



### Recent Amendment to Regulations on Vehicle Hire-Purchase Agreements

Following the 2018 enactment of regulations governing contractual terms contained in vehicle hire-purchase agreements, the Office of the Consumer Protection Board (“**OCPB**”) has recently resolved to adjust such regulatory scheme as part of their initiatives to alleviate the ongoing economic downturn and financial hardships suffered by consumers as a result of the pandemic, and to prevent consumers being subject to any unfair contractual terms in this respect.

The Notification of Contracts Committee Re: Prescribing Hire Purchase for Vehicle and Motorcycle Business as Contract-Controlled Business, B.E. 2565 (2022) (the “**Notification**”), which was enacted on 13 October 2022 and will become effective on 10 January 2023, repeals the previous regulations and amends four major aspects thereof as detailed below.

1. Hire-Purchase Interest Rate	
Previous Regulation	Newly Enacted Notification
Flat interest rate (i.e., calculated from the initial principal)	Effective interest rate (calculated from the outstanding principal), with the prescribed ceiling according to the age and type of vehicle; (i) <b>New car</b> : not exceeding <b>10%</b> per annum; (ii) <b>Used car</b> : not exceeding <b>15%</b> per annum; and (iii) <b>Motorcycle</b> : not exceeding <b>23%</b> per annum.

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Get in touch

**Thanyaluck Thongrompo**  
Partner  
[thanyaluck.t@kap.co.th](mailto:thanyaluck.t@kap.co.th)

**Napas Udomratanasirichai**  
Associate  
[napas.u@kap.co.th](mailto:napas.u@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](mailto:contact@kap.co.th)

## 2. Early Debt Repayment

If the Debtor intends to pay off the entire outstanding balance, regardless of the scheduled installments;

Previous Regulation	Newly Enacted Notification
The Creditor shall offer a discount to the Debtor of <b>at least 50%</b> of the remaining interest payable (which is not yet due).	Creditor shall offer discounts to the Debtor at the following rates, depending on the proportion of the installments already paid; (i) If <u>less than 33% of the total outstanding balance has been paid</u> , a discount of <b>at least 60%</b> on the interest which is not yet due (ii) If <u>more than 33%, but not exceeding 66% of the total outstanding balance has been paid</u> , a discount of <b>at least 70%</b> on the interest which is not yet due If <u>more than 66% of the total outstanding balance has been paid</u> , the interest which is not yet due will be <b>waived in full</b> .

## 3. Enforcement through Public Auction

Upon termination of the hire purchase agreement, the Creditor is entitled to sell the vehicle(s) under the agreement through a bidding process or public auction.

Previous Regulation	Newly Enacted Notification
<ul style="list-style-type: none"><li>• The Debtor shall be liable to pay both the outstanding principal amount and the interest thereon (which is not yet due).</li><li>• <b>Enforcement Procedure</b> shall be as follows;<ul style="list-style-type: none"><li>○ The Creditor shall notify the Debtor at least 7 days in advance, in order for the Debtor to have the opportunity to exercise the right to purchase the vehicle.</li><li>○ If the Debtor does not exercise such right, the Creditor shall notify the Surety (if any), within 15</li></ul></li></ul>	<ul style="list-style-type: none"><li>• Debtor shall only be liable to pay the outstanding principal amount.</li><li>• <b>Enforcement Procedure</b> shall be as follows;<ul style="list-style-type: none"><li>○ Creditor shall notify Debtor/Surety (if any) at least 30 days in advance, in order for the Debtor have the opportunity to exercise the right to purchase such vehicle within 20 days.</li></ul></li></ul> <p>In the case that the Debtor does not exercise such right to purchase within the prescribed period, the Creditor shall sell the vehicle through a bidding process or public auction and notify the Debtor/Surety thereof at least 15 days prior to the start of the bidding process or auction date.</p>

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days from the lapse of the Debtor's right, of the Creditor's intention to exercise the right to purchase the vehicle.

- In the case that the Surety does not exercise such right to purchase, the Creditor shall sell the vehicle through a bidding process or public auction and notify the Debtor/Surety at least 7 days prior to the start of the bidding process or auction date.

#### 4. Default Interest

Previous Regulation	Newly Enacted Notification
Effective rate + 3% per annum, but <b>not exceeding 15% per annum in total</b>	Maximum 5% per annum

The OCPB is authorized by the Notification to adjust the maximum hire-purchase interest rate as prescribed in Item 1. every three years in accordance with subsequent economic conditions.

These new regulations under the Notification shall only be applicable to all vehicle hire purchase agreements executed after 10 January 2023. Any existing agreements which were entered into before the effective date of the Notification are still bound by the 2018 OCPB regulations.

For more information, please get in touch with our corporate and M&A Team, or alternatively, please contact the authors.