

At a first sight, it seems quite natural that such unpaid interests shall bear interests for the benefit of the creditor. But the practical result is that anatocism comes to a very fast increase of the debt: it was calculated that, at a rate of 5%, anatocism comes to double the capital after fourteen years. Consequently, the legislations have generally disfavoured anatocism, and forbidden it or at least taken some precautions against it.

The following is a summary of the foreign law in the matter.

In France, anatocism was quite forbidden in the old time. Since the Civil Code, (art. 1154) it is no longer forbidden, but provided that the creditor especially claims it before a Civil Court and that interest unpaid shall be due for one whole year at least, (section 655 follows a similar system, with the exception that it was not deemed necessary or even expedient to order the parties to go to Court for the occasion);

in England, this is called "compound interest" and is generally prohibited (case Fergusson against Fyffe 1240 8 Cl. and F. 121);

in United States of America, anatocism is prohibited; it becomes possible if agreed after interests have become due;

in Switzerland (art. 314 Code Obligations) anatocism is void; a reservation however is made for commercial current-accounts