NEW CONTROLS ON BORROWING COSTS

On 29 May 2015, the 15-member Advisory Committee on Moneylending made 15 recommendations to strengthen Singapore's moneylending regulatory framework.

The recommendations aim to:

- Protect borrowers, who may have no alternative but to go to licensed moneylenders, by curbing undesirable and unfair lending practices; and
- Preserve access to credit by allowing the industry to remain commercially viable so that borrowers do not turn to unlicensed moneylenders

Who borrows from moneylenders?

A vulnerable segment of the population who:

- Are judged too risky for further loans or credit from banks; or
- Have substantial outstanding debt, irregular employment records, or do not earn enough to qualify for the loans they want

Do the controls on borrowing costs offer sufficient protection to borrowers?

- Borrowing cost caps should **restrain profiteering and abusive practices**, while allowing the industry to remain commercially viable
- Interest rates and fees charged should appropriately reflect the high risk that moneylenders are taking on in their loan transactions
- Moneylenders must act responsibly by making prudent loans
- Borrowers must act responsibly by not taking on debt they have no ability or intention to repay

Previous Practice	Controls effective 1 October 2015
No upfront administrative fee	**10%*** maximum upfront administrative fee
20% maximum effective interest rate (EIR^) per year for borrowers earning less than $30,000 a year No interest rate cap for borrowers earning $30,000 or more a year	**4%** maximum nominal interest rate (NIR~) per month
Late interest rate tagged to interest rate per month	**4%** maximum late interest rate per month
No cap on late fee	Late fee capped at **$60** per month
Additional fees allowed for variation of loan contract terms, dishonoured cheques issued, unsuccessful GIRO deductions, early loan redemption or early contract termination and legal costs incurred for the recovery of the loan	**No** additional fees allowed
No cap on total borrowing costs	**100%* cap** on total borrowing costs

* of loan principal

^ EIR takes into account the compounding effect of the frequency of instalments over a one year period

~ NIR is the stated interest rate, without taking into account the compounding effect

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