

1. General

Title

Bank interest rates, penalty interest rates, and general interest rates on monetary claims

Purpose

Statistics on banks' and savings banks' deposit and lending rates are compiled so as to monitor developments in Icelandic credit institutions' interest rates.

General interest rates on monetary claims are determined in accordance with Article 4 [of the Act on Interest rates and indexation, no. 38/2001](#), and penalty interest rates are determined according to Article 6 of the same Act. Both are published monthly in the *Official Gazette* (*Lögbirtingablaðið*) in accordance with Article 10 of the Act.

Sources

The Central Bank of Iceland receives reports on interest rates from banks and savings banks three times each month.

Statutory authority

Data compilation is carried out on the basis of Article 29, see section VI [of the Act of Central Bank of Iceland, no. 36/2001](#), and Article 10 (in Chapter V) [of the Act on Interest rates and indexation, no. 38/2001](#).

2. Methodology

Terminology and definitions

General interest rates are the interest rates offered by domestic credit institutions to individuals and companies in the general credit market.

Monetary claims are funds that a lender has loaned and a borrower must repay, with interest, from the date the claim is established until the payment due date.

Penalty interest is interest on an unpaid monetary claim, calculated from the payment due date until the date payment is remitted, if the claim has not been paid by the final due date. Penalty interest is calculated daily unless otherwise provided for explicitly by law. If no payment due date has been negotiated, it is permissible to calculate penalty interest on a claim once one month has passed from the date that the creditor verifiably and legitimately demanded payment.

Interest on compensatory damages claims is interest on an event for which liability for damages exists. It amounts to two-thirds of the interest rate on general monetary claims as determined by the Central Bank of Iceland and published in accordance with the first sentence of Article 4 [of the Act on Interest rates and indexation, no. 38/2001](#).

3. Integrity of data

Banks and savings banks send interest rate reports to the Central Bank of Iceland three times each month. The data are reviewed, and further information is requested if there are any deviations in data submitted or if any other inconsistencies are revealed during the review. Data are processed by the Central Bank's Statistics Department. Data from banks' and savings banks' interest rate reports are compiled, and the highest and lowest values for selected loan types are published monthly.

Before the end of each month, the Central Bank determines interest rates on monetary claims with reference to the lowest rates on indexed and non-indexed loans, cf. Article 4 [of the Act on Interest rates and indexation, no. 38/2001](#), and these interest rates shall take effect on the first day of the month immediately following. Interest on compensatory damages claims is calculated as two-thirds of the interest rate on monetary claims, in accordance with Article 8 [of the Act on Interest rates and indexation, no. 38/2001](#).

Penalty interest rates determined by the Central Bank of Iceland shall apply if no other agreement is reached.

The base for calculation of penalty interest is the policy interest rate plus a premium, cf. Article 6 (in Chapter III) [of the Act on Interest rates and indexation, no. 38/2001](#).

4. Revision of data

Data are reviewed on a regular basis and corrected if need be. In addition, data are corrected upon receipt of comments or complaints from the banks and savings banks that submit the data.

5. Publication

Interest rates are published once a month on the Statistics page of the Central Bank website. Interest rate data are received by the Bank three times each month, and average monthly rates are calculated based on these data and published back to the beginning of 2003. Published interest rates on general monetary claims extend back to July 2001 and penalty interest rates back to April 1988. Both can be found on [the Central Bank website](#).

6. Other

The banks and savings banks that submit interest rate data to the Central Bank are as follows:

- Arion Bank hf.
- Íslandsbanki hf.
- Landsbanki Íslands hf.
- Kvika banki hf.
- Association of Icelandic Savings Banks (SÍSP), on behalf of savings banks in Iceland except for the East Iceland Savings Bank (Sparisjóður Austurlands hf.)
- East Iceland Savings Bank (Sparisjóður Austurlands hf.)