

This is an English translation.

The original Icelandic text, as published in the Law Gazette (Stjórnartíðindi), is the authoritative text. Should there be discrepancy between this translation and the authoritative text, the latter prevails.

26 May 2001

Entered into force on 1 July 2001. EEA Agreement: Directive 2000/35/EC: Amended by Act No. 51/2007 (entered into force 1 January 2008) and Act No. 159/1993 (entered into force 1 January 2009).

## CHAPTER I.

### Scope

Article 1 This Act shall apply to interest on monetary claims under commercial law and other fields of law, as applicable, as well as to other remuneration which is stipulated or charged for the extension of credit or deferrals of payment. This Act shall also apply to the price indexation of savings and loans.

Article 2 The provisions of Chapters II and IV of this Act

shall apply only where contracts, custom or law do not dictate otherwise. Derogations may also be made from other provisions of the Act to the extent that the Act permits. Derogations from the provisions of the Act are always permitted, however, where such derogations are to the advantage of the debtor.

## CHAPTER II.

### Interest

Article 3 Interest shall be paid on monetary claims only if required by contract, custom or law. Interest shall be paid as of the date that a monetary debt is created and until the due date of payment.

Article 4 Where interest is payable pursuant to Article 3, but no percentage or reference rate is otherwise specified, the interest rate shall be equal to the interest rate decided by the Central Bank of Iceland, having regard to the lowest interest rate on new, general, non-indexed loans from credit institutions, and posted in accordance with Article 10. In cases involving indexed claims, the interest rate shall be equal to the rate decided by the Central Bank, having

regard to the lowest rate of interest on new, general, indexed loans from credit institutions, and posted in accordance with Article 10.

### CHAPTER III

#### Penalty interest

Article 5 If a due date has been decided in advance, a creditor may demand penalty interest on an unpaid monetary claim, calculated as of the due date until the date of payment.

Penalty interest shall always be calculated on a per diem basis, except as otherwise specifically provided for by law. If no due date is agreed for a claim, penalty interest may be calculated as of the date when one month has elapsed from the time the claimant verifiably called for due payment from the debtor. If the call for payment is made on a day of the month which does not occur in the following month, the debtor shall pay penalty interest as of the final day of that month.

Notwithstanding the provisions of the third paragraph, penalty interest may always be calculated as of the date

that court proceedings are initiated in respect of a claim, subject to Article 9.

Article 6 Penalty interest shall be the sum of the current rate for the most common short-term loans of the Central Bank of Iceland to credit institutions (the penalty interest base) in addition to [a margin of seven percent]<sup>1)</sup>(default margin), unless otherwise agreed, as provided for in the second paragraph of this Article. <sup>1)</sup> The Central Bank shall publish penalty interest rates as provided for in this paragraph no later than one week prior to the date of effect of penalty interest rates, which shall be [the first day of each month].<sup>1)</sup>

Agreements may provide for a fixed percentage for the default margin on top of the penalty interest base, as provided for in the first paragraph, with the exception of consumer loans. Agreements may also provide for a fixed percentage for penalty interest, with the exception of consumer loans.

1)Act 159/2008, Art. 1.

Article 7 If circumstances relating to a creditor, which

cannot be attributed to the debtor, result in payment not being made, penalty interest shall not be calculated for the time that payment is delayed as a result. The same shall apply if payment is not made because a debtor is resorting to default remedies with respect to a creditor or withholds full or partial payment on other legitimate grounds.

#### CHAPTER IV.

##### Interest on claims for damages

Article 8 Claims for damages shall bear interest as of the date that the event giving rise to damages occurred. The interest at any time shall be equivalent to two-thirds of the interest rate decided by the Central Bank of Iceland and posted in accordance with the first sentence of Article 4.

If, however, the amount of a claim for damages is based on a price level subsequent to the occurrence of the event giving rise to damages, the claim shall bear interest as provided for in the first paragraph from that time.

Article 9 Claims for damages shall bear penalty interest, as provided for in the first paragraph of Article 6, after one month has elapsed from the date that the creditor verifiably