

REGISTRY OF MONEYLENDERS

REGISTRAR'S DIRECTIONS NO. 1 OF 2017

1 These Directions are made pursuant to sections 26(1), 26(2)(b) and 26(2)(c) of the Moneylenders Act (Chapter 188), and rule 10 of the Moneylenders (Prevention of Money Laundering and Financing of Terrorism) Rules 2009. It has come to the attention of the Registrar that licensees have been doing the following:

- 1.1 Informing borrowers/potential borrowers that they can be granted only weekly loans because this is a “new law” by the Government.
- 1.2 Offering short-term loans of less than one month in duration, which are repeatedly “re-financed” or “renewed” such that borrowers do not repay any part of the principal or interest, but simply a 10% “administrative fee” repeatedly.
- 1.3 Offering loans or “re-loans” to pay off existing loans when borrowers are unable to fully pay sums that are due, and charging the borrowers a 10% “administrative fee” repeatedly to roll over the existing loan.
- 1.4 Splitting a single loan into numerous component parts such that when a borrower is unable to repay any component part of the loan on time, a late charge of \$60 for each component is levied.

2 The Registrar's views on the above-mentioned acts are as follows:

- 2.1 The act referred to in paragraph 1.1 is clearly a false or misleading representation. If the representation induces any person to borrow money from the licensee, was made in an attempt to induce the person to borrow money from the licensee or to agree to terms on which money is or is to be borrowed, this may amount to an offence under section 27(a) of the Moneylenders Act.
- 2.2 Concerning the acts referred to in paragraphs 1.2 and 1.3:
 - 2.2.1 Licensees should not offer short-term loans to borrowers in the knowledge that the borrowers will not be able to repay any part of the principal or interest at the end of the term of the loan, and in the knowledge that the consequence is that the borrower will need to pay an “administrative fee” repeatedly to roll-over the loan, without making any payments which go towards reducing the principal or interest owed. In determining if a borrower will be able to meet the proposed repayment plan, licensees should take into account the borrower's

income and assess if he is able to repay. For instance, a one-week loan which is higher than the borrower's weekly income is clearly not repayable.

2.2.2 Licensees should not grant loans or "re-loans" to borrowers to reduce or extinguish an existing debt owed to the same licensee in the knowledge that this serves to "reset" the total borrowing cost charged, as this is tantamount to deliberately circumventing rules 11, 12 and 12A of the Moneylenders Rules. For example, a borrower may end up paying a second administrative fee of 10% on what could be regarded as the same loan principal. Over time, he may also pay an amount in excess of 100% of the principal of the original loan. However, licensees who genuinely wish to assist a borrower through a loan restructuring may do so as long as there is no circumvention of the Moneylenders Rules.

2.2.3 Such acts are undesirable and may be regarded as:

2.2.3.1 carrying on the business of moneylending in such a manner as to render the licensee unfit to hold a licence, which is a ground for the Registrar to refuse to renew a licence under section 7(1)(d)(v) of the Moneylenders Act; or

2.2.3.2 conducting the business of moneylending in an improper manner, which is a ground for the Registrar to revoke or suspend a licence under section 9(1)(a)(iv) of the Moneylenders Act.

2.3 Concerning the act referred to paragraph 1.4:

2.3.1 Licensees should not split the loans in the knowledge that the borrowers will not be able to make the instalment payments on time, and in the knowledge that the consequence is that the borrower will need to pay multiple late charges.

2.3.2 Where the splitting of a loan into numerous component parts serves no apparent or visible economic or lawful purpose to the borrower:

2.3.2.1 And it appears to be done chiefly for the licensee to benefit from charging the late payment fee multiple times (ie, one standard fee for each component that is late), this is undesirable and may be regarded as:

2.3.2.1.1 carrying on the business of moneylending in such a manner as to render the licensee unfit to hold a licence, which is a ground for the Registrar to refuse

to renew a licence under section 7(1)(d)(v) of the Moneylenders Act; or

2.3.2.1.2 conducting the business of moneylending in an improper manner, which is a ground for the Registrar to revoke or suspend a licence under section 9(1)(a)(iv) of the Moneylenders Act;

2.3.2.2 It may amount to a deliberate restructuring of an otherwise single relevant loan into smaller transactions in order to evade the thresholds provided for in the Moneylenders (Prevention of Money Laundering and Financing of Terrorism) Rules 2009, and if a licensee does not aggregate such smaller transactions into a single loan for the purposes of rule 6(1)(a) read with rule 6(4), this may amount to an offence under rule 6(5) of the said Rules.

3 Where borrowers enter into loan agreements without understanding the consequences referred to in paragraphs 2.2.1, 2.2.2 or 2.3.1, licensees may be regarded as having failed to comply with sections 19(1) and 19(2) of the Moneylenders Act, in failing to inform the borrowers of the terms and conditions of the loan. Licensees are reminded that, under rule 8(f) of the Moneylenders Rules, they must inform borrowers in writing of how the permitted fees will be computed and the circumstances under which they will be charged. For the avoidance of doubt, licensees must, when granting any loan to a borrower, inform the borrower in writing of the order of priority applied for the allocation of any payment (i.e. the principal, interest, late interest and late fee) made towards any loan.

4 Before issuing any loans, licensees must provide a separate cautionary statement in writing to the borrower in the terms set out in **Annex A**. The title of the cautionary statement must be in all capital letters, red font, and a minimum size of Times New Roman 16 or its equivalent. If the borrower does not understand English, the cautionary statement must be explained to him in a language he understands. The borrower must acknowledge by his signature on the cautionary statement that he has read and understood it, or if he cannot read it, then that it has been explained to him and he has understood it.

5 Licensees are hereby cautioned that should they engage in any of the acts mentioned in paragraphs 1.1 to 1.4, and this comes to the attention of the Registrar, they will be investigated, and dealt with accordingly if any breaches of the relevant legislation are found. Licensees who engage in any of these acts knowing that they will mislead borrowers, cause borrowers to have to repeatedly pay administrative fees or cause them to pay multiple late fees, must cease such conduct immediately.

6 For the purposes of these Directions, the term “licensees” includes any licensed moneylender, and any director, partner, agent or employee of the moneylender.

7 These Directions supersede Registrar's Directions No. 1 of 2016 dated 26 January 2016, and take effect from 5 January 2017.

Dated this 30th day of December 2016

JILL TAN
REGISTRAR OF MONEYLENDERS

CAUTIONARY STATEMENT TO BORROWER

The Registrar of Moneylenders has become aware of some undesirable conduct by licensed moneylenders and has on 30 December 2016, issued directions to all licensed moneylenders to cease such conduct immediately. Such conduct includes:

- (a) Offering a short-term loan of less than one month in duration with the intent of collecting more administrative fees:
- Such a loan is repeatedly “renewed”; and
 - The borrower keeps paying an “administrative fee” of up to 10% of the principal amount of the loan.
- (b) Granting a loan or “re-loan” to “renew” or “re-finance” an existing debt with the intent of collecting more administrative fees:
- The “renewed” or “re-financed” loan is used to extinguish or reduce an existing debt with the same moneylender; and
 - The borrower keeps paying an “administrative fee” of up to 10% of the principal amount of the “renewed” or “re-financed” loan.
- (c) Splitting one loan into two or more smaller loans with the intent of collecting more late fees:
- The loan is structured such that when a borrower cannot repay any of the smaller loans on time, a late fee (eg, \$60) for each and every late smaller loan is charged.

BEWARE OF ACCEPTING SUCH LOANS FROM LICENSED MONEYLENDERS.

If your licensed moneylender has given you such a loan, please lodge a formal complaint with the Registrar of Moneylenders at 45 Maxwell Road, Level 7, The URA Centre (East Wing), Singapore 069118.

Acknowledgement

I, _____ (Name of Borrower), acknowledge that I have read and understood this cautionary statement, or if I cannot read it, that it has been explained to me and I have understood it.

Signature of Borrower:

Date: