

Dear Editor

We refer to the letter from Mr Leow Zi Xiang, "A loan clause too far?"(TODAY Online Forum, 8 June 2011).

We wish to clarify that the "all monies" clause has been used by banks in Singapore for more than 10 years in securing mortgage of private properties. This means that all monies owing by housing loan borrowers to the bank from time to time are covered by the mortgage. The "all monies" clause is also practised by banks in Malaysia, Hong Kong, United Kingdom and Australia. The "all monies" clause is not applicable to HDB flats which cannot be used to secure credit facilities other than a housing loan from the bank to purchase the flat.

Borrowers should exercise care and be responsible for all loans they take up. Even without the "all monies" clause, the bank can undertake legal proceedings to foreclose the mortgaged property to recover outstanding loans. This has the same eventual effect as exercising the "all monies" clause, but would incur additional legal fees which would have to be borne by borrowers.

Some banks communicate the "all monies" clause to housing loan borrowers via their Letters of Offer. In addition, housing loan borrowers are represented by lawyers of their choice and are at liberty to clarify and seek advice from their lawyers on the implications of the clause prior to execution of the mortgage documentation. We will be working with member banks on standardised disclosure practices in explaining the salient clauses.

In situations where the housing loan borrower is a guarantor of loans to a third party, he/she in such situations has agreed to be responsible as a guarantor for a third party's liabilities voluntarily. Agreeing to act as a guarantor involves a serious financial commitment. Such an agreement should not be entered into lightly.

Where the housing loan borrower has also personal loans and/or is a guarantor of loans to a third party, the bank will not unreasonably invoke the "all monies" clause until it has first exhausted all efforts and avenues to help the borrower to restructure and/or reschedule his loans before invoking the "all monies" clause as a last resort.

We thank Mr Leow for his feedback.

Ong-Ang Ai Boon, Mrs
Director
The Association of Banks in Singapore