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Interest rates

Finland

1 Is "statutory interest" provided for in the Member State? If so, how is "statutory interest" defined in this Member State?

'Statutory interest' in the Finnish legislation means both the interest rate that applies to an outstanding debt before the due date and penalty interest for late payments. Provisions on both types of statutory interest are laid down in the Interest Act (*Korkolaki*, 633/1982). The obligation to pay interest or penalty interest for late payments is determined under the Interest Act, unless otherwise follows from the obligation of the debtor or a commercial practice or unless otherwise provided by law (Interest Act, section 2, subsection 1).

2 If yes, what is the amount/rate and legal basis for it? If different rates of statutory interest are provided for, what circumstances and conditions apply?

Interest payable on debts: The debtor is not liable to pay interest on the period preceding the due date of a debt (Interest Act, section 3, subsection 1).

However, it is possible to agree that interest should be paid. If the liability to pay interest has been agreed without determining the interest rate, the debtor must pay annual interest in accordance with the reference rate referred to in section 12 of the Interest Act (Interest Act, section 3, subsection 2).

The Consumer Protection Act (*Kuluttajansuojalaki*, 38/1978) lays down provisions concerning statutory interest for consumer debtors, in particular with regard to financial debts based on consumer credit.

According to the amendment to the Act that entered into force on 1 September 2019, the borrowing rate on credit taken on by a consumer debtor must not be set at a rate higher than 20% (chapter 7, section 17 a of the Consumer Protection Act). This provision applies to credit agreements concluded on or after 1 September 2019, with certain exceptions. Prior to the entry into force of this provision in September 2019, there was a ceiling on the interest rate linked to the annual credit percentage rate (the reference rate plus 50 percentage points in accordance with section 12 of the Interest Act), but this excluded, among other things, loans of at least EUR 2 000.

Due to the coronavirus situation, an amendment was also made to the Consumer Protection Act whereby the maximum interest rate for some forms of consumer credit was temporarily calculated at 10% (chapter 7, section 17 c of the Consumer Protection Act). This provision is in force from 1 July 2020 until 30 September 2021.

The above-mentioned interest rates may be applied in parallel, depending on factors such as the type of credit (lump-sum or open-ended) and on when the credit was granted or the date on which the open-end credit is drawn.

Interest on late payments: For agreements falling within the scope of the Act on the terms of payment for commercial contracts (*Laki kaupallisten sopimusten maksuehdoista*, 30/2013), the statutory interest on late payments is eight percentage points higher than the reference rate in force at the time in question (Interest Act, section 4 a, subsection 1), i.e. currently the rate is 8.0% (situation in autumn 2020). For other agreements, the statutory interest on late payments is seven percentage points higher than the reference rate in force at the time (Interest Act, section 4), i.e. currently the rate is 7.0% (situation in autumn 2020).

As for consumer debt, the provisions of the Interest Act on penalty interest on late payments are mandatory legislation, and it is not possible to agree on a higher rate of interest on late payments (Interest Act, section 2, subsection 2). However, it should be noted that if the interest on late payment is lower than the interest payable on the debt for the period prior to the due date, the interest on late payment is payable on the same basis as before the due date.

However, where the debtor's commitment relates to a consumer credit agreement, interest for late payment is payable on the same basis as before the due date for a maximum period of 180 days from the date on which the debt is fully due. If the court judgment on the debt is issued before the expiry of this time period, interest must be paid on the same basis as before the due date of the judgment (section 4, subsection 2 of the Interest Act).

For debt other than consumer debt, it is possible to agree on the rate of interest on late payments. However, in contracts falling within the scope of the Act on the terms of payment for commercial contracts, it is not possible to agree that the creditor should not have the right to charge penalty interest on late payments, and if the debtor is a contracting entity, it is not possible to agree on a lower interest rate for late payments than that determined according to section 4 a, subsection 1 of the Interest Act (Act on the terms of payment for commercial contracts, *Laki kaupallisten sopimusten maksuehdoista*, section 8). In the case of payments falling within the scope of the Act on the terms of payment for commercial contracts, interest for late payment is also payable on the same basis as before the due date if the default interest is lower than the interest payable on the debt for the period prior to the due date (Section 4 a subsection 2 of the Interest Act).

3 If necessary, is there further information available on how to calculate statutory interest?

The reference rate referred to in the Interest Act is the interest rate applied by the European Central Bank to its most recent main refinancing operation carried out before the first calendar day of each half-year rounded up to the nearest half-percentage point (Interest Act, section 12).

4 Is there free online access available to the legal basis mentioned above?

An unofficial English translation of the **Interest Act** can be found at: https://finlex.fi/en/laki/kaannokset/1982/en19820633_20130032.pdf

The Finnish and Swedish versions of the Act can be found at: <https://finlex.fi/fi/laki/ajantasa/1982/19820633>

The Act on the terms of payment for commercial contracts can be found in Finnish and Swedish at: <https://finlex.fi/fi/laki/ajantasa/2013/20130030>

The Consumer Protection Act can be found in Finnish and Swedish at: <https://finlex.fi/fi/laki/ajantasa/1978/19780038>

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