

LEASING CONTRACT CUSTOMER INFORMATION FORM

This form has been created to inform customers within the scope of the BRSA Communiqué.¹

1. Type of Contract: Ijarah (Leasing)- Financial Leasing

2. Basic Features of the Contract:

Financial leasing is one of the types of ijarah.

Financial leasing is a lease contract in which there is a promise that the ownership of the leased property will be transferred to the lessee at the end or during the lease period, regardless of the lease contract. The transfer of ownership to the lessee is carried out in accordance with the principles and standards of interest-free finance.

In the financial leasing contract; the lessee, the lessor, and the nature/value of the property subject to the contract must be specific and comply with interest-free banking principles and standards, and the parties must have a declaration of intention (offer-acceptance).

3. Compliance of the Goods or Service with the Principles and Standards of Interest-Free Banking:

The legitimacy of financial leasing is based on the fundamental principles of Islamic law. Within this framework, the transactions made by participation banks are in accordance with the principles and standards of interest-free banking.

4. The Position of Customer in the Contractual Framework:

In the financial leasing contract, the customer is the lessee and the participation bank is the lessor. In addition, the customer is the buyer and the participation bank is the seller, while the sale promise at the end of the lease period is realized.

5. Process and Functioning:

The nature of the goods subject to financing must be determined by documents such as proforma invoice/offer or order form/title deed, etc.

The customer submits the financing request related to the property to the participation bank. The participation bank allocates a limit to the customer. The customer selects the goods they need and enters into a leasing contract with the participation bank for its purchase. The participation bank purchases the goods and delivers them to the customer, and then pays the price to the seller. The ownership of the goods, which the customer benefits from, remains with the participation bank within the period signed in the financial leasing contract. The customer pays the rent to the bank at the initially agreed terms. When the payments are completed, the properties can be transferred to the customer at the agreed price.

The goods subject to financial leasing can also be purchased from the lessee personally. This method is called “sell-lease back” and in sell-lease back transactions, the lessor (bank) concludes a financial leasing agreement with the lessee, and the lessee transfers the ownership of the property in their possession to the bank, and the bank pays the sale price to the lessee. The lessee pays the rent to the bank at the initially agreed terms. At the end of the contract period, the lessee may take over the ownership of the property subject to financial leasing with the conditions set out in the contract.

6. Rights and Obligations Enforced on the Parties by the Contract:

The customer agrees and declares to fulfill their financing payments within the payment plan framework created for financial leasing.

The participation bank is responsible for paying the property's price to the seller after duly executed transactions.

¹ Communiqué on Procedures and Principles Regarding Informing Customers and the Public Within the Scope of Interest-Free Banking Principles and Standards that was published by the Banking Regulation and Supervision Agency (BRSA) in the Official Gazette dated 30 November 2021 and numbered 31675

The lessee has the right to receive all kinds of benefits from the property subject to financial leasing during the term of the contract and in accordance with the purpose of the contract.

If it was agreed in the contract, the bank is obliged to transfer the property subject to leasing to the lessee in exchange for the agreed price.

The lessee is obliged to use the property subject to financial leasing in accordance with the terms and conditions set out in the contract with due diligence and is responsible for all kinds of maintenance and protection of the property.

7. Rights and Obligations of the Parties Arising from Attorneyship:

The participation bank may appoint a customer or a third party as an attorney to perform transactions related to the purchase of the property subject to financial leasing on behalf of the participation bank.

In addition, the customer may be the participation bank attorney in finding, selecting, purchasing, loading, transporting, delivering the property and all matters related to other property.

In transactions based on a power of attorney, before the participation bank appoints the customer as an attorney, there should be no contract between the first seller and the customer for this transaction, the goods must not have been delivered to the customer, payment (down payment, check, promissory note, etc.) must not have been made to the seller, and the seller must not have issued the document (invoice, waybill, etc.) subject to the purchase and sale in favor of the customer.

8. Bank Practice in Case of Delayed Payment:

A clause may be included in the lease contract stating that the participation bank will receive a certain amount as a penalty for delay if the debts are not paid on the specified dates. However, the participation bank cannot benefit from the portion of this amount, that it receives as a delay penalty, above the inflation rate and the compulsory expenses incurred for the collection of its receivables. These amounts collected are classified according to the Uniform Accounting Plan of the participation banks and put into good use in accordance with the principles and standards of interest-free banking.