

INSTALLMENT TRANSACTIONS ACT

Wholly Amended by Act No. 10141, Mar. 17, 2010

Amended by Act No. 10303, May 17, 2010

Act No. 11461, Jun. 1, 2012

Act No. 13452, Jul. 24, 2015

Act No. 14144, Mar. 29, 2016

Article 1 (Purpose)

The purpose of this Act is to protect the rights and interests of consumers, enhance market confidence, and contribute to the sound development of the national economy by ensuring fairness in transactions based on installment contracts and prepaid installment contracts.

Article 2 (Definitions)

The terms used in this Act shall be defined as follows: *<Amended by Act No. 13452, Jul. 24, 2015>*

1. The term "installment contract" means any of the following contracts on goods or services (including a right to use a particular facility or a right to receive a type of service, but excluding prepaid installment contracts defined under subparagraph 2; hereinafter referred to as "goods, etc."), irrespective of its name or form:

(a) A contract under which a consumer makes installment payments of the price of goods or services (hereinafter referred to as "price of goods, etc.") on three or more occasions over a period of two or more months to a business operator and receives the goods or services (hereinafter referred to as "provision of goods, etc.") from the business operator before full payment of the price of the goods, etc. is made (hereinafter referred to as "direct installment contract");

(b) A contract under which a consumer makes installment payments of the price of goods, etc. on three or more occasions over a period of two or more months to a credit provider and receives the goods from the business operator before full payment of the price of the goods, etc. is made (hereinafter referred to as "indirect installment contract");

2. The term "prepaid installment contract" means a contract under which a consumer agrees to pay a business operator the price of the goods, etc. specified in any of the following in at least two installments over a period of at least two months and to have the goods supplied by the business operator after fully or partially paying the price, irrespective of its name or form:

(a) Services for funeral or wedding (excluding cases where the time of provision is fixed) and other goods incidental to such services;

- (b) Any such goods, etc. equivalent to those prescribed in item (a), which may cause damage to the consumer, as determined by the Presidential Decree for prevention of such damage;
3. The term "installment transaction" means a transaction by an installment contract, and the term "installment business operator" means a person engaged in the business of providing goods, etc. by an installment contract;
4. The term "prepaid installment transaction" means a transaction by a prepaid installment contract and the term "prepaid installment business operator" means a person engaged in the business of providing goods, etc. by a prepaid installment contract;
5. The term "consumer" means any of the following persons:
- (a) A person who uses goods, etc. provided under an installment contract or prepaid installment contract for consumption in his/her life;
 - (b) A person other than the person referred to in item (a), such as a person who trades with the same status and on the same transaction conditions as those applicable to the person referred to in item (a), as prescribed by Presidential Decree;
6. The term "credit provider" means a person who provides credit to cover the price of goods, etc. in accordance with an agreement between a consumer and an installment business operator;
7. The term "controlling shareholder" means any of the following persons:
- (a) A shareholder or investor whose total number of stocks or equity investment in a corporation held together with specially-related persons determined by Presidential Decree is at least 30/100 of the total number of issued stocks or equity investment in the corporation concerned, and who has the largest in such total number of stocks or equity investment;
 - (b) A person who actually controls the management of a corporation concerned. In such cases, the details of de facto control shall be prescribed by Presidential Decree;
8. The term "transfer of a prepaid installment contract" means that a prepaid installment business operator transfers the rights and obligations under a prepaid installment contract made with a consumer to another prepaid installment business operator in any manner other than a merger, a division, or a transfer of entire business, irrespective of its name or form;
9. The term "solicitor" means a person who acts as a broker for a prepaid installment business operator in concluding prepaid installment contracts.

Article 3 (Exclusion from Application)

This Act shall not apply to the following:

1. A transaction in which a business operator receives goods, etc. for a commercial purpose: Provided, That this Act shall apply where a business operator trades, in actuality, with the same status and on the same transaction conditions as those applicable to other consumers;
2. A transaction of goods, etc. prescribed by Presidential Decree to which the application of this Act is not appropriate due to its nature.

Article 4 (Relationship with Other Acts)

Where this Act and other Acts apply concurrently with regard to the protection of consumers in installment transactions and prepaid installment transactions, this Act shall prevail over other Acts: Provided, That where the application of other Acts is more favorable to consumers, the relevant Acts shall apply.

Article 5 (Provision of Information Before Conclusion of Contract)

Before concluding an installment contract, an installment business operator shall indicate each of the following as prescribed by Ordinance of the Prime Minister so that consumers may understand the terms and conditions of the installment contract: Provided, That in cases of an indirect installment contract between a credit card holder and a credit card merchant under the Specialized Credit Finance Business Act, an installment business operator may not indicate the matters referred to in subparagraphs 3, 4, 6 and 7:

1. The type and details of the goods, etc.;
2. Cash price (referring to the full price that shall be paid to the installment business operator when the consumer receives the goods, etc. without an installment contract; hereinafter the same shall apply);
3. The amount of installments (referring to the total sum of down payment and installments that the consumer shall pay to the installment business operator or a credit provider; hereinafter the same shall apply);
4. The amount of each installment, the number of payments, and the date of payment;
5. The actual annual rate of an installment commission;
6. Down payment (referring to a payment by the consumer to the installment business operator when he/she concludes the installment contract, regardless of its name, such as an initial payment, an advance payment, etc.; hereinafter the same shall apply);
7. The rate applied in calculating damages for delay referred to in Article 12 (1).

Article 6 (Principle of Executing Installment Contract in Written Form)

(1) An installment business operator shall conclude an installment contract in written form which indicates each of the following (including an electronic document under subparagraph 1 of Article 2 of the Framework Act on Electronic Documents and Transactions; hereinafter the same shall apply), as prescribed by Ordinance of the Prime Minister: Provided, That with respect to an indirect installment contract between a credit card holder and a credit card merchant under the Specialized Credit Finance Business Act, no installment business operator may indicate the matters referred to in subparagraph 4, the date of payment referred to in subparagraph 5 and those referred to in subparagraph 11: <Amended by Act No. 11461, Jun. 1, 2012>

1. Names and addresses of the installment business operator, the consumer, and the credit provider;
2. Types and details of the goods, etc. and date of provision of the goods, etc.;
3. Cash price;

4. The amount of installments;
 5. The amount of each installment, the number of payments, and period and date of payment;
 6. The actual annual rate of an installment commission;
 7. Down payment;
 8. Matters concerning the retention of title over the goods, etc.;
 9. Matters concerning the period to withdraw an offer, method of exercise and effect of withdrawal under Article 8;
 10. Matters concerning the installment business operator's rescission of an installment contract under Article 11 (1);
 11. The rate applied in calculating damages for delay referred to in Article 12 (1);
 12. Matters concerning acceleration of a consumer's obligation under Article 13;
 13. Matters on the consumer's rights of defense and methods of exercising those rights under Article 16.
- (2) Where concluding an installment contract, an installment business operator shall deliver a written contract under paragraph (1) to a consumer: Provided, That in the case of an indirect installment contract between a credit card holder and a credit card merchant under the Specialized Credit Finance Business Act, the installment business operator may replace it by sending the terms and conditions of the contract concerned by fax or electronic document delivery referred to in subparagraph 1 of Article 2 of the Framework Act on Electronic Documents and Transactions (hereinafter referred to as "electronic document" in this Article) after obtaining consent from the consumer, and where a dispute arises over the terms and conditions or arrival of the contract sent by fax or electronic document delivery, the installment business operator shall have the burden of proof. *<Amended by Act No. 11461, Jun. 1, 2012>*
- (3) A credit provider shall issue a written statement indicating the matters referred to in paragraphs (1) 4 through 6, 9, 11 through 13 to a consumer.
- (4) If an installment contract fails to meet the requirements under each subparagraph of paragraph (1), or if the terms and conditions thereof are unclear, the terms and conditions of the contract shall not, in any event, be interpreted to the detriment of a consumer unless otherwise specially agreed by a consumer and an installment business operator.

Article 7 (Actual Rate of Installment Commission)

The method of calculating an actual annual rate of installment commission and the ceiling thereof under subparagraph 5 of Article 5 and Article 6 (1) 6 shall be determined by Presidential Decree up to the ceiling of the interest prescribed by the Interest Limitation Act.

Article 8 (Withdrawal of Offers)

- (1) A consumer may withdraw an offer of an installment contract within any of the following periods (where a transacting party has agreed on a longer period, referring to such longer period):
1. Seven days from the date on which he/she received a contract under Article 6 (1): Provided, That where the goods, etc. are provided later than the date on which he/she received the contract, seven days from the date on which he/she received the goods, etc.;

2. In any of the following cases, seven days from the date on which he/she may withdraw the offer, such as the date on which he/she became aware or may have become aware of the address:

- (a) Where he/she has not received the contract referred to in Article 6 (1);
- (b) Where he/she has received a contract on which the address, etc. of an installment business operator is not stated;
- (c) Where he/she cannot withdraw the offer within a period referred to in subparagraph 1 due to a reason, such as the change, etc. of the address of the installment business operator;

3. Seven days from the date on which he/she became aware or may have become aware of the fact that he/she may withdraw the offer in cases where matters concerning the withdrawal of an offer have not been stated on the contract referred to in Article 6 (1);

4. Where an installment business operator obstructs withdrawal of the offer, seven days from the date on when such obstruction ends.

(2) No consumer may withdraw an offer under paragraph (1) in any of the following cases: Provided, That where an installment business operator approves the withdrawal of an offer or does not take measures referred to in paragraph (6), he/she may withdraw the offer, even in cases falling under subparagraphs 2 through 4:

- 1. Where goods, etc. are lost or damaged due to a reason attributable to the consumer: Provided, That this shall not apply to cases where the package, etc. is damaged in order to check the contents of the goods, etc.;
- 2. Where he/she has used or consumed goods, etc. determined by Presidential Decree, the value of which is likely to be reduced considerably due to such use or consumption;
- 3. Where the value of goods, etc. is remarkably reduced to the extent that it cannot be resold due to the lapse of time;
- 4. Where the package of goods, etc. that can be reproduced is damaged;
- 5. Other cases determined by Presidential Decree for a safe transaction.

(3) Where a consumer withdraws an offer under paragraph (1), he/she shall send to the installment business operator a written statement indicating his/her intention of the withdrawal within a period referred to in paragraph (1).

(4) The withdrawal of an offer referred to in paragraph (1) shall take effect on the date when the written statement is sent in accordance paragraph (3).

(5) For the purposes of paragraph (1) or (2), if any dispute arises in connection with whether and when a contract was sent, whether and when the provision of the goods, etc. was made, and whether it falls under any subparagraph of paragraph (2), the installment business operator shall have the burden of proof.

(6) With respect to goods, etc. for which a consumer cannot withdraw an offer under paragraphs (2) 2 through 4, the installment business operator shall take measures, such as clearly indicating such fact on the package of the goods, etc. or on other place readily recognizable to the consumer, or providing samples, so that the consumer is not to be hindered in the withdrawal of an offer.

Article 9 (Notification of Withdrawal of Offer of Indirect Installment Contract)

(1) Where a consumer has withdrawn an offer of an indirect installment contract to an installment business operator, he/she shall issue a written statement indicating his/her intention of the withdrawal to the credit provider within a period referred to in Article 8 (1).

(2) Where a consumer has failed to issue a written statement under paragraph (1) to the credit provider, he/she may not reject the credit provider's demand for installment payment: Provided, That if in any of the following cases, a consumer may reject the credit provider's demand for installment payment, even if the consumer has failed to issue such written statement:

1. Where the credit provider has paid the price of the goods, etc. to the installment business operator within the period referred to in Article 8 (1);
2. Where the credit provider has been asked to suspend or cancel the request for the installment payments referred to in Article 10 (4) from the installment business operator.

Article 10 (Effect of Withdrawal of Offer)

(1) Where a consumer has withdrawn an offer under Article 8, he/she shall return the goods, etc. already provided.

(2) Where a consumer has withdrawn an offer under Article 8, an installment business operator (including a person who has received the downpayment or installments of the goods, etc. from the consumer or who has concluded the installment contract with the consumer; the same shall apply hereafter in this Article) shall refund the downpayment and installments already paid within any of the following business days. In such cases, where the installment business operator delays the refund of the down payment and installments of the goods etc. to the consumer, he/she shall also pay the overdue interest calculated by multiplying the rate prescribed by Presidential Decree within the maximum limit of the interest prescribed in the Interest Limitation Act according to the period of delay (hereinafter referred to as "damages for delay"):

1. Where having provided goods, three business days from the date on which he/she received the goods under paragraph (1);
2. Where having provided service, three business days from the date on which he/she received the document concerning withdrawal of the offer under Article 8 (3).

(3) In the case of paragraph (1), if service has already been provided (excluding the right to use a particular facility or to receive a type of service), the installment business operator may not demand the return of the same service that has already been provided.

(4) In the case of an indirect installment contract, where an installment business operator has received a document concerning withdrawal of the offer under Article 8 (3), he/she shall request without delay the credit provider to suspend or cancel the request for installment payment of the goods, etc. In such cases, where the installment business operator has already received the price of the goods, etc. from the credit provider, he/she shall refund it to the credit provider without delay.

(5) Where a credit provider has been asked to suspend or cancel the request for installment payment from an installment business operator as referred to in paragraph (4), he/she shall take necessary measures without delay. In such cases, where a consumer has made an installment payment, the credit provider shall refund it without delay.

(6) Where an installment business operator has delayed making the request referred to in paragraph (4) and caused a consumer to make installment payments to the credit provider, he/she shall pay the consumer damages for delay with respect to the amount that the consumer has paid for the period until the consumer receives the refund.

(7) Where a credit provider has delayed making the refund referred to in paragraph (5), he/she shall pay the consumer damages for delay according to the period of delay: Provided, That where an installment business operator has delayed making the request referred to in paragraph (4) and caused the credit provider to delay the refund of the installment payment to the consumer, he/she shall pay damages for delay.

(8) Where any dispute arises with a consumer as the consumer withdraws an offer, the installment business operator or the credit provider shall not give any disadvantage to the consumer until the dispute is resolved, for instance, by treating him/her as a person who has failed to meet the obligations within the prescribed period by reason of the refusal of payment of installments.

(9) Where a consumer has withdrawn an offer under Article 8 and the goods, etc. have already been used or partially consumed, the installment business operator may not request the consumer's payment in excess of an amount equivalent to the benefit gained by the consumer by using or partially consuming the goods, etc., or the expenses incurred in providing the goods, etc. as prescribed by Presidential Decree.

(10) Where a consumer has withdrawn an offer under Article 8, the installment business operator shall be liable to pay the expenses incurred in returning the goods, etc. provided and may not request the consumer to pay the penalty or damages.

Article 11 (Rescission of Installment Contract by Installment Business Operator)

(1) If a consumer fails to perform his/her obligation of installment payments, an installment business operator may rescind the installment contract. In such cases, the installment business operator shall serve on the consumer a peremptory notice in writing requiring performance of payment obligations by specifying a period of at least 14 days before rescinding such contract.

(2) In cases of rescission of a contract under paragraph (1), the installment business operator or the consumer shall be liable to meet his/her obligation of restitution to the other party. In such cases, the installment business operator or the consumer may refuse to meet his/her own obligation until the other party meets his/her own obligation.

(3) When the title to goods, etc. is retained by an installment business operator, the installment business operator shall not demand its return without rescinding such contract.

Article 12 (Limitation of Amount of Damages Filed by Installment Business Operator, etc.)

(1) The amount of damages that an installment business operator or a credit provider seeks against a consumer on the ground of the consumer's failure to meet the obligations of making installment payments may not exceed damages for delay equivalent to the amount calculated by multiplying the amount of overdue installment payments by the rate prescribed by Presidential Decree within the maximum limit of the interest prescribed in the Interest Limitation Act.

(2) Where an installment business operator rescinds an installment contract under Article 11 (1), the amount of damages sought against a consumer shall not exceed the sum of the amount provided for in any of the following and the amount of damages for delay provided for in paragraph (1):

1. In cases of restitution, such as the return, etc. of the goods, the sum of the amount of the usual user fee and the expenses normally necessary for the conclusion of the contract and for its performance: Provided, That if the amount obtained by deducting the value at the time of the return of the goods, etc. from the value of installments is higher than the total of the amount of the user fee and the expenses, then such deducted amount;

2. In cases of failure to perform restitution, such as the return, etc. of the goods, etc., an amount equivalent to the value of installments: Provided, That if service has been provided, an amount equivalent to the price of the service already provided or the benefit gained by the service;

3. In cases where the goods, etc. have not yet been provided, the expenses normally necessary for the conclusion and performance of the contract.

(3) An installment business operator or a credit provider shall not demand an amount of damages exceeding the amount provided for in paragraph (1) or (2) regardless of its name or form, such as liquidated damages or penalty, etc.

(4) An installment business operator or a credit provider shall, when demanding an amount of damages, endeavor in good faith to minimize the consumer's damage sustained.

Article 13 (Acceleration of Consumer's Obligation)

(1) A consumer may not claim the benefit of time for installment payment in either of the following cases:

1. Where an installment payment has not been made on two consecutive occasions until the next payment date and the overdue amount exceeds 10/100 of the amount of installments;

2. Where it is difficult to guarantee the fulfillment of an obligation to make the installment payment in the Republic of Korea, as prescribed by Presidential Decree.

(2) The amount to be paid by a consumer to an installment business operator or a credit provider in lump sum under paragraph (1) shall be the amount obtained by deducting the installment commission for the remaining period from the balance of the installment amount. In such cases, the installment commission shall be calculated on a daily basis.

Article 14 (Consumer's Payment before Due Date)

(1) A consumer may pay the balance of the installments at once, even if the due date has not yet arrived.

(2) The amount to be paid by a consumer to an installment business operator or a credit provider under paragraph (1) shall be the amount referred to in Article 13 (2).

Article 15 (Extinctive Prescription of Claim for Installment Payments)

A claim for installment payments under an installment contract shall be time-barred if not exercised within three years.

Article 16 (Consumer's Defense)

(1) Where any of the following events occurs to a consumer, he/she may refuse to pay an installment to an installment business operator:

1. Where the installment contract has not been established or has been invalidated;
2. Where the installment contract has been revoked, rescinded or terminated;
3. Where the whole or part of goods, etc. has not been provided to the consumer by the date of provision of the goods, etc. referred to in Article 6 (1) 2;
4. Where the installment business operator has failed to perform a liability for warranty against defects;
5. Where the purpose of the installment contract cannot be achieved due to the installment business operator's failure to meet his/her obligations;
6. Where the consumer reasonably withdraws the offer under other Acts.

(2) In the case of an indirect installment contract, if any of the events prescribed in any subparagraph of paragraph (1) occurs to a consumer, the consumer may refuse to pay an installment to a credit provider only when the value of installments exceeds the amount prescribed by Presidential Decree after notifying the credit provider of his/her intention to refuse to pay the installment.

(3) The amount of installments which a consumer may refuse to pay to a credit provider pursuant to paragraph (2) is the remaining amount of installment not paid to the credit provider at the time when the consumer refuses to pay the installment.

(4) Where a consumer exercises the right of defense referred to in paragraph (1) in writing, such right of defense shall take effect on the date of sending the written statement.

(5) Where an installment business operator or a credit provider receives the defense of a consumer in writing, he/she shall confirm without delay whether the exercise of the right of defense falls under paragraph

(1). When such exercise of the right of defense does not fall under paragraph (1), he/she shall notify the consumer in writing of his/her intention not to accept the right of defense of the consumer and the fact that the exercise of the right of defense does not fall under any subparagraph of paragraph (1) by any of the following business days from the date of receiving the defense of the consumer:

1. Five business days for the installment business operator;
2. Seven business days for the credit provider.

(6) Where an installment business operator or a credit provider fails to notify as referred to in paragraph (5), he/she shall be deemed to have accepted the consumer's intention to refuse to make an installment payment.

(7) Where a consumer refuses to make an installment payment under paragraphs (1) through (6) and a dispute arises between an installment business operator or a credit provider and the consumer, such installment business operator or credit provider shall not give any disadvantage to the consumer by

treating him/her as a person who has failed to meet obligations by the due date until the dispute is resolved due to his/her refusal to make the installment payment.

Article 17 (Handling Procedures regarding Withdrawal of Offer during Period of Suspension of Business, etc.)

An installment business operator or a credit provider shall continue procedures concerning the withdrawal of an offer referred to in Article 10 even during the period of suspension of business or the discontinuance period of business.

Article 18 (Registration, etc. of Business)

(1) A prepaid installment business operator shall prepare the following documents for registration and shall submit them to the Special Metropolitan City Mayor, a Metropolitan City Mayor, a Metropolitan Autonomous City Mayor, a Do Governor, or a Special Self-Governing Province Governor (hereinafter referred to as "Mayor/Do Governor"), as prescribed by Presidential Decree: <Amended by Act No. 13452, Jul. 24, 2015>

1. A written application indicating the company name, its address, telephone number, and email address (including business offices and agencies), and the name, resident registration number, address, etc. of the representative;
2. A document certifying that its capital is at least 1.5 billion won;
3. A document certifying that a consumer damage indemnification insurance contract, etc. under Article 27 has been concluded;
4. Other documents necessary for confirming identification of the prepaid installment business operator, as prescribed by Ordinance of the Prime Minister.

(2) Where registration for a prepaid installment business operator has been completed under paragraph (1), the Mayor/Do Governor shall promptly issue a registration certificate of the prepaid installment business.

(3) Where matters referred to in paragraph (1) 1 through 3 are changed, among those registered under paragraph (1), the prepaid installment business operator shall report such fact to the Mayor/Do Governor, as prescribed by Presidential Decree.

(4) Where a prepaid installment business operator suspends or discontinues his/her business or recommences his/her business after suspension of business, he/she shall report such fact to the Mayor/Do Governor, as prescribed by Presidential Decree. In such cases, the Mayor/Do Governor shall, upon receiving a report on business discontinuance, cancel the registration: Provided, That where a prepaid installment business operator meets requirements for cancellation of registration before filing a report on business discontinuance, his/her registration is deemed to have been cancelled on the date of reporting the discontinuance of business.

(5) The Fair Trade Commission shall disclose the following matters concerning a prepaid installment business operator, as prescribed by Presidential Decree: Provided, That where the disclosure of matters concerning management and trade secrets of the prepaid installment business operator is deemed likely to cause substantial damage to his/her legitimate interest and the disclosure of matters concerning individuals

is deemed likely to violate their privacy or freedom, the Fair Trade Commission shall not disclose such matters:

1. Matters registered pursuant to paragraph (1) and matters reported pursuant to paragraph (3);
 2. Such other matters determined by the Fair Trade Commission as are deemed necessary for establishing a fair trade order and protecting consumers, as prescribed by Ordinance of Prime Minister.
- (6) The Fair Trade Commission may, where it is necessary for disclosure under paragraph (5), request a prepaid installment business operator to submit the relevant data. In such cases, the prepaid installment business operator shall comply with such request unless there is a compelling reason not to do so.

Article 18-2 (Submission and Public Disclosure of Accounting Audit Reports)

- (1) A prepaid installment business operator shall submit an accounting audit report prepared by the auditor defined under Article 3 of the Act on External Audit of Stock Companies to the Fair Trade Commission within three months after the end of each fiscal year in accordance with the procedure and method prescribed by Presidential Decree.
- (2) The Fair Trade Commission and prepaid installment business operators shall disclose the accounting audit reports under paragraph (1) to the public in accordance with the procedure and method prescribed by Presidential Decree.

Article 19 (Capital)

In order to be qualified for the registration under Article 18, a person shall be a company defined under the Commercial Act whose capital shall be at least 1.5 billion won. *<Amended by Act No. 13452, Jul. 24, 2015>*

Article 20 (Grounds for Disqualification)

Any of the following persons shall be disqualified from registration: *<Amended by Act No. 13452, Jul. 24, 2015>*

1. A company with an officer falling under any of the following:
 - (a) A minor;
 - (b) A quasi-incompetent person under the limited guardianship or an incompetent person under the adult guardianship;
 - (c) A person declared bankrupt and not reinstated yet;
 - (d) A person in whose case five years have not passed since imprisonment without labor or any heavier penalty declared by a court was completely executed (or is deemed to have been completely executed) or was remitted;
 - (e) A person who was sentenced to the suspension of imprisonment without labor or any heavier penalty and is still in the period of suspension;
 - (f) A person in whose case three years have not passed since he/she was sentenced to a fine for a violation of this Act;
2. A company whose controlling shareholder is any of the following persons:
 - (a) A person in whose case five years have not passed since imprisonment without labor or any heavier penalty declared by a court was completely executed (or is deemed to have been completely

executed) or was remitted;

(b) A person who was sentenced to the suspension of imprisonment without labor or any heavier penalty and is still in the period of suspension;

3. A company for which five years have not yet passed since its registration was revoked under Article 40;

4. A company whose officer or controlling shareholder is a former officer or controlling shareholder at the time of revocation of registration under Article 40.

Article 21 (Ex Officio Cancellation of Registration)

Where a prepaid installment business operator who has been registered under Article 18 is declared bankrupt or reports on the discontinuance of business to the district tax office or where it is deemed that he/she cannot actually conduct business due to a failure to conduct business for six months or longer, the Mayor/Do Governor may cancel the registration ex officio.

Article 22 (Succession of Status)

(1) Where a prepaid installment business operator transfers its entire business or engages in a merger, consolidation or division, the company that acquires the entire business, the company surviving the merger or resulting from the consolidation or the company that succeeds to the entire business as a consequence of the division shall succeed to the status of the prepaid installment business operator: Provided, That, if the person who intends to succeed to the status is disqualified on any ground provided in Article 20, the person shall not succeed to the status. *<Amended by Act No. 13452, Jul. 24, 2015>*

(2) A prepaid installment business operator who engages in a merger, consolidation or division, or transfers its entire business shall give public notice of the following matters by the method prescribed by Ordinance of the Prime Minister within 14 days from the date prescribed by Presidential Decree: *<Newly Inserted by Act No. 13452, Jul. 24, 2015>*

1. The information to be disclosed under Article 18 (5), including the names, addresses, etc. of the following companies:

(a) The merging company and the company surviving the merger or resulting from the consolidation;

(b) The divided company and the company that succeeds to the relevant business entirely as a consequence of the division;

(c) The company that transfers the entire business and the company acquires the entire business;

2. The number of prepaid installment contracts transferred through the merger, division, or transfer of entire business and the amount of advances;

3. Terms and conditions of, and the procedure for, the merger, division, or transfer of entire business;

4. Other matters prescribed by Ordinance of the Prime Minister as those necessary for protecting consumers' rights.

(3) A company that succeeds to the status of a prepaid installment business operator registered under Article 18 shall submit a report thereon to the relevant Mayor/Do Governor, along with documents evidencing relevant facts, as prescribed by Presidential Decree. *<Amended by Act No. 13452, Jul. 24, 2015>*

Article 22-2 (Transfer of Prepaid Installment Contracts)

(1) A prepaid installment business operator who transfers a prepaid installment contract (hereinafter referred to as "transferor prepaid installment business operator") shall make a public announcement of the following matters within 14 days from the date of conclusion of the agreement on the transfer of the prepaid installment contract (hereinafter referred to as "transfer agreement") by the method prescribed by Ordinance of the Prime Minister:

1. The information to be disclosed under Article 18 (5), including the names, addresses, etc. of the transferor prepaid installment business operator and the prepaid installment business operator to whom the prepaid installment contract is transferred (hereinafter referred to as "transferee prepaid installment business operator");
2. The number of members involved in the transferred prepaid installment contracts and the amount of advances;
3. Terms and conditions of, and the procedure for, the transfer agreement;
4. Other matters prescribed by Ordinance of the Prime Minister as those necessary for protecting consumers' rights.

(2) The transferor prepaid installment business operator shall explain the following matters to consumers who have signed a prepaid installment contract within 30 days from the date of conclusion of the transfer agreement by the method prescribed by Ordinance of the Prime Minister so that the consumers can understand terms and conditions of the transfer agreement and shall obtain consent to the transfer agreement from the consumers within seven days from the date of explanation: Provided, That a consumer who does not express opposition to the transfer agreement within the specified period shall be deemed to consent to the transfer agreement:

1. The matters specified in paragraph (1);
2. The statement that, if a consumer does not express opposition to the transfer agreement within seven days, the consumer shall be deemed to consent to the transfer agreement.

(3) The transferor prepaid installment business operator shall obtain confirmation from each consumer on the fact that the consumer understands and consents to the terms and conditions explained under the main sentence of paragraph (2) by having the consumer affix his/her signature or seal, by recording relevant conversations by an audio recording system, or by any of the methods specified by Presidential Decree: Provided, That, in cases of the proviso to paragraph (2), the transferor prepaid installment business operator shall ensure that it can be confirmed that he/she has completed the explanation, etc. under the main sentence of paragraph (2) to relevant consumers by the methods prescribed by Ordinance of the Prime Minister, such as stating the time and method of his/her contacts with the consumer, the number of times he/she contacted each consumer, etc.

(4) The transferee prepaid installment business operator to whom a prepaid installment contract is transferred shall succeed to the rights and obligations that the transferor prepaid installment business operator has under the contract. The foregoing shall also apply to the assets to be transferred under the

relevant transfer agreement.

(5) Where a transfer agreement is made, the assets related to prepaid installment contracts specified by Presidential Decree shall be distributed to the transferor prepaid installment business operator and the transferee prepaid installment business operator, and the ownership of such assets shall be vested in them in accordance with the following standards:

1. The transferor prepaid installment business operator: The amount distributed at the ratio of advances paid by the consumers who do not consent to the transfer of prepaid installment contracts to total advances paid by consumers who signed prepaid installment contracts;
2. The transferee prepaid installment business operator: The amount distributed at the ratio of advances paid by the consumers who consent to the transfer of prepaid installment contracts to total advances paid by consumers who signed prepaid installment contracts.

(6) The transferor prepaid installment business operator and the transferee prepaid installment business operator shall preserve the documents confirmed under paragraph (3) for five years from the day after the end of such period for explaining terms and conditions to consumers and obtaining their consent as specified in the main sentence of paragraph (2) (hereinafter referred to as "day after the end of the period for consent").

(7) The transferee prepaid installment business operator shall submit a report to the relevant Mayor/Do Governor, along with documents evidencing the transfer agreement, by the method prescribed by Presidential Decree within two months from the day after the end of the period for consent.

Article 23 (Provision of Information before Conclusion of Contracts and Issuance of Contracts due to Conclusion of Contracts)

(1) A prepaid installment business operator or a solicitor (hereinafter referred to as "prepaid installment business operator, etc.") shall explain the following matters to each consumer so that the consumer can understand terms and conditions of the prepaid installment contract before signing the contract: *<Amended by Act No. 13452, Jul. 24, 2015>*

1. The company name, address, telephone numbers, electronic mail address of the prepaid installment business operator or solicitor (the name of the solicitor, if the solicitor is a natural person) and the name of its representative;
2. Type and details of the goods, etc.;
3. Price of the goods, etc. and method and time of payment thereof;
4. Method and time of provision of the goods, etc.;
5. Down payment;
6. Matters on the specified period for withdrawal of offer and termination of contract, method of exercise and effect and the form which is necessary for exercise of rights for withdrawal of offer and termination of contract, as prescribed by Ordinance of the Prime Minister;
7. Matters on the settlement of complaints about goods, etc. and disputes between the consumer and the business operator;

8. Matters specified by Presidential Decree with respect to indemnification for consumer damage, including the contract term and a consumer's damages under the consumer damage indemnification insurance contract, etc. under Article 27 (1), and the person liable for damages under Article 27 (4), etc.;

9. The ratio of the total amount of the reserves set aside under Article 27 (2) out of total advances that the prepaid installment business operator has received from the consumer until the end of the month immediately before the month in which the prepaid installment contract was made;

10. Terms and conditions of prepaid installment transactions;

11. Other matters specified by Presidential Decree as terms and conditions of transactions, which affect consumers' decisions on whether to purchase or matters necessary to remedy any damage suffered by a consumer.

(2) The prepaid installment business operator, etc. shall obtain confirmation from each consumer on the fact that the consumer understands the details explained under paragraph (1) by having the consumer affix his/her signature or seal, by recording relevant conversations by an audio recording system, or by any other methods specified by Presidential Decree. *<Newly Inserted by Act No. 13452, Jul. 24, 2015>*

(3) Where a prepaid installment business operator concludes a prepaid installment contract, he/she shall deliver to the relevant consumer a written contract stipulating the matters specified in paragraph (1). *<Amended by Act No. 13452, Jul. 24, 2015>*

(4) Paragraphs (1), (2), and (3) shall also apply to the transferee prepaid installment business operator under Article 22-2. In such cases, the transferee prepaid installment business operator shall explain the matters specified in paragraph (1) to each consumer within 30 days from the day after the end of the period for consent and deliver a written contract to the consumer. *<Newly Inserted by Act No. 13452, Jul. 24, 2015>*

(5) If a change occurs to any of the matters specified by Presidential Decree as those necessary for the protection of consumers, from among the matters specified in paragraph (1), the prepaid installment business operator shall notify consumers of the change in writing or by other means specified by Presidential Decree. *<Newly Inserted by Act No. 13452, Jul. 24, 2015>*

Article 24 (Consumer's Withdrawal of Offer)

(1) A consumer may withdraw an offer to make a prepaid installment contract within any of the following periods (referring to the period on which parties to a transaction have agreed, if the period on which the parties agreed is longer than the specified periods in the following): *<Amended by Act No. 13452, Jul. 24, 2015>*

1. Fourteen days from the date on which he/she received a written contract under Article 23 (3);

2. In any of the following cases, fourteen days from the day on which he/she may withdraw an offer, such as the date on which he/she became aware or may have become aware of the address:

(a) Where he/she has received the contract on which the address, etc. of the prepaid installment business operator is not stated;

- (b) Where he/she cannot withdraw the offer within the period referred to in subparagraph 1 due to a reason such as the change, etc. of the address of the prepaid installment business operator;
3. Fourteen days from the date on which he/she became aware or could have become aware of the fact that he/she could withdraw the offer, where the written contract under Article 23 (3) had no stipulation concerning the withdrawal of the offer;
4. Fourteen days from the date on which the prepaid installment business operator's hindrance ceases, where the prepaid installment business operator hindered the consumer from withdrawing an offer;
5. Three months from the date of contract, where he/she has not received the written contract under Article 23 (3).
- (2) Where a consumer withdraws an offer under paragraph (1), he/she shall send to the prepaid installment business operator a written statement indicating his/her intention to withdraw the offer within a period referred to in paragraph (1).
- (3) The withdrawal of an offer referred to in paragraph (1) shall take effect on the date when a written statement is sent in accordance with paragraph (2).
- (4) For the purposes of paragraph (1), if any dispute arises in connection with whether and when a contract was sent, the prepaid installment business operator shall have the burden of proof.
- (5) Where a consumer has withdrawn an offer under paragraph (1), the prepaid installment business operator shall refund the down payment and installments already received within three business days from the date of receiving an application for withdrawal of offer referred to in paragraph (2). In such cases, where a prepaid installment business operator delays the refund, he/she shall also refund damages for delay according to the period of delay.

Article 25 (Rescission of Prepaid Installment Contract by Consumer)

- (1) Where a consumer concludes a prepaid installment contract and fails to receive the goods, etc. under the contract, he/she may rescind the contract.
- (2) Where a contract is rescinded under paragraph (1), the prepaid installment business operator shall not request the consumer to pay a penalty exceeding the loss caused by the rescission of the contract.
- (3) Where a consumer rescinds a contract due to any of the following reasons, the prepaid installment business operator shall not claim a penalty against the consumer: <Amended by Act No. 10303, May 17, 2010; Act No. 13452, Jul. 24, 2015>
1. Where the consumer reports on the suspension of business or the discontinuance of business;
 2. Where the consumer is subject to suspension of business;
 3. Where the registration of the consumer is revoked or cancelled;
 4. Where the consumer is subject to suspension of current account transactions by a bank under the Banking Act;
 5. Where the consumer files an application for bankruptcy or composition;
 6. Where the consumer does not consent to the transfer agreement on the relevant prepaid installment contract.

(4) Where a prepaid installment contract is rescinded, the prepaid installment business operator shall refund the consumer the amount obtained by deducting the penalty from the price already received within three business days from the date on which the prepaid installment contract is rescinded. In such cases, where the prepaid installment business operator delays the refund, he/she shall also pay damages for delay according to the period of delay.

(5) The Fair Trade Commission may determine and publicize standards for calculating the refund of penalty and price, as prescribed by Ordinance of the Prime Minister.

Article 26 (Rescission of Prepaid Installment Contract by Prepaid Installment Business Operator)

Where a consumer fails to meet his/her obligation to make installment payments, a prepaid installment business operator may rescind the relevant prepaid installment contract. In such cases, the prepaid installment business operator shall serve on the consumer a written peremptory notice before rescinding such contract, requiring performance of payment obligations within a specified period of at least 14 days.

Article 27 (Consumer Damage Indemnification Insurance Contract, etc.)

(1) Where a prepaid installment business operator is registered as referred to in Article 18, he/she shall conclude any of the following contracts (hereinafter referred to as "consumer damage indemnification insurance contract, etc.") in order to reserve the amount received in advance from consumers as the consideration for the goods, etc. (hereinafter referred to as "advances") related to prepaid installment contracts: *<Amended by Act No. 10303, May 17, 2010>*

1. An insurance contract for indemnification;
2. A debt guarantee contract for debt payment concluded with a bank under the Banking Act in order to indemnify consumers;
3. A deposit contract concluded with an institution prescribed by Presidential Decree (hereinafter referred to as "deposit institution") in order to indemnify consumers;
4. A mutual aid contract concluded with the mutual aid association established under Article 28.

(2) The amount to be reserved by a prepaid installment business operator pursuant to a consumer damage indemnification insurance contract, etc. under paragraph (1) (where two or more contracts referred to in the subparagraphs of paragraph (1) are concluded, the total sum of the amount to be reserved by each contract) and standards for the calculation thereof shall be determined by Presidential Decree within the scope not exceeding 50/100 of the total of the advances.

(3) No one may offset or seize (including provisional seizure) the deposit referred to in paragraph (1) 3, and no prepaid installment business operator may transfer or provide the deposit as security unless otherwise determined by Presidential Decree.

(4) A person who is liable to indemnify consumers pursuant to a consumer damage indemnification insurance contract, etc. (hereinafter referred to as "person liable to indemnify") shall promptly pay such indemnification when any of the following causes for payment arises. Where a person liable to indemnify delays the payment without any good cause, he/she shall pay damages for delay: *<Amended by Act No. 10303, May 17, 2010>*

1. Where the prepaid installment business operator discontinues his/her business;
 2. Where the prepaid installment business operator is subject to suspension of current account transaction by a bank referred to in the Banking Act;
 3. Where registration is cancelled under Article 21 or revoked under Article 40;
 4. Other cases prescribed by Presidential Decree in order to indemnify consumers for damages caused by a default, etc. of the prepaid installment business operator.
- (5) Where a cause for payment referred to in paragraph (4) arises, the deposit institution shall withdraw the deposit and preferentially pay it to a consumer who has concluded the prepaid installment contract with the prepaid installment business operator concerned. The detailed procedure for and method of the deposit and payment of the deposit, etc. shall be determined by Ordinance of the Prime Minister.
- (6) When a prepaid installment business operator concludes a prepaid installment contract with a consumer, it shall notify the person liable to indemnify of the conclusion of the contract and the details thereof within seven days from the date of conclusion of the contract. *<Newly Inserted by Act No. 13452, Jul. 24, 2015>*
- (7) Upon receipt of the notice of the conclusion of a contract, etc. from a prepaid installment business operator under paragraph (6), the person liable to indemnify shall issue a certificate of indemnification for consumer damage within 30 days from the date of notice, and further details of the procedure and method for issuing such certificates, the descriptions of the certificates, etc. shall be prescribed by Ordinance of the Prime Minister. *<Amended by Act No. 13452, Jul. 24, 2015>*
- (8) The Fair Trade Commission may request a person liable to indemnify to submit data related to reserved advances, where necessary to supervise the indemnification for consumer damage. *<Amended by Act No. 13452, Jul. 24, 2015>*
- (9) Where the work, etc. performed by a person liable to indemnify does not conform to any Act or subordinate statute, the Fair Trade Commission may order the person to rectify such nonconformity and may request the person to take appropriate measures, if it is necessary in connection with remedies for consumer damage, etc. *<Amended by Act No. 13452, Jul. 24, 2015>*
- (10) Where a prepaid installment business operator concludes or maintains a consumer damage indemnification insurance contract, etc., it shall not make a false statement in the data submitted with regard to advances, etc. *<Amended by Act No. 13452, Jul. 24, 2015>*
- (11) Other matters necessary for the management of a consumer damage indemnification insurance contract, etc. shall be prescribed by Presidential Decree. *<Amended by Act No. 13452, Jul. 24, 2015>*
- (12) When a prepaid installment business operator deposits an amount in the deposit institution or requests the deposit institution to return a deposit, it shall submit a document evidencing an increase or a decrease in advances, as prescribed by Ordinance of the Prime Minister, and the deposit institution shall return the deposit after verifying the relevant document. *<Newly Inserted by Act No. 13452, Jul. 24, 2015>*

Article 27-2 (Enactment of Guidelines for Consumer Protection in Prepaid Installment Transactions)

The Fair Trade Commission may set out guidelines to encourage voluntary compliance of businesses for the purposes of establishing a sound trade order and protecting consumers in prepaid installment transactions, after listening to opinions of relevant transactional parties, institutions, and groups.

Article 28 (Establishment of Mutual Aid Association)

- (1) Prepaid installment business operators may establish a mutual aid association with approval from the Fair Trade Commission in order to conduct a mutual aid business under Article 27 (1) 4.
- (2) The mutual aid association shall be a juristic person and shall be established by effecting registration of association at the registry where its head office is located.
- (3) A person who has joined the mutual aid association shall make a capital contribution, etc. necessary for the performance of mutual aid business to the association.
- (4) The basic assets of the mutual aid association shall be comprised with contributions, etc. of its members, which shall be an amount as determined by Presidential Decree but at least 20 billion won: Provided, That the Government may make a contribution or grant a subsidy within its budgetary limits.
- (5) Necessary matters concerning standards for approval of establishment, procedures, operation, supervision, etc. of the mutual aid association, shall be determined by Presidential Decree.
- (6) Except as otherwise provided for in this Act, the provisions concerning incorporate associations in the Civil Act shall apply mutatis mutandis to the mutual aid association.

Article 29 (Business of Mutual Aid Association)

- (1) The mutual aid association shall conduct any of the following businesses:
 1. A mutual aid business for indemnifying consumers and a public-interest business for protection of consumers' rights and interests;
 2. A publishing and educational business for prevention of consumer damage and public relations;
 3. A self-purification business for the sound development of the market;
 4. A business entrusted by the Fair Trade Commission.
- (2) The Insurance Business Act shall not apply to the business of a mutual aid association under this Act.

Article 30 (Articles of Association and Mutual Aid Regulations of Mutual Aid Association)

- (1) The mutual aid association shall draft its articles of association which state each of the following matters and obtain approval thereon from the Fair Trade Commission. This shall also apply to any amendment to the articles of association:
 1. Matters concerning eligibility requirements for members, entry and secession;
 2. Matters concerning its officers;
 3. Matters concerning standards for allotment of contributions;
 4. Matters concerning the board of directors;
 5. Matters concerning the election of an executive director;
 6. Other matters prescribed by Presidential Decree.
- (2) The mutual aid association shall formulate regulations of mutual aid concerning the scope and method of conducting a mutual aid business and shall obtain approval thereon from the Fair Trade Commission.

This shall also apply to any amendment to the regulations of mutual aid.

Article 31 (Supervision of Mutual Aid Association)

(1) The Fair Trade Commission may, where deemed necessary, order the mutual aid association to submit a report on its business and accounting or to take other necessary measures, or have public officials under its control investigate the current status of business and accounting of the mutual aid association or examine its books or other documents.

(2) Where the mutual aid association operates its business or conduct its affairs not in accordance with any Act or subordinate statute or the articles of association, etc., the Fair Trade Commission may order the association to rectify such and may request the association to take appropriate measures where it is necessary related to remedies for consumer damages.

(3) Where an officer or employee of the mutual aid association falls under any of the following, the Fair Trade Commission may request the association to take disciplinary action against or dismiss the relevant officer or employee or rectify the relevant offense:

1. Where he/she has performed his/her duties in violation of the regulations of mutual aid referred to in Article 30 (2);

2. Where he/she has failed to rectify the relevant offense or take appropriate measures referred to in paragraph (2).

(4) Public officials who investigate or examine under paragraph (1) shall carry with them a certificate indicating their authority and produce it to persons concerned.

Article 32 (Business Operations, etc. for Withdrawal, etc. of Offer during Period of Temporary Closure of Business, etc.)

(1) A prepaid installment business operator shall continue business operations for the withdrawal of an offer under Article 24 or the rescission of a contract under Article 25 even during the period of temporary closure of business or the period of suspension of business operations. *<Amended by Act No. 13452, Jul. 24, 2015>*

(2) When a prepaid installment business operator intends to temporarily close its business or is ordered to suspend its business operations, it shall notify consumers of the period of temporary closure of business or the period of suspension of business operations in writing or by other means prescribed by Presidential Decree. *<Newly Inserted by Act No. 13452, Jul. 24, 2015>*

Article 33 (Perusal of Transaction Records, etc.)

A prepaid installment business operator shall, at any time, allow consumers to peruse the transaction records of goods, etc. and the details of the concluded consumer damage indemnification insurance contract, etc. as prescribed by Presidential Decree.

Article 34 (Prohibited Acts)

No prepaid installment business operator, etc. shall commit any of the following acts: Provided, That subparagraphs 7, 9, 13, and 14 shall not apply to solicitors: *<Amended by Act No. 13452, Jul. 24, 2015>*

1. To compel the conclusion of a contract or to threaten the other party in order to obstruct the withdrawal of an offer or rescission of a contract;
2. To induce the other party to transact with him/her or to obstruct the withdrawal of an offer or rescission of a contract by notifying any false or exaggerated information or by using any deceptive method;
3. To change his/her address, telephone number, etc. in order to obstruct the withdrawal of an offer or rescission of a contract;
4. To cause damage to the other party by neglecting the status in which necessary human resources or facilities for handling disputes or complaints are insufficient for a considerable period;
5. To claim for the price of goods, etc. despite the absence of an offer by the other party;
6. To compel the conclusion of a contract through telephone, fax, computerized communications, etc. although consumers express their intention not to conclude the contract;
7. To conduct business without concluding a consumer damage indemnification insurance contract, etc.;
8. To make or use a sign indicating the conclusion of a consumer damage indemnification insurance contract, etc. or a sign similar thereto despite his/her not having concluded such contract;
9. To engage in business without setting aside the amount that shall be reserved in accordance with the consumer damage indemnification insurance contract, etc.;
10. To use (including cases of providing to a third party) information on consumers without obtaining consent from consumers or beyond the scope of consent: Provided, That this shall not apply to any of the following cases:
 - (a) Where it is unavoidable for the performance of contracts with consumers, such as delivery of goods, etc., as determined by Presidential Decree;
 - (b) Where it is necessary for the payment of the price following the transactions of goods, etc.;
 - (c) Where it is necessary to verify the identification of consumers in order to prevent illegal use, as determined by Presidential Decree;
 - (d) Where any inevitable cause arises under other Acts and subordinate statutes.
11. To delay or refuse a disposition without good cause despite consumers' having rescinded the contract;
12. To use fraudulent means or exert force on consumers to collect the price where a dispute arises in connection with the withdrawal of an offer or rescission of a contract;
13. To restrict consumers' transfer or acquisition of goods, etc. provided by him/her without reasonable causes or to impose excessive expenses on such transfer or acquisition;
14. To allow a third party to conduct a prepaid installment business by using his/her name or company name or to lend the certificate of registration of prepaid installment business to a third party;
15. To conclude a prepaid installment contract by a multi-level marketing method defined under subparagraph 5 of Article 2 of the Act on Door-to-Door Sales, Etc.;

16. To request to sign a prepaid installment contract, taking advantage of a money lending relationship between the parties;
17. To conclude a transfer agreement on part of prepaid installment contracts made with consumers;
18. To withdraw money by a prepaid installment business operator who has concluded a transfer agreement from consumers' deposits, etc. without obtaining consent to the relevant transfer agreement from consumers.

Article 35 (Investigation of Offenses)

- (1) Where the Fair Trade Commission, a Mayor/Do Governor or the head of a Si/Gun/Gu (referring to an autonomous Gu; hereinafter the same shall apply) deems that a prepaid installment business operator has violated this Act, he/she may conduct a necessary investigation ex officio.
- (2) Where the Mayor/Do Governor or the head of a Si/Gun/Gu intends to conduct an investigation under paragraph (1), he/she shall notify the Fair Trade Commission thereof and, where the investigation is likely to be overlapped, the Fair Trade Commission may request the Mayor/Do Governor or the head of a Si/Gun/Gu to suspend the investigation. In such cases, the Mayor/Do Governor or the head of a Si/Gun/Gu who receives such request shall suspend the investigation in the absence of a reasonable cause.
- (3) Where the Fair Trade Commission, the Mayor/Do Governor or the head of a Si/Gun/Gu performs an investigation under paragraph (1), he/she shall inform the parties to the relevant case of the results thereof (including the details of the disposition, if he/she intends to make a disposition, such as a corrective order).
- (4) Where a prepaid installment business operator is recognized to have violated this Act, anyone may report it to the Fair Trade Commission, a Mayor/Do Governor or the head of a Si/Gun/Gu.
- (5) Where five years have passed since the end of violation of this Act by a prepaid installment business operator, the Fair Trade Commission shall neither issue an order for corrective action under this Act nor impose a penalty surcharge against such violation: Provided, That this shall not apply where the disposition for corrective action or imposition of penalty surcharge is cancelled pursuant to the purpose of the judgment and a new disposition is made pursuant to the reasoning of the judgment.
- (6) The Fair Trade Commission may establish an investigative team jointly with the Korea Consumer Agency under Article 33 of the Framework Act on Consumers (hereafter referred to as the "Korea Consumer Agency" in this Article) in order to conduct an investigation under paragraph (1). In such cases, the detailed method of and procedure for establishing the investigative team or conducting investigations, and other necessary matters shall be prescribed by Presidential Decree.
- (7) Officers and employees of the Korea Consumer Agency in charge of the relevant duties under paragraph (6) shall be deemed public officials for the purposes of Articles 129 through 132 of the Criminal Act.

Article 36 (Disclosure of Information on Illegal Acts)

Where necessary for ensuring fair trade practices and preventing consumer damage, the Fair Trade Commission may disclose information on illegal acts of a prepaid installment business operator, such as the results of investigation into his/her violation of this Act, as prescribed by Presidential Decree.

Article 37 (Reporting and Supervision)

(1) Where the Mayor/Do Governor or the head of a Si/Gun/Gu issues a corrective recommendation under Article 38, he/she shall report such fact to the Fair Trade Commission, as prescribed by Presidential Decree.

(2) Where it is deemed necessary for the efficient enforcement of this Act, the Fair Trade Commission may request the Mayor/Do Governor or the head of a Si/Gun/Gu to investigate, confirm or submit data on the matters under his/her jurisdiction or take other necessary corrective actions. In such cases, the Mayor/Do Governor or the head of a Si/Gun/Gu shall comply with such request unless any other special ground exists to the contrary.

Article 38 (Corrective Recommendations for Offenses)

(1) Where a prepaid installment business operator violates this Act or fails to meet his/her obligation under this Act, the Fair Trade Commission, the Mayor/Do Governor or the head of a Si/Gun/Gu (hereinafter referred to as "administrative agency") may determine, before taking a corrective action under Article 39, corrective methods for the prepaid installment business operator to suspend the relevant act, to meet his/her obligations under this Act, and to take measures necessary for the prevention and remedy of consumer damage and may recommend the prepaid installment business operator to comply therewith. In such cases, where the relevant prepaid installment business operator accepts such recommendation, he/she shall also notify the intention that a corrective action deemed to have been ordered under paragraph (3).

(2) A prepaid installment business operator who receives a corrective recommendation under paragraph (1) shall notify the administrative agency that has issued such corrective recommendation as to whether he/she will accept the recommendation, within ten days from the date of receiving the relevant notice.

(3) Where a prepaid installment business operator who receives a corrective recommendation under paragraph (1) accepts such recommendation, it shall be deemed that corrective action under Article 39 has been ordered.

Article 39 (Corrective Action)

(1) Where a prepaid installment business operator commits any of the following acts or fails to fulfill its obligations under this Act, the Fair Trade Commission may order the prepaid installment business operator to take corrective action therefor: *<Amended by Act No. 13452, Jul. 24, 2015>*

1. Where it violates any provision of Articles 18 (1), (3), (4) and (6), 19, 20, 22, 22-2, 23 through 26, 27 (1), (3) through (7) and (10), 32 and 33;

2. Where it commits an act prohibited under any subparagraph of Article 34.

(2) Corrective actions under paragraph (1) shall include any of the following:

1. Suspension of the offense concerned;

2. Performance of obligations prescribed in this Act;

3. Publication of the fact that the prepaid installment business operator is ordered to take corrective action;

4. Measures necessary for the prevention and remedy of consumer damage;
 5. Other measures necessary for correction.
- (3) Matters necessary for the publication of the fact that a prepaid installment business operator is ordered to take corrective action under paragraph (2) 3 shall be prescribed by Presidential Decree.

Article 39-2 (Cooperation of Related Agencies)

- (1) When the Fair Trade Commission recognizes that a person liable to indemnify is suspected of violating this Act, it may request the Financial Services Commission or the head of the central administrative agency responsible for the supervision of the person liable to indemnify to take necessary corrective actions, including investigation into the person and the imposition of a penalty upon the person.
- (2) The person who has received such request under paragraph (1) shall comply therewith, in the absence of special circumstances.

Article 40 (Suspension of Business, etc.)

- (1) In any of the following cases, the Fair Trade Commission may order a prepaid installment business operator to suspend all or part of its business operations for a specified period not exceeding one year, as prescribed by Presidential Decree: *<Amended by Act No. 13452, Jul. 24, 2015>*

1. Where a prepaid installment business operator repeatedly commits violations or fails to take corrective action to comply with an order to do so under Article 39 in either of the following cases:
 - (a) Where a prepaid installment business operator fails to make a report in accordance with Article 18 (3) or (4) or makes a false statement in such report;
 - (b) Where a prepaid installment business operator commits an act prohibited under any provision of subparagraphs 1 through 3, 7 through 9, and 12 of Articles 34;
2. Where the prepaid installment business operator engages in any prohibited act referred to in subparagraphs 1 through 3, 8 or 11 of Article 34.

- (2) Where a prepaid installment business operator falls under any of the following cases, the Mayor/Do Governor may cancel the registration of such operator: Provided, That where he/she falls under subparagraph 1 or 2, the registration shall be cancelled: *<Amended by Act No. 13452, Jul. 24, 2015>*

1. Where the prepaid installment business operator files for registration under Article 18 (3) by fraud or other improper means;
2. Where the prepaid installment business operator has a reason for disqualification under any subparagraph of Article 20;
3. Where the consumer damage indemnification insurance contract, etc. is terminated;
4. Where the prepaid installment business operator conducts business during the period of suspension of business;
5. Where the prepaid installment business operator has been ordered under paragraph (1) to suspend its business operations during the last five years (including cases where penalty surcharges have been imposed in lieu of the suspension of business operations under Article 42).

(3) Where the Mayor/Do Governor intends to cancel registration of a prepaid installment business operator under paragraph (2), he/she shall hold a hearing thereon.

Article 41 (Requests for Mediation of Dispute Arising from Consumer Damage)

(1) Where a consumer files an application seeking remedy for damage related to violation of this Act, the Fair Trade Commission, the Mayor/Do Governor or the head of a Si/Gun/Gu may, before issuing a corrective recommendation under Article 38 or ordering corrective action under Article 39, request a consumer damage dispute mediation agency determined by Presidential Decree, such as an agency or organization that performs the duties related to consumer protection with respect to prepaid installment transactions, to mediate the dispute. In such cases, the Fair Trade Commission, the Mayor/Do Governor or the head of a Si/Gun/Gu shall, where the party concerned accepts and acts on the mediatory suggestion, inform the party concerned of his/her intention not to order corrective action under Article 39.

(2) Where the party concerned accepts and acts on the mediatory suggestion of the consumer damage dispute mediation agency referred to in paragraph (1), corrective action under Article 39 shall not be ordered as prescribed by Presidential Decree.

(3) Where any request for dispute mediation under paragraph (1) has been made, the Fair Trade Commission may support such with a budget necessary for mediating the dispute concerned within its budget limits.

Article 42 (Penalty Surcharges)

(1) Where the Fair Trade Commission orders business suspension under Article 40 (1) and business suspension is likely to pose any severe inconvenience to consumers or damage public interests, it may impose a penalty surcharge on the prepaid installment business operator concerned, within the scope not exceeding the sales related to an offense prescribed by Presidential Decree, in lieu of such business suspension. In such cases, where related sales are nonexistent or indeterminate, the Fair Trade Commission may impose a penalty surcharge within the scope not exceeding 50 million won.

(2) The Fair Trade Commission shall take into consideration each of the following matters when imposing a penalty surcharge under paragraph (1):

1. Level of damage suffered by consumers due to the offense;
2. Level of efforts made by the installment business operator to indemnify consumers;
3. Amount of profits from the offense;
4. Details, period, frequency, etc. of the offense.

(3) Where a company that is a prepaid installment business operator and violates this Act merges or consolidates with another company, the Fair Trade Commission may impose and collect a penalty surcharge, deeming that the offense made by such company has been committed by a company surviving the merger or resulting from the consolidation.

(4) Articles 55-4, 55-6 and 55-7 of the Monopoly Regulation and Fair Trade Act shall apply mutatis mutandis to the extension of a period for the payment of a penalty surcharge under paragraph (1), installment payment, collection, disposition on default and additional dues for refund.

(5) Standards for imposition of penalty surcharges under paragraph (1) shall be prescribed by Presidential Decree.

Article 42-2 (Provisions Applicable Mutatis Mutandis)

@Articles 12 through 16 regarding installment transactions shall apply mutatis mutandis to prepaid installment transactions, except as otherwise provided in this Act, unless such provisions contravene the nature of prepaid installment transactions.

Article 43 (Prohibition of Contracts Detrimental to Consumers)

Terms and conditions that violate any provision of Articles 6 through 13, 15, 16, 22-2, and 23 through 26 and that are detrimental to consumers shall be null and void. *<Amended by Act No. 13452, Jul. 24, 2015>*

Article 44 (Exclusive Jurisdiction)

With respect to any legal action related to an installment transaction and a prepaid installment transaction, the district court having jurisdiction over the address of the consumer at the time of filing the legal action or the residence of the consumer if there is no address shall have exclusive jurisdiction: Provided, That the related provisions of the Civil Procedure Act shall apply mutatis mutandis where the address or residence of the consumer at the time of filing the legal action is unclear.

Article 45 (Registration of Trade Association)

(1) A trade association that has been established for the sound development of installment transactions and prepaid installment transactions, for the enhancement of consumer confidence and for the improvement of common interests may register with the Fair Trade Commission, as prescribed by Presidential Decree.

(2) Necessary matters concerning the requirements, methods, procedures, etc. of registration under paragraph (1) shall be prescribed by Presidential Decree.

Article 46 (Entrustment of Business Affairs)

(1) Where necessary for the efficient enforcement of this Act, the Fair Trade Commission may entrust a portion of its business affairs to the trade association registered under Article 45.

(2) Matters necessary for the supervision, treatment, reporting, investigation and confirmation of the business affairs entrusted under paragraph (1), submission of data, request for necessary corrective action, etc. shall be prescribed by Presidential Decree.

(3) Officers and employees of the trade association that has been entrusted with business affairs under paragraph (1) shall be deemed public officials for the purposes of Articles 129 through 132 of the Criminal Act.

Article 47 (Application Mutatis Mutandis of the Monopoly Regulation and Fair Trade Act)

(1) Articles 42, 43, 43-2, 44, 45 and 52 of the Monopoly Regulation and Fair Trade Act shall apply mutatis mutandis to deliberation and decisions by the Fair Trade Commission under this Act.

(2) Article 50 (1) through (4) of the Monopoly Regulation and Fair Trade Act shall apply mutatis mutandis to investigations, etc. by the Fair Trade Commission, a Mayor/Do Governor or the head of a Si/Gun/Gu for the enforcement of this Act.

(3) Articles 53, 53-2, 54, 55 and 55-2 of the Monopoly Regulation and Fair Trade Act shall apply mutatis mutandis to appeals against dispositions by the Fair Trade Commission and a Mayor/Do Governor under this Act, suspension of enforcement of corrective orders, and exclusive jurisdiction of institution of legal action and lawsuits for appeal.

(4) Article 62 of the Monopoly Regulation and Fair Trade Act shall apply mutatis mutandis to members or public officials of the Fair Trade Commission who are or were engaged in duties under this Act.

Article 48 (Penalty Provisions)

(1) Any of the following persons shall be punished by imprisonment with labor for not more than three years or by a fine not exceeding 100 million won. In such cases, if the amount equivalent to three times the total price for the sales or transactions made by any of the following persons in violation of the Act exceeds 100 million won, the person shall be punished by imprisonment with labor for not more than three years or by a fine not exceeding the amount equivalent to three times the total price for the sales or transactions: <Amended by Act No. 13452, Jul. 24, 2015>

1. A person who engages in prepaid installment business without registration, in violation of Article 18 (1) (including cases where the registration is revoked under Article 40 (2));
 2. A person who engages in prepaid installment business after filing for registration under Article 18 (1) by fraud or other improper means (including a person who engages in any prohibited act under subparagraph 7 of Article 34);
 3. A person who commits an act prohibited under subparagraph 17 or 18 of Article 34;
 4. A person who fails to comply with an order for corrective action under Article 39 (1);
 5. A person who carries on business operations, in violation of an order for suspension of business under Article 40 (1).
- (2) The punishment of imprisonment with labor and of a fine under paragraph (1) may be imposed concurrently.

Article 49 (Penalty Provisions)

A person who violates Article 62 of the Monopoly Regulation and Fair Trade Act which is applied mutatis mutandis under Article 47 (4) shall be punished by imprisonment with labor for not more than two years or by a fine not exceeding two million won.

Article 50 (Penalty Provisions)

(1) Any of the following persons shall be punished by imprisonment with labor for not more than one year or by a fine not exceeding 30 million won: <Amended by Act No. 13452, Jul. 24, 2015>

1. A person who submits a false document on advances, etc. in concluding or maintaining a consumer damage indemnification insurance contract, etc., in violation of Article 27 (10);
 2. A person who commits an act prohibited under any provision of subparagraphs 1 through 3, 8, 9, 12, and 14 through 16 of Article 34.
- (2) The punishment of imprisonment with labor and of a fine under paragraph (1) may be imposed concurrently.

Article 51 (Penalty Provisions)

Any of the following persons shall be punished by a fine not exceeding ten million won: *<Amended by Act No. 13452, Jul. 24, 2015>*

1. A person who commits an act prohibited under subparagraph 5 of Article 34;
2. A person who commits an act prohibited under subparagraph 11 of Article 34.

Article 52 (Joint Penalty Provisions)

When a representative of a juristic person, or an agent, an employee or any other servant of a juristic person or an individual commits an offense in violation of Article 48, 50 or 51 in connection with the business of the juristic person or the individual, not only shall such offender be punished, but the juristic person or individual shall also be punished by a fine under the relevant provisions: Provided, That where such juristic person or individual has not been negligent in giving due attention and supervision concerning the relevant business to prevent such offense, this shall not apply.

Article 53 (Administrative Fines)

(1) Any of the following persons shall be subject to an administrative fine not exceeding 50 million won: *<Amended by Act No. 13452, Jul. 24, 2015>*

1. A person who makes a false statement in a report filed under Article 18 (3) or (4);
2. A person who makes a false statement in a report filed under Article 22 (3) or 22-2 (7).

(2) Any of the following persons shall be subject to an administrative fine not exceeding 30 million won: *<Amended by Act No. 13452, Jul. 24, 2015>*

1. A person who fails to file a report under Article 18 (3) or (4);
2. A person who fails to submit data in violation of Article 18 (6) or makes a false statement in such data;
3. A person who fails to file an accounting audit report under Article 18-2 (1);
4. A person who fails to file a report under Article 22 (3) or 22-2 (7);
5. A person who provides an explanation or obtains consent under Article 22-2 (2) by fraud or other improper means;
6. The relevant prepaid installment business operator, if a solicitor violates Article 23 (1) or (2): Provided, That the foregoing shall not apply if the prepaid installment business operator has not failed to exercise due care and supervision over the relevant business to prevent such violation;
7. A person who provides an explanation or obtains confirmation under Article 23 (1), (2), or (4) by fraud or other improper means;
8. A person who delivers a written contract under Article 23 (3) or (4) by fraud or other improper means;
9. A person who fails to submit a document under Article 27 (12);
10. A person who enters a false statement in the records of transactions of goods, etc. or the details of conclusion of a consumer damage indemnification insurance contract, etc., which shall be provided for consumers' perusal under Article 33.

(3) Any of the following persons shall be subject to an administrative fine not exceeding ten million won:
<Amended by Act No. 13452, Jul. 24, 2015>

1. A person who fails to disclose an accounting audit report to the public in accordance with Article 18-2 (2);
 2. A person who fails to make a public announcement under Article 22 (2) or 22-2 (1) or who makes a false statement in such public announcement;
 3. A person who violates Article 22-2 (2) or (3);
 4. A person who fails to preserve data in violation of Article 22-2 (6);
 5. A person fails to provide an explanation or obtain confirmation in violation of Article 23 (1) or (2);
 6. A person who fails to deliver a written contract under Article 23 (3) or (4);
 7. A person who fails to inform a consumer of the matters prescribed by Presidential Decree, in violation of Article 23 (5) or 32 (2);
 8. A person who fails to refund a down payment, installment payments, or damages for delay, in violation of Article 24 (5);
 9. A person who fails to refund the price or damages for delay, or requests an excessive penalty, in violation of Article 25;
 10. A person who fails to continue business related to the withdrawal of an offer, etc. during the period of temporary closure of business or the period of suspension of business operations, in violation of Article 32 (1);
 11. A person who fails to allow consumers to peruse the transaction records of goods, etc. or the details of conclusion of a consumer damage indemnification insurance contract, etc. under Article 33;
 12. A person subject to a disposition for attendance under Article 50 (1) 1 of the Monopoly Regulation and Fair Trade Act which is applied mutatis mutandis under Article 47 (2), who violates this Act and fails to comply with the disposition for attendance on twice or more occasions without good cause;
 13. A person who fails to file a report or submit necessary data or objects or files a false report or submits false data or objects under Article 50 (1) 3 or (3) of the Monopoly Regulation and Fair Trade Act which is applied mutatis mutandis under Article 47 (2);
 14. A person who refuses, obstructs or evades an investigation under Article 50 (2) of the Monopoly Regulation and Fair Trade Act which is applied mutatis mutandis under Article 47 (2).
- (4) Any of the following persons shall be subject to an administrative fine not exceeding five million won (including a credit provider, in the case of an indirect installment contract):

1. A person who fails to indicate or makes a false indication, in violation of Article 5;
2. A person who fails to issue a contract under Article 6 (2) or issues a contract giving false indication;
3. A person who fails to issue a written statement under Article 6 (3);
4. A person who receives an installment commission in violation of the ceiling of actual annual rate of an installment commission under Article 7;

5. A person who fails to refund a down payment, installment payments or damages for delay or to take actions necessary for the refund thereof, in violation of Article 10;
 6. A person who gives disadvantages to consumers, in violation of Article 10 (8) or 16 (7);
 7. A person who receives damages for delay in violation of the maximum limit of the interest rate which is applied at the time of calculating the damages for delay under Article 12 (1);
 8. A person who fails to continue business for the withdrawal of an offer, etc. during the period of suspension of business or the discontinuance period of business, in violation of Article 17.
- (5) A person who fails to comply with an order issued for the maintenance of order under Article 43-2 of the Monopoly Regulation and Fair Trade Act, which shall apply mutatis mutandis pursuant to Article 47 (1), shall be subject to an administrative fine not exceeding one million won.
- (6) Administrative fines under paragraphs (1) through (3) and (5) shall be imposed and collected by the Fair Trade Commission, a Mayor/Do Governor or the head of a Si/Gun/Gu.
- (7) Administrative fines under paragraph (4) shall be imposed and collected by the head of a Si/Gun/Gu.
- (8) Guidelines for imposing administrative fines under paragraphs (1) through (5) shall be prescribed by Presidential Decree.

ADDENDA

Article 1 (Enforcement Date)

This Act shall enter into force six months after the date of its promulgation.

Article 2 (Transitional Measures concerning Withdrawal of Offer)

- (1) Notwithstanding the amended provisions of Articles 8 through 10, the previous provisions shall apply to the withdrawal of an offer of an installment contract already concluded before this Act enters into force.
- (2) The amended provisions of Article 24 shall apply to the withdrawal of a prepaid installment contract already concluded before this Act enters into force.

Article 3 (Transitional Measures concerning Registration of Prepaid Installment Business Operator)

An installment business operator as at the time this Act enters into force shall register himself/herself within six months from the effective date of this Act pursuant to the amended provisions of Article 18.

Article 4 (Applicability concerning Rescission of Contract)

The amended provisions of Article 25 shall apply to the rescission of a prepaid installment contract already concluded before this Act enters into force.

Article 5 (Applicability concerning Consumer Damage Indemnification Insurance Contract, etc.)

- (1) The amended provisions of Article 27 shall apply to an advance received by a prepaid installment business operator pursuant to a prepaid installment contract concluded before this Act enters into force.
- (2) The amount to be reserved by a prepaid installment business operator as at the time this Act enters into force pursuant to a consumer damage indemnification insurance contract, etc. shall, notwithstanding the amended provisions of Article 27 (2), be based on the following ratios:

1. 20/100 of the amount determined by Presidential Decree for one year from the date of promulgation of this Act;
2. 40/100 of the amount determined by Presidential Decree for two years from the date falling one year from the date of promulgation of this Act;
3. 60/100 of the amount determined by Presidential Decree for three years from the date falling two years from date of promulgation of this Act;
4. 80/100 of the amount determined by Presidential Decree for four years from the date falling three years from the date of promulgation of this Act.

Article 6 (Transitional Measures concerning Punishment and Fines for Negligence)

The previous provisions shall apply to application of punishment and fines for negligence with respect to any act committed before this Act enters into force.

Article 7 (Relationship with other Acts)

Where any other Act cites a provision of the previous Installment Transactions Act as at the time this Act enters into force and where there is a provision corresponding to such provision in this Act, the corresponding provision of this Act shall be deemed cited in lieu of the previous provision.

ADDENDA <Act No. 10303, May 17, 2010>

Article 1 (Enforcement Date)

This Act shall enter into force six months after the date of its promulgation. (Proviso Omitted.)

Articles 2 through 10 Omitted.

ADDENDA <Act No. 11461, Jun. 1, 2012>

Article 1 (Enforcement Date)

This Act shall enter into force three months after the date of its promulgation.

Articles 2 through 10 Omitted.

ADDENDA <Act No. 13452, Jul. 24, 2015>

Article 1 (Enforcement Date)

This Act shall enter into force six months after the date of its promulgation.

Article 2 (Applicability to Prepaid Installment Contracts)

The amended provisions of Article 2 shall apply beginning with the first prepaid installment contracts concluded after this Act enters into force.

Article 3 (Applicability to Grounds for Disqualification)

The amended provisions of Article 20 (excluding amended provisions of subparagraph 1 (b) of the aforesaid Article) shall apply beginning with the persons who are sentenced to imprisonment without labor or any heavier penalty after this Act enters into force.

Article 4 (Applicability to Transfer of Prepaid Installment Contracts)

The amended provisions of Article 22-2 shall apply beginning with the first prepaid installment contract on which a transfer agreement is concluded after this Act enters into force.

Article 5 (Applicability to Provision of Information on Prepaid Installment Contracts and Confirmation by Consumers on Conclusion of Contracts)

The amended provisions of Article 23 (2) shall apply beginning with the first prepaid installment contract concluded after this Act enters into force.

Article 6 (Transitional Measure concerning Registration of Prepaid Installment Business Operators)

A prepaid installment business operator registered under former provisions of Article 18 as at the time this Act enters into force shall register itself again in accordance with amended provisions of Article 18 within three years from the enforcement date of this Act.

Article 7 (Transitional Measure concerning Persons Declared Incompetent, etc.)

The persons upon whom the declaration of incompetence or quasi-incompetence remains effective under Article 2 of the Addenda to the partial amendment (Act No. 10429) to the Civil Act shall be deemed to be included in the incompetent persons under adult guardianship and the quasi-incompetent persons under limited guardianship under the amended provisions of subparagraph 1 (b) of Article 20.

Article 8 (Transitional Measure concerning Suspension of Business Operations)

Former provisions regarding the suspension of business operations shall apply to the acts committed before this Act enters into force.

ADDENDUM <Act No. 14144, Mar. 29, 2016>

This Act shall enter into force on the date of its promulgation.