

WORK CONTRACT CUSTOMER INFORMATION FORM

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

1. Type of Contract: Work

2. Basic Features of the Contract:

A work contract is a contract signed to have a work, whose qualities are determined, produced for a certain fee.

In the work contract; manufacturer, employer, and the kind, type, title, quantity, desired properties, price, maturity, and delivery conditions of the goods subject to the contract must be specific, the goods must comply with the principles of participation banking and the parties must have a declaration of intention (offer-acceptance). An existing and manufactured product cannot be the subject of a work contract.

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

The work contract is a purchase and sale contract, and its legitimacy 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 work contract, the participation bank is in the contractor position against the customer, and the customer is in the employer position. In the work contract, the participation bank is the employer for the customer, and the customer is the subcontractor.

5. Process and Functioning:

The customer submits their request for financing for the purchase of an unfinished good to the participation bank. The participation bank allocates a limit to the customer. After the financing request has been approved, the participation bank makes a work contract for the goods by placing an order directly with the manufacturer or by appointing the customer as an attorney. After that, the participation bank makes the payment to the manufacturer and debits the customer by selling with the profit and maturity determined initially. After the customer receives the goods, they submit the document subject to purchase and sale to the participation bank.

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 the work contract.

The participation bank is responsible for the manufacture of the goods and the payment of the price to the manufacturer after the procedures performed duly, and the customer is responsible for the delivery of the goods by attorney to the participation bank.

Since the work contract is binding on the parties, those who make the contract cannot unilaterally break the contract.

If the contractor (bank) has produced the goods in accordance with the conditions specified in the contract, the employer (customer) cannot renounce. Otherwise, the employer (customer) has the right to renounce or accept as is. However, by agreement, the parties can also reduce the price of a goods amicably.

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

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 manufacture of the goods subject to work contract on behalf of the participation bank.

In transactions based on an attorney, before the participation bank appoints the customer as an attorney, the goods must not have been delivered to the customer, payment (down payment, check, promissory note, etc.) must not have been made to the manufacturer by the customer, and the manufacturer must not have issued the document (invoice, waybill, contract, title deed, etc.) subject to the purchase and sale in favor of the customer.

8. Delivery of the Documents Subject to the Purchase and Sale to the Participation Bank:

The customer agrees and undertakes to deliver a copy of the documents related to the purchase and sale of the goods subject to the work contract and other documents that may be requested by the participation bank to the participation bank within the specified period.

9. Bank Practice in Case of Delayed Payment:

A clause may be included in the financing or work 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.