

INVITATION FOR PROPOSALS TO PILOT NEW BUSINESS MODELS FOR MONEYLENDING

1 Overview

1.1 The Ministry of Law (“**MinLaw**”) would like to invite interested parties to submit proposals to pilot new business models for moneylending (“ML”). The pilot aims to better protect borrowers through business-led improvements in the moneylending industry.

1.2 Applicants shall provide the following information in their applications:

- a. Applicant profile;
- b. Business proposal;
- c. Proposed participation in debt assistance schemes;
- d. Customer acquisition and communication;
- e. Debt recovery practices;
- f. Effective cost of credit; and
- g. Credit policy.

1.3 Details on the information required in the application are provided in **Sections 2 to 8**. Applicants shall note that minimum standards are imposed in some categories (as stipulated), and that any applicant which does not meet these minimum standards will be disqualified.

1.4 Applicants shall be assessed based on the information in paragraph 1.2, with corresponding weightages stated in **Section 9**. Applicants with the highest-scoring proposals may be granted pilot ML licences for a two-year period¹. Each pilot licensee may be granted approval to operate business outlets in up to four (4) locations. The number of business outlets approved under the pilot will be capped at 16 in total.

1.5 Selected applicants will be subject to conditions which will reflect the business models and practices proposed by the respective applicants themselves. These conditions will be in addition to the existing requirements and conditions which apply to all ML licensees imposed under the Moneylenders Act, Moneylenders Rules 2009 and Moneylenders (Prevention of Money Laundering and Financing of Terrorism) Rules 2009. Failure to abide by the stipulated conditions may lead to enforcement actions provided in the Moneylenders Act.

¹ Pilot ML licences will be issued for a one-year period, and may be renewed for another year under the pilot programme, as the Registrar of Moneylenders deems fit.

1.6 More information on the application process and deadlines are provided in **Section 10**.

2 Applicant Profile

2.1 All applicants shall furnish the following information about their profiles, and meet the following minimum stated standards:

- a. Corporate profile: Applicants shall state their current management structure, including their parent company or group of companies they belong to. Applicants shall also list their subsidiary companies and the corresponding shareholdings by the applicants. Such information must include information about beneficial share ownership.
- b. Size and financial strength. Applicants must state their paid-up capital (PUC). Each applicant must have a PUC of at least S\$1 million. Applicants should also furnish their audited financial statements for the past three years.
- c. Track record. Applicants shall state the nature of its current business, and provide a detailed record of how long they have been providing services in ML or related fields such as consumer finance in Singapore. Applicants with an established and good track record in providing relevant products and services in their existing businesses will be considered favourably. Applicants shall also state if they have been involved in any legal suits in the past five years, including (but not limited to) any winding-up applications and / or criminal charges which may have been brought against them, their parent companies, their subsidiaries, or any director, partner, substantial shareholder of the applicant or any person who is or will be responsible for the management of the ML business.
- d. Personnel experience. Applicants shall provide the curriculum vitae (CV) of all managerial personnel who will implement the business if a licence is granted. The CV shall state the personnel's track record and experience in ML and/or related fields. Each outlet shall have an individual manager in-charge with the relevant qualifications and at least five (5) years of experience in the provision of consumer credit or related services.

2.2 Selected applicants will be required to operate a separate legal entity for the new ML business.

2.3 Existing ML licensees may submit proposals under this program. If selected, they will be subjected to the higher standards stipulated in their proposal.

3 Business Proposal

3.1 All applicants shall explain their business models, including their expected revenue, cost, and profitability over a two-year period. In particular, cost projections shall include expected loan default rates, while revenue projections shall be broken down by source, such as interest rates, and legally permitted fees.

3.2 Applicants should also include information on how many outlets they intend to open, the intended location of their outlet(s), and the timeline, over a two-year period, for opening such outlet(s).

3.3 Applicants must ensure that their proposed business models are sustainable beyond the two-year period.

4 Participation in Debt Assistance Schemes

4.1 Selected applicants will be required to participate in at least one debt assistance scheme to help distressed borrowers who have difficulty paying down their debt. This can involve either: (a) partnering with a voluntary welfare organisation (“VWO”) to implement an existing debt restructuring scheme or debt consolidation plan; or (b) proposing and administering a debt assistance scheme itself.

4.2 Applicants shall provide information on the debt assistance scheme it intends to participate in, or its proposed scheme. The details should include the factors or conditions for providing the assistance; the principles applicable in revising the terms of the loan; the conditions for graduation or failure; the scheme’s track record (if applicable); and any other information which applicants consider useful for MinLaw to assess the proposal.

4.3 Applicants shall also commit to participate in any formal debt restructuring scheme if so directed by MinLaw.

5 Customer Acquisition and Communication

5.1 Applicants shall explain their proposed customer acquisition and communication strategy, bearing in mind the need to comply with existing Registrar’s Directions regarding the advertising & marketing activities of licensed moneylenders.

5.2 Applicants shall also explain how they will ensure that prospective borrowers fully understand the terms and conditions before entering into a loan contract. Favourable consideration will be given to applicants who propose an information disclosure framework which will allow the terms and conditions to be conveyed to borrowers in a language and manner they would understand, and which can help borrowers to understand the complete impact of additional costs in the event of default of repayment(s). Applicants may elaborate on the extent of explanation that would be given to a borrower in the event that loan packages of various structures are offered to the borrower as options.

6 Professional Debt Recovery Practices

6.1 All applicants shall commit to abide by the Guidelines on Professional Debt Recovery Practices ([Appendix 1](#)).

6.2 Applicants shall explain clearly if any part of the debt recovery process will be outsourced and describe how any outsourced vendor will be managed. All moneylenders should be fully responsible and accountable for the conduct of all debt collectors acting on its behalf, in-house or outsourced. In particular, applicants should ensure that their debt recovery practices are fair and reasonable, and should not result in embarrassment or distress to anyone, in particular, the borrowers.

7 Effective Cost of Credit

7.1 Applicants shall state the maximum effective cost of credit that may be incurred on their moneylending loans to borrowers, as a percentage of the loan principal. The stated cost of credit should include any amount payable by the borrower to the moneylender that is above the principal sum, including interest, late interest, and any fees permitted under the Moneylenders Act and Rules.

7.2 Applicants shall also provide details on the various types of loan products that they intend to offer, the terms of these loan products, and how they intend to price these loan products (e.g. proposed interest rates, late interest rates, loan tenure, repayment schedules, etc.), bearing in mind the need to comply with all requirements under the Moneylenders Act and Rules.

8 Credit Policy

8.1 Applicants shall explain their proposed credit policies, including details on:

- a. Criteria for assessing the creditworthiness of each applicant;
- b. Criteria for deciding the quantum of credit that should be granted;

- c. Procedures for processing and approving loan applications; and
- d. Policies on the identification and management of problem loans and defaults.

8.2 Favourable consideration will be given to applicants with credit policies that rely on objective and/or quantitative evidence to ensure that each loan is sustainable. Additional measures to ensure the health and sustainability of each loan, such as credit monitoring practices, will also be duly recognised.

9 Evaluation Criteria and Weightages

9.1 Applications will be assessed based on the following criteria and their corresponding weightages:

Criteria	Weightage
1. Mandatory Criteria	Mandatory
a. Applicant profile	
b. Soundness and completeness of business model	
c. Participation in debt assistance schemes	
d. Customer acquisition and communication strategy	
e. Professional debt recovery practices	
2. Evaluative Criteria	90%
a. Effective cost of credit	70%
b. Credit policy	20%
3. Other Value-Added Aspects	10%

10 How to Apply

10.1 MinLaw will conduct a briefing session on the pilot for potential applicants on Tuesday, 22 May 2018 at the Registry of Moneylenders (45 Maxwell Road, The URA Centre (East Wing), Level 6). **Prior registration for the briefing is required. Walk-ins will not be permitted entry.** Interested attendees are to email their full name, designation, and company name to Mr Jerry Lim via Pilot_Programme@Mlaw.gov.sg by 18 May 2018, 5pm.

10.2 Applicants shall submit their applications in soft copy via Pilot_Programme@Mlaw.gov.sg to ROM no later than Friday, **20 Jul 2018, 11.59pm**. Applications which do not include the requisite information will be automatically disqualified.

10.3 After ROM has assessed the application and deemed the proposal favourable for inclusion in the pilot program, selected applicants will be given an In-Principle Approval via email. **At this stage, a licence to operate a moneylending business**

has not been granted yet. The grant of the licence is contingent on the applicant meeting the requisite requirements, such as the engagement of a test-qualified manager, the payment of the applicable fees, and the placement of a security deposit with the Accountant-General. Further details will be provided in the email to successful applicants.

PROFESSIONAL DEBT RECOVERY PRACTICES

1.1 Responsibility of Moneylenders in Debt Recovery Practices

- 1.1.1 A moneylender should be fully responsible and accountable for the conduct of all debt collectors acting on its behalf, in-house or outsourced.
- 1.1.2 An appointed debt collector should be equipped with accurate and up-to-date loan details when engaging a borrower² during debt recovery. Arming himself with information on the principal loan amount alone is grossly inadequate. The debt collector should be well-informed of:
- a. The total amount repayable that is due;
 - b. The breakdown of the repayable components; and
 - c. The circumstances of the loan defaults.

Doing so will allow the debt collector to advise the borrower convincingly, reducing chances of a dispute.

1.2 Unprofessional Debt Recovery Practices

- 1.2.1 Unprofessional, anti-social or intimidating behaviour, or behaviour aimed at humiliating the borrower should be refrained in the course of debt recovery by a moneylender or debt collector.
- 1.2.2 Examples³ of unprofessional debt recovery practices include:
- a. Displaying a Letter of Demand (“LOD”) to the borrower, or a picture of the borrower, at the door of the borrower’s residence that will inform the public about the borrower’s debt.
 - b. Stalking the borrower.
 - c. Pestering⁴ the borrower with persistent phone calls and making telephone call during times that would potentially inconvenience the borrower, his family or his work.

² “Borrower” includes a guarantor or a surety.

³ These examples given are not exhaustive and meant to give users of the Handbook an idea of the approaches that are discouraged. Negative examples that clearly spell an offence under law, such as causing hurt to a person, criminal intimidation, criminal force, etc., are intentionally left out.

⁴ For the avoidance of doubt, ‘pestering’ is to trouble or annoy someone with persistent requests or interruptions even when the message has been received by the respondent.

- d. Pestering the borrower, family members, colleagues and friends for information about the borrower's whereabouts.
- e. Pestering the borrower at his work place or his employer to an extent that may result in the borrower losing his job.
- f. Using aliases/monikers to communicate with the borrower to achieve anonymity.
- g. Making anonymous calls and sending unidentifiable messages to the borrower.
- h. Making false or misleading representation⁵ with intent to induce the borrower to make a payment.
- i. Taking to social media platform to shame the borrower; e.g. announcing publicly that the borrower does not repay his/her debt.
- j. Using abusive or vulgar language or gestures on the borrower.
- k. Adopting threatening behaviours like shouting in an argument, asking a borrower to "watch out", gesticulating aggression, etc.

1.3 Telephone Etiquette

1.3.1 It is common for a moneylender, either by himself or through an engaged debt collector, to make telephone calls or send mobile text messages to a borrower to either remind the latter to make a repayment or demand payment of a defaulted loan. In addition to taking into consideration the guidance given at sections 1.1 and 1.2, the following should be observed when communicating with a borrower via phone:

- a. Calls and mobile text messages should only be made/sent to a borrower and not a third party.
- b. These modes of contact should not be done excessively to harass, annoy or cause distress to the borrower.
- c. Unless the borrower has consented otherwise in writing previously, calls should be made, and text messages should be sent, at the following timings:
 - i. Monday to Friday: 8am to 10pm
 - ii. Weekends or Public Holidays: 9am to 9pm

⁵ Such as falsely claiming that an action can be legally pursued when it is in fact not the case.

1.4 Approaches with a Borrower when Serving a Letter of Demand

1.4.1 There is strong impetus for a moneylender to approach a defaulting borrower in a professional manner during debt recovery as:

- a. It would increase the chances of the borrower being persuaded to repay the debt.
- b. It would lower the chances of the borrower making a complaint of harassment with the Registry or the Police, which will certainly result in inconvenience caused to the moneylender.

1.4.2 When serving a LOD to a borrower to pursue a debt, it is professional practice for a moneylender to escalate the mode of contact with the borrower. Contacts with a borrower should preferably be done in the following sequence and methods:

- a. First, by mail.
 - i. For the purpose of ensuring confidentiality of borrower information, the LOD should be enclosed in an envelope revealing only the name and the address of the borrower.
 - ii. Additionally, only the business name of the debt collection agency and/or the moneylender should be reflected on the reverse side of the envelope for the purpose of mail return in the event of an unsuccessful delivery.
- b. Next, by a visit to the borrower's place of residence to issue the LOD.
 - i. Visits to the borrower's residence should only be considered when all other forms of non-face-to-face contact have been exhausted.
 - ii. The LOD should be enclosed in an envelope as described at section 1.4.2(a) and served on the borrower where possible.
 - iii. If necessary, a conversation with the borrower (or a house occupant) may take place, and the guidance given at sections 1.1 and 1.2 should be observed.
 - iv. In the event that the borrower is not at home, the envelope may be handed over to a house occupant. While the purpose of the visit may be revealed to this house occupant, loan details should not be shared.
 - v. In the event that this mode of contact is pursued, the house occupants and neighbours should not be inconvenienced, and refusal by these persons to cooperate with the moneylender/debt collector should be respected as these persons are non-party to the loan.
- c. Visiting the work place of a borrower as a last resort.

- i. A visit to the work place of a borrower carries the risk of the borrower losing his job. Thus, such an approach should be avoided unless all other modes of contacting the borrower have failed.
- ii. The visit should be kept very brief and once the envelope containing the LOD is delivered, the moneylender or debt collector should leave the premises expeditiously.
- iii. In the event that the borrower is not available, the envelope containing the LOD may be handed over to the receptionist (if there is one) or a colleague (if no receptionist is available).
- iv. When engaging with any person in a conversation, including the making of a request to speak with the borrower, the guidance given at sections 1.1 and 1.2 should be observed.
- v. In the event that this mode of contact is pursued, any advice by the work place occupants (including the borrower) for the moneylender or debt collector to leave the premises should be adhered to, as a refusal to heed the advice may give rise to a case of trespass.

1.4.3 A moneylender or debt collector may find it needful to contact the borrower via phone in the course of demanding payment of a defaulted loan. These phone communications should follow the guidance given at section 1.3.