

Annex B: Worked Example of Cap on Late Payment Interest and Charges

1. X has a contract with Y, where:
 - a. The late payment interest is calculated on a daily basis, based on all amounts which remain unpaid, until the unpaid amounts are paid in full. Calculation is done on the basis of a 365-day year, or a 366-day year in the case of a leap year like 2020.
 - b. The late payment interest rate is 10% per annum of simple interest.
 - c. Late payment charges of \$80 are levied at the end of every calendar month if any amount remains unpaid on that date. Interest does not accrue on these charges.
2. X is unable to pay Y a sum of \$1,000 that becomes due on 1 February 2020. X is only able to repay the sum on 1 November 2020.

Effect of serving a Notification for Relief:

3. Once X serves a Notification for Relief on Y, all late payment interest and charges that are chargeable on arrears that accrued between 2 February and 19 October 2020, will be capped at an amount equal to 5% per annum of simple interest.
4. In the example above –
 - a. The total late payment interest and charges under the contract for the period of 2 February to 19 October 2020 is \$711.31;¹ and
 - b. The cap under the Act, which applies for the same period, is \$35.66.²
5. Since the late payment interest and charges under the contract (\$711.31) exceeds the cap under the Act (\$35.66), X is only liable to pay \$35.66 in late interest and charges for the period of 2 February to 19 October 2020.

¹ Calculated as follows:

Late payment interest for 2 February to 19 October 2020 (computed based on 261 out of 366 days at contractual rate of 10% per annum of simple interest)	\$71.31
Late payment charges for 2 February to 19 October 2020 (based on \$80 at end of each calendar month, for 8 months from February to September)	\$640
Total	\$711.31

² \$35.66 is equal to 5% per annum of simple interest on the arrears (computed based on 261 out of 366 days).

6. The total amount payable by X on 1 November 2020 (when X is able to repay the sum), will be:

Principal	\$1,000
Capped late payment interest for 2 February to 19 October 2020	\$35.66
Late payment interest for 20 October to 1 November 2020 (computed based on 13 out of 366 days at contractual rate of 10% per annum of simple interest)	\$3.55
Late payment charges on 31 October 2020	\$80
Total	\$1,119.21