



Debt Collection Series-3: Costs of Debt Collection Proceedings in Turkey

As a result of the increasing global trade, the international debt collection has become a more important issue nowadays. Given that debt collection proceedings vary across countries, this article explains the costs of initiating execution proceedings in Turkey.

As explained in our article titled “How Can a Foreign Company/Individual Collect Its Due Receivables in Turkey?”, under Turkish law, there are various forms of execution proceedings. Yet in every type, foreigners must pay a security deposit corresponding to 20% of the total debt to initiate a legal action in Turkey. Nevertheless, if there is reciprocity between the nation of the debtor and Turkey, the creditor will be exempted from this requirement. The principle of reciprocity may be achieved through international conventions, laws, or actions, *e.g.*, the Hague Convention dated 1961.

I. If the receivable is secured with pledge:

In cases where the receivable is secured with pledge, the creditor is obliged to foreclose the pledge via applying to enforcement offices before initiating a debt collection proceeding.

The creditor can pursue the enforcement with a judgement [see II.A. below regarding the costs] or enforcement without judgement [see II.B. below regarding the costs] depending on whether the pledge is based on a court decision or not. Hence the cost of the foreclosure will depend on the enforcement proceeding that is followed, as explained below. In both cases, other costs arising from the sale of the pledge will be deducted from sales revenues.

II. If the receivable is not secured with pledge:

A. Enforcement of a Court Decision / With a Judgement:

- ✓ **Application fee** [≅ TRY 60 (approx. EUR 6)]
- ✓ **Other costs** [*e.g.*, notice fee]
- ✓ **[If so] Costs arising from being represented with an attorney** [except the attorney's fee and cost for issuance of power of attorney] **including the fee of power of attorney** [≅ TRY 25 (approx. EUR 3)]

B. Enforcement Without Judgement / Via Enforcement Offices:

- ✓ **Application fee** [\cong TRY 60 (approx. EUR 6)]
- ✓ **Other costs** [*e.g.*, notice fee]
- ✓ **[If so] Costs arising from being represented with an attorney** [except the attorney's fee and costs for issuance of power of attorney] **including the fee of power of attorney** [\cong TRY 25 (approx. EUR 3)]
- ✓ **Advance fee [0,5% of the total amount to be collected]** As regards the debts in foreign currencies, the advance fee will be calculated as per the TRY equivalence of the debt based on the exchange rate on the date of initiation of the enforcement proceeding.

Accordingly, for instance, the cost of collecting a debt of EUR 100,000.00 on April 2021 will be as follows in each proceeding:

- **Enforcement with a judgement:** [\cong TRY 100 (approx. EUR 10)]
- **Enforcement without judgement:** [\cong TRY 5,100.00 (approx. EUR 510)]

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