Laws and Regulations Announcement

Amendments Proposed to the Regulation on Interest Rates Charged by Financial Companies for Delinquent Borrowers

Agency: Financial Services Commission

Proposed amendments: Regulation on Interest Rates Charged by Financial Companies for Delinquent Borrowers pursuant to article 9(4) of the Enforcement Decree of the Act on Registration of Credit Business, etc, and Protection of Finance Users

FSC Notice number: 2018-48

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Summary: The Financial Services Commission proposed amendments to the Regulation on Interest Rates Charged by Financial Companies for Delinquent Borrowers for enhanced borrower protection.

Key provisions

- The penalty interest rate that may be charged by a lending institution for an overdue loan payment may not exceed 3 percentage points above the contracted interest rate.

- In the absence of a standard interest rate table applicable at the time of a borrower default, the lending institution is to propose a reasonably calculated alternative interest rate table, such as (1) an interest rate calculated on the basis of the lending institution’s financing cost and the borrower’s credit worthiness, (2) an interest rate as applicable under the Commercial Act, or (3) an interest rate charged by mutual credit cooperatives for household lending on the basis of the weighted average interest rates of non-bank lenders as compiled by the Bank of Korea.

Public comment for the proposed amendments: The public comment period for the proposed rule change ends on March 20, 2018.