CHANGE TO INTEREST RATES APPLIED BY THE COURTS IN DUBAI

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Dubai Litigation and Dispute Resolution Alert

By: Jonathan H. Sutcliffe, Mohammad Rwashdeh

The General Assembly of the Dubai Court of Cassation issued Resolution No. 1 of 2021 on 9 June 2021.This binding resolution reversed the court's previous ruling regarding interest rate calculations for the awarded amount of debt in the absence of a written agreement between parties.

The interest rate is now set at five percent annually until full payment of the debt is made. This is a significant reduction from the previously applied rate of nine percent. As such, parties can now expect the court to award a five percent interest rate on outstanding debt effective from the date of issuance of the resolution. This change is applicable to all ongoing cases before Dubai onshore courts and will apply to all judgments issued going forward.

The resolution provides that the previous calculation was no longer appropriate for the current circumstances of the United Arab Emirates and the prevailing interest rates for banks operating in it. It was felt necessary to reconsider the interest rate in a manner that suits these circumstances and leads to revitalizing the market and achieving justice in transactions for individuals and institutions.

KEY CONTACTS



JONATHAN H. SUTCLIFFE
PARTNER

DUBAI
+971.4.427.2747
JONATHAN.SUTCLIFFE@KLGATES.COM



MOHAMMAD RWASHDEH
SPECIAL COUNSEL

DUBAI
+971.4.427.2742
MOHAMMAD.RWASHDEH@KLGATES.COM

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