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# Amending the Civil Code was entered into force introducing changes in four areas

## **New clauses have been added to the Civil Code regulating the written procedure for concluding contracts.**

According to the amendments, the written form is deemed to have been complied with even if the transaction has been concluded by electronic or other technical means that allow its content to be reflected on a physical medium in unaltered form, in which case, if any method has been used to unmistakably identify the person expressing the will, the signature requirement is deemed to have been met. The methods of identification of the person expressing the will, may be determined by the Act, other legal acts or the will of the parties.

## **The Civil Code has been amended in relation to the conclusion of a loan agreement.**

The amendments give a new formulation to the loan agreement, according to which under a loan agreement one party (the lender) undertakes to transfer to the other party (the borrower) the ownership of money or other things replaceable, while the borrower undertakes to return the money received to the lender in the same amount or an equal quantity of things of the same kind and quality received by him.

The amendments define "loan disbursement day" as the day on which the borrower or a third party designated by the borrower has the right to dispose of the object of the loan agreement. If the subject of the loan agreement is cash and if the cash is transferred by wire transfer, the date of disbursement of the loan is the date when the amount of the debt is credited to the account of the credit institution servicing the account of the borrower or a third party designated by the borrower, or to the account of another person.

The amendments introduce a procedure for unilateral termination of contractual obligations:

1. the borrower may unilaterally refuse to receive the loan in full or in part until the subject of the loan agreement has been provided to him;
2. if it becomes clear to the lender that the debt will not be repaid when due, or if the borrower has failed to fulfil an obligation stipulated in the loan agreement, including failure to provide a guarantee, the lender may unilaterally withdraw from full or partial performance of the loan obligation due to a material deterioration of the borrower's financial situation or the provision of any untrue information by the borrower.

The following provisions are given in connection with the repayment of loan obligations:

1. the borrower must repay the debt (and interest and/or fees) to the lender at the time and in the manner provided for in the loan agreement;
2. the lender may demand repayment of the debt at any time, if the agreement does not specify a repayment deadline. Borrower, who has received the lender's demand, shall repay the debt as well as pay interest and (or) fees within one month, provided that a longer term is not provided for by the agreement of the parties.
3. unless the Civil Code provides for a separate rule, the borrower may repay the debt ahead of schedule by paying interest and/or other payments accrued from the day the loan is disbursed

until the day it is repaid.

**The Civil Code has been amended to include regulations on credit agreement.**

According to the regulations, under a credit agreement, the lender undertakes to transfer ownership of the funds in the amount and on the terms and conditions specified in the agreement, and the borrower undertakes to return the funds received to the lender within the period specified in the agreement, subject to payment of interest and other payments established in the agreement within the period specified in the agreement.

It should be noted that only a person who has the right to issue credits in accordance with the regulations may issue credits under a credit agreement.

A credit agreement is concluded in writing irrespective of the amount of the agreement.

The following information must be included in the credit agreement:

1. the name and address of the lender;
2. the name and address of the borrower;
3. amount and currency of the credit;
4. term of the credit and repayment terms and conditions;
5. purpose of the credit;
6. annual interest rate and (or) sum of other payments applied on the credit, as well as the actual annual interest rate (if the contractual interest rate is variable, the initial actual annual interest rate);
7. when applied, clear and precise information about the period during which the credit interest is not charged.

The limitation period for creditor claims arising from the credit agreement is one year.

It should be noted that the actual annual interest rate is calculated in accordance with the procedure established by the Central Bank of the Republic of Azerbaijan.

**The Civil Code of the Republic of Azerbaijan has been amended to add provisions governing the conclusion of consumer credit agreements.**

Under a consumer credit agreement, the lender undertakes to transfer monetary funds to the borrower (consumer), who is an individual, for purposes not related to entrepreneurial or professional activities, and the consumer undertakes to repay the debt received in the manner and within the terms set forth in the agreement, subject to payment of interest and (or) other payments specified in the agreement.

The conclusion of a consumer credit agreement is made by means of a written agreement, the consumer is given a copy of the agreement.

The amendments state that the terms and conditions of a consumer credit agreement do not apply to the following agreements:

1. to credit agreements related to the acquisition of rights to immovable property or secured by a mortgage of immovable property;
2. to agreements, the amount of which at the moment of conclusion of the credit agreement is lower

or exceeds 300 (three hundred) times the national minimum wage;

3. credits for a period of up to 90 (ninety) days on a bank account;
4. to credit agreements granted by credit unions to their members;
5. to credit agreements issued by a creditor engaged in credit granting activities to its employees
6. to credit agreements granted by organizations rendering investment services for concluding transactions with securities or derivative financial instruments
7. to credit agreements concluded through court proceedings or mediation on the basis of an amicable agreement
8. to restructuring contracts which provide for the repayment of credit debts and other payments with a new term and which are determined without interest
9. credit agreements, where the fulfilment of the obligation is secured by an item in the possession of the lender, and where the consumer's obligation is limited only to that item.

Before concluding a consumer credit agreement, the lender must provide the consumer with the following information on paper or other permanent media (any storage medium that allows information to be stored for a certain period of time and in which the information can be reflected without changes):

1. the type of credit;
2. the name and address of the lender;
3. amount and currency of the credit;
4. the maturity of the credit and the repayment terms and conditions;
5. when the credit under agreement is granted in connection with the purchase of a specific good or service, the good or service and its cash price is indicated (in case of single payment of the good or service);
6. annual interest rate and (or) other payments and the terms and conditions of their application, and the actual annual interest rate;
7. when applied, clear and precise information about the period during which interest is not charged on the credit;
8. the amount, number and frequency of payments to be made by the consumer and the sequence of debiting payments made in insufficient or excessive amounts;
9. when applied (except for the case when no expenses are incurred when opening the account), expenses for the maintenance of one or more accounts for payment and cashing transactions, including expenses for the use of payment instruments for payment and cashing transactions, other expenses arising from the credit agreement and the terms and conditions of their amendment are taken into account;
10. the availability of notarial costs paid by the consumer in connection with the conclusion of the credit agreement;
11. the obligation of the consumer to conclude a service contract, including an insurance contract, in order to obtain a credit;
12. the legal consequences in case of late payment;
13. when applied, penalties in relation to late payments;
14. when applied, on the necessary guarantees for the granting of the credit;
15. the right of the consumer to withdraw from the consumer credit agreement, terms and conditions for exercising such right;
16. the consumer's right to early repayment of a consumer credit, and, when applied, the lender's right

- to compensation, the amount of compensation and the procedure for determining it;
- 17. the circumstances under which the creditor may demand early repayment of the debt, as specified in the law;
- 18. when a consumer is refused a credit on the basis of information obtained from the credit bureau in order to assess the solvency of the consumer, the right of the consumer to receive information about it free of charge;
- 19. the right to receive a copy of the draft agreement from the lender free of charge on the basis of the consumer's request;
- 20. the period of validity of the information provided by the creditor.

The following information is stated in the consumer credit agreement in a clear and comprehensible manner:

- 1. the type of credit;
- 2. the name and address of the parties;
- 3. amount and currency of credit;
- 4. the maturity of the credit and terms of repayment;
- 5. when the credit under agreement is granted in connection with the purchase of a certain good or provision of a service, the good or service and its cash price is indicated (in case of a single payment of the good or service);
- 6. the amount of the annual interest rate and/or the amount of other payments, also the conditions for their application, as well as the actual annual interest rate and all payments included in its calculation;
- 7. when applied, clear and precise information about the period during which interest is not charged on the credit;
- 8. the amount, number and frequency of payments to be made by the consumer and the sequence in which payments made in insufficient or excessive amounts are written off from the performance of the obligation;
- 9. when applied (except for the case when no expenses are incurred when opening the account), expenses for the maintenance of one or more accounts for payment and cashing transactions, including expenses for the use of payment instruments for payment and cashing transactions, other expenses arising from the credit agreement and the terms and conditions of their amendment are taken into account;
- 10. the availability of notarial costs paid by the consumer in connection with the conclusion of the credit agreement;
- 11. the legal consequences in the event of late payment;
- 12. when applied, penalties in relation to overdue payments (interest on arrears);
- 13. when applied, information on the conditions and insurance requirements for securing the fulfilment of the credit obligation;
- 14. the consumer's right to withdraw from the consumer credit agreement, the terms and conditions for exercising such right;
- 15. the consumer's right to early repayment of a consumer credit, and if applied, the lender's right to compensation, the amount of compensation and the procedure for determining it;
- 16. the circumstances under which the creditor may demand early repayment of the debt, as specified in the law;
- 17. the right of the consumer, during the term of the agreement and at any time, to receive a

statement of account of the credit balance, in paper or other permanent media, twice a year, without payment on request, in the form of a repayment schedule (the payment schedule shows the payments to be made, the terms of such payments, the structure of payments, including interest charged at the annual interest rate, and other applicable costs);

18. the existence or absence of the possibility of extrajudicial dispute resolution, its procedure, if any;
19. other conditions of the agreement;
20. name and address of the Central Bank.

## Practice areas

### EMPLOYMENT

## Locations

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