

Notes to Borrowers When Obtaining Loans from Licensed Moneylenders

1) What should I consider before taking up a loan?

You should keep these key points in mind:

- Before approaching a moneylender, consider other alternatives, such as the various financial assistance schemes offered by various Government agencies. You may contact the agencies to find out more about their schemes.
- You are legally obliged to fulfil any loan contract you enter into with a licensed moneylender.
- Consider whether you are able to abide by the contractual terms, bearing in mind your income and financial obligations. Borrow only what you need and are able to repay. Be mindful that if you are unable to meet the contractual terms, the late payment fees and interest payment will be a financial strain not just on yourself but also on your family.
- The law requires moneylenders to explain the terms of a loan to you in a language you understand and to provide you with a copy of the loan contract. Make sure you fully understand the terms of the contract, in particular, the repayment schedule, the interest rate charged and the fees applicable.
- Consider carefully before agreeing to any contractual term which allows a moneylender to lodge a caveat on the sale proceeds of your real estate property upon default of the loan repayment. When a caveat is lodged against your property, you will not be able to sell it without first repaying the moneylender in full. If the repayment is taken from the net proceeds from the sale of the property, it can wipe out all or a substantial portion of the proceeds.
- You should shop around different moneylenders for the most favourable terms. You should not rush into and commit yourself to a loan until you are satisfied with the terms and conditions.

2) How much can I borrow?

For secured loans, you can obtain a loan of any amount. For unsecured loans, you can obtain:

- Up to \$3,000, if your annual income is less than \$20,000;
- Up to 2 months' income, if your annual income is \$20,000 or more but less than \$30,000;
- Up to 4 months' income, if your annual income is \$30,000 or more but less than \$120,000; and
- Any amount, if your annual income is \$120,000 or more.

3) What are the interest rates moneylenders can charge?

From now till 31 May 2012, moneylenders are required to compute and disclose to you the annual interest rate of the loan, before the loan is granted. If your annual income is less than \$20,000, the interest rate which moneylenders can charge is capped at:

- 12 per cent per annum for secured loans; and
- 18 per cent per annum for unsecured loans.

If your annual income is \$20,000 or more, the caps above are not applicable and the interest rate is to be agreed upon between the moneylender and the borrower.

From 1 June 2012 onwards, when amendments made to the Moneylenders Rules come into effect, moneylenders are required to compute and disclose to you the Effective Interest Rate of the loan, before the loan is granted. If your annual income is less than \$30,000, the interest rate which moneylenders can charge, for both secured and unsecured loans, is capped at:

- 13 per cent Effective Interest Rate for secured loans; and
- 20 per cent Effective Interest Rate for unsecured loans.

The Effective Interest Rate takes into account the compounding effect of the frequency of instalments over a one-year period. This means that Effective Interest Rate better reflects the actual cost of borrowing over a one-year period. Visit www.ipto.gov.sg to find out more about how the Effective Interest Rate is calculated from 1 June 2012.

If your annual income is \$30,000 or more, the caps above are not applicable and interest rate is to be agreed upon between the moneylender and the borrower.

4) What are the fees that moneylenders can charge?

From now till 31 May 2012, moneylenders are permitted to charge nine types of fees:

- For accepting the application for the grant of the loan;
- In the case of a loan on revolving credit, for the grant or the renewal of the loan, and a fee for drawing down on the loan;
- For making any payment in a manner other than by way of any type of electronic funds transfer specified by the licensee;
- For each occasion of late repayment of principal or interest;
- For each occasion the terms of the loan contract are varied at your request;
- For each dishonoured cheque issued by you;
- For each unsuccessful GIRO deduction from a bank account, as payment to the moneylender;
- For early redemption of the loan or early termination of the contract; and
- Legal costs incurred for the recovery of the loan.

Any other fees are not permitted, and are hence not enforceable by the moneylender.

From 1 June 2012 onwards, when amendments made to the Moneylenders Rules come into effect, moneylenders are only permitted to charge six types of fees:

- For each occasion of late repayment of principal or interest;
- For each occasion the terms of the loan contract are varied at your request;
- For each dishonoured cheque issued by you;
- For each unsuccessful GIRO deduction from a bank account, as payment to the moneylender;
- For early redemption of the loan or early termination of the contract; and
- Legal costs incurred for the recovery of the loan.

Any other fees are not permitted, and are hence not enforceable by the moneylender.

5) How do I know whether a moneylender is licensed or not?

Do not borrow from unlicensed moneylenders. Verify that a moneylender is licensed by checking the list of licensed moneylenders at www.ipto.gov.sg. Notwithstanding that the moneylenders are licensed, be mindful if they:

- Use abusive language, or behave in a threatening manner towards you.
- Ask for your SingPass user ID and/or password.
- Retain your NRIC card or any other personal ID documents (e.g. driver's licence, passport, work permit, employment pass or ATM card).
- Ask you to sign on a blank or incomplete Note of Contract for the loan.
- Grant you a loan without giving you a copy of the Note of contract for the loan and/or without properly explaining to you all the terms and conditions.
- Grant you a loan without exercising due diligence (e.g. approving a loan over the phone, SMS or email before even receiving your loan application form and supporting documents, such as the income tax assessment and payslips).
- Withhold any part of your principal loan amount for any reason.

Such practices are not acceptable. If you encounter them, you should report the moneylender to the Registry of Moneylenders, with information such as the moneylender's business name, licence and contact numbers. Please see Question 10 for more details.

6) How can I tell whether an advertisement is from a licensed moneylender or an unlicensed moneylender?

Under the advertising rules, which took effect on 1 November 2011, licensed moneylenders are permitted to advertise only through these three channels: (a) business or consumer directories (in print or online media); (b) websites belonging to the moneylender; and (c) advertisements placed within or on the exterior of the moneylender's business premises. All other channels are prohibited.

In this regard, the advertising rules can help you differentiate between licensed and unlicensed moneylenders. If you receive flyers, SMSes, emails or other forms of advertisements which are not permitted under the rules, these would be from either licensed moneylenders operating in violation

of the rules, or loansharks. Hence, you are advised not to respond to such advertisements. Instead, you should report the advertisements to the Registry at Tel: 6325 2585 or email: ipto_romp@ipto.gov.sg. Errant licensed moneylenders will be investigated by the Registry and loansharks will be investigated by the Police.

7) Can I rely on the content of an advertisement to take up a loan from a moneylender?

You are advised to seek clarifications on specific terms of the loan contract before signing up with a licensed moneylender, and not to rely solely on the content of advertisements from the moneylender.

8) In the event that I am standing as a surety for a loan, what should I look out for?

You should ensure that:

- You understand your responsibilities as a surety;
- You receive a copy of the Note of Contract at the time that the loan is granted to the borrower;
- The moneylender has explained the terms in the Note of Contract in a language that you understand; and
- The moneylender does not keep your NRIC card or any other personal ID documents (e.g. driver's licence, passport).
- The moneylender does not acquire any information that contains passwords to your user accounts (e.g. Singpass account, Internet banking account, email account).

9) What should I do after being granted a loan?

- Make sure the moneylender delivers to you the full principal amount of the loan as stipulated in the Note of Contract, there should be no instalments or fees deducted up-front.
- Pay the loan instalments on time to avoid incurring late payment fees and late interest.
- Make sure the moneylender issues to you a dated and signed receipt every time you repay your loan or pay any fees in cash, and check it for correctness (e.g. name, amount, date).
- Make sure you receive a statement of account for all your loan(s) at least once every 6 months, and check it for correctness (e.g. name, amount, date); and
- You should retain all statement of accounts and receipts of payments, as documentation and evidence of payments.

10) How do I lodge a complaint against a moneylender against unfair practices and/or contract?

- You can contact the Registry at Tel: 6325 2585 or email: ipto_romp@ipto.gov.sg.
- Rest assured that the Registry will not disclose your details to the moneylender without your consent. To facilitate the Registry to investigate your complaint, you may need to attend an interview with our officers and provide us with all relevant information and documents

related to your loan transactions and circumstances of your dealings with the moneylender. The Registry views complaints against moneylenders seriously and will investigate them thoroughly. Errant moneylenders will be taken to task.

- If a moneylender has engaged in an unfair practice towards you, you can pursue the matter through the Small Claims Tribunal or the Court under the Consumer Protection (Fair Trading) Act. The Court also has the power to set aside loan transactions that are exorbitant or substantially unfair.

Issued by the Registry of Moneylenders

2 April 2012