub> = amount of any repayments or fees paid by the consumer

S<sub>l</sub> = Number of years between the first payment date and each subsequent repayment date and the number of intervals expressed as fractions of a year