

CONSUMER CREDITS LAW
(O.G. 197 12.10.2020, O.G. 54 03.03.2021, O.G. 146 01.07.2021, O.G. 261 29.11.2021
amended and consolidated)
(Law No. 31/2020)
Notification under Article 22

The Central Bank of the Turkish Republic of Northern Cyprus shall issue the following Notification based on the authority granted by Article 22 of Consumer Credits Law No. 31/2020 of the Turkish Republic of Northern Cyprus:

Short Title 1. This Notification may be cited as the “Notification on Consumer Credits”.

PART ONE
General Provisions

Definitions 2. In this law, unless the text otherwise requires;
“Linked Credit Agreement” means an agreement wherein a consumer agreement is exclusively provided to finance a contract for the purchase of a specific housing, good, or service, and these two agreements inherently establish an economic association.

62/2017 “Bank” means the banks operating under the Banking Law of the Turkish Republic of Northern Cyprus.

“Fixed-Term Consumer Credit” means loans in which the maturity date is explicitly agreed upon by the parties at the time of signing the consumer credit agreement.

“Indefinite-Term Consumer Credit” means loans in which the maturity date is not agreed upon by the parties at the time of signing the consumer credit agreement.

“Durable Medium” means any tool and/or medium, such as short message (SMS), electronic mail, internet, memory card, digital disk, DVD, and any similar tools and/or medium, which enables consumers to store the sent or received information in a manner that is easily accessible in the future. It also allows access to stored information without making any modifications.

“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.

62/2017 “Non-performing Loans” 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.

“Guarantor” means the natural and/or legal person who gives the guarantee of fulfilling the promise or liability of the consumer regarding the loan provided under the Contracts Law.

“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.

“Creditor” means the legal persons, excluding banks, who are engaged in the business of granting loan as a permanent profession.

“Total Cost of the Credit” means the total amount to be paid, excluding the certification fee, and including interest, taxes, fees, commissions, insurance, and similar legal liabilities as well as any other fees under different names, if applicable.

“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, specifying the instalments and terms for the repayment of the consumer in the consumer credit agreement. The table includes details such as the principal, interest, taxes, fees, and similar legal liabilities, as well as any other applicable fees, separately specified.

“Fixed Interest Rate” means the interest rate specified in the consumer credit agreement that remains unchanged throughout the term of the agreement, ensuring it cannot be modified to the disadvantage of the consumer.

“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 non-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 loan or undertakes to provide a loan 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.

31/2020

“Law” means the Consumer Credits Law.

“Annual Percentage Rate of Charge” means the total cost of credit expressed as an annual percentage rate of the total amount, including interest, taxes, fees, commissions, insurance, legal expenses, and, if applicable, any other kinds of fees under different names, but excluding any certification fees.

Aim

3. The purpose of this Notification is to determine the principles and procedures regarding the implementation of the Law.

Scope

4. Institutions operating in the Turkish Republic of Northern Cyprus and parties to consumer credit agreements are subject to the rules of this Notification.

PART TWO

Preliminary Information Forms and Joint Provisions in Consumer Credit Agreements

Preliminary
Information Forms
and Joint
Provisions in
Consumer Credit
Agreements

5. (1) The preliminary information forms and consumer credit agreements shall be written using a font size of at least twelve points, and commonly preferred and legible fonts such as Arial, Times New Roman, or Calibri. The language used should be understandable, and the content should be presented clearly and legibly. It is mandatory to provide the consumer with a copy of the preliminary information forms signed by all parties, as well as a copy of the consumer credit agreements to both the consumer and, if applicable, the guarantor(s). These copies can be provided in writing and/or through durable media. The institution extending the loan bears the burden of proof to demonstrate that these documents have been provided to the respective parties.
(2) It is mandatory to provide the consumer with information regarding any fees that will be charged to them in accordance with the preliminary information forms and consumer credit agreements. These details, along with the rules regarding their amendment, shall be provided in writing and/or through durable media as an annex to the preliminary information form and consumer credit agreement. The burden of proof, demonstrating that this information has been provided to the consumer, rests with the institution.

- (3) The language used in preliminary information forms and consumer credit agreements shall be Turkish. Upon the request of foreign consumers whose native language is not Turkish, they shall be provided with the signed preliminary information form and the original English translation of the consumer credit agreement upon their signature. The institution shall keep an original copy of the translation signed by the consumer in the consumer's credit file.
- (4) Preliminary information forms and consumer credit agreements must be prepared in accordance with the nature of the transaction and product and, if applicable, with the applicable legislation.

PART THREE

Principles and Procedures on Preliminary Information Forms

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| Preliminary Information Requirement | 6. Prior to signing a consumer credit agreement, it is essential to provide the consumer with the necessary preliminary information in writing and/or through another durable medium. This should be done based on the consumer's preferences and the information they have provided, enabling them to compare various offers and make an informed decision, taking into account the terms and conditions offered by the institution. |
| Components of Preliminary Information Forms | 7. (1) Preliminary information forms are drawn up as in Annex-1.
(2) (A) If there are any special conditions in addition to the information provided in the Annex-1 form, this information shall be provided as an annex to the preliminary information form.
(B) The consumer must be informed about the content of the linked credit agreements, which are considered as special terms.
(3) The Annex-1 form provided to consumers by the institution shall include the name, address, and contact information of the institution. |

PART FOUR

Principles and Procedures on Consumer Credit Agreements

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| Components of Consumer Credit Agreements | 8. (1) 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(s), if any, as well as the title, full address, telephone number of the institution, and other contact information, if any, |
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- (B) Principles and procedures regarding the notification of address changes,
- (C) Type and amount of the loan,
- (C) In addition to the credit interest rate type and annual percentage rate of charge;
 - (a) The interest rate for fixed-interest consumer credits,
 - (b) For variable-interest-rate consumer credits, the reference interest rate that will form the basis of the interest rate, the margin determined by the institution, the dates of interest rate changes, and information on how the consumer can monitor the reference interest rate,
- (D) Information on all kinds of fees to be requested from the consumer and the rules for amending them,
- (E) Term of the credit agreement in fixed-term consumer credit agreements,
- (F) Total cost, payment plan, and/or repayment amount of the credit in fixed-term consumer credit agreements,
- (G) For indefinite-term consumer credits, the time and method of notification of the credit limit, and the conditions for increasing or decreasing the loan limit,
- (H) Type of collateral to be provided, the procedures and principles regarding the collateral, and the rule on the release of the collateral upon the closing of the loan,
- (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 compensation,
- (i) The legal consequences of the consumer's failure to make payments on the payment date, including the late payment interest rate, if any,

- (J) In cases where the consumer credit needs to be insured, if the consumer submits a policy from an insurance company other than the one offered by the institution, provided it is compatible with the subject and amount of the loan and meets the conditions required by the institution, the principles and procedures stipulate that this policy will be accepted. The institution will have the right to issue the policy ex officio and to claim and collect the policy amount in cases where the consumer fails to present the new policy at the latest on the expiry date of the policy period and/or does not make the required payment for the policy, which was paid in instalments, resulting in the policy being cancelled,
 - (K) Principles and procedures regarding the termination and/or withdrawal of the consumer credit agreement,
 - (L) If a holiday falls on the instalment due date for consumer credit, the payment is due on the first working day after the day of the holiday,
 - (M) During the term of the consumer credit agreement, certain cases where the institution may request repayment of the loan.
- (2) The debt securities shall be issued in accordance with the consumer credit agreement and must not contain any discrepancies. If a debt security is issued exclusively, it must include all the elements required in the consumer credit agreement.
 - (3) In fixed-term consumer credit agreements, the payment plan must be handwritten and signed by the parties, kept at the institution as an annex to the consumer credit agreement, and included along with the credit documents. Furthermore, a copy of the payment plan must be provided to the consumer and/or guarantors. Any modifications to the payment plan, as per a fixed-term credit agreement with variable interest rates, must be communicated in writing and/or through durable media to the consumer and/or guarantors' contact addresses by the institution at least thirty days before the effective date. The burden of proof, demonstrating that the consumer has been notified, rests with the institution.

PART FIVE

Special Provisions on Consumer Credit Agreements

Early Repayment

9. (1) The consumer has the option to make early payments for one or more instalments of the loan used under the consumer credit agreement or to pay off the entire loan debt ahead of schedule. In such cases, the institution is obligated to provide a discount for all required interest and other cost components, based on the early payment amount.
- (2) The institution is entitled to receive compensation for the probable costs directly linked to the early repayment of the loan in the first twelve-month period of fixed-term credits with variable interest rates and in the event of a request for early repayment in the case of credits with fixed interest rates. However, compensation cannot be collected for the portion of the early repayment amounts made by the consumer within each twelve-month period that does not exceed twenty (20) times the monthly minimum wage.
- (3) For the compensation that the institution may receive from the portion of the early repayment amounts made by the consumer exceeding twenty (20) times the minimum wage;
 - (A) If the period between the early repayment date and the maturity date specified in the credit agreement exceeds one year, maximum 1% (one percent) of the early-repaid loan amount.
 - (B) If the period between the early repayment date and the maturity date specified in the credit agreement does not exceed one year, maximum 0.5% (five per thousand) of the early-repaid loan amount.
- (4) The amount of the compensation shall, in any case, not exceed the amount of interest payable for the period between the date of early repayment and the maturity date stipulated in the credit agreement.

PART SIX

Consumer Solvency

Solvency

10. (1) Institutions are obligated to assess the solvency of the consumer and, if applicable, the guarantor(s), before granting consumer credit or allocating a credit limit.
- (2) The institution is obligated to collect income documents from the consumer and, if applicable, the guarantor(s), and to conduct the necessary research.
- (3) Institutions are obligated to request proof of income from consumers during the initial allocation of indefinite-term credits and for any limit increases requested after the initial allocation.

Limitations on
Consumer Credits

11. Institutions are obligated to comply with the following matters when extending consumer credits.
 - (1) For housing acquisitions and loans with housing collateral or financial leasing transactions, the ratio of the credit amount to the value of the house taken as collateral cannot exceed eighty percent (80%). The valuation of the real estate taken as collateral for the loan subject to the limitation must be made by valuation companies authorized by the Central Bank, and these values must be used in the assessment.
 - (2) For auto credits to purchase automobiles by consumers, as well as credits with vehicle collateral or financial leasing transactions, the loan amount cannot exceed seventy-five percent (75%) of the final invoice value of the vehicle. In determining the value of the vehicle for second-hand automobiles, the insurance value is taken as the basis.
 - (3) The maturity of consumer credits cannot exceed seventy-two (72) months, except for loans to be taken for the purchase of housing, housing renovation, and other real estate purchases or for financial leasing transactions and loans to be taken for the refinancing of these loans. Loans against salaries are also considered within the scope of this paragraph.
 - (4) If consumers intend to take loans in foreign currency, they must provide documented income and/or assets in foreign currency, and the declaration in Annex-2 must be obtained from the consumer. For an income-based loan, documented income must be sufficient to cover at least seventy-five percent (75%) of the periodic payment instalment amount.

PART SEVEN

Liabilities on Interest and Fees

Reference Interest
Rate

12. (1) Reference interest rate means the interest rate taken as a basis for interest calculation of variable-interest-rate consumer credit extended by the institutions.
- (2) The reference interest rates for variable-interest-rate consumer credits are as follows:
 - (A) The reference interest rate for the Turkish Lira is the "Turkish Lira Overnight Reference Interest Rate" or TLREF for short.
 - (B) The reference interest rate for US Dollars (USD) is the "Secured Overnight Financing Rate" or SOFR for short.
 - (C) The reference interest rate for the Euro (EUR) is the "Euro Short-Term Rate" or €STR for short.

		(Ç) The reference interest rate for the British Pound (GBP) is the “Sterling Overnight Index Average” or SONIA for short.
		(3) The reference rate for variable-rate credits, to be used by institutions, should be the most recently published rate prior to the date of loans extension or the date of the credit interest rate change.
The Period During Which No Overdue Interest Will Be Charged on Fixed-Term Consumer Credits	13.	In fixed-term consumer credit agreements, the period during which late interest will not be charged for instalments shall be a minimum of fifteen days from the instalment’s due date and must be clearly specified in the consumer credit agreement. Contractual interest will be applied to the instalments during the period when default interest is not applicable. Default interest will be applied for periods exceeding this period.
Fees Related to Consumer Credits	14.	<p>(1) No fee that is not explicitly stated as an amount and/or rate in the annex of the preliminary information forms can be charged under any circumstances.</p> <p>(2) For rejected consumer credit requests, consumers cannot be charged any fees, except for those payments made to public institutions and organizations and/or third parties mentioned in the preliminary information, which can be substantiated with documents.</p> <p>(3) The institution may not charge any fees for documents that consumers request from relevant institutions to confirm their debt-free status.</p> <p>(4) Throughout the term of the consumer credit agreement, no fee, except for the actual postage fee, may be imposed for providing account statements to the consumer via durable media and for printed account statements, which can be provided up to four times a year.</p>
Refund of Overcharged Amounts	15.	The amounts determined by the institutions to have been overcharged from the consumer in connection with the consumer credit shall be transferred, free of charge, to the account specified by the consumer or paid in cash upon the consumer's request.
Obligation of Disclosure	16.	<p>(1) Institutions are obligated to publish the current version of the annual percentage rate of charge and the fees associated with the credit in a clear, understandable, and easily accessible manner in all their branches and on their websites, if any.</p> <p>(2) Institutions are obligated to publish the following on their websites, if any:</p>

- (A) Reference interest rates under paragraph (2) of Article 9 of the Law,
- (B) A copy of the contents of the preliminary information forms and consumer credit agreements issued under this Notification.

Statement of Account for Indefinite-Term Consumer Credits

17. For indefinite-term consumer credits, unless otherwise requested by the consumer, written and/or durable media notifications are sent to the communication address provided by the consumer at least quarterly. The essential components to be included in the notification are as follows:
- (1) The term of the statement,
 - (2) Credit allocation amounts and dates,
 - (3) The balance of the previous statement and its date,
 - (4) Limit information,
 - (5) Current balance,
 - (6) Dates and amounts of payments made by the consumer,
 - (7) Applicable credit interest rate and amount,
 - (8) Overdue interest rate and amount,
 - (9) Any fees applied,
 - (10) The minimum rate and amount payable, if required.

PART EIGHT

Miscellaneous Provisions

Announcements and Advertisements Related to Consumer Credits

18. (1) Written announcements and advertisements for consumer credits containing any credit interest rate and/or fees shall contain the minimum and standard information specified in paragraph (2) of this Article. This standard information should be clear, precise, concise, and noticeable and it should be elaborated with examples.
- (2) In addition to the annual percentage rate of charge to be applied for written announcements and advertisements, the following shall be included, if any:
- (A) Total loan range,
 - (B) Term of the consumer credit agreement,
 - (C) Total amount payable and instalments,
 - (C) Insurance and similar ancillary service contracts.

Annual Percentage Rate of Charge	19.	The Banks Association of Northern Cyprus is obligated to publish on its website the links to the original websites of the system and reference interest rates that enable the calculation of the annual percentage rate of charge, as stated in Annex-3.
Obligation of Institutions Regarding Complaints	20.	Within the scope of the provisions of Article 20 of the Law, institutions are obligated to keep a file containing the entire procedure pursued for each complaint in their general/country directorates, available for audit, regardless of whether the consumer complaint is resolved or not.
Penalty Rules	21.	The provisions of this Notification shall be interpreted in conjunction with the provisions of the Law authorizing the issuance of the Notification, and the relevant penalty rules of the Law shall be applied to those who violate the provisions of this Notification.

PART NINE

Transitional Provisions

Transitional Article Consumer Credit Agreements Concluded Before the Effective Date of the Law	1.	Within six (6) months from the effective date of the Law, the relevant institution shall apply the pertinent rules of the Law to existing consumer credit agreements upon receiving a written and/or durable media request from consumers. This provision applies to agreements that are not in the nature of non-performing loans and/or have not been subject to litigation if the agreements are amended. However, the rules regarding the right of withdrawal, linked credit agreements, prior information, and solvency shall not apply.
Transitional Article Provisions on Real Estate Valuation	2.	The implementation of the rules on real estate valuations in this Notification shall commence upon the effective date of the Notification on real estate valuations to be issued by the Central Bank.
Transitional Article Provisions for Restructured Credits	3.	The rules of Article 11 of this Notification shall not apply to credits restructured between March 1, 2021, and July 1, 2021, except in the case of non-performing loans.

O.G. 54

03.03.2021

ANNEX III

A.E. 116

Transitional Article 4. The rules of Article 11 of this Notification shall not apply to credits
Rules for Restructured 4. The rules of Article 11 of this Notification shall not apply to credits
Credits restructured between July 1, 2021, and October 1, 2021, except in
O.G. 146 the case of non-performing loans.
01.07.2021
ANNEX III
A.E. 494

Transitional Article 5. The rules of Article 11 in this Notification shall not apply to credits
Rules for Restructured 5. The rules of Article 11 in this Notification shall not apply to credits
Credits restructured between November 25, 2021, and March 31, 2022,
O.G. 261 except in the case of non-performing loans.
29.11.2021
ANNEX III
A.E. 905

PART TEN
Final Provisions

Effective Date 22. This Notification shall become effective upon the date of its
publication in the Official Gazette.