

## MAXIMUM LEGAL LENDING RATE LOWERED TO 20%

The FSC announced that a four percentage point reduction in the maximum legal lending rate from 24 percent to 20 percent will go into effect on July 7.<sup>1</sup>

Charging an interest rate in excess of the maximum 20 percent is illegal for new and renewal loan contracts from July 7, 2021. Financial institutions and lenders that violate this rule can face penalties of up to three years of imprisonment or maximum KRW30 million in fines.

For borrowers who face difficulties in renewing their existing loan contracts or applying for new loans, various microloan opportunities are available through the Korea Inclusive Finance Agency (KINFA), including a new microloan service provided by banks that allows borrowers with low income and low credit scores who have been on other types of microloan services to make a switch to the new service.<sup>2</sup>

The government will operate an enhanced monitoring period between July and October to root out illegal predatory lending practices. The government also provides support for legal representation for those that are seeking to reclaim interest payments in excess of the maximum lending rate. Tailored consulting support and referral service is also available from KINFA.

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For press inquiry, please contact Foreign Media Relations at [fsc\\_media@korea.kr](mailto:fsc_media@korea.kr).

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<sup>1</sup> Please click [here](#) to see the press release dated March 30, 2021.

<sup>2</sup> Please click [here](#) to see the press release dated July 1, 2021.