



Thailand Amends Its Interest and Default Interest Rates Under the CCC

The Thai government has made significant changes to interest and default interest rates to modernize Thai law and also reflect the country’s current economic situation. Due to the difficulties caused by the COVID-19 pandemic, many debtors are struggling to meet the timelines for their loan payment obligations. The Emergency Decree amending the Civil and Commercial Code B.E. 2564 (2021) (the “Emergency Decree”), published in the Thai government gazette on April 10, 2021, has changed the interest and default interest rates that apply to all creditors and debtors in Thailand. This is an initial step of plans to update and improve the overall Civil and Commercial Code (the “CCC”); the interest rates previously charged on loan defaults have not changed for decades.

Under the Emergency Decree, unless the creditor and debtor have clearly stipulated the specific rates of interest and default interest in their agreement, or the Thai laws require otherwise, the rates of interest and default interest are as follows:

Key Changes	Previous Rate	Key Changes
Interest Rate	7.5% per annum	3% per annum The interest rate can be adjusted by the Ministry of Finance through the issuance of a Royal Decree once every three years.
Default Interest Rate	7.5% per annum	5% per annum As this rate is based on the statutory interest rate plus an additional two percent (2%), any changes in the future of the statutory interest rate will also affect the default interest rate.

August 2021

Get in touch

Chai Lertvittayachaikul

Partner

<mailto:chai.l@kap.co.th>

Ploy Maneepaksin

Associate

ploy.m@kap.co.th



Kudun and Partners

23rd Floor, Unit C and F,
Gaysorn Tower 127,
Ratchadamri Road,
Lumpini, Pathumwan
Bangkok, 10330, Thailand
contact@kap.co.th

In this regard, for an agreement that does not specify the interest rate, if there is any adjustment of the interest rate in the future pursuant to a new Royal Decree, the most up-to-date interest rate will be determined by the Court itself during the execution of the judgment process. This means that the parties are not required to shoulder the burden of proof on the interest rates applicable in their case. It is worth noting that the creditor can demand a higher interest rate if there is a legal ground for it; e.g., the default interest of the financial institutions as allowed under the relevant regulations.

The Emergency Decree also introduces a new provision (Section 244/1) relating to the calculation of the default interest. It specifies that the default interest of debt repayment in instalments will apply only to the default amount (i.e., the actual defaulted instalment), as opposed to the former practice whereby the creditor may apply the default interest rate to all outstanding amounts of the entire instalment (regardless of whether it is due or not due). Any agreement that is contrary to this provision will become null and void.

The current rates of interest and default interest apply immediately to the interest and default interest due from April 11, 2021 onward (i.e., the effective date of the Emergency Decree). Any overdue amounts of either type prior to the effective date remain subject to the previous interest rate rules.

For more information, please contact the authors.

About Us

Corporate and M&A Practice Group

Our M&A lawyers work closely with our other practice group to provide a seamless, one-stop solution for our corporate clients, covering the full spectrum of corporate transactions, including joint ventures and consortium arrangements, share and asset acquisitions and disposals, private equity investments, corporate restructurings, privatizations and mergers, and leveraged buyouts. We distinguish ourselves by developing a deep understanding of our client's goals and objectives and are known for "getting the deal done."