

Interest rate ceiling increased in Cyprus

In Cyprus, the interest rate ceiling, introduced on April 29 2011 by an amendment to the Criminal Code has been increased.

Calculated and published by the Central Bank of Cyprus quarterly, the ceiling which was initially set at 12.18%, has now increased to 12.57%.

The interest rate ceiling is calculated using a formula based on half the average bank lending rate of the previous year (including commissions and the other charges that banking institutions charge on consumer loans), plus a margin of between five and 10 percentage points, which varies according to various risk factors.

The interest ceiling notably applies to lenders that are not financial institutions and catches interest received or charged on granting of loans, extension of repayment, pre-payment and renewal. Breach of the provisions constitutes an offence. On conviction, a person may be liable to imprisonment of up to five years, a fine capped at €30,000 or both. The new legislation has not yet been tested and it is unclear whether it will apply to non-Cypriot entities that act as lenders or to borrowers (either Cypriot or non-Cypriot).¹

For more information on this subject, please contact Nancy Erotocritou (nancy.erotocritou@harneys.com) in our Cyprus office.

The foregoing discussion and analysis is for general information purposes only and not intended to be relied upon for legal advice in any specific or individual situation.

December 2011

¹ An amendment to this legislation is expected to be proposed whereby intra-group arrangements will be carved out.