

MAS RULES ON CREDIT CARDS & UNSECURED CREDIT FACILITIES – WHAT YOU SHOULD KNOW...

To help individuals avoid accumulating excessive debt, the following MAS rules¹ will take effect from 1 June 2015.

RULE 1

If your total interest-bearing outstanding balances² on all credit cards and other unsecured credit facilities with banks and other credit card issuers (hereinafter referred to as “financial institutions”) in Singapore **exceed the industry-wide borrowing limit for 3 consecutive months**, you will generally not be able to:

- charge new amounts to your existing credit cards and/or other unsecured credit facilities with all financial institutions;
- obtain credit limit increases on your existing credit cards and/or other unsecured credit facilities with all financial institutions; and
- obtain new credit cards or other unsecured credit facilities from any financial institution.

The borrowing limit will start at 24 times of your monthly income from 1 June 2015 to 31 May 2017, and will be progressively lowered to 18 times of monthly income from 1 June 2017, and 12 times of monthly income from 1 June 2019.

This rule is to help borrowers avoid accumulating excessive debt and to enhance the lending practices of FIs.

EXCEPTION

This rule does not apply to:

- unsecured loans for needs-based purposes (e.g. business, medical and education);
- borrowers with annual income of \$120,000 or more; and
- borrowers with net personal assets exceeding \$2 million

POSSIBLE NEXT STEPS FOR YOU

If your income has changed, we encourage you to update your income records with your financial institutions. This will help avoid any inadvertent suspension of your credit facilities as a result of outdated income information.

The rule does not require affected borrowers to pay their existing debt immediately. However, if you need assistance in reducing your existing debt, you may approach your financial institutions to work out repayment solutions.

Alternatively, you may contact Credit Counselling Singapore (CCS). CCS is administering a centralised monthly repayment solution – Repayment Assistance Scheme (RAS) – to help borrowers with interest-bearing unsecured debt exceeding 12 times their monthly income before 1 Jun 2015, to gradually pay down the amounts of unsecured debt that are in excess of 12 times of their monthly income. For more details, please call the CCS Helpline at 6996 6006 (9am to 9pm, Monday to Sunday, except Public Holidays).

1. Regulations 16-18 of the Banking (Credit Card and Charge Card) Regulations 2013, and paragraphs 16-18 of MAS Notice 635 (“Unsecured Credit Facilities to Individuals”).
2. These include amounts rolled over on credit cards and balances outstanding on unsecured loans that accrue interest. Such balances do not include amounts charged to credit cards that are fully repaid by their due dates, and amounts outstanding on interest-free instalment payment plans. If, however, interest is imposed on a particular instalment due to late payment, the instalment amount will be included.

RULE 2

If your unsecured outstanding balances with *any* financial institution are **more than 60 days past due**, you will not be able to:

- charge new amounts to your existing credit cards and/or other unsecured credit facilities with that same financial institution;
- obtain credit limit increases on your existing credit cards and/or other unsecured credit facilities with all financial institutions; and
- obtain new credit cards or other unsecured credit facilities from any financial institution.

This is to prevent debt from spiralling for a borrower who has problems making the minimum payments on his existing debt.

EXCEPTIONS

This does not apply to:

- Unsecured loans for needs-based purposes (e.g. business, medical and education).

POSSIBLE NEXT STEPS FOR YOU

If you need assistance in paying your existing debt, we encourage you to approach your financial institution to work out a repayment solution or to approach CCS.

RULE 3

If you do not pay your unsecured debt in full, you will receive customised disclosures in your monthly bills –

- (a) the total amount and time needed to fully pay off your debt if you pay only the minimum payment each month; and
- (b) the amount of debt that would accumulate by the end of 6 months if you make no payments in the next 6 months

This is to make the costs of borrowing more apparent to borrowers, and to show how debt can accumulate if monthly bills are not paid in full.

The MoneySENSE-Singapore Polytechnic Institute For Financial Literacy (IFL) is organising a series of free public talks on “**Take Charge of Your Credit Facilities**”. These talks are aimed at helping borrowers to manage their debt and to resolve their debt issues. Borrowers can also find out more about the new credit card and unsecured credit measures and their impact on them. To register for the talk, please visit the IFL’s website at <http://finlit.sg/public-events/>.

ANNEX – ILLUSTRATION OF RULE 1 (INDUSTRY-WIDE BORROWING LIMIT)

FOR EXAMPLE

- Peter's monthly income is \$5,000. 24 times of his monthly income is \$120,000.
- Peter has five credit cards with financial institution A, B, C, D and E with outstanding balances of \$20,000 each.
- He also has two unsecured credit lines with financial institution F and G with outstanding balances of \$20,000 each.
- Peter's total interest-bearing outstanding balances across the financial institutions are therefore \$140,000 – exceeding 24 times of his monthly income.

If, based on Peter's income records with the financial institutions, his total interest-bearing outstanding balances in March, April and May exceed 24 times his monthly income, his credit cards and unsecured credit lines will be suspended by all seven financial institutions by end June. Peter will not be able to charge new amounts to his credit cards and unsecured credit lines until he reduces his interest-bearing outstanding balances to below 24 times his monthly income and after financial institutions uplift the suspension based on credit assessment according to the latest income document submitted by Peter.