BANK OF MAURITIUS

Loans and Deposits

The Bank of Mauritius licenses, regulates and supervises banks, and non-bank deposit-taking institutions (referred to as financial institutions in this document), cash dealers, carrying on activities in or from within Mauritius. One of the main objectives of the Bank of Mauritius is to ensure the stability and soundness of the financial system in Mauritius. Financial institutions accept deposits and use those deposits to provide loans and advances to businesses and individuals or to finance specific activities that have been approved by the Bank of Mauritius.

As a customer, you need to be aware of all the terms and conditions governing your deposits with financial institutions and your liabilities towards them if credit has been advanced to you.

Opening of account

When opening an account with a financial institution, you are requested to provide the financial institution with a copy of your National Identity Card and a recent proof of address. This is because the financial institution should establish to its satisfaction that it is dealing with a real person or organisation and should verify the identity of the person or organisation accordingly. If funds that are to be deposited or transferred are being supplied on behalf of a third party, the identity of the third party should also be established and verified.

Essentially you need to be aware of the following:

- The minimum balance to open an account
- The minimum balance to earn interest
- Interest payable on savings and term deposits
- Charge, if any, when the balance falls below the minimum balance
- Penalty, if a fixed deposit is uplifted before maturity
- Standing order fees
- Dormant account fees
- Inactive account fees
- Fees for cheques deposited or returned as unpaid
- Fees for cheques unpaid due to financial reasons
- Fees for making a stop payment

Abandoned funds

According to the Banking Act 2004, where a customer's deposit or money lodged with a financial institution for any purpose, has been left untouched and not reclaimed for 7 years or more and the customer has not responded within 6 months to a letter from the financial institution about the dormant deposit or money, sent by registered post to the customer's last known address, the deposit or money, as the case may be, shall be deemed to have been abandoned and shall, without further formality, be transferred forthwith by the financial institution concerned to the Bank of Mauritius to be dealt with as decided by the Bank of Mauritius.

Important Considerations regarding your deposits

- Keep track of the renewal date of your deposits
- Renew your deposits in time
- Know whether interest is calculated as advertised
- Ensure receipt of statements from your financial institution
- Keep your banker informed about any change of address since important letters may be sent to that address by your banker
- Know the terms and conditions attached to your deposits – current, savings and fixed

Credit

Financial institutions grant an array of credit facilities to their customers, for example overdrafts, loans and advances in rupees and foreign currency, bills discounted etc. Similar to deposits, you should ensure that you are aware of the terms and conditions governing the credit facilities granted to you.

As a borrower, you need to be aware of the following:

- The principal amount that is being borrowed
- The interest rate that is being applied
- Processing fees
- Disbursement fees
- Legal fees
- Valuation fees
- Penalty fees for loans in arrears
- Early repayment fees
- Other fees that may be applicable

Make sure that all the terms of your loan agreement are clearly explained to you by your banker prior to your signature on the loan agreement.

Interest Rate

Each financial institution sets its own interest rates on deposit accounts and loans and advances it grants to its customers. However, financial institutions are guided by the Key Repo Rate, which is a signalling rate set by the Bank of Mauritius. The Key Repo Rate is determined by the Monetary Policy Committee constituted under the Bank of Mauritius Act 2004, which normally meets every three months. When the Key Repo Rate changes, financial institutions normally adjust their rates and they communicate any changes in their rates to their customers on their respective website and by public advertisement. Consequently, in case you have opted for loans with floating rates, your monthly loan installments may vary.

Collateral

Collateral refers to the assets that you are willing to provide as security for credit facilities. Your house (if you own it outright), your car, property, machinery and equipment are all examples of tangible assets that you may use as collateral.

Loans that use tangible assets as collateral are called secured loans (as opposed to unsecured loans). The advantage of secured loans is that they often carry lower interest rates than unsecured loans.

An issue with secured loans is that in case you are unable to pay off your loan as scheduled, the asset(s) that has(ve) been used as collateral will be seized and sold for repaying the loan.

Guarantor

A third party may agree to be a party to the loan agreement entered into by the financial institution and yourself. The third party or guarantor becomes EQUALLY liable as the borrower the moment he/she signs the loan agreement.

Before agreeing to act as a guarantor, it is important to assess the primary borrower's credit, income and expenses, to determine whether or not the borrower is capable of servicing the loan.

A guarantor should be prepared to repay any outstanding amount of the loan if the primary borrower defaults. You should not agree to offer a guarantee if you are unable to do so. Make sure you know what amount is being borrowed. Ensure that you have a copy of the loan contract and that you read and fully understand it before signing, because there is no way to back out of a guarantee agreement.

The guarantor is not the borrower but he/she must reimburse the financial institution any amount due by the borrower if the latter defaults because he/she has signed the loan agreement and has concurred with all the conditions therein.

The guarantor should be immediately informed by the financial institution if the borrower is not repaying the agreed instalments as per the loan agreement.

What is a Loan Schedule?

A loan schedule is a report that gives details about loan repayment, usually in regard to a mortgage or other structured interest loan. The loan schedule is intended to give both the borrower and the lender a good record of the particular terms and conditions of the contract at a glance. The schedule is sometimes called an amortisation schedule and it details the number of payments required to pay off the loan in full, the frequency of the payments, and how much principal and interest paid down with each timely payment.

Important considerations when taking a loan

- Take a loan when you really need it
- Judge what interest rate you can really afford to pay
- Assess your repaying capacity
- Borrow within your means
- Know how much you have to pay and over how many months/years
- Always anticipate for changes in the interest rate
- Budget for increases in the interest rate
- Be regular with your monthly installment payments
- Inform your bankers if you have a repayment problem

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