



**SCREENING CHAPTER 28
CONSUMER AND HEALTH PROTECTION**

AGENDA ITEM XI: CONSUMER CREDIT

**Country Session: The Republic of TURKEY
6-7 July 2006**

LEGAL BASIS

- **LAW NO. 4077 ON CONSUMER PROTECTION AMENDED BY LAW NO. 4822 (OG No: 25048, 14 March 2003)**

Came into force on 14 June 2003

- **BY-LAW ON RULES AND PROCEDURES FOR EARLY REPAYMENT DISCOUNT FOR CONSUMER CREDITS AND CALCULATION OF ANNUAL COST RATE (OG No: 25137, 13 June 2003)**

Came into force on 14 June 2003

(Law and By-law cover the minimum requirements of Directive 87/102/EEC on Consumer Credit)



COMPETENT AUTHORITY

THE MINISTRY OF INDUSTRY AND TRADE

DG FOR PROTECTION OF CONSUMER AND COMPETITION

LAW ON CONSUMER PROTECTION (ARTICLE 10)

- **Consumer credit means any credit received in cash by a consumer from the creditor for the purpose of obtaining a good or service.**
- **Consumer credit agreement shall be made in writing, and a copy of which shall be given to the consumer.**
- **The credit terms specified in the contract concluded cannot be changed to the detriment of the consumer during the term thereof.**



LAW ON CONSUMER PROTECTION (ARTICLE 10)

The contract shall contain:

- Amount of credit,
- Total amount of debt including interest and other items,
- Annual interest rate,
- Repayment plan specifying dates, principal amount, interest, fund and other charges,
- The guarantees required,



LAW ON CONSUMER PROTECTION (ARTICLE 10)

The contract shall contain:

- Legal consequences of the debtor's default,
- Terms for the prepayment of loan,
- The terms regarding exchange rate when the credit is given in a foreign currency,



LAW ON CONSUMER PROTECTION (ARTICLE 10)

RIGHTS AND LIABILITIES OF THE CREDITOR IN THE EVENT THAT CONSUMER DOES NOT PAY THE INSTALLMENT

- **If the creditor reserves the right that the rest of the credit will be discharged in the event that one or more of the instalments are not repaid, such right can be exercised only if:**
 - the creditor performs all its obligations,
 - the consumer has defaulted at least on two consecutive instalments,
- **For exercising this right the creditor must give at least a week's notice of acceleration.**
- **Where a personal security is given as collateral for the consumer credit, the creditor may not demand the guarantor to repay the debt without first having recourse to the principal obligor.**



LAW ON CONSUMER PROTECTION (ARTICLE 10)

RIGHT OF EARLY REPAYMENT

- The consumer may prepay the total amount owed or one or more instalments before maturity.
- In either case, the creditor is obliged to make the reduction in interest and fees corresponding to the sum prepaid according to the By-law.



LAW ON CONSUMER PROTECTION (ARTICLE 10)

SELLING THE GOODS AND SERVICES BY MEANS OF CREDIT CONTRACT

Where the creditor grants the credit on condition that a sales contract is:

- concluded with a specified seller or supplier, or**
- for the purchase of a specified brand of goods or services,**

the creditor shall be liable to the consumer severally with the seller or supplier, in case the good or service sold is not delivered or performed in time.



LAW ON CONSUMER PROTECTION (ARTICLE 10)

PAYMENT BY BILLS, PROMISSORY NOTES, CHEQUES:

- Linking the payments to a negotiable instrument or taking the credit under guarantee by accepting a negotiable instrument is forbidden.
- If the creditor takes a negotiable instrument from the consumer despite the ban, he shall be liable for any damages suffered by the consumer due to endorsing of the negotiable instrument.



By-Law on Rules and Procedures for Early Repayment Discount for Consumer Credits and Calculation of Annual Cost Rate

Definitions (Article 4):

- **Consumer Credit Agreement**
- **Creditor**
- **Consumer**
- **Contractual interest rate**
- **Commission amount**
- **Early repayment**
- **Minimum payment amount**
- **Payment Plan**
- **Installment**
- **Maturity for installments**
- **Annual cost rate**



By-Law on Rules and Procedures for Early Repayment Discount for Consumer Credits and Calculation of Annual Cost Rate

Early Repayment (Article 5):

- **The consumer may prepay the total amount owed or one or more instalments before maturity.**
- **Early repayment may not be below the minimum amount of payment.**
- **In this case the creditor may not require any additional amounts under any name.**



By-Law on Rules and Procedures for Early Repayment Discount for Consumer Credits and Calculation of Annual Cost Rate

Repayment of one or more instalments before maturity (Article 6)

In case of repayment of one or more undue instalments before maturity, a discount is made:

- in the amount of the interest to be calculated in respect of the contractual interest rate over the principal amount included in the amount paid earlier,**
- number of days of early repayment, total of public liabilities to be calculated on the interest and amount of commission.**

Interest discount is made according to the formula provided in Annex I of the By-Law.



By-Law on Rules and Procedures for Early Repayment Discount for Consumer Credits and Calculation of Annual Cost Rate

EARLY REPAYMENT OF THE TOTAL CREDIT (ARTICLE 7)

- **In case of early repayment on maturity of instalment, the following are discharged:**
 - **due instalments,**
 - **remainder of the principal debt in the instalment amounts plus interests**
 - **public liabilities unpaid up to the date of repayment, if any.**
- **In case of early repayment between the dates of two instalments the following are discharged:**
 - **interest accruing to the principal amount between last paid instalment and early payment date,**
 - **principal amount debt within the amounts remaining as from the date of the last instalment,**
 - **not discharged interest and public liabilities.**



By-Law on Rules and Procedures for Early Repayment Discount for Consumer Credits and Calculation of Annual Cost Rate

Annual Cost Rate (Article 8):

Annual cost rate is calculated according to the formula provided in Annex II of the By-Law excluding the following:

- Default interest rate.**
- If the creditor gives a credit on condition that the consumer purchases a certain trademark goods or service or concludes a sale contract with certain seller or supplier, any values apart from sale price of the goods or service, which should be paid by consumer.**
- Except for situations where consumer does not have reasonable freedom to decide at his/her discretion or where prices payable are far above the normal prices , prices concerning fund transfers and maintenance of an account opened for collection of credit repayments, interest payments and other costs and charges. However, costs incurred from collection of such payments or repayments shall be included in calculation of annual cost rate.**



By-Law on Rules and Procedures for Early Repayment Discount for Consumer Credits and Calculation of Annual Cost Rate

Annual Cost Rate (Article 8):

- **Membership dues resulting from contracts other than credit agreements, even if they have a certain impact on credit terms.**
- **In the event of death, injury, disease or unemployment of the consumer, insurance or security costs other than prices intended to be paid to the creditor in an amount equal to the total of the credit or less than such credit, together with the legal interest and other stipulated costs for release of credit by creditor.**



By-Law on Rules and Procedures for Early Repayment Discount for Consumer Credits and Calculation of Annual Cost Rate

Annex – I of the By-Law

Calculation of Discount Amount in case of Early Repayment

**Discount Amount =
(Principal within respective instalment x number of days of early
repayment x annual contractual interest rate) / 36000**

By-Law on Rules and Procedures for Early Repayment Discount for Consumer Credits and Calculation of Annual Cost Rate

Annex – II of the By-Law

Equation Expressing the Equivalence Between Repayment and Costs and Amount of Credit

$$\sum_{K=1}^{K=m} \frac{AK}{(1+i)^{tK}} = \sum_{K^1=1}^{K^1=m^1} \frac{A^1K^1}{(1+i)^{tK^1}}$$



THANK YOU FOR YOUR ATTENTION