

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?

For loans contracted between 1 June 2012 and 30 September 2015, 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 <https://www.mlaw.gov.sg/content/rom> 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.

With effect from **1 October 2015**, the maximum interest rate moneylenders can charge is **4% per month**. This cap applies regardless of the borrower's income and whether the loan is

an unsecured or secured one. If a borrower fails to repay the loan on time, the maximum rate of late interest a moneylender can charge is **4% per month** for each month the loan is repaid late.

The computation of interest charged on the loan must be based on the amount of principal remaining after deducting from the original principal the total payments made by or on behalf of the borrower which are appropriated to principal. *[To illustrate, if X takes a loan of \$10,000, and X has repaid \$4,000, only the remaining \$6,000 can be taken into account for the computation of interest.]*

The late interest can only be charged on an amount that is repaid late. The moneylender cannot charge on amounts that are outstanding but not yet due to be repaid. *[To illustrate, if X takes a loan of \$10,000, and fails to pay for the first instalment of \$2,000, the moneylender may charge the late interest on \$2,000 but not on the remaining \$8,000 as it is not due yet.]*

4) What are the fees that moneylenders can charge?

For loans contracted between 1 June 2012 and 30 September 2015, 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.

With effect from **1 October 2015**, all moneylenders are only permitted to impose the following charges and expenses:

- a fee not exceeding \$60 for each month of late repayment;
- a fee not exceeding 10% of the principal of the loan when a loan is granted; and
- legal costs ordered by the court for a successful claim by the moneylender for the recovery of the loan.

The total charges imposed by a moneylender on any loan, consisting of interest, late interest, upfront administrative and late fee also cannot exceed an amount equivalent to the principal of the loan. *[To illustrate, if X takes a loan of \$10,000, then the interest, late interest, 10% administrative fee and monthly \$60 late fees cannot exceed \$10,000.]*

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 <https://www.mlaw.gov.sg/content/rom>.

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 1800-2255-529 or by email at OneMinLaw@mlaw.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 correct principal amount of the loan. The moneylender is only permitted an upfront deduction of a loan approval fee of up to 10% of the principal amount.
- 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 1800-2255-529 or via e-mail at OneMinLaw@mlaw.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 on 1 June 2012

Last updated 1 October 2015