

Notes to Borrowers When Obtaining Loans from Moneylenders

1) What should I look out for when considering a loan that is being offered to me?

You need to take note of:

- The amount of the loan that you are taking from the moneylender;
- The interest rate that you will be charged;
- The manner in which interest is calculated;
- The schedule of repayment;
- The additional fees and charges and when these apply to you;
- Your monthly take-home pay, and existing and foreseeable financial obligations, eg. debts or other loans, instalment and insurance plans;
- Your ability to **repay in full** the instalments on the loan on the scheduled dates, or
- Your ability to repay the full loan and interest to be charged, and at the same time, be able to pay all other existing and foreseeable financial obligations on time.

2) What should I bear in mind before I borrow?

- A loan is a legal and financial commitment;
- Always ensure that you ask enough information from the moneylender before you commit yourself;
- Beware of and report moneylenders who are evasive about the terms and conditions of a loan;
- Know that the contractual interest rate and the effective interest rate are different – the effective rate is what you actually pay, and may be higher than the contractual rate. Ask the moneylender what the effective interest rate is per annum and shop around for the best rates. You can ask moneylenders to show you how to calculate the interest and repayment of principal and interest;
- Make sure you fully understand the terms and conditions of the loan, such as what will happen if you make a payment late or if you are unable to pay;
- Know what the late payment fees or administrative charges are, when they apply and how they will be computed;
- 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, even if the moneylender assures you that it is only a standby provision. 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 from the net proceeds from the sale of the property, it could substantially or even wipe out the net proceeds of any sale available to you;
- The law requires moneylenders to fully explain the terms and conditions of a loan to you in a language you understand and to provide you with a printed loan contract according to a prescribed Note of Contract form (see sample Note of Contract in Annex A);
- The law requires moneylenders to fill in the correct amount of the principal and interest rate in the prescribed Note of Contract form (see sample Note of Contract in Annex A); and
- Borrow only what you really need and are able to repay.

3) How much can I borrow?

You can obtain an unsecured loan of:

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

Consider carefully the total amount of debt you have, including what you might already owe to other moneylender(s).

4) What is the interest rate?

Under the Moneylenders Rules 2009, the maximum rate of interest a moneylender can charge is as follows:

		Maximum Interest Rate
A	Loan granted to an individual whose annual income on the date of grant of loan is less than \$20,000: <ul style="list-style-type: none">▪ Secured loan up to \$3,000▪ Unsecured loan up to \$3,000	12% per annum 18% per annum
B	Secured or unsecured loan of up to \$3,000 granted to an individual whose annual income on the date of grant of loan is \$20,000 or more	To be agreed upon between moneylender and borrower
C	Secured or unsecured loan of more than \$3,000	To be agreed upon between moneylender and borrower

5) How do I compare loans and their interest rates?

Interest is usually charged on the original amount loaned (also known as the principal amount). However, how the interest is calculated will depend on the terms and conditions that were agreed upon at the time when the loan was given, which in turn will determine how much interest you actually pay over the tenure of the loan.

You should always read the Note of Contract and the terms and conditions carefully before taking any loan. If you do not understand the Note of Contract or the terms and conditions, you should ask the moneylender to explain it to you in a language that you understand.

6) How do I find out whether a moneylender is licensed or not?

Members of the public should always verify whether a moneylender is licensed by checking the Registry's list of licensed Moneylenders on its website (the list is in the "FAQs" section at www.ipto.gov.sg), which is updated regularly.

Members of the public are advised not to borrow from unlicensed moneylenders and to read this online guide before taking up any loan with a licensed moneylender. Borrowers should be especially mindful when dealing with moneylenders who:

- Use abusive language, or behave in a manner that is threatening toward the borrower, or the surety, if any.
- Demand from the borrower his/her SingPass username and/or password.

- Grant a loan without exercising due diligence, e.g. approve a loan over the phone, SMS or email before receiving the borrower's loan application form and supporting documents (e.g. income tax assessment and payslip).
- Grant a loan without issuing a Note of Contract for the loan and without properly explaining the terms and conditions to the borrower.

Members of the public who come across such practices should report the relevant moneylender to the Registry, and provide information such as the moneylender's business name, licence and contact numbers.

7) I have been granted a loan by a moneylender, what are the things / areas I should look out for?

What Borrowers should do: make sure that –

- The moneylender explains the terms and conditions of the loan to you and your surety, if any, in a language that you and your surety understand;
- You and your surety receive a copy of the Note of Contract at the time the money is given to you (see sample Note of Contract in Annex A);
- The Note of Contract contains correct entries of the principal amount of loan and interest rate as well as the dates of contract and loan disbursement;
- The moneylender delivers to you the correct amount of the loan without withholding any part of it for any reason whatsoever (payment of any fee must be told to you before he dispenses the loan);
- You pay the monthly instalments on time or repay the loan as soon as possible, to avoid incurring additional fees and charges;
- You receive a dated and signed receipt every time you repay your loan or any fees charged by the moneylender;
- The receipt correctly identifies the moneylender and states his address and telephone number, the amount paid and the date of the payment;
- You receive a statement of account for all your loan(s) at least once every 6 months; and
- You keep proper records of all statement of accounts and receipts of payments.

What Borrowers should make sure they do not do: Make sure that –

- The moneylender does not keep your NRIC card or any other personal identification cards or documents (e.g., driver's license, passport, passport, work permit, employment pass or ATM card);
- You do not sign on a blank Note of Contract;
- You do not provide the moneylender with your SingPass username and/or password;
- For loans not exceeding \$3,000 given without security (unsecured loan) where your annual income is less than \$20,000, you do **not** take up the loan if the interest rate is more than 18% per annum; and
- You should not borrow more than the amount that you can repay, bearing in mind that there may be other permitted fees imposed on top of the interest rates.

8) What should I do if the moneylender asks for my SingPass?

All moneylenders are not to ask borrowers to reveal, or obtain from borrowers, their confidential passwords, including SingPass and internet banking passwords. Borrowers who encounter moneylenders insisting on their SingPass are advised to report the matter to the Registry of Moneylenders immediately. Borrowers should not reveal their SingPass to any moneylender.

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

Make sure 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 [see sample Note of Contract in Annex A];
- 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 cards (e.g., driver's license, passport).

10) What are my rights if the moneylender does not comply with the requirements for a Note of Contract?

Where:

- a Note of Contract is not in the prescribed form signed by the moneylender and you;
- the moneylender does not explain the terms of the Note of Contract to you in a language you understand; or
- the moneylender does not give you a copy of the Note of Contract at the time the loan is granted,

Under these circumstances, the loan contract and any guarantee or security given will be unenforceable and the moneylender will not be able to recover the loan.

11) Where can I seek help if I have a complaint against a moneylender?

You can contact the Registry of Moneylenders at Tel: 6325 2585 or email: ipto_romp@ipto.gov.sg. The Registry of Moneylenders will take errant moneylenders who flout the moneylending rules 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 loans that are exorbitant or substantially unfair.

If a moneylender uses language that is abusive or insulting, or behaves in a manner that is threatening towards you or members of your family, you should inform the Registry of Moneylenders or seek the assistance from the Police.

- The borrower protection provisions of the [Moneylenders Act 2008](#) are found in sections 16 to 23 of the Act.
- The borrower protection rules in the [Moneylenders Rules 2009](#) are found in rules 8 to 13 and 18 to 21.

12) If I lodge a complaint against a moneylender with the Registry of Moneylenders, will I need to do so in person at the Registry's office and will my identity be disclosed to the moneylender?

The Registry of Moneylenders views complaints against moneylenders seriously and will investigate the complaints thoroughly and in strict confidence. In order for the Registry to conduct a proper investigation into your complaint, you may need to attend an interview with our officers and provide us all the necessary information and documents on your loan transactions and the circumstances of your dealings with the moneylender. We will also record your statement. Whilst the Registry may have to question the moneylender about the transactions complained about, the Registry will not disclose the complainant's details to the moneylender without the complainant's consent.

(e) Rate of Interest (per annum) _____ %
(f) Rate of late interest (per annum) _____ %
(g) Details of security (if any)

II To be completed by borrower(s)

I/We*, the borrower(s), desire to borrow from the moneylender the sum of \$_____ (hereinafter called "the principal") and promise to repay to the moneylender the principal with interest thereon at the rate of ___ percent per annum from the date hereof until the principal and interest are fully repaid.

I/We*, the borrower(s) acknowledge receiving the principal of \$_____, from the moneylender/moneylender's agent*.

If the borrower or his agent does not understand English:

I/We* acknowledge that the moneylender/moneylender's agent* has explained to me/us* the terms of this Note of Contract, including the "Important Information" and any schedule of repayment attached, and the acknowledgments above, in _____ (a language/dialect) which I/we* understand.

Signature of borrower(s)/borrower's agent* Signature of moneylender/moneylender's agent*

Date: _____ Date: _____

III To be completed by surety(ies)

I/We*, the surety(ies), acknowledge that the moneylender has agreed to grant to the borrower a loan of \$_____ (hereinafter called "the principal") in accordance with the terms and conditions of this Note of Contract. I/we* jointly and severally agree that, if default is made by the borrower in repayment of the principal or in payment of the interest or permitted fees thereon (including any part of such principal interest or fees), I/we* shall pay to the moneylender such principal, interest and fees as remains unpaid.

If the Surety(ies) or his or their agent(s) does not or do not understand English:

I/We* further acknowledge that the moneylender/moneylender's agent* has explained to me/us* the terms of this Note of Contract, including the "Important Information", in _____ (a language/dialect) which I/we* understand.

Signature of surety(ies)/agent(s) of surety(ies)* Signature of moneylender/moneylender's agent*

Date: _____ Date: _____

IV To be completed by borrower(s) and surety(ies)

We, the borrower(s) and surety(ies), further acknowledge that we received a copy of this Note of Contract, including the schedule of repayment (if any), after it had been signed by us/our agent(s)* and by the moneylender/moneylender's agent*, and before/at the time* the principal was disbursed to the borrower or his agent.

If the borrower(s) or surety(ies) or his/their agents does not or do not understand English:

I/We* further acknowledge that the moneylender/moneylender's agent* has explained to me/us* this acknowledgment of receipt of the Note of Contract in _____ (a language/dialect) which I/we* understand.

Signature of borrower/borrower's agent* Signature of surety(ies)/agent of surety(ies)*

Date: _____ Date: _____

*Delete whichever is inapplicable.