

# CONSULTATION PAPER

P010 - 2016

September 2016

## Proposed Change to the Industry-Wide Borrowing Limit for Unsecured Credit

MAS

Monetary Authority of Singapore

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## 1 Preface

1.1 MAS' rules on unsecured credit<sup>1</sup> aim to promote prudent lending and borrowing practices, and help individuals avoid getting into a debt spiral.

1.2 Currently, financial institutions ("FIs") are not allowed to grant further unsecured credit<sup>2</sup> to individuals whose outstanding unsecured debt<sup>3</sup> exceed the industry-wide borrowing limit for three consecutive months. The borrowing limit is being phased-in to allow existing over-extended borrowers more time to pay down their debts and adjust to the new measures. The borrowing limit is set at:

- 24 times monthly income currently;
- 18 times monthly income from 1 June 2017; and
- 12 times monthly income from 1 June 2019.

1.3 To augment the above measures, MAS proposes to disallow FIs from granting (i) new unsecured credit facilities; or (ii) credit limit increases to individuals whose outstanding unsecured debt already exceed 12 times their monthly income.<sup>4</sup>

1.4 Further details are set out in this consultation paper. MAS has also detailed the relevant legislative amendments in Annex B.

1.5 A Policy Highlights Sheet which summarises the key proposals is available together with this consultation paper on the [consultation paper section of the MAS website](#).

**Please note that all submissions received will be published and attributed to the respective respondents unless they expressly request MAS not to do so. As such, if respondents would like (i) their whole submission or part of it, or (ii) their identity, or both, to be kept confidential, please expressly state so in the submission to MAS. In**

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<sup>1</sup> See Banking Act, Banking (Credit Card and Charge Card) Regulations 2004, MAS Notices 118, 635, 827, 1109, 759, and 760.

<sup>2</sup> Whether by allowing the drawdown of existing credit limits, approving credit limit increases, or granting new unsecured credit facilities.

<sup>3</sup> These are balances on which interest is chargeable across unsecured credit cards, charge cards, and other unsecured credit facilities.

<sup>4</sup> The current exclusions for needs based loans (e.g. education, medical) will continue to apply. Borrowers may still apply to FIs for such loans.

**addition, MAS reserves the right not to publish any submission received where MAS considers it not in the public interest to do so, such as where the submission appears to be libellous or offensive.**

1.6 Please submit written comments by 31 October 2016 to –

Prudential Policy Department  
Monetary Authority of Singapore  
10 Shenton Way, MAS Building  
Singapore 079117  
Fax: (65) 62203973  
Email: [prudential\\_policy\\_dept@mas.gov.sg](mailto:prudential_policy_dept@mas.gov.sg)

1.7 Electronic submission is encouraged. We would appreciate that you use this [suggested template](#) for your submission to ease our collation efforts.

## **2 Limiting additional unsecured credit facilities for individuals whose outstanding unsecured debt exceed 12 times their monthly income**

2.1 Since the implementation of the industry-wide borrowing limit, we have seen an encouraging trend of highly indebted borrowers paying down their outstanding unsecured debts. However, we have also observed that some borrowers with outstanding debt balances above the eventual borrowing limit of 12 times their monthly income are continuing to add to their debts.

2.2 The borrowing limit is being phased in to allow more time for borrowers with pre-existing high debt levels to work down their outstanding unsecured debts and adjust to the eventual borrowing limit. It is not to allow already highly leveraged borrowers to take on more new debt, which would make adjustment to the eventual borrowing limit more difficult.

2.3 Therefore, **MAS proposes amending the unsecured credit legislation to prohibit FIs from granting:**

**(i) new unsecured credit facilities; or**

**(ii) credit limit increases**

**to borrowers with outstanding unsecured debts exceeding 12 times their monthly income, at the point of application.** The requisite legislative amendments are detailed in Annex B.

2.4 We propose to implement the proposed change with the next phase of the borrowing limit (i.e. set at 18 times a borrower's monthly income), i.e. from 1 June 2017.

**Question 1.** MAS seeks comments on the proposal to prohibit FIs from granting (i) new unsecured credit facilities; or (ii) credit limit increases to borrowers with outstanding unsecured debts exceeding 12 times their monthly income. The proposed change will take place with effect from 1 June 2017.

**Annex A**

**LIST OF QUESTIONS**

**Question 1.** MAS seeks comments on the proposal to prohibit FIs from granting (i) new unsecured credit facilities; or (ii) credit limit increases to borrowers with outstanding unsecured debts exceeding 12 times their monthly income. The enhancements will take place on a prospective basis with effect from 1 June 2017. ....5

**Annex B****CONTENTS OF LEGISLATIVE AMENDMENTS**

<b>No.</b>	<b>Document</b>	<b>Page</b>
1	Banking (Credit Card and Charge Card) Regulations	8
2	MAS Notice 118 to Direct Insurers "Unsecured credit facilities to Individuals"	9
3	MAS Notice 635 to Banks "Unsecured credit facilities to Individuals"	10
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**DISCLAIMER: IN DRAFT FORM AND SUBJECT TO CHANGE**

**BANKING ACT  
(CHAPTER 19)**

**BANKING  
(CREDIT CARD AND CHARGE CARD)  
REGULATIONS 2013**

[...]

**New credit card or charge card**

**10 - (1)** Subject to paragraph (2), a card issuer shall not send or give any credit card or charge card to an individual unless the individual has requested for it in a document signed by him **and the individual's cumulative total outstanding unsecured amount is less than 12 times his monthly income.**

[...]

**Increase in credit limit**

**11. - (1)** As from and including 1st June 2014, a card issuer shall not –

(a) increase a cardholder's aggregate credit limit unless the cardholder has requested for the increase in a document signed by him **and the individual's cumulative total outstanding unsecured amount is less than 12 times his monthly income;** or

(b) in relation to a guaranteed credit card or guaranteed charge card, increase the credit limit for that guaranteed credit card or guaranteed charge card, unless the cardholder has requested for the increase in a document signed by him **and the individual's cumulative total outstanding unsecured amount is less than 12 times his monthly income.**



**MAS Notice 118**

29 November 2013\*

Last revised on 27 May 2015

**NOTICE TO DIRECT INSURERS  
INSURANCE ACT, CAP 142**

**UNSECURED CREDIT FACILITIES TO INDIVIDUALS**

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[...]

**New unsecured non-card credit facility**

10(1) A direct insurer shall not grant any unsecured non-card credit facility to an individual unless the individual has requested for it in a document signed by him **and the individual's cumulative total outstanding unsecured amount is less than 12 times his monthly income.**

[...]

**Increase in credit limit**

11(1) As from and including 1 June 2014, a direct insurer shall not increase a borrower's aggregate credit limit unless the borrower has requested for the increase in a document signed by him **and the individual's cumulative total outstanding unsecured amount is less than 12 times his monthly income.**

[...]

**MAS Notice 635**

29 November 2013\*

**NOTICE TO BANKS  
BANKING ACT, CAP 19**

**UNSECURED CREDIT FACILITIES TO INDIVIDUALS**

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[...]

**New unsecured non-card credit facility**

10(1) A bank in Singapore shall not grant any unsecured non-card credit facility to an individual unless the individual has requested for it in a document signed by him **and the individual's cumulative total outstanding unsecured amount is less than 12 times his monthly income.**

[...]

**Increase in credit limit**

11(1) As from and including 1 June 2014, a bank in Singapore shall not increase a borrower's aggregate credit limit unless the borrower has requested for the increase in a document signed by him **and the individual's cumulative total outstanding unsecured amount is less than 12 times his monthly income.**

[...]

**MAS Notice 827**

29 November 2013\*

**NOTICE TO FINANCE COMPANIES  
FINANCE COMPANIES ACT, CAP 108**

**UNSECURED CREDIT FACILITIES TO INDIVIDUALS**

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[...]

**New unsecured non-card credit facility**

10(1) A finance company shall not grant any unsecured non-card credit facility to an individual unless the individual has requested for it in a document signed by him **and the individual's cumulative total outstanding unsecured amount is less than 12 times his monthly income.**

[...]

**Increase in credit limit**

11(1) As from and including 1 June 2014, a finance company shall not increase a borrower's aggregate credit limit unless the borrower has requested for the increase in a document signed by him **and the individual's cumulative total outstanding unsecured amount is less than 12 times his monthly income.**

[...]

**MAS Notice 1109**

29 November 2013\*

**NOTICE TO MERCHANT BANKS  
MONETARY AUTHORITY OF SINGAPORE ACT, CAP 186**

**UNSECURED CREDIT FACILITIES TO INDIVIDUALS**

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[...]

**New unsecured non-card credit facility**

10(1) A merchant bank shall not grant any unsecured non-card credit facility to an individual unless the individual has requested for it in a document signed by him **and the individual's cumulative total outstanding unsecured amount is less than 12 times his monthly income.**

[...]

**Increase in credit limit**

11(1) As from and including 1 June 2014, a merchant bank shall not increase a borrower's aggregate credit limit unless the borrower has requested for the increase in a document signed by him **and the individual's cumulative total outstanding unsecured amount is less than 12 times his monthly income.**

[...]



MAS

Monetary Authority of Singapore