



FREQUENTLY ASKED QUESTIONS (FAQs)

REGULATORY NOTICES BY AMBD (2015)

1) What is the objective of the issuance of the new regulatory notices?

The issuance of these notices aims to reduce household debt as a source of vulnerabilities to the socio-economic of the country, by:-

- i. Inculcating responsible and ethical lending practices by financial institutions in their dealings with individual borrowers;
- ii. Promoting responsible lending and borrowing behaviours to foster a healthy and sustainable credit market which in turn contributes to economic and financial stability;
- iii. Further strengthening the protection of consumers' interests.

TOTAL DEBT SERVICE RATIO

2) What is the objective of the new notice on Total Debt Service Ratio (TDSR)?

This TDSR will limit an individual's total monthly debt obligations and ensure individuals have sufficient disposable income. Furthermore, this would encourage individuals to manage debt efficiently.

3) Who will be required to observe the TDSR requirement?

AMBD requires all banks, finance companies and Perbadanan Tabung Amanah Islam Brunei (TAIB) to observe the TDSR requirement upon assessing all loans entitlement from 8th June 2015 onwards.

4) What is Total Debt Service Ratio?

It is the ratio of total debt obligations to net monthly income.

5) How is the Total Debt Service Ratio calculated?

Total Debt Service Ratio is calculated as follows:

$$\frac{\text{Monthly total debt obligations}}{\text{Net monthly income}} \times 100\%$$



6) Who does the TDSR apply to?

All individual borrowers who apply for loans/financing from 8th June 2015 onwards.

7) Does this apply to companies?

No.

8) What are the types of monthly debt obligations used to compute the borrowers' TDSR?

From 8th June 2015 onwards, the types of monthly debt obligations are the following:-

- i. All existing secured and unsecured loans such as home mortgage loans, personal loans, credit cards, car loans, overdrafts, education loans, home improvement loans, etc.; and
- ii. The proposed new loan application (secured and unsecured).

9) What is the TDSR set by AMBD?

The TDSR set by AMBD is 60% for borrowers with minimum net monthly income of BND1,750.00.

Out of your net monthly income, 60% is the maximum that you could utilize to service your monthly loan repayments (secured and unsecured loans) and 40% of your net monthly income will be available as your take home pay to meet your monthly living expenses and other financial requirements.

E.g. A person has a net monthly income of BND2,000.00. The maximum amount available to service all his current monthly loan repayment (personal loan, credit cards, car loan, overdraft and home loan) is BND1,200.00 and BND800.00 will be available as take home pay for his/her monthly expenses.

10) What if my net monthly income is below BND1,750.00? Can I still obtain a loan?

Yes, but you will not be subjected to the TDSR of 60% set by AMBD. However, you will be subjected to a different TDSR based on your bank's or finance company's current internal policy on TDSR and minimum take home pay requirement. Borrowers with a net monthly income of less than BND1,750.00 can contact their respective banks or finance companies to know their respective current internal policy on TDSR.

11) How will the TDSR of 60% affect my existing loan obligations?

It will not affect your existing loan obligations even though your current TDSR exceeds 60%. However, the 60% TDSR will be applicable once you apply for a new loan.



12) What about those existing borrowers who are already above the 60% TDSR thresholds? Will it affect them?

Existing borrowers who have a TDSR above the 60% thresholds will only be eligible to take up new credit facilities (loans) with banks, finance companies or Perbadanan TAIB once their existing TDSR has reduced to below 60% as a result of the following:-

- i. increase in net salary over time;
- ii. reduction in credit card and overdraft limits;
- iii. settled loan obligations over time; and
- iv. restructured credit facilities.

13) Why are borrowers with net monthly income below BND1,750.00 subject to a different TDSR?

To ensure borrowers with net monthly income below BND1,750.00 have access to credit/financing at the bank's or finance company's discretion according to their current internal credit policy on TDSR.

Any current internal policy changes on TDSR will be subjected to AMBD's approval to ensure that banks or finance companies take responsibility in ensuring borrowers are not overburdened with debt and have sufficient disposable income and at the same time, for banks and finance companies to continue providing financial access.

14) Why is the TDSR's computation based on net monthly income and not gross monthly income?

The net monthly income is the actual income received after all mandatory deductions such as TAP, SCP and any other obligations such as government loans deduction, government housing repayment scheme, company loan and memberships. The Net Monthly income represents a true reflection of one's financial capability when applying for new loans/financing.

15) Is rental income included in the Net Monthly Income computation?

Yes, rental income may be considered in the Net Monthly Income computation, subject to certain conditions.

16) Does this new TDSR requirement affect my loan application prior to 8th of June 2015?

No. This requirement will be applicable only to all new loan applications with effect from 8th June 2015.



UNSECURED PERSONAL CREDIT/FINANCING FACILITY

17) What is the difference between the old Personal Loan Directive 2005 and the new notice on unsecured personal credit/financing facility?

- i) The new notice allows a maximum entitlement of 18 times of the borrower's net monthly income as compared by a previous entitlement of 12 times of the borrower's gross monthly income.
- ii) Borrowers are allowed to restructure or top-up the credit/financing facility after 50% of the original credit/financing facility's tenor has lapsed, subject to a maximum of 2 top-ups during the tenor of the credit/financing facility. Previously, this facility can only be topped up after 75% of the financing period has lapsed.
- iii) The maximum tenor of unsecured financing facility is still 6 years.
Borrowers are required to obtain insurance/takaful protection for the unsecured loan during the validity of this loan.

18) When can I restructure/top-up my existing unsecured personal loan?

Your unsecured personal loans/financing granted before 8th June 2015 may be restructured/topped-up at your discretion. The 50% restructure/top up eligibility criteria will apply once you obtain an unsecured personal loan on 8th June 2015 onwards. In restructuring/topping-up the loan, the following criterias must be satisfied:-

- i) For borrowers with minimum net monthly income of BND1,750.00, the borrower's Total Debt Service Ratio shall not exceed 60%. Borrowers with net monthly income below BND1,750.00 are required to meet the bank's current internal credit policy on TDSR.
- ii) Borrowers are required to obtain insurance/takaful protection for the unsecured restructured loan during the validity of this loan.

19) What are the criteria of restructuring or topping up of unsecured personal loans/financing?

From 8th June 2015 onwards, you may restructure or top-up your unsecured personal loans/financing after 50% of the original credit facility's tenor has lapsed, subject to a maximum of 2 top-ups during the tenor of the credit/financing facility. This is subject to your repayment history of all active outstanding credit facilities, as follows:-

- i. No monthly missed repayment for any four months in the last 12 months from the date of application; or
- ii. No monthly missed repayment for any two consecutive months, in the last 12 months from the date of application.

However, the bank may impose a stricter criteria based on the borrower's repayment history.



CONSOLIDATION LOAN/FINANCING SCHEME

20) What is the Notice on Consolidation Loan/Financing Scheme about?

It allows banks and Perbadanan TAIB to provide a fixed term credit facility to consolidate all or several existing credit facilities, except home mortgage loan/financing.

21) How does the Consolidation Loan/Financing Scheme benefit borrowers?

This scheme aims to achieve better debt management of the public, in particular those with significantly low take-home pay and to curb excessive borrowing. This scheme also aims to reduce the monthly repayment amount with adjustments to the payment tenure.

22) Who are eligible for consolidation loan/financing scheme?

This scheme is eligible to borrowers who currently have a total monthly debt repayment which exceeds a TDSR of 60%.

23) What type of credit facilities can be consolidated under this scheme?

All loans/financing facilities such as unsecured personal loan/financing facility, hire purchase, credit cards may be consolidated, except for home mortgage loans/financing. The loans/financing facilities to be consolidated must be granted before 8th June 2015.

The consolidated loans/financing must conform to the Notice on TDSR.

24) Do I have to assign my salary for this Consolidation Loan/Financing Scheme?

No, it is subject to the bank's requirements.

25) What is the maximum tenor for this Consolidation Loan/Financing Scheme?

It is subject to the bank's policy.



SERVICE FEES/CHARGES

26) What is the Notice on Service Fees/Charges about?

This Notice serve to regulate applicable fees and charges imposed on financial products and services offered to individuals.

27) What kind of fees are regulated in this Notice?

Fees that are regulated are as follows:-

- i) Certificate of Balance fee;
- ii) Clearance Letter fee;
- iii) Restructure/Top-up fee;
- iv) Early Repayment/Settlement fee; and
- v) Prepayment fees.

28) Why are these fees regulated?

This is to ensure that fees and charges levied on financial products and services offered are equitable to both the borrower and the financial institutions.

And at the same time, the regulated fees will help borrowers who wish to settle their loans/financing early.

Note:

AMBD will continue to update this FAQs from time to time.

Last Updated: 18th November 2015



AMENDMENTS MADE TO THE REGULATORY NOTICES (DATED 28TH OCTOBER 2015)

1) What are the key changes in the amended Notices?

The key amendments in the Regulatory Notices, which apply to all banks, finance companies and Perbadanan Tabung Amanah Islam Brunei (TAIB), effective from 28 October 2015, include the following measures:-

- 1.1. Rental income and business income for sole proprietors are allowed to be included as part of the borrower's Gross Monthly Income subject to certain conditions;
- 1.2. Credit cards fully secured by fixed deposits will not be included in the computation of borrower's Total Debt Service Ratio (TDSR);
- 1.3. Borrowers are allowed to top-up or restructure their unsecured credit/ financing facility after 50% of the original tenor has lapsed subject to certain conditions on borrower's repayment history; and
- 1.4. Banks may offer credit cards without the precondition for borrowers to assign their salary or placing a fixed deposit under lien to the credit card issuing bank. However, borrowers are still subject to the TDSR requirements.

CREDIT CARDS

2) Is a person still required to assign their salary to the card issuing bank, to be eligible for a credit card?

No, a person is only required to verify their monthly income to the bank to be eligible for the credit cards by providing the necessary documents, for example the person's pay slip. However, the requirements of TDSR (as outlined in 3 below) are still applicable.

3) Can a person have credit cards with more than one bank?

Yes, a person may have credit cards at more than 1 bank as long as their existing Total Debt Service Ratio (TDSR) is within the stipulated limits. (I.e. not exceed the 60% limit for borrowers with minimum net monthly income of BND1,750.00 or subject to the bank's current internal credit policy on TDSR for borrowers with net monthly income below BND1,750.00)

4) What happens to the Fixed Deposit which is currently under lien with one's credit card?

A person may opt to uplift/withdraw their Fixed Deposit. However, credit cards which are not secured by fixed deposit are accounted for as a certain percentage in the TDSR (i.e. 8% of each card limit or 8% of outstanding amount, whichever is higher) while credit cards which are fully secured by fixed deposit are counted as 0% in the TDSR computation.

Note:

AMBD will continue to update this FAQs from time to time.

Last Updated: 19th November 2015