LAW

ON DEFAULT INTEREST RATE

Article 1

This Law sets out the level and method of calculation of the default interest that a borrower must pay after default.

Article 2

If a borrower defaults on a loan, in addition to the principal, he/she must pay the default interest on the debt amount until the effective date of payment, at the rate determined by this Law.

Article 3

The default interest rate referred to in Article 2 of this Law, applied to the debt amount denominated in dinars shall be an annual rate and equal the key policy rate of the National Bank of Serbia plus eight percentage points.

Article 4

The default interest rate referred to in Article 2 of this Law, applied to the debt amount denominated in euros shall be an annual rate and equal the key interest rate of the European Central Bank for main refinancing operations plus eight percentage points.

The default interest rate referred to in Article 2 of this Law, applied to the debt amount denominated in other foreign currencies shall be an annual rate and equal the key/base interest rate set and/or applied in main operations conducted by the central bank of the domicile country of the currency plus eight percentage points.

If the key/base interest rate referred to in paragraphs 1 and 2 of this Article is not set by the central bank of the domicile country of the currency as a fixed rate, but as a range between the minimum and maximum interest rate, the default interest rate shall be the arithmetic mean of the minimum and maximum key/base rate plus eight percentage points.

Article 5

The default interest rate shall be set as determined in Article 4 of this Law also in case the debt amount is denominated in a foreign currency and paid in dinars.

Article 6

Within the meaning of this Law, the default interest shall be calculated for the number of calendar days in default relative to the number of calendar days in a year (365 or 366), by applying the simple interest formula and the decursive method and without accruing the default interest to the principal after the expiry of the accounting period. The following formula is applied:

$$k = \frac{G \times p \times d}{100 \times G_d},$$

where:

k – default interest,

G – debt amount,

p – prescribed default rate per annum,

d – number of calendar days of default during the accounting period,

G_d – number of calendar days in a year (365 days – common year, 366 days – leap year).

The default interest referred to in paragraph 1 of this Article shall be calculated for all calendar days in the accounting period.

The accounting period means the period from the first day of default and/or a change in the debt amount and/or a change in the default interest rate during the relevant default period until the effective date of payment of the principal and/or debt.

The default interest rate applicable in the accounting period shall apply in the accounting periods referred to in paragraph 3 of this Article.

The total default interest shall be the sum total of interest for each individual accounting period referred to in paragraph 3 of this Article.

Article 7

The default interest rates referred to in Articles 3 and 4 of this Law shall be published by the National Bank of Serbia on its website and shall apply as of the next day from the publication day.

The National Bank of Serbia shall publish the default interest rates referred to in Article 4 of this Law for the currencies which are purchased and sold in the foreign exchange market under the current regulation.

Article 8

Provisions of this Law shall not apply to debtor-creditor relations in regard to which the level and method of calculation of the default interest rate are stipulated by other law.

Article 9

This Law repeals the Law on Default Interest Rate (FRY Official Gazette, No 9/2001 и RS Official Gazette, Nos 31/2011 and 73/2012 – decision of the Constitutional Court).

Article 10

This Law shall enter into force on 25 December 2012.