

## **The Rules Applicable For Pecuniary Debts and Default Interest Shall Be Modified Within Days**

**Pursuant to the amendments to the Civil Code of Hungary to take effect as of 1 July, the rules governing the settlement of pecuniary debts and default interest shall be altered and expectedly, the legal disputes arising due to the deficiencies of the previous regulations will be avoidable – calls the attention the expert of Kovács Réti Szegheő. Under such new provisions, whenever the parties have not determined the settlement date for pecuniary debts, such pecuniary debts shall be settled within 30 days upon receipt of the creditor’s demand letter or invoice, Dr. Mónika Kapetz points out.**

The National Assembly, through the provisions of the Act XXXIV of 2013 established the Professional Organisation for Performance Certification for disputes arising not only in relation to the planning, building and construction contracts and provided for the regulations thereof – indicated the expert of Kovács Réti Szegheő Attorneys at Law whose previous analysis of similar nature is available at:  
[http://www.krs.hu/admin/data/file/297\\_new\\_professional\\_organisation\\_may\\_accelerate\\_settlement\\_of\\_building- construction\\_disputes.pdf](http://www.krs.hu/admin/data/file/297_new_professional_organisation_may_accelerate_settlement_of_building-construction_disputes.pdf)).

Pursuant to the new provisions in case the parties have not determined the settlement deadline for pecuniary debts, such pecuniary debt shall be payable within 30 days upon receipt of the creditor’s demand letter or invoice.

Settlement shall be payable within 30 days upon the entitled party’s performance in case the receipt of the demand letter/invoice has preceded the entitled party’s performance or in case the receipt of the entitled party’s notice/invoice cannot be clearly determined or the debtor is obliged to fulfil its payment obligation without waiting for the demand letter/invoice.

### **Different Rules For Business Associations**

The entitled party may challenge such conditions differing from the above within the agreement between the business organisations which unilaterally and unjustifiably determine deadline in excess of 60 days through violation of good faith and fairness – until proven otherwise – to the detriment of the entitled business association.

Determining such provisions as general terms and conditions among the business associations may also be challenged by the organisation established in separate regulation. Should it be well-established, the court shall find such provisions to be invalid with effect for all parties having contractual relationship with those applying such condition. It shall not affect such contracts that have been performed until the time of they were challenged – underlines Dr. Mónika Kapetz.

Such provision may be challenged even if they were published for the purpose of concluding a contract and the relevant provision has not been applied. The court, in case of general terms and



conditions including such a provision shall ban the party publishing such condition from the application thereof.

On the request of the party enforcing the claim, in these cases, the court orders that the party applying/publishing such a contractual term should provide at its cost for the publication of the notice of the contractual condition having been found unfair. The wording of the notice and way of publication thereof shall be decided by the court.

### **Applicable Interest**

The method of computing the default interest in case of late payment has also changed; as of 1 July, 2013 the base rate offered by the issuing bank valid on the first day of the relevant calendar semi-annual period shall be applicable for the entire relevant calendar semi-annual period.

In case of contracts among business organisations, the applicable rules on default interest shall also change. Among the business organisations, it shall be the base rate offered by the issuing bank valid on the first day of the relevant calendar semi-annual period – however, if the financial debt shall be settled in foreign currency, the base rate determined by the bank issuing such currency and in absence of such, the interest rate of the monetary market – increased by 8 per cent. The provision on default interest may only be validly excluded if the obliged party, due to his/her/its delay has been compelled to pay penalty, otherwise the exclusive contractual provision shall be deemed null and void – warns the expert of Kovács Réti Szegheő Attorneys at Law.

### **Cost Advance In Relation To Collection Is a New Provision**

In respect of business associations, an important new provision is that in the case of delay by the obliged party, such party shall pay to the entitled party for covering the costs related to collection at least the Hungarian forint equivalent of EUR 40 computed on the basis of the official exchange rate offered by the National Bank of Hungary valid on the initial day of such interest-payment obligation. This amount shall not relieve from other legal consequences of the delay however, shall be included in the penalty. Conditions differing from that shall be null and void.

The Civil Code of Hungary shall be supplemented by the provisions on default interest rates applicable for the authorities entering into contractual relationships. Under the Civil Code of Hungary, the caller for bids under the Act on Public Procurement shall qualify as contracting authority even if it was not obliged to conduct a public procurement procedure.

The above provisions of the Civil Code of Hungary shall specify the rules of complying with payment obligation more hence allowing for the avoidance of legal disputes arising due to the deficiencies of the earlier regulation – concludes Dr. Mónika Kapetz.