

New Interest Rates under the Civil and Commercial Code

In response to the impact of the Covid-19 on the economy, the Government of Thailand has issued and implement dozens of financial, monetary, and medical and public health measures in the past 18 months. One of them is the Emergency Decree on the Amendment to the Civil and Commercial Code (“CCC”) B.E. 2564, which was published in the Government Gazette on 10th April 2021 and came into force on 11th April 2021. The Amendment governs the interest rates charged by and payable to non-financial institution lenders/creditors starting from 11th April 2021.

Interest Rate under Section 7

Interest on debts or obligations are payable at the rate of 3% per annum (reduced from 7.5% p.a.) unless expressly agreed otherwise in an agreement or specified otherwise in other laws. The 3% interest rate can be changed to a lower or higher rate by a Royal Decree, which may be issued from time to time, in response to the prevailing economic conditions. Generally, the Ministry of Finance shall review the interest rate every period of 3 years taking into account the interest rates of deposits and loans of commercial banks.

Default Interest Rate and No Compound Interest under Section 224

The new default interest rate is the interest rate under Section 7 plus 2% per annum. However, the creditor can charge a higher default interest rate if there is a legitimate ground for such a higher rate. No compound interest is allowed.

Default Interest Only on Specific Default Principal Amount under Section 224/1

If a debtor fails to pay the installment payment of any installment amount, the creditor can demand a default interest on that default principal amount only. Any provision in an agreement contrary to Section 224/1 is void.



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