

Covid-19 Measures for Financial Relief to Credit Card Customers

2 April 2020

In an effort to provide financial relief to credit card customers in Turkey against the impacts of Covid-19 outbreak, both the Central Bank of Turkey (**Central Bank**) and the Banking Regulatory and Supervision Authority (**BRSA**) have introduced certain amendments to the applicable legislation during the last couple of days.

As per the Communiqué on Maximum Interest Rates to be Applied for Credit Card Transactions, the Central Bank adjusts the monthly cap on individual credit card interest rates on a quarterly basis, which had been continuously reduced during 2019, most recently on 28 December 2019. As published in the Official Gazette dated 28 March 2020, the Central Bank has, with a view to easing the pressure on consumers and businesses during the Covid-19 outbreak, again, lowered the maximum contractual and default interest rates chargeable monthly on credit card borrowings.

According to the amendments to the Communiqué on Maximum Interest Rates to be Applied for Credit Card Transactions (**Amendment to Credit Card Interest Rates**), effective from 1 April 2020, the maximum contractual interest rates for Turkish Lira and foreign currency credit card transactions have been lowered to 1.25% and 1.00% from 1.40% and 1.12%, respectively, whereas the monthly maximum default interest rates have been lowered to 1.55% and 1.30% from 1.70% and 1.42% for credit card transactions in Turkish Lira and foreign currency, respectively.

Also, to be effective as of 1 April 2020, maximum interest rates for credit cards will no longer be announced for three-month periods, but will remain in effect until a further amendment by the Central Bank.

In addition to the amendments lowering the interest rates, the BRSA has also introduced certain amendments to the Regulation on Bank and Credit Cards (**Amendment to Credit Card Regulation**), which was published in the Official Gazette on the same day. According to the Amendment to Credit Card Regulation, the BRSA has become entitled to determine, in consultation with the Central Bank and the Ministry of Treasury and Finance, the minimum mandatory payment amount for the credit cards, which has been set as 30% of the cardholder's total debt for the relevant period under the Regulation on Bank and Credit Cards. Further to this Amendment to Credit Card Regulation, the BRSA lowered, on 30 March 2020, the minimum mandatory payment rate from 30% to 20% of the total debt for the relevant period.

Finally, on 30 March 2020, the BRSA has also toned down the regulatory regime for non-payment of credit card debts by entitling the banks to grant a grace period to their credit card customers, even for the minimum mandatory payment amounts, in their own discretion, until 31 December 2020. Accordingly, Turkish banks will, until 31 December 2020, be entitled to not to apply the applicable provisions of the Law on Bank and Credit Cards, requiring them to cancel the credit cards of, and not to issue a new credit card for, the cardholders failing to pay the minimum mandatory payment amount for the last three-months period.

- Notwithstanding the foregoing measures and amendments, the Central Bank reiterated its recommendation for the credit card users to seek to obtain consumer loans, rather than relying on borrowings through credit cards, having, in each case, regard to pricing and maturity.

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